

IMPACT OF ENVIRONMENTAL, DEMOGRAPHICAL AND PERSONAL FACTORS ON AUDITORS' ETHICAL DECISION MAKING IN NIGERIA

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Abstract: This research introduces organization and personal dimensions to the study of ethics amid the adverse reactions of the users of the financial statements to a business fiasco. Using survey research design, a sample of one hundred and thirty-eight audit firms was taken while Probit analysis was used in testing the propositions made. Findings indicate that knowledge of the client industry and government policy are vital in shaping ethical decision making. It was concluded that environmental uncertainties and personal orientation of the auditor offers explanations to the dilemma and decision making of the auditor. Thus, it is suggested that a critical review of audit personnel characteristics and the technological environment would be a step in the right direction if the ethical dilemma is to be minimized.

Keywords: Ethical dilemma, Ethics in accounting, Ethical dimensions, Ethical decision making

JEL Codes: M41, M42

1. Introduction

With the need for investors to be assured of the safety of their investments, financial statements need to be validated by auditors. This validation is an ethical obligation that should be discharged with a high and utmost sense of responsibility. Auditors must, therefore, gather more skills that would assist in increasing the level of reliance on published financial statements which is useful for decision-makers.

The decision on what type of audit report to render to clients is the final cumulative audit decision and is subject to a considerable amount of professional judgment and negotiation with the clients (Oladipupo & Izedonmi, 2011). As a result of

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familiarity, threat of replacement of an auditor, provision of book-keeping services by the auditor and many other factors, the auditor may want to issue an unqualified audit even when the situation on ground proved otherwise (Adeyemi & Okpala, 2011).

In the business world today, survival and growth cannot be sustained if good ethical behavior and goals are not the ideals of a nation that is yearning for development (Okaro, Okafor & Okoye, 2015). This perhaps accounts for why ethics is becoming more and more important both to practitioners and the academia (Isac & Remes, 2017). The initial focus on unethical behavior in Nigeria was in political circles, however, unethical business practices have also gained momentum with the various expositions of corrupt and illegal business practices among professionals resulting in significant losses of investments by local as well as foreign investors (Ajibolade, Ogunleye & Omorogbe, 2014). Auditors make unethical decisions because of several reasons. For example, decisions are made based on what is most convenient as well as self-interest and opportunity to gain advantages of outcome of the decision (Larsson & Wennerholm, 2006).

It has been argued that few Nigerian auditors are not applying the ethical standards when making their decision and there is a need for guidelines for applying the broad concept of these requirements in Nigeria circumstances (Ohiokha & Akhalume, 2013). Unethical decision making has caused many people to lack trust in auditors since audited financial statement does not seem to be reliable again because of various downfalls of some companies. Against this backdrop, this research work is therefore aimed at examining the impact of environmental, demographic and personal factors on auditors' ethical decision making in Nigeria in order to regain public trust in audited financial statements. In achieving this aim, the objectives were to:

- i. examine the effect of environmental factor (technological, client industry, economic. Competitive and regulatory environments) on auditor ethical decision making;
- ii. evaluate the extent to which personal factors (technical skills, competencies' knowledge and locus of control) influence auditors' decision making; and
- iii. determine the influence of demographic factors (auditors' age, gender and tenure) on auditors' ethical decision making.

Studies focusing on ethical dilemma of auditors in a developing country like Nigeria is sparse and the rapid dynamics of a country like Nigeria raises major issues at the organizational level and individual level of personnel that are saddled with the responsibility of giving an opinion on the financial position of an entity which also operates in an environment with policy inconsistency (a major drawback in third world economies). Thus, the introduction of organizational and

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personal factors to the study of ethical dilemmas of auditors operating in this environment. The uniqueness of the elements in this paper is drawn from the statistical inference made using the Probit analysis rather than the usual ordinary least square which has been a major setback for studies in this field. The results of the analysis suggest that vast knowledge of the client's industry and government policy are very crucial if ethical dilemma is to be minimized.

This research work focuses on auditors from selected audit firms in Nigeria. The rest of the paper is structured into four (4) sections. The next section is to review relevant literature while the last three (3) sections would provide a research approach to the study, present and conclusions respectively.

2. Literature Review

2.1. Conceptual Framework

This study is underpinned by the concepts of Ethics, Ethical Dilemma and Ethical Decision Making (EDM). They are reviewed as follows:

Ethics in accounting and auditing

According to John and Ofiafo (2013), ethics is a system or code of conduct based on moral duties, value and obligation that indicates how we should behave within a constituted body or society. Ethics is very important for professionals to perform their tasks, and acquire professional integrity (Ahmed, Sofri & Harashid, 2013). Professional ethics emanates from a moral reflection in work and it is based on the practice of a profession (Collste, 2012). The International Federation of Accountants (2006), defined professional ethics as the professional behavior and characteristics that identify professional accountants as members of a profession.

Professional ethics can be seen as performing the ethical code, norms, principal and organizational culture of a particular profession (Okezie, 2016). Without professional ethics, quality of professional service would be of lesser value (Oladipupo & Eriki, 2015). As a professional, auditors should avoid negligence and dishonesty (Ceacilia, Sunarto, & Listyorni, 2015). Many well-known professional principles and standards applicable to the professional ethics of accountants and auditors to aid their decision-making practices have been developed when faced with ethical issues of dilemma.

