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RESEARCH ARTICLE

THE DEMAND AND SUPPLY FOR FINANCIAL INFORMATION: THE PREREQUISITES FOR THE EVOLUTION AND DEVELOPMENT OF AUDITING AND RELEVANCE OF CONTINGENCY THEORY.

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Abstract

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Auditing has been in existence for many thousand years back with limited usefulness before the advent of industrialization. The emergence of the industrialization expanded the business activities and resulted in the separation of the owners of the business from the control of their businesses. The ownership-control separation demands accountability from the agent through the preparation of financial statements that would provide quality financial information. This requires the third party to express his or her opinion on the truth and faithful of the financial information. The expression of third party opinion becomes complicated as the business organization environment becomes complex because both internal and external environmental factors must be considered in the expression of opinion. This study traced the evolution and development of auditing from 1700s to the present time. Pertinent literature on five stages of auditing evolution and development, the role of demand and supply for financial information in the development of the auditing, and the relevance of contingency theory in auditing were reviewed. The exploratory research design was employed in this study through the review of the relevant journal publications and textbooks pertinent to this study. The review of literature indicated that auditing job description was simple before the advent of industrialization and that auditing has gone through many changes and continues to go through changes because of the industrial revolution that started in United Kingdom and expanded to the United States of America. The conflicts of interest between the business owners and the manager called for control mechanism that would protect the business owners' interest. The review of literature also indicated that successful audit work depends on the internal and external constraints of the client's organization and not only on the skills and expertise of the auditors. It is revealed that the usage of technology in auditing can solve some of the problems facing the auditors and any auditors who refused to embrace technology as an auditing tool may likely be out of business.

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The study concluded that auditing has been around for a long period of time. The importance of the auditing resulted from the demand by the investors and other users of financial information that required quality financial information. The successful audit work cannot be performed without taking the client's organizational internal and external factors into consideration during the audit plan. It is concluded that the owners of the business and potential investors are not having confidence in the information on the financial statements without the third party expression of opinion. The study recommended that auditors should consider the internal and external factors of the client's organization as well as embracing technology as auditing tool. It is recommended that the government of various countries should continue prescribing accounting and auditing rules and regulations that would enhance public confidence.

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Introduction:-

Before the industrial revolution that took place in Great Britain between late 1700s and early 1800s the owners of the organization ran their business organizations with the help of close family members. The needs for the information from the third party are not necessary as the business owners take care of the accounts of their business organizations. During the industrial revolution, the process of production and how the business transactions are been done changed. There was paradigm shift in the ways things were done in the business world and the trends continue when the expansion of the industrial revolution moved from Great Britain to the United States of America (U.S.A.) (Stickney, Brown, &Wahlen, 2005; Whittington &Pany, 2008).

The expansion of industrial revolution moved to U.S.A. between 1820 and 1870 and this period witnessed unprecedented economic growth in the Great Britain and U.S.A. due to the enhancement in the process of production. This period brought the introduction of mechanization in the areas of agriculture, textile manufacturing and this was extended to power and railroads. This industrial revolution changed the social, cultural, and economic conditions of the society during this period. The industrial revolution of this era made it impossible for the owners of the business to be the managers at the same time (Stickney, Brown, &Wahlen, 2005; Whittington &Pany, 2008).

The running of the business organizations of this period needs the professional managers that would run these business organizations effectively and efficiently because of the complexity of the business organizations resulted from the industrial revolution. Thus the separation of the owners of the business organizations from management of such organizations is a prerequisite for running a successful business organization. This resulted in the owner of the business organization known as the principal, to hire a manager known as agent to manage his or her business organization. The process of hiring an agent by the principal to manage his or her business organization and the resulted contractual agreement between these two people is known as principal-agent relationship. The expansion of the economic growth during the industrial revolution made it possible for the business organizations to raise funds from the public. The diverse geographical locations of those who contributed money for the business (shareholders) have made the separation of the owners of the business organization from the management to be more evident. The separation of the owners of the business (shareholders) from the management of their organization necessitated the need for the third parties who would give the assurance or lend credibility to the financial statement prepared by the management. Thus the need for the auditor is required by the owners of the business. (Scroeder, Clark, &Cathey, 2005; Stickney, Brown, &Wahlen, 2005; Whittington &Pany, 2008).

In principal-agent relationship, the principal gave the agent the authority to make business decisions on his or her behalf. The separation of the owner of the business organization from the business organizational control might lead to the possibility that the manager may not act in the best interest of the business owner. If this happens, the manager would then be acting in his or her own interest which would be detrimental to the owner of the business. Though the manager supposed to look after the business owner's interest but where there is a divergent between the interest of the principal and that of the agent, the agent may likely look after his or her own interest. Since the principal is not in control of the business activities and the agent has access to the information about the business that is not available to the owner (Clarke, 2007).

