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# The Relationship Between Work Pressures and Audit Performance in Tunisia

Nesrine Akrimi<sup>1</sup>

<sup>1</sup> College of Business Administration, Northern Borders University, Saudi Arabia.  
Email: nesrine.akrimi.othmani@gmail.com

## Abstract

The purpose of this paper is to examine the impact of auditor's job pressures on audit performance. Using a sample of Tunisian listed companies and their signature auditors from 2013 to 2018, we demonstrate that job pressures does not impair audit performance in Tunisia.

**Keywords:** Work Pressures, Audit Performance, Auditors

## Introduction

Issues concerning audit quality continued to receive attention of academics, practitioners, and regulatory bodies. During the early years, a specific behavioral concept has appeared in the auditing literature regarding the engagement of auditors with a high number of clients seeking additional fees. Auditors engaged with several clients may lose the capacity to achieve their audit tasks with effectiveness. According to the Public Company Accounting Oversight Board the audit quality can be threatened by heavy workload or deadlines stress. Despite the importance of the presence of job stress in audit practice, academic research regarding this issue are rare. As reported by Xie et Yang (2016), the inaccessibility to a large samples and the resultant lack of empirical studies implies that a majority of research used questionnaires instrument or experimental investigation, and the absence of consensus still exist between academics. As most auditors in developing countries, Tunisian auditors work under pressures due to the heavy workload, deadlines, and potential liability exposure. Therefore, in this study we empirically assess the impact of work pressures on audit performance in Tunisia. Our survey focusses on a sample of Tunisian listed companies in Stock exchange of Tunis and their corresponding signature auditors from 2013-2018.

The Tunisian economic environment presented recently significant development. Financial statements represent a means of help for the interested parties which makes it possible to evaluate firm performance and assess the further profitability of their proper participations. Audit function in this country was created and governed in prime by Commercial Code adopted in 1959. This code was completely revised in 2000. For many years, auditing profession has been dominated by chartered accountants and is monitored by the Order of Chartered Accountants of Tunisia placed under the authority of the ministry of finance. The market audit in Tunisia is dominated by international audit firms BIG4.

Besides representatives of international firms, the rest of the audit market is shared between large national firms and small structures of professional accountants. Fortunately, in Tunisia, audit reports contain the signature of audit partners with their names revealed in the reports. This paper contributes to the accounting literature in different forms. First, our research has important significance, particularly for regulatory bodies in emerging countries, where audit quality played a major role in their capital market. Second, despite the extent of the existence of auditors' job stress in practice, related academic research is rarely addressed. Therefore, our survey can help to reduce this gap by proposing an empirical research in the context of the Tunisian stock market. Third, our study enriches the existent literature of auditor's job stress from an ethical perspective. The rest of this paper of this paper is organized as follows. Section 1 presents a literature review. section 2 exposes the methodology adopted. Section 3 focuses on the presentation and the discussion of the results obtained.

## 1. Literature review

Financial economics underlines the negative impact of the high number of public customers on the performance known as the effect of work stress (Gul et al., 2013). Research focusing on this effect have attempted to study the relationship between administrators having appointments on several boards and firm performance. A review of previous research shows that there is no consensus on the impact of firm performance and busy directors. Beasley (1996) and Ferris et al. (2003) point out that administrators with several appointments are too busy and therefore cannot carry out their functions properly. However, Fama and Jensen (1983) have shown a positive relationship between the high number of seats of occupied by administrators and the performance of the company. They consider that busy admittatures are more competent monitors. Analogous to managers external auditors act as agents of investors responsible of ensuring the reliability of accounting information. However, the performance of audit engagements my vary from one auditor to another. Despite the importance of job stress in audit engagement, related academic research are limited.

Work stress is defined by Yan and Xie (2016) as *‘a series of physiological, psychological and behavioral responses due to the continuing effects of one or more stressors on individuals in an organization.’*

Auditors, by the kind of their job, are exposed to a stressful atmosphere which has a negative impact on audit quality (Kalbers & Cenker, 2008). Indeed, time budget constraints, as well as different other stress factors are supposed to reduce audit quality. There are several definitions of the audit quality in the academic audit literature the most relevant is that presented by De Angelo(1981) which considers that the audit quality is the probability that the auditor will discover and reveal errors and deviations in financial reports. In audit engagement, the major cause of stress at work is the conflict across restricted auditing resources and heavy volume of work during a short period of time (Lopez and Peter, 2012). According to Lopez and Peter (2012) audit quality is likely to decrease when the volume of work raises within period of peak workload. Hackenbrack and Knechel (1997) proved that audit partners make considerable effort in detecting frauds and bankruptcy risk, examining significant tests and different other activities. Therefore, if the number of customers audited enhances, the work stress enhances too which will negatively affect the audit quality.

In accordance with Incentive theory, it is possible that the influence of stress on audit quality could be reduced or even advantageous when there exist effective job controls on job demands (McClenahan et al., 2007). Gul et al. (2017) state that audit partners working on behalf of a high number of clients are really occupied to run a business. Time deadlines and time budget pressure are considered by Margheim et al., (2011) as one of the major factors influencing auditor behavior. Yan and Xie (2016) have empirically studied the relationship between audit quality and work stress through a sample of listed companies and their auditors in China. First, the study revealed that work stress does not lead to a decline in audit quality. Second, the results of their study showed that work stress negatively affect audit quality in the first engagement with new clients. Furthermore, the study revealed that perceptions of work stress is influenced by individual characteristics of the auditor.

