

ANTECEDENTS OF DYSFUNCTIONAL AUDIT BEHAVIOUR AMONG
AUDITORS IN PAKISTAN

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This dissertation is dedicated to my beloved family

My Father “Hashmat Ali khan”

*My Mother “Tayyab –un- Nisa” she is no longer of this world, but her memories
continue to regulate my life*

*My Brother “Zubair Ahmed khan” who always admired to see her sister at the top
of academic ladder!*

My Sisters “Tasneem”, “Gul Afshan” & “Hina”

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ABSTRACT

Over the last three decades, publicized catastrophes like Enron, WorldCom have dented credibility of the auditing profession. It must be noted that despite rigorous auditing guidelines and standards being in place, Pakistan has had its share of corporate financial scandals such as Crescent Standard Bank scandal in 2006 and Taj company in 2004. In the light of these scandals, there is a need to investigate occurrences and causes of these failures, which is still limited in terms of empirical investigation conducted in Pakistan. The current study focused on determinants of dysfunctional audit behaviour; namely under reporting of time, premature sign off and altering procedure. Therefore, this study examined the influence of time budget pressure and professional skepticism on dysfunctional audit behaviour dimensions such as under reporting of time and premature sign off. Emotional intelligence was also examined as a moderator in the effect of time budget pressure on premature sign off and under reporting of time. The sample was 314 auditors employed at the Big4 and NonBig4 firms in Pakistan. Data were collected by questionnaire survey methods. For the data analysis purpose, SPSS- version 22 was used for descriptive and inferential statistics whereas Structural Equation Modeling (SEM) approach using AMOS version-22 was utilized for hypothetical relationship. Findings suggest that perceived level of dysfunctional audit behaviour, and time budget pressure were higher among junior level auditors in comparison to senior auditors. The perceived level of dysfunctional audit behaviour, and time budget pressure were higher in NonBig4 in comparison to Big4 firms. Findings also showed that the perceived level of professional skepticism was higher among senior auditors as compared to junior auditors working at NonBig4 firms. Results confirmed that time budget pressure and professional skepticism are two predictors of premature sign off and under reporting of time. Emotional intelligence also moderated the relationship between the time budget pressure and premature sign off. However, the findings did not support the moderation effect of emotional intelligence on the relationship of time budget pressure and under reporting of time. This study brings practical contribution to auditing profession; particularly to the regulatory body of auditors “Institute of Chartered Accountant of Pakistan” and audit firms. Thereby, this study will be beneficial to help understand dysfunctional audit behaviour which has been understudied or overlooked in Pakistani context.

ABSTRAK

Sepanjang tiga dekad yang lalu, publisiti skandal korporat seperti Enron, WorldCom telah mencalarkan kredibiliti profession pengauditan. Ini perlu diambil perhatian walaupun garis panduan pengauditan yang kemas telah diwujudkan namun skandal kewangan korporat masih berlaku di Pakistan seperti skandal Bank Crescent Standard pada tahun 2006 dan Skandal Syarikat Taj pada tahun 2004. Sehubungan dengan skandal ini, terdapat keperluan untuk mengkaji punca terjadi dan sebab kegagalan, di mana kajian ini masih lagi terhad dilakukan di Pakistan. Kajian ini memberi fokus kepada penentu kepada ketidakfungsian tingkahlaku audit; iaitu kurang lapor masa dan menandatangani pramatang dan mengubah prosedur. Oleh itu, kajian ini mengenal pasti pengaruh tekanan bajet masa dan keraguan profesional terhadap dimensi ketidakfungsian tingkahlaku audit seperti kurang lapor masa dan menandatangani pramatang. Kecerdasan emosi turut dikaji sebagai penyederhana terhadap kesan tekanan bajet masa ke atas dimensi ketidakfungsian tingkahlaku audit. Sampel kajian terdiri daripada 314 juruaudit dari firma Big4 dan firma NonBig4 di tiga rantau Pakistan. Data dikumpul dengan menggunakan borang soalselidik. Untuk tujuan analisis data, perisian SPSS Versi 22 telah digunakan bagi statistik deskriptif dan inferensi di mana penggunaan kaedah Pemodelan Persamaan Struktur (SEM) dengan menggunakan AMOS versi 22 digunakan untuk menganalisis hipotesis hubungan. Dapatan kajian menunjukkan bahawa tahap persepsi terhadap ketidakfungsian tingkahlaku audit, dan tekanan bajet masa adalah lebih tinggi dalam kalangan juruaudit junior berbanding juruaudit kanan. Persepsi ketidakfungsian tingkahlaku audit dan tekanan bajet masa lebih tinggi berlaku dalam firma NonBig4 berbanding firma Big4. Dapatan juga mendapati bahawa tahap persepsi terhadap keraguan profesional lebih tinggi dalam kalangan juruaudit kanan yang bekerja di firma Big4 berbanding dengan juruaudit junior yang bekerja di firma NonBig4. Dapatan kajian mengesahkan bahawa tekanan bajet masa dan keraguan profesional adalah dua faktor peramal terhadap menandatangani pramatang dan kurang lapor masa. Kecerdasan emosi juga menyederhanakan hubungan antara tekanan bajet masa bajet. Walau bagaimanapun, dapatan kajian tidak menyokong kesan penyederhana kecerdasan emosi terhadap hubungan antara tekanan bajet masa dan kurang lapor masa. Kajian ini memberi sumbangan kepada profession pengauditan seperti Institute of Chartered Accountant di Pakistan dan firma audit. Oleh itu, kajian ini dapat memberi manfaat dalam memahami ketidakfungsian tingkahlaku audit dalam konteks negara Pakistan.

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LIST OF ABBREVIATIONS

AICPA	-	American Institute of Certified Public Accountants
AU	-	Auditing
AU Sec	-	Auditing Section
CIPD	-	Chartered Institute of Personnel Development
CPA	-	Certified Public Accountant
CPAB	-	Canadian Public Accountability Board
EMD	-	Enforcement and Monitoring Department
FASB	-	Financial Accounting Standards Board
GAAP	-	Generally Accepted Accounting Principles
ISA	-	International Standard of Auditing
IFRS	-	International Financial Reporting Standards
ICAA	-	Institute of Chartered Accountants in Australia
IASB	-	International Accounting Standards Board
IMA	-	Institute of Management Accountants
ICAP	-	Institute of Chartered Accountants of Pakistan
PCAOB	-	Public Company Accounting Oversight Board
POB	-	Public Oversight Board
QAB	-	Quality Assurance Board
QAD	-	Quality Assurance Department
QCR	-	Quality Control Review
QABR	-	Quality Assurance Board Report
ISQC-1	-	International Standard on Quality Control
SEC	-	Security Exchange Commission
SECP	-	Security Exchange Commission Of Pakistan
SAS	-	Statement of Auditing Standards
CO	-	Companies Ordinance

