Challenges Faced by External Auditors In Botswana

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Abstract

The study sought to investigate the challenges faced by external auditors with particular reference to audit firms in Botswana. The study was conducted in Gaborone, the capital city of Botswana, where samples of 20 out of 28 registered with Botswana Institute of Chartered Accountants (2015) as external audit firms were selected for the study using random sampling technique. The primary data was collected by administering questionnaires and collected both quantitative and qualitative data and the data was further processed by using SPSS statistical package.

The results showed that external auditors encountered many challenges such as understanding the client organization needs, their expectations and a harmonious working relationship. Even though external auditors encounter many challenges, they indicated that International Financial Reporting Standards are very much appropriate in terms of guiding on auditors on auditing duties and also improves management, consistence financial reporting and transparency. Though this research did not cover the total population, the firms which were under study represent the whole population, hence the findings are universally applicable. The findings are emanated from the primary data collected through the questionnaire administered by the scholars and analyzed by using SPSS, the scholars authenticate the findings and applicable universally.

Key words: External auditors, Audit Firms, Challenges, Botswana

Introduction

A financial audit is the verification of the financial statements of an entity, with a view to express an audit opinion. The audit opinion is intended to provide reasonable assurance, but not absolute assurance, that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework.

The International Audit and Assurance Standard Board (IAASB), a sub-committee of the International Federation of Accountants (IFAC) defined an audit as an independent examination of, and expression of opinion on the financial statements of a business enterprise by an appointed auditor in accordance with his terms of appointment and in compliance with the relevant statutory and performance requirements. The audit report is the end product of every audit assignment that the auditor issues to the members of a client company expressing his opinion on the truth and fairness view regarding an enterprise’s financial statements.
Financial audits are typically performed by firms of practicing accountants who are experts in financial reporting. The financial audit is one of many assurance functions provided by accounting firms. Many organizations separately employ or hire internal auditors, who do not attest to financial reports but focus mainly on the internal controls of the organization. External auditors may choose to place limited reliance on the work of internal auditors. Auditing promotes transparency and accuracy in the financial disclosures made by an organization, therefore would likely to reduce of such corporations to conceal unscrupulous dealings. International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) are considered as the benchmark for audit process. Almost all jurisdictions require auditors to follow the ISA or a local variation of the ISA.

According to Tandon (2011) the concept of auditing originated in the middle ages, but large scale application of auditing process was traced during the industrialization revolution in the 18th century.

A recent trend in audits (spurred on by such accounting scandals as Enron and Worldcom) has been an increased focus on internal control procedures, which aim to ensure the completeness, accuracy and validity of items in the accounts, and restricted access to financial systems. This emphasis on the internal control environment is now a mandatory part of the audit of SEC-listed companies, under the auditing standards of the Public Company Accounting Oversight Board (PCAOB) set up by the Sarbanes-Oxley Act. These changes in auditing process have lead to more challenges to the external auditors.

Problem Statement

Off late the auditors in general and external auditors in specific are facing problems such as ethical, moral and legal challenges and hence external audit profession has become more complicated. One problem is concerned with lack of independence and the second with the inefficient function of accounting firms. In addition the diversity of economic & financial activities and development of capital markets have led to increasing complexity of accounting works data processing etc. Moreover, the accounting information producers are not neutral to the operations and, implicitly, to the annual accounts, which raise doubts about the objectivity of the professional accountant.

Conflict of interest between users and producers of accounting information have also added the challenges to external auditors as the objective of external audit is to restore a reasonable confidence between producers and users of accounting information. External auditors protect the interests of different categories of beneficiaries of accounting information. The above stated facts infer that the external auditors face challenges.

Research Objectives

The objectives of this research are broadly classified into three areas such as:
(i) to locate the challenges faced by external auditors in the areas of audit process, audit risk and fraud control.
(ii) to meet the challenges when they deal with the members of Audit Committees, board of directors, internal auditors, auditees and shareholders.
(iii) to deal with adoption of International Financial Reporting Standards modernization of audit through computerization and government regulations.