It is in the owner's interest to have in place a mechanism that would serve as a check and balance that would help the business owner to know how the manager is utilizing the resources entrusted in his hand. This type of mechanism would help the owner to know the performance of the business organization. Financial statement is a widely used tool that normally helps the business owner knows how his or her business is doing as well as knowing how the manager is carrying out his or her fiduciary duty (Scroeder, Clark, &Cathey, 2005; Stickney, Brown, &Wahlen, 2007; Byrnes, 2012).

Audited financial information is also crucial in aligning the manager's interest to that of the owner as the preparation and presentation of the financial information would limit the information asymmetry between the manager and the business owner. The importance of the financial information cannot be overemphasized in the principal-agent relationship as some managers have misused the resources entrusted in their hand. Some organizations where the managements have violated generally accepted accounting principles and generally accepted auditing principles in order to accumulate wealth for themselves were: Waste Management, WorldCom, Qwest, Sunbeam, Enron, and The Baptist Foundation of Arizona in North America (Thibodeau&Freier, 2009) and Cadbury (Nig) Plc, AfribankPlc, Lever Brothers (Nig) Plc in Nigeria (Okaro, Okafor, &Ofoegbu, 2013; Chukunedu&Okafor, 2011).

The lack of trust between the business owners who were dispersed around the country and sometimes around the world has necessitated the owners of the business and other users of financial information to demand for audited financial information. The conflict of interest between the owners of the business and the managers has resulted in the prescription of the rules and regulations by the governments of different countries. The prescribed rules and regulations required and mandated the management to supply the audited financial information to the owners of the business and other users of the financial information. In addition to the regulatory requirements, the capital market also requires the management to supply the financial information to the participants in the financial capital market. The financial information would help both the owners of the business and other users of financial information to make informed investment and economic decisions (Scroeder, Clark, &Cathey, 2005; Stickney, Brown, &Wahlen, 2007; Luke &Monisola, 2013).

Auditing has been in existence for a long period of time but its need was at minimum before the industrial revolution. Before the industrial revolution the organizations were organized in small size and the owners of the business organizations and their employees were working together. The needs for the third party or an outsider to come and verify or examine the information provided by the employee during this period is not necessary as both the owners of the business and the managers work in close proximity. Subsistence business organizations were organized during this period as the business owners lack the technologies needed to embark on mass production. The owners of the business have access to individual employees working in their business organizations. This was the way business organizations were being run and the access to the information was not a problem during this period. But with the emergence of the industrial revolution, the emerged business organizations differ from the pre-industrial revolution. The business organizations were organized in bigger sizes and this new development required more funds than the subsistence business owners can provide. As a result, there is a need to raise funds from the public who were dispersed in different geographical locations within the country and later in various countries. The invitation of the public by the management of the business organizations to contribute their money to the organizations and become the shareholders or owners of the business was the turning point in the auditing profession (Scroeder, Clark, &Cathey, 2005; Stickney, Brown, &Wahlen, 2005; Whittington &Pany, 2008).

The dispersed shareholders contributed and committed their scarce resources into the business organizations but they do not take part in the management of those organizations. They depended on the management to make the business decisions that would lead to the maximization of their wealth. As a result, the owners of the business or shareholders need to put mechanism in place that would serve as check and balance to protect their interest. Therefore, the request for the third party or the auditors to examine and give opinion on the financial statements prepared and presented by the organizational management is a mechanism to protect the interest of the owners of the business. The main purpose of auditing is to examine and verify the reliability of the organizational information, policies, processes, procedures, and practices. This process puts heavy burden on the auditors as the outcomes of the auditing job do not depend only on the best practices and procedure of the auditors but also on the organizational internal and external factors. As the contingency theory indicates, the internal and external factors must be considered in carrying out the activities of the organization. Since auditing is seen as organizing activities or functions, the auditors must take into consideration the internal and external factors of their clients' business (Davoren, n. d.). There have been incidences where the users of the financial information sued the auditors for their inability to detect material errors in the financial statements rather than the organization that produced the financial statements. This has put considerable burden on the financial resources of the audit firms as litigations and law suits must be settled.

The conflict of interest that exists as a result of principal-agent relationship resulted from the separation of the owners of the business organizations from the management of such organizations had caused uneasy relationship and it continues causing tension between the owners of the business and the managers. The managements have misused the resources entrusted with them by violating the generally accepted accounting principles when preparing and presenting financial information. The misrepresentation of the performance and financial position of the business organization by the management had resulted in the owners of the business loosing huge amount of money. The management of Cadbury (Nig.) Plc misstated the financial statements for over ₦13 billion (thirteen billion naira) over the period of three years (Okaro, Okafor, &Ofoegbu, 2013; Chukunedu&Okafor, 2011).

