THE IMPERATIVES OF CONTINUOUS AUDITING IMPLEMENTATION FOR PERFORMANCE EVALUATION OF BUSINESSES IN NIGERIA: A QUALITATIVE EXAMINATION

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Abstract
Continuous auditing methodology has gained prominence and it is replacing the traditional annual (end of the year) audit business across the globe. It is in view of this, that the study attempts to examine the nature of the auditing approach, its advantages /benefits and steps to take by organizations in maintaining and keeping the auditing approach working. This is with the view of enlightening business operators and auditors in the Nigerian environment on the need to embrace the approach in their auditing process. The study is a descriptive one that made use of relevant literature (theoretical and empirical on the subject matter. Findings suggest that while many businesses in advanced economies like USA have adopted continuous model in their auditing processes, the adoption and implementation of the auditing approach is still low in developing nations like Nigeria the focus of the study. It was further revealed that issues such as inability of develop reliable system of Internal Control, inability of auditors to access required information instantaneously on client's transactions and inadequate technology of auditors to assist real time access to data have hindered the adoption of continuous auditing approach in Nigerian business environment. The study concluded by recommending that organizations in Nigeria should develop reliable Internal Control System, allow auditors access to required information and auditors on their own part should invest in technology and automation to be able to access information on clients' operations on real-time basis

Keywords: Continuous auditing, Annual audit, Reliable Internal Control, Invest in technology, Nigerian environment.

Introduction

The first application of Continues Auditing (CA) was developed at AT&T Bells laboratory in 1989 known as Continues Process of Auditing System (CPAS) was meant to provide measurement monitoring and analyzing company's billing information. It was later expanded to incorporate metrics, analytics and alarms pertaining to financial information of business entities. Since its development in 1989, the methodology (CA) has gained tremendous prominence especially the 1990s and 2000s as a result of accounting and reporting scandals that brought transparency issues of many corporate organizations around the world. The occurrence of scandals in these entities has necessitated the incorporation of CA as key component of risk monitoring

strategy of internal auditing departments fair, prompt and on the performance of enterprises (Hynes & Jarus 2017)

The essence of financial reporting is to provide information to business stakeholders for decision making. For the information to be useful, it has to be accurate, reliable, timely, free from material errors, and fraud that could induce decision regret of users. It is in this regard increased efficiency and effectiveness of audit process in critical in modern day economy where businesses operate in real time and reporting daily, becomes a necessity. Daily and prompt reporting of financial information of enterprises is a key factor in transparency that hinges on CA mentioned in the report of America Institute of Certified Public Accountant (AICPA) (Ganite, Beuhan & Tugba, 2014) Transparency is a function of continuous reporting of financial and non-financial information on a real-time basis. The purpose is to allow external parties access to information as underlining effects occur. Supporters of CA argue that real-time information would provide users with the ability to take advantage of important business moves as they happen (Burl & Dafor, 2011). As important as CA is, opponents of the implementation think of its implementation believe that continuous reporting of financial information of entity would give away important strategic moves and undermining competitive advantage (Donley & Sally 2014). As tenable as the argument of the opponents of CA may be Demola and Taju (2018) viewed that with globalization continues the integration of companies within their department and other companies, desire for data exchange prices and ability of integrity of information checked corrected and show promptly, the demand for CA will continue to rise.

Statement of the Problem

The normal traditional audit or the year-end audit has not kept pace with the demand for real-time reporting of transactions and events that accrue in enterprises (Chapman & Cole, 2015). Inability to capture transaction as when first materialize is a compounding one as many of the viable data for processing is mostly omitted. (Suman & Mann, 2014) The observation of Suman& Mann, (2014) is an affirmation of the problem of decision making based on unaudited data highlighted in a special committee's report of the American Institute of Certified Public Accountants (AICPA) on Assurance Service (AS) in 1995 that is still lingering.

Describing the issue of real-time assessment of the performance of the enterprise in Sub-Saharan Africa and Nigeria in particular, Demola and Taju (2018) viewed that performance evaluation of businesses in Nigeria is a daunting task as accounts of these enterprises are not properly audited with a lot of impediment in trying to access the necessary records and pressure on auditors to complete the audit-job in an audit cycle. Collaborating the new of Demola & Taju (2018) on the issue of CA implementation in the Nigerian business environment, Nolie and Nochie (2019) discovered that unreliable system of internal control instituted by management inadequate digital technology for access to client data in real-time and processing inadequate knowledge

of auditors knowledge on computer technologies and inadequate data analysis and analytical models for monitoring continuous controls and performance of clients. The inadequacies of CA implementation factors have negatively affected prompt reporting and assessment of the performance of enterprises in Nigeria continuously (Nolie & Nochie, 2019).

