

Full Length Research Paper

The perception of ethics in auditing profession in Nigeria

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The purpose of the study is to provide evidence on ethics, legitimacy of auditing profession and the future outlook of the profession in Nigeria by obtaining responses from external auditors, industry and academic accountants as well as auditing students. In spite of the existence of research pointing to the link between corporate scandal and loss of public confidence, there is paucity of research focused on the future of the profession in the midst of these challenges in Nigeria. Using a survey design, the questions that were raised in the study were tested with the use of statistical tools for population means and level of significance tests. In essence, analysis of variance was carried out on the responses of the groups of respondents which were surveyed. Findings from the study show that there is no significant difference in the perception of respondent groups on the need for auditors to abide by high ethical standard and the need to shape the views of new entrants to the profession. However, respondents have different perception on the decline of core values which attracted them to the profession. The study suggests that there is the need for the profession to gear its effort towards shaping the views of new entrants to the profession in Nigeria, ensure adherence and enforcement of high ethical standard. Regulation of the profession should be targeted towards restoring the confidence of users of financial statements in financial reporting in Nigeria.

Key words: Auditing profession, ethics, public confidence, legitimacy, Nigeria.

INTRODUCTION

Background to the study

It is widely acknowledged that the accounting profession is an important facet of our society (Wyatt, 2004). Accounting emerged from the society. Hines (1988) stated that accounting is socially constructed and socially constructing. This implies that accounting influences society and accounting is influenced by society. The study noted that the public rightfully expects the

accounting profession to be practical, intellectual and to have regard for the public. Cogan (1953) stated that these characteristics have been essential in defining any profession and according to Goode (1957) upholding these characteristics is how the accounting profession has been expected to serve the public interest. It becomes imperative that accounting practitioners demonstrate the attributes of objectivity and integrity and keep abreast of developments that have impact on the profession.

In the last decade, studies have shown that the auditing profession has had to deal with a lot of challenges than it has done in its lengthy history which spans over one hundred years (Smith, 2002; Mactosh et al., 2010). Failures of businesses in which deficiencies of financial reporting and corporate disclosure have figured prominently are not new phenomena. This period has

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Abbreviations: IFAC, International Federation of Accountants; EA, external auditors; IA, industry accountants; AA, accounting educators; AS, accounting students; PCAOB, Public Company Accounting Oversight Board; SEC, securities and exchange commission; ANOVA, analysis of variance.

been characterized by series of business failures, ethical negligence and accounting scandals both in developed economies and developing economies. Publicized cases of the recent past, such as Satyam, Enron, WorldCom, Global Crossing, Adelphia Communications, HIH, Tyco, and Vivendi, Royal Ahold and HealthSouth together with a host of companies from Nigeria (such as, Cadbury and NAMPAC), have drawn increasing attention to the auditing profession. This has had a negative and cumulative impact on the way informed opinion views financial reporting and the auditing profession. There has been great apprehension regarding the fairness of the operation of a market system where shareholders, employees in general, and pensioners have lost large sums, while those running companies, and seen as responsible for those losses, have enriched themselves as the businesses collapsed. Accountants and particularly auditors, in economies of the world such as the United States of America (USA), United Kingdom (UK), and India have all been experiencing these challenges which question the trustworthiness and integrity of the profession (Economist, 2002). This, according to Hale et al., (2005), has been eroding the confidence that the public repose on the auditing profession.

Regulatory initiatives have been put in place in developed economies to deal with the poignant erosion of ethical standards in corporate governance, financial reporting and auditing. For example, in the United States of America, the Sarbanes Oxley Act was passed into law in 2002. The International Federation of Accountants (IFAC) has also supported the formulation of auditing guidelines to enhance the reliability of corporate financial statements. The International Accounting Standards Board has consistently stressed the need for global adoption of the International Financial Reporting Standards. However, in developing economies, including Nigeria, there has been little or no efforts at positively addressing the challenges posed by non-adherence to corporate governance principles and ethical guidelines. For example, Nigeria is yet to review its Companies and Allied Matters Act 1990 (as amended) which has become more or less anachronistic in view of dynamic corporate events, globalization and the impact of information technology. Pragmatic solutions should normally be research-driven. Bakre (2007) reported that investors in Nigeria have lost several billions of dollars through the collusion of accountants and external auditors with companies' management and directors to falsify and deliberately overstate companies' accounts.