Hypotheses

H1: It is assumed that the external auditors have been facing challenges in the areas of audit process, audit risk and fraud control.
H2: It is viewed that the external auditors have been sailing smoothly with the members of Audit Committees, board of directors, internal auditors, auditees and shareholders.

H3: It is inferred that the external auditors have no problems in adoption of International Financial Reporting Standards modernization of audit through computerization and government regulations.

Scope of Study

For the purposes of this study, this paper investigates the auditing firms located in Gaborone, the capital city of Botswana with an aim to have access to the most advanced auditing firms having international affiliations. Further this research opts the period from 2005 to 2015 thereby coverage of a decade of the most current accounting trend and to locate the challenges faced by the external auditors.

Literature Review

Literature review for this research encompasses the published information in the subject area of external auditors. The literature review is broadly classified into the following areas:

External Auditors’ independence
External auditors’ dependence on internal audit
External Auditors and Corporate Governance
External auditors and Audit Committee

External Auditors’ independence

Auditors rely for their income on audit and consultancy fees paid by their clients. In these circumstances, the auditors will be in difficult position if one of their major clients decides to “massage” the figures and indulge in “creative accounting” (Netto, 2007). It is observed that External Auditors follow the principle of “here to help” by compromising their independence (Geoffrery and Rich, 2014). It is also seen that External Auditors independence and audit objectivity are indirectly affected due to their acceptance of non-audit services from the same clients. (Bahram and Salehi, 2008). Most of the financial scandals are due to compromising external auditors’ independence. Thus, the most common question asked whenever there has been a financial scandal is, whether the auditors carried out their duties and obligations properly (Reilly, 2006) and the reliability of financial reporting (Holm & Laursen, 2007). Therefore, to improve audit’s credibility, it is necessary to include the accountability of auditor as they play an important role in determining the reliability of the financial reporting in order to avoid the company’s collapse.

External auditors’ dependence on internal audit

Internal auditing is a process generally adopted towards ensuring and safeguarding of resources and promoting operational efficiency in organization. It is debated that in many cases internal control systems are weak, staff are poorly paid making them unmotivated, coupled with non-implementation of routine audit report by appropriate authorities. At the same time most of the External Auditors depend on internal audit work which is continuous, then the weakness of the internal audit will impact on external audit (Irina, M. and Steve (2015). Before relying on the internal audit work, the external auditors should evaluate the internal audit function as a whole as the internal audit work “directly affect the external auditors’ study’s scopes and duration (Alper, 2014; and Vikram, Robin & Rajendra, 2010). At the same time Charles et al., (2013, p.251) were of opinion that the “…nature and extent of External Auditors’ reliance on internal audit function is influenced by account risk, inherent risk, and internal audit function sourcing, how the External Auditors choose task environments (e.g., revenue recognition versus payroll)’ and the types of tests to be relied upon within these task environments, is not completely understood.”
Reliance of external auditors on internal audit function further depends on sourcing type (in-house and outsourced) and audit type (periodic or continuous). Generally, external auditors rely on outsourced function than in-house function but Bruce et al. (2013) have recognized that maintain the internal audit function in-house and employing continuous auditing may lead to similar external audit effects.

The move towards developing an acceptable global high-quality financial reporting standards started in 1973 when the International Accounting Standards Committee (IASC) was formed by 16 professional accounting bodies from Canada, United States of America, United Kingdom, Germany, France, Netherlands, Australia, Mexico and Japan. The IASC was reorganized into the International Accounting Standards Boards (IASB) in 2001. To date, the IASB has developed accounting standards and related Interpretations that are collectively known as the International Financial Reporting Standards (IFRS).