Employing 2803 observations companies from 2010 to 2013 in Malaysia, Lai et al. (2016) shows that auditors with several auditees are associated with lower audit quality. In China, Gul et al. (2013) find a negative relationship between audit partners with more public clients and audit quality. The results of the research

conducted by Zadegan and Aqa`l(2018) in Tehran market highlights the deterioration of audit quality caused by heavy workload. The study developed by Johari et al. (2019) focuses on the views of 203 Malaysian auditors concerning the impact of work stress on audit quality. Findings reveal the absence of association between work overload and audit quality. Survey prove also that time pressures positively affect audit quality, although its affects negatively by social pressures. Relationship between work pressures and audit performance still an empirical issue that must be tested. Therefore, the following hypothesis are proposed:

HYPOTHESE. Audit performance is influenced by auditor`s work pressures.

## 2. Methodology

### 2.1. Sample selection

The study sample consists of listed Tunisian companies on the stock exchange of Tunis from 2013-2018. Financial companies are excluded from our research since their financial statements have a different structure from those of the non-financial companies. The firm`s financial and accounting data was obtained from the database of Tunisian stock exchange. Information`s related to auditors are manually gathered using a questionnaire instrument.

### 2.2. Research variables

-**Audit work pressures** (WP). Job stress is assessed by the number of listed firms audited by an auditor, considering the number of firms and the business complexity of each firm. Thus, we estimate job stress using the equation below:

$$WP = \sum_{i=1}^n \sum_{j=1}^k TA_{ij}$$

where for listed company j audited by auditor i,  $TA_{ij}$  indicates the natural logarithm of total assets; k is the total number of listed firms audited by auditor i in the fiscal year; and n is the number of auditors of specific company j.

-**Audit performance** (AP): this variable is assessed by the absolute value of discretionary accruals using the Modified Jones Model.

### 2.3. Research model

- To test our hypothesis related to the impact work pressure on audit quality we used the following model
- $|DA| = \alpha_0 + \alpha_1 WP + \sum \beta_i FIRMFE_i + \sum \gamma_j AUCFE_j + \sum \mu_k AUDFE_k + \sum \phi_l year_l + \sum \phi_m ind_m + \varepsilon$

With  $|DA|$  is the absolute value of discretionary accruals

WP is auditor`s work pressure.

Three attributes of audit performance have been considered: firm features (FIRMFE), audit company features (AUCFE) and individual auditor features (AUDFE).

Table 1: Variable Measurement

Kind of variable	Variable	Symbol	Definition
Dependent variable	Audit performance	$ DA $	Absolute value of discretionary accruals
Independent variable	Work pressure	WP	$WP = \sum_{i=1}^n \sum_{j=1}^k TA_{ij}$
FIRMFE	- Financial position	Debt	Debt/asset ratio
	- Size	siz	Natural logarithm of

			total assets
	- Return on assets	retasssets	Net profit /total assets
AUCFE	- Size of audit company	Big4	Big4 company=1; 0 otherwise
	- Switch audit company	Switch	Switched audit company=1; 0 otherwise
AUDFE	-gender	gendr	Minimum one female auditor =1; 0 otherwise
	Degrees	qual	If more than one auditor has a master's degree:0otherwise
Indicator variables	Year	Year	Dummy variable
	Industry	Ind	Dummy variable

### 3. Results

Findings presented in Table 2 and table 3 reveal the descriptive statistics of our research. Our results indicate that the correlation between work pressure (WP) and  $|DA|$  is insignificant in the full sample.

Table 2: Descriptive statistics

	<i>Mean</i>	<i>Median</i>	<i>Min</i>	<i>Max</i>
$ DA $	.0995	.05892	.000	1.197
<i>WP</i>	34.594	35.202	22.416	39.462
<i>Debt</i>	.748	.675	.097	2.521
<i>siz</i>	16.287	16.602	18.731	10.257
<i>retasssets</i>	.023	.034	-.543	.269
<i>Big4</i>	0.078	0	0	1
<i>Switch</i>	0.031	0	0	1
<i>gendr</i>	0.015	0	0	2
<i>qual</i>	0.062	0	0	1

Table 3 : Pearson corrélations

Pearson	WP
	ALL SAMPLE
$ DA $	-0.004

Table 4 shows the regression findings of the full sample. The results of our model reveal that when audit performance is evaluated by discretionary accruals the coefficient of WP is positive but not significant, indicating that audit performance is not reduced by job stress in Tunisia. Therefore, the hypothesis of our research is rejected. Our results are similar to those found by Turragan et al. (2017) and Yan et Xie (2016).

Table 4: Multivariate regression

	DA
<b>WP</b>	0.003(1.03)
<i>Debt</i>	0.052*(4.15)
<i>siz</i>	-0.006**(2.32)
<i>retasssets</i>	-0.002 (-0.69)
<i>Big4</i>	-0.0003(0.06)
<i>Switch</i>	0.002(0.81)
<i>gendr</i>	-0.003(-0.46)
<i>qual</i>	-0.0001(-0.03)
<i>Year, ind</i>	controlled

\*p&lt;0.01

\*\*p&lt;0.05

#### 4. Conclusion

Audit studies have recently focused on the issue of investigating the impact of audit pressures on audit performance. This topic has appeared in the contemporary accounting literature as a main area of research, but there is a limited research on this in developing markets. This study, using discretionary accruals as the measure of audit quality, demonstrate that audit quality is not affected by auditor's work stress. The findings of this paper can have policy implications for Tunisian audit market. Further studies can explore the relationship between work pressure an audit quality at the individual level and evaluate the impact of job stress in the case of initial audit.

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