

MIDLANDS STATE UNIVERSITY



FACULTY OF COMMERCE DEPARTMENT OF ACCOUNTING

**AN ANALYSIS OF THE EFFECTS OF TIME BUDGET PRESSURES TOWARDS THE
QUALITY OF AUDITED FINANCIAL STATEMENTS**

GLADYS RUVARASHE GANGATA

(R144433P)

B.COMM ACCOUNTING HONOURS DEGREE

**DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF
THE BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING AT
MIDLANDS STATE UNIVERSITY**

JUNE 2018

APPROVAL FORM

The undersigned certify that they have supervised the student, Gladys Ruvarashe Gangata (R144433P) dissertation entitled: An analysis of the effects of time budget pressures towards the quality of audited financial statements. In partial fulfilment of the requirements of the Bachelor of Commerce Honours Degree in accounting at Midlands State University.

.....

Supervisor

.....

Date

.....

Chairperson

.....

Date

RELEASE FORM

NAME OF AUTHOR: GLADYS R. GANGATA.

TITLE OF DISSERTATION: An analysis of the effects of time budget pressure towards
the quality of audited financial statements.

DEGREE TITLE: Bachelor of Commerce Accounting Honours Degree.

YEAR GRANTED: 2018.

Permission is hereby granted to the Midlands State University library to produce copies of this dissertation and lend or sell such copies for scholarly purpose only.

The author reserves other publication rights and neither the dissertation nor extensive extracts from it may be printed or otherwise reproduced without the author's written permission.

SIGNED:

ADDRESS: 10124 Sebakwe Crescent

Budiriro 5A

Harare

DATE: May 2018

DEDICATION

This research is dedicated to my parents, George and Ambi Gangata, and my siblings Gordon and Getrude Gangata. You all have been a pillar of strength to me and you taught me the value of having a strong heart and mind. I pray for radical grace upon your lives. Thank you and may the lord increasingly bless you.

ACKNOWLEDGEMENTS

Firstly I would like to acknowledge the Lord Almighty for his mercy and grace that gave me the patience, intellect and will power to soldier on even when the road seems unbearable.

My sincere gratitude to my supervisor Ms Mhaka under whose eagle eyes this dissertation was conducted, analysed written and submitted.

I would also like to acknowledge Deloitte Harare Office for their support in making this dissertation a success.

Lastly but not least I express my warmest gratitude to my family, friends and colleagues for their moral support throughout the four years of my studying for the Bachelors Honours Degrees in Accounting.

ABSTARCT

This research on the effects of time budget pressure on the quality of the audited financial statements focusing on the deliberate practice of dysfunctional behaviour by auditors. The objective of this research was to establish the effect of time budget pressure on audit quality and auditors' behaviour, cause of dysfunctional behaviour, how it contributes to audit risk, thereby ultimately affecting audit quality and provide best practices that can be adopted to reduce time budget pressure and maintain quality in audits. Qualitative research method and a descriptive research design were utilised. . The target population was Deloitte Zimbabwe Audit Staff which was selected utilising random stratification. The target population was 85 from which a sample of 60 participants was selected. The research used questionnaires, interviews to gather evidence. The findings were that the firms are most busy during the first quarter of the year which inflicts time budget pressure on auditors. Time budget pressure significantly affects auditors' behavior therefore it is a major cause of dysfunctional behaviour. Auditors practice dysfunctional as a way of coping with the pressure. Results also show that time budget pressure affects detection of risk but also affect audit risk but to a lesser extent because there is inherent risk and control risk which also affect AQ. The recommendation were that firm may make consultation with the junior staff before setting of time budgets, encourage staff to record the actual time worked without penalizing for underperforming. Firm should emphasize the importance of performing high audit quality and conduct more and better training.

Table of Contents

APPROVAL FORM	i
RELEASE FORM	ii
ACKNOWLEDGEMENTS	iv
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF APPENDICES	xi
CHAPTER 1	1
1.0 INTRODUCTION	1
1.1 BACKGROUND OF THE STUDY	2
1.2 STATEMENT OF THE PROBLEM	4
1.3 MAIN RESERCH QUESTION	4
1.4 SUB-RESEARCH QUESTIONS	4
1.5 RESEARCH OBJECTIVES	5
1.6 DELIMITATION OF THE STUDY.....	5
1.7 JUSTIFICATION	5
1.8 LIMITATIONS.....	6
1.10 DEFINITION OF TERMS	6
1.11 ABBREVIATIONS	7
1.12 SUMMARY	7
CHAPETR 2	8
LITARETURE REVIEW	8
2.0 INTRODUCTION	8
2.1.1 POLICIES ADOPTED	8
2.1.2 POLICY IMPLEMENTATION	10
2.1.3 QUALITY CONTROL REVIEW	11
2.2.1 FACTORS CONTRIBUTING TO DYSFUNCTIONAL BEHAVIOR	12
2.2.2 DELIBERATE PRACTICE OF DYSFUNCTIONAL BEHAVIOR	15
2.3.1 AUDIT RISK	16
2.3.2 AUDIT QUALITY MEASURES	17
a) AUDIT QUALITY	17
b) AUDIT QIALITY INDICATORS	19
2.3.3 TIME BUDGET PRESSURE ATTENDENCE TO AUDIT RISK.....	21

2.4.1 BEST PRACTICES TO ACHIEVE AUDIT QUALITY	24
CHAPTER 3.....	27
RESEARCH METHODOLOGY	27
3.0 INTRODUCTION	27
3.1 RESEARCH DESIGN	27
3.1.1 RESEARCH METHOD.....	27
3.1.2 DESCRIPTIVE RESEARCH DESIGN	28
3.2 POPULATION, SAMPLING SIZE AND SAMPLING TECHNIQUE	28
3.2.1 POPULATION	28
3.2.2 SAMPLING DESIGN	29
3.2.3 SAMPLING TECHNIQUE	29
3.2.4 SAMPLE SIZE	30
3.3 SOURCES OF DATA	30
3.3.1 PRIMARY DATA SOURCE.....	31
3.4 RESEARCH INSTRUMENTS.....	31
3.4.1 QUESTIONNAIRES	31
3.4.2 INTERVIEWS	33
3.5 DATA ANALYSIS AND PRESENTATION.....	33
3.6 RESEARCH ETHICS.....	34
3.7 DATA VALIDITY AND RELIABILITY	34
3.8 CHAPTER SUMMARY.....	34
CHAPTER 4.....	35
DATA PRESENTATION AND ANALYSIS.....	35
4.0 INTRODUCTION	35
4.1 DATA RESPONSE RATE.....	35
4.1.2 WHAT IS THE BUSIEST PERIOD IN THE FIRMS CALENDER (BUSY PERIOD).....	39
4.1.3 TIME BUDGETS GIVEN ON ENGAGEMENTS DURING THE BUSY PERIOD ARE.....	41
ATTAINABLE	41
4.1.4 DEADLINES IN THE BUSY PERIOD ARE MET.....	42
4.1.6 TIME BUDGT PRESSURE HAS AN EFFECT ON AUDITORS' BEHAVIOUR	47
4.1.7 DYSFUNCTIONAL BEHAVIOR IS AS A RESULT OF TIME BUDGET PRESSURE.....	49
4.1.9 BEST PRACTICES ADOPTED TO ACHIEVE AUDIT QUALITY.....	53
4.1.10 THE IMPLEMENTATION OF ISQC1 AND THE CODE OF ETHICS TO	54

MANAGE AQ IS EFFECTIVE.....	54
4.2 CHAPTER SUMMARY.....	55
CHAPTER 5.....	56
FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	56
5.0 INTRODUCTION	56
5.1 SUMMARY OF THE STUDY	56
5.2 MAJOR FINDINGS	58
5.3 RECOMMENDATIONS	59
5.4. AREA OF FURTHER STUDY	60
REFERENCE LIST.....	67

LIST OF TABLES

Table 3.1 Target sample Distribution	30
Table 3.2: Likert scale rating	32
Table 4.1: Questionnaire response rate	35
Table 4.2 Position statics	37
Table 4.3 Professional qualifications statistics	37
Table 4.4 Audit experience statistics	38
Table 4.5: Level Statics.....	39
Table 4.6 Time budgets attainability	41
Table 4.7: Time budget pressure forestalls detection risk	44
Table 4.8: Dysfunctional behavior is an honest mistake.	51
Table 4.9: Best practices adopted	53

LIST OF FIGURES

Fig 1.1: Distribution of fiscal year ends for Deloitte Clients (Year 2016-2017).....	2
Fig 2.1: AR formula.....	16
Fig 2.2: Illustration of the interaction of the elements of audit quality	19
Fig 2.3: Defense model	25
Fig 4.1: Gender response rate	36
Fig 4.2 Client Distribution	40
Fig 4.3 Deadline are met during the busy period.....	42
Fig 4.4 Time budget pressure effect on auditors' behavior	48
Fig 4.5 Time budget pressure leads to dysfunction behavior	49
Fig 4.6: Effectiveness of the policies implemented.....	54

LIST OF APPENDICES

Appendix I: Cover letter	60
Appendix II: Questionnaire	61
Appendix III: Interview guide	64

CHAPTER 1

1.0 INTRODUCTION

The quality of audited work is of significance as it provides reasonable assurance about whether the financial statements are free from material misstatements and fairly presented. The study analyzed the effects of time budget pressure (TBP) on audit quality (AQ). According to Abdallah, Mazloomi and Poordadashi (2016), auditors do their best to produce work of quality but they face problems which impairs their questioning minds (skepticism) like time pressures. Broberg et al. (2016) and Selethi, Jarafzadeh and Nourbaskshasseing (2017) also noted that time pressure placed on engagements, affects audit quality of the financial statements. Lee (2012) also agreed that time pressure can reduce employees performance as a result of low staff morale. Further supporting was Svanberg and Ohman (2013) stating that competitive principles in firms have been proposed to be associated with reduction audit quality linked to time budget pressures.

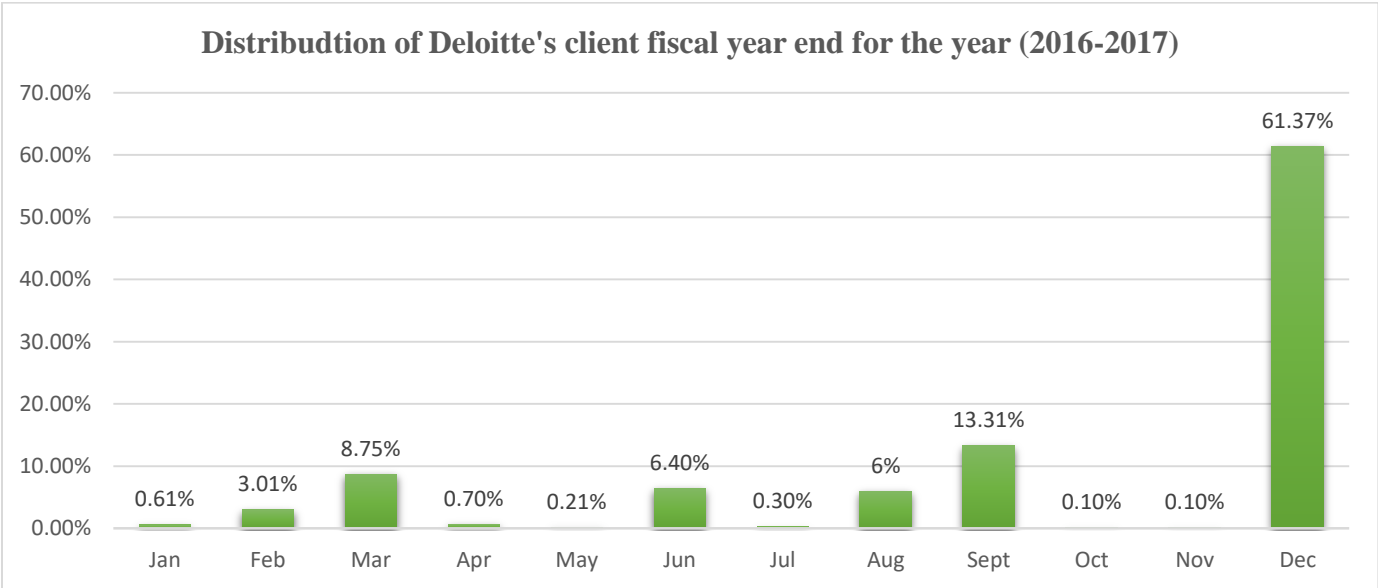
However Wijaya and Yulyona (2017) noted that there is no substantial effect of TBP on AQ. They noted that auditing time can be shortened by the assistance of information system expertise. According to Lee (2012) time constraints on audit engagements encourages auditors to focus on getting the audit done on time which may result in better performances. Broberg et al. (2016) highlighted that AQ is affected by various factors such as position, gender, and experience. Christensen et al. (2015) also agreed stating that there is finding that characteristics of auditors' is an essential determinant of AQ.

Previous studies were focusing on TBP affecting audit quality as a result of low morale and affecting auditors' aptitude to do their work properly and the opposing studies stated that AQ is

affected by other factors such as gender to mention a few. They also noted that TBP has no significant effect on AQ. Thus providing a gap to analyze the effects on TBP on AQ on the view that auditors intentionally practice dysfunctional behavior (DB) when placed under pressure.

1.1 BACKGROUND OF THE STUDY

The crowding of companies with the fiscal year end in December lays on a substantial burden on auditors in accounting firms during the first quarter of each calendar year (busy period) Tran Diem (2014) around Zimbabwe. The demands of the busy period reduces employee performance resulting from exhaustion and low morale as they may end up working overtime so as to be able to meet the demands. According to Nehme, Al Mutawa and Jizi (2016) auditors with a high moral sense practice DB less than those with a low moral sense.



Source: Deloitte all year master planning

Fig 1.1: Distribution of fiscal year ends for Deloitte Clients (Year 2016-2017)

As shown on Fig 1, 61.37% of Deloitte’s clients have their fiscal year ends in December as compared to other months for example October which has a few clients which contribute a

percentage of as little as **0.10%**. Auditors are required to perform all required steps according to Karim at el (2013), maintain professional skepticism which but because of TBP auditors are under pressure which may lead to exhaustion as they work overtime or on personal time, their professional judgment is impaired and they engage in DB to lessen their burden which reduced AQ as there may be misrepresentation of facts, fabrication of information or not enough evidence (skipping audit steps) being gathered so as to come up with the audit opinion.

Deloitte's partners' assessment of risk for the reports for the years 2013 to 2016 indicated that sampling risk is high during the busy period because most of the big and listed companies dominate in this period and TBP is at its climax as most companies will be working against the ZSE deadline for the presentation of audited financial statements. Also due to clients being huddled at the same time, there was a risk of auditors using a sample size which do not match the volumes of transactions of a client according to Chinzou (2014). There are cumbersome sample size which auditors ended up rejection and manipulating so that they get a less cumbersome sample size. This indicated that there audit sampling risk which reduced AQ as they missed some misstatements because sample size which was tested, was less than what was supposed to be tested. It also showed proof of not enough audit evidence being gathered.

