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Historical Perspective of Auditing and Professional Accounting Development in Nigeria

Paul Olojede*[1], Erin Olayinka[2]

[1] *Covenant University, Nigeria*
[2] *Anchor University, Nigeria*

Abstract: Auditing as a profession has come of age. It is an independent service that lends credibility from the outset to the report that a representative presents to his or her client. In today's business world, the role of credibility is even more important as ownership is diversified and ownership and control are separated. However, the financial scandals of recent years have led the public to question the credibility of auditing. The periodic and backward-looking approach to auditing is becoming ineffective in light of the global financial debacles of recent years, changing investor information needs, technological advances, and real-time processes in the corporate landscape. The study sought to examine the history of auditing and the evolution of the auditing profession in Nigeria in light of the ongoing change in public expectations. The study was purely exploratory, using desk research without any fieldwork. The data used were from secondary sources and were obtained through documentary survey. The findings of the study revealed that the role and objectives of auditing have always changed in response to circumstances such as financial scandals, court judgments, health threats such as the COVID 19 pandemic, and technological developments in the business environment. In Nigeria, government laws and government regulatory bodies play an important role in the development of the auditing profession. Nevertheless, the responses of the auditing profession have not kept pace with the real-time economy of today's businesses.

Keywords: Auditing, development, history, professional practice, Nigeria

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* Corresponding author: E-mail: paul.olojede@stu.cu.edu.ng

1. INTRODUCTION

Aldous Huxley (n.d.) once remarked, "That men do not learn much from the lessons of history is the most important lesson history has to teach." Through history, we can learn from the past by avoiding the pitfalls of the previous generation and continuing their good legacy. History will also make us evaluate the present and plunge us into a better future. Moreover, understanding the past influences our thinking today, the evaluation of which could be a good legacy for future development. Like any other profession, auditing has an origin that can be traced to historical documents in literature (Owolabi & Olagunju, 2020). Unfortunately, people hardly learn from the past. The financial crisis of recent years and its aftermath have created an expectation gap that auditing as a profession must fill. This is the only way to restore public trust. Otherwise, the problem of credibility will keep coming up - a phenomenon that does not bode well for the future of the profession. A major problem in the presentation of African history is that Africa had no documentation of its historical past, especially the pre-colonial period. As a result, earlier historians excluded Africa from the philosophy of history (Hegel, 1956; Trevor-Roper, 1965). Audit history, like accounting history, is no exception. Moreover, history has been skewed in favour of the Anglo-Saxons (Carmona, 2002; Annisette, 2006).

The term audit derives from the Latin word 'audire,' which means "to hear." Since its first use, the term has grown in meaning and has been described several times as audit, control, review, inspection, and investigation (Owolabi & Olagunju, 2020). In the early days, the auditor listened to the financial statements read by an accountant in order to examine them. There is evidence that audits existed in the Babylonian kingdom around 3000 BC. The first documented auditing activity involved the spies appointed by King Darius in ancient Persia (522 to 486 BC). The spies, as auditors acted as "the ears of the king" They were to check the behaviour of provincial satraps (provincial governors in ancient Persia). Audit Monk (2017) reports that in the ancient kingdoms of Greece, Egypt, China, and Rome, officials were appointed to monitor and inspect merchants' goods, which is considered evidence of an audit process. The inspection activities in ancient Greece are similar to auditing today.

In researching the history of auditing, Flint (1988) noted that auditing was introduced because interested parties did not have access to useful information or were unable to obtain the necessary assurance of management by the appointee. He related that auditing serves as a means of social control to evaluate performance and enforce accountability. Tanko (2011) said in his paper that auditing has its roots in accounting. Accounting developed and grew in response to the development of the global economy. In the case of auditing, it began with the separation of ownership and control. In the early days, the principal gave the agent funds. The commissioner used the funds and accounted for them in a report. The auditor would review that report and give it credibility, thereby assuring the principal of the report's credibility. Owolabi, Jayeoba, and Ajibade (2016) argued that the theories of agencies, accounting, and auditing are intertwined.

The role of auditing derives from its history but has changed in response to the dynamics in the business environment. Iuliana (2012) stated that auditing has evolved in response to the demands of society and that audit objectives have changed over the years, from the Middle Ages to the Industrial Revolution to the 21st century. Thus, examining the evolution of auditing suggests that it has responded to the needs of business. Ascarenhas and Turkey (1990) and Abdel-Qader (2002) agreed that audit objectives have constantly changed. Brown (1962) said in his paper that over the last four hundred years of auditing,

audit objectives and strategies have changed in response to society's changing expectations. Porter (1997) postulated that prior to the 20th century, the primary objective of an audit was to detect fraud. During that time, auditors reported fraudulent acts to shareholders that had affected the credibility of financial statements. With the growth of business and the volume of transactions, it has become difficult, if not impossible, for auditors to review all transactions. Therefore, sampling procedures have been applied.

Porter also noted that sampling provides reasonable assurance about the content of financial statements. With this development, the original task of detecting fraud was no longer the primary objective. In the 1930s, the primary objective of an audit shifted to examining the financial statements and relevant records. The profession took the position that management is responsible for detecting fraud. Thus, it is the responsibility of management to establish a good internal control mechanism to prevent fraud and other irregularities in the organization (Vanasco, 1998). The use of statistical sampling techniques for audits exposes audit firms to greater risk (Olojede, et al., 2020). Thus, risk-based auditing developed in the mid-1980s as an appendage of the analytical process (Turley & Cooper, 2005). Porter, et al. (2005) said that modern auditing focuses more on the business risk situation of clients. Most business risks could have a negative impact on financial statements if they are not adequately mitigated

Professionalism describes the way a person demonstrates professional competence and adheres to a set of standards and rules of conduct in the performance of his or her duties. It is the skill, good judgment, and ethical behavior that a person displays in his or her work. Willmott (1986) and Uche (2002) noted that there is a widespread belief that professional associations exist primarily, but not exclusively, as political bodies with the purpose of defining, organizing, securing, and promoting the interests of their members. The influence of government is critical to the ability of professional members to achieve their stated goals. The attitude of the state toward the goals of the profession in question depends on the nature of the government, the expectations of society and the development prerequisites of the state, the problem-solving skills of the profession, social relations, and lobbying efforts of the profession (Uche, 2002). Most studies on the development of the accounting profession tend to focus on the cognitive qualities of the accounting profession without considering the social and political environment in which it operates. This study fills this gap by including social and political factors in its analysis

The objective of the study is to examine the history of auditing and the development of the accounting profession in Nigeria. Reviewing the historical development of auditing will enable us to understand and analyze its evolution in light of the constant change in public expectations. The analysis also examines the evolution of the auditing profession in Nigeria and the challenges it faces at various stages of its growth.

