



Auditor Independence Regulations: A Case of Nigeria

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Abstract

Purpose: The perceived ineffectiveness of applicable regulations at its best promotes susceptibility of statutory auditors to compromise independence. Unlike most of the existing studies, this study investigated auditor independence regulations in Nigeria with a view to appraising their effectiveness in promoting independence of audit practitioners.

Design/methodology/approach: Survey research design was employed to enable collection of relevant data from relevant practitioners using structured questionnaire. Descriptive method, Relative Importance/Significance Index (RII) and Mean Index Score (MIS) were employed for ranking and assessment of auditor independence regulations according to their effectiveness using a five-point Likert.

Findings: Results revealed that the most effective auditor independence regulation as perceived by the experts was restriction on advertising with Relative Importance Index (RII) and Mean Index Score (MIS) of 0.82 and 4.08 respectively. Independent review by peers (RII = 0.68, MIS = 3.40) and rotation of audit partners (RII = 0.67, MIS = 3.37) were considered to be ineffective among others.

Originality/value: Being the first known study on audit regulation effectiveness in the country, the study provided valuable insights for urgent intervention by relevant regulators to enforce compliance with applicable audit regulations in the interest of investors.

1. Introduction

Audit standards are the basic principles, which regulate the professional responsibilities as well as govern the independence of the auditor in order to guarantee investors' protection. Auditor independence ensures quality audits and contributes to the reliance of financial statement users on the financial reporting process (Lindberg & Beck, 2004; Salawu, 2017a). Auditor independence according to Jenkins and Stanley (2019) are being taken to be foundational to audit practice. Therefore, the critical role which observance of codes of best practices plays in strengthening national and international financial systems had been repeatedly emphasised since the major incidence of financial crises in late 1990 (Cornford, 2004; Tózsér, 2003). Explicitly, the global practice requires strict compliance with audit regulations sequel to the collapse of the famous Enron and several other companies across many countries (Park and Wang 2001; Organisation for Economic Co-Operation and Development (OECD), 2009; World Bank, 2012). Efforts towards strengthening the independence of auditors had been geared ever since, with focus on promulgating more detailed regulations in managing auditor-client relationship as evidenced in Sarbanes Oxley of 2002 (United States Code, 2002). Corporate companies as well as audit firms across countries are to adopt or adapt the regulations for the purpose of salvaging the interest of the stakeholders of public companies. The Financial Reporting Council of Nigeria (FRC) has the Auditing oversight with the mandate to collaborate with key financial sector regulators such as the Central Bank of Nigeria (CBN); Nigerian Deposit Insurance Corporation (NDIC); Securities and Exchange Commission (SEC) and Nigerian Insurance Commission (NAICOM) on matters of observance of auditing standards and codes (Report on the Observance of Standards and Codes [ROSC], Nigeria, 2011). Also, the Institute of Chartered Accountants of Nigeria (ICAN), a professional accounting body in the country had ensured that members in practice adhered to relevant audit regulations. Prior the establishment of FRC, ICAN had played a major role of applying a modified version of International Standard on Quality control (ISQC) in the absence of Quality Assurance review system to enable its members and audit firms in audit practise in line with relevant standards. In like manner, regulations such as the Companies and Allied Matters 1990, 2004 and 2018; Banks and Other Financial

Institutions 1991; Investments and Securities 1999 have been put in place to ensure that financial information is accurate and free from management influence.

Despite the fact that Nigeria has established statutory framework for the regulation of business activities as well as regulatory institutions to enforce standards and codes, studies have shown that corruption and breach of regulations had consistently constituted a major obstacle to the enforcement of standards in Nigeria (Abe, 2012; Bakre, 2007). Regrettably, professional members of various audit firms were also caught up in unethical practices without being sanctioned (Bakre, 2007; Iyoha, 2010; Okike, 2004). The relevant provisions for penalties for non-compliance with standards are also perceived to have the least impact on certified auditors; by implication, independence in discharging their statutory duties is being impaired (Salawu, 2017b). This is further worsened by the weaknesses in the Security and Exchange enforcement process (Salawu, 2016). Inadequate compliance with relevant standards is a subtle cause of regulatory failure that had not attracted much attention among researchers (OECD, 2000). In the case of Nigeria, much attention had been given to the factors that impair auditor independence from the perspectives of auditor-client relationship while the impact of the regulations in promoting auditor independence had been neglected. As a result, the level of importance attached by auditors to those regulations in the course of their audit assignment remains unknown. This negligence if left unaddressed, is capable of continuously causing incalculable losses to businesses, the investors and the nation at large. The study was therefore appraises the effectiveness of the existing regulation in Nigerian environment with a view to analysing the relative strength of each regulation in lending credence to the independence of auditors and, by implication, the level of reliability on the audited financial reports of both public and private entities. The subsequent part of the study has been sectionalised into review of literature; data and methodology; results and discussion and lastly, the conclusion and policy implication of the study.