According to John and Ofiafo (2013), the importance of professional ethics includes; protection of clients and professionals, providing guidelines on acceptable conduct, raising the level of awareness and consciousness on issues, enhancement of profile of the profession and clarifying the ideals and responsibilities of the profession. The reliability of auditors has taken a strong beating as a result of corporate scandals involving international companies such as Enron and Worldcom (Ahmed, Sofri & Harasid, 2013). It is argued that auditors

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have been the main contributors to the decline in the ethical standards of a business because of their failure to exercise due care and diligence in the performance of their duties (Pairat & Phapruek, 2009; Otusanya & Lauwo, 2010; Okezie, 2016). Corporate business failure has remained a threat to sustained economic growth around the globe (Christopher & Omesie, 2014). In essence, ethics is the set of moral standards for judging whether something is right or wrong. Ethical codes are informative and helpful. However, the motivation to behave ethically must come from within oneself and not just from the fear of penalties for violating professional codes (Okeize, 2016).

Ethical Dilemma

According to Fadiran and Alaka (2015), the ethical dilemma may be described as a situation in which all available causes of action appeared to include morally undesirable as well as morally desirable aspects. Ethical dilemma is an ethical problem to this choice in which ethical decision involves ignoring a powerful non-ethical consideration. The ethical dilemma pressure is usually caused by mental or actual threat to the future financial relationship between auditors and the auditees (Naslmosavi, Sofian, Saat & Jahanzeb, 2015). Most auditors in business and public practice face ethical dilemma in the course of their professional services (Oladipupo & Eriki, 2015). The Institute of Certified Public Accountants (2006), emphasized that ethical issues that may lead to ethical dilemma for auditors include; non-audit services, fee level, long association with the client, commencement in practice, business relation with the client, ethics partner, policies and procedures.

Ethical Decision Making

Decision making is the totality of the mental, bodily and emotional process related to selection and preference between the ways, tools and opportunities that would enable one to achieved various stated objective (Fagbola & Popoola, 2015). According to Pairat and Phapruek (2009), an ethical decision making is the process and rationales of auditors to choose the best decision from various alternatives after considering factors such as ethics, moral, good virtue and right dimension whenever confronted with dilemmas. An ethical decision making is a long stage of beginning the process of identification, consideration desire into a behavior that is ethical or unethical about a certain ethical issue (Dewi, Ratna, & Choirul, 2014). Ethical decision making helps auditor make difficult choice when faced with an ethical dilemma, a situation in which there is no clear right or wrong answer (Fahimeh & Mahdi, 2013). Ethical decision making typically examines three perspectives namely; the ethic of obedience, the ethic of care and ethic of reasoning. The ethic of obedience does not only look at the law, but also the spirit

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of moral values. The ethic of care engages our emotional intelligence and empathy in making a decision from another perspective and the ethic of reasoning engages our rational brain. Many professional accounting bodies all over the world have come up with standards of ethical codes that serve as a guide for its members both in private and public in making ethical decision. Auditors' compliance with the professional codes of conduct may potentially be threatened by a broad range of circumstances including self-interest, self-review, advocacy, familiarity, and intimidation threats (ICAN, 2009). Any of these threats should be taken seriously because it can affect auditors' ethical decision-making process (Johari, Mohd-Sanusi, & Chong, 2017).

2.2. Theoretical Framework

This study will be hinged on ethical theory. According to Chonko (2014), ethical theory provides part of the decision-making foundation for making decision when ethics are in play. This is because theory represents the view point from which individuals seek guidance as they make decisions. The aim of ethical theories is among other things to present and defend systematic answers to the questions such as; what moral standards (norms and values) should we take into account when assessing actions, decisions and institutions? How should such moral standard be justified? (Gamlund, 2012). The ethical theories can be viewed as guidelines of how human beings should act. It is a tool of framework when considering actions in a situation, for example, issuing audit opinion on financial statement (Stine, 2011).

Understanding some of the common set of goals that decision maker seeks to be successful is important in order to further understand ethical theory. Four of these goals includes beneficence (guides the decision maker to do what is right and good), least harm (decision maker seek to choose to do the least harm possible and to do harm to fewest people), respect for autonomy (decision maker should focus on allowing people to be able to make decisions that apply to their lives) and justice (decision maker should focus on actions that are fair to those involved) (Chonko, 2014). Though using ethical theories needs thoughtful consideration, due to different purpose of the theories. The two main forms of ethical theory are normative and applied ethics. Normative ethic is a study of what is right and wrong. There are three principal normative ethical theories these include consequentialism (egoism & utilitarianism), deontology and virtue/classical ethical theory (Stine, 2011). According to Gamlund (2012), egoism is when an auditor takes into consideration how the consequences of an act will affect him or a given group. An ethical egoist believes that human conduct should be based exclusively on self-interest (Fadiran & Alaka, 2015). Therefore, an action is morally right if it maximizes one's personal good. Utilitarianism is when an auditor takes into

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account how the consequences of an act will affect all the parties involved. Deontology implies that an auditor should adhere to his obligations and duties when engaged in decision making when ethics are in play (Chonko, 2014). Deontology could seem to be the ideal ethical theory for the auditing profession, as it is the motive behind that decides whether it is a good action (Stine, 2011). The virtue ethical theory judges an auditor by his/her character rather than by an action that may deviate from his/her normal behavior. The auditor's morals, reputation and motivation are taken into account when rating an unusual and irregular behavior that is considered unethical (Chonko, 2014). Applied ethics is the art of reflecting on moral dilemma and moral problems in different social contexts (Collste, 2012).