External Auditors and Corporate Governance:

WorldCom and Enron which are biggest companies in US collapsed. The issue regarding external auditors in the context of corporate governance has reached at a high level due to fall of these companies (Porter and Gowthorpe, 2004). Enron company could not clear off its US$28 billion loans and yet Bernie Ebbers who ran the company was given a loan of US$366 million (Banyard, 2002). The external auditors were Arthur Andersen Audit firm. It was found that the external auditors did not take proper steps in detecting accounting irregularities (Wong, 2004). Although it is the duty of the auditors to detect accounting irregularities, they failed to do so. The external auditors are deemed to be “gatekeepers” who should monitor managerial behaviour in relation to the other stakeholders and control agency problems (Alexandrina, 2014). Since they failed to do so, rightfully they should be liable. After the huge accounting scandals (e.g. Enron, Tyco, Worldcom, Parmalat, etc.), which landed in the collapse of Arthur Andersen Audit Firm, there has been a growing call for strict corporate governance provisions in general and specifically for improved auditor independence. A closer scrutiny of the incidences that led to the total collapse of these giant United States of American corporate bodies certainly would have its root in poor internal controls and culminating in compromised external auditing.

Corporate governance has drawn world attention when the big companies such as Enron and WorldCom in United States collapsed in 2001 and 2002 respectively. The impact of these giants collapse, an Act Sarbanes-Oxley Act (2002) was passed in USA. The goal of most of this regulation was to improve firm’s corporate governance environments (Bhagat & Bolton, 2009). The failure of Enron, initially attributed to accounting and reporting inadequacies, continues to raise broader issues of corporate governance and regulation.

Today, corporate governance became a determinant to many subjects in identifying company’s strengths and functions. One of the most important functions that corporate governance can play is in ensuring the quality of the financial reporting process (Cohen, Krishnamoorthy & Wright, 2004). The Board of Directors has a primary responsibility of overseeing the firm’s financial reporting process (Yatim, Kent & Clarkson, 2006). Those boards of directors together with management will try to produce a financial statement that shows the company achieved a recommendable profit. The independence persons that review the corporate reporting are the External Auditors. The External Auditors need to follow the auditing standard with competence, diligence and integrity. They suppose to give their opinion for the reported information. The External Auditors are the whistle blowers who should expose the irregularies and enhance the transparency and accountability (Warren and Jill, 2014)

External auditors and Audit Committee

Some of the factors affecting audit quality include financial literacy of audit committee members; frequency of audit committee meetings; multiple directorships of audit committee members; independence of audit committee members; external auditors’ quality; and interaction between independence of audit committee and external audit.

These lead to increase focus on internal control procedure and scandals have lead to more challenges to the external auditors.
Board of directors are responsible for accounting for the daily activities in organisations and rendering proper stewardship on how the financial resources of the shareholders were managed. Towards this end, shareholders, at Annual General Meetings, appoint an external auditor to provide assurance services that the financial statements prepared by management represent the underlying financial transactions of the organization for the period covered. The reality facing stakeholders of financial reporting is that corporate financial reporting failures have been on the increase, especially in the past decade. Window dressed accounts raised concerns in the USA with the collapse of the energy corporation Enron in 2001.

External auditing is primarily concerned with the integrity of financial statements. External auditors looking to apply ISA610 must use this standard in conjunction with (ISA) 315, Indentifying and Assessing the Risks of Material Misstatements through Understanding the Entity and its Environment. This standard encourages external auditors to first obtain an understanding of the internal audit function’s activities. Then, to evaluate the internal audit function if there is substantial work performed related to the controls over financial reporting (Berry, 2012). Weber et al. (2008) provided further evidence of the importance auditor reputation plays in attracting and retaining clients.

Research design/Methodology
Sampling scheme

As stated earlier, the aim of the study was to explore the challenges faced by external auditors in auditing firms especially in Botswana. Therefore the study was conducted in Gaborone due to the fact that audit firms are mostly in Gaborone both the big four, medium and small audit firms. The population of study covered 20 audit firms in existence in Gaborone by selecting 3 from the big four, 50% from medium and 50% from small audit firms.

