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Audit Firm Attributes and Bank Failures in Nigeria

Egbunike Francis Chinedu, Egbunike Patrick Amaechi*, Okafor Ogochukwu Gloria

Department of Accountancy, Nnamdi Azikiwe University, Awka, Nigeria

Abstract

The main objective of this study is to examine the relationship between audit firm attributes and bank failures in Nigeria. Specifically, the study shall examine if auditors independence, audit team competency has any effect on the quality of audit report issued by the audit firm. Thirdly, the study shall ascertain if mandatory rotation of bank auditors' has significant relationship with audit outcome of banks in Nigeria. The study made use of survey research design. The population of the study was made up of chartered accountants; specifically members of Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN), also, to be included are employees of financial institutions in Nnamdi Azikiwe University. The study finds that auditors' independence has an effect on the quality of audit report issued by auditors. Secondly, there is a significant relationship between audit team competency and quality of audit report issued by the audit firm. Thirdly, there is a significant relationship between mandatory rotation of bank auditors and audit outcome of banks in Nigeria. Based on this the study recommends, that there should be a re-definition of the auditors' role from that of a watchdog to a professional expert. Secondly, government should expand the role of auditors. An expansion in the role of auditors will also involve an increase in their remuneration. Thirdly, reputable firms should be hired to audit the accounts of the banks.

Keywords

Audit, Audit Firm Attributes, Bank Failures

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1. Introduction

1.1. Background to the Study

The interest in this study is stemmed from the spate of corporate collapse witnessed in the country, more especially the banking sector, such as that involving Oceanic Bank, Intercontinental Bank, Wema Bank, Finbank, and Spring bank, which resulted in the demise of these institutions [1]. Moreover, the global financial crisis has highlighted the need for credible high quality financial reporting [2]. Achieving quality financial reporting depends on the role external audit plays in supporting the quality of financial reporting of quoted companies [2]. The main criteria for evaluating the financial situation of an organization areitsfinancial statements [3], and usually comprise the Statement of Financial Position, Profit/Loss and Statement of Comprehensive Income, Statement of Cash Flows, and the Value Added Statement, and notes to the accounts.

It is the responsibility of the management to prepare these financial statements in line with generally accepted accounting principles and standards. However, the separation of ownership and control in modern firms, in the form of management and shareholders, has created agency problem, which requires shareholders in order to assure that

* Corresponding author
E-mail address: amaechiegbunike@yahoo.com (E. P. Amaechi)

management act in their best interest employ auditors to attest to the truth and fairness of the financial statements. Basically, auditing is defined as the independent examination and expression of opinion on the financial statement of an enterprise or organization by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation [4]. According to [5] the involvement of external auditors could contribute to corporate governance and address the inherent agency problem, because the auditor can facilitate a situation where by managers are encouraged or compelled to be held accountable.

In line with this, [2] opined that the financial statement audit is a monitoring mechanism that helps reduce information asymmetry and protect the interests of the various stakeholders by providing reasonable assurance that the management's financial statements are free from material misstatements. The audit report issued by the auditor is considered as an important informational tool for many parties [6].

Initially, fraud detection was considered the primary objective of the audit process until approximately the middle of 20th century [7]. Chandler, Edwards and Anderson in 1993 concluded that the main objective of auditing has changed from fraud detection to 'verification of financial statements'. This is because the audit profession wanted to avoid legal suits by businesses and the general public. Four types of opinion usually emerge at the conclusion of the engagement, namely 'unqualified, qualified, adverse and disclaimer of opinion' [3]. The type of opinion would normally depend on the outcome of the audit exercise performed by the auditing firm. The reports issued would normally have a clear impact on the decisions made by the users of this report [6]. The informational content of the auditor's report can be defined as a financial informational frame which contains many meanings and indications which can be trusted, accepted and used to make many financial decisions by many users of this information [6, 8].

1.2. Statement of the Problem

The crucial question then becomes, if the auditing, a profession which dates as far back as the 19th century, has failed to live up to the expectations and challenges of the 21st century or has it not substantially developed to have prevented the corporate collapses in both the international and national scene?

