



Assessment of Challenges of Public Auditor's Independence and Reports in the Public Sector of Nigeria

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Abstract

This paper essentially seeks to determine the extent to which auditors in the Nigerian public sector are independent. Also, the research further seeks to find out the extent to which auditors' report are true and fair. The research was conducted in three states in Nigeria. Two states in South-South Nigeria and one state in South-East Nigeria. Survey design was employed in this research. Primary data were gotten through Five Likert Scale (FLS) (SA, AG, UD, DIS, STDIS) copies of well organized and structured questionnaire. A total of ninety-three (93) auditors with two years and above working experience were sampled. Systematic Sampling Technique (SST) was adopted in the study. The research embraces essentially the descriptive statistical techniques such as frequency distribution, charts, tables, and percentage response analysis. Cronbach Alpha Coefficient (CAC) was employed in testing the reliability of the investigating instrument. The hypotheses were tested employing the Chi-square Analytical Techniques (CAT). The result of the analysis revealed that auditor's independence is significantly compromised and challenged in the public sector of Nigeria. One of the fundamental and cardinal rationales for this might be the result and finding of the second hypothesis that showed that in the public sector of Nigeria, public auditors lobby directors and management of public organization to gain audit engagement. The study further reveals that auditor's report is true and fair. The study recommends among others that the Auditor Generals for the Federation, States and Local Government should not be appointed by the president of Nigeria and the state governors respectively. They should be appointed by the opposition party or alternatively through electoral process. Furthermore, the auditors work engagement should be compulsorily rotational.

Keywords: Auditors' Independence, Auditors' Report, Nigeria, Compromise, Audit Firm, Challenges.

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Introduction

The International Organization of Supreme Audit Institutions (INTOSAI) employed the Lima Declaration of Guidelines on Auditing Percepts (LDGAP) at its 9th global convention held in Peru in the year 1977. The pronouncement establishes the global standards for the Supreme Audit Institutions (SAI) like the scope, independence, powers, and correlation with the administrative

and lawmaking arms (Asante, nd). Though, in the year 2001, an INTOSAI's assessment of the Supreme Audit Institutions independence by its standing Task Force (TF) highlighted a huge number of Supreme Audit Institutions still lacking the desired height of independence and freedom. The report contained that SAIs of seventy-three (73) nations felt that there was momentous development in fiscal independence and operational independence (Asante, nd).

Furthermore, Nigeria's Office of the Auditor General for the Federation "OAuGF" currently carried out a vigorous task in the zonal and global audit institutions advancement. This comprises customary present at AFROSAI-E programs, as well as yearly technological review, and rendering of its yearly program survey. The Office of the Auditor General for the Federation is habitually in attendance at several conferences of the Commonwealth Auditors-General Conference. The yearly executive conferences of 2016 held in Abuja.

Also, an assessment of the commencement of public account auditing reviewed contained that it started during the slavery period decades ago. Prior to the year 1910, the auditing function was carried out by the Colonial Branch (CB) of the Exchequer & Audit Department "EAD" (created in the year 1866). The Colonial Audit Service "CAS", under the jurisdiction of the Secretary of State of the Colonies, was given birth to in 1910. Furthermore, in 1910, the heads of Northern and Southern Nigeria audit were selected. The 2nd Director of Colonial Audit "DCA" was Harding John who was employed in the year 1928 after working for twenty-seven (27) years in the public service. Nigeria was primary formed in 1914 through the amalgamation of the Southern and Northern regions. During this period, the department for audit was created as component of the Central Secretariat "CS" in the state of Lagos (Ukura, 2016). The Directors of Audit "DA" were answerable to the then Governor, but generally were under the regulation of the Director General of the Overseas Audit Service "DGOAS". The Directors of Audit "DA" and higher staffs of the office were emigrant British personnel. They were assisted by the Nigerian employees making total personnel complements of approximately one hundred (100) workers (Ukura, 2016).

Notwithstanding, Ukura (2016) averred that regardless of the enormous efforts made and the accomplishment documented, the OAGNLF is yet confronted with definite confronting difficulties. Particularly, in the year 2004, an exterior advisor engaged highlighted the subsequent foremost challenges hindering the advancement of the Office. These include the fragmentation of public audit in Nigeria. The contemporary technique towards audit is dominated by the regular examination of huge volume of separate financial events (Ukura, 2016). The huge figure of comparatively feebly capable, and knowledgeable employees engaged in audit on moderately miniature grade levels (Osagioduwa & Ohidoa, 2020). Also, the comparative absence of auditors autonomy of the OAGNLF. Though a number of relatively progresses have been accomplished in some of these highlighted areas, the OAGNLF still faces significant challenges (Ukura, 2016).

Particularly, as a leading anti-corruption body, Ukura (2016) believed that as a global practice, public audit institution is the cardinal and foremost combatant of fraudulent activities in the public sector in Nigeria. The "OAGNLF" is yet to attain and accomplish this desire position in the public sector. Nevertheless, a number of public auditors do present proof in court cases conveyed by the government anti-corrupt institutions (EFCC, ICPC essentially). The government anti-corrupt institutions probe instances of corruption as a consequence of report rendered before the government anti-corrupt institutions via whistle blowers and petitions (Ukura, 2016). The "OAGNLF" has over a 1000 professional employees who recurrently and frequently appraise the fiscal management of all Federal Institutions 'FI'. The professional staff on a regular basis fine signs proof of corruption, fraudulent activities, and other abnormalities, owing to the absence of efficient harmonization and synchronization with the other government anti-corrupt institutions

and appropriate decisions possibly will not be made. Harmonization with the government anti-corrupt institutions and the Presidential Committee to advice on anti-corruption needs to be extensively enhanced (Ukura, 2016).