The relevance of this theory is that it can be seen as guidelines of how auditors should act. It is a framework when considering actions in auditing financial statements. Using ethical theory can make it easier in identifying moral dilemmas and provide a pathway for moral reasoning (Mele, 2005). It should be noted that these theories are not prescriptions for actions, but should rather be seen more as tools for understanding complex situations (Preuss, 1998). Thus, it is proposed that environmental, personal and demographic factors would affect auditors' complex situation.

2.3. Empirical Evidence

There are several reviews on the latest research, either directly or indirectly supporting the dependent variable (ethical decision making) and independent (environmental, demographic and personal factors). For example, the study of Chananda and Phapruek (2009), argued that environmental uncertainty is positively associated with internal control system evaluation and fraud risk analysis. The study investigates the influence of strategic audit planning on audit performance through audit judgment and quality. The study also examined two moderating effects: environmental uncertainty and time pressure influence on the relationships. The data used in the research was primary data collected from tax auditors of Thailand. The data was analyzed using the Ordinary Least Squares (OLS) regression analysis. The results indicated that the greater the degree of strategic audit planning, the more likely it is to achieve higher audit judgment and quality but no influence of the environmental uncertainty.

External environments are all elements that exist outside the boundary of the organization and have potential effect on all or part of the organization (Daft, 2010; Robbin & Judge, 2012). Unpredictability in factors in the external environment such as: technological sophistication and complexity in the industry in which a company operates have been proposed to affect operations (Ajibolade, 2013). Perceived Environmental Uncertainty (PEU) measures the unpredictability in the

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environment in which a firm operates. Based on survey data from 90 foreign management accountants, Hirth-Goebel and Weißenberger (2019) found support that the ethical climate has a serious impact on the inclination toward unethically questionable behavior among management accountants. The questionnaire-based results reinforced the idea that the link between ethical knowledge and the purpose of participating in ethically questionable behavior, is rather indirect.

Boshoff and Van-Zly (2011), conducted research in order to examine the relationship between the scores achieved on locus of control and scores achieved on ethical behavior among employees in the financial sector at the University of the Free State, Bloemfontein, South Africa. A questionnaire was used to measure respondents' ethical behavior and locus of control. The relationship between locus of control and ethical behavior was ascertained by means of Pearson's product-moment correlation coefficient. Based on the results, it was clear that employees in the financial sector with a prominent internal locus of control, have greater levels of ethical behavior. In contrast, employees with a prominent external locus of control, have lower levels of ethical (that is, poor ethical behavior). Their study also added that external forces such as competitive pressures, resource needs, economic conditions, scarce resources, political and social institutions, and multiple stakeholders simultaneously influence the individual's ethical behavior. Barac, Gammie, Howieson and Staden (2016), noted that the environment within which business operates is rapidly changing, which necessitates a vigorous ability for corporations to adapt. This change challenges the auditors both in terms of the current capabilities and also whether the scope of the current audit is still fit for the purpose. The auditor should understand sufficiently the component of internal control system and use his knowledge to make audit decision concerning the uncertainty of environment (Sharma, Boo & Sharma, 2008). For firms to maintain equilibrium in an uncertain and dynamic environment, consideration should be given to environmental uncertainty as it is one of the most powerful contextual variables affecting auditors' decisions (Ghosh & Olsen, 2009). Among the environmental variables that may affect decision of auditors includes technological advancement, competition in audit market and client's industry.

Auditors both in private and public practice do face ethical dilemma or issues that call for increased ethical sensitivity with outcomes that reinforces public trust, integrity and credibility in the profession (Oladipupo & Eriki, 2015; Okezie, 2016). Ratna, Tenriwatu and Agung (2016), in their study, examined the influence of time budget pressure and locus of control on dysfunctional audit behavior. Primary data in form of a questionnaire was used as the research instrument. The hypothesis was tested using multiple linear regression and they concluded that there is no significant relationship between locus of control and auditors' unethical behavior.

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Fahimeh and Mahdi (2013), investigated multiple factors that are associated with ethical sensitivity of auditors. The data used in their research was primary data obtained through a questionnaire. Methodology used to analyze the result included: one-way ANOVA, two-way ANOVA and independent sample T-test. The results obtained from the study showed that in regards to their ability to recognize ethical sensitivity, auditors vary from one-another based on the employment position and the degree of ethical sensitivity of auditors increases with the organizational position of auditors. Furthermore, the results demonstrated that ethical sensitivity has a direct relationship with age and employment position of individual auditors. Adeyemi and Okpala (2011), in their research, studied the impact of audit independence on financial reporting in Nigeria. In conducting their research, both primary (questionnaire) and secondary (Financials statements of companies quoted on the Nigerian Stock Exchange) data were used. The primary data were analyzed using T-test while the secondary data were analyzed using regression analysis. The results obtained showed that there is a significant and positive relationship between audit quality and quality of financial reporting. In addition to their study, firms operating in an intensively competitive environment may have difficulty in remaining independent since the client can easily obtain the service of another auditor.