Moreover, the spate of corporate failures witnessed in Nigeria over the past few years have raised a burning question on the relevance and reliability of audit reports, if the interest of shareholders is not protected. Despite the prominence ascribed to external audit function, the sovereignty of the external auditor is an issue currently attracting scholarly scrutiny [1, 9]. The external auditor of one of the bailed banks in Nigeria had previously asserted in the audit report issued:

> *'we have audited the accompanying consolidated financial statements of "the Bank" and its subsidiaries (together "the Group") which comprises the consolidated cash balance sheet as at 31 December, 2008 and the consolidated profit and loss account and consolidated cash flow statements for the period then ended and a statement of significant accounting policies and other explanatory notes. In our opinion, the financial statement gives a true and fair view of the state of the financial affairs of the banks and group as at 31 December, 2008 and of their profits and cash flows for the period then ended in accordance with the Nigerian Statement of Accounting Standards, the Companies and Allied Matters Act 1990 and the Banks and Other Financial Institutions Act 1991.'*

According to [10] auditors must be constantly aware of factors that affect the audit environment which can influence or harm their independence in other to ensure confidence of investors. [11] note that one of the most vexing problems in the financial world today, is the emphasis placed on ensuring the independence of external auditors as a result of recent economic scandals. In the real world, when business entities go out of business, the consequences are usually enormous.

The need for this study in face of declining audit quality is therefore to reiterate the place of modern auditing in safeguarding the interest of investors who are the real owners of the modern corporation. The audit report can serve as an instrument that prevents corporate failure, if the right opinion is issued; this therefore highlights the essence of quality in carrying out the audit exercise. When financiers of organizations (shareholders, debenture holders, etc.) have confidence and trust in audited financial reports, they are bound to pour in more funds into the organization, which in turn results in boosts financial performance [2]. This follows that a decline in quality of financial reports, will negatively affect the confidence of investors and in turn will lead to a decreased performance as funds are withdrawn from such corporations.

Although the global financial and banking crises have attracted the attention of policy-makers [12] and scholars [13, 14, 15], however, comparatively little scholarly attention has focused on the relationship between audit report and bank failures in developing economies. The study by [16] examined the role of auditing firms in the management of bank assets, liabilities and depositors' funds in developing countries. Thus, the oversight function meant to be carried out by auditors is placed under scrutiny when a business whose financial statement once showed no indication of going out of business suddenly becomes bankrupt [9]. Against this backdrop, the fundamental question addressed in this study is the connection between audit report and bank failures in Nigeria. This study is therefore intended to find to find out if the nature of client services provided by the audit firm either in the form of additional services impairs the independence of the auditors, moreover, an aspect of this is the duration of time served in an engagement.

Also, there is a need to examine if the corporate failures could be attributed to the technical competency of the team engaged in the audit. If a lead partner, with a vast level of experience was actively involved in the exercise, whether his/her experience would lead to a better outcome of the audit exercise.

1.3. Objective of the Study

The main objective of this study is to examine the relationship between audit report and bank failures in Nigeria. The sub-objectives are as follows:

1. To find out if the auditors'independence has an effect on the quality of audit report issued by auditors.
2. To examine the relationship between audit team competency and quality of audit report issued by the audit firm.
3. To ascertain if mandatory rotation of bank auditors' has significant relationship with audit outcome of banks in Nigeria.

2. Review of Related Literature

2.1. Conceptual Framework

2.1.1. Auditor Independence

Audit Independence may be defined as an auditor's unbiased mental attitude in making decisions throughout the audit and financial reporting process [17]. Independence refers to the quality of being free from influence, persuasion or bias, the absence of which will greatly impair the value of the audit service and the audit report [18]. Auditor independence is important because it has an impact on audit quality. [19] defined audit quality as the probability that (a) the auditor will uncover a breach and (b) report the breach. If auditors do not remain independent, they will be less likely to report irregularities; thereby impairing audit quality. An auditor's lack of independence increases the possibility of being perceived as not being objective [19]. Thus, impaired independence results in poor audit quality and allows for greater earnings management and lower earnings quality [20]. In Nigeria, a company audit committee performs an oversight and monitoring function on managers' discretion over accounting policies. [21] Identifies two levels at which a functional audit committee contributes to the quality of the audit process. Firstly, the supervision of the financial reporting process and the examination of major accounting choices enable the Audit Committee to mitigate or constrain earnings management practices. Secondly, the coordination of both the internal audit and external audit, and particularly ensuring and assuring external auditors' independence from managerial influences or pressures enables audit committees to guarantee that irregularities and financial misstatement observed by external auditors are reported.