As per the review reports by Deloitte of the work done by Deloitte Zimbabwe during the year 2015 and 2016 stated that about 45% of the auditors indulged in premature sign offs (declaring that a required audit procedure has been performed when it has not been performed completely or it has been omitted) or they that they ignored evidence which was inconsistent with previous audit as means if dealing with the pressure. As a result they missed some misstatements as there was indication of superficial review of client documentation, failure to pursue questionable items and not enough evidence being gathered which reduced audit quality.

Most of the auditors acknowledge DeAngelo's (1981) definition of AQ. He defined AQ in two magnitudes which are 'a significant misstatement must be discovered and that the misstatement must be reported. Auditors engage in DB such as superficial review of client documents, accepting weak client explanation from client, failing to pursue questionable items or researching an accounting principle, rejecting a time consuming sample size and premature sign off (PMSO) when put under pressure which reduces audit quality. All these DB indicate that not enough or incorrect audit evidence is gathered to come up with the opinion which therefore means that the AQ is compromised (reduced)

1.2 STATEMENT OF THE PROBLEM

Audit firms mostly face challenges of having many clients that have same fiscal year end, which is known as a busy period and this brings about TBP. TBP results in low employee morale and practice of DB by auditors. This ultimately leads to misrepresentation of audit evidence by auditors which reduces AQ. However employees practice of DB as a reaction to the environment (TBP) which brings about the research question of analyzing the effects of time budget pressure towards the quality of audited financial statements on the view of intentional practice of dysfunctional behavior by auditors.

1.3 MAIN RESEARCH QUESTION

The main research question is the effects of time budget pressure towards the quality of audited financial statements.

1.4 SUB-RESEARCH QUESTIONS

- ❖ Evaluate what is the business policy on TBP on auditors, how it is implemented and the reviews on the controls on the implementation of the policy.
- ❖ Evaluate the extent DB is being practiced deliberately by auditors.

- ❖ To what extent do auditors performed under TBP attend to issues of audit risk (AR) thereby affecting AQ.?
- ❖ What is best practice on TBP to achieve AQ.?

1.5 RESEARCH OBJECTIVES

- ❖ To analyze the business policy on TBP on auditors, how it is implemented and the reviews of the controls on the implementation of the policy.
- ❖ To establish the extent to which DB is being practiced deliberately by auditors.
- ❖ To establish the extent to which audit performed under TBP attend to issues of AR thereby affecting AQ.
- ❖ To establish the best practices on TBP to achieve AQ.

1.6 DELIMITATION OF THE STUDY

- ❖ This study is limited to Deloitte Zimbabwe Chartered Accountants head office in Harare.
- ❖ It specifically investigates the effects of time budget pressure on AQ.
- ❖ The study is limited to the period 2016 to 2017.
- ❖ The targeted population id the clerks and the audit managers.

1.7 JUSTIFICATION

This study may be of assistance to the future researches that want an in-depth knowledge on the best way analyze the effects of TBP on AQ and might help to provide measures that may be adopted to counter problems of TBP so that its effect on AQ is reduced. Also it may be of assistance to the auditing firms in assessing time budget pressure and dysfunctional behaviors and a source of recommendations for adoption to mitigate dysfunctional behavior and reduce time budget pressure to an acceptable level.

1.8 LIMITATIONS

- ❖ Accessibility- Auditors frequently work out of the office therefore it was challenging to get access to them. However this was countered by the uses of the internet (emails) as they have access to the client's internet and scheduling meetings.
- ❖ Reliability information- Information required was mostly sensitive and most respondents were reluctant to give the relevant information as they were concerned about their reputations (performances). However the researcher assured the respondents that anonymity will be observed at all levels and that the research will be used for academic purposes only and will not be distributed to authorized persons.
- ❖ Confidentiality- some respondents were reluctant to respond as they were concerned about the confidentiality of the information. However the researcher assured the respondents that their responses will be used for academic purposes only.

1.9 ASSUMPTIONS

- ❖ Respondents will be less sensitive and be willing to respond freely.
- ❖ The research will be reflective of the current issues in the auditing industry on TBP.

1.10 DEFINITION OF TERMS

Audit quality (AQ): There is no specific definition placed to AQ but that is when AR is reduced and there is less like hood that a firm will issue an inappropriate audit opinion as per the 1AASB'S Framework: ACCA Global. However the mostly used scholar on the definition of AQ defined in two dimensions. DeAngelo (1981) defined that a significant misstatement must be discovered and that the discovered misstatement must be reported.

Time budget pressure (TBP): Refers to when the time for the audit operation required is more than the budgeted time for the auditor to complete the task assigned according to Selethi, Jarafzadeh and Nourbaskshasseing (2017).

Dysfunctional behavior (DB): According to Gundry (2006) DB comprise actions such as PMSO, false review of client documents, removing stropy item from the sample and accepting feeble client explanations.

1.11 ABBREVIATIONS

- ❖ **TBP- Time Budget Pressure**
- ❖ **AQ- Audit Quality**
- ❖ **DB- Dysfunctional Behavior**
- ❖ **AR- Audit Risk**
- ❖ **DR- Detection Risk**
- ❖ **FRC- Financial Reporting Council**
- ❖ **ISQC- International Standards on Quality Control**
- ❖ **CR- Control Risk**
- ❖ **IR- Inherent Risk**
- ❖ **RMM- Risk of Material Misstatements**
- ❖ **QC- Quality Control**

1.12 SUMMARY

This chapter gives a brief summary of the anticipated study, the introduction, background of the study, statement of the problem, main research questions, sub research questions, research objectives, significance of the study, and delimitation of the study, limitations abbreviations and definition of terms.

CHAPETR 2

LITARETURE REVIEW

2.0 INTRODUCTION

This chapter serves an evaluative purpose of the empirical and theoretical literature of the research topic. The aims is to review the literature that is relevant to the research problem. It critically analyses the application of TBP and how it impedes AQ. The literature is used as a guide into understanding the aspects of the research questions and objectives. The literature will assist in understanding how time budget pressure comes about, how it leads to intentional practice of dysfunctional behavior and how this affects audit quality in the end.

2.1.1 POLICIES ADOPTED

Policies are defined as a set of procedures espoused to ensure services offered are of quality by an entity as stated by Chinzou (2014). Policies are put adopted for quality control (QC). Therefore Deloitte globally had adopted policies which confirm to the provision of ISCQ1 as stated by the Banco BPI annual report (2011) which at firm level. It has also adopted International Standards in Auditing (ISA) 220 which applies firm wide in the context of individual audits and the code of ethics which emphasizes that audit staff practice professional behavior, competence and due care, have integrity, objectiveness, and always maintain confidentiality of client's documents.

ISQC1 sets out the procedures relating to QC that a firm should operate. ISQC1 requires firm to put in place a QC system that gives sensible assurance that a firm and its staff are in compliance with appropriate standards and regulatory requirements.

The following elements are addressed in both the standards (ISCQ1 and ISA 220): leadership commitments, ethical requirements, acceptance and continuance of client relationship, human resources development, engagement performance and monitoring and review according to the Banco BPI annual report (2011).

Deloitte Canada (2011) also stated that independent individuals from the audit are appointed to review audit work in progress and perform QC review. Also it noted that partners and seniors review work of junior staff regularly to ensure that they are in compliance with firm's policies and procedures. FRC (2017) stated that ISCQ (UK) requires a firm to put in place QC system that encompasses of tone from the top. FRC (2017) tone at the top means that leadership have the obligation to and accountability for exhibiting and enunciating firms policies and regulations where AQ is to maintained at all times.

Policy: Tone at the top

Jackson and stent (2010) stated that partners are in charge for the audit engagements meaning that they a responsible to ensure quality is achieved on the engagements. Therefore their actions must accentuate carrying out of audits in compliance with laws and regulations. FRC (2017) further supported by noting that firms leaders have the obligation and accountability for exhibiting and enunciating on firms polices and principles where AQ is to be maintained. Wang (2015) also stipulated that employees are watchful of the actions of management' and that their judgements are influenced by the tone at the top created in the working environment by the management (Schawarts, Dunfee and Kline, 2005). Further supporting is Trevo, Smith and Pitman (2013) stating that audit staff is affected by tone from the top that the partners set. Therefore as stated by Sommestad et al. (2014) firms should have a specific board which maintains AQ and improves it continuously. International Auditing and Assurance Board

(IAASB) (2014) also pointed out that firm should create an environment that encourages compliance with regulations policies.

However, other authors argued that the policy if not fully effective in improving AQ. Bobek et al. (2015) noted that placing sole accountability on management removes a sense of responsibility on audit staff which may reduce AQ. Francis (2012) also stated that tone at the top policy does not entirely improve AQ because managers and partners are not completely involved in the gathering of audit evidence. This means that even management put emphasis on compliance with regulations and policies it is up to the staff to comply or not. Christensen et al. (2015) stipulated that audit staff have the perception top management (partners) only is liable to any legal actions in instances of poor AQ which is why they ignore some policies and procedures. Gul et al (2013) noted that tone at the top policy does not guarantee enhancement of AQ but needs to be supported by other polices.

Nevertheless, there are some authors were of a different view. Dowling (2015) stated that the tone from the top policy is theoretical and that it does not affects AQ. Institute of Chartered Accountants in Zimbabwe (ICAZ) (2013) stipulated that due the economic hardships in Zimbabwe management tend to consider clients' needs and disregards procedure. This therefore means that the tone at the top is regarded.

2.1.2 POLICY IMPLEMENTATION

According to IAASB (2013), policy implementation is a procedure of putting an idea into realism. Policies are put in place by management to ensure goals and objectives are met and according to the regulations.

Deloitte Zimbabwe Conducts trainings regularly in order to ensure that there is compliance with requirements and continuously improves the competences of the audit staff. Also there is a program called SHAPRS which is the review program of technical and professional skills of the audit staff by management and it is also used as staff appraisal tool. This is done after every six months to ensure that staff is competent and that there is continuous improvement. The firm top management and senior staff also do on the job training for the inexperienced personnel, to ensure audit quality is not compromised. Moreover the firm has an independence declaration form which is signed at the beginning of every engagement to ensure that threats to AQ are reduced

Therefore Deloitte Zimbabwe has implemented the policies as stipulated by the governing bodies and their personnel to continue to graduate with ICAZ which substantiates that there is compliance with regulations.

2.1.3 QUALITY CONTROL REVIEW

QC is important because it helps to ensure that there is compliance with standards and regulations and is used as part of the risk management by firm, therefore its review is important.

ISA 220 entails partners are responsible for the direction, supervision and review of the audit work and making sure that enough audit evidence has been collected. Audit work executed by team members on the field is reviewed by more senior members and managers to ensure proper conclusion and findings are drawn. Neves and Eisenberger (2012), implied that when partners are more involved in the audit work performed the audit engagements tend to produce more audit of high quality. According to IAASB (2014) a review by management comprises of seeking of audits work was done in compliance with the laws and regulations, crucial matters have been raised for consideration, enough audit evidence has been gathered and that all the procedures were done as required.

However Svanberg and Ohman (2013), pointed out that when partners are more involved in the execution of audit work the engagements team members on the ground will ignore some issues thereby raising queries. This is done so that the partner raises a few queries which result in poor AQ as some misstatements may be missed. Center for Audit Quality (CAQ) (2013), further supported saying that there is no guarantee that by having an independent reviewer quality will be achieved. Nevertheless the concern is not on the gathering of evidence (DeZoort and Lord, 2012) which depends on the disposition of the client provide information hence a policy on review neither affects the audit quality positively nor negatively.

2.2.1 FACTORS CONTRIBUTING TO DYSFUNCTIONAL BEHAVIOR

Auditors engage in different types of DB such a superficial review of client documents, accepting weak explanations from clients, failing to pursue questionable items or researching an accounting principle, rejecting a time consuming or complex sample size and PSMO when put under pressure which reduces AQ. DB are being practiced in different ways and as stated by Paino, Ismail and Smith (2009) it is a reaction to the environment and below are the factors that contribute towards DB.

Audit steps appearing unnecessary and immaterial

Karim et al (2013) said that auditors perceive some procedures as unnecessary and immaterial which is why even if they are required to test all procedures, they practice DB especially PSMO. This indicated that auditors intentionally omit a procedure because it seems unnecessary and immaterial. Paino et al. (2010) also stated that audit steps appearing unnecessary and immaterial is one of the major cause of PSMO (DB). Karim et al. (2013) stated that when auditors note that a procedure involves small amounts of working paper documentation they may consider it

unnecessary and immaterial and they tend to sign off that procedure even without completing it
(Alderman and Deitrick, 1982)

Inadequate supervision

According to Paino et al. (2010), inadequate supervision was one of the causes of PSMO (DB). Hyatt and Tylor (2013) also stated that managers were likely to report DB they discovered if auditors worked under TBP or if they unintentionally committed DB. Karim et al. (2013) stipulated that because supervisors are not rigid in formally reporting DB audit staff consider that they can easily practice PSMO (DB).

Time budget constraint

Auditors are usually given sensible time to complete the audit assignment given to them, however, the time budget however the time budget at times is not adequate because the audit task usually require more time than the budget according to Karim et al. (2013). Karim et al. (2013) also stated that past scholars pointed out that time budget allocated on engagements is usually inadequate and difficult to attain which makes it challenging to complete the audit task within the time budget. Karim et al (2013) stated that TBP was one of the reasons why auditors practice in DB (Hyatt and Loving, 2001).

Use of time budget as a performance measurement tool

The use of audit time budgets and close supervision may cause the audit process to be perceived as highly structured as stipulated Paino, Isamil and Smith (2009). They also stated that manipulation of the performance measure is the purpose of practicing DB so as to make it difficult to obtain a true performance indicator. Peytcheva and Gillet (2012) further supported by noting that time budgets poses a reputational threat as they are used as a performance measurement tool which is why auditors practice DB.

2.2.2 DELIBERATE PRACTICE OF DYSFUNCTIONAL BEHAVIOR

According to Ghorbanpor, Dehnavi and Heyrani (2014) stated that when auditors perceive that they will not be able to achieve best results through their individual efforts they practice DB. Neheme, Al Mutawa and Jizi (2016) supported this noting that DB is not done out obliviousness but it is done purposely. They said that auditors are concerned about their reputation which lead them engage in DB to a certain degree without harming the AQ. Paytcheva and Gillet (2012) also highlighting that because time budget poses reputational threats the practice of DB is an intentional exercise. This due to the fact that time budgets are used as performance measurement tool and the audit staff will be trying by all means not to taint their efficiency records.