The remainder of the paper is devoted to the purpose of the study, an exploratory description of the history of auditing, theories of auditing and the evolution of accounting, the evolution of the auditing profession, the evolution of accounting practice in Nigeria, the transition from audit efficiency to audit effectiveness, auditing practice and technology, auditing of the future, and the conclusion

2. THEORETICAL OVERVIEW

2.1 Theories of Auditing

Several theories explain the reasons for the demand for audit services. The four theories proposed by Hayes, Dassen, Schider, and Wallage (2005) are used to support this paper. The theories are policing theory, agency theory, credit theory, and inspired trust theory.

2.1.1 Police theory

Until the 1940s, the police theory was the most popular theory on auditing (Hayes et al., 2005). The theory states that it is the auditor's duty to police the organization by preventing and detecting fraud. To fulfill this obligation, he or she must detect, discover, and prevent fraudulent activity within the organization. Given today's reality, where the focus has shifted to obtaining reasonable assurance and verifying the accuracy and adequacy of the financial statements, the theory seems to have lost its validity. Following the financial scandals of recent years, the public has urged that fraud detection and prevention should be part of the auditor's responsibilities. However, the role of the auditor is explicitly defined in the relevant legislation and auditing standards as providing reasonable assurance on the accuracy and propriety of the financial statements and auditing them. The proposal to change the role of the auditor creates a gap in audit expectations that is a current problem in the audit of financial statements. While management has a legal duty to prevent and detect fraud, auditors have a duty of care and expertise to users of financial statements. Auditors should consider the risk of material misstatement due to fraud in forming their opinion.

2.1.2 The Theory of Creditworthiness

The credibility theory states that the primary objective of an audit is to provide credibility to financial statements. Credibility is an essential service of great value to the public. Management is worthless if it lacks credibility. Audited financial statements thus become an elixir that strengthens users' trust in the administration. Although audited financial statements are not the only source of information for investment decisions, user confidence in them facilitates high-value economic decisions. Overall, the public believes that an audit enhances the credibility of financial statements and reduces information asymmetry between stakeholders and management. Audited financial statements are believed to faithfully reflect the economic value of the company. Therefore, they are reliable. The financial scandals of recent years have proven this to be false. Joint audits have improved the quality of audits and the credibility of financial statements (Owolabi & Olagunju, 2020). However, if not properly managed, one firm could become a free rider for the other and undermine the overall accuracy of audit evidence

2.1.3 The Inspired Trust Theory

This theory was developed by Limperg in 1932 and relates to the demand and supply of audit services. The theory assumes that outsiders are interested in the affairs of the company but do not have access to all the information they need about the company. Therefore, they rely on auditors to provide audit services to reduce the likelihood of material misstatement and eliminate distortions in financial statements. When auditors provide audit services, public confidence is enhanced by the credibility of the financial statements, which is confirmed in the auditor's report. In Nigeria, many investors suffered

colossal losses from the financial debacles of companies such as Enron, WorldCom, Xerox, Lehman Brothers, Polly Peck and Cadbury Plc. After these events, the accounting profession seems to have lost its position of trust and ethical impropriety (Olojede, Erin, Asiriuwa & Usman 2020). Public reactions indicate that auditing is losing its social value. Therefore, auditors should rededicate themselves to the highest standards of quality and ethical service.

2.1.4 The Agency Theory

Agency theory is a crucial assumption in the discourse on the development of auditing. It has its basis in the economic theory developed by Alchain & Demsetz (1972). Jensen & Meckling (1976) further elaborated the agency theory. Over the years, the theory has significantly influenced the practice of economics and strategic management. Legally, agency theory can be described as a 'fiduciary relationship formed by an express or implied contract in which one party (the agent) acts on behalf of another party (the principal) and binds that other party by words or actions' (DeMott, 2018). However, from an economic perspective, it is a relationship between the principal (shareholders) and the agent (managers). Most of the time, the interests of the managers collide with the interests of the shareholders, especially when each party pursues its own interests. Managers achieve this by withholding important accounting information about the firm's performance from shareholders (Lehmann, 2016). Therefore, the consideration of costs and benefits in the agent-principal relationship is crucial. Costs arise from the delegation of authority to agents. In modern firms, share ownership is widely dispersed, resulting in 'agency costs." Agency costs are the sum of the principal's monitoring costs, the agent's retention costs, and residual loss. Monitoring costs are the costs of controlling the agent's excesses. This includes the cost of hiring auditors to lend credibility to the financial statements presented to shareholders (principals) by the managers (agents).

Principals use the audit as a control mechanism to provide independent and reliable judgment on the financial statements presented by the agents. The audit function paves the way for appropriate accountability and transparency. Through this process, trust and confidence in the organization are secured. The audit theories used to underpin this study are relevant in that they explain the reasons for the demand for audit services at different stages of audit development. This is consistent with the objective of the study. Iuliana (2012) stated that auditing has evolved in response to the demands of society and audit objectives have changed over the years, from the Middle Ages to the Industrial Revolution to the 21st century. In the early days, the main objective of auditing was to seek, detect, and prevent fraud. Today, the main objective is to obtain reasonable assurance and verify the accuracy and reasonableness of financial statements. To achieve this objective, "the auditor is responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud (ISA 240, 2009)

2.2 Theories of professional development

In the existing literature, there are several theories that attempt to explain professional development in accounting. They include functionalism, interactionism, and Weberian theories. Functionalism states that society is more than the sum of its parts. Each component works for the stability of the whole society. Therefore, it emphasizes order and consensus in society and focuses on social stability and shared public values

2.2.1 The Functionalist Theory

The functionalist theorists assume that occupations develop when a group of people practice a well-defined technique through specific training (Greenwood, 1957). Functional requirements are attached to any social system to ensure its efficiency and survival. Of particular importance are role allocation and performance. In a social structure, positions are filled on the basis of merit. Functionalists view an occupation as an activity performed primarily for others and not just for oneself (Barber, 1963). In other words, professionals must perform their duties selflessly. However, this position changed over time, and some scholars began to give more weight to the complexity of social organizations and the possibility that competence and service to the community are not the only explanatory variables for the emergence of a profession (Uche, 2002). This new development led to the emergence of the "interactionist theory' of occupations.