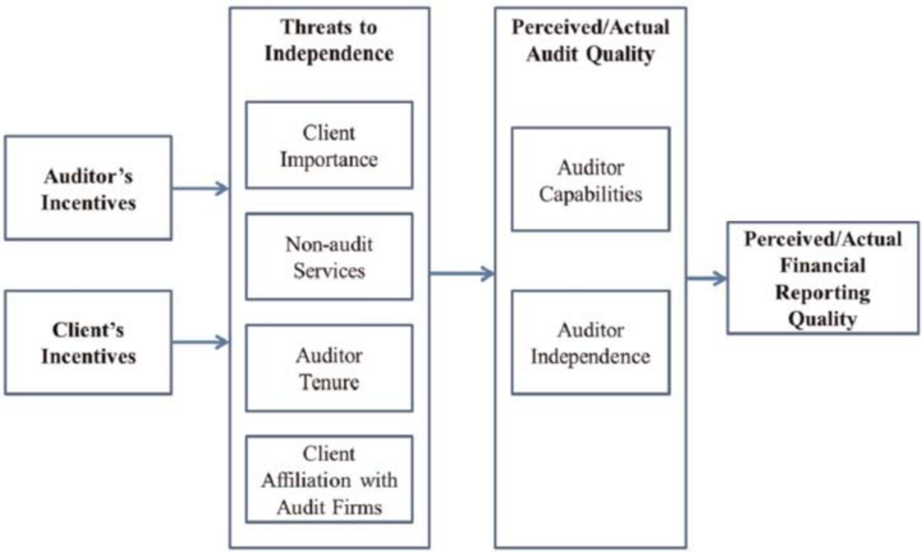

Figure 1. A Framework for Assessing the Impact of Auditor Independence on Audit Quality.

Source [22]

[22] identified four dimensions representing four threats to independence, are (a) client importance, (b) non-audit services, (c) auditor tenure, and (d) client affiliation with audit firms. Although these threats would normally reduce independence, they also have some effect on the capabilities of the auditor.

2.1.2. Fundamental Principles of Independent Auditing

The Institute of Chartered Accountants of Nigeria [ICAN] defines auditing "as a systematic process of objectively obtaining and evaluating evidence in respect of certain assertions about economic actions and events, to ascertain the degree of correspondence between those assertions and established criteria and reporting the results to interested parties" [23].

The Auditors' Code, published by APB, prescribes nine fundamental principles of independent auditing, as follows:

(a) Accountability: Auditors act in the interests of primary stakeholders, whilst having regard to the wider public interest. The identity of primary stakeholders is determined by reference to the statute or agreement requiring an audit: in the case of companies, the primary stakeholders are the general body of investors.

(b) Integrity: Auditors should act with integrity, discharging their responsibilities with honesty, fairness and truthfulness. Integrity helps to insulate auditors from matters of conflict of interests and elevate their objectivity. Confidential information obtained in the course of the audit is disclosed only when required in the public interest, or by operation of law.

(c) Objectivity and independence: Auditors should be seen to be objective in all their dealings with their clients. They express opinions independent of the entity and its directors.

(d) Competence: This is the ability to carry out professional duty with great knowledge and skills. Auditors should exhibit competence, derived from the acquired qualifications, training and practical experience. Auditing demands understanding of financial reporting and business issues, together with expertise in accumulating and assessing the evidence necessary to form an opinion.

(e) Rigour: Auditors approach their work with thoroughness and attitude of professional scepticism. This was emphasised in the famous pronouncement of Lord Dennins, which states that "an auditor is not a blood hound, but should approach his job with professional scepticism believing that someone, somewhere, has made a mistake and that a check needs to be carried out to ensure that no such mistake was made and this forms the whole essence of auditing." Auditors assess critically the information and explanations obtained in the course of their work and such additional evidence as they consider necessary for the purpose of their audits.