Further supporting was Ghorbanpor, Dehnavi and Heyrani (2014) highlighted that auditors with the intention of leaving the firm could practice DB intentionally the most. This is because those who intent to leave are less likely to be exposed to the reverse effects of DB on performance. Umar et al (2017) also said that when auditors' view that the RMM is low they practice DB more (Coram et al, 2004). This showed that when auditors view RMM as low they see a loophole to intentionally practice DB.

However, Khan, Panatik and Saat (2015) pointed out that DB is an honest mistake made auditors who have not comprehended their work demands or whose work demands are beyond their level of competences. Bik (2010) also stated that shirking leads to DB. He stated that shirking encompassed a varied range of activities such as honest mistakes and incapacity (Almer at el. 2005) just to mention a few. Audit staff sometimes practice DB for example PSMO as a result of a request form their managers just so that they can be able to meet the budget.

Nonetheless Halim et al (2014) took neutral view stating that auditors' competences have a positive effect on AQ. But then time budgets weakens the effect of auditors' competences as it

leads them to engage in DB. However they also noted that professional commitment strengthens effects of auditors’ competences on AQ. Therefore TBP weakens the competence of an auditors and effect AQ but if one has professional commitment then AQ will not be affected. Hyatt and Taylor (2013) also stated the supervisors are likely to report DB if it was committed intentionally versus unintentionally as a result of confusion over what is expected.

All being said auditors practicing DB intentionally depends on the situation surrounding them. Some practice DB because of lack of knowledge and what is expected of them and some practice DB as a way to deal with the pressure. DB is done just so they can be able to meet the deadline.

2.3.1 AUDIT RISK

Audit risk (AR) is the risk that the auditor may express an inappropriate opinion when the financial statements are materially misstated according to the IASSB handbook (2009). AR is important as the auditor does not test everything but uses a sample basis therefore they use a risk based approach according to ISA 350. AR is function of the risk that financial statements prepared by management are materially misstated [inherent risk (IR) and control risk (CR)] and the risk that the auditor will not be able to detect such material misstatements detection risk (DR) as stated by ISA 350.

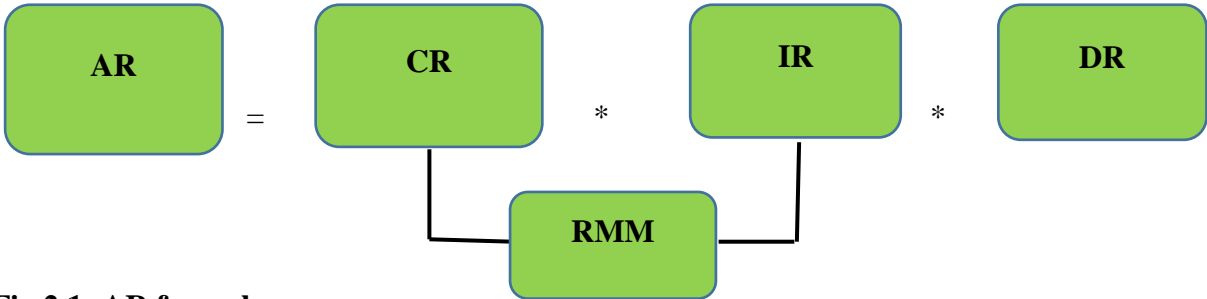


Fig 2.1: AR formula

The risk of material misstatements (**RMM**) refers to the risk that financial statements are materially misstated according to ISA 315. This may be because of an ineffective control environment (CR), lack of sufficient capital to continue operations or declining conditions affecting the company's industry (IR). ISA 315, DR is the risk that procedures done by the auditors to decrease AR to an acceptable level may not be able to detect material misstatements that exist that could be material individually or aggregated. Among the three components, only DR is controlled by the auditor according to Jackson and Stent (2010). DR is affected by the effectiveness of the substantive procedures and their application by the auditors. An understanding of management's key objectives and policies and the related business risks increase the chance of detecting significant risk (ISA 315).

2.3.2 AUDIT QUALITY MEASURES

a) AUDIT QUALITY

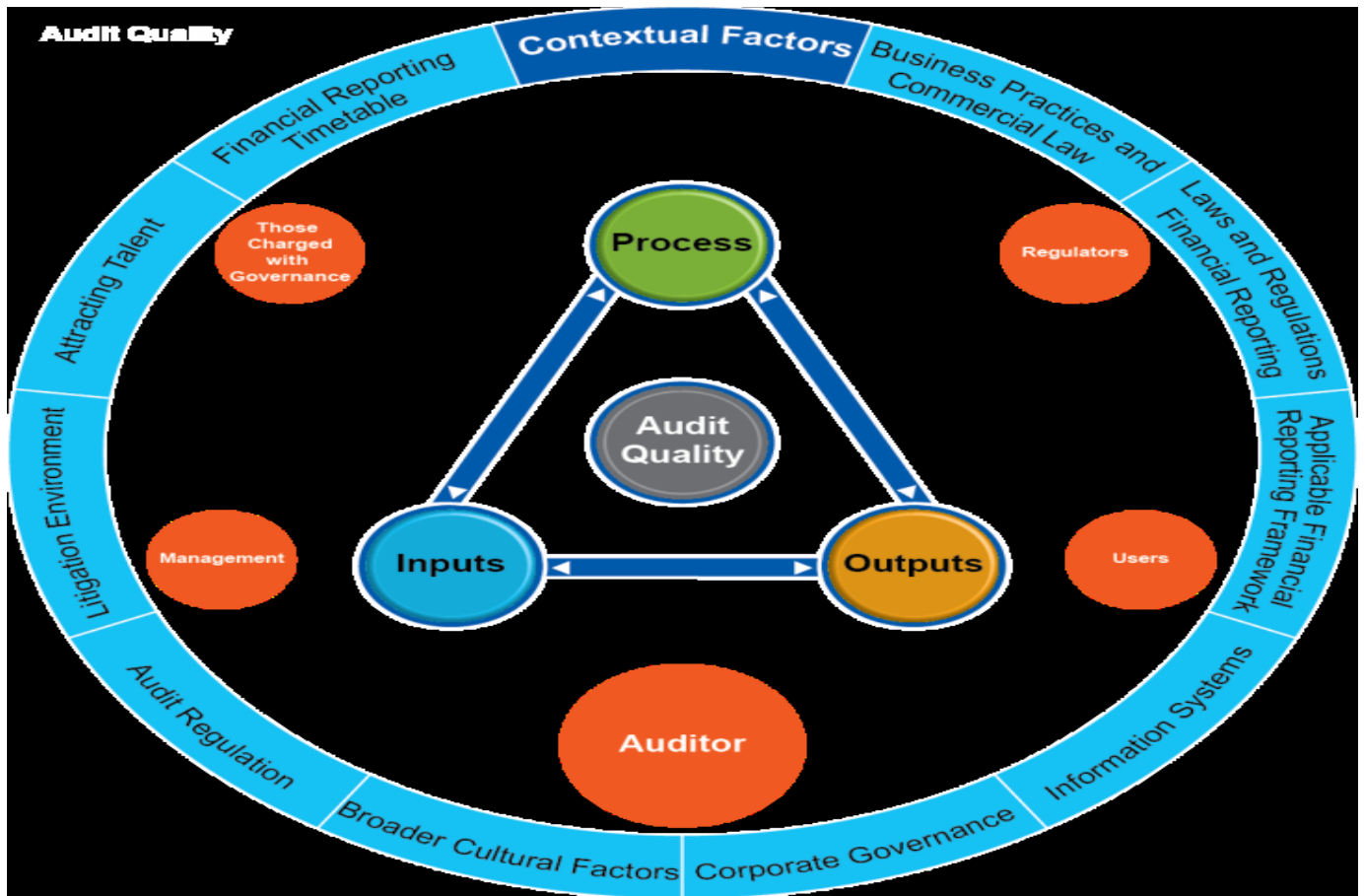
In audit there is an unavoidable risk that some material misstatements may not be discovered due to the inherent limitations, control limitation and detection risk because of this AQ is a and has always been a major area of concern in the prior years and will continue to be. Quick (2012) quoted the most used scholar DeAngelo, 1981 who defined AQ as the ability of the auditor to detect material misstatements and preparedness to report the misstatement and issue the appropriate audit report based on the findings. However the measuring of AQ is datable according to Hussein and Hanefah (2013).

There is no agreed measurement of AQ because perceptions of AQ vary across stakeholder groups according to Knechel et al. (2013) as their view on what encompasses AQ differs. Carson et al. (2013) said that society considers audit to be high quality if the financial statements are free from material misstatements and they anticipate the auditors to issue a going concern in

their opinion in the case of client going bankrupt. Audit professional consider audit to be of high quality if audit has been performed according to the audit plan and standards meaning that risks have to adequately deliberated and incorporated into an effective plan according to Christensen et al. (2015). Regulatory bodies consider audits to be of high quality if satisfactory audit evidence has been gathered and that the audit has been conducted in accordance with auditing standards according to Government Accountability Office (GOA) (2003). Also Christensen et al (2013) suggested that individual investors consider auditors' competence as indicative of high quality.

However there are indicators which are used to indicate AQ according to Hussein and Mohd Hanafeh (2013) which are firm size (Big N), audit fees audit tenure ,material restatements just to mention a few. IAASB (2014) stated factors contributing to AQ. The IAASB'S framework promotes the key elements of AQ which are distinguished as follows: **Inputs** (covers factors such as ethics and attitudes which are influenced by culture of the firm, knowledge, skills and experience and allocated time budgets), **Process** (covers the audit process and quality control procedures and their effect on AQ) and **Outputs** (includes reports and information that are formally prepared for the purpose of audit).

IAASB (2014) stated that AQ has several definitions worldwide, however all of them have not been recognized as the global definition. This is because it is a complex subject and challenging to asses quality of the audit.



Source: A framework for the audit quality (IAASB)

Fig 2.2: Illustration of the interaction of the elements of audit quality

b) AUDIT QUALITY INDICATORS

AQ indicators have been used to assess AQ, however, they have not been fully accepted as they vary across audit firms and its clients because the definition of AQ differs from stakeholder to stake holder. They have not been fully accepted because they all have their disadvantages.

Big N auditor (Firm size)

Big N auditors (Big four) are thought to be more independent than smaller audit firms because there is greater risk to their reputation if they are negligent and also because they rely less on individual client revenues as stated by DeFond and Zhang (2014) hence this reduced threats to

audit (self-interest and intimidation threats). Tate (2013) agrees that the bigger the firm the higher the AQ. Also Becker et al (2014), points out that big firm lose more if they provide audits of lower quality as they have a reputation to up keep which is why they always strive to provide audits of higher quality.

However the Big N proxy is without much substance as it is not measure specific to the engagement. Swan and Alsaqqa (2013) stated that the audit profession requires uniformity in the conducting of audit work as required by the standards (ISAs) thus making AQ independent of firm size (Arnett and Danos, 1997) because the standards apply to all firms despite being big or small in size. Derieux Committee report argues that firm size is only important in presenting the capability of the firm size in conducting an audit task relative to its resources. Small firm are looked down on because they are not well known and assumed to offer low audit quality but that is not the usually the case because small audit firm do offer audit of high quality thus making firm size inappropriate in the evaluation of AQ. Arnett and Danos (2013) also oppose the notion stating that auditing are directed by standards which means that uniformity is maintained in the conduction of audits making AQ independent of firm size. Whitworth and Lambert (2014), also agree stipulating that small firms have no reputation in the industry but yet they offer quality audits.

Abnormal audit fee

DeFond & Zhang, (2014) noted that studies have been done to assess if audit fees can serve as a proxy of audit quality. The study focused to assess if high (abnormal) audit fees improves or impedes audit quality. They stated that high fees can be ascribed to the relationship (economic) between the client and the auditor which would mean reduced audit quality or high audit effort.

Al-Khaddash, Al Nawas and Ramandan (2013) stated that several authors pointed out that companies perceive that if paying high audit fees they will receive high quality audits.

However Whitworth and Lambert (2014), stipulated that despite of providing audits of high quality small firms usually charge low audit fees. Ettredge, Fuerherm and Li (2014) also said that firms' dependence of audit fees has antagonistic effects on audit quality which can be determined by unreported misstatements.

Nonetheless Tran Diem (2016) stipulated that the effect of audit fees is either higher audit fees mean higher audit quality because clients put more resources to get value for money services, or higher audit fees mean high auditor dependence on client's fees thereby giving rise to the self-interest threat thereby reducing AQ.

Material restatements

Elshafie and Nyandroh (2014) stated that material restatements are a great proxy to measure AQ because it gives evidence that the auditor failed to detect or report an accounting treatment that is inconsistent with GAAP (Romanus et al, 2008). However Rajgopal, Srinivansan and Zheng (2015) said that carefully executed audit do not guarantee detection of fraud meaning that absence of a material restatement does not indicate higher audit quality thereby making the proxy not fully reliable when measuring AQ.

2.3.3 TIME BUDGET PRESSURE ATTENDENCE TO AUDIT RISK

According to Karim et al (2015) auditors are allotted reasonable time budget to complete an audit task, however time budget is sometimes inadequate compared to audit task assigned. Rum

(2016) when faced with TBP auditors respond to it in a functionally or dysfunctional way. Functionally auditors respond by working harder or using efficient audit techniques, however that is barely the case because the unfavorable effects of TB outweigh the career advancements. Rum (2016) also stated that not all auditors see these as a possible solution which is why they end up turning to DB which are an easier way to deal with the TBP and still meet the deadline.

TBP affects audit risk as it affects a component of AR which is DR, as defined by IAASB that DR is the risk that caused by the auditors failure to detect material misstatements in the financial statements. Rum (2016) also supported by saying that DR is affected by error in carrying out of the audit work, selection of in an appropriate audit process or misunderstanding audit results (She-I Chang et al, 2007). These factors are affected by the aptitude and willingness of the auditor's to perform the audit task. Lopez and Peters (2012) insinuated that auditors' ability to detect material misstatement is compromised during the busy season. Dalton and Kelley (2012) said that auditors have a tendency of not exercise professional skepticism when they are under pressure just so that they can the work assigned to them done. Raising DB reduces auditors' ability to detect material misstatements in the financial statements.

However AR is always there since there is an unavoidable risk that some material misstatements may remain undiscovered by an audit due to the inherent limitations (human error, use of sampling basis, use of estimates) of an audit according to Fazal (2012) and internal control limitation (management overrides and collusion). Lee (2012) said that time constraint (TBP) may leads auditors to put more focus on completing audits (reduces AR to a low level) which can result in better performances thereby improving audit quality. Further in support was Wijaya

and Yulyona (2017) stipulating that information system expertise will be of help to auditors in shortening the audit time and in coming up with audit procedures which are less complex and in turn reducing (DR), thereby improving the quality of audit reports. Utary (2014) said that information technology can be used as a moderator between TBP and AQ. This indicates that even though the auditors have TBP, but if you have good IT skills it reduces DR because the pressure (which reduces the auditors aptitude and detect risk) is reduce with the assistance of the it skills.