The study adopted simple random sampling. Random sampling was used because it was the best single way to obtain a representative sample from the population. Owojori (2001) stated that random sampling is one which all the members of the population have an equal chance of being selected from the sample as every other member and in which the selection of an individual for the sample did not influence the chances of any other individual of being chosen.

We have found it befitting to opt for the period of 2005 to date thereby coverage of a decade of the most current accounting trend and to locate the challenges faced by the external auditors.

Data Collection Procedures

In carrying out this research work, data was collected from primary and secondary sources. The primary data for analysis was generated through the administration of questionnaire. The primary source of data was the questionnaire, which was carefully framed and administered to a sample of 20 audit firms in existence in Gaborone by selecting (4) from the , 50% (8) from medium and 50% (8) from small audit firms. The questions in the questionnaire are straight forward and close ended questions. The researchers visited the audit firms selected. Before presenting the structural questionnaire each participant was briefed about the nature of the study. Debriefing also helped the researchers to collect data with ease because it clarifies expectations of both the researchers and the participants.

Data Processing

In the process of data collections the researchers distributed questionnaires to the participants. The data was collected using structured questionnaires. The structured questionnaires were self-administered to the research participants. The qualitative data, which consisted mainly of the responses to the open-ended questions that sought to explore the challenges affecting external auditors, was not coded for fear of losing much information in the process. This qualitative data was processed using qualitative analysis techniques which involved the use of themes where finding or results were interpreted for easy understanding. For the quantitative data collected, a quantitative analysis technique was employed with the assistance of software Statistical Package for Social Sciences (SPSS) which produced tables, charts and graphs that were described in order to help research findings which were
generalized. Quantitative methods focused on the measure amount of characteristic and behavior of people (Thomas, 2003).

Source of information
The use of structured questionnaire was so designed to secure the desired from the selected audit firms. In addition the secondary data was obtained from books, journals and published reports.

Analysis of data
Demographic factors
Introduction
This research presented an analysis of both qualitative and quantitative data collected from the research participants who have auditing firms operating in Botswana. These auditing firms were selected from a population of the audit firms operating in Botswana. The data analysis is divided into sections which are section A, B and C. Section A deals with demographic data, section B presents challenges while section C deals with views of auditors.

Section A: Demographic factors
The demographic details are summarized in Table 1 below.

<table>
<thead>
<tr>
<th>Title</th>
<th>Years of service</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0-5</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>6-10</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>11-15</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>16+</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Number of employees</td>
<td>0-20</td>
<td>15</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>21-40</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>41+</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Registered with Registrar of Companies</td>
<td>Yes</td>
<td>17</td>
<td>85</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Offices in Botswana</td>
<td>Yes</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Out of 20 respondents 50% indicated that they were in the service for a period 0-5 years, 15% shows that they had 6-10 years in the service, 25% respondents indicated having 11-15 years of services and lastly 10% respondents were in the service for 16 and above years.

With regard to number of employees each audit company had employed, the table depicts that 75% of audit companies employed 0-20 people, 5% indicated that it had 21-40 employees whereas 20% audit companies show that they have employed 41+ people.

On the other hand regarding audit firms registered with Registrar of companies in Botswana, 85% audit companies confirmed that they have registered and only 15% companies indicated that they have not registered their companies.

In response to the question of them having offices in Botswana 100% audit companies have offices in Botswana.

The above Table highlights that around 50% of respondents were exposed to auditing job for more than 5 years and hence, we can presume that the answers are valid. Majority of audit firms are of medium
size as they employ less than 20. All audit firms are registered and hence authorized firms, located in Botswana.

The information listed in the Table 1 is further highlighted in self explained charts as shown below.