Enron Company in U.S.A. established special purpose entities that were supposed to raise money to build its natural gas pipeline to hide its debts from its financial statements. Enron later filed for bankruptcy resulted in shareholders' lost of billion U.S. dollars. Waste Management restated its financial statements from 1993 to 1996 due to its pretax earnings that were overstated for $1.43 billion that resulted in shareholders lost of over $6 billion (Thibodeau&Freier, 2009). The main objective of shareholders for investing their scarce resources is to maximize their wealth. The maximization of the shareholders' wealth that supposed to be the focus of the management had not been seen due to the financial scandals witnessed in many business organizations. The financial scandals in the business organizations have caused the public to lose confidence in the financial capital market. The external auditors that supposed to lend credibility to the financial statements in order to give assurance to the investors and shareholders have been compromising their professional code of conducts and integrity for personal gains. The role of Akintola Williams Deliotte (Deliotte Nigeria) in the financial reporting scandal of Cadbury (Nig.) Plc (Salaudeen, Ibikunle, &Chima, 2015) and Arthur Andersen in the scandal of Enron were the cases of ethical and corporate governance break down or failure in the business organizations. Though, governments of various countries have enacted rules and regulations such as Sarbanes-Oxley Act of 2002 in U.S. to restore the public confidence in the financial capital market. However, the participants in the financial capital market are still reluctant to participate in the financial capital market because of the financial scandals in the corporate environments (Thibodeau&Freier, 2009).

2.0 Objective and Methodology of the Study

The objective of this study is to trace the evolution and development of auditing, the role of demand and supply for financial information in the development of auditing, and the relevance of the contingency theory in auditing. The exploratory research method was employed in this study through the reviewing of relevant journal articles and textbooks pertinent to this study.

3.0 Theoretical Foundation of the Study

The theories relevant to this study were reviewed and the study was anchored on the agency theory because it is the theory that explains the principal-agent relationship that necessitated the need for the auditing as well as demand and supply for financial information.

3.1 Contingency Theory

Contingency theory is a theory of organization that proposed that there is no unique or best way to organize an organization, make decision about the organization, or run the organization. The theory believed that organizing the organization, making decisions, and running the organization that would have positive outcomes or resulted in the positive performance of the business organization would depend on the internal and external factors where such organization is carrying out its business activities. The theory believed that the decisions that work in certain situation may not work in another situation. The organization is operating within various constraints, both internally and externally; and these constraints have effects on how the organization would be organized, the decisions made, and the leading style employed. The ability of the management to take cognizant of these constraints and be able to work around them in order to minimize their negative effect on the outcome of the organizational performance would make a difference on the results gotten by the management. One of the assumptions of this theory is that managing an organization or decision making process must be open to different ideas. That is, there is no one best way of making decision or managing a successful business. It is also assumed that the environment in which an organization operates must be taken into consideration when developing such organization and its units. The designed organization and its subsystems must be able to work in the environment that it is expected to operate. Another assumption of this theory is that the organizational subsystems must be designed in such a way that would allow them to work together in order to be able deliver a performing whole organization. It is also assumed that the management would get best out of the organization when its leadership style allowed the organization to be properly organized as well as allocating the employees that can perform certain activities to such activities. This theory is relevant to the auditing because all the assumptions of the theory must be taking into consideration when performing client audit. Auditing is an organized activities and functions and the auditor must take into consideration both internal and external factors of the client's firm environment in order to have a successful audit result (Islam & Hu, 2012; Whittington &Pany, 2008).

3.2 Agency Theory

The agency theory addresses the problem arising from the principal-agent relationship. The owner of the business who is the principal employed a manager who is the agent to manage his or her business organization. The agreement between the two parties gives the agent the authority to make decisions needed to run the business organization effectively and efficiently and this agreement has led to formation of principal-agent relationship. The separation of the owners of the business from the management of their business necessitated the needs to put the mechanism in place that would protect the owners of the business who are the principals or shareholders that provided the needed capital to the organization. This would prevent the owner of the business from losing the resources he or she invested in that business. The agency theory proposed that the agents or the managements would look after their own interest instead of the interest of the shareholders. The theory cited the conflicts of interest between the shareholders and the management as the reason for this divergent in the interest of the principals and the agents. The attitude of the principals and the agents towards risk-taking is another issue pointed out by this theory. The attitude of the owner of the business who contributed his scarce resources to the business to the risk-taking may differ from that of the agent who is just managing the business owner's resources. The agent may likely invests the business owner's resources in a riskier business as the resources invested are not his or her own. The owner of the business may likely take a precaution approach when it comes to investing in a riskier business because of fear of losing his or her scarce resources. The issue of information asymmetry was also raised by this theory. The agents have access to the information that the principals do not have. The theory believed that the agents would use this information to their own benefit rather than to the benefit of the owner of the business even when this is detrimental to the owners of the business. The examination and verification of the financial statements prepared and presented by the agent for reliability and credibility by the third party who is normally the auditor is a mechanism put in place to protect the interest of the owners of the business. This study is anchored on the agency theory because it is the theory that explains the issues resulted from the relationship between the principals and the agents. Also, choosing agency theory is based on the fact that the principal-agent relationship is the contract established before other participants joined the process. The theory that addresses the issues arising from conflict of interest and attitude to risk is also very crucial to the successful running of the business organization. The alignment of the agent's interest to that of the owner would minimize the conflict of interest between the two thus resulted in successful organizational performance that would benefit both the owner and the manager (Clarke, 2007).