2. Review of Literature

The World Bank Reports on the Observance of Standards and Codes Accounting and Auditing (2004) noted the conflicts that exists between the SEC and its subset, NSE with respect to exercising authority to disciplining erring companies. Salawu (2017a) also observed lack of operational independence by the regulators and the resultant regulatory laxity in the

country. Structural complexity among the various regulatory bodies for oversight roles on auditor independence constitute compliance challenge for auditors. In an attempt to promote auditor independence, regulators have engaged in making different policies, which are not without dysfunctionality in the long run. As earlier pointed out, apart from the FRC, several regulators including the prominent professional body (ICAN) had been involved in issuing regulations and setting standards for the audit practitioners. In many instances, audit firms found it impracticable to adhere to seemingly ROSC conflicting provisions and decide in favour of those that promote their interest. Jenkins and Stanley (2019) noted the threat such complexity posed to the independence of auditors in the US. Peecher and Solomon (2014) argued that while lack of auditor independence may not necessarily reduce audit quality, it could lead to biased judgement, which is an indication of audit failure. Regulators have variously expressed similar concern over the lack of auditor independence as noted by Church, Jenkins, McCracken, Roush and Stanley (2015). The usual outcomes are institutional deficiencies and audit failures.

Conversely, Gaynor, McDaniel and Neal (2006) and Knechel (2016) suggested that strict compliance with auditor independence rules could lead to sub-optimality for corporate bodies especially changing from a more competent to a less competent audit firm in the event of the expiration of audit tenure imposed by the regulation. This practice could be both costly to the client and jeopardise its interest in terms of audit quality provided by the second-best auditor. Jenkins and Stanley (2019) argued that adherence to such audit rule is only a show of independence in appearance and not in fact. This problem was reiterated in the argument of Bazerman, Loewenstein and Moore (2002) in their contention with the possibility of attainment of auditor independence as prescribed by the regulators. An earlier argument by Organisation for Economic Co-operation and Development (OECD) maintained that slavish adherence to rules under regulatory enforcement does not always guarantee effectiveness or attainment of the expected result (OECD, 2000).

The question of whether or not the earnings' quality is dependent on the strictness of auditor independence regulation, was addressed by Meuwissen, Moers, Peek and Vanstraelen (2003) in their study undertaken in the United States covering the period 1996 to 2000. The results of the Ordinary Least Square method employed for the analysis showed that countries with

stricter auditor independence regulation influence the cross-listed firms domiciled therein in term of more informative disclosure of accruals and less involvement in earnings management.

Iyoha (2010) studied the impact of industry regulations and the quality of accounting practice using primary and secondary data. The findings revealed fairly significant and positive impact of state agencies and industry regulations on five of the seven agencies and regulations tested. Although, major abnormality was observed in the accounting practices of the agencies. The study also found that accounting practice improved in quality after the enactment of NASB, Act 2003. The study therefore conclude that regulations are insufficient to guarantee quality accounting practices in Nigeria. In a similar study aimed at testing the post regulation effects on earnings quality of established and emerging S&P/ASX firms in Australia, Clout, Chapple and Gandhi (2013) found that for established companies, the influence of audit complemented with changes in regulation impacted the audit quality of public companies. Invariably, the finding of these researchers demonstrated that it requires more than audit regulations to attain desirable reporting quality by public companies.

Adeyemi and Fagbemi (2011) provided evidence on ethics and legitimacy in relation to the outlook of audit profession in Nigeria. Findings from the study showed no significant difference in the need for practising auditors to comply with high ethical standard and the need to influence the perception of new entrants to the profession. The study also documented different perceptions on the decline of core standards among the members of the profession. The study emphasised the need to enforce adherence to high ethical standard in the accounting profession for existing practitioners and the new entrants. In a survey of 150 staff member of Nigerian public companies, Oluwagbuyi and Olowolaju (2013) investigated the culpability of auditors in relation to financial scandals and found that firms of auditors in Nigeria are being indicted of deliberately falsifying and overstating corporate profits. The study emphasised the need for auditors to prevent organisation failure. Salaudeen, Ibikunle and Chima (2015) examined the unethical accounting practice and financial reporting quality in Nigeria using explanatory case study approach and complemented with archival data, newspaper reports and regulatory report. Findings from the study revealed that prolonged audit tenure could jeopardise auditor independence as

well as cripple auditors' ability to exercise professional scepticism. Absence of adherence to codes of corporate governance also predisposed corporate bodies to various scandals. The study concluded that prolonged tenure of external auditors would affect their ethical conduct.

