

## ELECTRONIC AUDIT EVIDENCE AND QUALITY OF AUDIT REPORT: A REVIEW OF COVID-19 REGIME

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### **Abstract**

*The size of business transactions and volume of accounting information desires have necessitated new innovations to handle accounting information that is accurate and credible. Studies have shown that providing a high volume of accounting information that is credible and reliable is complex and largely depends on the quality of audit evidence which electronic audit evidence has the capability to provide particularly from the COVID-19 regime where audit evidence was remotely provided. This study examined electronic audit evidence and the quality of audit reports, a review of the COVID-19 regime. In carrying out this, the study employed a systematic exploratory research design, using sourced material documents from accounting and financial reviews, Journals, periodicals, and other relevant materials. The study systematic review revealed that electronic audit evidence in supplementary roles, is capable of enhancing the quality of audit, considering the COVID-19 regime where audit evidences were remotely provided. The study recommended that auditors should appreciate the fact that effective audit evidence should be pursued with all professional diligence, skepticism, and skillful to ensure that quality audit evidence is obtained since detailed and quality audit evidence is a panacea to credible and reliable financial statements capable of adding economic value to users decisions.*

*Keywords: Accounting information, Auditing, Audit quality, COVID-19, Electronic audit Evidence, Quality of audit report.*

### **Introduction**

Quality of audit report is significant and pivotal in determining the extent of economic value investors can derive from investment decisions relying on the accounting information content of the financial statement. Quality of audit report is directly linked to the ability of auditors to apply all relevant professional skills and proficiency in its auditing practice to ensure unbiased financial reporting. This essential role distinguishes an auditor as an unbiased accounting professional umpire, playing a crucial role in building confidence and credibility to financial statements all over the world for users to confidently rely on in making useful investment decisions (Salehi, Mahmoudi & Gah, 2020; Persellin, Schmidt, Vandervelde & Wilkins, 2018). Parenthetically, events have proved users of financial statement right distrusting and questioning the credibility and extent of professional expertise dispositions of auditors.

It is rather worrisome that the financial accounting and auditing professional bodies appear toothless and their esteemed reputation continually being perforated by its members without restraining sanctions and curative actions to forestall for future occurrences Albitar, Hussainey, Kolade & Gered, 2020). Each and every financial scandal reechoes the validity and reliability of the quality of audit reports, the credibility of financial statements, and whether the professional regulatory bodies are up to speed restating quality of financial statements, quality of audit report and building a mending bridge that will restore dignity and confidence in financial reporting. In the reported cases, accounting professional members, auditing firms, big or small seem deeply involved in financial scandals and crises reported threatening the image of the auditing firms (Chen, Hau, Liu & Zhang, 2019).

Sadly, the audit firms have been involved in high profile cases, signifying deepening weak audit quality: The Waste Management financial scandals of 1998, in relation to \$1.7 billion case of fake income involving Arthur Anderson; Enron case of 2001, where shareholders lost over \$74 billion US Dollars involving same Arthur Andersen; WorldCom financial scandal of 2002, involving a 41.1 billion and over 30, 000 lost jobs that led to Sarbanes-Oxley Act; In addition, Tyco financial scandal of 2002 where the CEO was involved in \$150 million to 4500 million; HealthSouth financial scandal of 2003, where discretionary earnings was involved, inflation of accounting figures to 41.4 billion in order to meet stockbrokers expectations; Freddie Mac of 2003, involving a case of \$5 billion misstatements and understated the books; American International Groups of 2005 involving massive fraud to the sum of \$3.9 billion; Lehman Brothers financial scandals of 2008 involving \$50 billion loans intentionally disguised as sales; Bernice Madoff financial scandals of 2008 who deceived investors of a total of \$64.8 billion through Ponzi scheme (Chen, Krishnan & Yu, 2018; Lennox & Wu, 2018).

Recently the case of Wirecard financial scandals in Germany involved Ernst and Young; and another in the United States where KPMG was implicated in fraud in relation to college financial statement misstatement; while PwC in 2020 has been connected in the case of conflict of interest, as a result of unprofessional attitude acting as a consultant and at the same time the auditor, Deloitte was found guilty and fined for \$19.4 million for inability to apply the professional skill in her audit work carried involving Hewlett-Packard. Most recently, was the case involving KPMG and Borrelli in China Medical Technologies, which has resulted in the titanic clash and the long-running impasse between China and the overseas financial regulators and agents over access to the China firms' financial records at the middle of the stalemate. This recent case has left the big 4 of Deloitte, PwC, KPMG, and Ernst and Young trapped between antagonizing Beijing or penalties by the regulators (Gerged, Mahamat & Elmghaamez, 2020; Irena & Ugurlu, 2021).