3.3 Stewardship Theory

Stewardship Theory, unlike agency theory proposes that the agent would align his or her interest with that of the owners of the business because it is in the best interest of the agent because the agent is a rational human being who would utilize the resources entrusted with him or her effectively and efficiently. This theory does not believe that the agents will take advantage of the owner due to the information asymmetry as the owners of the business can be taken care of by the agent (Clarke, 2007).

3.4 Accountability Theory

Accountability Theory addresses the explanation of rationality of the agent behaviors to the principal. This theory proposes that the agent would explain the justification for managing the resources entrusted in his or her hand. The agent has obligations that must be fulfilled in the agency contract and how these obligations were carried out in terms of decision-making process that would maximize shareholders' wealth must be clearly explained and accepted by the business owner. The acceptance of the agent's explanation determines the renewal of the agency contract for the agent. The acceptance of the agent's explanation also means the principal is satisfied on how the manager has discharged his or her obligations. This implies that the decision reached by the owner of the business would determine whether the agent will continue his fiduciary role in the organization or not (Clarke, 2007).

3.5 Stakeholders Theory

Stakeholders Theory addresses the issues of managing business organization ethically and morally as well as permeating values into the organization. This theory incorporates the concerns and the needs of all people that would be affected by the operation of the organization. These people may be employees, investors, or people living in the environment where the organization is operating its business. This theory believes that limiting the decision making to the concerns of those who are insider such as employees and investors is not realistic. It believes that addressing the issues that concern all participants in the organization, both insiders and outsiders is the right thing to do. This theory believes that the activities of the organization have effects on both those are working in the organization as well as those who are outside the organization and their needs and concerns must be addressed in order to have moral and ethical organization (Clarke, 2007).

4.0 Literature Review

This section reviews the relevant literature on this study.

4.1 Evolution and Development of Auditing

In the work of Teck-Heang and Ali (2008), history of auditing has passed through five stages namely: before 1840s; 1840s-1920s; 1920s-1960s; 1960s-1990s; 1990s-date. The First Stage: Before 1840

The First stage occurred before 1840. During this period, the auditing is not well documented but evidence of auditing can be seen in Italian city states, Egypt, and Greece. The role of the auditors during this stage is limited to the fraud detection and auditing was not well developed as the production process is simple and uncomplicated. As a result, the job descriptions of the auditors are simple. There is no internal control mechanism on the ground and the auditors performed detailed verification of every transactions. The auditors were interested in the honesty of the person accountable for the business owners' resources.

The Second Stage: 1840s – 1920

This stage witnessed the industrial revolution that necessitated demand for the increased service of the auditing profession than the first stage. The share capital was not regulated and speculation was common during this stage. As a result, the investors lost money due to the high level of financial failures resulted from lack of share capital regulation as well as speculative nature of doing business during this stage. Joint Stock Companies Act was enacted in 1844 and balance sheet and statutory audit was established in 1900. Though, this stage witnessed improvement in the audit work, but the shareholders entrusted their members to perform the audit work. Internal control of the company was not a priority during this stage but detection of errors of principles and technical errors were added to the job descriptions of the auditor during this second stage.

The Third Stage: 1920s – 1960s

This stage witnessed the rapid growth of the United States of America (U.S.A) economy and the development of the auditing that started in United Kingdom (U.K.) move to the U.S.A. This stage witnessed increment in the investment in the business organization and companies got bigger due to the availability of the securities markets and loan providing institutions. The separation of the ownership of the business and the management of the business is more evident during this stage. As a result of separation of the business owners from their businesses, the issue of providing credibility to the financial statement became crucial.

The auditors' job prescriptions moved from detection of errors and fraud to the truth and fairness of the business organizations' financial statement. The volume of the transaction made it impossible to verify all the transactions of the business and materiality and sampling technique were introduced. The establishment of Securities and Exchange Commission Act in 1934 in U.S.A. and Companies Act in 1948 in U.K. mandated the audit of profit and loss account. The socio-economic development of this stage played important and crucial role in the development of auditing in the areas of internal control, sampling techniques, audit evidence, true and fairness of the financial statement, audit of profit and loss account, and examination of evidence beyond the transactions recorded in the book of account. Also, the 1929 Wall Street crash helped in coming up with the rules and regulations that helped in the development of the auditing.

The Fourth Stage: 1960s – 1990s
As the world economy continues to grow, the reality of the complexity of running complex business organizations set in as well as carrying out the auditing job. This complexity led to the introduction of the effective internal control and level of the detailed physical verification is irrelevant. This stage requires the auditors to have a good knowledge of their clients and the businesses they are doing, the industry in which their client are operating business and the business policies of their clients. This stage witnessed improvement in the capital market and risk-based auditing and analytical processes were introduced during this stage. Computerized auditing and consultancy job were also introduced during this stage.