Objective of the Study

The objective of the study is to explore the importance and the benefits of CA and the actions of auditors and organisations that can trigger/inspire the implementation of the auditing approach in the Nigerian business environment. Therefore, the recommendations of the study are meant to inculcate the necessity of CA as a modern auditing approach and the derivable benefits of its implementation in the Nigerian business environment.

Literature Review

Continuous Auditing (CA)

CA is an automatic method used to perform auditing activities such as control and risk assessment on a more frequent basis (Dalli & Ernell 2011). It is technology-driven as identification of exceptions or anomalies, analysis of patterns within the digits of key numeric fields, trend review, test controls and identification of irregularities in the client's system are normally done with the use of technology. CA represents a systematic process enabling electronic auditing pieces of evidence to be collected for providing an opinion regarding financial statements prepared in a paperless and real-time environment and presented truthfully (Rezaee, Elam & Sharbatoghlie, 2001). It an approach, an internal process that examines accounting records, policies, practices, risk controls, compliance, information technology system and business procedures of an entity on an ongoing basis and a shift from the traditional audit paradigm. It is an auditing methodology in the modern-day economy for prompt detection and correction of operational irregularities in a system and reporting organizational performance accurately on a real-time basis (Valtine & Scholla, 2013).

Organizational Performance (OP)

This refers to how well or badly a business organization operates or is carrying on its activities (Khanles & Murphy, 2012). OP comprises the real results or outputs/outcomes of an organization compared with the set standard. Harry (2009) Viewed OP in terms of how successful an enterprise organize its human resources (people) towards the realization of its set goals/objectives. It involves carrying out an action, task or function towards a desired outcome or output. At the end of a period, an analysis of the rate of performance is usually made to ascertain whether the outcome/results are conforming to the set standard.

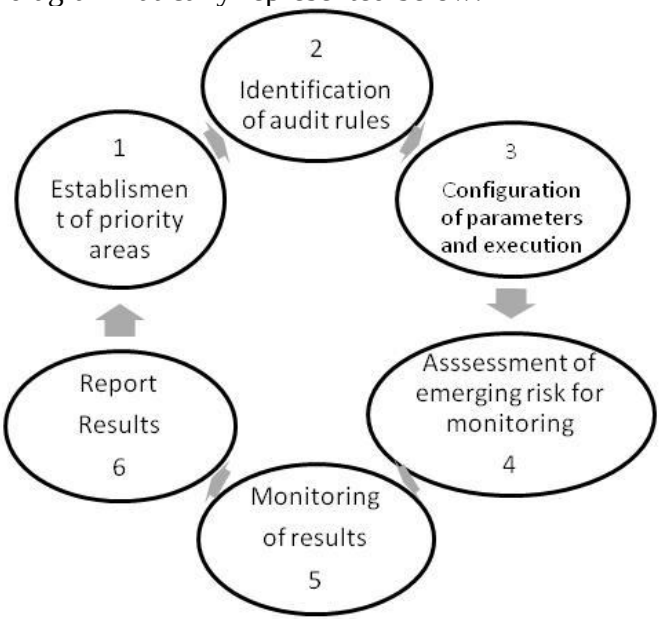
According to Mc Nolly and Stan (2011) segregated OP of an entity into three namely; (i) Financial Performance (FP) which has to do with the financial health, return

investment revenue or assets and value-added (ii) Market Performance (MP) that has to do with finding out whether an enterprise has gained or lost its market share whether the new product(s) is/are being added or whether an upgrade of existing products is/are in the pipeline and (iii) Shareholder Values (SV) which has to do with how an enterprise is making its shareholders richer. SHV performance according to Rennol and Karl (2012) is the ultimate measure of a company's performance/success. The richness of shareholders (owners of a business) is based on the amount distributed as dividends and is a function of profitability. The results/outcome of the organization's activity in terms of the three (FP, MP and SHV) are the key performance indicators (KPIs). KPIs are measurable values that demonstrate how effectively and efficiently an enterprise is achieving its key business objectives (Conham & Denma, 2011) Central to the purpose of CA is continuous checking of the business operations for early detection of anomalies to could deter attainment of set objectives (Evans & Collins, 2013).