2.2.2 The Interactionist Theory

The interactionist theory focuses more on internal mental models than on external social models. Thus, meanings are derived through social interaction. it is about "meaning making". It happens that an individual associates objects and actions with meaning for himself. Therefore, the theory seems to be rather provisional and even negotiable. People pay more attention to the process than to the product of professionalisation (Salawu & Obi, 2013). Interactionists argue that professions are primarily concerned with protecting the interests of their group, which sometimes conflict with the interests of the broader society. However, it has been shown that the interests of the group are not homogeneous. Similarly, Haug and Sussman (2014) observed that as interest groups, professional groups attempt to convince others of the legitimacy of their claim to professional recognition. The inability to distinguish themselves as a profession could mean that the leadership of the association is politically weak. The major weakness of interactionist theory is that it is indifferent to evidence and proof. Although interactionist scholars acknowledge the influence of politics on the professionalisation process, they fail to consider the structural conditions under which different professional groups can succeed (Wilmott, 1986, Uche, 2002)

2.2.3 Weber's Theory

Weber's theory states that occupational groups sell their expertise and skills in exchange for adequate income and social prestige. They achieve this goal through social closure to limit competition and regulate new professions. In addition, closure is protected through regulatory arrangements with the state (Cooper, 1995; Iyoha, 2011). Yapa (2006) defined social closure theory as a situation in which an occupational group attempts to influence market conditions in its favour by limiting access to labour. This model of Weberian theory is not without problems. Owolabi (2005) expressed concern that a single professional organisation might promote social inequality through the closure regime. Furthermore, if the closure model is not managed appropriately, it could lead to labour shortages in the specialised field. Weberian theory seemed to be in vogue in Nigerian accounting until 1990, when the Companies and Allied Matters Act created the basis for the recognition of other professional bodies besides ICAN

3. RESEARCH METHODS

The study was conducted as a desk study without field research. The data used were obtained from secondary sources through a documentary survey. The materials for the paper were obtained through new knowledge from oral traditions and traditional sources such as journals, periodicals and textbooks.

4. HISTORY OF AUDITING

The word "audit" is derived from the Latin word "audire," which means "to hear." In earlier times, an auditor would listen to the financial statements read aloud by the accountant to confirm them. The term "auditing" has been defined in various ways, but the American Accounting Association's Committee on Basic Auditing Concepts has used a more permanent definition. The committee defines auditing as "a systematic process of objectively obtaining and evaluating evidence of assertions about economic acts and events to determine the degree of consistency between those assertions and established criteria and communicating the results to interested users" Auditing procedures have been relied upon for many years, but it was not long before formal auditing practises began. Historically, auditing was periodic and backward-looking, reporting financial transactions long after they occurred. However, with the recent evolution of stakeholders' information needs and advances in information technology, a paradigm shift is now occurring toward a more proactive audit approach

The remainder of this section focuses on the evolution of audit objectives and audit response to the dynamics of the socioeconomic environment. To facilitate proper study and analysis, the historical evolution has been divided into five chronological periods: (i) pre-1840s (ii) 1840s-1920s (iii) 1920s-1960s (iv) 1960s-1990s and (v) 1990s-present (Lee & Azham, 2008; Owolabi & Olagunju, 2020).

4.1 Before 1840

In the early days, the comptroller listened to accounts read aloud by an accountant to verify them. There is evidence that audits existed as early as the Babylonian kingdom around 3000 BC. The first documented audit activity involved the spies employed by King Darius in ancient Persia (522 to 486 BC). The spies as auditors acted as "the ears of the king" They were to check the behavior of provincial satraps (provincial governors in ancient Persia). Audit Monk (2017) reports that in the ancient kingdoms of Greece, Egypt, China, and Rome, officials were appointed to monitor and inspect merchants' goods as evidence of an audit process ((Lee, 1986; Boyd, 1905). The auditing activity in ancient Greece resembles that of auditing today (c. 350 B.C.). However, the history of auditing has not been well recorded (Lee, 1994). Evidence of auditing is found mainly in the form of markings on tablets and buildings (Porter, Simon & Hatherly, 2014). Prior to 1700, kings, emperors, churches, and states were the controlling authorities, and the people of the state and scribes acted as auditors. The controls were established to protect assets, especially to ensure that misappropriation of money did not occur. If this did occur, the guilty would be appropriately punished. In 1394, the control system in the city of Pisa was similar to that of the Italian city-state, except that the accounts of government officials were examined to detect embezzlement (Brown, 1962)

Similar control activities were observed in the old English treasury (exchequer). The Exchequer was established in England during the reign of Henry I (1100-1135), and

special auditors ensured proper accountabilities for all transactions related to government revenues and expenditures (Gul, Teoh, Andrew & Schelluch, 1994). Those who audited the accounts were called "auditors" at that time. They audited the accounts to prevent fraudulent activities (Abdel-Qader, 2002). This control activity was also observed in the Italian city-states, where the merchants of Florence, Geneo, and Venice employed auditors to verify the riches brought by the captains of the sailing ships from the Old World on their way to the European continent. There were no structured companies, and formal internal control mechanisms did not exist, as could be observed. The audit process was limited to a detailed review of all operations. The technique of sampling had not yet been introduced in this period

The audit objective in the pre-1840 period was essentially to prevent fraud by ensuring that officials entrusted with financial management were transparent and faithful (Fitzpatrick, 1939). The primary role of auditors was to detect fraud. They were viewed as bloodhounds rather than watchdogs

4.2 The 1840s-1920s

The socioeconomic environment changed with the Industrial Revolution in the United Kingdom. By then, the practice of testing had not been fully established (Gill & Cosserat, 1996). Brown (1962) noted that the Industrial Revolution transformed economies based on agriculture and manual labor into mechanized production, large-scale farms, and factories. This transformation led to corporate structures in enterprises (Abdel-Qader, 2002). Consequently, substantial resources were needed to finance the huge capital expenditures that resulted from the expansion of industrial activities. The financing gap was promptly filled by the emergence of the "middle class," which had small surplus funds for investment. During this period, many companies were vulnerable to financial failures because the stock market was speculative and unregulated. Thus, funders were not adequately protected against the risk of loss of their investments and personal wealth because liability was not limited in the event of a corporate failure. Porter, Simon, and Hatherly (2005) pointed out that regulated and registered accounting firms are needed to minimize the risk of corporate failures and protect investors from large debts.