Nonetheless Umar (2017) took a neutral view. He said stress affects the psychology, physicality and behavior of an auditor which brings about positive or negative results. Pressure can make individuals behave dysfunctional or motivate them to give their best. Also Mohd Nor at el (2017) noted that TBP is a necessity in terms of ensuring that the audit engagement is completed within the allocated time frame. Pressure make auditors make better decisions by concentrating on what is more relevant (Coram, Ng, and Woodliff, 2003) (reducing AR), however they also stipulated that TBP a poses threat on AQ because at some point, auditors may negatively respond to it (DeZoort and Lord, 1997). Paino (2011) said that DB is a reaction to the control environment. He also stated that DB adversely affects the capability of the auditors to complete their work in a timely basis and precisely appraise employee performance. However he also stated that it is not emphasis on meeting budgets that leads to DB but circumstantial variables such as leadership behavior and effective audit review.

All being said the literature points out that auditors react to time budget pressures differently but usually they react in ways that impede audit quality as it is used as a way to measure their

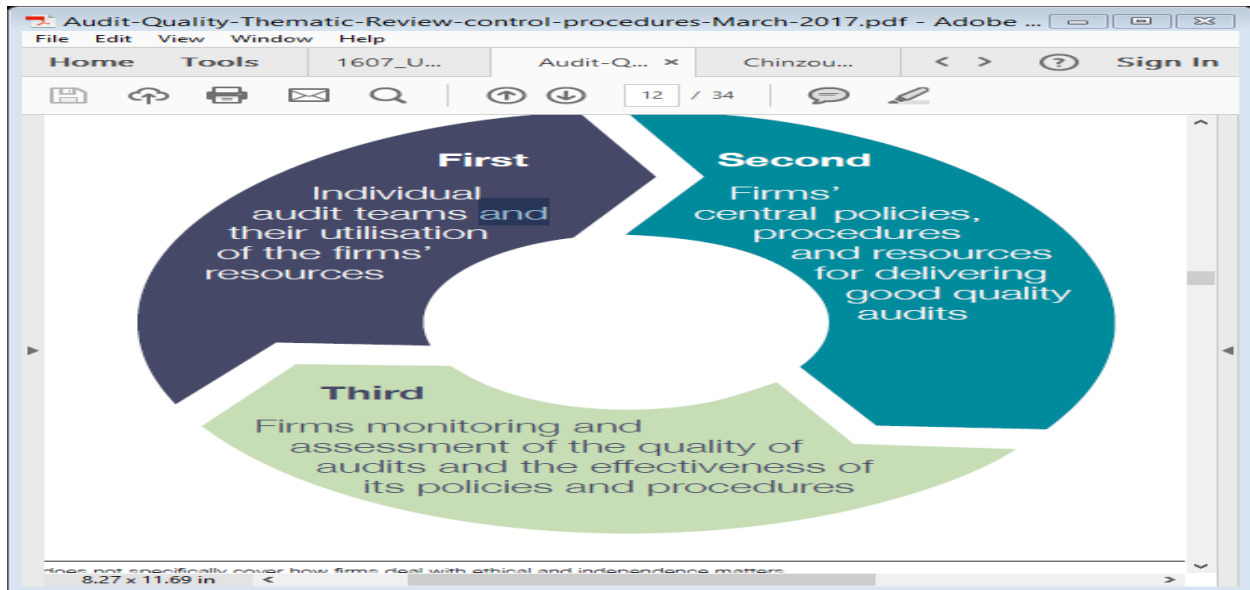
performance. Auditors practice dysfunctional behavior deliberately so that they can lessen the burden they get from the time budgets. Nevertheless firms should adopt measure to counter the TBP by providing training, giving more hours to the task (overtime) and allocating resources (auditors) efficiently and effectively.

2.4.1 BEST PRACTICES TO ACHIEVE AUDIT QALITY

Best practices are methods that have repeatedly shown results that are better than those achieved by other means and they are is used as a benchmark. (www.businessdictionary.com 1338 hrs. 18/03/18). They are a set of guidelines or ethics that epitomize the most efficient course of action (www.investopedia.com1342 hrs.18/03/18). FRC (2017) stated that the foundation for constantly providing high quality audit lies in firms' QC systems, the requirements for which are set out at the firm level through ISQC and at the individual engagement level through ISA.

FRC (2017) stated that The Chartered Institute of Internal Auditors (CIIA) set out a best practice which is a defense model which can also be applied to external auditors as it was being applied by firms in the UK. They said that defense model helps management to understand how the elements of the firms' audit quality procedures interact together. They stipulated that the model considers the roles and responsibilities for audit quality at different stages of the process to help reduce the risk of AQ being inconsistent or not being maintained.

Defense Model



Source: IFC: Audit quality thematic review (2017)

Fig 2.3: Defense model

FRC (2017) stated that the **first line of defense** consists of selection of a suitable audit team which includes specialists, reviews of audit work by senior auditors and access consultations and technical reviews of financial statements and real time support and coaching. The **second line of defense** consist of tone from the top, resource management, recruitment, training of staff, appraisal and performance management, **Third line of defense** consist of firm's internal quality monitoring and root cause analysis, compliance monitoring and staff surveys/appraisal feedback

FRC (2017) also stated that other good practices such as firm should have committees who are responsible for the supervision, maintainability and constantly improvement of AQ. The committees will supervise all the matters relating to AQ and they ensure that AQ has sufficient prominence and focus on the firm's leadership agenda. Another best practice is that firms should have an audit quality meetings were they discuss matters relating to AQ enhancements, with the audit staff giving their suggestions which are then given to the AQ committee. They also stated

the involving the technical support team in audits on a real time basis is a best practice. The approach aids in identifying possible matters that need to be improved, thereby increasing the likelihood of delivering a good quality audit. They stated that it can also act as a coaching too thereby assisting in the improvement of AQ. Also the review of the audit report together with the financial statement by the technical reviewer can intensify the prospect of possible material undisclosed matters being identified. They also stated that engagements with a higher level of partner had a greater likelihood of achieving a high quality outcome prior to issue of the audit report.

2.5. SUMMARY

This chapter was literature review and it covered, the literature that was done in the prior years on the effects of TBP on AQ. Several publication were analyzed to define TBP as well as indicate polices to manage its effects on TBP. Chapter three is on research methodology.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter focus research on the methods that will be used to gather data and on the selection of the research subjects. Data sources, research methods, research mechanisms, and sampling strategy will be stated. The method will give aid to the collection of data on how time budget pressure bring about AR which thereby affects the AQ.

3.1 RESERCH DESIGN

Kumar (2011) stated that it is an approach designed to facilitate an investigation on a research problem so to be able to achieve the study objective and provide answers for the research questions. It gives guiding principles on how data is to be gathered and interpreted. The research focuses on establishing TBP and how it affects AQ. The researcher is going to use qualitative utilising the case study approach.

3.1.1 RESEARCH METHOD

The researcher used qualitative research method utilising a case study approach. 23 million researched utilized the qualitative research method in the period 2008 to 2017 according Queiro (2017). Basri (2014) stated that qualitative research has been defined as a research methodology that yields findings not yet attained by statistical procedures. Basri (2014) also indicated that qualitative research has been explained as observing people while they are doing their work (in real time) while evaluating and interpreting data. The researcher used this method because of the advantages that are merged in the method. As stated by Choy (2014) qualitative research method gives room to inquire further by probing more comprehensive and open ended questions. The

other advantage is that it enables the understanding of values, beliefs and assumptions (Choy, 2014) of the target population and what drives it

Creswell (2014) and Yin (2014) stated that a case study approach is defined as a form of qualitative comprehensive investigation of the topic under study. Yin (2014) also stated that case study is utilized to comprehend the topic under study in real life situations. The approach was used as it enables the researcher to ask probing questions and note the richness of the firm's behaviour as stated by Choy (2014)

However the quantitative methodology has not been used because it usually happens in an abnormal settings where the researcher creates a non-natural environment in an attempt to control relevant variables. Also as stated by Choy (2014) quantitative research does not give an in-depth experience description and there is no human perception and beliefs.

3.1.2 DESCRIPTIVE RESERCH DESIGN

A descriptive research is method that investigates a situation as it exist in the current state According Jalil Mohammad (2013) descriptive research design is where the researcher is researching what is actually happening. This study uses a descriptive research design. The researcher chose to use this research design because of the above statement as there is need to depict the circumstances as they naturally happen because the research mostly relies on primary data.

3.2 POPUATION, SAMPLING SIZE AND SAMPLING TECHNIQUE

3.2.1 POPULATION

According to Asiamah, Mensah and Oteg-Abaye (2017) a population in researches is a group of observations of interest to the researcher. The target population for the purposes of this research

is Deloitte Zimbabwe – Harare Office audit staff. The research is mostly targeting audit seniors and juniors as they are the major victims of time budget pressure and they resort to DB as they do most of the ground work. However managers are also part of the target population as they will also review the work and notice some DB which they may choose to ignore or report. The research is going to use a sampling design method

3.2.2 SAMPLING DESIGN

Sampling is a method of coming up with extrapolations of the target population by studying a few elements of the population. Manoharan (2010) stipulated that a sample represents the target population and the characteristics have to be the same as those of the target population.

The researcher is using a sampling design since time is not permitting to do the research on the whole target population and compile data. Ajay and Masuku (2014) supported this, noting that using a sampling design is an expedient technique of gathering information and also the cost incurred are less.

3.2.3 SAMPLING TECHNIQUE

Stratified random sampling technique

Thompson (2012) stated that stratified sampling is randomly apportioning the population in to strata. Apportioning the population in strata guarantees that the sample is well representative of the target population. Stratified random sampling is utilized when the researcher want to highlight particular groups within the population. The researcher will be working with the following strata:

- i) manager and supervisors
- ii) audit seniors
- iii) audit assistants

The researcher is using stratified random sampling because the audit department at Deloitte Zimbabwe is divided in different groups with different responsibilities which are partners, managers and supervisors, audit seniors and audit juniors. For the purposes of this research the partners' stratum is excluded for data collection as they do not normally feel the pressure from time budgets. Also Chinzou (2014) used the stratified methodology justifying it a technique that reduces errors and intensifies precision

3.2.4 SAMPLE SIZE

Table 3.1 Target sample Distribution

Level	Total population	Sample size	Percentage of total population
Managers and supervisors	15	10	67%
Audit seniors	25	20	80%
Audit juniors	45	30	67%
Total	85	60	71%

According to Burmeister (2012) a sample size of 50% habitually gives a decent reliability given a sound sampling procedure. This research utilized a sample above 50%. The sample size is 71%.

3.3 SOURCES OF DATA

The research will utilise a combination of primary and secondary data.

3.3.1 PRIMARY DATA SOURCE

Primary data is data that is gathered at the point where it is generated. The data collected denotes what was actually said or what is happening at a certain point in real time. Primary data will be gathered using questionnaires and interviews. The researcher is using primary data because according to Naveen (n.d) it encompasses data that is collected in the natural environment and it points in the direction of the researcher's needs. Data obtained is current therefore it is of essence to the study.

3.4 RESEARCH INSTRUMENTS

Research instruments are tools utilized for gathering data. This study will utilize questionnaires and interviews as tools to collect data.

3.4.1 QUESTIONNAIRES

A questionnaire is a list of a research questions asked to respondents as a way of gathering data according to Abawi, (2013). Rowley (2014) stated that questionnaires are also defined as documents that contains a number of questions to which the responded is requested to give answers. A questionnaire serves the purposes of gathering appropriate data and reducing bias in formulating and asking questions because it is defined to be answered without and direct interaction with the researcher as stated by Rowley (2014). Yaya (2014) noted that questionnaires are primarily fixated on gathering the views of the respondents regarding the objectives of the study (Aina, 2004). The researcher is using questionnaires because according to Chinzou (2014) they are easy to administer, since time is limited for the researcher.

Closed ended questions

For the purpose of this research close ended and will be utilized in the formulation of the questionnaires. Rowley (2014) noted that closed questions are easy and quick to respond to for respondents and because of this reason the response rate is high. The responses to closed questions are easier to code and analyses. The questionnaire will make use of a Likert scale.

Likert scale

Bishop and Herron (2015) stipulated that it is a psychometric scoring scheme used to quantify respondents' opinions and feelings on different topics. A Likert scale is used when question are given to the responded and they have to point out their level of agreement on the question on a metric scale according to Josh et al (2015)

Table 3.2: Likert scale rating

1	Strongly disagree
2	Disagree
3	Neutral
4	Agree
5	Strongly agree

Source: Creswell (2012)

According to Krosnick and Presser (2010) with a Likert scale feelings or emotions can be easily noted from the responded given the selected response on the scale. The research focus is to detect how different perceptions of the audit team towards time budget pressure encourages deliberate engagement in DB and how it affects AQ thus making it a reliable response pertaining this study.

3.4.2 INTERVIEWS

For the purpose of this research personal interviews will also be utilised. Personal interviews is a way of gathering data through dialogue initiated by the researcher being the interviewer to gather information from the interviewee in this case the sample size chosen from the target population.

Interviews are a method of gathering data by having a discussion through oral means

The researcher used interviews to gather data because according to Vsloo (2014) they permit the gathering of more data and further examination on the research questions. Interviews are also utilised because there is more malleable and the researcher can use her creativeness to motivate respondents to provide more information (Sigauke, 2013)

3.5 DATA ANALYSIS AND PRESENTATION

Data analysis is a way of evaluating the collected data by means of analytical and logical reasoning. Data analysis is transformation of data to a way that is understandable and easy to interpret. Data analysis helps in giving the data collected meaning (Vsloo, 2014) for its intended use. The data was analysed using the thematic approach. Thematic approach is used in qualitative research according to Guest (2012). The method emphasizes organisation and rich description of the data set. This method was used because most users consider it to be very useful in capturing the particulars of meaning within the data set as stated by Guest (2012)

The information gathered was presented using graphs, pie charts and tables. The data will be conveyed in percentages. The presentation method was used because it is easier to understand and interpret and it also made it easy for the researcher to summarise the data collected.

3.6 RESERCH ETHICS

The researcher made sure that the respondents are aware of their participation in the research ensuring an informed consent. Also the researcher made certain that she does not harm responded by warranting anonymity of the respondents. This was done to ensure that the research is carried out in an ethical manner

3.7 DATA VALIDITY AND RELIABILITY

Reliability is when the techniques and analytical strategies utilised to gather data yields finding when applied on a different scenario (Saunders, Lewis and Thornhill, 2009). Validity is fixated on the integrity, effectiveness and soundness of the data (Zohrabi, 2013). Validity gives assurance that data gathered if error free and can be relied upon. The researcher used reliable and valid recommended methods of gathering data. The researcher also used questions that were in line with the research objectives to ensure validity and reliability. The researcher to ensure validity and reliability of the data gathers inserted a question on the questionnaires asking about their professional qualifications to ensure the information gathered is reliable and valid.