CA	-	Chartered Accountant(s)
DAB	-	Dysfunctional Audit Behaviour
PMSO	-	Premature Sign Off
URT	-	Under Reporting of Time
ALT	-	Alternative Audit Procedure
PS	-	Professional Skepticism
TBP	-	Time Budget Pressure
EI	-	Emotional Intelligence
EI-High	-	Emotional Intelligence High
EI-Low	-	Emotional Intelligence Low
CFA	-	Confirmatory Factor Analysis
EFA	-	Exploratory Factor Analysis

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CHAPTER 1

INTRODUCTION

“Basically the moral fabric for a profession and its practice is a matter of conscience. The stricter its self-imposed discipline, the nobler is the image”

(Green book, 2011)

1.1 Introduction to Research Area

World publicized high-profile corporate collapses have brought growing and consistent research on dysfunctional audit behaviour and consequently brought the accounting professions under stringent scrutiny (Kavanagh and Drennan, 2008). These collapses put pressure on auditors who need to be more skillful in both technical and ethical concerns when conducting a financial audit. The Association of Certified Fraud Examiners (ACFE) presented by the Nations on Occupational Fraud and Abuse (2014 Global Fraud Study) discussed illegal logging and highlighted that “the world would have lost \$1.8 million” to fraud, and Pakistan is no exception (ICAP, 2014).

Much more importantly, until now occurrences of these catastrophes brought the Big4 firms into the limelight where they failed to defend their current practices and ultimately lost their reputation and clients in the marketplace (Mohapatra *et al.*,

2015). Critics on the ethical quality of auditors' judgments and behaviours have made them questionable (Brandon, 2003; Hwang and Baker, 2003). Furthermore, poor quality audits have cast doubt on the professions' ability to protect the public trust (Dart, 2011; Alleyne *et al.*, 2013). In fact, the world publicized catastrophes like Enron (2001) followed by the Arthur Andersen LLP demise, increased the concerns of scholar and practitioners. These audit disasters have been taken as a serious threat to reputational rents (Mohapatra, *et al.*, 2015). The American Institute of Certified Public Accountants (AICPA) established the Panel on Audit Effectiveness for the purpose to review the issues related to audit quality in 2002 as a result of transgressions by corporations. The board found that dysfunctional audit behaviours were a major concern to the auditing profession and practitioners (Public Oversight Board, 2000). Since then Big4 firms facing the critics raised by the public (Hyatt and Taylor, 2013).

Furthermore, auditors' behaviour became questionable, varied lawsuits against audit firms, and related legislation has been imposed (Tervo *et al.*, 2013). Unanswered was the famous question: where were the auditors? (MacDonald, 2006) and this question has been repeatedly raised. Critics were quick to point out any instance where an auditor did not fulfil their obligations (Umar and Anandarajan, 2004). Cousins *et al.* (1998) criticized auditors for failing to provide adequate protection to shareholders and investors against companies that were about to fail. Furthermore, Clark, (1997) held auditors responsible for failing to issue warnings regarding any indication of fraud. Auditors themselves were disappointed by this unfair criticism and more importantly concerned about litigation claims (Grout *et al.*, 1994). Despite of these concerns, however, no signal was found indicating any clue of fraudulent activities on the audit firms' part (Zeff, 2003a; Wyatt, 2004). Most of the firms took advantage of this silence and declared themselves to be a trusted landmark (Zeff, 2003a; Levitt, 2004).

The research done on audit quality for the last three decades reflects the importance of and scholarly interest in this area. Academic researchers now have focused on the issue of behavioural antecedents that may cause unethical conduct (Shabana *et al.*, 2016). As per Donelson (2013) estimates, between 1999 and 2007,

the six largest audit firms lost on average \$10 billion when they faced litigation charges. On the other hand, clients' trust was shaken and they lost faith in the credibility of audit firms (Mohapatra *et al.*, 2015). Researchers pronounced that the life of an audit firm is commonly observed in the behaviour of its auditors (Nehme, 2013). For the auditor's part, detection of fraud during the audit process has always been difficult because most of the auditors' never faced fraudulent activities, even in their personal life (Pany and Whittington, 2001; Montgomery *et al.*, 2002). In recent years, a streamline of research on an auditor's likelihood of engaging in dysfunctional audit behaviour has gained momentum. Much more importantly, identification of key factors that can contribute to financial disaster has flourished (Hyatt and Taylor, 2013) making audit quality a debated issue (Nehme, 2013). Academic researchers indicated that auditing failures typically take place in the following situations: failure to comply with Generally Accepted Accounting Principles (GAAP) and failure to issue a modified or qualified report when appropriate. Either of these two inappropriately audited financial statements can mislead shareholders and investors (Francis, 2004).

Researchers concluded that another effective approach to investigate the dysfunctional auditor behavior could be auditors themselves. They can be asked questions related to the dysfunctional audit behaviours (Svanström, 2016). Past studies showed that the quality of an audit is risky in a way that can be compromised by dysfunctional audit behavior at auditors part (Kingori, 2003). Generally, these dysfunctional audit behaviours are the negative behaviours often resort by the auditor in audit review process; that affect the evidence credibility (Pierce and Sweeney, 2004). During the audit process, complex hierarchies of Big4 firms, tighter budgets and procedures often cause auditors to be overwhelmed and hence become context-based victims of dysfunctional audit behaviour (Donnelly *et al.*, 2003). The American Institute of CPA (AICPA, 1997) clearly indicates in SAS No. 82 that attitudes are the best indicators of a person's actual behaviours. Once auditors accept any attitude, they are deemed towards engaging in the particular behaviour (Onsi, 1973). Lighter *et al.* (1982) also expressed their views that personal beliefs impact an auditor's willingness to engage in dysfunctional audit behaviours.

Rephrased, this study was pursued in line to Quality Assurance Board (QAB) review reports, which were conducted in 2012 first time by ICAP and now continue on regular basis to improve the audit quality of audit firms. ISA 500 “Audit Evidence” necessitates the auditor to investigate each and every information used as audit evidence. Thus, the reliability of information obtained as audit evidence is typically prejudiced by its source, nature and the circumstances under which it is gathered. Relevant findings of Quality Assurance Board Report (2012-13) on non-compliance of defined auditing standard i.e., ISA 500 were publically available by ICAP (Table 1.1). Further details of the QCR-report and functions of QAB are given in the literature review (Section # 2.5.3).