The Joint Stock Companies Act of 1844 (United Kingdom) was enacted in response to socioeconomic developments, particularly by establishing a legal framework for the accounting of joint stock companies. The Act made directors responsible for keeping proper books of account and for preparing a full and fair balance sheet of the company. It also provided for the appointment of auditors to examine the accounts of the company. The Companies Act of 1862 (Great Britain) made statutory audits and the annual presentation of the balance sheet to shareholders mandatory. However, this provision did not come into force until 1900 (Leung, Coram, and Cooper (2007)). Porter et al. (2005) expressed that accountants were managers in companies during this period. They were generally responsible for the safekeeping, honest, and prudent use of the financial resources entrusted to them. In addition, the selected shareholders, who were elected by other shareholders to represent them, acted as auditors. They examined the records of the directors and the accounts presented to them. During this period, the main role of the auditors was to review business transactions, ensure that the books were properly kept, and ensure that the books were prepared and presented in accordance with the law (Brown, 1962). The company's internal control system was not emphasized because all entries had to be supported by a voucher

Porter et al. (2005) reported that court decisions significantly affected audit practice. The London and General Bank (1895) and Kingston Cotton Mill (1896) cases confirmed that the main objective of an audit was to detect fraud and error. These cases also became reference points for evaluating the quality of auditors' work. Similarly, Dicksee (1892) stated in his book that audit objectives included detecting fraud, technical errors, and errors in principles (cited in Leung, et al., 2004). Thus, it can be said that the main task of an auditor in the 1840sto 1920s was to detect fraud and to present the true cash position of the company.

4.3 The 1920s-1960s

During this period, the U.S. economy experienced rapid growth, so the development of auditing expanded from the United Kingdom to the United States. Chatfield (1977) noted that the British tradition strongly influenced the first American audits. After the Wall Street Crash of 1929 and the depression that followed, investment in business increased rapidly. Meanwhile, the development of the capital market encouraged the growth of securities markets and lending institutions. The enlargement of corporations encouraged the separation of ownership and management functions. Since investors had to rely on financial information, they needed assurance that financial statements faithfully reflected the economic substance of the company (Porter, et al., 2005). Therefore, the main objective of an audit changed from the detection of fraud and errors to the credibility of the financial statements prepared by the company's management

During this period, the volume of transactions increased due to the expansion of business activities, and it was no longer possible for auditors to control all transactions. In response to this challenge, the concept of materiality (Queenan, 1946) and the sampling technique (Brown, 1962) were introduced into the audit process. The sampling technique provides an acceptable condition for the auditor to draw conclusions at the lowest possible cost. The sampling technique provides supporting evidence that allows auditors to express an opinion without testing every transaction. In contrast, materiality considers not only the quantified amount, but also the impact that amount will have in various contexts. It is an essential part of an audit in which misstatements in the entity's financial statements are considered material if they are likely to have a reasonable influence on the economic decisions of users. However, materiality and sampling are interrelated. For example, auditors apply the concept of materiality in assessing the significance of errors or misstatements in a sample.

Short (1940) also confirmed the use of sampling methods in the 1920sto 1960s. He stated that a detailed examination of all transactions and entries was not mandatory to obtain audit evidence. However, he said, the auditor must satisfy himself that he can rely on the company's internal control system before sampling a group of transactions. Byrnes et al. (2012) reported that audits were not performed independently; auditors mostly relied on information provided by management. According to them, the revision of auditing standards in response to the significant corporate failures and subsequent public demands was rather reactive. In addition, decided court cases such as McKesson and Robbins (1938) and Royal Mail (1931) formed the basis on which the basic principles of auditing were developed. McKesson and Robbins laid the foundation for physical verification of assets and the use of external evidence. Prior to this, physical verification of inventories and confirmation of accounts receivable were not mandatory.

As a result, in October 1939, the AICPA issued Statement on Auditing Procedure (SAP) No. 1, which provided that auditors should audit inventories and confirm accounts receivable (Byrnes, et al., 2012). Similarly, the Royal Mail case led to massive changes in the way companies were audited, emphasising in particular the importance of income statement audits and the elimination of hidden reserves. Subsequently, the Companies Act of 1948 and the Securities and Exchange Commission Act of 1934 were enacted in the United Kingdom to make the audit of profit and loss accounts mandatory

Finally, the characteristics of the audit process during this period consisted of random transaction testing (audit sampling), reliance on the company's internal control system, and obtaining audit evidence from internal and external sources. There was also a physical verification of assets, a review of income statements, and an opinion on the accuracy and fairness of the financial statements (Porter, et al., 2005).

4.4 The 1960s-1990s

Lee and Azham (2008) stated that the growth of the world economy and the emancipation of technological progress increased the volume and complexity of corporate transactions. They confirmed that auditors played a crucial role in increasing the credibility of financial reports and making capital market operations more efficient in the 1970s (Porter, et al. 2005). Leung, Coram, Cooper, Cosserat, and Gill (2004) expressed that auditors' duties include confirming the truthfulness and fairness of financial reports. The audit objectives did not differ from those of the previous period (1920s to 1960s). The audit approach changed from 'vouching for each individual accounting entry" to 'procedural or systems audit' (Davies, Paterson & Wilson, 1999; Lee & Azham, 2008).

Internal control arrangements still had to be relied upon when conducting a system audit. Salehi (2007) confirmed that the audit approach changed slightly from internal control system assessment to a larger analytical process in the early 1980s due to the expensive audit process and high audit fees. In the mid-1980s, risk-based auditing evolved as an appendage of the analytical process (Turley & Cooper, 2005). Although audit approaches have changed over the years, the changes have not kept pace with the evolution of the operational environment. The use of statistical sampling techniques for audit testing exposes audit firms to greater risk (Olojede, et al., 2020). Risk-based auditing focuses more on areas that are susceptible to error. Porter, et al. (2005) advised that auditors need to understand the client's system and the industry in which they operate. In a risk-based audit approach, audit evidence is gathered from internal and external sources.

From the 1960s to the 1990s, most systems were computerized. This revolutionized accounting and control methods, leading to the greater challenge of losing the audit trail. Auditors mitigated this new challenge by relying on advanced audit software. Prior to the introduction of software, auditing practices moved from auditing around the computer to auditing through the computer using audit programs. They also offered consulting services to their clients. Leung et al. (2004) noted that audit firms became a one-stop store for professional services. They were engaged in developing comprehensive audit approaches that included a wide range of non-audit services. While this was a positive development for audit firms, it created a role conflict between auditing and accounting services. This scenario led to an ambiguous relationship between accounting firms and clients, with some of these firms failing to perform their due diligence. However, between the 1960s and 1990s, consulting services were accepted as a secondary audit objective (Porter, et al., 2005).

