AFRICAN JOURNAL OF ACCOUNTING, FINANCE & MARKETING

IMPACT OF MARKET DYNAMICS ON AUDIT PRACTICE IN NIGERIA

OWOLABI, S. A. PhD.
Department of Accounting, School of Management Science,
Babcock University, Ilishan Remo,
Ogun State,

And

DESI AUGUSTINE
Department of Accounting, School of Management Science,
Babcock University, Ilishan Remo,
Ogun State,

Article history:

Received: 16 August 2021;
Received in revised form:
19 August 2021;
Accepted: 2 September 2021;

Keywords:

Advisory Services, Audit practice, Audit concentration, Audit market, Big 4, Market dynamics, Financial reporting.

Abstract

Shareholders and investors seem to give more preference of the audit services of the big 4, however, the regulators are concerned with the high concentration of audit services, creating less competitive market dynamics, fewer incentives to improve audit quality because of the excessive dominance by the big 4. The accounting and audit practice has transformed greatly from the ancient model of hearing and listening functions to auditing and assurance practices. In the midst of this dynamic professionalism, the big 4 (Deloitte, PwC, E&Y, and KPMG) has dominated this profession using cutting-edge reporting innovation and technologies. This study examined the audit practice and its market dynamics in the audit practice. The study employed an exploratory research design, using relevant materials, journals, periodicals, and other resources considered appropriate were systematically reviewed. The study concluded that the big 4 accounting firms have expanded the frontiers from the traditional auditing practice and have shifted the statuesque to include management consulting and advisory roles, taxation, actuarial services, corporate finance and legal services. The study recommends that the big 4 should beam its oversight torchlight within its fold and ensure that audit practice, accounting professionalism, and skepticisms oversight functions are professionally and diligently carried out to solidify its milestone achievements over the years.

Introduction

Globally, the regulators and global investors are wary and have heightened great concern over the dominance of the big 4, the dominance and audit concentration have negatively impacted audit competitiveness and as well reduced existing and potential clients' choices (Sirayesh, 2019; Reckers, 2019). Incidentally, this has deepened high concern on the dynamic audit market competition. Thasharm (2019) posits that market dynamics are in the critical static condition in the hands of only a few big 4, entailing accumulation of systematic risk and disruption of audit market dynamics, making it rather reluctant to say that the competition does exist in the audit market. Audit market dynamics entails a consistent and persistent efforrt in improving the audit quality services through various innovations, enabling incentives, multidimensional collaboration, multidisciplinary audit quality assurance, trust and confidence capacity building within the auditing profession, aimed at improving the auditing profession image and credible audit services and enduring confidence of the public and unleash greater value for financial accounting information users (Tronnton, 2018; Wesrine, 2019).

However, going through memory lane, the pioneering accounting firms have brought quite a number of novelties and high-quality professionalism in rending accounting and auditing services across the globe. The contemporary and emerging accounting firms have much to learn from the dominating big 4 to the market dynamics in auditing practice. Within a period of years, the accounting and auditing practices have undergone developmental stages and structuring changes under the foremost accounting firms ever known in the accounting practice. Over the years, the popular big 4 started with big 8 made up of Arthur Anderson, Arthur Yong and Co, Coopers and Lybrand, Ernst and Whinney, Deloitte, Haskins and Sells, KPMG, Touche Ross and Price Waterhouse.

In addition, a series of structural changes and events of mergers and dissolution reduced the number from eight to six in the year 1989, the firms of Ernst & Whinney merged with Arthur Yong to form a new accounting firm called Ernst & Yong while Deloitte, Haskins & Sells merged with Touche, Ross to form a new firm called Deloitte Touche reducing the number to six. In addition, ten years later the number was further reduced from the big six to the present big five, which saw Price House merge with Coopers & Lybrand to PricewaterhouseCoopers, now known as PwC in the process (Eshleman & Guo; Chu, Simunic, Ye & Zhang, 2018). The big 4 multinationals firms are associated with accounting, auditing and financial advisory services across the globe and the 4 networks are often grouped together for each is comparable in size, job functions, ability to provide wider and quality professional service to their clients and above all, the toast-bride, every young accountant wish to engage for a rewarding accounting career (Wimmett, 2017; Wright, 2018).

According to Ellen and Hugo (2020), the big 4 now parade the most and sophisticated automated accounting information technologies in the world, the likes of Artificial Intelligence (AI), Clouding computing, Internet of Things (IoT), Machine Learning, Block-Chain Analysis associated with Ernst and Young, Aura & Halo analytical of PwC, Data Technologies Solution of Deloitte and Watson Cognitive, Computing technology of KPMG. This significantly is making the auditing and financial reporting process more automated, more reliable, and adding much more credibility to financial statements for the benefit of users and in adding value to investment decisions.

Sirois, Marmousez and Simunic (2016) posit that in the year 2002, the big 5 further underwent reduction from big 5 to the present big 4, that saw Arthur Andersen fall out of the big rank after the famous world-biggest Enron financial scandal, from that epic event, the big 4 largest existing accounting firm has been in existence and called big 4, comprising of (1), Deloitte, (2) PricewaterhouseCoopers (PwC), (3), Ernst & Young and (4) KPMG otherwise known as (Klynveld Peat Marwick Goerdler).

Apparently, these 4 accounting firms are the largest in the world in terms of accounting and auditing services, taxation, financial management, corporate business consultancy, merger and acquisition services and enterprise risk management and control services (Sun, Sun & Strang, 2018). The big 4 are distinguished from another merging accounting firm in many ways, in terms of revenue generation, employee strength and staff remuneration globally (Grant, Harber & Minter, 2018).