The Fifth Stage: 1990 - Present
This stage continues to witness the improvement in the world economies as well as accounting and auditing scandals around the world that led to the collapse of many corporations globally. Auditing has witnessed dramatic changes from its evolution to the present day. The auditors must take into consideration the business risk of their clients that was not part of the previous stages. Despite the changes that the auditing has gone through, the profession would continue to witness changes as the environment in which the business organizations operate is not stagnant.

According to AbdulGaniyy (2013), auditing starts from the view point of detecting fraud. He argues that as business environments becomes complex, the job of the auditors also moves from fraud detection to more complex auditing work such as examining the client systems such as internal control and not only the transactions. He argues that the global competitions of the 1980s make the affordability of the audit fees difficult for the business organizations. Byrnes et al. (2012) indicate that principal-agent relationship resulted to the accountability and accountability resulted to the financial reporting and auditing. They argue that reporting and examination of such reports is asking for evidence of accountability. The rationale for audit is accountability as there will not be audit without accountability. The industrial revolution in U.S.A. expands the business activities and the market participants need reliable financial statements to make informed decision about what to buy in the stock market. The collapse of the stock market in U.S.A. in 1929 necessitates the laws that make auditing a must in U.S.A. This incident causes the establishment of Security and Exchange Act of 1934 as well as Security Exchange Commission in U.S.A. These authority bodies regulate the activities of accountants and auditors in U.S.A. (Byenes et al., 2012).

The principal-agent relationship necessitates the need for the owner of the business to ensure that the agent works in the owner's interest and not in the agent's interest. This requires the business owner to look for neutral external person who will examine and give opinion about what the agent reports. The agent needs to report to the business owner how he or she uses the resources entrusted with him or her. The agent needs to report the cost of running the business and the revenue generated from the associated cost. Since the agent is accountable for the resources under his or her care, he or she needs to give the owner back what have been given to him by the owner. When the auditor examines what the agent reports and then makes his or her opinion knows to the owner of the business, the owner can then make decision whether to let the agent continue managing the resources (Whittington & Pane, 2008; Teck-Heang& Ali, 2008).

4.2 Financial information

Financial information is the communication of the organizational performance for a certain period and financial position as at a specific period as well as changes in financial position of the business organizations. Financial information approves or disapproves the management's previous decisions by comparing the actual business performance with the anticipated business performance. It serves as the control measure by comparing the budgeted performance and the actual performance in order to determine the deviation between planned and actual performance and then investigate the reasons for the deviation. The financial information gives the owners, the managers, and other users of the financial statements warning signal when the business organization is in trouble. The financial information demonstrates the measure of the accountability from the management point of view. It helps the users of financial information to make informed business decisions (Scroeder, Clark, &Cathey, 2005; Stickney, Brown, &Wahlen, 2007; Whittington &Pany, 2008).

4.3 Audit Process and Contingency Theory

In the surface the auditors' work looks simple and uncomplicated but in reality their job is a complex one as they are planning for the outcomes that would depend on various unforeseen circumstances. The auditors are facing with various constraints during the audit planning and field work that must be taken into consideration during their plan. The auditors must be cognizant of their client's industry standards, the government rules and regulations governing the industry, and should be able to balance the demands from these constraints with the internal demands of their client. The interest of the client is likely to be in conflict with that of the constraints imposed on the auditors during the audit work. Despite the conflict of interest between the client's demand and the constraints imposed on the auditors during the audit work, the auditors need to perform their job without compromising their integrity and professional ethics. It is not enough for the auditors to ask for their client's information, processes, practices, policies, and procedures to be checked for accuracy and reliability. They must take into consideration the contingencies surrounding their audit work. The contingencies that the auditors need to be cognizant of during the audit planning and field work may include employees' skill level, available technology, deadline, nature of the business, pertinent laws, and available audit workforce (Davoren, n. d.). Successful audit work heavily depends on the auditors' ability to be cognizant of these contingencies and make provisions for them during the audit planning and field work. The efforts needed for the audit work and subsequent outcomes of the audit work would depend on the level of the employee's skill, available technology, nature of the business, pertinent laws, available audit workforce, and deadline.

The type of the audit work that would be performed in an organization with high level of employees' skill would differ from the audit work that would be performed in organization with lower level of employees' skill. The auditors would expect the organization with high level of the employees' skill to have a proper, accurate, and reliable record keeping of the organizational business activities. In this type of organization, the time the auditors would use in audit planning and the eventual field work would be minimal because of the well organized documents needed to support the audit work. The possibility of negative outcome in this type of scenario would be minimal as the access to the documents needed to carry out the audit work effectively and efficiently are supposed to be available to the auditors. There would be expectation that the possibility of these types of employees to commit criminal activities such as fraud would also be minimal because the keeping of the reliable and accurate record of the business activities is a deterrent mechanism against fraudulent activities. But in the organization with low level of employees' skill, the auditors would need more time for audit planning and the field work that would follow later than the organization with the high level of the employees' skill. The auditors should not be expecting orderliness in the record keeping of this type of organization and thus the auditors may have to work with lesser documents than the anticipated documents. The possibility of negative outcome in this type of organization is higher as the auditors may not have access to the evidences or documents needed to carry out their audit work. That is, the contingency associated with carrying out audit work in organization with low level employees' skill tends towards negative uncertainty. Thus there is high possibility that the likely outcomes of the audit work would also most likely be negative (Whittington &Pany, 2008; Davoren, n. d.).