4.5 The 1990s to the present

Revolution and the unprecedented global economy led to exponential changes in audit practices. Porter, et al. (2005) said that contemporary auditing focused more on the business risk situation of clients. Most business risks could have a negative impact on financial statements if not properly mitigated. Therefore, auditors should have a thorough understanding of the client's business risk profile to determine what is significant and relevant for the purposes of their work. The provision of advisory services also increased during this period. Boynton, Johnson, and Kell (2006) confirmed that in 2000, revenue from consulting services was higher than revenue from audit services in the United States. This in itself is a major threat to the auditing profession, as it could result in a conflict of interest. In the Enron case, the auditing firm Arthur Anderson jeopardized its independence because of the large financial incentives from non-audit services

Public confidence in auditors was shaken by the financial scandals at Enron, WorldCom, Xerox Lehman Brothers, Polly Peck, African Petroleum Plc, and Cadbury Plc. These events led stakeholders to believe that auditors either failed in their roles or intentionally colluded with management and the board to perpetuate the frauds (Olojede et al., 2020). In response to the public outcry and various lawsuits, the major accounting firms separated consulting services from audit services to maintain auditor independence and improve audit quality (Owolabi & Olagunju, 2020).

There have also been audit reforms in various countries and professional bodies. In particular, the Sarbanes-Oxley Act (2000) in the United States sets the rules for auditor independence. The Act provides for audit quality control, rotation of audit partners, and prohibition of conflicts of interest. In addition, auditors should report to the audit committee on significant matters. Section 404 of the Act provides that the auditor shall conduct an appropriate audit of the internal control system and submit a separate report on its adequacy. The Act also provides for the establishment of the Public Company Accounting Oversight Board (PCAOB) to oversee audit firms. Following the Sarbanes-Oxley Act (2000), professional organizations have paid more attention to the occurrence of fraud during the audit process. Statement on Auditing Standards No. 99, 'Consideration of Fraud in a Financial Statement Audit' (AICPA, Professional Standards, A.U. sec. 316), provides that auditors should design audit procedures that reasonably detect fraud that could materially affect the financial statements.

5. PROFESSIONAL DEVELOPMENT IN ACCOUNTING AND THE ECONOMIC ENVIRONMENT

A profession is an activity that requires extensive education and specialized training so that the professional acquires outstanding knowledge to provide that unique, specialized, and limited service(s) to the public. Each profession should be able to develop a culture that guides and governs the professional conduct of its members. Professionalism describes the way a person demonstrates professional competence and adheres to a set of standards and a code of conduct in order to perform his or her duties. It is the skill, good judgment, and ethical behavior that a person exhibits in his or her work. Members of any profession have an obligation to protect the public interest when providing their services. This is not always the case, as professionals have the ability to delineate and control their work. The status of a profession reflects personal interest rather than public interest. The essence of control over the profession is to obtain maximum compensation for the specialized services of its members.

The accounting profession is one that requires extensive education and specialized training to provide professional accounting services to society. Professional accounting services include bookkeeping, auditing, taxation, business consulting, and financial management. No matter how well a profession may have armed itself against competition and other threats, it cannot escape the dynamics of the economic environment and the influence of the state. Since each country has its own institutional context, accounting practices differ from one country to another (Cooke and Wallace, 1990). The concept of "institution" describes the systems of social beliefs (e.g., policies, laws, education, religion, and regulations) and socially organized practices that underlie any society (Scott, 2001). Similarly, Iyoha (2011) stated that the development of the accounting profession is determined by the various factors in the business environment. These factors include economic growth, political and legal status, legal framework, and cultural beliefs

Willmott (1986) and Uche (2002) expressed the widely held view that professional associations exist primarily, but not exclusively, as political bodies to define, organize, secure, and promote the interests of members. The influence of government is critical to the ability of professional associations to achieve their stated goals. How the state relates to the goals of individual professions depends on the nature of government, society's expectations, the state's development prerequisites, the professions' problem-solving skills, social relations, and the professions' lobbying efforts (Uche, 2002). However, the relationship between the state and the profession is complex and not static. Legislation is often used to subject the profession to the control of the state (Wallace, 1992). Ultimately, in such an environment, the profession relies on the power of the state to restrict access to its "field" (Larson, 1977).

The emergence of a modern state has significant implications for the development of accounting practice, particularly in developing countries such as Nigeria where the political culture has yet to develop, and the government has not been stable since independence (Uche, 2002). From an empirical perspective, Elbayoumi, Awadallah, and Basuony (2019) examined the development of the Egyptian accounting profession and found that political, economic, institutional, legal, and cultural factors contribute to the development of the accounting profession in Egypt. In addition, privatization drove the reform of financial reporting regulations and the corporate governance framework. Similarly, Tahat, Omran & AbuGhazaleh (2018) examined the factors that affected the development of accounting practice in Jordan and concluded that the legacy of the Ottoman Empire and the British colonial government, the legal framework, political and economic factors, and cultural influences promoted the development of accounting practice in Jordan.

6. EVOLUTION OF ACCOUNTING PRACTICE IN NIGERIA

6.1 Evolution of Accounting Practice

The time when accounting was first practiced in Nigeria cannot be readily determined because there are no written records. However, oral traditions indicate that accounting was practiced in Nigeria before the arrival of the British in some ancient kingdoms such as Benin, Oyo, Kanem and Bornu. Abdul Ganiyy [2013] in his study noted that accounting practice followed the British pattern before Nigeria's independence in 1960. As a British colony, Nigeria adopted accounting and regulatory practices that were rooted in the British model. Therefore, there is no significant difference between Nigeria and the United Kingdom in terms of professional accounting practices. Prior to independence,

multinational corporations and large international accounting firms dominated the economy. Apart from the international accounting firms that influenced audit practice, most accountants were British or trained in the UK. British qualified accountants dominated the civil service and the private sector. This status quo remained until 1960. However, the movement towards political independence in Nigeria in the 1950s gave impetus to the development of the accountancy profession in Nigeria (Iyoha, 2011).

Owolabi, et al (2016) noted that the relevant corporate regulations that existed before independence emphasized the appointment of auditors without specifying their qualifications. Although there were some British qualified accountants in Nigeria, those appointed as auditors were predominantly either unqualified or qualified but British trained.