Maintenance and Benefits of CA

Hynes & Jarus (2017) viewed that CA operation is critical to the efficiency and effectiveness of internal audit management and the auditing approach (CA) has to be maintained to perpetually monitor KPLs. The steps to follow in maintaining CA according to Hynes & Jarus (2017) are (i) Establishment of priority areas for continuous monitoring (ii) Identification of audit rules (iii) Configuration of parameters and execution (iv) Assessment of emerging risk for monitoring (v) Monitoring of results of the operation to ascertain any deviation from the set standard and (vi) Report results.

The steps are diagrammatically represented below:



Source: Author's diagrammatical representation of CA maintenance steps

The implementation and maintenance of CA are beneficial to organizations and auditors themselves. The benefits of CA maintenance for monitoring and reporting results of operation according to Chapman and Cole (2015) are as follows:

- CA and monitoring results can reduce the risk of financial loss through early detection of material error that could mar the performance.
- Reporting results of operation continuously is a means for providing management with additional information that can be used to improve efficiency in all areas of operation.
- CA implementation is a means for providing continuous assurance over risk management and internal control system which can spur performance.
- The auditing approach is useful for the early detection of errors, frauds for rectification critical for credible and reliable reporting.
- CA implementation paves for early completion of accounts and quick presentation of financial statements. With early completion and presentation of accounts, prompt filing of returns to government authorities is possible (Othman & Sen, 2015). Further, as a result of prompt completion of accounts early meetings of shareholders can be called and distribution of profits (dividends) could be made without delay.
- With CA, the performance of organizations can be made in real-time almost on daily basis. Continuous reporting to shareholders is an act that stimulates the confidence of investors and a spur for more investment in an enterprise (Othman & Sen, 2015).

To audits firms, CA is of advantage to auditors as it is an innovation in an auditing approach that enhances proper planning of audit work and in-depth checking of accounts of clients. Thus, Karto and Clara (2019) viewed that one of the key benefits of CA to auditors is that it helps the experts (auditors) to increase the scope of coverage to almost 100% against the limited scope of sampling it is also a means to keep the audit staff (external auditors) busy and a morale check on internal audit staff. Prompt detection of irregularities and correcting promptly through CA are critical to the attachment of organizational objectives.

Empirical Review

Slobodan, Jelena, Aleksandar, Sandra and Andrea (2015) did a study on the importance of continuous audit of financial statements of companies in the EU countries. It was a theoretical exposition of the importance of CA of financial statements of companies particularly for those in the EU. It was found that CA is significant in triggering the performance of enterprises. Pall, Kishore and Peter (2019) conducted a study on exploring CA solutions and internal auditing: A research note. The aim was to ascertain the opportunity that lies in exploring the adoption, implementation and application of CA in the context of internal auditing. It was an

exploratory study that reviewed the literature on the subject matter. The existing pieces of literature were used as data built upon a similar framework. Findings from the study suggested that CA implementation is critical to effectiveness in the auditing process.

Marc and Artur (2018) carried out a study on the current state and future directions of CA research: An analysis of the existing literature. The aim was to ascertain the extent to which CA is accepted and implemented by practitioners within the internal audit departments and external firms. In a content analysis of 100 papers on CA from 38 different journals published between 1983 and 2015, it was found that the requirement for the auditing profession has changed from the traditional annual audit to the new auditing technology of CA. Michael, Fernando, Miklos and Edson (2006) did a study on CA: The US experience and consideration for its implementation in Brazil. It was exploratory research aimed at ascertaining the extent of adoption and implementation of CA among companies in the USA, Findings revealed that 50% of companies in the USA use CA and 31% of the rest have already made plans to follow suit as it is a viable auditing methodology for real-time assessment of organizational performance.

Zabihollah, Rick and Ahmad (2001) did a study on CA; The audit of the future. It was a theoretical review of the importance of CA. Findings from the study indicated that CA is the audit of the future involving the use of software that would allow for online real-time preparation, publication examination and extraction of financial information. Charlton and Marx (2009) investigated the impact of CA on the external auditors of the four largest banks in South Africa. It was a theoretical review that focused on CA from an external auditors' perspective. The result of the study showed that external auditors of the banks use CA.

David and Miklos (2011) did a study on the innovation and practice of CA. it was a theoretical study that explored CA as a potential successor of the traditional audit paradigm. Findings suggested that the traditional audit pattern is outdated in the real-time economy. Michael Alexander and Miklos (2008) did a study on putting CA theory into practice: Lessons from two pilot implementations. The survey of the state of CA after two decades showed that CA implementation has impacted positively on modern-day auditing that thrives on technology.