Statement of the Problem

The quality of audit reporting and credibility of financial statement has been on downward trends as many critics have found flaws in the unnecessary dominance of the big 4, and beyond this, some anomalies were on going, where the big 4 carry out consultancy services for a client and turn back to audit the same clients. This has been reported as unethical, conflict of interest capable of reducing and watering down audit quality. In addition, there has been a continuous agitation on unattractive and lack of audit incentive in a superposed audit market dynamics due to high audit concentration in big 4 audit firms. The market dynamics is now questionable and credibility of audit in the hands of the big 4, is no longer a guarantee of quality.

The objective of this study is to examine the audit practice and its market dynamics in the audit practice. In carrying out this examination, the study considered the historical and structural changes that the big 4 has passed through to its present status. The study considered its significant innovations and milestone impact the big 4 has brought into the accounting and audit practice globally viz a viz: How the big 4 started, where they are and some possible challenges and scandals associated with them.

The rest of the study is structured in this manner: Section 2 considered the literature review from the perspective of conceptual and theoretical considerations. Section 3 presented the methodology and in section 4, the study presented the conclusion, recommendation, and contribution to knowledge

Theoretical Review

Lending Credibility Theory

Lending credibility theory was propounded by Watts and Zimmerman in the year 1979 (Watts & Zimmerman, 1979). The theory was a suggestion in reaction to the desire of the business owners to put to rest some perceived possibilities of the agents not being honest and truthful in reporting their operational activities to the principal. According to Watts and Zimmerman, the principal (shareholders) should exercise much trust in the financial report prepared by the agents (managers) since these possibilities biased reporting may seem natural in the protection of agents' interest intentionally or otherwise and the agents' interest may be considered first before that of the owners (shareholders).

Audit issues arise consequent to these realities as managers (agents)' attitudes and operational activities are unobservable to the shareholders (shareholders), who are facing the risk that the managers may likely act at variance to what shareholders expect resulting in moral hazards and therefore cannot verify the skills and capabilities of the managers resulting in adverse selection (Murthy, 2017; Delmond, Coelho, Keravel & Mahl, 2017).

The demand for the third party (managers) to act on behalf of shareholders and in meeting reliability expectations of information contents of the financial statement by other stakeholders and users like investors, government, creditors, customers, lenders, analysts, media practitioners, labour unions, and employee necessitated the essence of lending credibility theory by auditors to verify the veracity of information content of financial statements to enable them to make informed investment decisions (Yli-Huumo, Ko, Choi, Park & Kari, 2016).

Generally, it is believed that auditing will add credibility to financial statements and at the same time reduce information asymmetry created by the separation of ownership and management, possibly biased due to conflict of interest, especially where managers often times are seen to be opportunistic in their actions since they have privilege information that the other stakeholders do not have, as such they can use it to pursue their own interest to the detriment of the shareholders and other stakeholders.

Theory of Inspired Confidence

The theory of Inspired confidence was proposed by Limperg in the year 1932 (Limperg, 1932). The theory suggested that the demand and supply of audit is because the financial statement users are not part of the management who prepare them, considering the obvious conflict of interest between the preparers, the owners of the business, and the other stakeholders who will make use of the information in the financial statements (Audousset-Coulier, Jeny & Jiang, 2015). Apparently, since these users want to make an investment decision using this report, it is expected and natural that they desire to have a third party to verify and confirm the veracity of the accounting information contents of the financial statement considering the huge investment loss that could be suffered if the contents turn to be misleading (Adner, 2006).

Hence the need for an independent auditor to be engaged to validate the true and fair view of the financial statements will instill confidence and assurance that the financial statement is credible and reliable, capable of adding value to decisions being made using financial statements. The theory of inspired confidence was proposed by Limperg in the year 1932 (Limperg, 1932). The theory of inspired confidence suggested that financial statement users are interested in making use of a credible financial statement that can guarantee accuracy and is non-deceptive.

Owners of the business and the public expect transparency and accountability from the managers saddled with the responsibility of managing the operational activities of the company in return for their investments and also to ensure that the report prepared by the managers reflect the true position of economic realities of the companies (Ahmed, Maysem & Hani, 2017). The theory of inspired confidence suggests that auditors' certification in its expression of opinion after the audit exercise gives the shareholders and other stakeholders' confidence regarding the credibility and reliability of the financial statement of companies (Al-Htaybat & Al-Alhaybat, 2017).

Issuance of periodic financial statements of the company helps investors and interested parties to make informed investment decisions. Conflict of interest is capable or strong enough to motivate corporate organization management to act in pursuance of their own interest against the interest of the shareholders, since they are privileged to have access to insider information not available to the shareholders, or the other stakeholders. For this and others, lack of confidence is possible unless auditors are involved to carry out audit exercises to restore expected confidence.

Therefore, the stakeholders, investors, and other users of financial statements are morally and emotionally inspired and their confidence is enhanced to see that the financial statement has been audited thereby instilling confidence in its usage. The public expects accountability and transparency from the auditors and the management, specifically, the public desire audit assurance and expect auditors to endeavour to meet the growing demands for credible and reliable financial statements to enable the users to make useful investment decisions.

Credit Risk Theory

The credit risk theory is talking about the possible risks associated with management presenting inaccurate information, deceitful tendencies and concealment of facts in the contents of the financial statements (Al-Shatnawi, 2017). In the world of uncertainties and dishonesty, the level and possibilities of non-fulfilling promises and business covenants, fraud and dishonesty particularly in the agreement between the lenders and borrowers, there is possibility of discretionary earnings and manipulation of facts by the management and the uncertainty of the auditors exercising the fair and true judgment of what the true position of facts as contained in the financial statement prepared by the management and verified by the auditors (DeFond & Zhang, 2014).