Technology has helped and continues to help the auditors in improving and enhancing the audit work. The type of technology used by the auditing organizations and their client would also determine the possible outcome of the audit work. If the audit client computerized its accounting department and used relevant accounting software in recording, preparing, and presenting its accounting information and other organizational activities, it is expected that the audit planning and subsequent field work would be performed better. Though this expectation also depends on the type of technology the audit firms have at their disposal. That is, the technology at the audit firms must match, if not better than the audit client's technology to be able to carry out the audit work of their client. The technology has been changing and continues to change the audit work and it would continue to be the formidable auditing tool for the foreseeable future. Harris (2017) indicated that audit firms are spending unprecedented of money running to about 5 $billion US dollars a year on technology that would enhance the audit work. He argued that the technology is making it possible for the auditors to extract huge volume of the data from the financial statements of their client for examination and analysis. This new development resulted from the technology, he argued; may provide the opportunity for the possibility of examining and verifying 100 percent of the client's business activities. The employment of the technology in the audit work would make the sampling technique that the auditors are using presently because of the volume of the data generated by the client's business activities irrelevant. The rationale for the sampling technique in auditing is due to the huge amount of costs that is needed in auditing voluminous business transactions. Thus the technology that can handle huge volume of business transactions would provide the opportunity for auditing 100 percent of the client's business transactions. He mentioned artificial intelligent, robotic system as technology tools that can be used for transferring and compilation of the data as well as using drone for physical counting of the client's inventories. He argued that this would enhance the audit work as the auditing would be done effectively and efficiently.

The outcomes of the audit work depend on the ability of the auditors knowing their client's business and its environment in order to be able to assess the business risk of the client's organization. Since several factors must be considered in evaluating the business risk, the skill and expertise of the auditor is very crucial in this exercise. The uncertainty nature of the components needed to calculate the business risk increased the complexity of the work of the auditors. The inappropriate evaluation of the audit client's business risk may lead to the audit risk and expression of wrong audit opinion thus exposed the audit firm to litigation by the users of the financial statement. At the same time, it is difficult for the auditor to know if the client is going to lose customers and to predict exact number of customers that would leave the client's organization. The future cash flows of the client business, the demand for the client products or services, the future political and economic situation, possibility of new entrant into the client market that would increase competition, technological change in the industry, and other factors that would be needed to predict business risk are not easy to predict with certainty. Yet the outcome of the audit work would depend on these complex factors that determine the going concern of the client business activities. The global financial scandals that eroded the shareholders and other users of financial statements confidence on the information in the financial statements had put more pressure on the auditors. The users of the financial statements are demanding more accountability from the auditors regarding the credibility and reliability of the information in the financial statements (Whittington &Pany, 2008; Davoren, n. d.).

The auditors must work within stipulated rules and regulations that guide the examination and verification of their client's audit documents. These rules and regulations were prescribed by governmental agencies to protect the shareholders that provided the needed capital for the business organization and other users of the financial statements. The interest of the management may not align with the requirements of the prescribed relevant rules and regulations. This may be problematic as the audit client may not be willing to cooperate with the auditors thus makes their audit work to be difficult to perform, if not impossible. The client may implicitly expect the auditors to carry out their audit work in his or her favor even if this act is detrimental to the users of the financial statements that the prescribed relevant rules and regulations are supposed to protect (Iyer& Rama, 2004). As Iyer and Rama (2004) indicated, the client expectation was to persuade the auditors to his or her side when there is disagreement about the accounting issues. They argued that the scenario like this gives rationale to why the financial statements are being regarded as the result of dialogue between the auditors and their client.

The availability of the auditors who are qualified to perform the audit work is very crucial on the outcome of the audit work. The answer to the availability of the qualified audit personnel would determine when the audit work can start. If the qualified auditors for the audit work are not available or if they were engaged somewhere, the audit work on the ground must wait until they finish the work they are doing. This would adversely affect the outcome of the audit work especially when the deadline is given as a condition in the letter of engagement. The points raised in this study make it difficult to predict the outcome of the audit work without basing the outcome of the audit work on certain circumstances that may sometimes be beyond the control of the auditors.