Table 1.1 : Highlights of Quality Assurance Board Report (2012-13)

Relevant Standards/Practices	Common Findings
<p style="text-align: center;">AUDIT PLANNING & STRATEGY</p>	<ul style="list-style-type: none"> i- Audit strategy and audit planning were not stated/missing in the audit working paper files. ii- It was observed that few audit firms considered to be adequate “simply fills out formats” provided in Audit Practice Manual issued by ICAP.
<p style="text-align: center;">AUDIT EVIDENCE (ISA 500) AND AUDIT DOCUMENTATION (ISA 230)</p>	<ul style="list-style-type: none"> i- No retirement employees’ benefits was accounted for under the west Pakistan Industrial and Commercial Employee ordinance 1968. No policy of retirement benefits was disclosed ii- No evidence of application of audit certain items of profit and loss account was available in the working paper files. iii- No evidence of audit procedures exists to ensure that investments were not impaired. The auditor did not appropriately verify such workings. iv- The aggregate breakup was not provided in the audit working papers that what was the applied appropriate audit procedures selected by auditor.

Continued...

	<p>v- It was observed that significant expenses were paid to legal advisors but neither confirmation were requested from them nor any audit procedures were applied to determine the nature of cases handled by them and their current status.</p> <p>vi- Rates of depreciation were significantly lower than the prevailing industry practice for plant and machinery, but no evidence of assessment of the appropriateness of depreciation method was documented.</p> <p>vii-It was observed that there was no document to evidence application of risk assessment procedures by the auditor.</p> <p>viii-No evidence of application of alternative audit procedures to verify closing balances where direct confirmations from parties were not received by the auditors.</p> <p>ix- In many cases it was noted that loan from related parties especially from directors were classified as long term in the financial statements but there was no document in the audit files to support the long term classification.</p>
<p>AUDIT SAMPLING (ISA 530)</p>	<p>i- No document was available in the files to demonstrate as to how audit sampling and other means of testing were planned and applied by the auditor as required under ISA 530.</p> <p>ii- Only two or three month sales were selected for audit purposes and rest of the sales population was left out of audit sampling.</p>

Continued...

GOING CONCERN (ISA-570)	<ul style="list-style-type: none"> i- The auditor has given ‘emphasis matter paragraph’ in the audit report and highlighted certain negative financial indicators but there was no disclosure in the financial statement as required under ISA-570 ‘Going Concern’ ii- Emphasis of matter paragraph was deficient and was not in compliance with the requirement of ISA 570. iii- The company was facing material uncertainties with respect to its ability to continue as a going concern but no specific management representation was obtained by the auditor upon the matter of going concern.
SUBSEQUENT EVENTS	<ul style="list-style-type: none"> i- There was no document to evidence that the auditor had applied audit procedures specifically for the identification of subsequent events.
MANAGEMENT REPRESENTATIONS	<ul style="list-style-type: none"> i- Management Representation Letter was not dated.
RELATED PARTIES	<ul style="list-style-type: none"> i- There was no evidence of application of audit procedures to verify material transactions of sales to and purchases from related parties. ii- Audit program for related party transactions was not available.
EXTERNAL CONFIRMATIONS	<ul style="list-style-type: none"> i- Balances of directors/related parties were confirmed by company’s official on the company’s letterhead instead of the concerned directors or related parties

Continued...

<p style="text-align: center;">AUDIT REPORT</p>	<ul style="list-style-type: none"> i- Previous year's audit report was qualified by the auditor on a matter which remained unresolved but the auditor did not modify his opinion in the current period's financial statements. ii- There was no document available in the working papers to evidence as to how possibility of issuance of adverse or disclaimer of opinion was dispelled by the auditors. iii- Name of the engagement partner was not mentioned in the audit report. iv- Qualification paragraph was not placed before the opinion paragraphs. v- Qualification given in the predecessor auditor's report was not disclosed in other matter paragraph by the incoming auditor.
<p style="text-align: center;">GENERAL OBSERVATIONS</p>	<ul style="list-style-type: none"> i- No documentation in the file to evidence that appropriate audit procedures regarding the acceptance of client were followed. ii- No engagement quality control review was performed for the engagement.
<p style="text-align: center;">OVERALL REVIEW OF THE FIRM FOR ISQC-1</p>	<ul style="list-style-type: none"> i- No procedures were defined to ensure implementation of such quality control policies. ii- No policies and procedures were defined for the monitoring element required under ISQC 1.

This thesis extends the research of Quality Assurance Board (QAB) with respect to dysfunctional or negligent conduct in Pakistani auditing environment. The prime objective was to investigate the prevalence of dysfunctional audit behaviours in the Pakistani audit setting at individual level e.g., auditors. Thereby, contribution is primarily in the subject area of dysfunctional audit behaviour focusing on the

contributing factors leading to dysfunctional audit behaviour. Particularly, this study addressed the time budget pressure, professional skepticism as the main antecedents of dysfunctional audit behaviour, and emotional intelligence was tested as moderator in relation to time budget pressure and dysfunctional audit behaviour (under reporting of time, premature sign off).

Procedurally, this study was designed as cross-sectional study examining the determinants of dysfunctional audit behaviour and suggests approaches to enhance professional skepticism among auditors that may help auditors to remain vigilant while performing audit procedures, further help lessen the frequency of dysfunctional audit behaviours. How emotional intelligence can work as moderator in the relationship of time budget pressure and dysfunctional audit behaviours. It is the author's hope that this study will allow readers to fully understand each of the topics and how each fits into this thesis altogether.

1.2 Background of the Study

Researchers have been concerned mainly with two kinds of dysfunctional audit behaviours; namely under reporting of time and premature sign off behaviours in auditing context. Past literature highlighted that both behaviours are opposite to the firm's policies and defined professional codes of ethics (Paino, 2010). These behaviours facilitate the auditors to manipulate audit procedures or to cover up wrongdoing on behalf of the organization interest. This negligent conduct can become consistent behaviour (Willett and Page, 1996) affecting a senior auditor's performance. As a result, auditors can be involved in the manipulation of evidence, formulation of unreliable audit opinion, increased pressure, weak internal control environment, and increased risk of audit catastrophes (Willett and Page, 1996).

Under reporting of time has been defined as that "which arises when an auditor carries out the chargeable work and does not charge it to the client for whom

the work was done" (Otley and Pierce , 1996 p.47). Premature signing off has long been defined as occurring "when an auditor actually signs off on required audit procedures without going through complete and required audit procedure" (Pierce and Sweeney, 2006). Both behaviours provide an opportunity for the auditor to involve in wrongdoing to reach at the individual's performance target. Under reporting time on the other hand, has the propensity to open room for the senior auditing staff where they can easily manipulate audit evidence; and by doing so, they can produce poor quality report, which could ultimately harm the structured audit environment (Willett and Page, 1996; DeZoort and Lord, 1997; Otley and Pierce, 1996; Pierce and Sweeney, 2006). Commonly, during the audit review process, auditors accepted the questionable audit evidence; skipped important information; overlooked documentation that needs detailed review; and often selected the wrong sample than required in order to complete the audit procedure (Willett and Page (1996). These behaviours entails the propensity to be remain dysfunctional in future audits (Coram *et al.*, 2004; Paino *et al.*, 2010).