Theory of credit risk posits that financial lenders inability to recover from the borrowers both the principal and the interest are possible due to possibilities of ineffective prudential regulation enforcements, possibilities of disruptions, arising from circumventions and sidestepping of policies, weak control and the inability of the auditor to exercise due diligence and critical examination of the books presented to them to examine before making their report (Li, Porter & Suominen, 2018).

The big 4 could be all assumed and be carried away by the action of some disgruntled audit members to protect the high earned reputation of any member of the big 4 (Sirois, Marmousez & Simunic, 2016). Hence there is likelihood of externalities or insolvent banks failure to return depositors money, liquidation of corporate borrowers making it near impossible for them to pay back loans borrowed from the banks. The theory postulated that there is a need for the lenders (banks) to strictly adhere to prudential regulation in the hands of competent and transparent regulation of the apex banks to an appropriate credit management measures and controls to safeguard the depositors and shareholders (Yao, Di, Zheng & Xu, 2018). The theory of credit risk becomes significantly suitable suggesting the essence of thorough credit worth search and backgrounds of potential borrowers and the guarantors' capability to repay in cases of defaults.

Theoretical Framework

This study has reviewed some theories considered appropriate and relevant to the study. However, the study is underpinned on lending credibility theory. Lending credibility theory otherwise known as lending credibility hypothesis was considered as the underpinning theory considering the premium and confidence the public attached to audited statements. Consequently, the essence of audit services is nothing but to add credibility and general acceptance by the general public.

Empirical Review

Rifat, Mukarrom and Ratan (2021) examined the effect of audit committee on firm performance from the emerging economy of Bangladesh. The study employed a total sample size of 30 commercial banks listed in Dhaka Stock Exchange for a period of 6 years covering from 2011 to 2017. The secondary data were extracted from the selected commercial banks financial statement and using a pooled regression analysis, the study found that board independence had a negative effect on return on assets and Tobin's Q. In addition, the study revealed that board diversity had a negative significant effect on return on equity and return on assets respectively. The study recommended that the big 4 auditing firms should allow audit committee carry out their assigned oversight monitoring function in order to enhance audit quality

Srivastava and Bhatia (2020) in a similar study carried out an examination of the effect of audit practice by the big 4 on family owned business in consideration with the market dynamics. The study employed ex-post facto, using data from the family companies audited by the big 4 and the ones audited by non-big 4. The study regression analysis revealed that family duality audited by the big 4 had a positive significant effect on performance of the companies with the companies audited by non-big 4.

Khatun and Ghosh (2019) carried out an investigation on the effect of audit market dynamics and corporate governance on banks performance in the banking sector in Bangladesh. Using regression analysis, the study found that adequate audit quality from the decentralization of audit market with the help of the monitoring functions of the corporate governance, the performance of the banks can improve and enhance transparency and quality of audit report especially audit exercise carried out by big 4 auditing firms.

Akdogan and Boyacioglu (2017) examined the relationship between audit practice and market dynamics, and the effect of corporate governance understanding of the market dynamics on firm performance. The study employed exploratory comparative analysis, using secondary data sourced from documented research work. The study review exercise revealed that audit market dynamics is boring due to lack of competitiveness; rather the dominating posture of the big 4 has rendered the audit practice unattractive and less choice for the clients to make from.

Discussions of Concepts

Evolution of Audit

Audit in the early days of far back 3000 BC was found to have been in practice during ancient Babylonia, and in ancient China, Greece, and Rome and Egypt. For instance, in Rome, auditors were meant to hear from formers account activities of the day, determine the taxes due for the masters who engaged them. In China and Egypt, the auditors were called supervisors of the accounts of the Chinese Emperor and Egyptian Pharaoh respectively (Audousset-Coulier, Jeny & Jiang, 2015). According to the Accounting Standard Board of Japan (2006), the word Audit came from the Latin word “Audire’’ meaning to hear. Hence the auditors at its early developmental process were mere hearers and listeners who in turn give an account of what they heard to the owners of the business for a fee.

Over the years, the audit practice has undergone structural and regulatory processes and stages to its present enviable position. Over the centuries, the role of auditors as hearers and verifiers of reports evolved to include that of verifying written records.

The discovery and documentation of double-entry bookkeeping in Italy by a Catholic priest, Luca Pacioli in his Summa de Arithmetica dated 20 November 1494 gave more impetus to auditing as he recommended the verification of accounting records by auditors (Adner & Levinthal, 2001). Apparently, auditing has evolved from its primary objective of preventing and detecting fraud to its current state of attesting to the fair representation of audited financial statements through very highly enhanced auditing procedures and techniques (Mokoaleli-Mokoteli & Iatridis, 2017).

Auditing

Auditing is a systematic process of obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the result to intended users, American Accounting Association (AAA, 2019). This definition is widely accepted as it describes what auditing entails as well as what the auditor does. Auditing is a planned, logical, and scientific activity (systematic process); it involves the auditor gathering and evaluating evidence on the representations made by management (assertions) with regard to elements of financial statements (economic actions and events). The auditor compares the evidence he has gathered and evaluated and the accepted accounting practices to know if they are in agreement to enable him to express an opinion. The auditor then communicates the outcome of his examination, evidence gathering and evaluation, and comparison to users through his audit report.

Deloitte

Deloitte otherwise known as Deloitte Touche Tohmatsu Limited (Deloitte) was established by William Deloitte in the year 1845 (Ahmed, Chalmers & Khlif, 2013). According to Adams, Smart and Huff (2017), Deloitte has gone through a series of mergers and reorganizations, yet the company has retained its unique brand, and superior accounting services and quality auditing. The company has managed to avoid financial scandals and maintained high standards and corporate value as one of the most celebrated successful world-class brands and enviable reputation in all standards. According to Ali, Shrestha, Soar and Wamba (2018), the firm was ranked first with a total of 335 000 employees, with the operational practice in 150 countries with headquarters in London, United Kingdom, exhibiting the same quality of auditing, consulting, enterprise risk, and financial advisory services, taxation, and many others. Furthermore, Deloitte was said to have earned $47.6 billion in the 2020 financial accounting year.