Contrary to the argument that audit firm rotation improves audit quality as found by Firth *et al.*, (2010); Hyeesoo (2004); Zawawi (2007) and among others; Elder, Lowensohn and Reck (2015) provided evidence that specialisation and expertise of auditor improves governmental audit quality rather than mandatory audit rotation in favour of audit independence regulation. In a parallel investigation of the listed firms in Nigeria by Salawu (2017a), it was found that independence of auditors is being influenced by the size of audit firm, the tenure of auditor, liquidity and profit level of the audit client among other factors. The study emphasised the importance of the role of the regulators and other stock market participants in enhancing auditor independence in Nigeria.

While independence of auditors aims at enhancing the quality of audit, the problems of implementation and compliance with the identifiable regulations by auditors as noted by Church *et al.*, (2018) requires thorough investigation. This study appraises the effectiveness or otherwise of practical application of the identifiable audit standards meant to enhance the independence of auditors within Nigerian context. The findings would go a long way in determining the economic health and safety of investors 'wealth in the economy of the nation.

3. Methodology

In order to achieve the objective of the study, survey research approach was employed. The population for the study comprise of about 3000 practising members of ICAN during the 2015 annual conference. 350 members of the professionals who were actively engaged in public and private companies as Chief Accountants, External Auditors and Financial Analysts (Stock-Brokers) were purposely selected as the sample for the study with the aid of structured questionnaire. Specific audit regulations were itemised for expert to assess their effectiveness with regards to independence of auditor in Nigeria. The choice of these three groups of experts was based on their requisite knowledge of the legal and statutory requirements for independence of external auditors, they were adjudged to be most suitable

to assess the effectiveness or otherwise of the existing regulations to guarantee the independence of auditors. The researcher personally administered 150 copies of the questionnaire to Chief Accountants/Preparers of Financial Statement, 90 copies to Financial Analysts and 110 copies Statutory Auditors of both listed and private companies in Nigeria. Effectiveness was used to imply level of adherence or compliance with applicable auditor independence regulations. A regulation is effective if auditors always comply or apply it in the discharge of his/her duty. It is ineffective if auditors do ignore its application or do not care to comply with it. If auditors seldomly comply with a regulation, its effectiveness is in doubt. Out of the 350 copies of the questionnaire administered, 321 (about 92%) were retrieved from the responded and found useful for analysis. The study employed descriptive statistics such as mean, percentages and tables; Relative Importance/Significance Index (RII) and Mean Index Score (MIS) for data analysis using a five-point likert scale. Specifically, Relative Importance/Significance Index (RII) and Mean Index Score (MIS) were employed for ranking and assessment of twelve different auditor independence regulations according to their effectiveness using a five-point likert. The five-point likert scale (5 to 1) was transformed into relative significance index for the factors selected using the numerical scores. The relative importance / significance index is expressed as follows:

$$RII = \frac{\sum W}{A \cdot N}$$

where W was the weighting given to each regulation by the respondents (ranging from 1 to 5),

A was the highest weight (i.e. 5 in this case), and N is the total number of responses.

The RII value had a range from 0 to 1 (i.e. $0 \leq RII \leq 1$); the higher the value of RII, the more effective was the regulation being considered. RII of 0.70-0.99 is considered effective while a 0.69 or less is considered ineffective.

The weighting is determined as follows:

Weight = $\sum W_i = \sum (i \cdot n_i)$ where i is the likert scale point (e.g. 5), and n_i is the number of respondents choosing the likert scale point.

MIS - Mean Index Score

4. Results and Discussion

This section presents the result of the strength of the effectiveness of auditor independence regulations in tables and percentages including the demographic features of the respondents. Out of the 350 copies of the questionnaire distributed to the three categories of respondents that participated in the survey, 321 copies were retrieved and analysed for the study. This represented 91.7%, which is an acceptable response rate. Further analysis of the response rate is shown in Table 1.