Adelaja (2009) in evaluating the perception of auditor independence in Nigeria concludes that all efforts must be made to assist the auditing profession to remain afloat on matters of ethics and independence. It is, however, in doubt if Nigerian related research efforts are adequate to fully address the challenges of enforcing ethical guidelines in financial reporting and auditing. It is also

not clear whether the stakeholders are having the right perspectives about the influence of ethics on auditing which is a primary prerequisite for an enduring corporate governance culture in the country. This area remains evergreen to accounting research and therefore forms the primary focus of this study.

Statement of the problem

The various corporate collapses have led to increased scrutiny of deficiencies in the financial reporting process and corporate disclosure requirements of corporate organizations. This has had a negative and cumulative impact on the perceived credibility of financial reporting. This concern is now at the forefront of public debate about the accounting profession and its effectiveness (IFAC, 2003). There has been a decline in reporting credibility across capital markets worldwide, with the scale of the problem partly attributable to the unprecedented level of share prices in many markets.

In spite of the existence of research pointing to the link between corporate scandal and loss of public confidence, there is paucity of research focused on the future of the profession in the midst of these challenges. Steering and Working Committees on Accounting (2004) which examined how public confidence in financial reporting can be restored, noted that accounting and auditing systems and policy in the management process, requires a set of best practices for governance and financial reporting.

Bloom and Myring (2008) study, which examined the future of the auditing profession from the perspective of the employment status of future accountants, provided a significant contribution in this area. Dennis (2006) also provided empirical evidence on the need to understand the best and brightest future accountants. The study noted that succession plans must be developed if employees are to have successful career progress. There must be a transfer of knowledge from management to staff. However, these studies were focused on the training, recruitment and retention of good accountants for the auditing profession. The studies were not linked at all with corporate collapse or auditors' ethical conduct. Therefore, a research focusing on ethics and the impact of corporate scandals on the future outlook of auditing profession is overdue.

Aim and objectives of the study

The aim of this study is to provide information that may help improve the auditing profession in Nigeria from the perspectives of ethics. In order to achieve this aim, the research set out to:

- i) Investigate the credibility of the auditing profession;

- ii) Investigate the implication of accounting scandals on the auditing profession; and
- iii) Examine whether any significant relationship exists among the perceptions of the respondent groups.

Research questions

This research attempted to provide answers to the following questions:

- i) Is the auditing profession performing up to the expectation of the public in Nigeria?
- ii) Has the response of the profession to contemporary challenges facing the auditing profession been proactive and adequate in restoring public confidence?
- iii) Is the auditing profession still attractive to future professionals owing to ethical violations?
- iv) Do respondents' perceptions about corporate scandal and the impact on auditing profession differ?

Research hypotheses

The hypotheses stated in the null form were tested in order to provide answers to the research questions mentioned above:

H_{01} : There is no significant difference in the perception of respondent groups regarding belief in the integrity of the auditing profession.

H_{02} : There is no significant difference in the perception of respondent groups on the need to restore public confidence in the auditing profession.

H_{03} : There is no significant difference in the perception of respondent groups on the effects of accounting scandals on the auditing profession.

Significance of the study

The auditing profession plays a significant role in making information available for decision making in the capital market (Healy, 2005). Therefore, this research is expected to be of benefit to financial reporting and auditing stakeholders in the Nigerian economy because accounting and indeed auditing play a fundamental role in the activities of a national economy.

This study is expected to reveal the outlook for the future of the auditing profession in Nigeria in relation to ethics from the perspectives of stakeholders. This is important because the IFAC places a lot of importance on the image of the profession. Finally, the research work is also expected to be of benefit to researchers and students of accounting since this is a profession that operates in a dynamic society. The outcome of the study will provide a reference point for future researchers and a blue-print for policy makers.

Scope of the study

This study is premised on the current state of the auditing profession, especially in Nigeria, and the future outlook in relation to the improvement of public confidence in the profession. Therefore, perceptions of selected stakeholders are sought in providing answers to the problems and questions that have been raised in this research work. The focus of the research in terms of study groups includes public accountants (external auditors - EA), industry accountants (IA), accounting educators (AA), and accounting students (who are believed to be the future practitioners - AS) in Lagos State, Nigeria. Responses from the subject groups were analysed to reveal how optimistic or pessimistic the stakeholders were on the future outlook of the auditing profession in Nigeria.