PricewaterhouseCoopers (PwC)

PwC as globally known emerged from the merger between Price Waterhouse and Coopers & Lybrand in the years 1998. The accounting firm is ranking next to Deloitte in providing world-class accounting and auditing services, excellent assurance products, consulting, and taxation with high standards and scandal-free over the years. According to Alt, Beck and Smits, (2018), PwC has in its employees a total of 284,000 professionals operating in 157 countries globally and its headquarters is in the London, United Kingdom. PwC posted a total of $43 billion as total earnings in the year 2020 end of accounting years (Sindelar & Mullerova, 2017).

Ernst & Young

Ernst & Young (E & Y) emerged in 1989 as a product of the merger of two accounting firms of Ernst & Whinney and Arthur Young. The accounting firm is ranked third following PwC with total staff strength of 299,000 highly motivated and skilled professional employees, with a global presence in 150 countries in the world with its headquarters in London, United Kingdom, rendering exceptional quality accounting services, auditing and tax, and other financial services. The firm is known for a high level of integrity, respect, teamwork, and highly motivated staff employees. In the 2020 end of the accounting year, Ernst & Young posited total earnings of $37.2 billion ranking third among the big 4 (Batar & Feltham, 2018).

KPMG

The firm also known as Klynveld Peat Marwick Goerdeler was formed from the merger of Peat Marwick International and Klynveld Main Geordeler to The new acronyms KPMG. It noted that KPMG is a world-class and globally networking accounting firm operating in 154 countries with a staff strength of 227,000 dynamic accounting professionals rendering auditing, tax, financial advisory, and industry-specific required services. Unlike others, KPMG has its headquarters in Netherland. The firm netted a total of $29.2 billion in earnings in the 2020 financial accounting year (Ellen & Hugo, 2020; Beattie, Fearnley & Brandt, 2018).

Other Emerging Big 4 Accounting Firms

In desperate move and strategic repositioning, new world-class accounting firms are making waves to break into rank of big 4. This has seen the firm of BDO, RSM, Grant & Thornton, and Crowe creating new impact in the global scene by rendering quality and competitive financial and auditing services. However, in spite of these significant impacts, the big 4 still remain intact (Brummer, 2018).

BDO

According to Brummer (2018), BDO is ranked next to the big 4 accounting firms as the 5th largest accounting firm in the world with a total staff of 91, 000 professionals and present in over 150 countries in the world. BDO posted a total of $10.3 billion in the concluded 2020 end of the accounting year.

RSM: RSM accounting firm is presently ranked 6th in the global accounting firms position, with a total of 58, 000 employees made up of dynamic and highly motivated employees (Jubb, 2019). The accounting firm is determined in rendering quality and robust financial services to retain its enviable reputable position in financial services. The company earned a total of $6.3 billion in the year 2020.

Grant Thornton

Grant Thornton is considered the 7th in global ranking next to RSM. Grant Thornton is noted for high integrity and credible reporting not involved in any known financial scandal. The company has staff strength of 58,000 professionals with an operational presence in over 135 countries across the globe (Faris, Jamil & Elheddad, 2019). Grant Thornton posted a total of $5.8 billion in 2020.

Crowe Global

Crowe Global is another firm among the emerging ones trying to break the ranks of the big 4. Crowe Global is also known for high-quality accounting and auditing delivery with an incapable record and enviable reputation globally. The company has a total operational presence in 146 countries and posted total earnings of $4.4 billion in the year 2020 end of the accounting period.

Audit Market Dynamics

The dominance of the audit market and the dynamic significance of the audit services are giving the regulators all over the global great concern as the big 4 accounting firms as auditing concentration within the doorposts of these big 4 do not give healthy competitive advantage, flexible audit fees pricing and audit quality have been monopolized by the big 4. Some studies have documented the possible dangers and the potential effect of these conditions, doubting the dynamics of the auditing services and audit market (Okeke, Ogundipe, Oyedeji, Eluyela & Ogundipe, 2018). According to Laja (2018), the audit market dynamics continuous efforts is to improve the quality of audit services, audit assurance and acceptability of audit reporting by the stakeholders.

The audit market is deprived of competitiveness, rather high concentrated and high ratio of instability within the audit market and audit quality (Mopuch & Simunic, 2017). Some studies have advanced that the audit market is directionally sloppy towards market share instability. It is unhealthy and less competitive with boring and continuous high audit concentration within the big 4 hence regulators in the financial sector and policymakers are rooting for ways to mitigate this unreasonable audit concentration (Palmrose, 2018; Alsam & Alrajabi, 2017).

Audit Practice and Audit Concentration

The United States Audit Market

In the United States, Schilder (2018) revealed that there is a high degree of less-volatility of the audit market consequence upon non-liberality of the market structure and audit practice being over concentrated. Incidentally, the international standards on auditing (ISA) seem helpless over unbundling this dominance, in an effort to enhance healthy competition and improve audit quality. Apparently, ISA should make the expected paradigm shift of facilitating only global comparability and consistency of audit guidelines that have over the years been encouraging audit compliance, insisting on form over substance mentality to audit practice (Recker, 2019).

The international regulatory body should look inwards; take a bold move to regulate the dynamics and audit market and audit practice, making it more vibrant and competitive beyond the big 4, understanding that the big 4 do not hold the monopolistic powers of superior audit service over and above other auditing firms (Wesrine, 2019). The new thinking of the European Union and US financial regulation, is insisting on a mandatory audit firm rotation in at least every 10 years aimed at healthy competition, improve audit quality and at the same time reduce unhealthy audit high concentration (Thasharm, 2019).