4.4 Internal Auditing

The stock exchanges and Securities and Exchange Commission (SEC) of various countries required the publicly traded business organizations to publish their audited financial statements annually. This effort is to make the management of the business organizations accountable and responsible for the reliability and credibility of the information in the published financial statements. The ultimate goal of this requirement is to have reliable, credible, and useful financial statements that would help the shareholders and other users of financial statements make informed business and economic decisions. Some management realized that the auditing of the financial statements could be done without waiting for the mandated yearly audited financial statements. The yearly auditing is a weak fraud prevention mechanism as this could not prevent fraud as expected. Consequently, some big business organizations established internal audit department charged with the responsibility of examining and verifying the activities of the business organization. This new development would allow the management to detect the irregularities and frauds in the activities of the business organizations thus give the management the opportunity to take corrective measure before the arrival of the external auditors. Though, some countries prescribed rules and regulations such as Sarbanes-Oxley Act of 2002 in United States of America (USA), Investment and Security Act 2007 and Financial Reporting Council Act 2011 in Nigeria that required the publicly traded organizations to have internal auditors. The internal audit department is a part of the internal control mechanism of the business organization and it is a major one as it controls the other internal control mechanisms (Puttikunsakon&Ussahawanitchakit, 2015; Badara&Saidin, 2014; Whittington &Pany, 2008).

The internal auditors are responsible for managing and controlling the business risk in such a way that would ensure its reduction as well as ensuring compliance with the established governance processes. The initial job description of the internal auditors was limited to the examination and verification of the financial and accounting issues such as preventing and detecting frauds. But the job descriptions of the internal auditors were later expanded to cover the examination and verification of the reliability and credibility of the published financial statements, quality of product, policies and procedures, the needed materials, commitment to the schedule. Though, the internal auditors were employed by the management but they are expected to be performing their job independently without the interference from the management. The findings of their audit work are used to advice the management about the overall compliance of the business activities, both financial and nonfinancial activities. They advise the management on whether the accounting policies adopted followed the generally accepted accounting standards, if the governance processes are followed, whether the business organization is complying with the rules and regulations of the industry and others areas in the organization. The function of the internal auditors is to enhance the performance of the organization and to help the organization in achieving its objectives. The success of the organization is the main focus of the internal auditors as all negativity in the business organization might have been detected by the internal auditors and this detection could have resulted in taken corrective measure. And this could help the organization to be on the right path in order to achieve its objectives (Puttikunsakon&Ussahawanitchakit, 2015; Badara&Saidin, 2014; Whittington &Pany, 2008).

4.5 Forces behind Demand and Supply for Financial Information

The shareholders and other users of financial information need the information in the financial statements to make informed business decisions. The needs of the users of the financial information differ and the financial information must be prepared to accommodate the needs of the various users. Various users of financial information and their needs for demanding the financial information would be addressed in this section. Also the forces that require the supply of the financial information would also be discussed in this section.

Shareholders: These are the people who invested their money into the business and, as a result; become the owner of the business. The owners of the business are interested in financial information in order to be able to evaluate if the managers are utilizing the resources entrusted with them effectively and efficiently. They are interested in comparing the dividends they are receiving with the dividends that other business organizations of the same size and risk are paying.

Employees: The employees need the financial statements in order to assess the possibility of having job for the foreseeable future. That is, they are interested in the stability of their job. The performance of the organization would determine if their job is guarantee or not. If the organization that employed them is performing well, then there is possibility that they would hold on to their job for long period of time. On the other hand, if the performance of the organization continues to deteriorate year after year, it is a signal to the employees that it is time to start looking for another job. In other words, the employees are interested in going concern of the organization. They also need the financial information to compare their remuneration with that of other organizations of the same size. The financial statements would also help the employee to determine the possibility of having their retirement benefits intact after they might have retired.

Lenders: The loan providers need the financial information to determine whether to grant loans to the organization or not. The information in the financial statements would determine the performance of the organization and this would help the loan providers to determine if the organization can pay interest rate as at when due as well as repayment of the loans.

Suppliers: The trade creditors need the financial statements to determine whether to supply goods or services to the organization on credit. The financial information would help the suppliers in assessing the organization and in making decision as to whether to grant trade credit or not. The suppliers would be interested in short-term liquidity of the organization compared to the loan providers who may be interested in the long-term liquidity and stability of the organization.

Customers: The customers need financial information to determine if the organization is going to be able to supply their needs especially when the customers have had long-term relationship with the organization. The customers want to go to their neighborhood store and be able to buy whatever they have been buying in such store.

Government: The government has dual roles when it comes to the financial information. On one hand, the government plays important role in the capital financial markets. Consequently, the government needs the financial information to know the type of rules and regulations that would be prescribed for the business activities of the organization. The financial information would also help the government to monitor the compliance of the organization with regulatory rules and regulations. It would also help the government to know the amount of tax to be levied at the organization as well as to formulate taxation policies. On the other hand, the government, through its agencies such as Security and Exchange Commission and Stock Exchange, mandates the organization to provide financial information to the shareholders and other users of financial information.

Managers: Financial information is needed by the managers to plan, make decision, and control in order to achieve what has been planned. The financial information also served as a report card for the managers as it would indicate the quality of their previous decisions.

Public: The public is interested in the financial information in order to know the performance of the organization in their neighborhood as going concern of the organization would guarantee the job security of the employees from the neighborhood. It would also guarantee the continuing support for the neighborhood economy.

Investment Analysts: The investment analysts need the financial information in order to advice their clients correctly. The financial information would inform the investment analysts if their client can invest in such organization or not.