(f) Judgement: Judgement Auditors apply professional judgement, taking account of materiality in the context of the matters on which they are reporting.

(g) Clear communication: Auditors' reports contain clear expressions of opinion which are set out in writing for proper understanding.

(h) Association: Auditors allow their reports to be included in documents containing other information only if they consider that the additional information is not in conflict with the matters covered by their reports and that they have no cause to believe it to be misleading.

(i) Providing value: Auditors add to the reliability and quality of financial reporting. They provide to directors and officers constructive observations arising from the audit process, thereby contributing to the effective operation of the business entity

2.1.3. Audit Team Competency

Various factors have changed the business environment in which today's auditors operate. This has resulted in a worldwide challenge to align the capabilities (technical knowledge, skills, values, ethics and attitudes) of auditors to the requirements of this new environment [24]. As stated in ISO 19011 – *"Confidence in the results of an audit depends on the competence of the individuals conducting the audit."*Without a balanced, cohesive and compatible audit team of the right size and structure, with requisite industry and client business experience and an appropriate mix of capabilities across all the relevant technical areas, a high quality audit of a complex client is not possible [24].

The study by [24] identified an augmented capability set for auditors which, if ultimately developed, could change the traditional nature of an auditor. The skills include:

1) marketing skills and relationship building skills to compete in a retendering environment;

2) enhanced problem solving skills;

3) data analytical skills to analyse and interpret big data;

4) business acumen skills in line with broader business qualifications;

5) in-depth industry knowledge;

6) negotiation and relationship building skills to interact with various assurance providers;

7) project management skills to manage audits in a globally regulated environment; and

8) forensic skills to unpick businesses.

However, it is recognised that the augmentation of current capability within an audit team to address all of these areas is unlikely to be achieved within the 'traditional' audit team. Moving forward, it is envisaged that the composition of audit teams will change in order to meet the challenges of the future audit environment [24].

ISO 19011:2011 identifies three components of auditor competence –

1) Personal behavior

2) Auditing Knowledge and Skills

3) Technical Knowledge and Skills

Auditors need to possess the appropriate qualities, knowledge and skills in all three of these areas.

2.1.4. Mandatory Rotation

Auditor rotation includes audit-firm and audit partner rotation [25]. The logic rotation is to bring in fresh perspective to the audit and encourage a "fresh viewpoint" which enhances the technical rigour of an audit engagement [26, 27, 28, 29]. [30] describes rotation as: "a new auditor, like a new broom, will make a clean sweep and can pick up things not caught by the predecessor."

[31, 32, 33] argued that auditor rotation could affect audit quality in the following ways: (1) Long tenure might induce complacency among auditors and make them identify with the client, reducing their independence and could result in stock option backdating (2) Mandatory rotation could keep auditors on their toes since they know that their work will be reviewed by a fresh pair of eyes (3) Mandatory rotation might create a misalignment- if there is a single auditor best suited for a client, then the client has to forego that auditor's services and settle for another less-well-suited auditor when subjected to mandatory rotation and (4) Rotation could affect audit market concentration and competition, which in turn might affect audit quality.

Mandatory rotation could also affect audit quality through its effect on the audit market structure and the increase or decrease in the choice of qualified auditors for clients [31]. It was argued by [34] that rotation will allow more audit firms to enter the market thereby expanding the choice available to clients. However, excessive competition may be bad and mandatory rotation may worsen the problem [35]. Mandatory rotation eliminates the expectation of a continued stream of revenues and thereby liberates auditors from the pressure to bend to clients' will to preventthe loss of the revenue stream [36, 37], decreases the penalty for loss of reputation, gives retiring auditor the incentives to clean up before they are rotated out. However, [33] pointed out that auditors will slack off and have lower rather than higher incentives to maintain audit quality if they lack any expectation of continued revenues. In fact, the decline in effectiveness of the old auditor is linked to familiarity with clients, less willingness to challenge them and escalation of commitment [38].