3.8 CHAPTER SUMMARY

This chapter stated the research methodology that was used in research. It noted the research design, types of research design, population, sample , data sources, data collection instruments , data validity and reliability, data analysis and presentation. Chapter four is in data presentation and analysis.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter is mainly focused on the data that was collected. The data will be presented and analyzed in this chapter. Data analysis will be with the aid of graphs and pie charts for easier understanding and better presentation. Also some of the data will be converted into a quantitative form (percentages) for understandability too.

4.1 DATA RESPONSE RATE

Data was gathered using interviews and questionnaires. 60 questionnaire were issued of which 43 were returned and 6 interviews were done.

Table 4.1: Questionnaire response rate

Questionnaires	Managers	Seniors	Audit juniors	Total
Number issued	10	20	30	60
Number returned	6	19	18	43
Number not returned	4	1	12	17
Responses rate (%)	60%	95%	60%	72%

A total of 60 questionnaires were issued out of which 43 were returned making it a 72% response rate. The 50% responsive rate supported by Burmeister (2012) gives reliable data therefore the

72% response rate is adequate. To distribute the questionnaires random stratified sampling technique was used to select the sample.

i) Gender

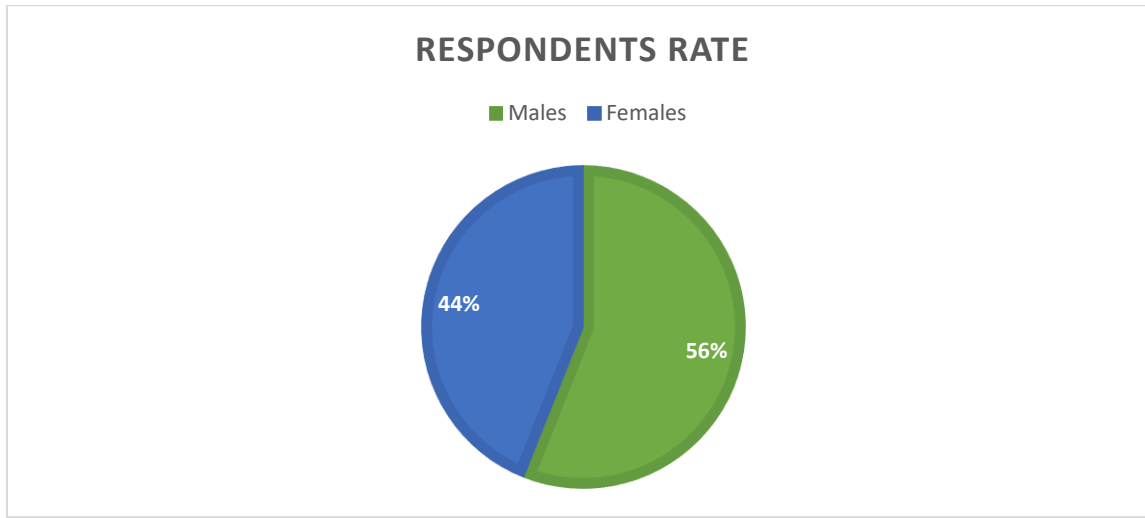


Fig 4.1: Gender response rate

As shown on fig 4.1 the questionnaires were distributed to different genders to ensure that the view of both genders is gathered so as to get a reflective position of the total population. Of the 43 respondents 24 were males (representing 56% of the response) and 19 were females (representing 44% of the responses). Therefore the research included the views of both genders. This is supported by Chinzou (2014) who noted that distributing questionnaire to both genders is reflective of the total population. Gender was also considered because according Silaban and Harefa (2017) stipulated that there is a difference in the level of time budget pressure perceived by female and male auditors and they also noted that there was a difference in the tendency to practice dysfunctional behaviors between male and female auditors because women have a higher moral reasoning than males.

ii) Position

The respondents were grouped into different strata since stratified random sampling method was used. The strata that were chosen were the audit staff positions in the firm. This was done so as to target the most affected group by time budget pressure.

Table 4.2 Position statics

Position	Number of respondents	Percentage
Manager and supervisor	6	14%
Audit seniors	19	44%
Audit junior	18	42%
Total	43	100%

As shown on fig 4.2 most of the questionnaires were distributed to seniors and juniors (86%) as they do most of the ground work and are more susceptible to time budget pressure. DB varies from position to position according to Donnelly, Quirin and O'Brayn (2003)

iii) Professional qualifications

Table 4.3 Professional qualifications statistics

Qualification	Number of respondents	Percentage
Attempting first degree	5	12%
CTA	12	28%
CA(Z)	10	23%
ACCA	7	16%
ICAEW	0	0%
OTHER (Board sitting)	9	21%
TOTAL	43	100%

On the table above all the respondents have a professional qualification, or are working towards one as shown by the percentages shown on the table. The question sought professional qualifications so as to establish the competences of the audit staff and also to ensure that the response were reliable and that the information given is of relevance. Therefore as per the results shown above the sample chosen has relevant qualification to be knowledgeable of the topic under research and can respond to the questionnaire with relevant and reliable information.

iv) Audit experience

The audit experience is relevant in this research as it is to establish the level of experience, competence and the amount of knowledge an individual has.

Table 4.4 Audit experience statistics

Audit experience	Number of respondents	Percentage
Less than 1 year	5	12%
1 year	3	7%
2 years	4	9%
3 years	13	30%
4 years	11	26 %
5 years	4	9%
6 years	2	5%
7 years	1	2%
Total	43	100%

The table above table 4.4 indicated majority (30%) of the respondents have 3 years of experience followed by 26% which are individuals with 4 years. The last group is that of 2% which has 1 respondent of the sample. The respondents were limited to 7 years. The research is wide spread

across all levels of experiences which gives assurance that the data collected is valid, relevant and reliable.

v) Level

The level of responded is of essence so as to assess the level which is most affected by time budget pressure and is most vulnerable to indulge in dysfunctional behaviors.

Table 4.5: Level Statics

Level	Number of respondents	Percentage
1-4	18	42%
5-6	21	49%
M1-M4	4	9%
Total	43	100%

The table above indicate that Level 1 to level 4 is made up of juniors which is about 42%. Level 5-6 consists of audit seniors which is made up of 49%. Then level M1 to M4 is made up of managers which is about 9 %.

4.1.2 WHAT IS THE BUSIEST PERIOD IN THE FIRMS CALENDER (BUSY PERIOD)

This question is focused on pointing out the period in which audit firm is the busiest meaning when they have most clients. Fig 2 indicated the pointed out busiest period by the respondents where they have most clients to audit.

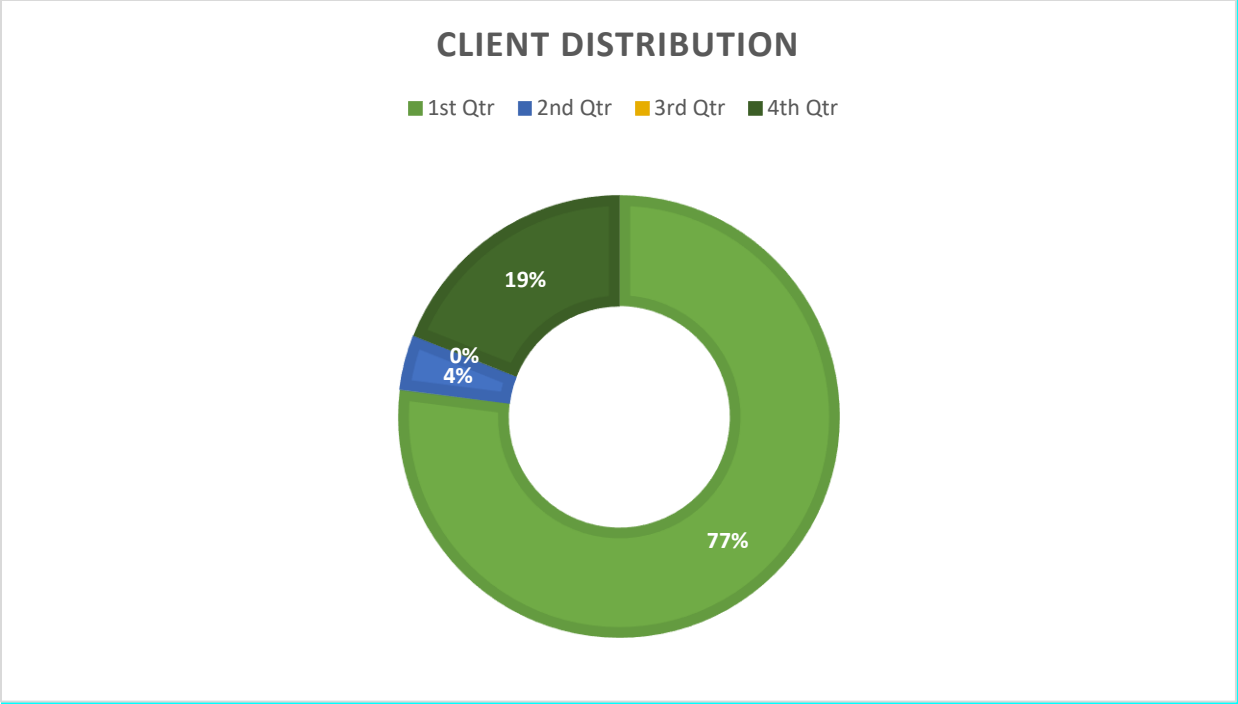


Fig 4.2 Client Distribution

As shown in fig 2 above 33 respondents (77%) noted that the first quarter is the busiest, 2 respondents (4 %) noted that the second quarter is the busiest, 8 of the respondents (19%) indicated that the fourth quarter is the busiest and none noted that the third quarter is the busiest.

The data collected was to denote when auditors are more vulnerable to practice DB.

The overall result show that the first quartered the busiest period for auditors as supported by the 77% indicating that they busy during the first quarter. This is supported by Tran Diem (2014) in the literature review who noted that the concentration of companies with the December fiscal year ends inflict pressure on auditors. Karim at el (2013) noted that time budget pressure is one of the reason why auditors engage in DB as highlighted in the literature review.

This means that pressure is one of the cause of time budget pressure and it is at its highest during the first quarter of the year shown by the 77% of the respondents indicating the first quarter.

4.1.3 TIME BUDGETS GIVEN ON ENGEMENTS DURING THE BUSY PERIOD ARE ATTAINABLE

Table 4.6 Time budgets attainability

	Strongly agree	agree	neutral	disagree	Strongly disagree	total
Number of respondents	0	3	5	24	11	43
Percentage	0%	7%	12%	56%	25%	100%

As shown on the table above 0 of the respondents (0%) stated that they strongly disagree, 3 of the respondents (7%) noted that they agree, 24 of the respondents (56%) disagreed and 11 of the respondents (25%) strongly disagreed that the time budgets given on engagements are attainable. However 5 of the respondents (12%) were a neutral view saying that the time budgets given on the engagement are sometimes attainable and sometimes not.

This means that (0% +7%) 7% agreed, (56% +25%) 81% disagreed and 12% neither agreed nor disagreed to time budgets given during the busy period being attainable.

Overall result show that time budgets given on engagements are mostly unattainable as supported by the 81% in disagreement to the question that time budgets are attainable.

Also highlighted in the literature review time budgets unattainability is the driving force to

auditors having time budget pressures. This supported by Karim et al (2013) who noted that time budgets allocated to audit staff was considered to be insufficient and difficult to attain. The question was aimed weighing whether the time budgets which were given to auditors on engagements was attainable during the busy period and as shown by the data collected time budgets are difficult to attain because they are mostly short and inappropriate compared to the task to be completed.

4.1.4 DEADLINES IN THE BUSY PERIOD ARE MET

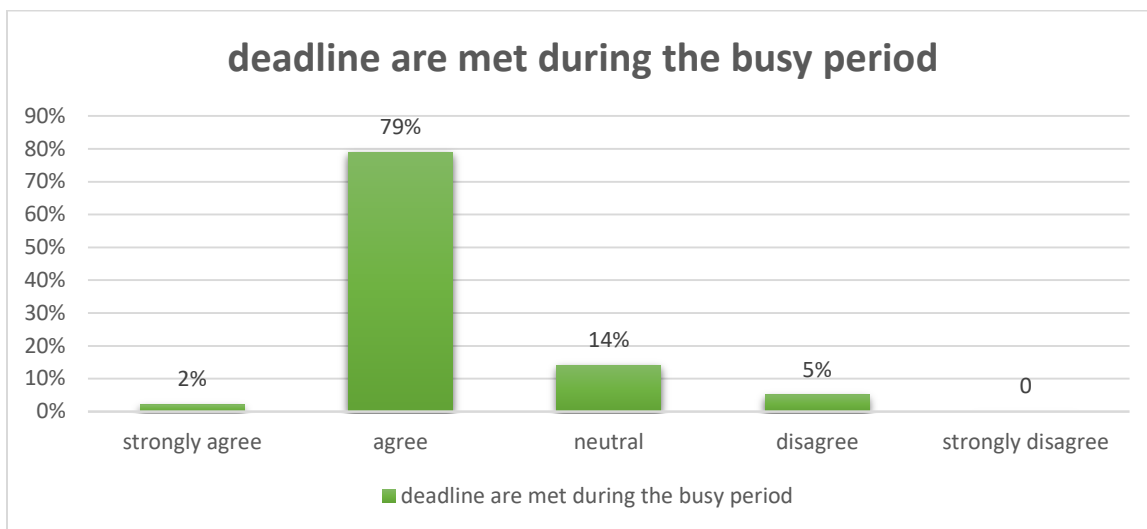


Fig 4.3 Deadline are met during the busy period

The results show that 34 of the respondents (79%) agree, 1 respondent (2 %) agreed strongly, 2 respondents (5%) disagreed to the notion that deadlines are met during the busy period. However 6 of the respondents (14%) took a neutral point stating the deadline during the busy period are met at times and sometimes they are not.

Therefore 81% agreed, 5% disagreed and 145 neither agreed nor disagreed to the notion that deadline are met during the busy period.

Also as per the interview done on the question ‘what dysfunctional behavior have you practiced and what was the cause’. 6 of the respondents (100%) agreed and that they are able to meet the deadline mostly because they have practiced dysfunctional behavior. This is supported by the respondents’ responses below:

Responded 1

‘In my opinion there are many causes of DB by auditors TBP being one of the major causes. We work on a time budget which is usually tight and unattainable. Therefore we end up practicing DB so as to deal with the pressure and to meet the deadline’.

Responded 2

‘TBP is the main cause of DB. We practice DB because time budget pressure poses as a reputational threat as used as a performance measurement tool. So we strive to stay within the budget even if we work in our own personal so that we may be able to meet the deadline, we end up not recording the actual time we spent on the section so as to stay within the budget and not to tarnish our efficiency report’.