Many studies have explored the antecedents of under reporting of time and premature sign off behaviour. A few of them are about time budget pressure (Otley and Pierce, 1996); organizational commitment (Donnelly *et al.*, 2002), audit firm and team factor (Paino and Ismail, 2012); audit tenure (Yuniarti, 2012); auditors' personality type (Gundry and Liyanarachchi, 2007); client importance (Yuen *et al.*, 2011); and intentionality on audit supervisors' response (Hyatt and Taylor, 2013). Among all factors, time and budget pressure have consistently been evident as prime and possible contributing factors to dysfunctional audit behaviours (Coram *et al.*, 2000; McNamara and Liyanarachchi, 2005; Otley and Pierce, 1996; Pierce and Sweeney, 2006; Willett and Page, 1996; Bowrin and King, 2010).

Several studies have covered enough data to indicate that time budget pressure is an actual problem faced by the auditors (Qianhua and Akers, 2010; Paino *et al.*, 2010; Paino and Ismail, 2012; Paino and Thani, 2011; Peytcheva, 2012). Meanwhile, some researchers linked time budget to workplace stress and states that in situations where meeting time budget goals seems unattainable, the likelihood of under reporting of time and premature sign off behaviours increases (Liyanarachchi

and McNamara, 2007). Stress is a “negative discrepancy between an individual's perceived state and desired state, provided that the presence of this discrepancy is considered important by the individual” (Edwards, 1988, p.242). Psychology literature has confirmed that the more stressed individuals are the more likely they are to cut corners and engage in inappropriate or dysfunctional behaviours (Svenson and Maule, 1993).

Despite the stress it can cause, time budget (limits) used by audit firms are routinely used to evaluate the efficiency of a review (Gundry and Liyanarachchi, 2007) and to determine the fee that will be charged to the client (Coram, *et al.*, 2004). In many cases, intense deadline pressure will result in auditors sacrificing their leisure and study time to meet time requirements (Lee, 2002). Another factor is audit quality (Power, 2003). Attempts to improve the quality of an audit can lead to an increased investment of time on the part of an auditor that in turn leads to further costs for the client. This conflict between meeting deadlines and controlling costs can increase the level of stress experienced by the auditor (McNair, 1991). This additional stress can negatively affect the auditor's emotional reactions during an audit. Hence, the effect of time related stress on less experienced members of an audit firm represents a promising area of research. Gundry and Liyanarachchi (2006) stated that still there is a need to learn more about the behaviour auditors possess and the factors that may cause them to compromise audit quality.

Another related research is the concept of professional skepticism. The characteristics of professional skepticism has evidence for scholarly interest (Hurt, 2010). The concept of professional skepticism, commonly placed as a core component in auditing standard, audit practice and research (Nolder and Kadous, 2014) and is considered an attitude of mixed combination of objectivity and a questioning mind (AU 230), which includes a critical assessment of the evidence [Public Company Accounting Oversight Board (PCAOB, 2012)]. A number of studies also authenticate the significance of professional skepticism in accounting and auditing. Some audit practitioners define professional skepticism as an attitude, and some referred to it as a mindset (Ranzilla *et al.*, 2011; Glover and Prawitt, 2014). However, relatively few studies to date have systematically addressed the effect of

professional skepticism on under reporting of time and premature sign off behaviours. Regardless of its acceptance in auditing literature and standards, this concept still lacks in empirical findings (Grenier, 2010; Hurtt, 2001). While taking account of the research done, few clear confined discussions evolved. The first and most notable is a definitional aspect of what forms professional skepticism. Professional skepticism is defined as “having a reasoning of mind to ask what has been presented for evaluative purposes—to look beyond the obvious in the search for revealing information and relationships” (McCoy *et al.*, 2011).

Typically, trait skepticism has long been discussed as an enduring psychological construct (Lee, *et al.*, 2013; Farag and Elias, 2012). However, definitional aspect presently enjoys little agreement because different authors have provided varied definitions (discussed in section 2.10.1). Another vital but less addressed aspect is the work done on how professional skepticism ability can help reduce in controlling such negligent behaviour on auditor’s part. The relationship between professional skepticism and auditors dysfunctional audit behaviour has yet to be fully explored. During the audit work, professional skepticism can help enhance auditor judgment and auditor skeptical actions (Nelson, 2009). The ability to possess a skeptical mind or ability to sense falsifying statements stems good quality audit (Shaub and Lawrence, 1996). In sum, improved auditor performance has been linked with professional skepticism (Hammersley and Hall, 2011). Professional skepticism is persistent in all audit tasks (Ashton, 1995). This view is discussed further in section 2.10. The literature suggests that professional skepticism opens a space for auditors to find indication of fraud, expand budgeted audit hours, spot contradictions in account balances and seek a greater number of alternative justification of evidence (Hurtt *et al.*, 2013). Previous studies highlighted that auditors do plan and make their approach with a skeptical mindset and that they handle risk through various behaviours. However, the SEC and PCAOB have constantly reported cases of wrongdoing in auditing tasks and found a lack of professional skepticism to be a prime reason of audit deficiencies (Hurtt *et al.*, 2013).

It must be noted that research on skepticism has been done in other literature such as communication, consumer psychology and journalism (Giarlo, 2006). A lack

of studies was witnessed when it came to assessing the impact of skepticism, as a personality trait, on auditors' intentions towards dysfunctional audit behaviour. However, this dearth of research cannot overstate the relationship between professional skepticism and audit quality. To date, research that identifies ways to develop auditors' professional skepticism is limited, especially in terms of empirical results that give directions for improving auditor professional skepticism (Robinson, 2011). In addition to this, the concept of emotional intelligence has become popular and gained momentum from both academics and practitioners. It has linked to a varied range of outcomes, including career success, life satisfaction and health (Cartwright and Pappas, 2008). This thesis aims to propose the concept of emotional intelligence as a moderator that may help to moderate the relationship time budget pressure and under reporting of time, premature sign off.

The construct of emotional intelligence has been a debatable topic (Emmerling and Goleman, 2003). However, the relationship between emotional intelligence and academic achievement has long been validated in the literature. Further, this relationship showed significant results regardless of gender differences, the level education or geographical location of research subjects. The studies of emotional intelligence in interdisciplinary literature have shown outstanding theoretical and empirical support to reveal the construct and its work-related outcomes. Emotional intelligence embraces many different abilities that allow individuals to manage their own emotions in productive ways (Jordan *et al.*, 2002). However, the conceptualization of emotional intelligence in auditing and in an accounting context should be promoted by empirical research in terms of knowledge advancement, thus guaranteeing goodwill of the accounting profession (Abraham, 2006).