The series of misconducts and financial scandals have heightened global criticism over the quality of audit reports and the implication of the big 4 who are supposedly the custodian of the professional dignity is unfortunately discouraging and has deepened the concern of the quality of audit reports and the credibility of the financial statement being paraded by the other smaller auditing firms all over the world. The United Kingdom accounting regulator has revealed that audits being carried by auditors and including the big-4 have failed to meet stakeholders' expectations, raising concerning issues about the credibility of financial statements been relied upon by innocent and ignorant investors globally (Rose, Rose, Suh & Thibodeau, 2019). Consistent the position of Pose et al., (2019), UK Financial Reporting Council. Salehi *et al.*, (2020) posited that the performance of Deloitte LLP, Ernst & Young, Grant Thornton UK LLP, and that of PwC LLP has improved recently, yet still falls below expectations.

### **Electronic audit evidence**

Electronic audit evidence audit has become increasingly necessary due to the increasing volume of clients' transactions and in responses to the digital environment and essentially in gathering audit evidence to support the traditional methods in supporting the material contents of the audit report. Electronic audit evidence (EAEV) is distinct from audit exercise that entails creating, processing, recording, and transmitting audit reports electronically in support of the content of an audit report. It requires good and suitable equipment and relevant technologies in a well-computerized environment. It necessitates the availability and use of computers, specific software, internet accessibility, and sensors or magnetic media. Some other e-documentary auxiliaries like texts, images, audio, or video are a great assistance.

According to Al-Zoubi and AlQadi (2016), electronic audit evidence will require accounting records, source documents like electronic contracts, e-documentations in relation to billing, procurements and payments, electronic confirmations, and all relevant auditing processes and documentation electronically (Bianchi, Carrera & Trombetta, 2019).

Audit evidence in itself involves the relevant data and evidential knowledge required to support and substantiate an assertion already gathered by the auditor in a particular scenario (Chen, Krishnan and Yu (2018), and all such shreds of evidence are to justify and reinforce audit financial reporting. With the advent of new innovations and increasing information technologies, the face of auditing has become dynamic and the process is gradually evolving and changing into computer-assisted audit exercises in a continuous and in real-time (Dharmawati, Wawo & Rahama, 2019). The recent information ion technologies are changing the audit landscape and this has attracted more research that started in the establishment of the auditing research center in Rutgers in the University of New Jersey (Salehi, Mahmoudi & Gah, 2020). Furthermore, electronic audit evidence recourse online auditing, in gathering audit materials and evidence online and documented online as well. It is a paperless auditing exercise and evidence assemblage to support other material and evidence gather externally.

In this process, an audit is considered complex and large in nature and there seems much confidentiality involved with the audit data that significant in rendering strong support to the auditor (Shahzad, Pouw, Rubbanity and EITemtamy (2018), and in most cases, the auditee data is customized to a centralized field that id proper and convenient for auditors to contrast auditee data in diverse files and records. Studies have posited the positive significant effect of electronic evidence on the quality of audit reporting (Tarek, Mohammed, Hussain & Basuony, 2017; Persellin, Schmidt, Vandervelde & Wilkins, 2018). , others have contradicted this, but have reported that electronic audit evidence had a negative effect on the quality of auditing reporting (Noh, Park & Cho, 2017; Hoopes, Merkley & Pacelli, 2018).

The objective of this study is to examine electronic audit evidence and the quality of audit reporting. Moreover, consequent to mixed results and divergent opinions show inclusiveness creating gaps in the literature. Contributing to knowledge and extending the frontiers, fills gaps in this regard from the emerging literature in Nigeria. The rest of the study is structured in this manner: In section 2, the

study provided a review of extant literature, section 3, provided that methodology, and in section 4, the study conclusion and recommendation were considered.

## **Extant Literature**

### **Quality of Audit Report**

Quality of audit report is the final product of an audit exercise showing the true and fair judgment of the auditor based on the outcome of audit exercise and content as expressed in the financial statement of the clients' operational activities for the period under review. When this audit report is a credible, true, and fair representation of the financial health condition of the company, the audit report is termed a quality audit report (Bianchi, Carrera & Trombetta, 2019; Chen, Krishan & Yu, 2018).