2.2. Theoretical Framework

2.2.1. Agency Theory

This theoretical framework upon which this study is based is *agency theory*, a supposition that explains the relationship between principals and agents in business. Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals (such as shareholders) and agents of the principals (for example, company executives). Agency theory suggests that the firm can be viewed as a nexus of contracts (loosely defined) between resource holders. An agency relationship arises whenever one or more individuals, called principals, hire one or more other individuals, called agents, to perform some service and then delegate decision-making authority to the agents.

The primary agency relationships in business are those (1) between stockholders and managers and (2) between debt holders and stockholders. These relationships are not necessarily harmonious; indeed, agency theory is concerned with so-called agency conflicts, or conflicts of interest between agents and principals. This has implications for, among other things, corporate governance and business ethics.

The demand for audit of companies' accounts is created by agency problems which are related to the separation of corporate ownership from control (Eilifsen & Messier, 2000; Gerayli, Yanesari&Ma'atoofi, 2011). The agency problem arises from the existence of asymmetric information in the principal – agent contracts [39]. The audit of a company's accounts is a monitoring or control apparatus that minimizes information asymmetry and protects the interests of the principal [17, 20].

2.2.2. Shareholders Theory

Shareholder theory is a central economic theory in business applications. Organizations aim at maximising their shareholders' wealth as the main objectives of the organizations are as enshrined in extant laws, as well as in economic and financial theory. Shareholder theory is a centre piece discuss in management practices. In the view of [48] as cited in [49], who strongly argues in favor of maximizing the financial returns for shareholders.

This implies that organizations are owned by and operated for the benefit of the shareholders. The core social responsibility of business organizations - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. Friedman's statements reflect three fundamental assumptions that lend support to the shareholder view of the firm. The first is that the human, social, and environmental costs of doing business should be internalised only to the extent required by law. All other costs should be externalised. The second is that self-interest as the prime human motivator. As such, people and organizations should and will act rationally in their own self-interest to maximize efficiency and value for society. The third is that the firm is fundamentally a nexus of contracts with primacy going to those contracts that have the greatest impact on the profitability of the firm. It is in the light of these theoretical expositions that this study is also anchored.

2.3. Empirical Review

The study by [41] examined the relationship and effects of auditor tenure and auditor independence on earnings management (measured by the amount of discretionary accruals) of companies in Nigeria. The empirical analysis using a total of 342 company year observations shows that Audit tenure and auditor independence exert significant effects and exhibit significant relationship with the amount of discretionary accruals of quoted companies in Nigeria. The descriptive statistics result reveals a minimal presence of discretionary accrual management by the companies in the sample and on the average; about 94% of the companies engage their audit firms for over three years, with a considerable experience of a substantial number of audit firms in this distribution.

The study by [42] examined the relationship between mandatory audit rotation and audit quality. The data used were collected through the distribution of questionnaires to investors, lecturers, consultants, accountants and auditors in southern Nigeria. The data was analyzed using percentage analysis while the specified model was estimated using binary logistic regression technique. The binary logistic regression showed that there exists a negative relationship between Mandatory Audit Rotation and audit quality.

[43] sought the relationship between audit fees as a proxy for auditor independence and audit quality of firms in New Zealand. Employing three multiple regression models for a sample of New Zealand companies, his study discovered that the provision of non-audit services by the auditors of a firm compromises the auditor's independence, abnormal audit fee change rate is negatively associated with audit quality and auditor's independence of the previous year impacts on the audit fee that is negotiated in the current year.

[44] examined the links between audit fees and measures of audit quality. Their results show that higher annual excess fees and abnormal audit fees are generally associated with lower audit quality while a multi-period measure that reflects consistently high audit fees is associated with a positive long-run relationship between audit quality and audit fees.

[45] examined whether the association between audit fees and audit quality is asymmetric and thus nonlinear in the sense that the association is conditioned upon the sign of abnormal audit fees for their total sample of client firms with both positive and negative audit fees.

[46] examined the relationship between audit quality and financial performance. Audit quality was measured using auditor size and audit committee meeting frequency. The result shows that audit quality has both a direct effect as well as a mediating effect through audit size on financial performance.

[47] examined the effect of the characteristics of the audit committee on financial performance on a sample of 26 Tunisian firms listed on the Tunis Stock Exchange. The result showed that auditor size had an impact on return on assets and return on equity of the firms.