Emotional intelligence can be implied as the ability to blend emotion with intelligence and thus, emotions can be employed as a backing to make better decision-making (Akerjordet and Severinsson 2004). The professional accounting body such as the American Institute of Certified Public Accountants (AICPA) has also discussed the importance of emotional intelligence for accounting professionals (Akers and Porter, 2003). Akerjordet and Severinsson (2007) recommended that in

spite of the previous empirical findings, there is a need to incorporate the different methods to further comprehend the theoretical, empirical and philosophical support for an enigmatic concept of emotional intelligence. Emotional intelligence is the concept, which does not restrict a person to demonstrate the professional behaviour at the work; therefore, it can be applied as empathy during the appraisal and review process. Thereby, this concept can postulates more positive results (Pastoria, 2000). Unfortunately, attention has rarely been paid to the context of auditors' behaviors; and it remains unexplored within auditors' teams. Past literature on dysfunctional audit behaviour either lacking in incorporating the importance of behavioral skill or are not strongly supported. The above discussion implies the high degree of importance placed on behavioural skills for the improved functioning of auditors working in a dynamic and risky environment. One of the purposes of this study is to address this issue and provide a theoretical foundation and an empirical test in the area of dysfunctional audit behaviour by testing emotional intelligence as a moderator in the proposed relationship.

1.3 Problem Statement

Although the current study is deemed similar in many ways to the studies done in the past, the current study is different in several ways. Particular novelty is found in its theoretical and practical contribution. First, past literature on the dysfunctional auditor behaviour is relatively scarce (Svanström, 2016). Furthermore, most of the studies investigated dysfunctional audit behaviour in Western countries. In Sweden, Svanström (2016) reported that almost 20 percent of auditors in NonBig4 firms sometimes accept weak client explanations; this percentage decrease to 10% for the other types of dysfunctional behaviour discussed previously.

In Australia, Willett and Page (1996) found that only 22% of Chartered Professional Accountants (CPA) could attest that they had never engaged in irregular accounting practices. The findings of a study conducted by Coram *et al.* (2003) found that 66% of respondents admitted that they occasionally engaged in

dysfunctional practices. In the USA context, Agoglia *et al.*, (2011) studied dysfunctional behaviours from the manager's perspective and found that unlike audit partners, managers are more inclined to select a staff who underreport time as a team member for the future audit engagement. In another study by Griffith *et al.*, (2012) in USA, affirmed that auditors admitted to excessive overreliance on management assertions and failed to test those assumptions; moreover, they often failed to test internal controls and sometimes failed completely to understand some business models or processes. The study clearly describes this situation as a complete failure of the audit test and links these deficiencies to low skeptical attitude.

A clear understanding of under reporting time behaviour is much needed because reporting less hours than actually worked may prompt to low audit quality, thus affecting individual auditors, audit firms, and even the entire auditing profession. In spite of the need, lack of empirical evidence has been noticed in the Asian focus in developing economies (Mohapatra, *et al.*, 2015) including Pakistan. They affirmed that developed and emerging economies are significantly different with respect to its audit client setting. To state the point somewhat differently, understanding of the processes of research practices is currently very limited. According to Meek and Thomas (2004) scant research attention is directed in auditing and this is a situation common in Islamic nations. Hamid *et al.*, (1993) predicted that "Nations where Islam is the religion, there is a propensity that the harmonization of accounting practices may hampered; especially in Middle East and South East Asia" (p.132).

Askary (2006) studied the cultural impact on statutory control in Middle East and South East Asia. The results showed that the accounting authority is totally long-established in Indonesia and Malaysia and that these countries are found to be strong or high in terms of accounting and auditing regulations (professionalism) than all other Muslim countries (Bangladesh, Jordan, Oman, Qatar, Pakistan, and Turkey). This could be because accounting and auditing regulations in Malaysia and Indonesia are independent of the governmental agencies' regulations (Askary, 2006). Askary (2006) further highlighted that it appears that in these two neighbor countries annual

reports are prepared according to their accounting and auditing standards approved by the local governing bodies, rather than to comply with statutory business laws.

Mathews (2000) also showed his agreement regarding management practices, research and methods in developing countries and argued that they are still insufficient. Munir *et al.*, (2012) mentioned that there is rigorous research on methodology in western countries but Pakistan is lacking in this area. It must be noted that despite rigorous auditing guidelines and standards being in place, Pakistan has had its share of corporate financial scandals. Eshai (2009) reported few of these scandals, such as Crescent Standard Bank in 2006; The Taj Company in 2004; Indus Bank in 2002 and the Mehran Bank in 1994. In 2012, the Pakistani branch of Price Waterhouse Coopers (PwC) was made questionable by the Afghan government on account of the collapse of a bank. The major allegations on PwC were massive fraud in which \$900m (£560m) went misplaced. Concerns raised questions on the authenticity of the performance of auditors and the inability to do the job (Sengupta, 2012). As a response audit and regulatory bodies' attention has increased following these scandals; they increased their accountability policies on the areas of financial information made available to the public and on the firm activities (Hassan *et al.*, 2014). The Enforcement and Monitoring Department (EMD) of the Security Exchange Commission (SEC) in Pakistan has undertaken a research of its own. One report of the SEC that brought to light 25 cases of inappropriate conduct by professional accounting firms [(SECP, 2002 in (Eshai, 2009)]. In 21 of these cases, charges of misconduct were highlighted against the firms involved (Ashraf and Ghani, 2005). Interestingly, the concerned parties (e.g., stakeholders) has also increased demands in Pakistan to look into corporate fraud and financial crimes more seriously (Hassan, 2005) but still lacking behind and has not yet received empirical support. The process of accountability is slow due to slow legal process regulators who often maintain reserved behaviour and often do not take legal recourse when enforcing sanctions is needed against violators.

In addition to this, the penalties written in the Companies Ordinance (CO) against noncompliance; most of the times are not proportionate to the nature and size of the offences (World Bank Group, 2005). In this view, studying auditor

susceptibility to engage in dysfunctional audit behaviour in Pakistani context is timely and relevant. Studying dysfunctional audit behaviours in Pakistani context, were one of the hopeful research streams aiming to answer or at least shed some light on this enigma. A particularly important question is, “Do auditors accept such kinds of behaviour in Pakistani context?” It must be noted that the sufficient number of studies focused on two types of behaviours: premature sign off and under reporting of time (Paino *et al.*, 2010). Therefore, this study extends the existing literature by testing these negligent behaviours in Pakistani context.