In addition, focusing on the legal framework, Ukura (2016) argued that the work of the "OAGNLF" is limited as there is at present largely no law regarding the activities, scope, and powers of the public auditors in Nigeria. Meanwhile, just an epigrammatic provisions of the Constitution of 1999 as amended governs the public auditors. Regrettably, this has a considerably unfavorable and undesirable impact on the independence of the public auditors "IDPAUD". Interestingly, a number of Audit Bills "AB" have been presented to the Nigeria legislative arm of government in the year 2001. Meanwhile, 2 "ABs" were passed by the "NASS", but not signed and subscribed to by the present President of Nigeria within the required four weeks (Ukura, 2016). The most recent "AB" was legislated by the 7th "NASS" in the year 2015. Concurrently, AB" same was legislated by the 7th "NASS". "AB" was legislated by the House of Representatives "HUOREP" in 2016 and is presently with the NASS. In 2015, Nigeria's president "PMB" ordered the "OAGNLF" to make sure that the entire pending audit queries were irrefutably answered within the time frame of 4 weeks. The president further ordered that subsequently, government ministries "MDAs" should make sure that audit query is responded to within hours (Ukura, 2016).

Speaking on the financial autonomy of the auditors, "IDPAUD" Ukura (2016) noted that the "CONFERNIG" contained that in carrying out his duties, the "OAGNLF" shall not be under the instruction and command of any person or organization. Nevertheless, the "OAGNLF" follows its budgetary procedure as obtainable in government ministries "MDA". Its yearly financial plan is submitted to the "NASS" via the Ministry of Budget and National Planning "MBNN". Upon approval, the yearly financial plan of the "OAGNLF" is then supervised by the Ministry of Finance "MOF" (Ukura, 2016). OAGNLF receives its finance from the Accountant General "ACGOF" upon a payment warrant from the Budget Office "BO". Akin to other "MDAs" the "ACGOF" wield considerable control over the financial resources of the "OAGNLF" and has, in several fiscal years, failed to release the complete yearly financial resources to the "OAGNLF". In the same way, the "OAGNLF" depends on the Federal Civil Service Commission "FCSC" for the staffing, promotion and discipline of all other than junior staff on Grade Level Six 'Grade Level six' or below. This in addition hinders the managerial autonomy of the "OAGNLF" (Ukura, 2016). Since 2015, the AB had remained with the National Assembly (NA) where it had undergone several reviews, but failed to pass through the examination of the lawmakers. OAUGF seeks t AB as a controlling instrument for addressing poor governance, inefficiency, wastes, lack of accountability and transparency in the government sector (Office Auditor-General for the Federation, 2019). The AB seeks to: Provide extra powers and functions to the OAUGF. Establish the Federal Audit Service Commission (FASC) which will be in charge of managing all matters of recruitment, promotion and discipline of staff of the Office and the Audit Commission (OAC). Cancel the Audit Ordinance of 1956, the Public Accounts Committees Act CAP P35 LFN 2004; and Enact the Federal Audit Service Act (EFASA), 2018 (Office Auditor-General for the Federation, 2019). Osagioduwa (2019a) believed that fraudulent practices take place in various shapes. The AB will give strong support to the battle against corruption in Nigeria as it guarantees and safeguards operational independence of the OAUGF as a Supreme Audit Institution (SAI), providing administrative and fiscal independence of the OAUGF. When the Bill is passed into law, the AUDF shall be vested with added powers to investigate and report as he considers essentially the use of public funds given to private body in which the Federal Government has controlling interest (Office Auditor-General for the Federation, 2019). It is expected that the amendment will boost auditor's independence and autonomy in Nigeria.

Furthermore, there is necessity to guarantee customary regular accounting by Directors to the "AGNLF" and guarantee that frequent conferences are organized for the Top Executive "TEV" in order to be abreast with the latest developments internationally in line with global best practice (Ukura, 2016). Regardless of the provision for offices for the head office of the "OAGNLF", 2/3 of the employees still base in the offices of the "MDAs" where the audit staff are engaged. Ideally, the Nigeria Federal Audit Staffs "FAS" are the outside watchdog to the public servants and are not expected to be residential occupant in the organizations the auditors are auditing. This is to keep away from unwarranted social pressures and familiarity on the auditor. Formerly, attempts were made to dislodge every audit staff from "MDAs" and to ensure that auditors reside in different offices. The objective is to guarantee better auditors' autonomy for all auditors. Unfortunately, this commendable conclusion was hindered by the shortage of adequate and sufficient housing (Ukura, 2016).

Also, on salaries and welfare for staff Ukura (2016) lamented bitterly that the remunerations of audit staff are to a certain extent little and the auditors' welfare are not satisfactorily and sufficiently provided for. The other government anti-corrupt institutions receive internationally competitive remuneration as well as excellent allowances. Notwithstanding the current several attempts in advancing higher-ranking employees within the Office, the promotion of other audit staff is yet outstanding (Ukura, 2016).

Currently, the evolution and introduction of vital computer to accounting and accounting operations in government operations, in the light of the Integrated Personnel and Payroll System "IPPIS", Government Integrated Financial Management Information System "GIFMIS" connote that skilled IT auditor are at this instant required. Unfortunately, a good numbers of auditors are still to possess the indispensable knowledge of "IPPIS" and "GIFMIS". A scanty number of IT auditors were trained in Ghana. Additionally, sixteen (16) auditors received IT education from South Africa Auditor General "AGOSA" and two yearly in US. The pilot audits included audits of the general controls in the IT systems deployed by the Debt Management Office "BMO", National Identity Management Commission "NIMC" National Electric Regulatory Commission "NERC", and the Pensions Commission "PC". Additionally, an all-inclusive auditing of the controls of "IPPIS" was concluded and sent to the "NASS" (Ukura, 2016). This is a four month course which starts in March every year. Being that there is probably no study known to the researcher, it is therefore fundamental in this paper to essentially seek to determine the extent to which auditors in the Nigerian public sector are independent in appearance and in fact. Also the research further seeks to find out the extent to which auditors' reports are true and fair.