The audit quality of audit has the potential of being enhanced with the availability of electronic audit evidence. The originality of the audit evidence is golden and the speed of transmission of audit evidence is unparalleled, it is quite unique that an auditor can transmit audit evidence electronically to any part of the world from one spot in a matter of seconds is amazing (Lnnox 7 Wu, 2018).

## **Auditing**

In an attempt to obtain reasonable audit evidence, auditing exercises can be carried out electronically, in such cases, auditing planning work, including risk assessment, and materiality assessments can easily be done online. Besides others include, audit administration and control by preparing audit work programs electronically, preparation of audit working papers, and other analytical procedures including computing statistical procedures and financial ratio, sampling, and other analysis (Josiah & Izedonm, 2013).

Accounting firms, managers and partners can comfortably while on the go, on the plane, at the hotel rooms, conferences break-time continue with the audit exercise, prepare and send engagement letters to clients without a physical visit to the clients' office. The auditor can only exchange mails, review audit works, and direct the fieldwork details without being in the clients' offices.

## **Audit Evidence**

Audit evidence specifies specific information that is required as substantial material in forming an opinion (Al-Zoubi & Al-Qadi (2016). Bozec and Dia (2017) posited that audit evidence is all the necessary information required by the auditor in arriving at the conclusion on which audit opinion is drawn from. International Auditing Standards (IAS) stipulates the nature, source, qualities, and persuasiveness of audit evidence in ISA 330; 500, use of audit expert as source or audit evidence in IAS 620, the requirement for reliance on internal auditor in IAS 610, and IAS 550 stated related party transactions in auditing.

### **ISA 500**

This standard stipulates that the auditor is expected to obtain sufficient and adequate audit evidence to assist audit to have a reasonable understanding of facts to base the audit opinion. According to El-Mousawi and Kanso (2020), audit evidence is all the information required by the auditor as contained in the accounting records fundamental to financial statements and other relevant information

### **IAS 620**

It requires using the expert. According to the standard, expert implies that the auditor should obtain sufficient and appropriate audit evidence for the aim of the audit. The standard posited that an expert is a person or firm that has special skill or knowledge and proven knowledge in a particular field other than accounting and auditing.

### **IAS 610**

The standards specify that the work and quality, the standard requires the external auditor to use the work of the internal auditor, must evaluate the internal auditor function and procedure, possibly ascertain the qualification, quality of the internal measures and extent of independence of the internal auditors in the company.

### **IAS 500**

The standards are concerned with auditor responsibility of the possible impact of audit evidence in relation to the related party relationship in clients' transactions in evidence gathering. It is

concerned with the possibility of risks of material misstatement, arm length transaction, an inter-company transaction with its parent companies, subsidiaries, or associates.

The audit exercise has become complex and sophisticated that electronic auditing and audit evidence are imperative. The audit in itself has become arduous and time-consuming because of the globalization and liability involved, the risks of making mistakes can be costly since the business community has become dynamic and the increasing new innovation, increase sophistication in information fraud and cybercrime, the use of electronic ingathering audit evidence an unprecedented opportunity and company now leveraged in this to handle more transactions that are naturally complex, and control system challenging (Antonio & Rodrigues, 2016; Bianchi, Carrera & Trombetta, 2019).

The world generally has gone digital and highly computerized with new technologies in all aspects, the electronic audit evidence can only be the tool to handle the new sophistication of information management. Audit evidence is then processed electronically and audit evidence is obtained for audit financial reporting and evidence required for court proceedings (Deloitte, 2020). Generally, electronic audit evidence must be both reliable and relevant to be useful and improve the quality of audit reports, especially on the occasion of lock-down like the COVID-19 pandemic experience.

## **Electronic Audit Evidence**

Electronic auditing entails electronic auditing otherwise computer-supported auditing that employs electronic records to supplement or a full audit exercise complete audit exercise. According to Cohen (2020), electronic audit evidence is essential to enhance the quality of audit, since the process will improve accuracy, speed and maintain high confidentiality for the use by a particular auditor or those authorizes to have access, It requires less paper and eternal processing easy to use for tracking the real-time and time (Eric, 2020). Electronic audit evidence (EADE) has a positive effect on the quality of audit reporting enhances the speed and reliability of financial reporting. It is the

application of online and Internet technologies to the process of providing audit evidence to aid audit exercise or for court evidence (Francis, 2011). Mareque, Lopez-Corrales and Pedrosa (2017) submitted that EADE being electronic evidence gathering is meant to boost the quality and credibility of the audit reports. It involves performance regular auditing functions, auditing and accounting research, and auditing training and education in audit evidence gathering and storing through Internet-based or computer-based auditing tools. According to Noh, Park and Cho (2017), there is no specific definition of electronic audit evidence, rather merely the electronic means of sourcing evidence that will assist the audit in expressing an unbiased audit opinion for the benefit of the auditees and the users of the financial statement.