3. Methodology

3.1. Research Design

The study made use of descriptive survey research design.

3.2. Population of the Study

The population of the study is made up of chartered accountants; specifically members of Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN), these two bodies are responsible for the regulation and licensing of accountants desiring practice as auditors in Nigeria. Also, to be included are employees of financial institutions in Nnamdi Azikiwe University.

Table 1. Distribution of Respondents.

S/No.	Category	No.
1	ICAN	61
2	ANAN	154
3	FIRST BANK	25
4	UBA	23
5	ENTERPRISE BANK	17
6	DIAMOND BANK	21
7	ZENITH BANK	27
8	FIDELITY BANK	20
9	GTB	19
	TOTAL	367

Source: Field Survey (2016)

3.3. Method of Data Analysis

Data will be analysed using simple regression technique in testing the formulated hypotheses.

3.3.1. Description of Variables

Independent variables:

1. Audit Independence [AI]: This variable is measured as the sum of positive response to audit independence and practices guide in the structured questionnaire.
2. Audit team competence [ATC]: This variable is measured as the sum of positive response to audit team competence guide in the structured questionnaire.
3. Audit rotation [AR]: This variable is measured as the sum of positive response to audit rotation guide in the structured questionnaire.

Dependent Variable:

Audit reporting quality [ARQ]: This is measured as the sum of positive response to audit reporting quality guide in the structured questionnaire.

3.3.2. Model Specification

For Hypothesis One:

$$ARQ = \alpha + \beta\,[AI]_{it} + \ldots\ldots\ldots\ldots + \mu \qquad (1)$$

For Hypothesis Two:

$$ARQ = \alpha + \beta\,[ATC]_{it} + \ldots\ldots\ldots + \mu. \qquad (2)$$

For Hypothesis Three:

$$ARQ = \alpha + \beta\,[AR]_{it} + \ldots\ldots\ldots\ldots + \mu \qquad (3)$$

3.3.3. Decision Rule

The decision rule is as follows if the value of $P_{calculated} > P_{critical}$ – Reject the Null Hypothesis, otherwise accept.

4. Data Presentation and Analysis

4.1. Data Presentation

The primary data derived from the structured questionnaire is analysed below.

Table 2. Demographic Information of Respondents.

Sex	Frequency	Percent (%)
Female	156	41.3
Male	211	55.8
Total	367	97.1
System	11	2.9
Total	378	100.0

Source: SPSS ver. 20

The table 2 above shows that 211 respondents are males (i.e. 55.8%), while 156 persons were females (i.e. 41.3%).

Table 3. Distribution of Respondents' age.

Age	Frequency	Percent%
25-30	54	14.3
31-35	104	27.5
36-40	79	20.9
41- Above	130	34.4
Total	367	97.1
System	11	2.9
Total	378	100.0

Source: SPSS ver. 20

From the table 3 above, the number of participants between the ages of 25 to 30 years of age is 54 (14.3%), participants between the ages of 31 to 35 years of age is 104 (27.5%), participants between the ages of 36 to 40 years of age is 79 (20.9%), While participants 46 years of age and above is 130 (34.4%).

Table 4. Distribution of Respondents' Marital Status.

Marital Status	Frequency	Percent (%)
Single	131	34.7
Married	182	48.1
Divorced	54	14.3
Total	367	97.1
System	11	2.9
Total	378	100.0

Source: SPSS ver. 20

From the table 4, showed the number of participants who are single is 131 (34.7%), the table also shows that 182 (48.1%) of the participants are married while 54 (14.3%) where not willing to disclose their marital status

Table 5. Distribution of Respondents' Years of Experience.

Years of Experience	Frequency	Percent (%)
0-5 years	52	13.8
6-10 years	104	27.5
11-15 years	52	13.8
16 years Above	159	42.1
Total	367	97.1
System	11	2.9
Total	378	100.0

Source: SPSS ver. 20

From the table 5, Years of experience showed that 52 respondents (ie. 13.8%) have between 0 to 5 years working experience, 104 respondents (ie. 27.5%) have 6 to 10 years working experience, 52 respondents (ie. 13.8%) have 11 to 15 years working experience while 159 respondents (ie. 42.1%) have 16 years working experience and above.