LITERATURE REVIEW

An overview of the attributes of a profession

Harvey (2009) described a profession as a group of people in a learned occupation, the members of which agree to abide by specified rules of conduct when practising the profession. It is further described by Wikipedia as a vocation founded upon specialized educational training, the purpose of which is to supply disinterested counsel and services to others, for a direct and definite compensation, wholly apart from expectation of other business gain. According to the Oxford English Dictionary (1989) and Perks (1993), professions involve the application of specialised knowledge of a subject, field, or science to fee-paying clientele. Southern Illinois University (2004) also noted that it is obvious that professional activity involves systematic knowledge and proficiency. In essence, professions are distinguished from other occupations represented by trade groups due to their level of legal recognition. The accounting profession in Nigeria is enjoying this status through the Institute of Chartered Accountants of Nigeria.

Boone (2001) opined that professions are based on scientific and philosophical facts acquired through scholarly endeavour. Individuals who enter a profession do so for reasons that distinguish them from other work or vocations. They understand that their work renders a unique public service with a scientific or philosophical basis and/or body of knowledge that requires an extended period of academic and hands-on preparation. Professions are also based on specialized skills necessary for the professional to perform the public service. This view is also consistent with the Australian Council of Professions (2004), Burbules and Densmore (1991) and Pratte and Rury (1991) viewed profession as a disciplined group of individuals who adhere to ethical standards.

It is inherent in the definitions of a profession that a code of ethics governs the activities of each profession. Such codes require behaviour and practice beyond the personal moral obligations of an individual. This explains the reason why the public has a level of expectation from the auditing profession.

Auditing as a profession

Napier and Carnegie (2007) noted that accounting has been described as an increasingly social practice rather than a technical practice as it competes with other professional groups and occupations to attract and retain talents. As a profession, auditing has come under scrutiny in many ways (Ajibolade, 2008; Adeyeye et al., 2010), particularly in eras of corporate collapse. These events lead some to question whether auditing meets the requirements of a profession.

In examining what distinguishes a profession from other occupations, West and Yee (2006) opined that occupational status is a matter of perception and is endowed by the society in which an occupational group is constituted. An aspect of the development of occupational status concerns the particular social and cultural values which abide within the society in which an occupation is situated. This high esteem arises primarily from the higher social function of their work, which is regarded as vital to society as a whole and thus of having a special and valuable nature. Abercrombie et al. (1984) suggested that a profession relies on performing services not for its own interest but for the public good. Therefore, if the interest of the public is to be served, the professional authority of accountants is justified when accounting information serves its stated purpose and functions.

It is clear from the various contributions in the literature that the auditing profession and indeed the entire accounting profession, as an occupational group, has after a while achieved an elevated level of authority over financial reporting practices that have been sourced from a coherent body of knowledge. In essence, the public ascribes the auditing profession a high social status, regard and esteem over financial information in corporate entities. Therefore, it can be said that the auditing profession evolved as a result of the social contract between it and the society.

The legitimacy of the auditing profession

Jackling and Watty (2008) opined that conferring legitimacy is not a one-off occurrence. It relies upon the concept of social contract. Matthews (1993) noted that social contract is used to define an arrangement between an organisation and members of the society. These studies considered that an organisation's survival will be

threatened if society perceives that the organisation has breached its social contract. In a recent study by Deegan (2006), changing community expectations and society norms may dictate that what is considered legitimate at one specific point in time may not be considered legitimate at a future date. Therefore, the organisation's need for auditors, who represent the value system of the profession that they represent, is crucial to the maintenance of the social contract with the society.

Furthermore, there is an implicit assumption that the value system of the profession and the society are congruent. The society has an expectation that professional accountants (auditors) will work in the interest of the stakeholders by upholding the fundamental principles of professional conduct such as expertise, professional ethics, knowledge, competence and above all, integrity. According to Dellaportas and Davenport (2007), public interest is defined as "the collective well-being of people and institutions the profession serves and to protect the economic interest of third parties by facilitating an efficient economic decision making process through the provision of relevant and reliable economic data". The study concluded that professional accounting bodies in which the auditors belong are empowered with a responsibility to act on behalf of a public and to do whatever is necessary to protect and advance the interests of the public. In essence, it is expected that the auditing profession (as represented by the professional accounting bodies) recognises its responsibility to society as part of the social contract.