The French Audit Market

The stakeholders are suggesting that joint audits and implementation of audit rotation be implemented and this will improve the audit quality, risk asymmetry and market dynamics. Consistent with this reality, Ahmad (2019) posited that joint audit is closely related to the reduction of big concentration and improved audit quality, for instance, joint audits exercise has been mandatory in France and this had reduced audit concentration and at the same time mitigating potential systemic risks in the audit market in French financial regulatory body (Ahmad, 2019).

The demand lopsidedness of the market is unhealthy, the audit price and revenue are dominated by the big 4, and this mode of over domineering of the big 4 in the audit market could have a negative effect on audit quality (Sindelar & Mullerova, 2017). In the French audit market, it is believed that the big 4 makes the audit market and audit practice less attractive, as high concentration has led to dynamics setting of audit services in France, to lower audit quality, since the dominance of the big 4 has brought less incentive to provide quality audit service

Nigerian Audit Market

Nigerian audit market is like the global structure of audit dynamics, but with the level of poverty and high audit fees of the domineering big 4, not many companies could afford the high audit fees of the big 4, except the multinational companies and possibly the banks who are in reputational ego showcasing (Okeke *et al.,* 2018). The big 4 dominance and audit high concentration is a global concern including in Nigeria. According to Otete (2018), the majority of the investors and shareholders in the multinational companies are institutional holdings that originated from European, United States and Asian countries, where the parents' companies are already used to the big 4 auditing firms and these companies insist in the use of the trusted big 4 in preference to domestic auditing firms.

In South Africa

In some other African countries, there is evidence to prove institutional preference for the audit services of the big 4. For instance in South Africa, the African investors tend to go for the big 4, with the belief that the big 4 are trusted and not easily influenced to compromise their conservatism in ensuring full disclosure and earnings are not manipulated by the management to influence stock prices in the capital market (Otete, 2018).

Contributions of the Big 4

Using new innovations, the big 4 (Deloitte, PwC, E &Y, and KPMG) have brought into the accounting profession significant innovations and new technologies to improve the quality of accounting reporting, the cloud accounting that handles information service model that can remotely permit users to access applications and data and physical computation resources over a network, on-demand or pay-per-use fashion, Internet of Things that is as an advanced automation and analytics system that exploits networking, sensing, big data, and artificial intelligence technology to deliver complete systems for a product or service.

Analytics helps in the discovery, interpretation, and communication of meaningful patterns in data, and entails applying data to the pattern towards effective decision-making. Machine Learning is the automated detection of meaningful patterns in data and one of the fastest-growing areas of computer science with far-reaching applications. Block-Chain is a distributed database solution that maintains a continuously growing list of data records that are confirmed by the nodes participating in it (Hopp, Antons, Kaminski & Salge, 2018).

Challenges and Critics of Big 4

Xing (2019) posited that the antecedents of high profile financial scandals involving the big-4 have brought doubts of the credibility of financial statements reported as the express opinion of the auditing firms. This position was made clearer with the reported cases of high profile cases involving Arthur Andersen in two significant epoch financial scandals that have deepened the credibility and auditing landscape in the history of the auditing and accounting profession. There is the notable case of fake incomes and discretionary earnings in the Waste Management financial scandal of 1998 amounting to the sum of $1.7 billion. More still, Arthur Andersen was implicated in the Enron financial scandals, where innocent shareholders lost a whopping $74 billion. According to Aguguom and Ajayi (2020), Arthur Andersen collapsed as an aftermath of the Enron financial scandal impasse.

The Enron case is one of the most celebrated financial scandals in history that has dragged the image of the accounting profession and that of Arthur Andersen into the mud of history. The gap of acceptance was widened and credibility of financial statements was doubted and the confidence reposed on the auditors as umpires reporting true and fair was watered down. In 2002, the world was surprised with yet another case of WorldCom financial scandal, involving $1.1 billion and mass loss of jobs to the extent of 30,000 employees. This case of WorldCom led to a historic Sarbanes-Oxley Act aimed at protecting innocent investors from the predatory actions and recklessness of the big-4 (Collins, Rungaliya & Vijh, 2017).

Besides, studies have reported a myriad of criticisms of the big 4, following some recent scandals rocking members of the big 4. For example, Kaya and Akbului, 2018) posited that Ernst and Young (E&Y) was criticized been embroidered with the WireCard of a German payment company. According to the critics, though, the German regulator 'BaFin' erred for negligence oversight function, yet, E &Y was questioned for failing to report $2.13 billion missing from the account of WireCard, a payment processing entity that filed for solvency following financial scandals, while E&Y has been the serving auditor of Wirecard during and leading to the company filing for solvency (Li, Porter & Suominen, 2018).

In addition, 2021 witnessed a financial scandal involving KPMG, where Security and Exchange Commission Washington DC suspended two former KPMG auditors for fraud in relation to College financial statement misstatements (Gomber, Koch & Siering, 2017).

KPMG auditors authorized the issuance of clean and unqualified audit opinions on the financial statement of the College despite not having accurate, and complete critical audit steps to establish the true and fair position of the college's financial status (Sirois, Marmousez and Simunic (2016), and Ellen and Hugo (2020) also posited that the auditors of KPMG were careless, reckless, and corrupt for expressing clean report when they are fully aware that the College financial statement was inaccurate, incomplete and contain contradictory accounting information, as the college accountant overstated the statement of financial position at the tone of $33.8 million. Consistent with the position of Ellen and Hugo (2020), Hrazdil, Simunic, and Nattavut (2019) opined that the two KPMG auditors were aware of the financial misstatement and went ahead and issued unmodified report in the college financial statement of 2015 since the audit firm equally renders consultancy services.