Currently, the studies in West have focused on time budget pressure as an antecedent of dysfunctional audit behaviour (Braun, 2000; Hyatt and Taylor, 2013; Leanne and Gregory, 2007; Otley and Pierce, 1996; Paino and Thani, 2011; Seiler and Kelley, 1982; Umar and Anandarajan, 2004). Most of the study’s results varied across different research findings (Nehme, 2013). According to Pierce and Sweeney (2006) it is undeniable that auditors face incredible time budget pressure during an audit. Therefore, the first step in addressing the second problem statement of the study will be to examine differing level of time budget pressure among senior and junior auditors and among Big4 and NonBig4 firms. Examining senior and junior auditors’ perceived ability of time budget pressure is subsequently needed. Furthermore, differing level of dysfunctional audit behaviours and professional skepticism at two levels of auditors and two types of firms were also examined.

Kelly and Margheim (2002) stressed that the behaviour of auditors varies according to their level of job in response to time-budget pressure. Involvement of senior auditors in budget related preparation often affects the junior auditors’ perception. Furthermore, as stated by Lawrence *et al.*, (2011) audit quality differs significantly between Big4 auditors and NonBig4 auditors and that this quality difference is based on audit hours assigned to a single audit engagement (Francis & Yu, 2009). Francis and Yu (2009) further claimed that the “quality difference between Big and NonBig4 auditors is due to how they audit, for example their audit technologies, rather than how much they audit” (p.4). In this view, this study considered the recent call by DeFond and Zhang (2014) regarding why audit quality varies between Big4 and NonBig4 firms. Based on the remarkable difference

documented between the auditors level of work and firms methodologies, this study examine the dysfunctional audit behaviour, time budget pressure and professional skepticism at two levels and two types of firms.

The second step focused on the specific skill that is the professional skepticism ability and its relation to under reporting of time, premature sign off behaviours. Existing literature have used diverse proxies for audit quality. However, very few have used professional skepticism as a proxy, which has supported, theoretically and technically in this study (further details in section 2.10). Securities and Exchange Commission (SEC) in USA, reported 60% of enforcement actions against the auditor between 1987 and 1997 the main charge was not to use professional skepticism (Beasley *et al.*, 2001). The Public Company Accounting Oversight Board (PCAOB, 2011) report the same concerns. Similar findings also found in the Panel on Audit Effectiveness. The panel analyzed SEC Accounting and Auditing Enforcement Releases and discovered that “auditors frequently fail to exercise sufficient professional skepticism in many of situations” (Public Oversight Board, 2000, p. 227). Eventually, these enforcement actions will tarnish the image of the individual auditors and the firm reputation (Carpenter *et al.*, 2002). International regulators have agreed to the point that auditors are required to exercise professional judgment. However, practically concern regulators were failed to educate the auditor that how they can reduce the judgment errors which they face at the audit (IFAC, 2010). It must be noted that until recently, there is no effort that has been made to investigate professional skepticism as an antecedent of under reporting of time, premature sign off. This study aims to examine professional skepticism as a predictor of dysfunctional audit behaviour. Thereby, extend the auditing literature.

This study also add to what little is known regarding the moderating role of emotional intelligence in the relationships between the predictor variables time budget pressure and outcome variable under reporting of time and premature sign off. It is noted that since the 1950s, the need of the accounting profession has been questioned to produce ethical leaders (Dosch and Wambsganss, 2006); encouraging individuals with excellent soft skills (AICPA, 2011) and with high levels of emotional intelligent personnel (Kirch, and Kirch, 2001).

Accounting researchers and professionals have also discovered that they must teach and encourage the development of missing competences (Jones, 2009) including emotional intelligence to accountants (Bailey, 2005; Jackson and Lapsley, 2003) in order to enhance their ability to become successful in their profession (Cook *et al.*, 2011). As cited in Abraham (2006), the Institute of Management Accountants (IMA) summed up their findings as follows: “all corporate accountants need good communication and interpersonal skills” (1996, p. 14). To meet these demands, the Accounting Institute of CPAs (AICPA) Vision 2011 Project added soft skills to the list of core competencies to be possessed by successful accountants. The US professional accounting bodies (e.g., AICPA), highlighted the need, importance and implication of emotional intelligence skills (AICPA, 2008). Unfortunately, many auditing researchers continue to focus on the financial and regulatory consequences of dysfunctional audit behaviour to the detriment of more human solutions (Barbera 1996; Gammie and Cargill 2002). The literature showed that accounting educators must provide future accountants with opportunities to develop the soft skill (e.g., emotional intelligence) they will need to succeed in a real-world work environment. This would include the development of emotional intelligence resulting in well-rounded accountants who would grow to become valuable employees, effective managers and leaders (Abraham 2006). Hammersley and Hall (2011) argued that auditors who are lacking in knowledge, or are unable to solve problems would eventually fail to perform adequate audit procedures and in the way they might fail to identify falsifying transactions. Auditors who demonstrate high emotional intelligence are able to make sound judgments and perform efficiently (Bay and McKeage, 2006; Mohd-Sanusi *et al.*, 2010).

Therefore, this study incorporates emotional intelligence as a moderator in the proposed conceptual model. Based on literature it can be assumed that emotional intelligence ability will help auditors to help reduce the time budget pressure. As a result, the inclination to accept under reporting of time and premature sign off behaviours could be controlled or at least minimized. In sum, this study acknowledges the call for, and the benefits associated with, examining the direct effects of time budget pressure and professional skepticism and moderating effect of emotional intelligence on under-reporting of time, and premature sign off

behaviours. This is done particularly to obtain a better understanding of the differential effects of these variables and how each variable influence one another.

1.4 Research Questions

Individually, the concepts of professional skepticism, time budget pressure, emotional intelligence, under reporting of time, premature sign off behaviours are well understood. However, little is known regarding how these elements affects each other. As a result, this study has answered the following questions:

1. To what extent the levels of dysfunctional audit behaviours; premature sign off and under reporting of time behaviour and altering procedures exists in Pakistani context?
2. To what extent time budget pressure is attainable among auditors in Pakistan?
3. Do dysfunctional audit behaviours significantly different between senior and junior auditors and between the Big4 and NonBig4 firms in Pakistani context?
4. Does time budget pressure significantly different between senior and junior auditors and between Big4' and 'NonBig4' firms in Pakistani context?
5. Does professional skepticism significantly different between senior and junior auditors and between Big4' and 'NonBig4' firms in Pakistani context?
6. To what extent time budget pressure influence the dysfunctional audit behaviours i.e., premature sign off and under reporting of time in Pakistani context?
7. To what extent professional skepticism influence the dysfunctional audit behaviours i.e., premature sign off and under reporting of time in Pakistani context?
8. To what extent emotional intelligence moderate the influence of time budget pressure on premature sign off and under reporting of time in Pakistani context?