### **Possible Advantages**

**Automation of Auditing System:** According to Ozili (2020), electronic audit evidence is handy and confidentially secured and can be accessed without it been manipulated by their parties. It enhances correct and accurate calculation of expected evidence having been automated so all evidence is created and efficiently secured.

### **Data Quality and Access**

The quality of data gathering and accessibility of such evidence seemed readily available with the advantage of the volume of online storage capacity of data or information good for effective and accurate financial reporting.

### **Reliability and Accuracy of Audit Evidence**

Tarek, Mohamed, Hussain & Basuony (2017) posited that since accurate data is significant in aiding auditors produce accurate financial reporting, the professional skills and knowledge are enhanced when data and audit exercises are carried out through an electronic process that will improve the quality of financial reporting and put the auditor in making sound financial reporting faster and the process quicker.

### **Security of Evidence**

The latest audit evidence can be processed, stored off to prevent threats of interferences and stealing the evidence. The extent of manipulation of

the evidence is reduced except the password or security is compromised by unauthorized users. The audit evidence and working papers have the chance of a long year's life span without any damage to the audit evidence. The evidence can be used anywhere in the world irrespective of the location of the volume and size of such evidence without the cost of conveyance of freighting of the documents (Kaka, 2020).

### **Scalability of audit Evidence**

Irrespective of the large of auditee's files, the volume of audit working papers, and the number of auditees audit shreds of evidence, the auditor can comfortably count on a computerized audit system to secure and provide audit evidence whenever and wherever they are needed in a speed of light efficiently.

### **Visual and quick updating**

Electronic audit evidence can be viewed anywhere and at any time, even at the convenience of the auditor and this can be updated whenever there is new evidence at the disposal of the auditor without creating volumes of records. In a paperless and climate change, electronic audit evidence is significant to the global environmental sustainability and protection of the climate (Shaaahzad, Pouw, Rubbaniy & ElTemtamy, 2018).

### **Cost-Effective**

Using an electronics audit evidence system is a lot cheaper and cost-effective than other forms of data filing due to its overall efficiency. Cost of paper printing and filing, paper filing, and others can be saved.

### **Audit**

Auditing of the process of carrying an independent audit of the accuracy, true and fair position of accounting information prepared and presented to the auditor. It entails a methodological procedure that will enable the auditors to obtain adequate information evidence to enhance the ability of an auditor to express an opinion. It involves a thorough and detailed performance auditing procedures to obtain audit evidence capable of aiding the formation of audit opinion (Persellin,

Schmidt, Vanderlde & Wilkins, 2018; McKibbin & Fernando, 2020).

### **Electronics Audit Evidence**

#### ***Electronic Auditing***

E-auditing enhances achievement of cost advantages and to reduce the cost of audit exercises and at the same time increase the profit of audit offices by using audit and audit evidence program in other to obtained and save audit evidence in forming an audit opinion. It saves the time and energy involved in audit planning and deciding on the types of audit evidence to be carried out manually to establish audit evidence.

According to Dharmawati *et al.*, (2019), it equally requires that the audit acquires adequate information technology skill and proficiency to use electronic audit gathering. However, electronic audit evidence improves the efficiency and audit evidence gathering and effectiveness of audit exercises. E-auditing and electronic audit evidence enhances audit quality and improves auditors' capacity to make quick and timely opinions. It reduces the time required for performing audit exercises. This is possible since the auditor will transmit electronically and mechanically the audit report via the Internet. The process is seamless by applying a typically designed program or software program for the purpose.