In the year 2020, PwC was implicated in an allegation of potential conflict of interest in one of its audit jobs carried out in Sonangol as it was discovered that both the auditor and consultancy roles were carried out by the same PwC (Hrazdil & 2019). In the same year 2020, Deloitte was fined $19.4 million for failing to apply adequate professional scepticism in its audit exercise carried on Autonomy in the years of 2009 to 2011 financial statement prior to its acquisition by Hewlett-Packard.

The United Kingdom watchdog has said that the big 4 are overbearing and has issued four years for the big 4 to split their audit department from the consulting business in an effort to improve and enhance corporate reporting credibility. In addition, other studies have argued that the big 4 should separate their auditing departments from the rest of their operations that render consultancy services to the same corporate organization (Coyne, Coyne & Walker, 2018; Moon, Shipman, Swanquist & Whited, 2019). Neha and Viswanathan (2019) submitted that one body conducting consultancy and at the same time carry out an audit exercise will end up conducting a faulty audit that supports and legitimize corporate misconduct.

The UK watchdog expresses optimism that the big 4 complete the separation proposal by the end of 2024 (Mohanty & Mishra, 2017; Rahmi, Sari ^Wulandani, 2019). Sean (2018) posited that it is high time to reduce the dominance of the big 4 and this is expected soon to improve regulatory standards and quality of financial reporting.

Methodology

This study examined the audit practice and its market dynamics in auditing practice. The study adopted an exploratory research approach in examining the audit practice and its market dynamics in auditing practice. In carrying out this study, relevant materials, journals, periodicals, and other sources considered appropriate were systematically reviewed.

Conclusion, Recommendations, and Contribution to Knowledge

Conclusion

The audit market dynamics is getting less competitive and there has been a growing concern that oligopolistic high concentration and dominance in the audit market by the big 4 cause worries and gradually reduces genuine incentives to enhance audit competitiveness among the audit firms. The big 4 accounting firms of Deloitte, PricewaterhouseCoopers (PwC), (Ernst & Young (E&Y), and KPMG have over the decades dominated the accounting and auditing practice globally. Each of them has emerged through some structural changes and wielded the storm of the developmental process. There also the developmental process that saw Arthur Andersen drop out of the old big 5 to the present big 4. In some recent developments, many stakeholders have found flaws with the overbearing tendencies and domineering posture of the big 4 in the global audit practice.

In furtherance to this, in October 2018, the Competitive and Marketing Authority announced that it has launched a detailed study of the big 4 continual dominance of the global auditing industry, and in July, the United Kingdom Financial Reporting Council communicated to the big 4 that they must submit plans by October 2020 with arrangement to separate their auditing function from the consultancy of businesses from its fold.

Huge prospects and chances await the possibilities of changes in the big 4 in the years to come. The study showed that the big 4 domineering posture is gradually clipping the wings of the local and international regulatory bodies where they operate. It does appear that the big 4 are curiously been immune that it takes only stakeholders to expose some unethical practices of the big 4 leading to scandals that eventually robs the entire accounting profession.

Recommendations

This study recommends that the big 4 should beam its oversight torchlight within its fold and ensure that audit practice, accounting professionalism, and skepticism oversight functions are professionally and diligently carried out to solidify its milestone achievements over the years. The study recommends that big 4 (Deloitte, PwC, E & Y and KPMG) should reconsider critically the advisory recommendation of the UK Financial Reporting Council to separate its auditing department from the management consulting roles being performed for the clients, since it is far too unethical for a body to audit itself.

Contribution to Knowledge

This study in its originality has examined the audit practice and its market dynamics in the audit practice. While studies have considered the big 4 from some aspects, this study extended the frontiers, expanded the existing studies to include the big 4 historical development and structural changes. In order to drive the transformation of the audit profession and deliver greater value in our audits, KPMG has launched a number of initiatives to build a truly Dynamic Audit that keeps fit for today's digital world. Dynamic Audit refers to the continuous improvement of audit services through digital innovation, people enablement, multidisciplinary collaboration, multidimensional assurance service, trust built on quality, and other areas. Through this initiative, KPMG aims to improve audit quality, unleash the potential of data and deliver greater value to our clients.

References

Accounting Standard Board of Japan (2006). Conceptual framework of financial accounting. *The Discussion paper*.

Adams, R. J., Smart, P., & Huff, A. S. (2017). Shades of grey: Guidelines for working with the grey literature in systematic reviews for management and organizational studies. *International Journal of Management Reviews, 19(5)*, 432–454.

Akdogan, Y. E., & Boyacioglu, M.A. (2017). The effect of corporate governance on firm performance: A case of Turkey", International Journal of Critical Accounting, 6(2), 187-210.

Adner, R. (2006). When are technologies disruptive? A demand-based view of the emergence of competition.

*Strategic Management Journal, 23(*8), 667-688.

Adner, R., & Levinthal, D., (2001). Demand heterogeneity and technology evolution: implications for product and process innovation. *Management. Science. 47*(5), 611-628.

Aguguom, T. A., & Ajayi, A. (2020). Quality of Accounting Numbers and Shareholders Wealth Maximization: Empirical Evidence for Investment Decisions in Nigeria. *International Journal of Finance and Accounting, 9*(3), 45-55

Ahmed, K., Chalmers, K., & Khlif, H. (2013). A meta-analysis of IFRS adoption effects. The *International Journal of Accounting, 48(1)*, 173–217.

Ahmed, A., Maysem, F. A., & Hani, H. A. (2017). Qualitative characteristics of financial reporting and non-financial business performance. *International Journal of Corporate Finance and Accounting. 4*(2), 1-22.

Ahmad, M.G. (2019). Auditor Independence: Malaysian accountant's perception. International Journal of Business and Management, 4(3), 12-24.