![Chart 3: Number of Audit firms registered with Registrar of Companies](image)

**Section B:**
**Challenges faced by External Auditors**

**Table 2: Challenges faced by External Auditors**

<table>
<thead>
<tr>
<th>Title</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>19</td>
<td>95</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Encounter Challenges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>How often they encounter challenges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very often</td>
<td>13</td>
<td>65</td>
</tr>
</tbody>
</table>
Once | 2 | 10
---|---|---
Many times | 5 | 25

**Risks encountered**

| Yes | 19 | 95 |
| No | 1 | 5 |

**Interference from client company**

| Yes | 12 | 60 |
| No | 8 | 40 |

**Problem with audit committee**

| Yes | 7 | 35 |
| No | 13 | 65 |

**Problem with board**

| Yes | 6 | 30 |
| No | 13 | 65 |
| N/A | 1 | 5 |

**Problem with auditors**

| Yes | 2 | 10 |
| No | 18 | 90 |

**Problem with shareholders**

| Yes | 2 | 10 |
| No | 17 | 85 |
| N/A | 1 | 5 |

From the Table 2 above depicts that 95% respondents agreed that they often had contracts with companies that needed their auditing services while 5% indicates that it does not have contract with companies that needed their audit services.

In response to ever encountering any challenges during the auditing process 100% respondents were in total agreement that they do encounter some challenges during the auditing process.

With regard to the number of times they encounter those challenges, 65% of respondents’ shows that they encounter challenges very often during audit process, 10% encounter challenges once during the audit process and lastly 25% companies encounter challenges many times during audit process.

Furthermore, responding to experiencing any risks during audit process 95% respondents agreed that they experience risk during audit process and only 5% disagree that they experience any risk.

The results show that 60% respondents agreed they experience interference from the client company general management during auditing process, while 40% companies did not experience any interference.

With regard to experiencing problems with the audit committee 35% responded that they experience problems with the audit committee and 65% indicated that they do not experience problems with the audit committee.

On the other hand 30% respondents experience problems with the board of directors while 65% respondents do not have any problems with board of directors and for 5% did not specify whether they have problems or not with board of directors.
The Table 2 also indicates that 10% of respondents have problems with internal auditors while the other 90% did not have any problems with the internal auditors.

The results continue to show that 10% agree to have problems with shareholders, 85% do not agree to have problems with shareholders and 5% respondent is neutral.

Looking at the graph above together with the hypothesis which states that it is assumed that the external auditors have been facing challenges in the areas of audit process, audit risk and fraud control we can say that it is significant since most of respondents indicated that they face those challenges very often and many times.

It was hypothesized that the external auditors have been facing challenges in the areas of audit process, audit risk and fraud control, then we can say that it is significant since most of respondents indicated that they face those challenges very often and many times.

Section C
Views of Auditors.

Table 3 below presents the views of auditors about mitigation of challenges.

<table>
<thead>
<tr>
<th>Title</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engaging clients</td>
<td>7</td>
<td>35</td>
</tr>
<tr>
<td>Terms &amp; conditions</td>
<td>9</td>
<td>45</td>
</tr>
<tr>
<td>Send list requirement</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Understand you client</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>N/A</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

The Table 3 above depicts that with regard to opinions on how external auditors could mitigate against challenges they experience during auditing 35% of respondents believe that by engaging clients during the process can help, 45% indicated that they should abide by the terms and conditions, 10% had shown that there should be a list of requirements needed during auditing process, 5% indicate that companies should understand their clients very well and lastly 5% did not mention either opinion.

The above information is further highlighted in the following Chart No 5
Table 4: Adoption of IFRS by Audit Firms

<table>
<thead>
<tr>
<th>Title</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good &amp; helpful</td>
<td>11</td>
<td>55</td>
</tr>
<tr>
<td>Competent</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Accounts may not understand</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Don’t adopt IFRS</td>
<td>2</td>
<td>10</td>
</tr>
</tbody>
</table>

With response to how audit companies regard to the adoption of International Financial Reporting Standards by external auditors during auditing 55% of respondents believe that it is good and helpful, 20% indicate that it is competent, 15% shows that accountants may not understand the IFRS and 10% indicate that they have not adopted the IFRS.

The above information is further highlighted in the Chart No 6 below.