#### ***Electronic Audit Evidence***

E-audit evidence is electronically assisted evidence gathered by audit evidence that aids the auditor in making an informed audit judgment and opinion (Salehi *et al.*, 2020). Electronic Audit Evidence and Traditional Audit Evidence: Electronic audit evidence differs from the traditional audit evidence in many ways, all electronic audit evidence entails audit evidence contained in a digital format and in a logical configuration, the alteration of the electronic audit evidence is near impossible except the security and password of the information storage is compromised, electronic audit evidence is considered complete and distinct since the alteration is not allowed except the authorized access is granted for updating or for retrieved, electronic audit evidence is available at all times and accessibility is unhindered to authorized users. It enhances the

ease of use and credibility of the audit evidence while the credibility is assured (Josiah & Izedonmi, 2013). Loss of integrity and violation of confidentiality of data is near impossible. However, the reliability of electronic information depends on the integrity and reliability of the information system, software as well as supporting technologies.

#### **Electronic Audit Evidence: Critics Position**

Studies have criticized electronic audit evidence in terms of evidence gathering and affirmation of such evidence. Gerged, Mahamat and Elmghaamez (2020) stated that although audit evidence gathering and audit exercise have changed over the years, that the changes have not matched with the growing volume and dynamics in the corporate business environment, reflecting possible danger relying on electronic audit evidence for sensitive issues. Gerged *et al.*, (2020) further stressed that the audit process carries greater risks owing to the use of statistical sampling techniques, using only a selected percentage of the population could be dangerous using the electronic methods. Computer-assisted audit techniques (CAATs) are known to have inherent limitations, as some fail to effectively work with real-time data streams of the contemporary business environments and do not have the inbuilt capacity to detect some doubtful debts and transactions. According to Goodell (2020), the possibility of having a physical examination and inspection of non-current assets and confirmation of clients' claims becomes problematic, and near impossible relying exclusively on electronic auditing and electronic audit evidence in some important audit exercise.

Consistent with the position of Goodell (2020), Jackson, Weiss, Schwarzenberg and Nelson (2020) posited that electronic audit evidence gathering could involve a strong mathematical process that requires special skills, and some of the principles of testing have to be applied properly in order for the test to be valid. Kaka (2021) posited that electronic audit evidence should be a supplementary and ancillary procedure complimenting the traditional method and cannot be a standalone evidence provider. Kaka (2021) further that most of the critical challenges of electronic audit

evidence: (i) Inability of to perform physical inventory count (ii) access to clients records in most cases will be difficult (iii) complexity in understanding and performing adequate substantive tests and internal control testing (iv) Difficult in counts confirmation (v) problem of direct supervision of audit filed workers (vi) Ability to perform a risk assessment to ascertain going concern status may be quite challenging (vii) Establishment of fraud and key audit matters may be difficult.

### **Auditing, Audit Evidence, and COVID-19 Regime**

The advent of the COVID-19 regime has brought huge challenges, from the banking sector to the mainstream of investors, and all segments of all sectors have been affected. In the midst of all the growing challenges, the auditors still remain the hope of financial users to protect investors, the capital market, and the credibility of financial statements that material misstatement and adequate audit evidence are properly taken care of (Douglas, 2020). Electronic audit evidence became handy and significantly useful during the COVID-19 movement restriction and total lockdown (Eric, 2020).

The standards stipulate that what evidence an auditor needs to obtain, incidentally, how and manner to meet that requirement were not stipulated in the standards. Electronic audit evidence becomes useful for auditing and obtaining audit evidence remotely but required the right technological infrastructures, both for the auditor and the clients as well (Bozec & Dia, 2017; El-Mousawi & Kanso, 2020).

### **Electronic Audit Evidence and Quality of Audit Reporting**

Electronic audit evidence was one of the best innovations that were quite useful during the hit of the COVID-19 regime, especially during the total lockdown and movement restrictions imposed by the government of the various nations of the world that lasted over months (Cohen, 2020). The quality of audit reporting and gathering audit evidence was quite challenging, but the use of electronic audit evidence was quite helpful and noteworthy (Hussain, 2020). KPMG (2020) stated that disruptive technologies of the Internet of Things (IoT), cloud computing, financial technology (Fintech), digital

payments, healthcare innovations, and delivery, robotics, cybersecurity, clean energy, and smart grids will be put into effective use in obtaining the required audit evidence during the COVID-19 pandemic regime (El-Mousawi & Kanso, 2020).

Disruptive technologies like AI, blockchain, robotics, played a key role in supporting electronic audit evidence in the COVID-19 era and recovery efforts in emerging markets. Despite uncertainties surrounding the economic outlook post-COVID-19 regime, emerging markets are expected to experience an acceleration in the adoption of disruptive technologies and a proliferation of online business models and platforms in audit exercises and in audit evidence gathering (Ozili, 2020, McKibbin & Fernando, 2020).