Many studies have shown the impact of demographic factors such as age, gender, job experience and tenure on ethical behavior. Demographic factors have been argued to have an influence on ethical behavior but results have been inconsistent. For example, age is a variable for which empirical results differ across studies. Some research argues that the relationship between age and ethical judgment is positive (Safakli, 2011; Fahimeh & Mahdi, 2013) while some studies find that younger people render stricter ethical judgment than older people (Ede, Panigrahi, Stuart & Calcich, 2000; Vitell, Singh & Paolillo, 2007). However, other studies report no significant relationship between age and ethical judgment (Hashem, Fraydon, Abbas, Farhad & Yousef, 2013). An entire literature exists on investigations of ethical differences between women and men. A great deal of prior research has examined how a person's ethical perspectives are related to gender (Hashem et al, 2013; Ajibolade, Ogunleye, & Omorogbe, 2014; Reza, Azadeh & Safa, 2016). The study of Ajibolade, Ogunleye and Omorogbe (2014), examined the relationship between gender and attitude towards ethical behavior among Nigerian managers. The data was collected with the use of a questionnaire and analyzed using T-test. Their results indicated that there is no difference in the attitude of both male and female to business ethics. Reza, Azadeh and Safa (2016) attempted to investigate previous domestic and foreign studies on ethics and professional ethics regarding individual and organizational dimensions. The

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findings of the study indicated that personal and professional factors affect the ethics of professional accountants.

Almutairi, Dunn and Skantz (2009); Lim and Hun-Tong (2010) argued that long auditor tenure gives the auditor knowledge about the company's operations, its issues and risks; this knowledge will improve the quality of the audit. Muthui, Muturi and Kabiru (2014), also concluded that the longer an auditor is with a company, the more it learns about its personnel, its business and its intrinsic value. Personal factors relate to an auditor's personal perception, ideologies and understanding. These personal factors include; technical skills, competencies knowledge, locus of control. Auditors should acquire knowledge that is deeper and sufficient to enable them to competently perform their role. According to ICAN (2009), it is important that auditors maintain professional knowledge and skill at the level required to ensure that clients receive competent professional service. These skills can be acquired through education, training and work experience. Auditors should use their professional skills carefully and thoroughly in order to ensure reliable performance (Ceacilia, Sunarto, & Listyorni, 2015). Barac, Gammie, Howieson and Staden (2016), identified that the following skills could change the nature of an auditor: Marketing skills and relationship building skills, enhanced problem-solving skills, data analytical skills, business acumen skills, in-depth knowledge skill, negotiation skills project management skills and forensic skills. A person who has integrity is believed to act with moral values and cannot deviate when there is a negative situation to handle (Bakre, 2007). In another dimension, Nehme, AlKhoury and Al-Mutawa (2019), using data from the big audit firms in the United Kingdom and Kuwait, noted that auditors' experience influences dysfunctional behavior of auditors.

Locus of control is an important variable for the explanation of human behavior in an organization. It is a personality trait measured in terms of internal and external focus (Fagbola & Popoola, 2015). Internal locus of control deals with those who believe that an event is always in control and will always take on the role and responsibility in the determination of right or wrong (Rotter, 1966). These categories of individuals will actively seek information before making decision, more motivated to excel and do a greater effort to control their environment. On the other hand, individuals with external locus of control believe event in life are beyond his control and that his life is affected by fate, luck and chance and trust the forces outside him (Rotter, 1966). They believe that God helps only those who help themselves. More so, Ceacilia, Sunarto and Listyorini (2015), conducted research to examine the effects of internal locus of control, external locus of control and organizational commitments to the acceptance of dysfunctional audit behavior. The data was collected with the use of a questionnaire and analyzed using multiple regression. The research concluded that internal locus of control has a negative

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effect on audit behavior and external locus of control has a positive effect on the acceptance of audit behavior. This implies that those with internal locus of control personality trait have high tendency of behaving unethically. This is in line with the result obtained by Anugera, Anita, Sari, & Raisya (2016), which examined the effects of external locus of control, auditors' performance and organizational commitment on reduced audit quality behavior. The study was carried out in Indonesia. Their study applied partial least square analysis to analyze the questionnaire survey. The results revealed the existence of a positive influence of external locus of control on reduced audit quality behavior. In contrast, Ratna, Tenriwatu and Agung (2016), argued that external locus of control has no significant effect on auditors' unethical behavior.

From the empirical evidence, it is therefore hypothesized in the null form that:

- H₀₁: There is no significant relationship between environmental factor (technological, client industry, economic. Competitive and regulatory environments) and auditors' ethical decision making.
- H₀₂: There is no significant relationship between personal factors (technical skills, competencies' knowledge and locus of control) and auditors' ethical decision making.
- H₀₃: There is no significant impact of demographic factors (auditors' age, gender and tenure) on auditors' decision making.

