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ABSTRACT

The paper examines auditing practices and employee's behavior in Nigeria. Data was generated from 98 auditing firms and corporate organizations through structured questionnaire. To give the study an empirical dimension, one null hypothesis was developed and tested using Chi-Square statistical tool. The study shows that fear and panicking behavior expressed by the employees are caused by lack of efficient internal control system and the existence of expectation gap between the public and the external auditors. It also shows that a lot of employees of business organizations are gripped by fears and panic when auditors are sent to audit their financial activities. The study therefore recommends that accounting regulatory bodies should, amongst others, restructure their ethics for better performance.

Key words: Financial Activities, Employees Behavior, and Business Organization and Financial Statement

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I. Introduction

According to **Anamakiri, (2007),** auditing examines accounting records of any organization with the aim of expressing opinions on the truth and fair view of their activities. Accounting enables business organizations to know their financial position through the duties of internal and external auditors. This paper is targeted on external auditors' responsibilities. An external person (auditor) is invited at the end of an accounting period to look at the books prepared by the board of directors. Hence, section 357 of the Company and Allied Matters Act, CAMA, stated that an auditor must be appointed at the end of twelve (12) months period to look at the financial records of the business or to examine the accounting records of the business to enable him form an opinion on the truth and fair view of the activities. However, it is as a result of the behavior and attitude of the public toward auditors

in course of performing their statutory role as demanded by the CAMA of 1990, and what the owners of business organizations feel or expect the auditors to do that determines whether a report will show the true position of the organization or otherwise. This article is therefore, targeted on external auditors' responsibilities.

Separation of ownership from the management team of business organizations has continued to encourage the retention or appointment of external auditors to protect the shareholders and the business organizations against fraud and errors committed by managers and employees. This statutory function given to the auditors has no doubt created expectation gap, raise fears and panic whenever business organizations are to be audited. Based on the above, the following questions are raised to assist the research achieve the desired purpose:

i. what do the owners of business organizations and the general public expect the auditors to do while performing their statutory role or auditing activities of a business organization in Nigeria, and

ii. Do auditors' bridge the expectation gaps existing between them and the general public?

This paper is geared toward achieving the following aims, viz:

1. To identify, various reasons why business organizations audit their activities through external auditors,
2. To find out whether the auditors' opinion are influenced by public expectation, and
3. To make recommendations that will help bridge the expectation gap between the public and the auditors.

Based on the above, the study formulated one null research hypothesis for testing, viz:

i. There is no significant relationship between external auditor report and employees behavior.

II. Literature Review

According to **Milichamp (1996)**, an audit of financial statement is an exercise whose objective is to enable auditors to express an opinion whether the financial statement gives a true and fair view or equivalent of the entity's affairs at that period.**Okolo (2001)**, defined audit as a conscientious and objective examination of any statement of accounts relating to money or money's worth, the underlying documents, and physical assets where possible, as will enable the auditor to form an opinion as to whether or not the statement of account presents a true and fair view it purports to represent, and report accordingly.

Wikipedia (2008), defined audit as the examination by an independent third party of the financial statements of a company or any other legal entity (including governments), resulting in the publication of an independent opinion on whether or not those financial statements are relevant, accurate, complete and fairly

presented. **Anamakiri, (2007),** views auditing as the independent examination of the statement of financial activities or affairs prepared by auditors for the management of a business organization as a legal entity to enable them form an opinion on their true and fair position. **Okezie (2004),** defined auditing as the study of how to systematically examine, investigate, review and consider financial statement, financial statement, financial data, books of accounts records and situation as to generate enough relevant and reliable evidence or opinion on the financial statements or situation.

Millichamp (2002), pointed out that the auditor should be an independent person who is appointed to investigate the organization's record and the financial statements prepared for them, and thus, forms an opinion on the accuracy and correctness of the financial statements. According to **Okezie (2004)**, audit can be classified into two groups or types, vis-à-vis internal and external audits. Internal audit is an audit that is performed by an employee of a company called the internal audit. It is the independent appraisal of the accounting control operations as a basis for service to all levels of management. External audit is made up of private and statutory audit. Statutory audit is audits that are carried out as a requirement of law; hence, they are normally stated by the relevant statute.

Adeniyi (2004), pointed out that the primary objective of an audit under CAMA 1990 is for the appointed auditor to express a professional opinion on the financial position of an enterprise as contained in the financial statements prepared by the management so that any person reading and seeing them can have faith in them. **Anamakiri, (2007),**identified six aims of a good auditor. Such aims are,

i. To establish the true view of the organizations financial position
ii. To detect and prevent errors and fraud in the system
iii. To evaluate the effectiveness of the accounting records and its internal control system,
iv. To establish the taxable income in the system
v. To ascertain and ensure that the organization conforms to the country's statutory and professional requirement

Wikipedia (2008), posits that financial audit exists to add credibility to the implied assertion by an organization's management, that its financial statements are fairly representing the organization's position and performance to the firm's stakeholders (interested parties). Therefore, audits are designed to reduce the possibility of material misstatement.

III. Auditing Approaches

These are procedures designed by the auditors to ensure efficient and effective audit exercise. These approaches will enable them form an opinion as per the true and fair view of the financial statements examined. **Okezie (2004)** explained it by adding that by tradition, audits are meticulous, detailed review of records designed to determine whether each transaction was recorded in the

proper account and in the correct amount, with the primary purpose of detecting defalcation and determining whether persons in fiduciary positions were acting and reporting responsibly. Modern auditing deals with a procedure where attention is paid to the efficient working of the internal control system, to reduce and prevent errors and fraud rather than detailed and massive checking (vouching) of transactions and discovery of errors and fraud, **Godson, 2003, Jaja, 2003, Nwayanwu, 2003 (Okezie, 2004, Obara, and Braide (2004) and Anamakiri, (2007)**.