Concept of Auditor's Independence "AUIN"

The structural framework for Auditor's Independence "AUIN" was propounded by the Independent Standards Board (ISB) owing to the absence of contradictory stated conventions and policy. The structural framework provides a range of standards and model to support the ISB when propounding audit standards for auditors. This structural framework describes "AUIN" as liberty and autonomy of the auditors from persons that compromise, or can realistically be predictable to compromise the audit staff aptitude to give an uncompromised audit opinion (McGrath, 2001 in Nnam, Mlanga & Okoro, 2020). Standards are from a model that entails 3 cardinal processes: recognizing limitations to "AUIN" and examine its implications, appraise the efficiency of probable protection and find out a satisfactory level of independence threats. Remarking on the above definition some researchers argued that the description of "AUIN" does not necessitate the audit staff to be absolutely independent of every person or disposition that has an effect on the ability of the audit staff to give a true and fair opinion, but only

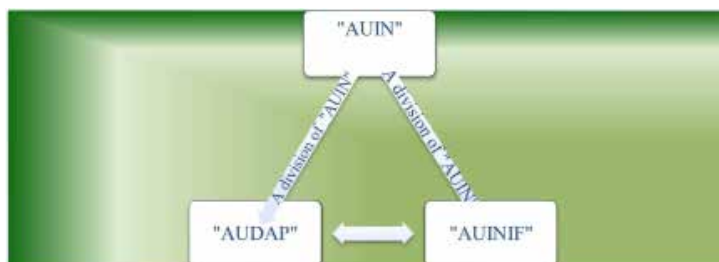
independent of those that rise to the height of limiting that capacity (McGrath, 2001 in Nnam, Mlanga & Okoro, 2020). The general objective of "AUIN" is to guarantee financial information is dependable and improves capital markets efficiency (Nnam, Mlanga & Okoro, 2020). Despite the fact that there is a universal conformity that the "SAI" ought to perform an efficient function in advancing the lucidity, accountability and governance of auditing. However a good number of the "SAIs" in the emerging countries still lack satisfactory independence, operational autonomy and resources to discharge this responsibility. "AUIN" is probably the ability of the auditors to think independently (mental independence MTID) and freedom to initiate procedures without been influenced by any forces (internal or external) or "powers that be" in either private or public organizations.

On the Independence of Supreme Audit Institution "SAI", the board should implement a regulation that provides for an all-encompassing independence of the leadership of the "SAI" and permits extensive disclosure of its findings and guarantees realization of its proposal. Of importance is the independence of the "SAI" from the finance and establishment ministries (MOF" and MOE") in charge of staffing and dismissal of audit staff. The "SAI" should be operationally independent to decide what and how to audit. The leadership of the "SAI" must have a fixed tenure in office with fundamental demands for performance assessment by the legislature to protect against misuse of authority. The guideline ought to necessitate the "SAI" to account individually on opportunities of corruption discovered in the course of the audit assignment (Independence of SAI Project, 2001). Furthermore, Ramkumar and Krafchik (nd) averred that a corporate governance practice common in the private sector is the engagement of audit committees which have significantly strengthened the independence, integrity, and efficiency of audit activities by providing independent oversight of the internal audit and external audit work plans and outcomes, appraising audit resource needs, and mediating the auditors' relationship with the business.

Considering an Absolute Independence, Jesse (2500-450 B.C) examined a higher dimension of independence and averred firmly that "for the kingdom is the LORD's: and he is the governor among the nations". Matthew (37 AD) speaking on the sayings of the "Living Word" noted the words of the "Word". 'And He (the Word) came and spoke unto them, saying, all power is given unto me'. God is supremely independent of all and in all. Furthermore, Paul (64 AD) highlighted clearly that for by Him (the Word) 'were all things formed, that are in paradise, and that are in the world, observable and imperceptible, whether they be thrones, or government, or principalities, or powers: every things were formed by Him, and for Him'.

AUIN of Heart and Appearance

Figure 2.1 Division of "AUIN"



Source (Author's conceptualization, 2020)

In 'A Framework for Auditor Independence' McGrath (2001) highlighted that auditor's independence in appearance "AUDAP" continues to be a contentious subject in "AUIN". Difficulties are faced when audit staff explains the connotation of appearance as well as while choosing the accurate opinion. Earlier researches require the independent auditor to judge if stakeholders can decide how audit engagement will be influenced as a function of the connection between the client and the engaged auditor. Authors are faced with challenges when assessing how to evaluate "AUDAP" for the reason that there could be a possible absence of harmony about the circumstances possibility to impact the "AUIN" (McGrath, 2001 cited in Nnam, Mlanga & Okoro, 2020). Even though the debate over "AUDAP" fails to come to an end, there are 3 methods that can be integrated into the standards if the auditor's objective is to boost trustworthiness and dependability of annual financial report. The techniques consist of establishing independence and autonomous audit standards based on demanded audit opinion from diverse interested individuals and bodies, retrieving information from imaginary bodies and setting audit standards from the board's ruling (Nnam, Mlanga & Okoro, 2020). The public confidence will be battered if shareholders and financial statement users failed to recognize the "AUIN" in heart and appearance. The second brand of "AUDAP" is the independence in heart (or fact): this essentially refers to the objectivity of the auditors. Auditor's fact independence refers to the objectivity of the engaged auditor's actions in the course of the audit assignment. The auditor should have the freedom to form an independent opinion even if there is a supposed absence of the auditor's independence or if the company's directors place the auditors in a potentially compromising position (Emengeni, nd). His question will likely be; is there any reasonable evidence to substantiate his facts and actions?

Fearnley, Beattie and Brandt (2005) highlighted that the translation of the Enron reports and the liquidation of Anderson demonstrate the demoralizing impact of absence of confidence in the honesty of an auditor. The importance of the media remains significant in the auditing vocation. Tangible and supposed auditor's independence are the two types of "AUIN". The view of the "AUIN" determines the prospect of the auditor's career (Fearnley et al, 2005,). However, "AUIN" is an indispensable characteristic for audits for the reason that it decides how reliable and dependable published annual financial report will be to interested users and other financial statement users. Furthermore, "AUIN" has been the center of attention of nearly invariable arguments, deliberations and examinations (Law, 2008). Subsequent to the corporate collapse and scandals, supervisory body began to question how independent and knowledgeable auditors were for the period of audit engagements (Bakar et al, 2005 cited in Nnam, Mlanga & Okoro, 2020).

Nnam, Mlanga, and Okoro (2020) highlighted the numerous factors that impede "AUIN". The factors consist of the size of audit firms 'AFS', audit committee 'ACO', the auditor's tenure 'AFT', the height of contest in the audit market 'CM', audit fee 'SAF', and rendering of non-audit services by the engaged auditor 'NAS'. These remote controls are significant in practice.