Responded 3

‘TBP is the major cause of DB. We practice TBP just so that we can make the pressure bearable and meet the deadline’

The other 3 respondents, responses were similar to the ones mentioned above.

The overall response is that 41 respondents agreed (84%), 2 disagreed (4%) and 6 were neutral (12%).

The results show that deadlines that the deadlines during the busy period are meet despite the TBP as supported by the 84% in agreement to the question that deadlines during the

busy period are met. This is was also noted in the literature review were, Paino at el (2010) stated that audit steps appearing unnecessary and immaterial is one of the major causes of PMSO. This means that audit staff skip some procedures because of time pressure thereby making it easy for them to meet the deadline because not all the procedures have been done as required. Also as stated by Gillet (2012) TBP poses a reputational threat as it is used as a performance measurement tool. Therefore the audit staff try to meet the deadline by all means (practice DB) so as not stain **their reputation.**

4.1.5 TIME BUDGET PRESSURE FORESTALLS DETECTION RISK

Table 4.7: Time budget pressure forestalls detection risk

	Strongly agree	Agree	Neutral/ unsure	Disagree	Strongly disagree	Total
Number of respondents	1	21	9	10	2	43
Percentage	2%	49%	21%	23%	5%	100%

This table shows that 21 of the respondents (49%) agreed, 1 respondent (2%) strongly agreed, 10 respondents (23%) disagreed and 2 respondents (5) strongly disagreed to the fact that time budget pressure forestalls detection risk. 9 of the respondents (21%) took a neutral point showing that they are unsure if the time budget forestalls detection risk.

Therefore 51% agreed, 27% disagreed and 21% are neutral of the notion that TBP forestalls DR.

Also as per the interview question that time budget pressure affects audit risk 4 respondents were in agreement (67%) and 2 were neutral (33%). This sis supported by some of the responses below:

Responded 1

'From my point of view Time budget pressure affects aptitude and physical fitness as we end up working overtime or during our own personal time so that we may be able to meet the time budgets. This therefore means our ability to detect the risk is reduced'. This means that TBP affects AR to a greater extent.

Responded 2

'Time budget pressure affects auditors in different ways some are motivated and some are demotivated by it. Therefore when it comes to affecting AR, I can say it affects if one is demotivated because DB reduces their ability to detect risk and if one is motivated it does not affect audit risk. However in most cases auditors are usually demotivated by TBP'. This means that those motivated by TBP work harder to meet the deadline and those demotivated end up cutting corners which means they end up practicing DB but usually audit staff is demotivated therefore TBP affects AR to a greater extent.

Responded 3

'In my opinion TBP affects AR because it reduces the auditors willingness and ability to practice professional skepticism which increases detection risk but let's not forget that AR is a component of DR, IR and CR. Therefore TBP may put pressure on auditors which increase DR but also the IR and CR which are not affected by TBP affects AR. What I am trying to say is that AR is always there despite TBP or not, so TBP affects AQ but to a lesser extent because it affects only one component of AR'.

Also the interview question asking if the use of information technology is helpful in reducing time budget pressure on auditors. The interview responses took a neutral view indicating that they neither agree nor disagree to the fact that information technology helps to reduce time

budget pressure. They stated that information technology is helpful in speeding up the processing of data or evidence gathered, however they also stated that information technology at times is not helpful because auditors engage in dysfunctional despite the technology because the level of pressure determines what they will do mostly avoid cumbersome work therefore they cut corners.

The overall responses show that 26 agreed (53%), 12 disagreed (25%) and 11 were neutral (22%).

The results show that time budget pressure in most cases forestalls detection risk and that it affects Audit Risk as it is supported by the 53% in agreement. As stated by Dalton and Kelly (2012) in the literature review that due to the fact that there is more work to be done within a limited amount of time, auditors' usually do not practice professional skepticism so that they can get the work assigned to them over and done with. This therefore reduced their ability to detect any material misstatements. Also Utary (2014) noted that information technology can be used as a moderator which reduced DR because pressure is reduced with the assistance of IT skills. However Umar (2017) noted that auditors react to TBP differently meaning it is either positive or negative. This therefore means that TBP affects AQ and at the same time it does not.

4.1.6 TIME BUDGT PRESSURE HAS AN EFFECT ON AUDITORS' BEHAVIOUR

The main focus on this question was to establish whether time budgets affects auditors' behaviors.

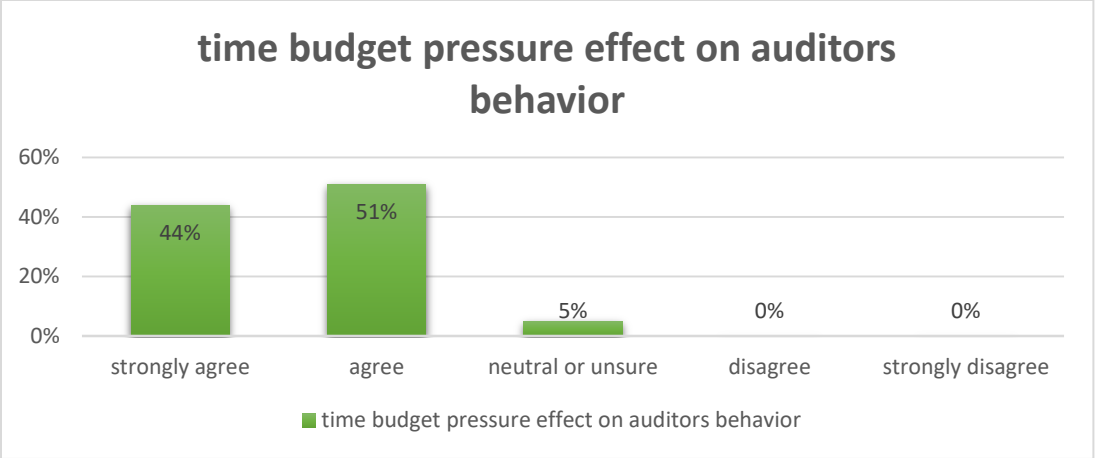


Fig 4.4 Time budget pressure effect on auditors’ behavior

As per the fig shown above it showed that 19 of the respondents (51%) agreed and 22 of the respondents (44%) strongly agreed that auditors’ behaviors are affected by time budget pressures. While 2 respondents (5%) indicted that they are of a neutral view.

Therefore 95% agreed and none disagrees to the notion that auditors’ behaviors are affected by TBP. However 5% took a neutral view stating the auditors’ behavior is sometime affected by TBP and sometimes not.

Also the interview responses to the question ‘what dysfunctional behavior have you practiced and what was the cause’ stipulated this, were the interviewer was able to denote that time budget pressure affects auditors behaviors as 6/6 of the respondents (100%) agreed to the fact that time budget pressure was the cause of their practice in dysfunctional behavior. This supported by the responses in **4.4.1**

Overall responses show that 47 of the respondents agreed (96%) and 2 of the respondents (4%) were of a neutral view and 0% disagreed.

The results show that auditors' behavior is affected by time budget pressures as supported by the 96%nin agreement. This is also supported in the literature review were, Paino (2011) said that DB is reaction to the control environment (time budgets). This therefore means that TPB affects auditors' behavior as they are bound to react in some way to it either positively or negatively. If they respond negatively they end up practicing DB and if the respond positively the end up working harder and focusing on what is more important as stated by Coram, Ng and Woodliff (2003).

4.1.7 DYSFUNCTIONAL BEHAVIOR IS AS A RESULT OF TIME BUDGET PRESSURE

The question was aimed at detecting if the dysfunctional behaviors by auditors was as a result of time budget pressure, meaning that auditors indulged in dysfunctional behaviors usually when they are faced with time budget pressure.

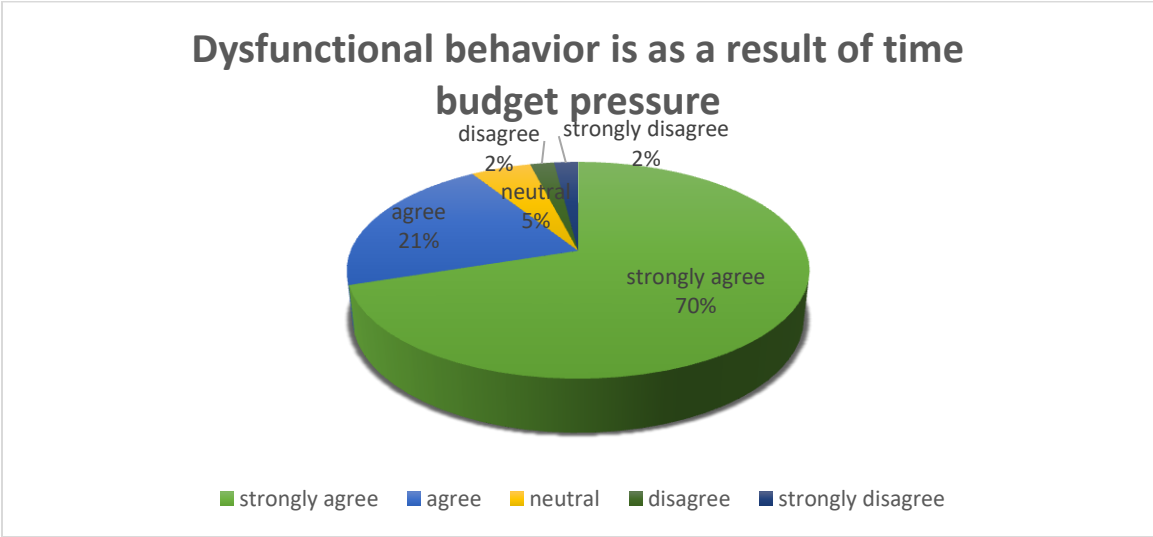


Fig 4.5 Time budget pressure leads to dysfunction behavior

As shown on the fig above 30 of the respondents strongly agreed (70%), 9 (21%) agreed, 2 (5%) took a neutral point, and 2 (4%) took the disagreeing side.

Therefore 91% agreed, 4% disagreed and 5% neither agreed nor disagreed to the notion that dysfunctional behaviors by auditors was as a result of time budget pressure.

The responses from the interview question asking the causes of dysfunctional behaviors also supported this position as the 6 of the interviewees (100%) stipulated that time budget pressure was one of the major causes of dysfunctional behaviors in auditors. This is noted on the interview responses on **section 4.3.4** above and some of the responses below:

Responded 4

'TB constraints is a major cause of DB because we are mostly working against time budget despite it being the busy season or not. All the other cause of DB fall under TB constraints for example the audit procedure seeming unnecessary is a cause of DB but if there is time I may do the procedure because I usually do not have enough time I end up skipping it so that I can meet the deadline'. This shows that TBP cause DB.

Overall responses show that 45 agreed (92%), 2 disagreed (4%) and 2 were neutral (4%)

The results show that dysfunctional behavior is as a result of time budget pressure as supported by the 92% in agreement. As also is supported by Karim et al (2013) in the literature review time budget pressures was one of the reasons why auditors engaged in DB. The results above stipulate that dysfunctional behaviors were as a result of time budget pressures.

Therefore the results show that time budget pressure is one of the significant causes of DB

4.1.8 DYSFUNCTIONAL BEHAVIOR BY AUDITORS IS AN HONEST MISTAKE

Table 4.8: Dysfunctional behavior is an honest mistake.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Number of respondents	0	4	5	34	0	43
percentage	0%	9%	12%	79%	0%	100%

The table above showed that 34/43 (79%) disagreed, 4/43 (9%) agreed and 5/43 (12%) neither agreed nor disagree that dysfunctional behavior is an honest mistake. This question’s focus was aimed at evaluating, if the dysfunctional behavior by auditors was an honest mistake. The results shown on the table indicated that dysfunctional behavior is an honest mistake to a lesser extent.

The interview responses from the interview question which asked if the auditors have indulged in dysfunctional behaviors deliberately and 6 of the respondents agreed to the question (100%).

Responded 4

‘Yes I have indulged in DB deliberately. We practice DB intentionally mostly. This is because we are trying to reduce the TBP and meet the deadline. Also TBP is used as a measurement tool so as we trying to seem as were efficient, we cut corners and sometimes do not record the actual time that we have worked to finish the work’

Responded 5

‘Well I have usually when the section involves cumbersome sample sizes were I have manipulated the sample so that is becomes less cumbersome.’

Responded 6

'The audit staff on the ground do practice DB deliberately so that they can be able to finish the sections assigned to them on time and leave their efficiency record not tarnished because we use the time they charge to assess their performances. However there are some auditors that especially the juniors that have practiced DB as an honest mistake because of lake of knowledge incapacity or inadequate on the training'.

Other responses were similar to those above

The interview question (If a manger or supervisor has ever asked a junior to commit dysfunctional behavior) responses also supported this as there were 3 of the respondents that agreed to this (50%) and the other 3 disagreed to this 50%.

Respondent 5

'I have made a request to junior auditors to charge less time so that we do go over the budget on our audit engagement so yes I can say I have asked junior to practice DB deliberately'. This indicated that dysfunctional behaviors are done by managers and supervisors deliberately by making requests to junior staff to behave in a dysfunctional manner.

Respondent 6

'No I have not asked a junior to commit dysfunctional behavior because I know that it will affect the net engagement budget'.

Therefore the overall responses show that 40 disagreed (82%) 4 agreed (8%) and 5 were neutral (10%).

The results dysfunctional behavior is not an honest mistake as supported by the 82% in disagreement to the question. This also supported by Nehme, Al Mutawa and Jizi (2016) in the literature review supported this also as they stated that stated that dysfunctional behavior is done

deliberately, as it poses a reputational threat. Auditors indulge in dysfunctional behaviors to a certain degree without harming the AQ.

4.1.9 BEST PRACTICES ADOPTED TO ACHIEVE AUDIT QUALITY

This was aimed at establishing if tone from the top policy, quality review, staff appraisal, partner review, professional training, holding audit quality improvements and compliance and getting technical support during audit were good practices to attain audit quality under time budget pressures. The responses are shown below:

Table 4.9: Best practices adopted

Best practices	Strongly agree	Strongly agree	Neutral/ disagree	Neutral/ disagree	Strongly disagree	Total
	agree		unsure		disagree	
Number of respondents	18	18	6	1	0	43
Percentage	42%	42%	14%	2%	0%	100%

As by the table above stipulated that 18 respondents (42%) strongly agreed, other 18 respondents (42%) agreed, 1 responded (2%) disagreed and 6 respondents (14%) neither agreed nor disagreed that the above are best practices to achieve audit quality.

Therefore 84% agreed, 2 % disagreed and 14 % took a neutral point that the above mentioned were the best practices adopted to achieve audit quality.

This was also supported by the interview responses from the question asking the best practices that should be implemented to reduce time budget pressure. The responders also mentioned the above mentioned best practices as some of the practices that should be implemented to reduce time budget pressure. Therefore the results show that the above mentioned practices are good

practices that can reduce time budget pressure. This is also supported by the FRC (2017) and the IFC audit thematic review (2017) who also highlighted the above mentioned as best practices too.