1.5 Research Objectives

The objectives of this study are as follows:

1. To examine the prevalences of dysfunctional audit behaviour; namely premature sign off, under reporting of time behaviours and altering procedures in Pakistani context.
2. To examine the perceived level of time budget pressure and time budget attainability among auditors in Pakistani context.
3. To examine the difference in perceived level of dysfunctional audit behaviour between senior and junior level of auditors and between the type of the firms in Pakistani context.
4. To examine the difference in perceived level of time budget pressure between senior and junior level of auditors and between the type of the firms in Pakistani context.
5. To examine the difference in perceived level of professional skepticism between senior and junior level of auditors and between the type of the firms in Pakistani context.
6. To examine the effect of time budget pressure on dysfunctional audit behaviours i.e., premature sign off and under reporting of time behaviours in Pakistani context.
7. To examine the effect of professional skepticism on dysfunctional audit behaviours i.e., premature sign off and under reporting of time behaviours in Pakistani context.
8. To examine the moderating effects of emotional intelligence in the relationships between time budget pressure, premature sign off and under reporting of time behaviours in Pakistani context.

1.6 Significance and Contributions of the Study

In light of the past literature on dysfunctional audit behaviour, and Quality Control Review (QCR) report of ICAP, this study is timely and proposed new insights and significant contributions to research and practice. To the best of the researcher's knowledge, it appears that the issue of dysfunctional audit behaviours is yet to be investigated at individual auditors' level in the multi-client setting of Pakistan. Until now, little effort has been made to examine the inclination of an auditor's behaviours in Pakistan. Although there is an improvement seen after the QCR program started, there are still areas of audit, where firms need to look closely with respect to material non-compliance costing them their satisfactory QCR ratings status. Among all, the prominent areas are Documentation of Audit Evidence, Going Concern and Auditors' Reports (ICAP, 2012). First, this study aims to investigate the existence of dysfunctional audit behaviours i.e., under reporting of time, premature sign off and altering procedures in the Pakistani audit settings. According to Griffin, (2005):

“We believe that the concept of dysfunctional behaviour in organizations is still in its infancy. By carefully examine dysfunctional behaviour constructs and applying powerful research methodologies, we can gain meaningful insights into how and why these behaviours occur and perhaps how they can be better predicted and controlled. If we can succeed, the field of organizational behaviour, the world of real organizations and people will all be better for it” (Griffin, 2005 p.1004).

Furthermore, the findings of this research will facilitate ICAP to channelize among the consequences of enforcing actions against auditors and to those firms who breach the international auditing standards and ethical code of conduct in a given audit engagement. However, Paino *et al.*, (2010) suggested that to help control the dysfunctional audit behaviour stringent regulations might not play a standing role in order to delineate the effect of dysfunctional audit behaviour (Paino *et al.*, 2010).

Second, the findings of this study are of great concern for the audit firms, regulators, and practitioners and standard setters in Pakistan. Furthermore, this study is the conducted in line with the Institute of Chartered Accountants of Pakistan

(ICAP) on the issue of dysfunctional audit behaviour so that acceptance of these behaviours are observed among auditors in Pakistan; furthermore, effective ways of managing these behaviours can be found for further implications. Findings from this study will benefit the firms in setting flexible budget for each independent audit. The results of this study also provide implications related to trainings for auditors and accounting firms in Pakistan. It is commonly accepted that dysfunctional behaviours are a reaction to formal controls (Otley and Pierce, 1996). This indicates that the management should take a top-down approach to these matters to facilitate audits of the highest quality. Top-down policies that encourage quality audits mitigate dysfunctional audit behaviour (Bamber and Iyer, 2009; Gramling and Karapanos, 2008). Thus, being a regulatory body ICAP might increase scrutiny of its members and can further suggest its affiliated members (Big4 and NonBig4) to maintain the standard audit and strictly monitor the auditors' negligent behaviour during an audit engagement.

Third, the finding of this study brings significant implications to international standards such as the International Federation of Accountants (IFAC) for monitoring and enforcement mechanism. Being an authoritative and regulatory body of accountants. One suggestion is to make compulsory cultivate situational-based training that will allow accounting students to develop professional skepticism. The PCAOB also encourages such kinds of training that helps to assess the fraud-risk factors (PCAOB 2010). According to ICAP, (2012) 'Professional Skepticism' is an important concept and has been giving a greater importance in the Clarified Auditing Standards. In this regard, firms are liable to enforce a stronger and pronounced "tone at the top" that emphasizes the importance of exercising 'professional skepticism' and staff training should develop and reinforce skepticism. Further, details are given in sections 5.6.3 and 5.6.4.

Fourth, in terms of contribution to theory, this study adds knowledge to the current body of literature in auditing and behavioural studies as it merges professional skepticism, time and budget pressure and emotional intelligence concepts altogether. The argument discussed in this study is concerned with the interrelationship of the variables of professional skepticism, time budget pressure,

emotional intelligence, under reporting of time, premature sign off behaviours. This combination will ultimately work to improve the quality of audits by shaping auditors' behaviour and enhancing the public's perception of the entire profession on the whole.

Fifth, above all, in academic research a detailed understanding of theories is important. Theoretical understanding increases a greater scholarly rigor and, thereby, helps to clarify the complexity of the empirical world provided by the clarifications and expectations (Bacharach, 1989). From the literature, it appears that positive psychology has long been standing at the core of the scientific paradigm (Slade, 2010). It has further noticed that the psychosocial based theories have long been applied in the Asian context; however, they are different with the Western culture and religious context (Shahriar Ferdous and Polonsky, 2013). In all of the theories, psychologists, particularly in answering the question of how individual behave in varied situations; have discussed human behaviour as the main predictor. This is evident that multifaceted arena accompanied with some areas that are not comprehend directly with accounting issues (Koonce and Mercer, 2005). A number of issues fall in with human behaviour, such as the decisions and judgements of managers, stockholders, market specialist, and auditors. However, the lack of these psychology-based approaches in archival research is evident in the top most accounting based publications (Koonce and Mercer, 2005).

Therefore, it is recommended for accounting or auditing researchers to use these theories, developed hypotheses and infer results (Koonce and Mercer, 2005). This study intends to apply theory of reasoned action as theoretical foundation. Theory of reasoned action has appeared as a prime focus for accepting and explaining human behaviour under the theoretical domain. Theory of reasoned action is commonly explaining intention driven behaviour; comprised of three divisions namely, attitude, subjective norms and behavioural intention. In this study context, the auditor is deemed responsible for behaving in a professional manner, this professional manner is backed by variety of factors including intrinsic and extrinsic factors. Most common factors are proactive monitoring vision, regulatory awareness, audit learning, relationships between investigators and stakeholders, including

environmental pressure (Wangraj *et al.*, 2014). In summary, unlike other studies, this study extends the auditing literature that will open awareness about the dysfunctional audit behaviours in Pakistani audit setting in particular and in the literature in general.