The extent of task performed by the "OAGNLF" was extended to incorporate numerous fresh dimensions, these consist of: IT Audit 'IA', Performance Management Information Audit 'PMIA', Environmental Audit 'EA', Disaster Management Audit 'DMA', Performance Audit 'PA', Regulatory Authorities Audit 'RAA', and PPP Audit (Ukura, 2016). 'PA' is one of the more important approaches of audit performed by today's "AGNL". 'PA' is the examination and assessment of efficiency, economy and effectiveness "EEE". Several auditors have been trained on 'PA' at the Accountability Office in USA, AFROSAI-E and Namibia Auditor-General "AGN" (Ukura, 2016). These 'PA' auditors have carried out an assortment of pilot 'PA' including audits of the Federal Teaching Scheme, prison feeding "APF" and waste collection in the Federal Capital Territory. The "ARs" of a number of these pilot audits had since been submitted to the

“NASS”. In addition, ‘EA’ is a type of ‘PA’. ‘EA’ is an examination of the impact and effect of Government’s Environmental Management Programme “GEMP”. The “OAGNLF” has educated several Auditors on ‘EA’. The first and foremost ‘EA’ performed by the “OAGNLF” was the Joint Environment Audit “JEA” on the Drying-up of Lake Chad in collaboration with the audit institutions of a number of next-door nations. The nation account for Nigeria has since been laid before the “NASS”. The team is proposing to perform other ‘EA’ once resources are accessible (Ukura, 2016).

Auditor’s Reports “AR”

Oladipupo (2005) defined “AR” as the end product of an audit and is usually a brief statement which expresses the auditor’s opinion on the truth and fairness of the clients fiscal statements and on the extent of their compliance with statutory and legal demands. Qualified audit report “QAR” and unqualified audit report “UQAR” are the two fundamental audit reports. The content of “AR” is determined by one; status: these include Company and Allied Matter Act “CAMA” of 1990 and “BOFID” of 1991 as amended. Two: Auditing standards. Three; Other Authoritative Requirements. And lastly; Circumstances. “UQAR” (a good and clean report) is issued if there is a confirmation to the auditor that: He has exercised reasonable care and skill in examining the accounting records and that he has received all evidence he requires for the audit. The organization has kept sufficient, proper and reliable accounting record. All statutory demands have been met. The liabilities and trading accounts are correctly stated. The assets contained in the statement of financial position do in fact exist, belong to the organization and have been properly recorded.

Furthermore, CAMA 1990 requires a “QAR” if: (1) the financial statement and account does not show an accurate and just view. (2) Proper and adequate bookkeeping have not been kept. (3) appropriate returns of branches not visited by the auditors have not been received. (4) the accounts are not in congruence with the books of account and returns. (5) the requirements of CAMA 1990 as amended were not met. (6) the auditor has not received all information and explanation, which the auditor deems necessary for the purpose of the audit exercise.

In addition, the content of a “QAR” are: It should state the rationale for the qualification. It should state vividly the meaning and implication for an understanding of the financial statements. It should qualify the effects of the qualification on the financial statements. Oladipupo (2005) opined that the following principles should guide the auditor when drafting an audit report: (1) The audit report should be concise and straight to the point. (2) The assumption made in arriving at an opinion should be stated. (3) The report should be backed by relevant schedules. (4) The report should and must be understandable. (5) The report should give information and should not be suspicious. (6) Any report qualification should be specific as to item and facts as far as possible the amount. (7) The effect of the qualification on the account as a whole should be clear. (8) The auditor’s qualification of the account should not be capable of being misunderstood.

The sections in the auditor’s report include: The heading: for instance, the report of the auditor to the members of the organization. The work performed. The date or periods cover by the report. Duty of directors and auditors. Auditor’s opinion. The auditors name and the date the work was signed. However, the audit report writing is not without challenges. Oladipupo (2005) noted that auditor’s challenges in qualifying their report consist of: Fear of it resulting in legal proceedings. It reflects badly on the directors. Lastly, readers of financial statement would see the account as less reliable. Abraham in Osagioduwa (2019b) noted that whistle blower can submit their report to “AGNL”.

Specifically, the Local Organizing Committee (LOC) of Under-Seventeen World Cup (2009) submitted in 2011, NNPC account laid before the "NASS" in the year 2012, 2 years prior to previous governor of the CBN, Sanusi Lamido "SLS", disclosed and exposed the \$50b embezzled oil finance. Furthermore, Civil Pensions report was laid before the "NASS" in the year 2013, Lake Chad Basin Environmental Audit Report "LCBEAR", Niger Delta Development Commission (NDDC) carried out together with the Public Audit Institutions of Cameroon, Chad and Niger "PAICCN" was reported to the "NASS" in 2015 (Oladipupo, 2005). Furthermore was the IPPIS Audit Report providing an inclusive assessment of the general controls over the computerized payroll system operated by the Accountant General laid before the "NASS" in 2016 among others (Ukura, 2016). However, Traditional auditing employs fiscal data only to communicate an opinion on fiscal situation and observance with conventions and regulations while performance auditing employs monetary as well as non-fiscal data to evaluate economy, efficiency and effectiveness (EEE) in administration of resources (Oladipupo, 2005).

Moreover, the essential challenges faced in this perspective are whether the reliance on the true and fair view 'TAFV' is competent of withstanding litigation test, should the decision based on auditors 'TAFV' opinion cause a contingent liability to the users of the audited report and whether the auditors can be held liable to the users (public). Tarr and Mack (2013) pointed out that 'TAFV' as employed by the auditor to form opinion on financial reporting is vulnerable to contradictory shades of meaning. Chung, Farrar, Puri, and Thorne (2010) in an assessment of auditor responsibility to third parties in the US highlighted that among state courts, 4 legal standards are engaged in finding out the category of third parties that are entitled to the duty of care by audit firm. The standards vary from extremely inflexible to flexible and include: (1) privity principle; (2) near-privity principle; (3) restatement principle; and (4) the realistic foreseeability principle (Pacini, Hillison, & Sinason 2000a; Pacini, Martin, & Hamilton 2000b; Trakman & Trainor, 2005). Privity principle is the essential limiting principle. Strict privity involves a contractual association or straight affiliation that exists between an auditor and a third party for the third party to be able to take legal action against the auditor for negligence. The near privity rules stipulate that three fundamentals must be satisfied before auditors can be held legally responsible for negligent misrepresentation to non-contractual third parties: (1) the auditor must have been aware that financial reports were to be used for a specific intention; (2) the known party were anticipated to be able to rely on those reports; and (3) there must have been some behavior connecting the auditor to the relying party.