Koen and Scherrenburg (2013) conducted a study on continuous auditing and continuous monitoring: How to overcome hesitation and achieve success. It was survey research meant to describe the main outcome of continuous audacity/continuous monitoring and lessons from its implementation. The survey was conducted among organizations in EMA (Europe, Middle East and Africa) countries it was found that though these organizations understand the benefits of CA and monitoring, the adoption of the auditing approach is still low.

Theoretical Framework

The study is anchored on the theory of inspired confidence. The theory focuses on both the demand and supply of audit services. The service is delivered through examination and expression of opinion of the experts (auditors) on the financial statements prepared by managers of enterprises through which Stewardship and accountability are rendered. However, as outside parties cannot monitor any material misstatement or bias in financial reports, the demand for an independent reliable audit arises.

The continuous monitoring and reporting on a real-time basis are to ensure that stakeholders have prompt information about the performance of enterprises in which they have vested interests. The theory assures that auditors' reports prepared on a continuous and real-time basis regarding an organization's performance are confidence-inspiring and key to the fulfilment of stakeholders' expectations.

Methodology

It is an expository study that reviewed both theoretical as well as empirical studies on the imperatives of CA as a contemporary model for audit examination and reporting results of operations of enterprises. The study was targeted at the Nigerian business environment where the implementation of CA is not given much-needed attention. The findings from the literature, therefore, formed the basis for recommending the auditing approach in the Nigerian environment for benefits that can accrue to business for adoption and implementation of the auditing approach.

Findings and Discussion

Implementation of CA is generally deemed as a necessity, a model and future of auditing (Zabitholla Rick & Ahmad 2001) As a future of auditing, the CA approach has been adopted and implemented by many businesses in the USA since the early 2000s (Michael, et al 2006). With the increasing demand for technology, increase in the number of transactions of enterprises all across the globe and the need for provision of not only accurate but on a real-time basis and reliable financial information, implementation of CA has become imperative for improved performance and prompt reporting or results of organizations (Valtine & Scholla, 2013). Timely information on organizational performance made possible through continuous monitoring and reporting results is of advantage as it helps managers and auditors to identify risk factors that could impede the realization of objectives (Hynes &Jarus, 2017). It is on this numerous advantages of CA that many enterprises in developed nations have adopted the CA model in their auditing process, for instance in the USA, there is high acceptance of CA by businesses and urging businesses in countries like Brazil to adopt same.

Unfortunately, in developing nations of Africa, particularly Nigeria adoption and implementation of the CA auditing model is still low (Koen & Scherrenburg, 2013 and Nolie & Nochie 2019). The issue of non-implantation of CA methodology is so severe

that real-time assessment of performance/results of operations of enterprises in Nigeria is quite difficult to make (Demola & Taju, 2018). The major impediments/hindrances to the implementation of CA by enterprises in the country being technologically inadequate and access issues to records of operation (Nolie&Nochie, 2019). The ultimate negative effect being the inability of stakeholders to promptly assess the performance of enterprises in they have vested interest. Inability to assess the performance of a business in a country can impede microeconomic growth.

Conclusion And Recommendations

CA has come to stay as an innovation in both internal and external auditing approaches adopted by firms especially those in advanced economies. The methodology of CA is a key component of corporate management in the modern-day economy as the demand for reliable, valid and real-time decision making continues to grow. Though CA methodology has introduced innovation to auditing practice, the rate of its implementation by organizations in Nigeria is still low as the information flow and availability of online real-time enterprise systems is still rare. It is quite unfortunate that most organizations in this country still rely on the traditional annual audit where auditors issue an ex-post opinion, a relic of the pre-digital age. The traditional audit approach is archaic as control deficits, faults irregularities and general organizational performance cannot be captured and reported on real-time basins.

CA is an auditing approach that has built the confidence of stakeholders in the operation of businesses worth adopting and implementation by organizations in Nigeria. For successful implementation of the auditing approach by organizations in the country, the following recommendations are put forward.

1. Organizations must develop a highly reliable system of Internal Control and auditors and other stakeholders must be allowed to access the required information instantaneously.
2. Auditors should invest heavily in technology and automation that will assist real-time access to data processing for prompt reporting of anomalies in business operation.
3. Auditors as a matter of necessity should be conversant with audit-related issues in the client organization, information system, computer technology, data analysis and analytic models for monitoring risks, controls and performance of clients continuously.

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