1.7 Scope of the study

In this study, time budget pressure, professional skepticism are included as the prime antecedents of dysfunctional audit behaviour and emotional intelligence as the moderator in the relationship of time budget pressure, under reporting of time, premature sign off as a scope of the study. For the analysis purpose sample was senior auditor and juniors auditor having experience between 1 to 5 years and working at a Big4 and NonBig4 firm. Sample of senior and juniors are being selected for the following reasons: Most of the audit work is done by senior (Payne and Ramsay, 2005) and junior level of auditors (Pierce and Sweeney, 2005). These researchers find that audit seniors are less skeptical than staff auditors are. According to Shaub and Lawrence, (1996) and Grenier, (2012) less skepticism evident in more experienced auditors (e.g., senior). Further, in an audit engagement, this position requires work be completed within the allotted time. This means that senior auditors face significant amount of time budget pressure (Kelley and Seiler, 1982; Otley and Pierce, 1996). For geographical representations three different regions; Karachi, Islamabad and Lahore were chosen. Final questionnaire was distributed by using two methods; postal and personal distributions through HR executive of audit firms.

1.8 Limitations of the Study

The literature, that has been reviewed, there are a few detailed limitations in terms of the research methods are observed. Using auditors from the Big4 and NonBig4 accounting firms means that the perceptions held by these professionals

may be unique. Every firm develops their own ways of reporting time, calculating compensation and establishing deadlines (Lighter *et al.*, 1982). This can hamper the ability to draw generalities from the results to encompass all auditors in Pakistan or internationally. Furthermore, it is not the intention of this study to provide a comprehensive/exhaustive review of related literature. Cited studies were used to illustrate primary findings. Instead, this study is a survey of a selected population in order to identify and assess the evidence from previous research regarding the dysfunctional audit behaviour phenomenon.

Given the nature of the context, a survey questionnaire was used as the primary method for gathering data. Self-reporting continues to be the commonly used tool in organizational, social and behavioural sciences (Harrison *et al.*, 1996). An ability-based scale was used to assess emotional intelligence. Ability based scales evaluate how well a task is performed and how emotional issues are resolved. They are seen as being more reliable (Brown and Moshavi, 2005). Even though self-reporting tools are suitable for investigating human characteristics, they are limited by the individual's self-understanding and self-concept and may measure self-concept rather than the thoughts, behaviours and attitudes of the individual (Paulhus *et al.*, 1998). Being a first study in an audit setting in Pakistan, a pre-test was considered to be a necessary procedure. A pre-test was followed by content analysis, expert panel feedback, and prearranged group survey methods.

1.9 Conceptual and Operational Definitions

1.9.1 Dysfunctional Audit Behaviour

Conceptually dysfunctional audit behaviour can be defined as any act on the part of an auditor that can negatively impact the quality of an audit (Pierce and Sweeney, 2006). In this study, operational definition of dysfunctional audit behaviour refers to “all those wrongdoings or negligent behaviours opted by auditors

during an audit test phase that damage the purpose of audit thus, increase the occurrence of audit failure” (Donnelly, *et al.*, 2002).

1.9.1.1 Premature Signing Off

Pre-mature sign off behaviour refers to occurring or done procedure before the usual or proper time required. However, the term premature sign off behaviour is taken in this study to mean that an audit procedure which is mandatory audit step(s) required by firms policy has not been carried out by auditor.

1.9.1.2 Under Reporting of Time

Failure to report something, especially news or data is known as under reporting of time. In this study, under reporting means claiming to have worked fewer hours on an audit than were actually worked (Agoglia and Hatfield, 2010) or auditors are not reporting those extended worked hours which exceed budgeted hours.

1.9.1.3 Altering Procedure

Altering procedure refers to change something, usually slightly, or to cause the characteristics of something to change (Oxford English Dictionary, 2010), In this study altering procedure operationalize the audit procedures executed by the auditors which deviates from the standardized audit procedure. They do modify an existing procedure.

1.9.2 Time Budget Pressure

Conceptually, it is a chronic, pervasive form of pressure that arises from limitations on the resources given to perform tasks (DeZoort, 1994). In this study this pressure refers to “time constraints that occur in the audit engagement from limitations on the resources [time] allocable to perform the necessary audit tasks” (DeZoort and Lord, 1997, p.45).

1.9.3 Professional Skepticism

Word skeptic refers to a person inclined to question or doubt all accepted opinions. International Federation of Accountants (IFAC, 2012) conceptualize the professional skepticism as an attitude’ a mix of questioning mind, being attentive to conceal evidences which may leads to misstatement, and a detailed investigation of evidence. Operational definition of this concept is adopted from Nelson (2009) who defined “Professional Skepticism” is a combination of judgments and decisions needed for the heightened assessment of the inherent risk that an assertion is incorrect, conditional on the information available to the auditor” or in other words it is a “root cause” analysis of financial statements (p. 26).

1.9.4 Emotional Intelligence

Emotional intelligence is the ability to identify, monitor and manage one’s own emotions as well as the emotions of others. Emotional intelligence is also defined as the ability to understand one self and others accurately to express emotions in a healthy way, which is critical to job success and career satisfaction (Sims, 1998). In this study, Emotional intelligence is refer to the ability of auditors,

which enable them in managing emotions under extreme time budget pressure; and help them to be more vigilant in testing audit evidence.

1.9.5 Chartered Accountant

“Chartered Accountant (CA) student” means a person who is or has been a trainee under training contract with a principal, and has not successfully completed the examinations of the Institute, or who has been admitted to the Basic Accountancy Course. CA qualification in Pakistan is consists of six modules in total; referred to as A, B, C, D, E and F. Among them, the first four modules comprise of 6 months each module and later two involve of 18 months each with practical training which is known as articles. A qualified CA is known as ACA (Associate Chartered Accountant) after 10 year of experience s/he become FCA (fellow Chartered Accountants) (Members Handbook, ICAP, 2016).

1.9.5.1 Audit Trainees

According to the ICAP manual, audit trainees should not be under sixteen years of age at the time of his training commencement; in addition to this, candidate has passed or obtained exemption from all examinations up to certificate in Accounting and Finance Stage or equivalent thereof of the Institute or is a graduate in second division or equivalent. After completion of A,B,C and D modules trainees are entitle to join training organization as audit juniors. A training organization shall keep a student on probation for a period of two months and if the student completes the probation period successfully, he will be registered as a student (ICAP, 2016a, p. 86) and subsequently promoted in a position of audit senior based on modules completion and probationary periods. The probation period served under clause (1) shall be treated towards the total period of studentship required to be completed under these bye-laws 1983.

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