Competitors: There are many organizations in one industry. The organization that wants to survive and succeed in the industry must know how the other organizations in the industry are doing and in what ways are they going to have negative impact on its sales and profitability.

Capital Market Forces: The participants in the capital markets required the organizations to supply the financial information in order to make informed business decisions (Oluyombo, 2016; Whittington &Pany, 2008).

5.0 Summary, Conclusion and Recommendation

This study revealed that auditing has been in existence for many years back and its early stage usefulness was limited. It has gone through many changes and it would continue to change in the future. The review of literature indicated that the changes in auditing are due to the changes in production and service business environments. The complexity of the business internal and external environments demands complex auditing procedure. The demand by the investors and other users of financial information for third party opinion on the financial information provided by the management has elevated the importance of auditing. Also the requirement by various governmental agencies that the management should prepare and present financial information to the owners of the organization has increased the importance of the auditing. It was also established that managements have misused the resources entrusted in their hands due to breakdown of the corporate governance, ethical, and moral that are prerequisite to run a successful business organization. The study indicated that auditing remains crucial control mechanism that would lend credibility to the financial information and gives the shareholders certain assurance. The study found that shareholders and other participants in the capital financial markets have lost billions of Naira and Dollars due to the fraudulent and dishonesty of the managements who normally get supports from unethical auditing companies. The auditing companies that supposed to give assurance to the users of the information complicated the situation by compromising their professional code of conducts and their integrity for personal gains.

The review of literature established that the contingency theory is relevant to the auditing as the successful audit work depends on the constraints surrounding such job. There cannot be successful audit work without taking both the internal and external constraints surrounding the client firm into consideration. The auditors must take the factors that would affect the outcome of their work into consideration during the audit plan. The study also revealed that the complexity of the factors needed to assess the business risk of the client firm makes it difficult for the auditors to have accurate assessment of the client's business risk. This may increase the exposure of the audit firm to the liability as the users of the financial statements may file law suit against the audit firm for the expression of incorrect opinion. The users of financial statements are putting more pressures on the auditors to take responsibility for the information in the financial statements. This has put more burdens on the auditors as the uncertainty surrounding their work makes it difficult, if not impossible; to predict with certainty the future activities of the organization. For example, the business risk factors such as customers, cash flow, economic and political condition, new entrant, and technological change in the industry would be difficult for the auditors to predict how these factors would be in future. Yet the auditors must work around these constraints in order to have a successful audit work.

The study established that the technology is a crucial tool for audit work and it would continue to be a vital auditing tool as technology would determine the future auditing. The ability of the technology to handle voluminous data during audit increases the possibility of examination and verification of 100 percent of the client's data. This is expected to render the sampling technique presently in use irrelevant because the time and other resources needed for the auditing of huge volume of data may be reduced due to the evolving technology in the auditing. Robot and artificial intelligent technologies are likely to be used in the future for transferring and compilation of the data of the client during the auditing. The physical counting of the client's inventory may also be handled in the future by the drone technology. The audit firm that is not investing in the technology may find it difficult to stay in business as the future auditing depends on the technology.

The study also indicated that factors such as client information, processes, practices, procedures, employees' skill level, technology, deadline, nature of the business, relevant rules and regulations governing the client's industry, and audit workforce must be taken into consideration during the audit plan. It also revealed that the internal auditors serve as internal control mechanism by preventing and detecting frauds, assessing, controlling, monitoring, and managing the business risk. The internal auditors advise the management on the level of the business risk and the compliance with the established governance processes and procedures as well as deviation from the established governance processes and procedures

The study concluded that auditing has been in existence for many years back and it has gone through many changes and it would continue to change in the future. The business internal and external environments as well as the skills and the expertise of the auditors are the parameters for the successful audit work. It is concluded that the demand for the reliable, accurate, and useful financial information by the users of financial information would continue to make the auditing more relevant in the business environment. The governmental agencies and accounting standards setters have vital roles to play in ensuring quality financial information. This implies that these establishments must play central role in prescribing accounting rules and regulations that must be complied with by the management. It is concluded that the investors and other users of financial information have lost billions in Naira and Dollar due to the unethical business practice of the management. It also concluded that the future successful audit work would depend on the technology thus no audit firm can perform successful audit work without the technological skill. The audit firms are spending huge amount of money on technology and those who refused to invest in the technology for audit work would be out of business. It also concluded that internal audit is a significant internal control measure that controls other internal control measures in the organization.

The study recommended that the auditing of the financial information should continue as a mechanism to ensure enhancement in the financial information. The governments of various countries should ensure continuing prescription of accounting and auditing rules and regulations that would help in improving public confidence. This would help in the effective and efficient running of the capital financial markets as no organization can raise funds without public participation in the capital financial markets. The internal and external constraints of the organization must be taken into consideration during the audit plan as this would ensure successful audit work. It recommended the establishment of the independent internal audit department as the yearly exercise of providing and publishing audited financial statements is not enough fraud prevention mechanism. It also recommended that the auditors should embrace and employ technology in performing audit work as technology is dictating the future of the auditing.

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