Table 1: Response Rate

Respondents	Number	% of Response
Preparers of financial reports	133	41.4%
Financial analysts	105	32.7%
Statutory auditors	83	25.9%
Total	321	100%

Table 1 provides the summary of respondents and the response rate for the study.

a. Demographic Characteristics of the Respondents

The respondents composed of Chief Accountants/Preparers of Financial Statement, Financial Analysts and Statutory auditors.

Table 2: Demographic Characteristics of the respondents

Respondents' Characteristics					
Gender	N	%	Professional Affiliation	N	%
Male	268	83.5	ICAN	272	84.7
Female	53	16.5	ANAN	3	0.9
Total	321	100.0	ACCA	7	2.2
Age Groups	N	%	CIS	16	5.0
< 30	16	5.0	CITN	2	0.6
30-39	95	29.6	CFA	3	0.9
40-49	109	34.0	Others	11	3.4
50-59	60	18.7	ICAN & ANAN	2	0.6
>=60	3	0.9	No response	5	1.6
No response	38	11.8	Total	321	100.0
Total	321	100.0	Highest Education	N	%
Years of Experience	N	%	HND	37	11.5
5-10 years	107	33.3	B.Sc./B.A	124	38.6
11-14 years	67	20.9	PGD	15	4.7
15-20 years	71	22.1	MBA/MSc/MA/M.Phil	131	40.8
>20 years	65	20.2	PhD	8	2.5
No response	11	3.4	No response	6	1.9
Total	321	100.0	Total	321	100.0
Professional Status	N	%	Type of Company	N	%
Fellow	83	25.9	Public	78	24.3
Associate	217	67.6	Private	157	48.9
Others	12	3.7	Others	66	20.6
No response	9	2.8	No response	20	6.2
Total	321	100.0	Total	321	100.0

Table 2 presents the demographic characteristics of the respondents of the study. The details include gender, age, level of education attained, professional affiliation, professional status and years of experience of the respondents

The gender distribution as presented in Table 2 clearly shows that majority of the professionals (83.5 %) were male, indicating that the profession of auditing/accounting in Nigeria was dominated by male. This distribution suggests the likelihood of attaining improved compliance with auditor independence regulations in Nigeria if regulatory enforcement increases as evidenced in the findings of Viollaz (2018) where compliance with labour regulations increased among men in Argentina, whereas, compliance decreased among women.

Contrary to the argument of Enofe, Mgbame, Okpako and Atube (2013) that the age of auditors has no relationship with auditor independence, recent evidence has shown that age of staff is an indicator of the level of maturity, job knowledge and adherence to rules (Dubihlela & Ezeonwuka, 2018; Mojapelo & Lawrence, 2017). The age analysis as shown in Table 2 reveals that more than 83% of the respondents were adults with a minimum age of 30. This age distribution presented an ideal situation as most of the professionals were mature enough to respond to situations in the best interest of different stakeholders concerned in the matter of complying with regulations for the purpose of promoting independence and unbiased practices.

Also, in term of the practical experience of the respondents, more than 60% of them have more than 10 year work experience. Only about 33% of the experts have worked for 10 years or less. Their broad experience implied an in-depth understanding of the subject matter as well as the implications of auditor independence regulations. Experience on the job with other factors could jointly affect the quality of audit according to Bouhawia, Irianto and Baridwan (2015) and Ismail, Merejok, Mat Dangi and Saad (2019). This could as well affect the level of adherence to audit standards.

Professional status of the respondents indicated the level of seniority as professional members and practitioners. All the external auditors are qualified chartered accountants and as shown in Table 2; 217 (67%) of the respondents were associate members of ICAN and CIS professional bodies. This distribution was quite sensible because overall, majority (67%) of

the respondents possessed one or more professional qualification(s) and this meant that they were highly qualified in their respective positions. The participation of such well-qualified respondents has enhanced the objectivity and reliability of the study findings.

b. Effectiveness of Auditors Independence Regulations

In a bid to protect the independence of auditors, various countries had put some specific regulations in place for auditors to observe. Such regulations could take the form of legal or professional frameworks, and may be rule based or principles based. Table 3 presents the frequency of responses (in percentages) on the statements of auditor independence regulation included in the questionnaire. In order to facilitate the reporting of the analysis, the “highly ineffective” and the “ineffective” columns on the 5 points likert scale had been interpreted to mean “ineffective”. Similarly, the “very effective” and the “effective” columns had been taken to mean “effective” in Table 3.