Table 6. Distribution of Respondents' Management Level.

Management Level	Frequency	Percent (%)
Casual staff	78	20.6
Top level manager	289	76.5
Total	367	97.1
System	11	2.9
Total	378	100.0

Source: SPSS ver. 20

The table 6 above shows that 78 respondents (ie. 20.6%) are casual staff while 289 respondents (76.5%) are line managers.

4.2. Test of Hypotheses

Hypothesis One:

H_1: Auditors' independence has an effect on the quality of audit report issued by auditors

Table 7. Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.665[a]	.442	.441	.42204
a. Predictors: (Constant), AI				

Source: SPSS ver. 20

Table 7 shows the model summary results which sought to establish the explanatory power of the independent variables (Audit independence) for explaining and predicting the dependent variable (Audit reporting quality). R, the simple correlation coefficients, (i.e. the linear correlation between the observed and model predicted values of the dependent variable) showed a value of.665. R square, the coefficient of determination (i.e. the squared value of the simple correlation coefficients) showed a value of.442 (about 42%) of the variation in the dependent variable is explained by the model.

Table 8. ANOVA[a].

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	51.548	1	51.548	289.398	.000[b]
1	Residual	65.014	365	.178		
	Total	116.561	366			
a. Dependent Variable: Audit reporting quality						
b. Predictors: (Constant), AI						

Source: SPSS ver. 20

Table 8 shows a highly statistically significant F statistic of 289.398 (moreover p value <.05). Thus, we reject the null hypotheses.

Table 9. Model Coefficients[a].

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	24.531	.548		44.772	.000
	AI	-.472	.028	-.665	-17.012	.000
a. Dependent Variable: Audit reporting quality						

Source: SPSS ver. 20

Hypothesis Two:

H_1: There is a significant relationship between audit team competency and quality of audit report issued by the audit firm.

Table 10. Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.891[a]	.794	.793	.25649
a. Predictors: (Constant), Audit team competence				

Source: SPSS ver. 20

Table 10 shows the model summary results which sought to establish the explanatory power of the independent variables (Audit team competence) for explaining and predicting the dependent variable (Audit reporting quality). R, the simple correlation coefficients, (i.e. the linear correlation between the observed and model predicted values of the dependent variable) showed a value of.891. R square, the coefficient of determination (i.e. the squared value of the simple correlation coefficients) showed a value of.794 (about 79%) of the variation in the dependent variable is explained by the model.

Table 11. ANOVA[a].

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	92.550	1	92.550	1406.835	.000[b]
1	Residual	24.012	365	.066		
	Total	116.561	366			
a. Dependent Variable: Audit reporting quality						
b. Predictors: (Constant), Audit team competence						

Source: SPSS ver. 20

Table 11 shows also a highly statistically significant F statistic of 1406.835 (moreover p value <.05). Thus, we reject the null hypotheses.

Table 12. Model Coefficients[a].

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	53.547	1.022		52.395	.000
	Audit team competence	-1.924	.051	-.891	-37.508	.000
a. Dependent Variable: Audit reporting quality						

Source: SPSS ver. 20

Hypothesis Three:

H_1: There is a significant relationship between mandatory rotation of bank auditors and audit outcome of banks in Nigeria

Table 13. Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.770[a]	.593	.592	.36044
a. Predictors: (Constant), AR				

Source: SPSS ver. 20

Table 13 shows the model summary results which sought to establish the explanatory power of the independent variables (Audit rotation) for explaining and predicting the dependent variable (Audit reporting quality). R, the simple correlation coefficients, (i.e. the linear correlation between the observed and model predicted values of the dependent variable) showed a value of.770. R square, the coefficient of determination (i.e. the squared value of the simple correlation coefficients) showed a value of.593 (about 59%) of the variation in the dependent variable is explained by the model.

Table 14. ANOVA[a].

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	69.142	1	69.142	532.198	.000[b]
	Residual	47.420	365	.130		
	Total	116.561	366			
a. Dependent Variable: Audit reporting quality						
b. Predictors: (Constant), AR						

Source: SPSS ver. 20

Table 14 shows a statistically significant F statistic of 532.198 (moreover p value <.05). Thus, we reject the null hypotheses.