3. Methodology

This study adopted survey research design. The target population consists of two hundred and fourteen (214) compiled audit firms in Nigeria. The sampling technique adopted in this study is the simple random sampling which is the most fundamental method of probability. A sample of one hundred and thirty-eight was taken at 95% confidence level and at 5% margin of error.

The primary data was adopted to accomplish the objective and the major source of data collection used is a well-structured questionnaire. The questionnaire was administered to auditors of selected audit firms. The questionnaire contained a set of questions classified into two sections- A and B. The first part was questions relating to socio-demographic characteristics of the respondents such as age, professional qualifications and the highest level of education. The second part contained questions relating to auditors' ethical decision making and their determinants. The opinions of respondents to the questions were sought through a Likert scale format. Data collected in this research work was analyzed using descriptive and inferential statistics. The descriptive statistics include frequency count and percentage and for inferential statistics, ordered probability regression model (Probit) was used, this is useful in testing the existence of relationship and the strength of such relationship between dependent and independent variables.

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The models for this study are stated as follows:

$$\text{Prob (EDM}_i = j | x) = \beta_0 + \beta_1\text{ECO}_i + \beta_2\text{TECH}_i + \beta_3\text{CLI}_i + \beta_4\text{COMP}_i + \beta_5\text{RGP}_i + \mu_i \quad (1)$$

$$\text{Prob (EDM}_i = j | x) = \beta_0 + \beta_1\text{TS}_i + \beta_2\text{CK}_i + \beta_3\text{LOC}_i + \mu_i \quad (2)$$

$$\text{Prob (EDM}_i = j | x) = \beta_0 + \beta_1\text{AGE}_i + \beta_2\text{SEX}_i + \beta_3\text{TELi}_i + \mu_i \quad (3)$$

Where:

- j = Order of response range 1 to 5
- x = represent the independent variables in the models
- β_0 = Intercept
- β_1, \dots, β_5 = Regression Coefficients
- μ = error-term
- EDM = Ethical Decision Making
- TECH = Technological uncertainty
- ECO = Economic uncertainty
- CLI = Client Industry
- TS = Technical Skill
- CK = Competencies Knowledge
- LOC = Locus of Control
- TEL = Auditors' Tenure

Table 1 shows the administered and retrieved questionnaire given to audit firms in Nigeria, one hundred and thirty-eight were questionnaire administered and seventy-four were collected represent 54%; although two were not usable.

Table 1 Questionnaire Retrieved Analysis

Questionnaire	Frequency	Percentage
Returned	74	54
Non-return	64	46
Total	138	100

Source: Author's View

Validity and Reliability Test

As regards the construct validity in term of convergent validity, confirmatory factor analysis was performed using Kaiser-Meyer-Olkin (KMO) and Bartlett's tests. The results (Table 2) shows that all measurement items of each sample are significant at level 0.01 based on the Barlett's Test of Sphericity test. The KMO value of each construct is 0.70. The implication of these results is that the measurement scales used in this study are valid. The reliability of the scale used for the operational variables was determined using Cronbach's Alpha test. The results indicate that there is a high degree of reliability and internal consistency in the items used across board.

Table 2 Validity and Reliability Tests

Panel A: KMO & Bartlett's Test

Variables	KMO	Bartlett's Test of Sphericity		
		Chi-square	Df	P-value
Operational Questions	.702	733.254	378	.000

Panel B: Cronbach Alpha

	Variables	No of Items	Cronbach Alpha
Environmental Factors	TECH	5	.891
	CLI	5	.885
	ECO	5	.706
	COMP	5	.751
	RGP	5	.813
Personal Factors	CK	6	.828
	TS	6	.816
	LOC	12	.841

Source: Author's View

4. Results

Demographic Statistics

Table 3 shows the summary of background information of the respondents to whom questionnaires were administered.

In this vein, the respondents were not gender biased in filling of the questionnaire. Respondents' age shows that majority are mature enough to take decision on their own. The educational qualification of the respondents was taken into consideration so as give reliability on whatever information was provided by them. The working experience of the respondents is very important in this study as it gives assurance of the respondents in terms of answering the questions raised in the questionnaire. The result also shows that respondents cut across different sizes of audit firms with quite a handful having professional certification.

In measuring ethical decision making, respondents were requested to react to a scenario (on deferred tax – Scenario 1) with ethical implication. Table 4 shows the diversity of opinions expressed by the respondents. This is affirmed by the use of percentages and overall mean point of 2.985. The individual analysis of the four items also attest to the dilemma that auditors are faced with in the conduct of their duty.