Where there is incongruence between the value system of the profession and the society, there is the likelihood that the social contract may be renegotiated. According to Lindblom (1994), this incongruence is referred to as "legitimacy gap". This may mean a re-assessment of the expectations of the skills and attributes that members of the auditing profession have in meeting various business challenges. Thus, this study examines the impact of these challenges on the continuous ability of the auditing profession to perform its roles on corporate financial data.

Ethics and the viability of the auditing profession

The future viability of any professional body is dependent upon its ability to continuously live up to the expectation required of it as an occupational status and its ability to attract new members. According to Theuri and Weickgenannt (2008), accounting scandals around the world have resulted in a wave of negative publicity for the auditing profession. The bankruptcies of Enron, Satyam, WorldCom, Sunbeam, and others, and the related accounting improprieties at these companies have led many in the business world (including students and professors) to question the viability of the auditing profession. The study noted that those already in the profession may be concerned about mechanisms to

control damage and/or strategies to fix the problem, those who are preparing to enter the profession (for example, students), may be more concerned that the qualities that attracted them to pursue the profession may be eroding. According to The American Assembly (2005), the collapse of Arthur Andersen in 2002 created a new auditing landscape which has resulted in several mergers of audit firms. This has resulted into the emergence of only four firms perceived as being capable of serving the vast majority of United States' public companies. The current members are PricewaterhouseCoopers, Deloitte and Touche, Ernst and Young, and KPMG.

Arthur Andersen's collapse, together with the revelation of numerous accounting scandals, also created a new regulatory environment; the passage of the Sarbanes-Oxley Act of 2002; the attendant creation of the Public Company Accounting Oversight Board (PCAOB) to oversee the formerly self-regulating auditors of public companies; and the imposition of new regulations from the stock exchanges and the U.S. Securities and Exchange Commission (SEC).

These negative perceptions have been found to have effect on student enrolment for the accounting profession with a rippling effect on the number of audit trainees. According to Albrecht and Sack (2000), Ahmed et al. (1997), Tan and Laswad (2006) and Well (2005), students graduating from accounting degree programmes have been found to be declining. These studies have suggested that the reason for this decline include a negative perception of accounting, bad information about accounting, increasing academic requirements, a misunderstanding of accounting and the skills required, and narrow curricula at the high school and tertiary education level. This decline was described in these studies as being genuine. Williams (2001) noted that this decline is not likely to improve in the very near future.

The phenomenon captured in this section has been linked to the erosion of ethical values expected to guide the auditors and other accounting practitioners in meeting societal expectations. Adeyeye et al. (2010) undertook a study on the ethical challenges of practicing accountants in Nigeria. A number of factors that were assumed to influence the ethical behaviour of an auditor in the course of his audit assignments were examined. The influence of family background, religious belief, economic issues, familiarity issues and monitoring and regulatory issues were studied. The result of the study showed the interrelatedness of the identified variable. The researchers concluded that it is imperative to monitor and positively control these variables for audit profession to sustain its relevance in a dynamic business world.

MATERIAL AND METHODS

This section of the study describes the research design, population of the study, sampling, research instrument and the method of analysis.

Research design

Survey research design was used in this study. This research strategy was considered necessary because of its ability to view comprehensively and in detail the major questions raised in the study. According to Denscombe (2003), this research design is an efficient way of collecting information from a large number of respondents and the ability to use statistical techniques to determine statistical significance.

Study population

A population is the entire set of relevant units of analysis (Saunders et al., 2007). Since this study is on the auditing profession, population of the study is defined as all accountants in Nigeria. The choice of all accountants is hinged on the belief that all accountants have the knowledge of what the duties and roles of auditors are (Frankfort-Nachmias and Nachmias, 2006). Thus, accountants in all sectors of the Nigeria economy represent the population of the study.

Sampling frame and sampling technique

Sampling is the procedure for drawing units from a population. It results in the reduction of the amount of data to be collected, by considering only data from a sub-group rather than all possible elements. When data serving as the basis for generalisation is comprised of a subset or sub-group of the population, that subset or subgroup is called sample (Frankfort-Nachmias and Nachmias, 2006; Saunders et al., 2007). In the absence of an up-to-date list and sector category of accountants in Nigeria, 50 prospective respondents from industry accountants were drawn by using the official listing of companies quoted on the Nigerian Stock Exchange as at March 10, 2009 (The Punch 13, 2009). One hundred respondents consisting of 50 accountants in academics and 50 accounting students were drawn from tertiary institutions offering accounting programme in tertiary institutions in Lagos State, Nigeria while 50 public accountants (auditors) were drawn from accounting firms in the state. Therefore, the sample size was 200. All members in the sample were drawn randomly at various public fora where the respondents were approached for participation in the study.