Prior to the establishment of Akintola Williams & Co, the accountancy profession in Nigeria was virtually monopolized by European firms. One of these was Cassleton Elliott & Co. which had a virtual monopoly on accounting and auditing practice since 1923. Four other accounting firms were also established. They were Copper Brothers (later Coopers and Lybrand), Midgley, Snelling, Barnes & Co. (later Adetona, Isichei & Co.), Pannel Fitzpatrick & Co. (later Pannel Kerr Forster & Co.), and Hall-Thompson & Co. During this period, there was Ernest Sale & Co. This was a firm of chartered accountants and not chartered accountants. There was a Ghanaian firm called Dolorn Brothers and other Nigerian firms such as Thomas Silva & Co. and S.O. Ogundiya. The partners were not Chartered Accountants except for Mr. Ogundiya who was a Certified Accountant. Therefore, it was an uphill battle to break the monopoly of the international firms. The European firms audited most of the multinationals in Nigeria because there was no indigenization law at that time. The auditors were either appointed by one of the five European firms in Nigeria or sent directly from Europe to Nigeria (Inanga, 1992).

Akintola Williams, the doyen of the Nigerian accountancy profession, was trained by the Institute of Chartered Accountants England and Wales. He founded Akintola Williams & Co. in 1952 (now Akintola Williams Deloitte), the first indigenous accounting firm. Today, the firm has become the largest indigenous firm in Africa and a member of the Deloitte Group. The firm became a pacesetter in the audit practice in Nigeria. The firm survived fierce competition from the international accounting firms that dominated the practice in Nigeria. Today, while there are many domestic accounting firms in the country, the international accounting firms, usually referred to as the 'Big Four,' still dominate the market. The presence of the international accounting firms has contributed greatly to the development of the accounting practice in Nigeria through the development of human resources, technology, and the transfer of corporate cultures. For example, Deloitte has an academy for training smaller firms. Conversely, their market dominance continues to inhibit the growth of most of the relatively small indigenous firms.

The practice of auditing in Nigeria before independence in 1960 was not limited to the private sector. The history of audit functions in the public sector shows that some developments were consistent with agency theory and management control (Hay & Cordery, 2018). Public sector auditing can be traced back to colonial times. Prior to 1910, the Colonial Branch of the Exchequer and Audit Department, established in 1810, was responsible for auditing public accounts. In 1910, the Colonial Audit Service was established, reporting to the Secretary of State of the Colonies. In the same year, the heads of the Southern and Northern Audit Offices were appointed. In 1914, when Nigeria was merged, an Audit Department was established as an operating unit in the Central Secretariat in Lagos. Some directors reported administratively to the governor and

technically to the director general of the Overseas Audit Service, according to Section 7 of the Audit Ordinance of 1956. The directors and senior staff were British, while Nigerians formed the lower cadre. in 1956, the Federal Audit Department was created as a division of the Ministry of Finance. At that time, three directors were appointed to be responsible for the three regions in Nigeria - North, West and East. Each director was required to submit an annual audit report to the Minister of Finance no later than eight months after the end of the fiscal year. During this period, internal auditing was practiced. This is in contrast to today, when both internal and external audits are conducted. The main reason for this discrepancy is the need for more transparency and accountability in this system .

6.2 Regulation of audit practice in Nigeria

The regulatory framework for the practice of auditing varies from country to country. Nevertheless, there are two types of regulation that are common in different countries. One is government regulation in the form of laws and regulatory bodies, and the other is self-regulation by professional accounting bodies. In the literature, opinions differ as to which of the two methods of regulation is better. However, some believe that one should complement the other. In other words, there should be a balance between the two (Puxty, Willmott, Cooper & Lowe (1987)).

6.2.1 Self-regulation by professional accountants' organizations (PAOs)

The recognition of accounting and auditing as a profession came through the Professions Orders 1955 to 1957, which were passed at the 1957 Constitutional Conference in London. According to Wallace (1992), the Orders implied that the profession should be regulated by legislation of the federal government. Thus, the profession could not regulate itself without the approval of the federal government. in 1960, there were 15 Nigerian members of the ICAEW, one Nigerian member of the Institute of Municipal Treasurers and Accountants, now Chartered Institute of Public Finance and Accountancy, and 24 Nigerian members of the Association of Certified and Corporate Accountants, now Chartered Association of Certified Accountants (Uche, 2002). In 1960, the Association of Accountants was established in Nigeria as a result of government regulation and the efforts of accountants trained in the United Kingdom (Ajayi, 1997). The Association was established under the then existing Companies Ordinance. Its responsibilities included education, training, and regulation of the accountancy profession in Nigeria.

Recognizing the enormity of the responsibility and the need to become the only accountancy profession in Nigeria, the Board of the Association sought a State Charter in 1963. Efforts in this direction resulted in the enactment of the Institute of Chartered Accountants of Nigeria (ICAN) Act No. 15 of 1965. The Institute's functions include regulating the accounting profession, providing education and training for members, reviewing and issuing auditing standards, and disciplining members for unprofessional conduct. ICAN is a founding member of the International Federation of Accountants (IFAC). IFAC is a global body that dates back to an initiative in 1973. In 1977, it was formally recognized as a world professional body at the International Congress of Accountants in Munich, Germany. Owolabi, et al. (2016) reported that only members of ICAN were allowed to practice as certified public accountants. This authority stemmed from the law that established the association. In 1980, ICAN had 2,165 certified public accountants in its membership roster, while in 2020 it has over 50,000 members. Despite ICAN's efforts to train accountants since its inception, there has been a consistent gap between the demand for professional accountants in Nigeria and the supply through the

Institute's training. This weakness became the basis for agitation against the Institute's monopoly.

As a result, ICAN's monopoly was in danger of breaking down, especially with the proliferation of professional accounting associations (PAOs). One of them that succeeded in gaining legal recognition was the Association of National Accountants of Nigeria (ANAN). ANAN was established on January 1, 1979, registered on September 28, 1983, and obtained its legal status through ANAN Act No. 76, 1993. The establishment of ANAN broke ICAN's monopoly. Although the two organizations were established at different times and by different laws, they have similar statutes. Their functions include regulating the accounting profession, educating and training members, reviewing and issuing auditing standards, and punishing members for unprofessional conduct (Olojede, Iyoha, Egbide & Erin, 2020).