### **Concerned Challenges**

Prior to the advent of the COVID-19 regime, the accounting and auditing standards setters never expected the extent of the pandemic will have on the existing standards, the applicability of subsisting standards in the present scenario. International Financial Reporting Standards (IFRS), Internal Auditing Standards, and the other Standards Setters never anticipated the scourging effect of COVID-19 and the whole lots of complexities and possible complications dealing with the effect of the pandemic. The concern obtaining electronic audit evidence during the COVID-19 regime (Hussain, 2020; Goodell, 2020).

Possible impairment of assets and managers taking undue advantages. The existing standards' prescriptive nature, may not adequately cover some unethical sharp and manipulative practices. Accounting for lease modification is inherent considering lockdowns that may have an impact on the usage of assets by leases (KPMG, 2020). The existing IAS 17 standard is incapacitated to handle the unfolding lease-related. There are possible challenges of lease modifications. The challenge of possibility revenue recognition given collection concern. The concern of return provision for merchandise sales. Accounting for government assistance to individuals, families, and corporate organizations during the COVID-19 regime (Irena & Ugurlu, 2021). The actuarial

estimation for business insurance and for investments performance and assets categorized as held-for-sales assets 12-months assessments and the possible recoverability of deferred tax assets. Performing audit exercises during the COVID-19 was troublesome and most challenging for many auditors, in most cases, the auditors were faced with limitations in scope, multiple uncertainties since managers could engage in discretionary activities due to the worsened operation disruptions and low business activities (Cohen, 2020; Eric, 2020).

## **Theoretical Consideration**

### **Innovation Theory**

Innovation theory was developed by sociologist Everett Rogers in 1962 in the first edition of a publication 'Diffusion of Innovations' in 1962. The theory of innovation is based on the notion that the adoption of innovation involves the spontaneous or planned spread of new ideas. It involves the application of the new idea, practice, or object that is perceived as new (Ridley, 2018). The theory stressed that it is the perception of change that is important, if the idea seems new to the potential adopter then it should be considered to be an innovation. The theory approached innovation diffusion by considering a variety of case studies on some topics including controlling scurvy in the British Navy, diffusion of hybrid corn in Iowa, diffusion of new news, bottle feeding babies in the third world, how the refrigerator got its hum, Xerox Parc, and Apple computers, digital economy, black music in white America and the possible digitalization of administrations and products. (Francis, 2011).

Knechel, Niemi & Zemi (2013), one of the proponents, lend credence to the theory of digital diffusion. The studies documented that the theory of digital diffusion is capable of bringing revolution and new ways of doing things using new ideas and the identification of the factors that affect the speed with which an innovation is adopted or that cause it not to be adopted at all, that it could bring managerial innovations and system information innovations and effective performance in managerial or administrative efforts. However, in criticizing the theory, some studies that had shown non-support of

this theory is Hirt, Kardes, and Markman (2004) opined that the theory of digital diffusion could cause uncertainty and confusion in the mind of potential adopters and that uncertainty implies a lack of predictability and of information indecisions.

This theory was considered suitable and relevant to this study in relation to digitalization since it is a new innovation that could create doubts and uncertainty among the tax administrators and taxpayers on the unpredictability of tax revenue by the government. The philosophy of this theory is associated with the independent variable of this study, hence considered appropriate and relevant to the study as the theory contended that technological innovations embody information and its adoption acts to reduce complexities as applicable tax-related issues in Nigeria.

### **Lending Credibility Theory**

The theory of lending credibility as propounded by Watts and Zimmerman (1983) and theory suggested that the essence of auditing is to enhance the usability and usefulness of accounting information. The need for service arose because of the offshoot of the agency theory and apparent conflict of interest between the agent (managers) and the principal (shareholders).

According to Watts and Zimmerman (1983). The lending credibility theory posited that the essence of audit is to build up confidence in the shareholders, existing and potential investors, and indeed the general public to freely rely on the financial statement prepared by the managers of the company and audited by the auditors conferring on the financial statement credibility and reliable to be used (Ghost & Pawhewicz, 2009). The contemporary increase in audit demand had increasing become expedient consequent to loss of confidence of the shareholders and the other financial statement user considering reported high profile cases involving audit firms. The case of Enron and Arthur Andersen has become a reference case in literature, the case of Tyco and Waste Management financial scandals have heightened the need for audit exercise to increase confidence in the modern-day business accounting information needs.