Data type and data collection instrument

Primary data were collected for this study. The primary data was obtained from the targeted respondents through a carefully constructed questionnaire. The questionnaire was designed to capture the demographic data of the respondents and their opinions with respect to the research questions. The questionnaire was divided into two sections. Section one sought to obtain information on demographic details of respondents while Section two consisted of items measuring the perception of respondent groups on ethics and the future outlook of auditing profession. The questionnaire was constructed using a five-point likert scale.

Method of data analysis

The data collected were analysed using both descriptive and inferential statistics. The descriptive method described the demography of respondents and other variables in the study using percentages, frequency count, mean and standard deviation. The hypotheses formulated for this study were tested with the use of statistical tools for population means and level of significance tests. Thus, the four hypotheses proposed in the study were tested using

Table 1. Demographic details of respondents.

		Frequency	Percent	Valid percent	Cumulative percent
Gender	Male	103	72.0	72.0	72.0
	Female	40	28.0	28.0	100.0
Status	Single	48	33.6	33.6	33.6
	Married	95	66.4	66.4	100.0
Respondents category	Accounting Student (AS)	42	29.4	29.4	29.4
	Industry Accountant (IA)	38	26.6	26.6	55.9
	External Auditor (EA)	35	24.5	24.5	80.4
	Academic Accountant (AA)	28	19.6	19.6	100.0

Source: Field Survey, 2010.

F-test. These hypotheses tested whether the means from the perceptions of the four groups of respondents were the same. According to Bluman (2004), F-test is used to test a hypothesis concerning the means of three or more populations. This technique is also called analysis of variance (ANOVA). The hypotheses proposed in the study take the form that:

$$H_0: \mu_1 = \mu_2 = \mu_3 = \mu_4$$

H_1 : At least one (1) mean is different from the others.
where: μ = mean, 1-4 = respondent groups.

RESULTS

This section of the research work deals with the analysis of the questionnaire, provision of answers to the research questions and the discussion of findings from the study.

Demographic data analysis

Out of the two hundred copies of the questionnaire administered, a total of one hundred and forty-three copies were returned. Hence, one hundred and forty-three usable copies of questionnaires were used for analysis. This represents an overall response rate of seventy-two per cent (72%) for all the groups. These responses were used in providing answers to the questions raised in the study.

Table 1 shows the breakdown of respondents by gender. One hundred and three male respondents representing seventy-two percent (72%) and forty female respondents representing twenty-eight percent (28%) were surveyed in this study. This shows that views of respondents were sought across the two genders. It also indicates that forty-eight respondents representing about thirty-four percent of respondents were single and ninety-five respondents representing about sixty-six percent were married. Hence, a higher number of respondents were matured individuals.

The study also made effort to describe the category of respondents used in the investigation. The results of respondents based on the category of groups are presented in Table 1. The Table shows that forty-two respondents representing twenty-nine percent are accounting students and thirty-eight (38) respondents representing about twenty-seven percent are industry accountants. Furthermore, thirty-five respondents representing (25%) are public accountants (external auditors) and twenty-eight respondents representing (20%) are academic accountants.

Research Question 1: Is the auditing profession living up to the expectation of the public in Nigeria?

In order to generate valid response to the first research question, analyses were carried out by using the responses from the questionnaire. Items 1, 8, 9, 10, 15 and 18 of the questionnaire were used in providing answers to this research question. The questions bordered on the opinion of the respondents on the integrity of auditing profession. The descriptive statistics of responses are presented in Table 2.

For example, the need for auditors to abide by a high ethical standard because of their responsibility to honour the public trust (Statement 1) has a high mean score of above 4.80 in each of the respondent groups. This shows that respondent groups are aware that auditors owe the public a duty to maintain a high standard of ethics which will accord them the integrity that the public repose on them. Furthermore, there appears to be a general consensus by respondent groups that shaping the views of the new entrants to the profession is an important step towards restoring the integrity of the financial reporting process (Statement 10). This is evidenced by a relatively high mean score of above 4.00 by all respondent groups. Respondents' opinion was also sought on the credibility

Table 2. Descriptive statistics on the integrity of the auditing profession.