Through the support of ICAN, ANAN became a member of the International Federation of Accountants (IFAC). It is worth noting that the establishment of ANAN must have helped to fill the manpower gap for professional accountants. ANAN The Act provides in Section 8(1)(d) for the establishment of the Nigerian College of Accountancy (NCA) as a center of excellence for postgraduate professional education. Similar to the Institute of Chartered Accountants, Scotland, and modeled on the Nigerian Law School. The college offered accelerated training for accounting graduates (BSc. or HND), which helped to address the shortage of professional accountants and get ICAN up and running. In response, ICAN needed to increase the pass rate for professional exams. First, by moderating accounting programs at accredited colleges and universities to grant their graduates exemptions from the basic and professional exams, which were introduced in the early 1980s and now include all basic and professional exam subjects. This will increase the number of certified public accountants in Nigeria. Second, the introduction of the Accounting Technicians Scheme (ATS) in 1989 created the need for mid-level workers in both the public and private sectors

6.2.2 Government Regulation

6.2.2.1 Legal Framework

The government regulates the professional practice of accounting in Nigeria through legislation and regulatory bodies. The legal framework for accounting and auditing has its basis in the United Kingdom. With the attainment of independence in October 1960, corporate legislation was revised to reflect the new status. Consequently, the Companies Ordinance of 1922, which had been adopted by the British government, was repealed and replaced by the Companies Act 1968. The 1968 Act was a copy of the UK Companies Act of 1948, with two important exceptions. First, it excluded the 'exempt private company' from the Nigerian Act. Second, the inclusion of Part X required foreign companies wishing to do business in Nigeria to be incorporated locally. The Nigerian Companies Act of 1968 copied the English law and did not take into account the peculiarities of the Nigerian business environment in terms of cultural, political, and economic development.

Subsequently, the Companies and Allied Matters Act (CAMA) was enacted in 1990 to address the weaknesses of the Companies Act of 1968 and to address the changes in the operating environment. CAMA thus regulates the formation and conduct of all public and private limited companies incorporated in Nigeria. However, there were other laws such as the Banking Act of 1969 and the Insurance Act of 1976 to regulate banking and

insurance. Unfortunately, some impermissible provisions were inserted into the CAMA in 1990. These provisions gave the impression that the public had lost confidence in members of the accounting profession. This development has had a direct impact on the practice of auditing in Nigeria. For example, Section 358(1) of the Act removed the regulation of auditing practice from ICAN. Section 359(2) (later amended) required that the auditor's report be countersigned by a lawyer, and Section 359(3) required that the auditor of a corporation report to an audit committee that the corporation must establish. After the furor these sections caused, Section 359(2) was later deleted, but Section 358(1) and Section 359(3) were retained in the subsequent amendment. Although ICAN has since learned its lessons, the auditing profession in Nigeria should encourage its members to actively participate in policy and continuously improve the quality of audit practice to ensure public confidence. CAMA 1990 was initially amended by CAMA 2004. CAMA 2004 was repealed and replaced by CAMA 2020, which became effective on August 7, 2020. The new law will make it easier to do business in Nigeria and reflect developments in the local and global environment

The BOFIA Act of 2004 empowers the Central Bank of Nigeria (CBN) to regulate all activities of banks and other financial institutions in Nigeria. Complementing the financial reporting requirements of CAMA 2004, the CBN Act of 2007 requires the apex bank to ensure prompt submission of audited and regular financial statements and to audit the books and affairs of banks on a regular basis. Banks may publish their financial statements in national newspapers only with the approval of the CBN Governor. If necessary, the Governor may order an investigation into the books and affairs of the banks. The banks' auditors are also required to report to the central bank cases of irregularities and violations of relevant laws and accounting standards

6.2.2.2 Regulatory bodies

The Financial Reporting Council of Nigeria (FRCN) exerts significant influence on the development of auditing in Nigeria. The FRCN came into existence through the enactment of the FRCN Act No. 6 of 2011, following the repeal of the NASB Act No. 22 of 2003. The FRCN was established to address weaknesses in the NASB Act, harmonize regulatory capacity, promote IFRS adoption, and support cross-border listings, among other objectives. The FRCN Law provides that the Council shall develop and publish corporate governance codes and accounting standards, enforce compliance with accounting standards and corporate governance codes, and promote compliance with IFRS issued by IFAC and IASB and other related matters.

The FRCN is also responsible for setting auditing standards in Nigeria (Olojede, et al., 2020). The regulator works closely with institutions such as ICAN in developing local auditing standards. Nigerian auditing standards (NSAs) are based on ISAs issued by the IAASB. The ISAs are adapted to the local environment and its specifics. In the event of a conflict between the ISAs and the NSAs, the provisions of the NSAs take precedence. However, since the ISAs represent international best practices, countries are encouraged by IFAC to modify their national practices to follow the ISAs. If a country does not have guidelines comparable to the ISAs, individual ISA practices may be adopted.

The Securities & Exchange Commission (SEC) is a regulatory agency responsible for the capital market in Nigeria. This regulatory body was established by the enactment of the SEC Act, 1979 (replaced by SEC Act of 1998), while the Investment and Securities Act, 1999 (replaced by ISA Act 2007), facilitated its activities (World Bank, 2011). It specifies

and regulates corporate reporting in public companies in Nigeria. In addition, Section 63 of ISA 2007 empowers the auditor of a public company to review and report on the strength of the internal system (World Bank, 2011). ISA 2007 also gives SEC the right to regulate investments and securities transactions and ensure timely filing of periodic and annual financial statements

7. THE TRANSITION FROM AUDIT EFFICIENCY TO AUDIT EFFECTIVENESS

Kumar and Mohan (2015) discussed the need for change, particularly with respect to external audits. Burton and Faireld (1982) said that in the 1980s, audit efficiency was the norm and drove audit development. Efficiency was the most important factor in the choice of audit strategy (Turley & Cooper, 2005). However, corporate scandals in recent years have brought concerns about audit effectiveness to the forefront (Cadbury Report, 1992). Davis (1996) argued that audit effectiveness still played a major role in audit strategy, but that change was inevitable.

The various financial scandals had resulted in numerous lawsuits. While audit efficiency is about maintaining the same level of confidence at the lowest possible cost, audit effectiveness focuses more on achieving audit objectives. As a result, accounting firms are reviewing their audit procedures for effectiveness, especially now that the business environment is facing greater risks that threaten the continued existence of businesses. Pincus et al. (1999) examined audit effectiveness, focusing more on the auditor's responsibility for detecting fraud. What does it mean if the auditor presents a clean set of accounts but fails to detect material misstatements and irregularities? The move by some companies, especially the "Big-Four," could be called a re-engineering process. This process will dramatically change the audit expectation gap challenge and make financial statements more reliable and acceptable to stakeholders

8. AUDIT PRACTICE AND TECHNOLOGY

Ramamoorti and Weidenmier (2004) described the period between 1950 and 1960 as the beginning of computers and technology in the business environment. They further stated that the introduction of computers did not have an immediate impact on the development of auditing practices. By the mid-1960s, more than half of the 500 largest industrial firms were using the support of comprehensive electronic data processing (Hafner, 1964). With the development of real-time online systems, the first challenge for auditors is the complete loss of the audit trail. The audit approach changed from 'audit around the computer' to "audit through the computer" Audit software is needed for audit through the computer. Lanza (1998) stated that auditors can use low-cost solutions to have an initial automated audit experience, including the introduction of computer-assisted audit techniques (CAATS). CAATs promote data extraction, sorting, and analysis procedures. They are user-friendly and can be deployed without much training. However, the complexity and sophistication of today's business environment makes these CAATs obsolete.