"AUIN" and the "AR"

In "Audit Tenure: an Assessment of its Effects on Audit Quality in Nigeria", Adeyemi and Okpala (2011) averred that auditor's tenure 'AFT' might be a cardinal rationale for loss of "AUIN". An elongated auditor-client association may possibly result to an unwarranted coalition of the interest of auditors and its client could make the required AUIN behavior of the audit staff a likelihood. Furthermore, an assessment of the value of audited financial reports of deposit banks in Nigeria, Kabiru and Abdullahi (2012) discovered that audited financial reports of deposit banks in Nigeria, if re-examined by a different autonomous audit firm will give a very similar, identical and akin result and conclusion. Additionally, Dopuch, King and Schwartz (2001) study showed that auditor compromises and negotiates his professional and operational work independence recurrently in a lengthened audit agreement and recommended that the tenure of an auditor possibly will have considerable consequence on the 'AQ'. Furthermore, Vanstraelen (2000) investigated the impact of lengthened auditors-client agreement on 'AQ'. The financial statement user's opinion of the auditor's statement was employed as the indicator for AQ'. The study

employed the logistic regression model. The research results revealed that a lengthened auditor-client relationship and association is positively correlated with high probability of the auditor giving an unqualified report. A considerable dissimilarity was moreover discovered connecting the reporting behavior of auditor in the early years versus the ending year of an auditor's assignment. The finding implies that audit firms are more enthusiastic to give an unqualified report in the early years of their official assignment than in the latter period of their audit assignment. The policy implications of Vanstraelen (2000) signal a compulsory auditor's rotation to keep the importance and credibility of an auditor for the financial statement users.

In "Audit firm characteristics and audit quality in Nigeria", Ilaboya and Ohiokha (2014) investigated the effect of characteristics of audit firms' on 'AQ'. The research data were collected from the financial report of eighteen groceries companies listed on the Stock Exchange "NSE" market within a time frame ranging from 2007-2012. The researchers employed multivariate regression method "MRT". The research result showed that a positive correlation exists among firm size, board independence and 'AQ', while a negative correlation exists among "AUIN", 'AFS', 'AFT' and 'AQ'.

Furthermore, in "Audit Partner Tenure and Audit Quality: An Empirical Analysis" Chijoke, Emmanuel and Nosakhare (2012) studied the correlation between the tenure audit partner 'APT' and 'AQ'. Binary Logit Model "BLM" was employed in analyzing the correlation between auditor's tenure and 'AQ'. The research results disclose that there is a non-positive correlation between the tenure of auditor and 'AQ' despite the fact that the variable was insignificant. Some explanatory variables like Board Independence, ROA, Director Ownership and Board size measured together with audit tenure were discovered to be inversely correlated to 'AQ' aside from ROA which revealed a non-negative effect.

In "Audit Tenure: An Assessment of its Effects on Audit Quality in Nigeria", Adeyemi and Okpala (2011) averred that an 'AFT' could lead to loss of "AUIN". Lengthened auditor's-client association may possibly result to coalition of interest of the audit firm and that of its client and could make AUIN behavior a chance. The research finalized that rotation of auditors might not essentially improve "AUIN". This possibly will be a function of harmony of qualified approach among auditors and resemblance of civilizing prejudice and direction. Auditor's tenure might have considerable impact on the 'AQ'.

Also, Kabiru and Abdullahi (2012) investigated audited financial statements quality in deposit money banks in Nigeria. They employed both secondary and primary data from a study population of twenty-one deposit money banks. They choose a sample size of five (5) deposit money banks encompassing First, Union, Zenith, UBA and Banks. The result revealed that "AUIN" extensively advanced the 'AQ' of financial reports of banks. Obedience to standards has non-negative and considerable impact on the 'AQ' of financial reports of banks. Furthermore, material financial misstatements significantly affect the 'AQ'. Lastly, the result revealed that audited financial reports of banks, if re-audited by different independent auditors, will give a very similar and identical result and conclusion.

In addition, Leonardo and Luísa (2019) carried out a research on Independent Audit (IA). They employed the descriptive statistics. 32 papers published in scientific journals published between years 2008 to 2019 were used. The findings revealed a summary of scientific papers on the issue of IA and permitted to statistically summarize the status of the art scientific production performed in modern times on the matter of IA.

In the same vein, in "effect of audit independence on financial reporting quality of listed

brewery firms in Nigeria”, Nnam, Mlanga and Okoro (2020) investigated the consequence of “AUIN” on financial reporting quality. The foremost objectives of the research include; finding out the effect of audit fee “AF” on financial reporting quality, evaluation of the impact of ‘AFS’ on financial statement quality. The research employed Ex-Post Facto Research Design (EFRD). Data was generated employing secondary data through the adoption of annual reports and accounts of selected organizations. The research result revealed that both “AF” and ‘AFT’ have significant effect on financial reporting quality, while ‘AFS’ has no significant impact on quality of financial reporting. The researchers recommended that firms should engage reputable audit firm for quality financial report.

Furthermore, in “Public Auditors and Detection of Corruption in Nigeria” Osagioduwa, Okeke, and Ohidoa (2020) examined over some years the call for and mandatory responsibility of auditors in detecting and reporting corruption. The cardinal objective of the study was to reveal via empirical research that it is the responsibility of the auditors to detect corrupt activities in the public sector. The research was carried out in Edo and Delta states. The research embraces the Survey Design (SDN). The survey was in two dimensions. In 2014, survey was conducted among accountants and auditors in Edo and Delta States public sector with five (5) audit firms and a total of 117 copies of questionnaire were collected. While in 2018, a similar copy of questionnaire was distributed to auditors only, working in the public sector in the two states. The Systematic Random Sampling Technique (SRST) was used in selecting 62 respondents from a population of 484 in 2018. The result of the research showed that detection of corruption by the auditors is a cardinal component of auditor’s role and exposure and reporting of corruption by the auditors will reduce corruption in the public sector.