Table 5: Strategies to deal with Challenges

<table>
<thead>
<tr>
<th>Title</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information sharing</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Idea of interim</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Soliciting input and feedback</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Plan auditing process</td>
<td>10</td>
<td>50</td>
</tr>
</tbody>
</table>

The results show that with possible strategies that external auditors can implement to deal with auditing challenges 25% indicate that through sharing of information can help to guard against
challenges, 15% shows that by soliciting input and feedback and 10% indicate that by planning the auditing process can mitigate against challenges. Further, the above information is reproduced in the following Chart No. 7.

Chart: 7 Strategies applied to deal with challenges

Discussion of Findings

The present study set out to investigate challenges faced by external auditors in the area of auditing process, case study of a few selected audit firms in Botswana. The current results depict that indeed external auditors face challenges during the auditing process and they are in line with past studies. The previous studies show that external audit of corporate operations and financial statements in most countries have statutory backing. Corporate audit by external auditor is made compulsory by laws to address agency problem arising from the separation of ownership from corporate management (Alabede 2012). At the same time, the audit is regulated to ensure quality of work and minimize abuse in the audit process. It continues that external auditors experience those challenges very often. The results also indicate that they are risks involved during the auditing process.

The audit committee is critical to corporate accountability and its responsibility assists the external auditor in his/her role in corporate to be transparent. Therefore the results show that majority of audit companies do not have problems with audit committee. By monitoring the preparation of financial statements by the management, audit enhances the role of the external auditor (Alabede 2012). The increasing cases of corporate scandal in recent times have encouraged stakeholders to question the adequacy of oversight responsibility of the audit committee. In the case of Enron, it was reported that the failure of the audit committee contributed substantially to the collapse of the company (Alabede 2012).

The results show that in order to mitigate against challenges during auditing process organization should constantly engage with the client company. They also indicate that there should be a flexible contract, obtain a list of requirements before commencing with the audit process so as to establish the client expectations. External auditors should clearly understand client needs. The auditors should design audit procedures that suit client requirements and fundamentals principles should be taken into consideration in order to mitigate against any challenges. The external auditors should also be objective and independent during auditing of Client Company and also maintain total confidentiality of the client’s records and also adhere to the auditing ethics. Effective monitoring procedures of the audit process should be established and also auditors should understand their roles and duties when auditing a client company. Maintaining good communication strategies should also be maintained during auditing client Company.

Their opinion was that the International Financial Reporting Standards are very much appropriate in terms of guiding auditors on auditing duties and also improves better management, consistent financial reporting, and transparency. They suggested possible strategies that external auditors could implement during auditing of Client Company such as information sharing promote interim auditing techniques, have proper audit plans and strategies, obtaining feedback from client organization employee. Some pre-engagement planning and training sessions should be carried out, monitoring the audit plan execution and also introduce periodic internal audits. External auditors should also educate client’s
organizations on the auditing processes and producers and total professionalism by external auditors should be maintained at all times and regular visits to client’s organization should be carried out.

Conclusion

In conclusion, the majority of audit firms are matured having more than five years experience as external auditors. The audit firms employed a small number of employees and also have their offices in Botswana. All firms are registered with the Registrar of Companies in Botswana and they have been operating in Botswana for a considerable time. Further it is revealed that in order to mitigate against challenges during auditing process organization should constantly engage with the client company. They also indicated that there should be a flexible contract; obtain a list of requirements before commencing with the audit process so as to establish the client expectations. External auditors should clearly understand client needs to ensure smooth working relationships.

Recommendations

The present study was carried out in firms around Gaborone to investigate challenges faced by external auditors in the area of auditing process therefore in future there is more need to investigate other firms in other areas and also addressing some other factors surrounding auditing process besides challenges faced by external auditors. Client organization should be made aware of the auditors’ ethics. It also recommended that the sample size of respondents increase from being only 20. Furthermore suggested that client organization personnel both shareholders and management be taught about the roles and responsibilities of external auditors, accounts personnel or client organizations should be familiar with the internal Financial Reporting Standards and results of adhering to the set standards.

References