The result revealed that 82% (260) of the respondents assessed the regulation on restriction on advertising on audit firms to be effective, while about 6% assessed it to be ineffective. Only about 12% of the respondents were not sure of how effective the regulation on restriction on advertising by audit firms had been.

Table 3: Effectiveness of Auditor Independence Regulations in Nigeria

Specific Regulations	Effective		Not sure		Ineffective	
	N	%	N	%	N	%
Restriction on advertising	260	82.0	37	11.5	20	6.1
Restrictions on the unsolicited offering of service	190	60.1	73	23.1	53	16.7
Requirements on the number of statutory auditors performing the audit	220	70.1	64	20.4	30	9.6
Restrictions on the length of audit mandate	191	60.3	70	22.1	56	17.7
Disclosure and regulation on calculation of audit fees	159	51.0	69	22.0	84	27.0
Approval of the appointment of a statutory auditor by any party other than the appointing party	189	60.3	73	23.3	51	16.3
Limiting auditors from becoming financially dependent on an individual client	195	61.7	43	13.6	78	24.7
Restriction on management advisory services to the client	160	50.4	71	22.4	86	27.1
Rotation of audit partners or audit firms	171	45.1	54	17.4	85	27.4
Restriction on auditors moving to clients or client's personnel moving to audit firms	123	39.0	71	22.5	121	38.4
Independent Review by Peers	164	51.5	79	24.8	76	23.8
Installation of Audit Committee	234	74.0	39	12.3	43	13.6

Table 3 presents the details of the specific regulations that address the independence of auditors in Nigeria.

The requirements for the number of statutory auditors performing an audit was adjudged to be effective by 70% of the experts. Only a very small proportion (10%) indicated that it was not effective while one-fifth (20%) were not sure of whether or not it was effective. Similarly, about 60% (190) of the professionals assessed restrictions on the unsolicited offering of service as being effective. 16% (51) of the respondents believed it was ineffective. About a quarter (23%) of the experts, which constituted an insignificant portion of respondents, were “not sure” if the regulation was effective as shown in Table 3.

The restrictions on the length of audit mandate was seen to be effective by about 60% of the respondents. However, while about 18% of the respondents believed that it was ineffective to other 22% could neither rate it to be either effective or ineffective. This brought the Effectiveness/ineffectiveness to 60/40. The effectiveness of the regulation on the rotation of audit partners or audit firms was low to some extent as reflected by the result in Table 3. Only about 45% of the respondents agreed that it was effective. Although, this regulation has been in existence for over six decades with the belief that it enhances auditor independence by reducing or eliminating familiarity threat (Firth, Rui & Wu 2010; Hyeesoo, 2004; Marquita, 2002). Accounting professionals do not effective in practise Zawawi (2007) argued that its popularity was as a result of the highly publicised corporate failures. The result here implied that the regulation is not effective in Nigeria.

Result further shows that the regulation on the installation of audit committee was effective, being attested by (74%) of the professionals. About 13% of them however believed that it was not effective. Approval of the appointment of a statutory auditor by any party other than the appointing party was 60% effective while the regulation on limiting auditors from becoming financially dependent on an individual client was considered 61% effective.

The regulation on restriction of management advisory services to the client was found to be weak only half (50.4%) of the respondent agreed that the regulation was effective, while 27.1% disagreed and 22.4% are not sure. The report of the FRC revealed that some external auditors still served as International Financial Reporting Standards (IFRS) Implementation Consultants to the same clients being audited, thereby promoting self-review which is a major risk to auditor independence. This practice as noted by FRC (2013) violates Section 46 No. 6 of its 2011 Act. In the larger firms as commonly practised in Nigeria, non-audit fees

now exceed the audit fees, the development that now led many audit firms to rebrand themselves as professional service firms for pecuniary purpose rather than audit or accounting firms. This practice is being confirmed by the results of this current study.