Alsam, M. K., & Alrajabi, T. (2017). The factors which lead to change the external auditor in the Jordanian public companies. *International Journal of Organizations and Society, 24*(1), 85-94.

Aker, J. C., & Mbiti, I. M. (2010). Mobile phones and economic development in Africa. *The Journal of Economic Perspectives*, *24*(3), 207-232.

Al-Htaybat, K., & Al-Alhtaybat, V. L. (2017). Big data and corporate reporting: impacts and paradoxes. *Accounting Auditing & Accountability Journal, 30*(4), 850-873.

Ali, O., Shrestha, A., Soar, J., & Wamba, F. (2018). Cloud computing-enabled healthcare opportunities, issues, and applications: a systematic review. *International Journal of Information Management*, 3(3), 146–158.

Al-Shatnawi, H. M. (2017). Measuring the quality of the interim financial reports using the Qualitative characteristics of the accounting information and its effect on the investment decisions according to the IAS 34*. International Journal of Economics and Finance, 5*(5), 159-170.

Alt, R., Beck, R., & Smits, M. T. (2018). FinTech and the transformation of the financial industry. *Electronic Markets, 2(8)*, 235–243.

Andersen, C. (2019). Technology in accounting: Disruptive innovations and implications. *Journal Information System, 1*(1), 1-5.

Audousset-Coulier, S., Jeny, A., & Jiang, L. (2015). The validity of auditor industry specialization measures. Auditing: *A Journal of Practice & Theory, 35*(4), 139–161.

Batar, S.G., & Feltham, A.F. (2018). The role of audits and audit quality in valuing new issues. *Journal of Accounting and Economics, 1*(4), 13-29.

Beattie, V. H., Fearnley, S., & Brandt, R. (2018). Perceptions of auditor independence: UK evidence. *Journal* *of International Accounting, Auditing & Taxation, 8*(1), 7-17

Brummer, C. (2018). Disruptive technology and securities regulation. *Fordham Law Reviews*, *3*(38), 977-1052.

Chu, L., Simunic, D., Ye, M., & Zhang, P. (2018). Transaction costs and competition among audit firms in local markets. *Journal of Accounting and Economics, 65*(5), 129–147.

Coyne, E. M., Coyne, J. G., & Walker, K. B. (2018). Big Data information governance by accountants. *International Journal of Accounting & Information Management, 2*(6), 153-170.

Collins, D. W., Pungaliya, R. S., & Vijh, A. M. (2017). The effects of firm growth and model specification choices on tests of earnings management in quarterly settings. *The Accounting Review, 92* (2), 69-100.

DeFond, M., & Zhang, J. (2014). A review of archival auditing research. *Journal of Accounting and Economics, 58,* 275–326.

Delmond, M., Coelho, F., Keravel, A., & Mahl, R. (2017). How information systems enable digital transformation: A focus on business models and value co-production. *Journal of Business Strategy, 14*(3), 7-40

Ellen, M., & Hugo, M. (2020). From Enron to Wirecard – Big 4 Accounting Firms Still Face Systemic Problems. Available at: https://www.insurancejournal.com/news/international/2020/07/02/574138.htm. Retrieved 8th September 2021

Eshleman, J., & Guo, P. (2014). Do Big 4 auditors provide higher audit quality after controlling for the endogenous choice of auditor? Auditing: *A Journal of Practice & Theory, 33*, 197–219.

Faris, A., Jamil, S. A., & Elheddad, M. (2019). The impact of ICT on financial development: Empirical evidence from the Gulf Cooperation Council countries. *International Journal of Engineering Business Management, 1*(1), 1–14.

Gomber, P., Koch, J. A., & Siering, M. (2017). Digital finance and FinTech: Current research and future research directions. *Journal of Business Economics*, 8(7), 537–580.

Grant, R., Harber, M., & Minter, T. (2018). An analysis of the impact of audit firm rotation on audit fees: a South African perspective. *African Journal of Accounting, Auditing and Finance, 6*(2), 91–108.

Hopp, C., Antons, D., Kaminski, J., & Salge, T. O. (2018). Disruptive innovation: Conceptual foundations, empirical evidence, and research opportunities in the digital age. *Journal of Product Innovation Management, 35*(3), 446-457.

Hrazdil, K., Simunic, D.A., & Nattavut, S. (2019). Are the Big 4 audit firms homogeneous? Further evidence from audit pricing. *Willey-International Journal of Audit, 24*(3), 347–365.

Jubb, C. D. (2019). Competition issues in the market for audit and assurance services: Are the concerns justified? *Australian Accounting Review, 4*(4), 31-42.

Kaya, I., & Akbulut, D. H. (2018). Big data analytics in financial reporting and accounting. *PressAcademia Procedia, 6*(7), 256-259.

Khatun, A., & Ghosh, R. (2019). Corporate governance practices and non-performing loans of banking sector of Bangladesh: a panel data analysis. *International Journal of Accounting and Financial Reporting, 9(*2), 12-28.

Laja, Y.H. (2018). Factors affecting the auditing, accounting & assurance services in Thailand. *International Journal of Business and Management, 5*(1), 37-45.

Li, M., Porter, A. L., & Suominen, A. (2018). Insights into relationships between disruptive technology/innovation and emerging technology: A bibliometric perspective. *Technological Forecasting and Social Change, 129*(4), 285-296.

Mohammed, M., Khan, M. B., & Bashier, E. B.M. (2016). *Machine learning algorithms and applications*. (2nd Ed): CRC Press, Taylor and Francis Group, Boca Raton London.

Mohanty, A. & Mishra, A.M. (2017). Benefits and issues of cloud computing in accounting. *International Journal on Trend in Scientific Research and Development,* 1(6), 283-288.