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Table 3 Demographic Variables

Variables	Frequency	Percent
Gender		
Male	44	61.1
Female	28	38.9
Total	72	100
Age		
25-34	25	34.7
35-44	18	25.0
45-54	19	26.4
55 and above	10	13.9
Total	72	100
Education Level		
OND	10	13.9
HND	20	27.8
B.Sc.	24	33.3
M.Sc./MBA	16	22.2
Ph.D.	2	2.8
Total	72	100
Working Experience		
1-5yrs	29	40.3
6-10yrs	20	27.8
11years and above	23	31.9
Total	72	100
Firm Type		
Big (International affiliation)	2	2.8
Medium-sized	16	22.2
Small	54	75
Total	72	100
Professional Qualification		
None	6	8.3
AAT	23	31.9
ACA	28	38.9
ANAN	10	13.9
ACCA	5	7
Others	-	-
Total	72	100

Source: Author's View

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Scenario 1: Ethical Decision Making

You have recently been appointed as an external auditor to APEX Nigeria Plc. As an external auditor your duty is to express an independent opinion on the fairness of the financial statements prepared by the management. While auditing the financial statements, you discovered that APEX Nig. Plc. recognized a deferred tax asset despite the doubt of the company's capability of making substantial future profits. IAS 12 requires that deferred tax assets be only recognized if it is probable that a company will make enough future profits to utilize the deferred tax assets. The management argued that a new subsidiary BALEX LTD acquired during the period will make tangible profits, though APEX PLC might not. What will be your reaction?

Source: Author's View

Table 4 Ethical Decision Making

	Inform FIRS	Take no action	Indecisive	Resign	Discuss with CEO
Frequency	8	11	10	1	42
Percent	11.1	15.3	13.9	1.4	58.3

Source: Author's View

Table 5 shows the opinions expressed by the respondents on environmental factors (technological uncertainties, competition, nature of client industry, economic situation and government policies). The overall mean point of 3.82 was observed, which is higher than the mid-point of 2.51 indicating a moderately high level of uncertainties in the Nigeria business environment. The mean point of 4.15, 4.13, 4.16 and 2.98 was found for technical skills, competency knowledge, and locus of control (internal and external) respectively.

Table 5 Ethical Decision Making

Environmental Factors	Very Large Extent	Large Extent	Moderate Extent	Low Extent	Very Low Extent	Mean	SD
Technological advancement (TECH)		2(2.8)	17(23.6)	26(36.1)	27(37.5)	4.08	0.85
Competition in audit market (COMP)	6(8.3)	5(6.9)	15(20.8)	34(47.2)	12(16.7)	3.57	1.11
Clients' industry (CLI)	1(1.4)	5(6.9)	12(16.7)	43(59.7)	11(15.3)	3.81	0.83
Economic Situation (ECO)	4(5.6)	7(9.7)	7(9.7)	36(50.0)	18(25.0)	3.79	1.10
Regulations and government policies (EGP)	1(1.4)	1(1.4)	22(30.6)	32(44.4)	16(22.2)	3.85	0.83
Technical Skills (TS)							
Ability to apply audit standards and guidance			3(4.2)	32(44.4)	37(51.4)	4.47	0.58
Ability to treat sensitive and confidential information appropriately		2(2.8)	7(9.7)	34(47.2)	29(40.3)	4.25	0.75
Use of information technology and tech-based audit techniques		1(1.4)	16(22.2)	28(38.9)	27(37.5)	4.12	0.80
Ability to gather and evaluate information	1(1.4)		17(23.6)	20(27.8)	34(47.2)	4.19	0.90
Professional skepticism	7(9.7)		16(22.2)	31(43.1)	18(25.0)	3.74	1.14

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Competencies Knowledge (CK)							
Financial statement audit			1(1.4)	31(43.1)	40(55.6)	4.54	0.53
In-depth industry knowledge			9(12.5)	36(50.0)	27(37.5)	4.25	0.67
Business law and government regulation		2(2.8)	21(29.2)	31(43.1)	18(25.0)	3.90	0.81
Computer-assisted audit packages and techniques		4(5.6)	17(23.6)	33(45.8)	18(25.0)	3.90	0.84
International Financial Reporting Standards		4(5.6)	12(16.7)	32(44.4)	24(33.3)	4.06	0.85
Locus of Control – Internal	SD	D	U	A	SA	Mean	STD
I actively seek information before making decision				17(23.6)	55(76.4)	4.7	0.42
I can foresee difficulties and take action to avoid them	1(1.4)	2(2.8)	7(9.7)	47(65.3)	15(20.8)	4.01	0.74
My mistakes and problems are my responsibilities to deal with	1(1.4)	3(4.2)	5(6.9)	40(55.6)	23(31.9)	4.13	0.82
Becoming successful is a matter of hard work, luck has little or nothing to do with it		7(9.7)	11(15.3)	38(52.8)	16(22.2)	3.88	0.87
I am confident of being able to deal successfully with future problems			10(13.9)	46(63.9)	16(22.2)	4.08	0.60
There is a direct connection between how hard I work and the output I get		3(4.2)	5(6.9)	40(55.6)	24(33.3)	4.18	0.74
External							
A great deal of what happens to me is a matter of chance	3(4.2)	22(30.6)	17(23.6)	19(26.4)	11(15.3)	3.18	1.15
Maintaining control over my problem is due mostly to luck	4(5.6)	29(40.3)	14(19.4)	16(22.2)	9(12.5)	2.96	1.17
I can control my problems, only if I have outside support	7(9.7)	28(38.9)	20(27.8)	10(13.9)	7(9.7)	2.75	1.12
My decision is controlled by outside actions	8(11.1)	25(34.7)	15(20.8)	18(25)	6(8.3)	2.85	1.17
To continually manage my problems, I need professional assistance	4(5.6)	22(30.6)	11(15.3)	24(23.3)	11(15.3)	3.22	1.20
Everyone knows that luck determines future	10(13.9)	15(20.8)	20(27.8)	21(29.2)	6(8.3)	2.97	1.19