The results show that the above mentioned practices are the best practices that can reduce time budget pressure and maintain AQ.

4.1.10 THE IMPLEMENTATION OF ISQC1 AND THE CODE OF ETHICS TO MANAGE AQ IS EFFECTIVE

The question’s focus was to establish whether ISQC1 and the Code of ethics implemented was working effectively to reduce audit risk so as to be able to maintain audit quality. The responses are shown below.

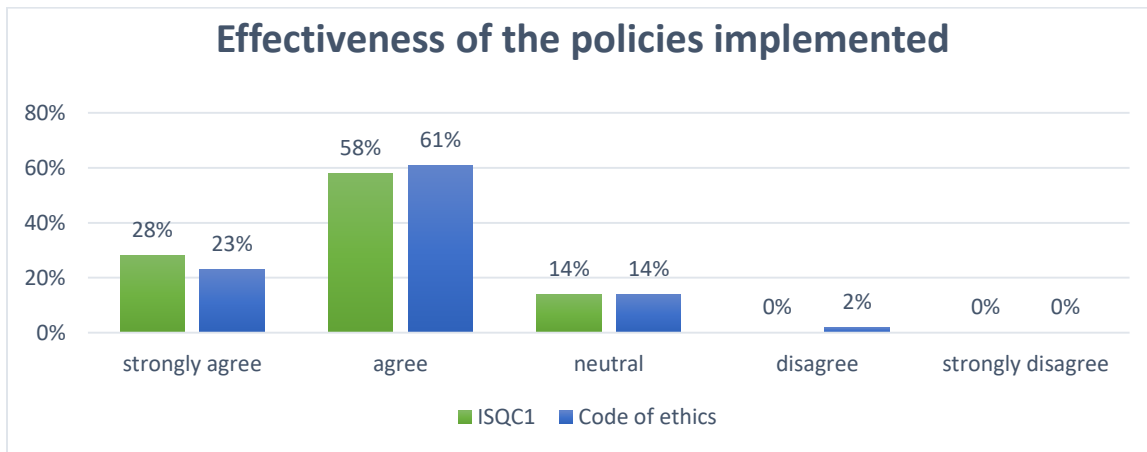


Fig 4.6: Effectiveness of the policies implemented

As shown in the fig above for ISQC1 25 respondents (58%) agreed, 12 respondents (23%) for ISQC1 strongly agreed and 6 respondents 14% neither agreed nor disagreed to the effectiveness of the policy.

For the code of ethics 26 respondents (61%) agreed, 10 respondents (23%) strongly agreed, 1 respondent (2%) disagreed and 6 respondents (14%) neither agreed nor disagreed to the effectiveness of this policy too.

Therefore ISQC1 81% agreed and 14% was neutral and for the code of ethics 84% agreed, 2% disagreed and 14% took a neutral view to the effectiveness of these policies to manage and maintain audit quality.

This was also supported by the interview question (what policies should be implemented to reduce time budget pressure or make it bearable) responses which were indicating more development of the staff, encourage more peer to peer review, and continuous emphasis on abiding by the code of ethics all times among others which are the policies incorporated in the ISQC1 and the code of ethics. This also supported by the literature review were the Chinzou (2014) stated that ISQC1 requires a firm to establish policies that provide reasonable reassurance appropriate consultation takes place, sufficient resources are available for the consultation. The results show that policies implement by Deloitte to manage AQ are effective.

4.2 CHAPTER SUMMARY

This chapter pointed the response by the respondents with respects to the research questions. Presentation and data analysis was done on the questions asked through interviews and questionnaires. The presentation and analysis was given in graph, table and pie charts forms. The subsequent chapter will focus on the major findings, recommendations and the conclusion to the research.

CHAPTER 5

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter will focus on the major findings, conclusions and recommendation to this study. This chapter will give a summary of the research as a whole. The aim was to analyze the effects of time budget pressure on audit quality of the audited financial statements and the findings, conclusions and recommendation will be given accordingly.

5.1 SUMMARY OF THE STUDY

The research main question was focusing on the analysis of the effects of time budget pressure of the audit quality of audited financial statements.

The introducing chapter focused on introduction to the study were the gap to be researched was pointed out being analysis of the effects of time budget pressure on the quality of audited financial statements on the view that auditors practice dysfunctional behavior deliberately. The chapter also pointed out the background of the study as how the study being carried out came about. Also the objectives of the study and the possible research questions were also delineated. The chapter also highlighted the delimitations and the limitation and the justification of the

study. Definition of terms, assumptions and abbreviation conclude the charter followed by the chapter summary.

Chapter 2 covered the literature review. It was focusing on reviewing the literature that has already been done by other scholars concerning the topic under study. This chapter's purpose was to gain insights on the research questions and objectives using previous scholars' views.

This chapter pointed out the policies adopted by the firm to mitigate time budget pressure, the implementation and quality control review which were mainly stated on the FRC recommendations. The key author was DeAngelo (1981) who was recognized by many authors he defined audit quality in two dimensions which are significant fault must be discovered and that the discovered fault must be reported. It also covered on the effects of time budget pressure on AR. Rum (2016) stated that the DR is affected by error in carrying out audit work which in turn affects auditors' aptitude there by increasing DR and ultimately reducing AR. Also the factors contributing to DB and the deliberate practice of DB by auditors was discussed Nehme, Al Mutawa and Jizi (2016) being the main authors were they noted that DB is done deliberately and not out of ignorance as it poses a reputational threat.

Chapter 3 covered the research design and methodology. In the research qualitative research method was done using a case study approach. Descriptive research approach was used. The chapter also pointed the targeted population sampling design and the technique which was random stratified. Also the source of data was pointed out being primary data. Moreover the research instrumented were delineated which were interview and questionnaires. How data was to be analyzed and presented was also highlighted followed by the chapter summary concluding the chapter.

Chapter 4 was on the data presentation and analysis of the data collected. The data collected was presented using graphs, tables and pie charts and it was analysed pointing out the response rates of the questionnaires and the interviews.

5.2 MAJOR FINDINGS

- ❖ An overall 77% of the target population indicated that auditors are the busiest during the first quarter of the year.
- ❖ Time budgets given on engagements are mostly unattainable as indicated by the overall response that showed that 81% of the respondents agreed to this. This is because most companies will be running against the ZSE deadline therefore this puts pressure on the auditors in the form of tight time budgets.
- ❖ Despite the unattainable time budgets deadlines are still met because the auditors end up practicing dysfunctional behavior. This is supported by the overall responses of 84% that agreed to this. This is because they practice dysfunctional behavior so as to reduce the workload.
- ❖ Time budget pressure forestall Detection risk and Audit risk as supported by the overall response of 53 %. However Audit risk is always there as it is affected by other components such as inherent risk and control risk.
- ❖ Time budget pressure affects auditors' behavior as supported by the overall 96% of the respondents in agreement. This is so because auditors respond to their environment in different ways and when they are placed under pressure they respond positively or negatively

- ❖ Time budget pressure is as a result of time budget pressure as indicated by the overall 92% in of the respondents in agreement.
- ❖ The suggested best practice by FRC (2017) are the best in reducing time budget pressure and maintain AQ.
- ❖ The adopted the ISCQ1 and the code of ethics to help with managing time budget pressure and reduce dysfunctional behaviors is effective. This has been achieved through trainings, partner review to mention but a few.

5.3 RECOMMENDATIONS

- ❖ Firms may encourage staff to record the time they work in their personal time without penalizing them for underperforming. Reducing the dysfunctional behavior of underreporting of time assist in the setting of future time budgets so that they are not understated which in the long run reduces other dysfunctional behaviors as the auditors' are given adequate time.
- ❖ Firms can also emphasize the importance of performing high quality audits. They should make sure that audit staff know that quality audit is the main concern and not meeting deadline or time budgets.
- ❖ Doing better and more trainings and inductions into the cultural norms of the firm may help to reduce DB by emphasizing the consequences of practice DB. Also changing the reward system may reduce DB.
- ❖ Firms may consult the junior staff before the setting of time budgets so as to get the minimum time, they can then asses so that they can set a time budget appropriate for everyone. This will help in ensuring that the time budgets set are attainable and may

reduce the risk of auditors engaging in dysfunctional behaviors thereby reducing audit risk which results in increased audit quality. This is supported by Nehme, Al Mutawa and Jizi (2016) who noted that if senior and junior auditors coordinate in setting up the budgets dysfunctional behavior is perceived at a lower level.

5.4. AREA OF FURTHER STUDY

The study under research was on the analysis of the effects of time budget pressure on the quality of audited financial statements on the view that auditors intentionally practice DB when placed under time budget pressure thereby reducing audit quality. As the research was being done I realized that the effects of involving junior staff in time budget setting can be an area of further study as it was not focused on in the previous literature and in this study.

5.5 CONCLUSION

This study analyzed the effects of time budgets pressure on the audit quality of audited financial statements mainly focusing on the view that auditors practice dysfunctional behavior deliberately. The study was carried out successfully. The results from the study showed that audit firms are the busiest during the first quarter of the year because most big and listed companies with the December year ends are clustered during this period and because of this, tight time budgets prevail as the companies will be running against the Zimbabwe Stock Exchange (ZSE) deadline to present audited financial statements. This therefore brings about time budget pressures (TBP) on auditors. However the group most affected by the time budget pressures are the junior and senior audit staff as they do most of the ground work of collecting audit evidence. The results show that time budget pressures significantly affect auditors' behaviors, this is because when auditors' are placed under pressure they try to adjust by practicing dysfunctional

behaviors, which is their own way of coping with the pressure. This being the reason why deadlines are mostly met during the busy period because auditors practice dysfunctional behaviors such as premature sign off, accepting weak client explanations, rejecting a complex sample size to mention a few which reduces the amount of work to be done but results in reduced audit quality. The results also show that auditors mostly practice dysfunctional behaviors deliberately because time budget are used a performance measurement tool. However recommendation were made which noted that firms should consult the junior staff in the setting of time budgets, they should also encourage staff to record the time they work in their personal time without penalizing them for underperforming and do more trainings and emphasizing the importance of performing high quality audits.



Midlands State University

P. Bag 9055

Gweru

Zimbabwe

20 March 2018

To whom it may concern

REF: REQUESTING PERMISSION TO DISTRIBUTE QUESTIONNAIRES

My name is Gladys Ruvarashe Gangata, a fourth year student at Midlands State University pursuing a Bachelor of Commerce (Honors) Degree in Accounting.

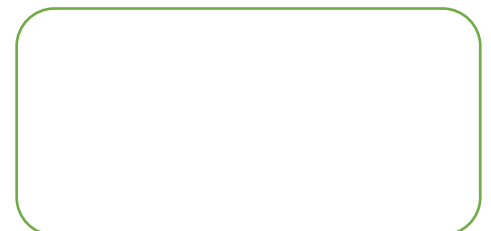
As a requirement for the partial fulfillment of my degree, I am conducting a research with regards to **the effects of time budget pressure on audit quality** and I would like to distribute my questionnaires to Deloitte-Harare Office audit staff. The information obtained will be used for academic purpose only and will assure privacy and confidentiality of the information. Anonymity shall be maintained at all levels. Therefore I am kindly asking for permission to distribute questionnaires to and conduct interviews on Deloitte audit staff.

Your assistance will be is greatly appreciated

Yours faithfully

Gladys R Gangata

Company Stamp



Questionnaire

My name is Gladys R Gangata. I am a student at Midlands State University doing my final year. I am currently undertaking my Bachelor of Commerce Accounting Honors Degree. As part of my research, I designed this question to obtain information from various participants about the research problem. Your contribution will be greatly appreciated.

Research topic: An analysis on the effects of time budget pressure in audit quality of audited financial statements.

NB: Your contributions shall be kept confidential and will exclusively be used for research for academic purposes.

Instructions

- *Please do not write your name*
- *Tick the appropriate box*

Section A: General Information

a) What is your gender?

Female

Male

b) Position

manager	supervisor	Audit senior	Audit junior
---------	------------	--------------	--------------

c) What is your professional qualification (if you have an equivalent tick the appropriate box.

First degree	CTA	CA (Z)	ACCA	ICAEW	OTHER.....
--------------	-----	--------	------	-------	------------

d) State the number of audit experience (years) you have.

e) Indicate level

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

Section B

a) What is the busiest period in your calendar (Busy period)

1st quarter

2nd quarter

3rd quarter

4th quarter

b) Time budget given on engagements are attainable

Strongly agree	Agree	neutral	disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

c) Deadlines during the busy period are met.

Strongly agree	Agree	neutral	disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

d) Time budget pressure forestalls detection risk.

Strongly agree	Agree	neutral	disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

e) Time budget pressure has an effect on auditor's behavior.

Strongly agree	Agree	neutral	disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

f) Dysfunctional behavior in auditors is a result of time budget pressure.

Strongly agree	Agree	neutral	disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

g) Dysfunctional behavior is an honest mistake

Strongly agree	Agree	neutral	disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

h) The following are best practices adopted to achieve audit quality

		Strongly agree	Agree	Neutral/ unsure	disagree	Strongly disagree
i	Tone from the top					
ii	Quality review of completed audits					
iii	Compliance monitoring					
iv	Staff appraisal					
v	Partner review					
vi	Technical support during audits					
vii	Audit quality improvements and compliance meeting					
viii	Professional training					

i) The following measures are in place on time budget pressure

		Strongly agree	agree	unsure	disagree	Strongly disagree
i	Peer review					
ii	Partners' review					
iii	Training sessions on compliance with requirements					
iv	Deploying audit team members with various expertise					

j) The implementation of the following policies to manage audit quality is effective

	Policy	Strongly agree	agree	Neutral/ unsure	Disagree	Strongly disagree
i	ISQC1					
ii	Code of ethics					

Interview guide

- 1) Have you ever indulged on dysfunctional audit behaviors deliberately?
- 2) If yes what dysfunctional behavior have you indulge in and what was the cause?
- 3) Have you ever asked any junior or have been asked to commit dysfunctional behavior so as to meet the deadline?
- 4) To what extent do you think time budget pressure affects audit risk?
- 5) To what extent do time budget pressure affects audit quality?
- 6) What polices should be implemented to reduce or to make time budget pressure bearable?
- 7) To what extent is the use of information technology helpful in reducing time budget pressure?
- 8) What do you think are the best practices to achieve audit quality and reduce time budget pressure?