Mokoaleli-Mokoteli, T., & Iatridis, G. (2017). Big 4 auditing companies, earnings manipulation and earnings conservatism: Evidence from an emerging market. *Investment Management and Financial Innovations, 14*(1), 35–45.

Moon, J., Shipman, J., Swanquist, Q., & Whited, R. (2019). Do clients get what they pay for? Evidence from auditor and engagement fee premiums. *Contemporary Accounting Research, 36*, 629–665.

Mopuch, N. H., & Simunic, D.S. (2017). Competition in auditing: An assessment. *Journal of accounting and finance, 4*(6), 87-99.

Murthy, J. J. (2017). Managing innovation and developing intellectual property strategies for firms. *Journal of Management, 13*(1), 82-88.

Neha, C. R., & Viswanathan, T. (2019). Disruptive technologies and its effect on the workforce in banks: A framework of assessment for mitigation. *The Empirical Economics Letters,*

Njenga, K., Garg, L., Kumar, A., Prakash,V., & Bawa, S. (2018). Cloud computing adoption in higher learning institutions in Kenya : hindering factors and recommendations for the way forward. *Telematics and Informatics*, 3(8), 225–246.

Okere, W., Ogundipe, U. L., Oyedeji, L. Q., Eluyela, D. F., & Ogundipe, K. E. (2018). Auditors' choice and financing decision of selected quoted firms in Nigeria. *International Journal of Management, Accounting and Economics, 5*(2), 66–77.

Otete, A. R. (2018). Audit market dynamics and auditors' remuneration of listed companies in East Africa. *European Journal of Accounting, Auditing and Finance Research, 6*(6), 12- 21.

Palmrose, Z. D. (2018). An analysis of auditor litigation and audit and accounting service quality. *The Accounting*

Review, *6*(3), 55-73.

Reckers, F.T. (2019). Auditor independence judgments: A cognitive-developmental model and experimental evidence. Accounting Horizons, 2(2), 32-44.

Patel, K. K , & Patel, S. M. (2016). Internet of Things-IOT: Definition, Characteristics, Architecture, Enabling Technologies, Application & Future Challenges. *International Journal of Engineering Science and Computing, 6*(5), 6122–6131.

Rahmi, N. U., Sari, W., & Wulandani, B. (2019). The effect of information technology, quality of accounting information and understanding of students on accounting software users. *Journal of Physics: Conf. Series, 1*(1), 425-436.

Rifat, F., Mukarrom, H., & Ratan, G. (2021). Board characteristics, audit committee attributes and firm performance: Empirical evidence from emerging economy. *Journal of finance and Accounting, 23*(5), 1-12.

Schilder, P.W. (2018). Factors affecting auditor independence in Malaysia: The perceptions of financial analysts. *International Journal of Accounting Research,* *4*(2), 48-57.

Sean, S. S. (2018). Digitization and financial reporting – how technology innovation may drive the shift toward continuous accounting. *Accounting and Finance Research*, 7(3), 240-250

Sen, C. (2020). The internet is no longer a disruptive technology: The disruptive innovators of 10 years ago are today's stable incumbents. https://www.bloomberg.com/opinion/articles/2020-01-02/the-internet-is-no-longer-a-disruptive-technology, Retrieved: 19/03/2020

Sirois, L. P., Marmousez, S., & Simunic, D. A. (2016). Auditor size and audit quality revisited: The importance of audit technology. Comptabilité - Contrôle – *Audit, 22*, 111–144.

Sun, Z., Sun, L., & Strang, K. (2018). Big data analytics services for enhancing business intelligence. *Journal of Computer Information Systems, 58*(2), 1-13.

Sindelar M., & Mullerova, L. (2017). Audit market concentration analysis focusing on auditors of public interest entities. In New Trends in Finance and Accounting (.443–452). Springer.

Srivastava, A., & Bhatia, S. (2020). Influence of family ownership and governance on performance: evidence from India Audit market dynamics. *Global Business Review, 09(7),* 1-19.

Sirayesh, R.M. (2019). Audit competence and audit and accounting quality: Case in an emerging economy. *International Journal of Business and Management, 4*(2), 17-39.

Thasharm, A. J. (2019). The factors that affect external auditor and accounting service quality in the Jordanian public companies. *Journal of Practice and Theory, 9*(2), 19-35.

Trornton, D.J. (2018). Auditor choice and audit quality determinants. *Journal of Business Finance and Accounting, 3*(2), 23-35.

Uyi, A. (2019). How accounting practice is adapting to adoption of disruptive technologies PricewaterHouse. htttps://www,pwc.org.

Wesrine, A. S. (2019). Factors affecting auditor and accounting independence in Tunisia: The perceptions of financial analysts. *Journal of Finance and Accounting, 3*(3), 15-28.

Wimnett, R.D. (2017). Factors affecting the auditing, accounting & assurance services in Australia. *Journal of Accounting Research, 5*(4), 25-36.

Wright, A.S. (2018). An examination of factors affecting the decision to waive audit adjustments. *Journal of Accounting, Auditing, and Finance, 1*(2), 13-36.

Yao, M., Di, H., Zheng, X., & Xu, X. (2018).Impact of payment technology innovations on the traditional financial industry: A focus on China. *Technological Forecasting & Social Change 13*(5), 199–207.

Xing, Y. (2019). Audit evidence concept, classification and collection techniques in China and the US. *Global Journal of Management and Business Research: Accounting and Auditing, 19*(5), 1-6.

Yli-Huumo, J., Ko, D., Choi, S., Park, S., & Kari, S. (2016). Where is current research on Blockchain technology?—a systematic review. P*los one-journal.pone*, *2*(2), 1-7.

Zhang, L., Pei, D., & Vasarhelyi, M. A. (2017). Toward a new business reporting model. *Journal of Emerging Technologies in Accounting 14* (2): 1–15..