No.	Statement		Mean	Std. deviation
1	Auditors must abide by high ethical standard because of their responsibility to honour the public trust..	SA	4.93	0.261
		IA	4.89	0.311
		EA	4.86	0.355
		AA	4.89	0.315
		Total	4.90	0.307
2	The auditing profession is losing its credibility.	SA	4.00	1.126
		IA	1.82	1.062
		EA	3.51	1.314
		AA	2.64	1.193
		Total	3.03	1.451
3	The event surrounding the introduction of Corporate Governance Code in Nigeria and the United States Version of Sarbanes Oxley Act places the auditing profession at a crossroad.	SA	4.00	1.126
		IA	1.82	1.062
		EA	3.51	1.314
		AA	3.50	1.319
		Total	3.20	1.466
10	Shaping the views of students entering the profession is an important step to restoring the integrity of financial reporting process.	SA	4.57	0.501
		IA	4.34	0.481
		EA	4.54	0.561
		AA	4.68	0.476
		Total	4.52	0.515
15	It is impossible to properly integrate the responsibility of an external auditor who is paid by the client because he is licensed to protect the public trust.	SA	3.55	0.705
		IA	2.32	0.904
		EA	2.29	0.987
		AA	3.54	1.071
		Total	2.91	1.094
18	Compliance with ethics and cultural values of the profession has been on the declining state.	SA	3.95	0.987
		IA	2.79	0.935
		EA	2.26	0.886
		AA	2.82	0.983
		Total	3.01	1.141

Source: SPSS output.

of the profession through Statement 8. It appears that respondents have different perception of the current level of credibility accorded to the profession. Accounting students were of the opinion that the profession has in recent times lost its credibility while industry accountants have a totally different opinion. These opinions are evidenced by a mean score of 4.00 for accounting students and 1.82 for industry accountants. Therefore, hypothesis was proposed that there is no significant difference in the perception of respondent groups regarding the belief in the high integrity of the profession.

Hypothesis 1: There is no significant difference in the perception of respondent groups regarding the belief in the integrity of the profession.

Hypothesis 1 concerns the belief in the integrity of the auditing profession. Six items from the questionnaire are associated with this hypothesis. These are Statements 1, 8, 9, 10, 15 and 18. The result of the hypothesis proposed is shown in Table 2. Out of the six statements used in validating the proposition made on the integrity of the profession, significant differences were found for four

Table 3 Panel A. Results of ANOVA on the integrity of the profession.

		Sum of squares	df	Mean square	F	Sig.
Integrity * Category	Between groups	1005.177	3	335.059	46.397	0.000
	Within groups	1003.802	139	7.222		
	Total	2008.979	142			

Table 3 Panel B. Result of ANOVA on the need to restore public confidence in the profession.

		Sum of squares	df	Mean square	F	Sig.
Confidence * Category	Between groups	0.079	3	0.026	0.179	0.910
	Within groups	20.536	139	0.148		
	Total	20.615	142			

Table 3 Panel C. Result of ANOVA on the future existence of the profession.

		Sum of squares	df	Mean square	F	Sig.
The future * Category	Between groups	.110	3	.037	.240	.868
	Within groups	21.191	139	0.152		
	Total	21.301	142			

Source: Field Survey, 2010.

statements (items 8, 9, 15 and 18). Consequently, the conclusion was that there were significantly different perceptions among the groups regarding the integrity of the auditing profession in Nigeria. For example, on Statement 18, 'compliance with ethics and cultural values of the profession has been on a declining state', student accountants have a mean score of 3.95 while public accountants have a lower mean score of 2.26.

Panel A of the Analysis of Variance result in Table 3 shows that there is a significant difference in the perception of respondents. Overall, four of the statements have a high F-ratio of above 5.00 in Statements 8, 9, 15 and 18 with p-value less than 0.05. Hence, the proposition made on the integrity of the auditing profession is not accepted. However, the study also reveals that there are no significant difference in the perception of respondent groups on the need for auditors to abide by high ethical standard and the need to shape the views of new entrants to the profession (Statements 1 and 10).

Research question 2: Has the response of the profession to these challenges been proactive and adequate in restoring public confidence?