Source: Author's View

4.3. Hypotheses Testing

Table 6 shows the linear relationship between ethical decision making and environmental factor of the selected audit firms in Nigeria with the use of ordered probability regression analysis (Probit). In terms of the signs and magnitude of the coefficients which signify the impact of environmental factor on ethical decision making, technology (TECH) and competition (COMP) does not have significant influence on auditors' ethical decision-making as indicated by the marginal impact coefficient (0.02 and 0.01) respectively with p-value > 5% significance level. Additionally, client's industry (CLI), economic situation (ECO) and government policy (RGP) clearly have significant impact on auditors' ethical decision making (0.098, 0.115 and 0.125) with p-value<0.05.

Overall, the result of LR- χ^2 of 21.98 with p-value=0.0001 at 5% significance level, the null hypothesis was not accepted; and this implies that perceived environmental factors clearly have significant impact on auditors' ethical decision making of selected audit firms in Nigeria.

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Table 6 Environmental Factors and Ethical Decision-Making

Variable	Coefficient (dy/dx)	Coefficient	P-value
TECH	0.0183	0.1184	0.523
ECO	0.0975	0.6314	0.003
CLI	0.1152	0.7455	0.001
COMP	0.0135	0.1147	0.491
GRP	0.1252	0.8125	0.002
Pseudo R ²	0.1295		
LR-chi ²	21.98		
Prob (chi ²)	0.0001		

Source: Author's View

Using the second model, Table 7 shows the effect of personal factors (Technical skills-TS, competency knowledge-CK and locus of control-LOC) on ethical decision-making (EDM) of selected audit firms in Nigeria with the use of Probit regression. In terms of the signs and magnitude of the coefficients which signify the impact of personal factor on ethical decision making of selected audit firms in Nigeria, technical skill and competencies knowledge clearly have significant impact on auditors' ethical decision making as indicate by marginal impact coefficient (0.1218 and 0.0223) with p-value (0.021 and 0.042) respectively at 5% level of significant. While for locus of control, internal-LOC does not have significant impact on auditors' ethical decision-making as indicated with marginal coefficient (0.0900) with p-value (0.163) at 5% significance level. However, external-LOC has significant effect. Overall, the result of LR-chi² of 8.11 with p-value=0.0054 at 5% significance level, the null hypothesis was rejected, this implies that perceive personal factor clearly have significant impact on auditors' ethical decision-making of selected audit firms in Nigeria.

Table 7 Personal Factor and Ethical Decision Making

Variable	Coefficient (dy/dx)	Coefficient	P-value
TS	0.1218	0.0956	0.021
CK	0.0223	0.6202	0.042
LOC-Internal	0.0900	-0.4843	0.163
LOC-External	0.1152	0.8115	0.002
Pseudo R ²	0.0124		
LR-chi ²	8.11		
Prob (chi ²)	0.0054		

Source: Author's View

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From Table 8, the relationship between ethical decision-making of auditors and demographic factors is shown using ordered probability regression analysis. In terms of the signs and magnitude of the coefficients which signify the impact of demographic factors on ethical decision-making of selected audit firms in Nigeria, auditor tenure clearly has significant impact on ethical decision-making as indicated by marginal impact coefficient (0.1033) with p-value=0.008 at 5% level of significant. While age and gender do not have significant impact on auditors' ethical decision-making as indicated with marginal coefficient (0.0629 and 0.0774) with p-value (0.134 and 0.225) at 5% significance level respectively.

In a nutshell, the result of LR- χ^2 of 18.16 with p-value=0.0004 at 5% significance level, the null hypothesis was rejected, this implies that perceive demographic factor clearly have significant impact on auditor's ethical decision making of selected audit firms in Nigeria.

Table 8 Demographic Factor and Ethical Decision Making

Variable	Coefficient (dy/dx)	Coefficient	P-value
TEN	0.1033	0.6243	0.008
SEX	-0.0774	0.4681	0.225
AGE	0.0629	-0.3807	0.134
Pseudo R ²	0.0124		
LR- χ^2	18.16		
Prob (chi ²)	0.0004		

Source: Author's View

Discussion of Findings

Results show that technological factor and client's industry have significant impact on auditor's ethical decision making. This result is consistence with that of Ajibolade (2013), Sharma *et. al* (2008) and Chananda and Phaprueke (2009). But economic factor does not have significant effect on auditors' ethical decision making, this against the findings of Ajibolade (2013).

Auditor's technical skill and competencies knowledge have significant impact on auditors' ethical decision making. This finding is in line with the work of Sharma *et. al* (2008), ICAN (2009), Ceacilia *et. al* (2015) and Barac *et. al* 2016. But locus of control does not have significant effect on auditor's ethical decision making, this against the findings of Ratnal *et. al* (2016), Boshoff & Van (2011), Fagbola & Popoola (2015) and Ceacilia *et. al* (2015).

Result also shows that auditor's tenure has significant impact on ethical decision making. This is consistence with the result of Fatimeh & Mahdi (2013), Almutairu & Dunn (2009), Lin & Hun-Tong (2010) and Kabiru (2014). But auditor's age and

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gender do not have significant impact on ethical decision making; this is line with the result of Hashem *et. al* (2013).