In addition, Ibhadode (2020) investigated the true and fair view (TAFV). The research employed the methodological approach (MA). Findings based on evaluation of applicable and allied researches are indicative of the verity of the TAFV idea on financial reporting setting, is debatable and controversial. The research finalized that the conditions as chronicled in this work is obvious that the truism of the TAFV of the auditor’s reports are under stern threat. The option could be for the audit firm to endorse the truthfulness and accuracy of the financial reports. While this position being canvassed may assist in significantly bridging the audit expectation gap, it may as well necessitate an upward assessment of the existing audit fee system in order to operationalize the time-consuming assignment of endorsing the correctness and precision of the financial report.

The study embraces the policeman theory “PTY”. Nnam, Mlanga and Okoro (2020) explained that the policeman theory “PTY” provides that auditing and assurance service is accountable for pointing, ascertaining and avoiding fraudulent acts. This was the early 20th century practice. Nevertheless, in recent times the central point of this practice is to render realistic audit assurance services and authenticate the reliability and truthfulness of the annual financial reports. The uncovering of fraudulent acts is yet a cardinal issue in the discussion and argument on the audit firm and auditor’s duties. PTY was an extensively accepted theory on auditing till the 1940s (Hayes, Schilder, Dassen & Wallage, 1999). Before and during the 1940s it was extensively believed that audit firm’s key occupation was to ensure numerical truthfulness of financial events and fraud detection and prevention. On the other hand, from the 1940s till the end of that century there was a paradigm swing of auditing to essentially mean a truth and fair verification of the firm financial reports. Up to date financial statement fraudulent activities for instance Satyam, Ahold, Societe Generale, and Enron have resulted in cautious reassessment of “PTY”. There is continuing general dispute on the auditor’s duty of fraud detection and reporting. Therefore audit committee “ACO”, audit firm and auditors that are independent, diversified, and financially competent

and have quality meetings are perceived to exercise their mandate more effectively. For instance Elder et al. (2009) cited in Nnam, Mlanga and Okoro (2020) stated that the general way for users to obtain consistent information is to have an independent “ACO”. As mentioned earlier “PTY” alleges that the audit assurance service is responsible for exploring, detecting and preventing fraud and fraudulent practices, therefore “ACO” acting as organization’s policeman goes a long way in ensuring quality financial reporting.

Methodology

Survey design was adopted in this work. This is because the study employed the perceptions of the auditors in achieving the objectives. The population of this study was 423 auditors in the public sector from three states in Nigeria. These states were selected for this study for the reason that they were convenient for the researcher. Offices of the Auditor General in the three states were largely sampled. The sample sizes of ninety-three (93) respondents (auditors) currently in active audit practice in the public sector was chosen employing the Systematic Random Sampling Techniques (SRST). The researcher employed the Cronbach Alpha statistical tool for determining the reliability. Copies of questionnaire were administered to respondents with over 2 years of working experience. Closed-ended questions were asked using the Five Likert Scales format. 5 points (SA), 4 points (AG), 3 points (UD), 2points (D), 1point (SD). Tables and simple percentages were used for analysing the data collected. Chi-Square Analytical Techniques (CSAT) was engaged in analysing the stated hypotheses. In determining the adequacy of the sample size for this study, the Osagioduwa and Itohan (2020) restructured Yemane (1967) sampling method was employed.

Osagioduwa and Itohan (2020) formula: $n = N / (3.03030/1.021321 + N e^{2(3.0212-2.0212)})$ Where n = Number of samples, N = Total population, e = Error tolerance and 3.03030/1.021321= adjusted constant. The above population is 654 at 5% significant level, $= 423/3.03030/1.021321 + 423 (0.05)^{2(3.0212-2.0212)} = 141.10032362 = 104.251386$

Model Specification

Conceptual Model

$$EPSA = f(AUIN + TAFAR) \dots\dots\dots (1)$$

Where

EPSA = Effective public sector audit.

AUIN = Auditors’ independence

TAFAR = True and fair auditor’s report.

Where

$$AUIN = f(AUDAP + AUINIF) \dots\dots\dots (2)$$

AUINIA = Auditors’ independence in appearance

AUINIF = Auditors’ independence in fact or heart

$$EPSA = f(AUDAP + AUINIF + TAFAR) \dots\dots\dots (3)$$

Analytical Model

$$EPSA = \beta_0 + \beta_1 \text{AUIN}\% X_1 + \beta_2 \text{TAFAR}\% X_2 + \epsilon \dots\dots\dots (1)$$

$$\text{AUIN} = \beta_0 + \beta_1 \text{AUDAP}\% X_1 + \beta_2 \text{AUINIF}\% X_2 + \epsilon \dots\dots\dots (2)$$

$$EPSA = \beta_0 + \beta_1 \text{AUDAP}\% X_1 + \beta_2 \text{AUINIF}\% X_2 + \beta_3 \text{TAFAR}\% X_3 + \epsilon \dots\dots\dots (3)$$

Where

β_0 = Intercept

β = Coefficient of the explanatory variable (slope)

ϵ = Represents the error term in the model

Data Analysis and Presentation

Table 4.1 :Professional qualifications of the respondents

Edo State	Frequency	Percent	Valid percent	Cumulative percent
ICAN	7	21.875	21.875	21.875
ANAN	3	09.375	09.375	31.25
OTHERS	3	09.375	09.375	40.625
Total		40.625	40.625	40.625

Source (Authors extraction)

From a total number of thirty-two (32) auditors (respondents) sampled in Edo State, seven (7) auditors which is 21.875 % of the total respondents are member of the Institute of Chartered Accountant of Nigeria (ICAN). In addition, three (3) respondents which is 09.375% of the total respondents are members of Association of National Accountants of Nigeria (ANAN). Finally, three (3) respondents which is 09.375% of the total respondents in Edo State belong to other professional bodies probably the Nigeria Institute of Management among others. Obviously therefore, 41% of auditors in Edo State had professional qualifications while (100%-41%) 59% had no professional qualifications.