Table 4 shows the descriptive statistics for the five statements used for this research question. There are indications from the table that there are varying perceptions on the adequacy of the current regulatory

framework being able to restore investors' confidence in the auditing profession in Nigeria (Statement 5).

This is evidenced by a mean score of 3.21 for industry accountants and a low mean score of 1.81 for student accountants. The Table also shows that ethics is believed to be a major issue in business and accounting. This is evidenced by a mean score above 4.20 in each of the groups being studied.

Hypothesis 2: There is no significant difference in the perception of respondent groups on the need to restore public confidence in the auditing profession

The result of the hypothesis is presented in Table 3 (Panel B). Item 12 of the questionnaire was used in testing the proposition made. There are indications from this Table that the statement used (Statement 12) is not significant with p-value less than 0.05. Therefore, respondents appear not to have significantly different perceptions of the need to restore investors' confidence. In essence, there is no significantly different perception of respondent groups on the need for the profession to take steps to restore investors' confidence in the profession in Statement 12 ($F_{(3, 139)} = 0.179$, p-value > 0.05).

Research questions 3 and 4: On the impact of audit challenges on the attractiveness of the profession

Items 2, 7, 11, 16, 19, 22 and 23 of the questionnaire

Table 4. Descriptive stats. on the need to restore public confidence in auditing.

No.	Statement		Mean	Std. deviation
4	Investors' confidence will not be restored by regulation of auditing alone.	SA	3.71	1.019
		IA	3.50	1.225
		EA	3.40	1.006
		AA	2.57	1.069
		Total	3.36	1.147
5	The present regulatory framework of the auditing profession is adequate in restoring investors' confidence.	SA	1.81	.890
		IA	3.21	1.234
		EA	2.23	1.140
		AA	1.89	1.197
		Total	2.30	1.239
12	The auditing profession must take steps towards restoring public confidence in the integrity of the profession.	SA	4.12	0.328
		IA	4.16	0.437
		EA	4.17	0.382
		AA	4.18	0.390
		Total	4.15	0.381
20	The crisis in investors' confidence towards the auditing profession is irrelevant in our economy.	SA	1.93	0.558
		IA	1.92	0.487
		EA	1.83	0.453
		AA	1.61	0.497
		Total	1.84	0.513
21	Ethics is a major issue that should be emphasised in the auditing profession.	SA	4.24	0.431
		IA	4.21	0.413
		EA	4.26	0.443
		AA	4.68	0.476
		Total	4.32	0.469

Source: Field Survey, 2010.

were used in providing answers to this research question. The questions bordered on the opinion of the respondents on the effect of business failure, accounting and ethical scandals on the future existence of the profession (Table 5).

It appears from Table 5 that respondent groups have varying perceptions of whether the profession has not taken sufficient steps to avoid corporate and ethical scandals as shown in Statement 7. Academic accountants appear to have the highest mean score of 3.54 while industry accountants have the lowest mean score of 2.45. The Table also shows that respondents have varying opinions on the decline of core values which attracted them to the profession (Statement 2) as evidenced by a mean score ranging between 3.6 and 2.8. Furthermore, the Table also shows that respondent groups have a high mean score above 4.00 on the opinion that the auditing profession will continue to play a key role in the future prosperity of the Nigerian economy (Statement 11).

Hypothesis 3: There is no significant difference in the perception of respondent groups on the effects of accounting scandals on the auditing profession

The hypothesis being no significant difference in the perception of respondent groups on the future existence of auditing profession was tested using item 11 of the questionnaire. The result of the hypothesis is presented in Table 3 (Panel C). There is an indication that respondents are not different in their perception that the profession will continue to play a key role in the future prosperity of the Nigerian economy.

DISCUSSION

The recent collapses of various companies around the world have led to increasing interest in the financial reporting process deficiencies and inadequacies in the corporate disclosure practices. This situation has had a

Table 5. Descriptive statistics on the future existence of the auditing profession.