5. Conclusion

The study concluded that environmental, demographical and personal factors have significant impact on auditors' ethical decision making of the selected audit firms in Nigeria. Based on the findings of this study, it was recommended that auditors in Nigeria should put into consideration environmental factors such technological factors, economic factors and knowledge of the clients' industry before making ethical decisions. Similarly, Nigerian auditors should focus on technical skill and competencies knowledge in the process of ethical decision-making. Lastly, auditors in Nigeria should be guided by demographic factor such as experience (tenure) rather gender or age factor if ethical dilemma is to be reduced.

The results have implication for the bodies saddled with the responsibility of regulating Professional auditors in Nigeria; that is, the Institute of Chartered Accountants of Nigeria and Association of National Accountants of Nigeria. These bodies should not spare members who are found negligent in the course of their duty. This will help in improving the image of the profession.

It is worthy to note that this study did not investigate cultural dimensions such as religiosity and patriotism of respondents which if included, may change the narrative and of course, may differ across countries. Finally, future research directions could be in those areas.

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Author Contributions

The author conceived the study, carried out the literature review section and was responsible for the design, data collection, data analysis and interpretation.

Disclosure Statement

The author has no competing financial, professional, or personal interests from other parties.

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QUESTIONNAIRE

SECTION A: Demographic characteristics of the respondents;

Kindly answer the following questions and tick () appropriately

- 1) Sex /Gender: Male() Female()
- 2) Age (years): 25-34(). 35-44(). 45-54(). 55 and above()
- 3) Marital status: Single (). Married (). Divorced (). Others (specify).....
- 4) Highest level of education: OND (). HND (). B.Sc. (). M.Sc./MBA (). Ph.D. (). Others (specify).....
- 5) Professional qualification: None (). AAT (). ACA (). ANAN (). ACCA (). Others (specify).....
- 6) Length of service in the auditing profession: 1-5 years (). 6-10 years (). 11 years above ()
- 7) Firm type: Big four (). National with Affiliation to International (). National/Regional()

SECTION B:

IN THIS SECTION, PLEASE CHOOSE THE OPTION THAT BEST REFLECTS YOUR FEELING OR BELIEVE ABOUT THE STATEMENT/QUESTIONS.

ETHICAL DECISION MAKING

Scenario

You have recently been appointed as an external auditor to APEX Nigeria Plc. As an external auditor your duty is to express an independent opinion on the fairness of the financial statements prepared by the management. While auditing the financial statements, you discovered that APEX Nig. Plc. recognized a deferred tax asset despite the doubt of the company's capability of making substantial future profits. IAS 12 requires that deferred tax assets be only recognized if it is probable that a company will make enough future profits to utilize the deferred tax assets. The management argued that a new subsidiary BALEX LTD acquired during the period will make tangible profits, though APEX PLC might not. What will be your reaction?

Options:

- a) Take no action and keep the matter confidential.
- b) Discuss the situation with the Chief Executive or superior officer until the deferred tax assets is derecognized.
- c) Inform the Federal Inland Revenue Service (FIRS) about the matter.
- d) Resign your appointment with APEX Nig. Plc.
- e) Indecisive.

ENVIRONMENTAL DIMENSIONS

	To what extent do you think complexity or dynamism in the following environmental factors influence decision making of an auditor?	Very large extent	Large extent	Moderate	Low extent	Very low extent
a	Technological advancement (TECH)					
b	Competition in audit market (COMP)					
c	Client's industry (CLI)					

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d	Economic situation (ECO)					
e	Regulations and Government policies					

TECHNICAL SKILLS

	To what extent does application of the following technical skills improve auditors' ethical decision making?	Very Large Extent	Large Extent	Moderate Extent	Low Extent	Very Low Extent
a	Ability to apply relevant audit standard and guidance					
b	Ability to treat sensitive and confidential information appropriately					
c	Use of information technology and tech-based audit techniques					
d	Ability to gather and evaluate evidence					
e	Professional skepticism (that is, critical assessment of evidence)					

COMPETENCIES KNOWLEDGE

	To what extent does auditor's knowledge about the following influence his competency in making ethical judgment?	Very large extent	Large extent	Moderate	Low extent	Very low extent
a	Financial statement audit					
b	In-depth industry knowledge					
c	Business law and Government regulation					
d	Computer-assisted audit packages and techniques					
e	International Financial Reporting Standards					

	LOCUS OF CONTROL	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
A	I actively seek information before making decision					
B	I can foresee difficulties and take action to avoid them					
C	My mistakes and problems are my responsibilities to deal with					
D	Becoming successful is matter of hard work, luck has little or nothing to do with it					
E	I am confident of being able to deal successfully with future problems					
F	There is a direct connection between how hard I work and the output I get					
G	A great deal of what happens to me is a matter of chance					
H	Maintaining control over my problem is due mostly to luck					
I	I can control my problems, only if I have outside support					
J	My decision is controlled by outside actions and events					
K	To continually manage my problems, I need professional assistance					
L	Everyone knows that luck or chance determines one's future					

If you would like to have feedback on the findings of this study, kindly provide your e-mail