REFERENCE LIST

- Abiwi, K. (2013). Data collection Instruments, Available at <https://www.gfmer.ch/SRH>, accessed on 22 March 2018.
- Abdullah, A., Mazaloomi, S., and Poordadashi, A., (2016) 'Time pressure, fee pressure and audit quality'. *International journal of New Studies in Management Research*, Vol 1(1).
- Akers, M.D and Eaton, T.V., (2003) 'Underreporting of chargeable time: Impact of gender and characteristics of underreporters'. *Journal of Managerial Issue*. Volume 15 (1).
- Ajay, S.S., and Masuku, M.B., (2014) 'Sampling techniques and determination of sample size' *International Journal of Economics, Commerce and Management*, Vol 2 (32).
- Al- Khaddash, H., Al Nawas, R., and Abdulhadi Ramadan, A., (2013) 'Factors Affecting the Quality of Auditing: The Case of Jordanian Commercial Banks' *International Journal of Business and Social Science*, Vol 4(11).
- Asiamah. N., Mensah, H.K and Oteng-Abayie, E.F (2017) 'General, Target and Accessible Population: Demystifying the concepts for effective Sampling' *The qualitative Report*, Vol 22 (6).
- Basri. H., (2014) 'Using Qualitative Research in Accounting and Management Studies; Not a New Agenda' *Journal of US- China Public Administration*, Vol 11(10), Pp 831-838.
- Becker. C et al. (2014) 'The effect of audit quality on earnings management' *Contemporary Accounting Research* 15: 1-24.
- Bik, O.P.G (2010). 'The behaviour of assurance professionals: A cross-cultural perspective' Delft, Eburon.

- Bishop, P.A and Herron, R.L., (2015) 'Use and misuse of the Likert Scale item responses and other ordinal measures' *International Journal of Exercise Science*. Volume 8 (3).
- Bobek, D., Hageman, A.M., and Radtke, R.R., (2015) 'The effects of professional role, decision context and gender on the ethical decision making of public accounting professional' *Behavioural Research in Accounting*, Vol 27 (1), Pp 55-78.
- Broberg, P., et al. (2016) 'Explaining the Influence of Time Budgets Pressures on Audit Quality in Sweden' *Journal of Management and Governance*, Vol 12(12).
- Burmeister, E. (2012) 'Sample size: How much is enough, available at <http://research-repository.griffith.edu>.
- Carson, E., et al. (2013) 'Audit reporting for going-concern uncertainty: A research synthesis. Auditing' *A Journal of Practice and Theory*, Vol 32 (1), Pp 353-384.
- Chinzou, R., (2014) 'The effects of auditors' workload on audit quality' Honors Degree. Midlands State University.
- Choy, L.T., (2014) 'the strengths and weaknesses of research methodology: comparison and complimentary between qualitative and quantitative approaches' *Journal of humanities and social science*, Vol 19 (4), Pp 99-104.
- Christensen, B.E., Glover, S.M and David, A., Wood (2013) 'Extreme Estimation Uncertainty and Audit Assurance' *Current Issues in Auditing*, Vol 7 (1), Pp 36-42.
- Christensen, B.E., et al (2015) 'Issues from Audit Quality Business from Audit Professionals and Investors' article in contemporary accounting research.

- Christensen, B.E. et al. (2015) 'Understanding audit quality: insights from audit professionals and investors' *Contemporary accounting research*.
- Dalton, T., and Kelley, T., (2012) 'A comparison of Dysfunctional behaviors by tax accountants and auditors under time budget pressure' *Advances in Accounting*, Vol 15, Pp 193-208.
- De-Angelo, L.E., (1981) 'Auditor independence, 'lowballing', and disclosure regulation' *Journal of accounting and Economics*, Vol 3(2), Pp 113-127.
- DeFond, M. and Zhang, J., (2014) 'Are view of archival auditing research' *Journal of Accounting and Economics*, Vol 58 (2/3), Pp 275-326.
- DeFond, M, Erkens, D.H, and Zhang,J., (2014) 'Do client characteristics really drive Big N quality differentiation. University of Southern California.
- Deloitte(2011) Focus on Audit quality Canada.
- DeZoort, F.T. and Lord, A.T., (2012) 'A review and synthesis of pressure effects research on accounting' *Journal of accounting Literature*, Vol 16, pp 28-85.
- Dong, M.Y (2007) 'The Effects of Big Four Office Size on Audit Quality' University of Missouri Columbia.
- Donnelly. D, Quirin. J.J and O'Bryan D (2003) 'Attitudes towards Dysfunctional Audit behavior: The effects Of Locus of Control, Organizational Commit, *Journal of Applied Business Research*.
- Dowling, C., (2015) 'Appropriate audit support system use: The influence of auditor, audit team and firm factors' *The Accounting Review*. Vol 84 (3) Pp 771-781.

- Elshafie, E and Nyadroh E., (2014) ‘Are Discretionary Accruals a Good Measure of Audit Quality?’ *Journal of Management Policy and Practice*, Vol 15 (2)
- Ettredge, M., Fuerherm, E.E and Li, C (2014) ‘Fee pressure and audit quality’ *Accounting Organizations and Society*, Vol 39 (4), Pp 247-263.
- Financial Reporting Council (2017) ‘Audit Quality Thematic Review: Firms’ Audit Quality Control Procedures and other Audit Quality Initiatives’ The Financial Reporting Council Limited.
- Fazal H (2012): What is meant by Inherent Limitation of audit what are these? Available at <http://pakaccountants.com>
- Francis, J.R., (2012) ‘A framework for understanding and researching audit quality. Audit’ *A Journal of Practice and Theory*, Vol 30 (2), Pp 125-152.
- Ghorbanpour, Z., Dehvani, H.D., and Heyrani. F., (2014) ‘Examination of Auditor Acceptance of Dysfunctional Behavior using A Heuristic Model’ *International Journal of Academic Research in Accounting, Finance and Management Science*, Vol 4 (1), Pp 41-51.
- Government Accountability Office (2003) ‘Mandated Study on Consolidation and Competition.’ GAO report. Washington, DC Government Printing Office. Retrieved from <http://www.gao.gov> .
- Grundry, L.C., (2006) ‘Dysfunctional Behavior in the Modern Audit Environment: The effects of Time budget Pressure and Auditors’ Personality Type on Reduced Audit Quality

Practices' Bachelor of Commerce (Honors) Thesis, University of Otago, Dunedin New Zealand.

Guest, G., (2012) 'Applied thematic analysis'. Thousand Oaks California; Sage, Pp 11.

Gul et al (2013) 'Do individual auditors affect audit quality'. Evidence from archival data
Accounting.

Gunny, K. A., and Zhang, T.C., (2013) PCAOB inspection reports and quality. *Journal of Accounting and Public Policy*. Vol 32 (2) Pp 136-160.

Halim A., Sustrino, T., Rosidi, M. Achsin (2014) 'Effect of Competence and Auditor Independence on Audit Quality with Audit Time Budget and Professional Commitment as a Moderation Variable' *International Journal of Business and Management Invention*, Vol 3 (6). Pg. 64-74.

Hussein, F.E., and Hanefah, M.M., (2013) overview of surrogates to measure Audit Quality. *International Journal of Business and Management*, Vol 8 (17).

Hyatt, T.A., and Taylor, M.H (2013) 'The effects of time budget pressure and intentionally on audit supervisor response to audit staff false signoff' *International Journal of Auditing*. Vol 17(1). Pg 38-53.

IAASB'S Framework. ACCA Global. www.accaglobal.com.africa .

IAASB'S Framework for audit quality.

ICAZ (2013) 'formulation and maintenance of a system for quality control'

IFAC 'quality control' www.iaasb.org

ISA 220, Paragraphs 15-16

ISA 530, Audit Sampling IAASB Hand book 2009 glossary

ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment' IAASB Hand book 2009 glossary.

International Auditing and Assurance Standards Board (IAASB), (2014), 'A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality', The International Federation of Accountants (IFAC).

Jackson, R.D and Stent, W.J., (2010) 'Auditing note for SA students 7th edition'. Durban, Lexis Nexis.

Jalil Mohammad. M (2013)' Practical guidelines for conducting research. Summarizing good research practice in line with the DCED standard, available at <http://ssrn.com/>.

Johnson, E et al (2014) 'Audit- firm tenure and quality of financial reports' Contemporary accounting research. Vol 19 (4).

Josh et al. (2013) Likert Scale explored and explained. Available at www.sciencedomain.org .

Karim, M. S. at el (2013) Factors contributing to premature signoff of audit procedure: Evidence from Malaysia Proceedings of 20th ISERD International Conference, Hong Kong, 28th November 2015, ISBN: 978-93-85832-52-9

- Khan, S., Panatik S.A.B, and Saat. M., (2014) ‘Dysfunctional audit behaviors: An exploratory study in Pakistan. *Research Journal of Applied Sciences and Engineering and Technology*. Vol 9 (9). Pp 778-785.
- Knechel, W.R., Krishnan, G.V., Pevzner, M., Shefchik, L.B., & Velury, U.K. (2013). ‘Audit quality: Insights from the academic literature. *Auditing’ A Journal of Practice & Theory*, Vol 32(Suppl. 1). Pp 385-421.
- Krosnick, J.A. and Presser. S., (2010) ‘Question and questionnaire design. In Marsden, P. V., Wright, J. D. (Eds.), *Handbook of survey research* (2nd ed., pp. 263-313). Bingley, UK: Emerald.
- Kumar. R, (2011) ‘Research methodology 3rd Edition’, New Delphi, APH Publishing.
- López, D. M. & Peters, G. F. (2012). The effect of workload compression on audit quality. *Auditing: A Journal of Practice & Theory*. Vol 31(4), Pp 139-165.
- Manoharan P.K, 2010, *Research methodology*, APH Publishing, New Delphi
- Mohd Nor, M. N (2017) ‘The Effect of Time Budget Pressure on Auditors’ Behaviour’ *American Scientific Publishers Advanced Science Letters*, Vol. 23 (1).
- Nehme. R, Al Mutawa, A and Jizi, M (2016) ‘Dysfunctional behaviour of external auditors the collision of time budget and time deadline evidence from a developing country’ *The Journal of Developing Areas*. Vol 50 (1).
- Naveen, I. (n.d). *Statistical method to your relationship*, Available at <http://www.slideshare.net> (accessed on 22 March 2018)

- Neves, P. and Eisenberger, R. (2012), "Management communication and employee performance: the contribution of perceived organizational support", *Human Performance*, Vol.25 (5), Pp.452-464.
- Paino, H., Ismail, Z., & Smith, M. (2010). Dysfunctional audit behaviour: An exploratory study in Malaysia. *Asian Review of Accounting*, Vol 18(2), Pp 162–173.
- Paino, H., Ismail, Z., and Smith, M., (2009) 'Dysfunctional Audit Behavior: The effects of Employee Performance, Turnover Intentions and Locus of Control' Proceedings of 2009 International Conference on Economics, Business Management and Marketing Singapore, 9-11 October, 2009, ISBN 978-1-84626-xxx-x
- Peytcheva, M and Gillett, P.R., (2012) 'Auditor perceptions of prior involvement and reputation threats as antecedents of quality threatening audit behaviour' *Managerial Auditing Journal*, Vol. 27 (9), Pp. 796-820.
- Quick. R., (2012) 'EC green paper proposal and audit quality' *Accounting in Europe*, Vol 9 (1), Pp 17-38.
- Rajgopal. S, Srinivasan S, and Zheng, X., (2015) 'Measuring Audit Quality' available at <http://goingconcern.com/audit-quality-restatements>
- Rum M (2016) 'Audit size, Mandatory Audit and Time budget pressure on and Audit Risk and Audit quality on practice of accounting users' *European journal of social science*, Vol 53(2), Pp 201-215.

- Sawn N and Alsaqqa I (2013) 'audit firm size and quality: Does audit firm size influence audit quality in the Libyan oil industry' *African Journal of Business Management* Vol. 7(3), pp. 213-226
- Selethi. M, Jafarzadeh.Z, and Nourbaskhosseing. Z (2017) 'The effects of audit fees pressure on audit quality during the sanctions in Iran' *International journal of law and management*, Vol 59 (1).
- Sigauke N (2013) 'Audit risk: An investigation into workload compression and materiality towards audit quality, Midlands State University.
- Silaban. A and Harefa, M, S, (2017) 'Gender, time budget pressure and audit quality reduction behaviors' *South East Asia Journal of Contemporary Business, Economics and Law*, Vol 14 (1).
- Sommestad, T et al. (2014) 'Information Management & Computer Security
- Suhayati, E (2012) "The Influence of Audit Fee, Audit Time Budget Pressure and Public Accountant Attitude on the Public Accountant Dysfunctional Behavior And It's Implication on Audit Quality Survey On "Small" Scale Public accounting firms in Java," *Journal of Global Management, Global Research Agency*, Vol. 4(1), Pp 1-24.
- Svanberg. J and Ohman. P (2013) "Auditors time pressure: does ethical culture support audit quality?" *Managerial auditing Journal*, Vol.28 (7).
- Tate, S. (2013). Differences in Financial Statement and Compliance Audit Assessment Between Size and Non-Size Auditors. Working Paper.

Tervo. W, Smith. M and Pitman, M. K (2013) Dysfunctional audit behavior: the effects of tone at the top and supervisor's relationship. Research on professional responsibility and ethics in accounting, forthcoming available at <http://ssrn.com>

The Center for Audit Quality. The Center for Audit Quality (2013), "Audit quality reporting", Available at: www.thecaq.org

Trinh Lu Tran Diem (2016) 'The effect of auditors' workload pressure and compression on audit quality' Master's Thesis University of Oulu

Thomson SK (2012) 'Sampling 3rd edition' .John Wiley and Sons. Inc.

Umar. M., (2017) 'Pressure, Dysfunctional Behavior, Fraud Detection and Role of Information Technology in the Audit Process' *Australasian Accounting, Business and Finance Journal*, Volume 11 (4).

Utary A R (2014) 'Effect of Time Budget Pressure on Dysfunctional Audit and Audit Quality', Information Technology as Moderator' *IJER*. Vol 11(3), Pp 689-698.

Vsloo, J. J. (2014). Data analysis and interpretation, Available at <http://www.dspace.nwu.ac.za>

Wang Z.I (2015) 'The Effects of Tone at the Top and Quality of the Audit Committee on Internal Auditors' Internal Control Evaluations' University of Western Australia.

Whitworth, J. D. & Lambert, T. A. (2014). 'Office-level characteristics of the big 4 and audit report timeliness. Auditing' *A Journal of Practice & Theory*. Vol 33(3), Pp 129-152.

Wijaya. I. A, and Yulyona. M. T (2017) “Does Complexity Audit Task, Time Deadline Pressure, Obedience Pressure, and Information System Expertise Improve Audit Quality?” *International Journal of Economics and Financial Issues*, Vol 7 (3).

www.businessdictionary.com

www.investopedia.com

Yaya, J. A (2014) ‘choosing the right measurement instruments for your project: tips to apply’
Research clue .com available at <http://nairaproject.com>

Zohrabi, M. (2013) ‘Mixed Method Research: Instruments, Validity, Reliability and Reporting Findings’ *Theory and Practice in Language Studies*, Vol 3, Pp 254-262.