Quest. Item	Statement		Mean	Std. deviation
2	The core values which attracted me to the profession have declined.	SA	3.62	.882
		IA	2.82	.982
		EA	2.80	.933
		AA	2.82	.905
		Total	3.05	.988
7	The auditing profession has not taken sufficient steps to avoid future corporate and ethical standards.	SA	3.21	1.094
		IA	2.45	1.108
		EA	2.74	.950
		AA	3.54	.793
		Total	2.96	1.080
11	The profession will continue to play active role in the future prosperity of the Nigerian economy.	SA	4.05	.439
		IA	4.11	.388
		EA	4.09	.373
		AA	4.04	.331
		Total	4.07	.387
16	I have noticed a decline in the ethics of the auditing profession more than it used to be.	SA	3.71	.805
		IA	2.32	.702
		EA	1.71	.458
		AA	2.25	.585
		Total	2.57	1.018
19	Fundamental changes must occur to restore the integrity of the financial reporting process.	SA	4.40	.627
		IA	2.55	.891
		EA	2.34	.765
		AA	3.50	.882
		Total	3.23	1.161
22	Am optimistic about the good future of the auditing profession.	SA	4.07	.601
		IA	4.21	.413
		EA	4.26	.443
		AA	4.68	.476
		Total	4.27	.533
23	Recent corporate and ethical scandals have really affected the perception of auditing as a profession.	SA	4.36	.656
		IA	3.95	1.229
		EA	2.14	1.264
		AA	3.93	1.303
		Total	3.62	1.403

Source: Field Survey, 2010.

negative and cumulative impact on the perceived credibility of financial reporting and has tarnished the perception of the future outlook of the profession amidst the various gaps in public expectations.

Survey research design was used in this study. The perceptions of 143 informed stakeholders out of the 200 respondents sampled were used. The respondents

image of the auditing profession. The current study examined ethics of the auditing profession and consisted of four target groups: accounting students, industry accountants, external auditors and academic accountants. Primary data were obtained from the targeted respondents through a questionnaire. The data collected were analysed using both descriptive and

inferential statistics.

The results of the first hypothesis show that there were significantly different perceptions among the groups regarding the integrity of the auditing profession in Nigeria. This result may be due to varied orientations and experiences. For example, respondents whose value system and upbringing have limited them to ethically inclined environments may not appreciate the perceived intensity of the fraudulent financial reporting and audit inadequacies. This result, however, is inconsistent with the findings in Bakre (2007) which indicted the accountants, auditors, and the accounting professional bodies in Nigeria for extremely poor level of integrity observed. The study also revealed that there were no significant differences in the perceptions of respondent groups on the need for auditors to abide by high ethical standard and the need to shape the views of new entrants to the profession. This result accords substantially with the view expressed in Ajibolade (2008) that future professional accountants should be properly groomed in ethical standards to maintain the respectability of the profession. In addition, the opinion expressed here is normal for professional growth and improvement of service delivery in financial reporting and auditing endeavours.

The study also made inquiries into the need for improved public confidence on the profession. Respondents appear to have no significantly different perception of the need to restore investors' confidence. Consequently, there is no significant difference in the perception of respondent groups on the need for the profession to take steps to restore investors' confidence in the profession. Results from the study also suggest that respondents have different perceptions on the decline of core values which attracted them to the profession. This result can also be viewed from the global popularity of the accounting discipline.

It also appears that perceptual differences existed on whether the profession has made sufficient efforts to avoid future corporate and ethical scandals. This result is mixed as the perceptions are likely to have been affected by respondents' activities. For instance, respondents who have lost substantial amounts of investment in the Nigerian capital market might have attributed the financial loss to the perceived unethical practices of management aided by the organisations' accountants and audit expectation gap. Nevertheless, respondents were not different in their perception that the profession will continue to play a key role in the future prosperity of the Nigerian economy.

Conclusions

This study sought to provide information that may help improve the auditing profession in Nigeria, by investigating the perception of selected stakeholders on recent corporate failures and ethical scandals as well as

the effect of these on regulatory reforms and the future of auditing profession in Nigeria. Arising from the pursuit of this objective are specific recommendations which will improve the credibility of this profession.

There is the need for the profession to direct its efforts towards shaping the views of new entrants to the profession. This can be achieved through sound ethical training as results from the study suggested that this is an important step towards restoring the integrity of financial reporting process. Adherence and enforcement of high ethical standard for members of the profession will go a long way in maintaining diligence in the way members of the profession carry out their duties.

This study also recommends that regulatory agencies should be more proactive in their response to issues which affect the profession. While evidence exist in this study that there is the need for an improved regulation of the profession, such regulation should be targeted towards restoring confidence in the Nigerian capital market. Finally, the profession should make efforts to improve and uphold its cultural values at all times. It is believed that the profession of auditing has the potential to continue to play a significant role in the future prosperity of the Nigerian economy.

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