Braun and Davis (2003) defined CAATS as any use of technology to support the speed and efficiency of the audit process. Similarly, Sayana (2003) described the use of computer software to facilitate the audit process, paving the way to achieve audit goals. The use of CAAT support tools could improve the efficiency and effectiveness of audit

functions. (Curtis & Payne, 2008). Jenkiens and Pinkney (1978) also agreed that CAATs could improve the efficiency of the audit process and the detection of fraud. It is encouraging that the use of digital solutions such as artificial intelligence (AI) can achieve audit objectives by making financial statements more reliable and providing stakeholders with better audit assurance.

Surprisingly, however, these tools are far underutilised. Auditors need to sharpen their skills to meet the reality of today's technology-driven business environment. Audit firms, especially the smaller ones, should provide appropriate training programmes to utilise technology (Janvrin, et al., 2008). As important as technology may be to audit efficiency, it is not a substitute for auditor judgement on critical transactions. Moreover, accounting standards often contain multiple overt and covert alternatives and estimates that require professional judgement and risk bias in the preparation of financial statements (Nobes, 2009; Iyoha, 2014). This means that technology brings the auditor up to speed, but the auditor is responsible for exercising due care and skill in performing audit tasks

9. AUDITING THE FUTURE

PWC stated in its October 2015 Point of View Bulletin, "Technology is impacting every industry, and the audit profession is no different." As the business landscape changes and technology plays an ever-increasing role, using technology to capture and analyse larger amounts of data is becoming an increasingly important audit task. Using CAATs increases the effectiveness and efficiency of the audit process. As good as they appear to be, they are not compatible with real-time or near real-time data streams. They are often unable to effectively detect questionable operations such as potential fraud or irregularities. Cangemi (2010) argued that backward-looking auditing is not compatible with advances in business technology because it is outdated. Instead, real-time solutions should be used. Given this, audit firms should consider more sophisticated software. The new software should include utilities that provide a higher level of security and meet the requirements of future auditing.

Another important consideration is the alignment of company data with the audit process. Manual data should match manual audit methods. A company with manual processes cannot benefit much from audit automation. Therefore, auditors should first consider the level of informatization in the client's organisation before implementing a robust audit system (Teeter & Vasarhelyi, 2011). The prevailing technological conditions in the client's environment determine the degree of automation of the audit process. Many techniques have been proposed in the literature to address the challenges of future auditing (Gale, Ascui, & Lovell, 2017). The use of audit technologies replaces periodic audits with continuous audits. However, the new technologies cannot replace auditors and their judgement , but rather are intended to relieve and support them.

The COVID -19 pandemic simulated the entire world to a higher level of digital transformation with limited or no physical interaction. Consequently, businesses and people were forced to operate remotely. The impact continues to be a major challenge for the auditing profession as the auditor's judgement and assessment becomes more arduous. Key issues that have been brought to the forefront by the pandemic include the auditor's assessment of going concern, remote work, ineffective controls, accounting estimates, post-reporting events, and increased vulnerability to fraud. While the audit process has already changed in response to growing stakeholder demands and the explosion of technology, COVID-19 has contributed tremendously to the evolution of

auditing to a digital age. Digital auditing goes beyond moving from traditional audits to online audits. It involves building digital innovation into the audit process through the use of data and analytics (D&A), technology-enabled risk assessment, artificial intelligence (AI), robotic process automation (RPA), and the cloud to increase audit effectiveness.

In Nigeria, the 'Big 4" companies have developed their capabilities in most of these areas through support from their parent companies outside the country. This is not the case for most domestic companies. These advanced technologies allow audit firms to move from statistical sampling to a full review of the client's transactions in real time, minimising the risk of missing suspicious transactions. In addition, auditors must be vigilant and wise in exercising their discretion and professional judgement with respect to the key issues arising from COVID-19.

10. CONCLUSION

The auditing profession has come of age. The role and objectives have continually changed in response to circumstances in the business environment. These circumstances include critical historical events such as financial scandals and corporate failures, court judgments, health threats such as the COVID -19 pandemic, and technological advances. In addition, government legislation and regulatory bodies have encouraged the development of the auditing profession in Nigeria. Although auditing approaches have changed over the years, the changes have not aligned with changes in the business environment. The auditing profession has not responded quickly enough to meet society's expectations for changes in the auditing role. In particular, the profession's legalistic stance on the statutory role of the auditor in the event of a performance deficit has not helped the cause.

What is the essence of a rigid and legalistic stance that does not meet the expectations of stakeholders? This is a clear call for a more positive response to the auditor's responsibility to prevent and detect fraud; otherwise, the profession will lose its credibility. In addition, some audit approaches and techniques appear to be outdated, especially in a developing country like Nigeria where most audit firms are relatively small. The use of statistical sampling techniques for audit testing in a vulnerable business environment now exposes audit firms to greater risk and liability. In addition, most computer-assisted audit techniques (CAATs) have their limitations. They are often unable to work with the real-time processes in today's business environment. As a result, they cannot detect suspicious transactions, including potential fraud or irregularities that could result in a material misstatement in the financial statements.

In response to this limitation, the auditing profession has embraced digital innovations in the audit process, leveraging data and analytics (D&A), technology-enabled risk assessment, artificial intelligence (AI), robotic process automation (RPA), and the cloud to increase audit effectiveness. In Nigeria, the 'Big 4" companies have developed capabilities in most of these advanced audit technologies through the support of their parent companies outside the country. The same cannot be said for most domestic companies, which still struggle with skills shortages.

The audit of the future must move from efficiency to effectiveness. Audit objectives can be better achieved if the audit is effective. Therefore, the audit process should pay more attention to errors and frauds that could materially affect the accuracy and fairness of financial statements. There is no doubt that future audit models will require auditors,

regulators, and standard setters to address current challenges related to audit timing and frequency, skill gaps in technology and analytical procedures, testing and sampling techniques, materiality and independence concepts, and the provision of the audit data standard.

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