### **Theory of Information Grounds (TIGs)**

Information ground theory centered on people's information and behavior in casual social settings. The theory suggested that people's behavior is not static but varies from is obtainable from book clubs, bus stops folk festivals as well as supermarket queues (Fisher and Counts, n.d.; Arthur, Tang aaa7 Lim, 2015). This suggests that information ground can transpire and unfold anywhere and at any time even though unanticipated most times. Theory of information grounds was established first as a hypothesis by Pettigrew in 1977, but in 1988, after carrying out a field study on how nurses and different persons such as the elderly, share information services at community (foot care) clinics; the theory began to gain much attention. The preliminary goal of the study was to demonstrate the importance of contextualizing the study of information behavior and to put forward a practical model on how to study and account for contexts (contextual influences, mini-contexts, etc.), especially as these come together to create a grand context (Francis, Michas & Seavey, 2013).

According to Comprix and Huang (2015), information is dynamic, ever-changing, and innovative to be predicted precisely what will evolve in the next moment. As the world is expanding, new information and a new way of doing things, gathering data, processing, and storing information is unpredictable. Theory of information grounds suggested that every information is temporal and may occur in a diverse place, defined as 'synergistic environments(s) temporarily created when people come together for a particular goal but from whose behavior arises a communal atmosphere that nurtures the unprompted and unforeseen distribution of information (Beisland, Mersland & Strom, 2017).

This theory validates the philosophical understanding of this study of electronic audit evidence its impacts on the quality of audit reporting using new technological innovation far above the traditional audit evidence gathering. Automated information system gathering and electronic audit evidence are significant in improving audit quality and audit reporting in a globally technological driven

business transaction where the services of auditors are speedily required for quick investment decisions. Electronic auditing and electronic audit evidence gathering cannot be easily be separated but should be linked cohesively for the utmost usefulness and in improving the quality of audit reporting especially during the luck-down as witnessed during the COVID-19 pandemic regime experience.

### **Methodology**

The study examined the effect of electronic audit evidence on the quality of audit reporting, a review of COVID-19. A systematic exploratory research design was adopted, where related materials consisting of previous journals, periodicals, and other accounting and financial related resources were reviewed.

### **Conclusion and Recommendations**

#### **Conclusions**

COVID-19 pandemic crisis came with it unprecedented economic uncertainties that presented a unique challenge for the accounting and auditing profession particularly audit exercises that were near completion requiring sufficient appropriate evidence that provides a reasonable basis for the required quality of audit report. During the COVID-19 regime, access and traveling restrictions due to lockdown impacted on audit plan and execution of audit schedules. Consequently, auditors who were remotely working found electronic audit evidence significantly useful during the Ccovid-19 pandemic regime to ensure that the quality of the auditing report was not compromised. Studies revealed that auditors have been using electronic evidence in the past, however, the scale of usage was increasingly found tremendously due to COVID-19 pandemic restrictions.

This helped auditors access and obtain adequate audit evidence used in making useful judgments and completed audit reports right from the comfort of their homes during the lockdown and movement restrictions (Ridley, 2018). The scale of changes as a result of the pandemic changed the electronic evaluating process, enhanced the remote-auditing process, and provided sufficiency and appropriateness of quality audit evidence in a unique and innovative manner. Challenges were

encountered during this period, but electronic audit evidence though complex, but was handy and most useful for the auditors (Deloitte, 2020). COVID-19 pandemic has forced auditors to work electronically remotely and the quality of audit evidence was found to positively influence credible audit reporting (Chen, Hua, Liu & Zhang, 2019).

### Recommendations

The study recommended that auditors should exercise all professional skills and care while performing audit duties since the credibility and quality of audit reports largely depend on the extent of professional competence displayed in audit reporting. Auditors should consider electronic audit evidence as new technological innovation in providing accurate and speed audit evidence, however, the traditional audit evidence approach should not be totally be discarded, rather electronic audit evidence should be a supplementary aid to the traditional method.

Auditors should appreciate the fact that effective audit evidence should be pursued with all professional diligence, skepticism, and skillfully to ensure that quality evidence is obtained since detailed and quality audit evidence is a panacea to credible and reliable financial statements capable of adding economic value to users decisions.

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