Table 15. Model Coefficients[a].

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	30.626	.668		45.836	.000
	AR	-.779	.034	-.770	-23.069	.000
a. Dependent Variable: Audit reporting quality						

Source: SPSS ver. 20

5. Summary of Findings, Conclusion and Recommendations

5.1. Summary of Findings

Audit report for the purpose of this research had been examined from various empirical perspectives. The emergence of agency theory being the anchor theory of this study addresses the cause and effect of variables, such as audit independence (AI), audit team competence (ATC) and audit rotation (AR). In addition, audit reporting quality has been closely associated with bank failures.

From the study, it was specifically revealed that;

1. Auditors' independence has an effect on the quality of audit report issued by auditors. Our Pearson bivariate results showed that the nature of relationship between auditors' independence and the quality of audit report issued by auditors was negative and statistically significant.
2. There is a significant relationship between audit team competency and quality of audit report issued by the audit firm. Our Pearson bivariate results showed that the nature of relationship between audit team competency and quality of audit report issued by the audit firm was negative and statistically significant.
3. There is a significant relationship between mandatory rotation of bank auditors and audit outcome of banks in Nigeria. Our Pearson bivariate results showed that the nature of relationship between mandatory rotation of bank auditors and audit outcome of banks in Nigeria was negative and statistically significant.

5.2. Conclusion

Audit quality and practices had been understood to be the majorly linked to bank failures in Nigeria. It has also been seen as the key element in ensuring increased trust of the investors. It covers a wide range of relationships between the company management, governing bodies, stakeholders and other parties with justified interests. It encompasses a widely varying range of areas, which is also manifested by an effort to create a concise definition of the term.

The study used some selected banks in Nnamdi Azikiwe University, Awka as well as the major accounting professional body in Nigeria; ICAN and ANAN.

From the result revealed by the study, it has come to a conclusion that auditors scarcely play an effective role in their respective client banks. The allegations made against them cannot completely be said to be false. The manifestation of independent which is the underlying requirement for any audit engagement showed that they failed in their statutory duties both in approach, theory, practice an attitude to work.

Besides, were this was in doubt or impaired in the course of their work either by management or directors, they should have resigned and give details of this in their representation to the members. Unfortunately, this was not the case.

It was also revealed that the coordination of both the internal audit and external audit, and particularly ensuring and assuring external auditors' independence from managerial influences or pressures enables audit committees to guarantee that irregularities and financial misstatement observed by external auditors are reported. Thus, the research work revealed that the iron cast to the bank failures from the angle of auditors are mandatory audit rotation, competence amongst audit team and a boundless independence of the auditors

5.3. Recommendations

Based on the findings of this study, the following recommendations are being made for accountants/auditors in order tocheck further re-occurrence of bank failures in Nigeria:

1. There should be a re-definition of the auditors' role from that of a watchdog to a professional expert. The auditors need to act beyond their legal requirements. By training, auditors should have an enquiry attitude not suspicious of anybody, but nonetheless suspecting that there may have been an error honest or fraudulent. An enquiry mind need not blood bound like a detective dog. But does not just do-watch, coming in with an enquiring minds worse than coming with an unassuming and inquisitive.
2. Government should expand the role of auditors. An expansion in the role of auditors will also involve an increase in their remuneration. This will allow the auditors to go more and more into the activities of the institution being audited and it will allow them to bring more information out.
3. Reputable firms should be hired to audit the accounts of the banks. Also, the institute of chartered accountants of Nigeria (ICAN) should promptly investigate all accountants and auditors of collapsed banks and discipline erring members and any accountants/auditors found guilty of professional negligence or complicity in auditing of the accounts should be black-listed in addition to other penalties. Thus, Accountants/auditors should be strictly guided by the dictates/ethics of their profession.
4. To be truly independent, auditors' appointment and remuneration should be fixed by an audit committee made up of equal members of directors and shareholders and not by management acting on behalf of the shareholder.
5. Accountants/auditors should exercise more diligence in the execution of their duties and try not sacrifice credibility and ethical standard on the altar of wealth.

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