Table 4.2: Professional qualification of respondents

Delta State	Frequency	Percent	Valid percent	Cumulative percent
ICAN	6	20.00	20.00	20.00
ANAN	15	50.00	50.00	70.00
OTHERS	1	3.33333333	3.33333333	73.33333333
Total		73.33333333	73.33333333	73.33333333

Source (Authors extraction)

From a total number of thirty (30) auditors (respondents) sampled in Delta State, six (6) auditors which is 20% of the total respondents are members of the Institute of Chartered Accountants of Nigeria (ICAN). In additional, fifteen (15) respondents which are 70% of the total respondents are members of Association of National Accountants of Nigeria (ANAN). Finally, one (1) respondent which is 3.33% of the total respondents in Delta State Nigeria belong to other professional bodies probably the Nigeria Institute of Management among others. Obviously therefore, 73% of auditors in Delta State had professional qualifications while (100%-73%) 27% had no professional qualifications.

Table 4.3: Professional qualification of the respondents

Enugu State	Frequency	Percent	Valid Percent	Cumulative percent
ICAN	14	45.161290322	45.161290322	45.161290322
ANAN	5	16.1290322580	16.1290322580	61.29876576
OTHERS	1	3.22580645161	3.22580645161	64.52380645161
Total		65	64.52380645161	64.52380645161

Source (Authors extraction)

Finally, from a total of thirty-one (31) auditors (respondents) sampled in Enugu State, fourteen (14) auditors which is 45.161290322% of the total respondents in the state are member of the Institute of Chartered Accountants of Nigeria (ICAN). While, five (5) respondents which is 16.1290322580% of the total respondents are members of Association of National Accountants of Nigeria (ANAN). Finally, one (1) respondent which is 3.22580645161% of the total respondents in Enugu State Nigeria belongs to other professional bodies probably the Nigeria Institute of Management among others. Obviously therefore, 65% of auditors in Edo State have professional qualifications while (100%-65%) 35% had no professional qualifications.

Hypothesis one: Auditor's independence is significantly compromised and challenged in the public sector of Nigeria.

Table 4.4: Computation of Chi-Square

Respondent s	OI	EI	(OI-EI)	(OI-EI) ²	$\Sigma(OI-EI)^2/EI$
Strongly agree	24.0	18.6	5.4	29.16	1.5677419355
Agree	40.0	18.6	21.4	457.96	24.621505376
Undecided	9.0	18.6	-9.6	92.16	4.9548387097
Disagree	9.0	18.6	-9.6	92.16	4.9548387097
Strongly disagree	11.0	18.6	-7.6	57.76	3.1053763441
$\chi^2 = \Sigma(Oi-Ei)^2 / Ei$	93.0	18.6	3.0		39.20345471

Source (field work)

$\chi^2 = \Sigma (O_i - E_i)^2 / E_i$ Where $\chi^2 =$ Chi-square, $O_i =$ Observed frequency or data, $E_i =$ Expected frequency or data. Source: Agbadudu (1994.). $E_i = 93/5 = 18.6$, the cal $\chi^2 = 39.20345471$, χ^2 a $k = a = 0.05$ $k = 5 - 1 = 4$ $\chi^2_{0.05, 4} = 9.49$. At 5% level of significance and 1 degree of freedom, tab $\chi^2 = 9.49$ while Cal $\chi^2 = 39.20345471$

Decision Rule: As per Table 4.4, Cal χ^2 exceeds the tab χ^2 (cal $\chi^2 >$ tab χ^2), therefore the null hypothesis is rejected and the alternative hypothesis is accepted that states that auditor's independence is significantly compromised and challenged in the public sector of Nigeria. Decision: This means that auditor's independence is significantly compromised and challenged in the public sector of Nigeria.

Hypothesis two: Auditors frequently lobby for audit engagement in the Nigerian public sector

Table 4.5 : Computation of Chi-Square

Respondent	OI	EI	(OI-EI)	(OI-EI) ²	$\Sigma (OI-EI)^2 / EI$
Strongly agree	28.0	18.6	9.4	88.36	4.7505376344
Agree	41.0	18.6	22.4	501.76	26.976344086
Undecided	16.0	18.6	-2.6	6.76	0.3634408602
Disagree	5.0	18.6	-13.6	184.96	9.9440860215
Strongly disagree	3.0	18.6	-15.6	243.36	13.083870968
$X^2 = \Sigma(Oi-Ei)^2 / Ei$	93.0	18.6	3.0		55.089247202

Source (field work)

$X^2 = \Sigma(Oi-Ei)^2 / Ei$ Where $X^2 =$ Chi-square, O_i = Observed frequency or data, E_i = Expected frequency or data. Source: Agbadudu (1994.). $E_i = 93/5 = 18.6$, the cal $X^2 = 55.089247202$, X^2 a $k = a=0.05$ $k=5-1=4$ X^2 0.05, 4 $X^2 = 9.49$. At 5% level of significance and 1 degree of freedom, tab $X^2 = 9.49$ while Cal $X^2 = 55.089247202$.

Decision Rule: As per Table 4.5, Cal X^2 exceeds the tab X^2 (cal $X^2 >$ tab X^2), therefore the null hypothesis is rejected and the alternative hypothesis is accepted that states that auditors frequently lobby for audit engagement in the Nigerian public sector. Decision: This means that auditors frequently lobby for audit engagement in the Nigerian public sector.

Hypothesis three: Auditors are significantly faced with risk in relation to their job in the current public sector of Nigeria.