These modern auditing approaches include compliance test, substantive test, vouching, verification, single-purpose test, dual-purpose test, and test of confides. All these approaches enable auditors to achieve completeness, and accuracy of their view. It enables them to examine all the transactions to see if they are properly authorized.

Employee Behavior and Auditor's View

Behavior according to **Jaja (2003),** is a situational reaction, adaptation, and adjustment to phenomenon that exist in one's environment. He added that behavior is public and observable as observers view behavior with a high degree of reliability. Victo-Vroom's expectation theory in **Wikipedia (2008),** stated that behavior results from conscious choices among alternatives whose purpose is to maximize pleasure and minimize pain. Therefore, the key elements that govern behavior according to this theory include expectancy, instrumentality, and valence.

Employee behavior is based on individual personality, skill, knowledge, experience, and abilities) **(Obara, and Braide (2006). Skinner in Wikipedia) (2008)**stated that behavior could be decomposed into neither atomistic parts nor molecules. He added that a complete account of behavior involves an understanding of selection history at three levels, namely biology, behavior and culture. Therefore, behavior of a human being is a product of his/her phylogenetic history or reinforcement history (which includes the learning of cultural practices or interacting with the environment at the moment.

IV. Research Methodology

This paper adopted primary sources of data collection. A structured questionnaire was distributed to selected companies and auditing firms in Port Harcourt. Out of 100 questionnaires that were distributed, 98 respondents returned their questionnaires. Data collected were analyzed using tables, percentages and Chi-Square statistical tool.

Data Presentation and Analysis

Table 1: Response to the Questionnaire

Options	Respondent	Percentages
Yes	98	98%
No	2	2%
Total	100	100%

Source: Field Work, 2009

Table 1. Shows that 98 respondents representing 98 percent duly completed and returned their questionnaire while 2 respondents representing 2 percent did not return their questionnaire

Table 2: Employee Panicking Behavior towards the Auditors

Options	Respondent	Percentages
Satisfactory	90	91%
Not satisfactory	8	8.2%
Total	980	100%

Source: Field Work, 2009

Table 2 revealed 91.8% of the sample populations of employees' in the organization are panicking and afraid of facing auditors while 8 respondents representing 8.2 percent said they are not afraid of auditors.

Table 3: Causes of Employee Fear and Panicking Behavior

	QUESTION 2 RESPONSE	
Option	**Respondents**	**Percentage**
Satisfactory	80	81.6%
Not satisfactory	18	18.4%
Total	98	100%

Source: Field work, 2009

Table 3 shows that 81.6 percent of the respondents said that auditors are sometimes unfriendly to employees' due to their mistakes and irregularities during the audit period, and some employees' lose their positions at work. 18.4 percent said they do not exhibit a panicking behavior.

Table 4: Auditors Opinion about Employee Behavior

Variables	Groups	Percentage respondents
Yes	1st group 1	24(24.5%)
Not	2nd group 2	74(75.5%)
Yes	2nd group 1	82(83.7%)
Not	2nd group 2	16(16.3%)
Yes	3rd group 1	8(8.2%)
Not	3rd group 2	90(91.8%)
Yes	4th group 1	100%
Not	4th group 2	0.0%

Source: Field Work, 2009

Table 4 reveals that 24.5 percent of the auditors agreed that the employees are friendly, while 74 respondents representing 75.5 percent of them were of the opinion that employees do not see them as friends. 83.7 percent observed fears and panicking from employees, whereas, 16.3 percent agreed that they did not observe any fear or panic from employees. 8.2 percent said that the fear and

panicking behavior observed from employees sometimes affect their deposition while 91.8 percent said that no amount of panicking by employees can affect their opinion on the financial statement examined.

Table 5: Computation Of X^2 for Research Hypothesis 1

O	E	O-E	(O-E)2	(O-E)2/E
90	81.75	8.25	68.0625	0.8326
8	16.25	-8.25	68.0625	4.1885
80	81.75	-1.75	3.0625	0.0375
18	16.25	1.75	3.0625	0.1885
78	81.75	-3.75	14.0625	0.1720
10	16.25	-6.25	39.0625	2.4038
79	81.75	-2.75	7.5625	0.0925
23	16.25	6.75	45.5625	2.8039
NA	NA	NA	NA	10.7192

Sources: Author's Computation, 2009

Table 5 shows a calculated value of 10.72, and a table value of 5.99 on a 0.05 level of significance. Since the calculated value is more than the critical value, the null hypothesis is hereby rejected; hence fears and panicking behavior of employees' affect auditing practices.

V. Conclusion and Policy Recommendations

Nigeria will not achieve any meaningful result if auditors do not live up to their responsibility of expressing their correct opinion on the financial statements of affairs examined. Ethics will help to improve auditing practice in Nigeria, as it will eradicate and reduce corruption in the organizations. Organizations in Nigeria should ensure that due process is followed, and their internal control systems strictly adhered to. Based on the above, the study put forward the following recommendations for policy makers.

i. Government should ensure that employed qualified staff is deployed in specialized areas to strengthen accounting records and financial control mechanism in the organizations.
ii. Business organizations should ensure that their records are monitored weekly to prevent errors and fraud in the system
iii. Auditing firms which are found wanting should be sanctioned and prevented from practicing and
iv. Government should promulgate a legislation that will reward any auditor who notices and exposes financial abnormalities,
v. Accounting regulatory bodies should restructure their ethics for better performance.

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