The disclosure and calculation of audit fees was another regulation assessed to be effective by half (51%) of the respondents while 27% were of the opinion that it has not been effective. The other 22% of the experts believed that it was neither effective nor ineffective. The result implied that the regulation on the disclosure and on calculation of audit fees is not effective. Similarly, 39% of the respondents considered the regulation on restriction of auditors moving to clients or client's personnel moving to audit firms as effective. Lastly, Independent Review by Peers was 51% effective. The implications are that Nigerian auditors have disregarded the restraint on moving to clients' companies and vice versa. Likewise, it was not certain if auditors in Nigeria had been reviewed by independent peers.

c. Strength of the effectiveness of Auditor Independence Regulation

Based on the ranking result in Table 4, the order of effectiveness of auditor independence regulations as perceived by the respondents was restriction on advertising with RII of 0.82 and MIS of 4.08; regulatory requirements on the number of statutory auditors performing the audit (RII = 0.76 and MIS = 3.78); Installation of audit committee (RII = 0.76, MIS = 3.78). Other are, Restrictions on the unsolicited offering of service (RII = 0.71, MIS = 3.57), Restrictions on the length of audit mandate (RII = 0.71, MIS = 3.56); Approval of the appointment of a statutory auditor by any party other than the appointing party (RII = 0.71, MIS = 3.54) and Limiting auditors from becoming financially dependent on an individual client (RII = 0.71, MIS = 3.53).

Table 4: Strength of the effectiveness of Auditor Independence Regulation

Specific Regulations	Total	Responses					Weight	MIS	RII	Rank
	N	5	4	3	2	1				
Restriction on advertising	317	102	158	37	19	1	1292	4.08	0.82	1
Restrictions on the unsolicited offering of service	316	44	146	73	51	2	1127	3.57	0.71	4
Requirements on the number of statutory auditors performing the audit	314	58	162	64	27	3	1187	3.78	0.76	2
Restrictions on the length of audit mandate	317	49	142	70	49	7	1128	3.56	0.71	5
Disclosure and regulation on calculation of audit fees	312	43	116	69	71	13	1041	3.34	0.67	10
Approval of the appointment of a statutory auditor by any party other than the appointing party	313	43	146	73	38	13	1107	3.54	0.71	6
Limiting auditors from becoming financially dependent on an individual client	316	59	136	43	71	7	1117	3.53	0.71	7
Restriction on management advisory services to the client	317	28	132	71	78	8	1045	3.30	0.66	11
Rotation of audit partners or audit firms	310	42	129	54	71	14	1044	3.37	0.67	9
Restriction on auditors moving to clients or client's personnel moving to audit firms	315	23	100	71	103	18	952	3.02	0.60	12
Statutory auditors are subject to independent review by peers	319	49	115	79	68	8	1086	3.40	0.68	8
Installation of an audit committee	316	61	173	39	36	7	1193	3.78	0.76	3

Table 4 presents the summary and ranking of the auditor independence regulations in order of their effectiveness as assessed by the professionals

The regulations considered to be ineffective include subjection of statutory auditors to independent review by peers (RII = 0.68, MIS = 3.40; rotation of audit partners or audit firms (RII = 0.67, MIS = 3.37); disclosure and calculation of audit fees (RII = 0.67, MIS = 3.34), restriction on management advisory services to the client (RII = 0.66, MIS = 3.30) and restriction on auditors moving to clients or client's personnel moving to audit firms (RII = 0.60, MIS = 3.02). Contrary to expectations, the regulations on audit rotation and offering of advisory services to audit client were found to be inadequately complied with by Nigerian auditor despite the global emphasis on independence impairment of the two practices. These results point to the fact that issuing of standards and putting monitoring mechanism to enforce compliance in place would not in themselves guarantee independence of auditors.

Making new regulations to increase the number or forms of the existing ones do not also appear as the way to attaining the independence of auditors (Jenkins & Stanley, 2019; OECD, 2000). It is critically important for policy makers in Nigeria to engage with the relevant professional bodies, the practising auditors, companies' executives and other institutional stakeholders to evolve practical solutions that could guarantee that auditors provide their services in the best interest of all stakeholders.

5. Conclusion

This study appraised the relative strength of the effectiveness of the existing regulations on auditor independence in Nigeria. Certain regulations such rotation of audit partners or audit firms, disclosure and calculation of audit fees, restriction on management advisory services to the client were found to be operative among Nigerians auditors. Considering the important role of auditors in protecting and providing assurance to the investors as well as the general public on the health status of public companies, evidence from this study implies that focusing on revision of major aspects of the existing regulations by regulators and relevant professional bodies in Nigeria may not guarantee independence of auditors. The study recommended that apart from taking stringent measures to enforce adherence to auditor independence regulations, policy makers in Nigeria need to engage with the relevant professional bodies, the practising auditors, companies' executives and other institutional stakeholders to evolve practical solutions that could guarantee that auditors provide their services in the best interest of all stakeholders. This way, protection of investors' interest may be further guaranteed.

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