Table 4.6: Percentages Analysis

Respondent	Frequency	Tally	Percent	Percent P* Value	Valid percent	Cumulative percent
Strongly agree	34.0	 	36.55913978	*84.946236*****	36.55913978	36.55913978
Agree	45.0	- 	48.38709677		48.38709677	84.94623655
Undecided	6.0	- 1	06.45161290		06.45161290	91.39784945
Disagree	4.0		04.30107526	*8.60215052 ****	04.30107526	95.69892471
Strongly disagree	4.0		04.30107526		04.30107526	99.99999997
	93.0		99.99999997		99.99999997	99.99999997

Source (field work)

The percentage responses of the respondents revealed that auditors are significantly faced with operational risk in relation to their job in the current public sector of Nigeria. This is the indication of the percentage p-value of 84.946236*****. This further is an indication that the degree of risk faced by public auditors is very high. P value of 8.60215052*****only shows the degree or percentage of public auditors operational responsibility not faced with audit risk in the Nigerian public sector. Therefore, the alternate hypothesis that auditors are significantly faced with risk in relation to their job in the current public sector of Nigeria is accepted and the null hypothesis is rejected.

Hypothesis four: Auditor's opinions expressed in the public sector are significantly not true and fair

Table 4.7: Computation of Chi-Square

Respondent	OI	EI	(OI-EI)	(OI-EI) ²	$\Sigma (OI-EI)^2 / EI$
Strongly agree	13.0	18.6	-5.6	31.36	1.6860215054
Agree	27.0	18.6	8.4	70.56	3.7935483871
Undecided	15.0	18.6	-3.6	12.96	0.696771936
Disagree	22.0	18.6	3.4	11.56	0.6215053763
Strongly disagree	17.0	18.6	-1.6	2.56	0.1376344086
$X^2 = \Sigma(Oi-Ei)^2 / Ei$	93.0	18.6			*6.9354215054*

Source (field work)

$X^2 = \Sigma(Oi-Ei)^2 / Ei$ Where X^2 = Chi-square, O_i = Observed frequency or data, E_i = Expected frequency or data. Source: $E_i = 93/5 = 18.6$, the cal $X^2 = 6.9354215054$, X^2 a $k = a=0.05$ $k=5-1=4$ X^2 0.05, 4 $X^2 = 9.49$. At 5% level of significance and 1 degree of freedom, tab $X^2 = 9.49$ while Cal $X^2 = 6.9354215054$

Decision Rule: As per Table 4.7, Cal X^2 is less than the tab X^2 (cal $X^2 < \text{tab } X^2$) therefore, the alternative hypothesis is rejected and the null hypothesis is accepted that states that auditor's opinion expressed in the public sector of Nigeria is not significantly not true and fair. Decision: This means that auditor's opinion expressed in the public sector is not significantly not true and fair

Discussion, Conclusion and Recommendations

The result revealed that auditor's independence is significantly compromised in the public sector of Nigeria. One of the fundamental and cardinal rationales for this might be the result and finding of the second hypothesis that showed that in the public sector of Nigeria, public auditors lobby directors and management of public organization to gain audit engagement. Audit risk faced by the auditors in the public sector of Nigeria might also constitute to the loss of auditors independence. In severe circumstances, this audit risk might include loss of life when billions of dollars are concerned, threats and enticement by top government officers. Generally, the Auditor General lacks appointment independence, financial independence and from this findings audit independence. This is probably one of the essential causes for the continuous dominance and prevalence of fraudulent and corrupt practices in the public sector of Nigeria. Also, on salaries and welfare of auditors, Ukura (2016) who was formerly the Auditor General of the Federation lamented bitterly that the remunerations of audit staff are to a certain extent little and the auditors' welfare are not satisfactorily and sufficiently provided for. The other anti-corrupt agencies in Nigeria earn internationally competitive remuneration and have excellent welfare packages.

Further findings revealed that auditors reports administered to MDAs in Nigeria are not significantly biased. In agreement, Ukura (2016) opined that as a global practice, public audit is the key combatant of corruption in the public sector. The "OAGNLF" is yet to attain and accomplish this status in Nigeria. However, some public auditors do present proof in court cases brought by other anti-corruption agencies. The anti-corruption agencies investigate cases of corruption only as a result of complaints brought before them via whistle blowers and petitions. The "OAGNLF" has over 1000 professional employees who recurrently and frequently appraise the fiscal management of all Federal Institutions 'FI'. The professional staff on a regular basis fine indications and proof

of corruption, fraud, and other irregularities, but due to absence of efficient harmonization and synchronization with the other anti-corruption agencies appropriate action may not be taken. Harmonization with the NEITI, EFCC, ICPC, and the Presidential Committee to Advise on Anti-Corruption needs to be extensively improved (Ukura, 2016).

Ilaboya and Ohiokha (2014) study result shows that positive correlation exists among board independence audit firm size, and 'AQ' while there is a negative correlation among "AUIN", 'AFS', 'AFT' and 'AQ'. Adeyemi and Okpala (2011) discovered that an unwarranted lengthened auditor's tenure 'AFT' might lead to misplacement of "AUIN". A lengthened auditor-client association may possibly result in coalition of interest of the client and the expected independent auditor makes auditor's independent behavior a probability. Furthermore, Kabiru and Abdullahi (2012) discovered that banks audited financial reports if re-examined by different independent auditors will give a very similar and identical result and conclusion. In addition, Dopuch, King and Schwartz (2001) study showed that auditor compromises and negotiates his independence most frequently in a lengthened audit agreement with client and recommended that tenure of audit firm possibly will have significant effect on the 'AQ'.

Similarly, on auditor's report, Vanstraelen (2000) investigated the influence of lengthened auditor-client association on 'AQ'. The study results revealed that a lengthened auditor client relationship and association is positively correlated with high probability of the auditor issuing an unqualified report. This implies that auditors are eager to give an unqualified report in the early years of their official responsibility than in the latter year of their responsibility. The policy implications of Vanstraelen (2000) signal a compulsory auditor's rotation to maintain the importance and credibility of an audit for the external users. The study therefore recommends that:

1. The Auditor Generals for the Federation, States and Local Government should not be appointed by the president of Nigeria and state governors respectively. They should be appointed by the opposition or alternatively through electoral process.
2. The auditors work engagement should be compulsorily rotational.
3. Auditors should have equal remuneration all over the country. Meaning auditors working with the federal government, state governments and the local governments should earn same pay and allowances.
4. Auditor's report should be made public.
5. Auditors found lobbying for audit engagement in the public sector should be punished.

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