INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

IJRCM

A Monthly Double-Blind Peer Reviewed Refereed Open Access International e-Journal - Included in the International Serial Directories
Indexed & Listed at:
Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.
as well as in Open J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)]
Registered & Listed at: Index Copernicus Publishers Panel, Poland
Circulated all over the world & Google has verified that scholars of more than 1500 Cities in 141 countries/territories are visiting our journal on regular basis.
Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA
www.ijrcm.org.in

CONTENTS

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects like Accounting Education; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Monetary Policy; Portfolio & Security Analysis; Public Policy Economics; Real Estate; Regional Economics; Tax Accounting; Advertising & Promotion Management; Business Education; Management Information Systems (MIS); Business Law, Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labor Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; Public Administration; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism, Hospitality & Leisure; Transportation/Physical Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Digital Logic; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Multimedia; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic and Web Design. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript **anytime** in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email address: infoijrcm@gmail.com.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION**:

DATED: _____________

THE EDITOR
IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF ____.**

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled '_______________________________________' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:
Designation:
Affiliation with full address, contact numbers & Pin Code:
Residential address with Pin Code:
Mobile Number (s):
Landline Number (s):
E-mail Address:
Alternate E-mail Address:

NOTES:
a) The whole manuscript is required to be in ***ONE MS WORD FILE*** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
b) The sender is required to mention the following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
d) The total size of the file containing the manuscript is required to be below **500 KB**.
e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE**: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS**: The author (s) **full name**, **designation**, **affiliation** (s), **address**, **mobile/landline numbers**, and **email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT**: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS**: Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

6. **MANUSCRIPT**: Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.

7. **HEADINGS**: All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

8. **SUB-HEADINGS**: All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.

9. **MAIN TEXT**: The main text should follow the following sequence:

   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

   It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed ***5000 WORDS***.

10. **FIGURES &TABLES**: These should be simple, crystal clear, centered, separately numbered & self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.

11. **EQUATIONS**: These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.

12. **REFERENCES**: The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

THE POTENTIAL EFFECTS OF MANDATORY AUDIT FIRM ROTATION: EVIDENCE FROM NIGERIA

DR. FAMOUS I.O. IZEDONMI
PROFESSOR & HEAD
DEPARTMENT OF ACCOUNTING
UNIVERSITY OF BENIN
BENIN CITY

KILLIAN O. OGIEDU
LECTURER
DEPARTMENT OF ACCOUNTING
UNIVERSITY OF BENIN
BENIN CITY

ABSTRACT

This study examines the possible effects of mandatory audit firm rotation on ability of the auditor to detect material reporting issues, auditor independence, financial reporting failures, audit fees and competition in the audit market from the perspective of various stakeholders. It presents the results from a questionnaire survey of a sample of auditors, Bank loan executives and financial analysts. The data were subjected to the one-way analysis of variance (ANOVA). The study found that there is a negative relationship mandatory auditor rotation and the ability of the auditor to detect material reporting issues and financial reporting failures. It also finds that there is a positive relationship between mandatory auditor rotation and auditor independence, audit fees, and audit market competition. It therefore called for an implementation of a mandatory audit firm rotation in Nigeria, among other issues.

KEYWORDS
Audit Cost, Auditor Independence, audit market competition, Audit Quality, Audit Rotation.

INTRODUCTION

In the past few years, auditors have been blamed due to the roles they played in the mega corporate scandals such as Enron, Worldcom, Global Crossing, imclone and Tyco International among others (Rohami et al, 2007).The criticisms have revived the age long issue of auditor independence and the attendant issue of audit quality. One of the major issues in contention is that if auditors audit clients for a long time, they are likely to become familiar with the management of such client companies and consequently have their independence eroded. This has led to a call for the tenure of auditors with clients to be limited. The need for a mandatory audit firm rotation rule has been debated for decades both by academics (Arrunda and Paz-Ares, 1997; Dopuch *et al*, 2001, Myers e*t al*, 2003; Cameran *et al*, 2008) and by pratitioners (Mautz and Sharaf , 1961; Hoyle, 1978; Bates *et al*, 1982; AICPA, 1992, 1995; EFAA 1998; Brody and Moscove, 1999; NYSE, 2002; ICAE,2002; Healey and Kim 2002; ICC, 2005; SEC, 1994). This debate gathered momentum in recent years because of the recent financial reporting scandals (worldCom, Enron, Parmalat *etc*). Requiring audit firms to periodically relinquish their clients has often been suggested as a way to enhance auditors' independence and objectivity (Wolf *et al*, 1999). Mandatory auditor rotation is required by several countries such as Italy and Spain and is contemplated by others (Marshal and Raghunandan, 2002).The sarbanese Oxley Act of 2002 did not require mandatory auditor rotation. It only mandated the study of mandatory auditor rotation by the comptroller general of the United States to be completed within one year of the passage of the Act. The study has since been completed by the U.S General Accounting office (G.A.O) which concluded that mandatory audit firm rotation may not be the most efficient way to strengthen auditor independence (U.S GAO, 2002).

The Proponents of Mandatory auditor rotation have generally been concerned with a deterioration of auditor independence, and its effects on audit quality, as the length of tenure increases. They argue that there is a tendency for auditor's overtime, to gradually align with the wishes of management and therefore not act completely independent (Marshal and Raghunandan, 2002). However, opponents of this view, particularly the accounting profession, have argued that mandatory rotation increase audit start-up costs and increase the risk of audit failure because the incoming auditor places increased reliance on the clients estimates and representations in the initial years of an engagement. According to the opponents of mandatory audit firm rotation, over time auditors gain firm-specific expertise which helps them to understand the business and allow them to rely less on management estimates. Managers of firms are also opposed to mandatory rotation because changing auditors is costly. These managers believe that auditors better understand their particular business with experience and managers have concern about whether a new auditor will have the requisite industry expertise and/or will to be able to put forth the additional effort required to audit a new client (Dunham, 2002). The implication of the foregoing is that a lot of issues have not been settled on the mandatory rotation of audit firms. The research questions which are raised to address these issues are (i) What is the relationship between auditor tenure and the ability to detect material financial reporting issues?;(ii) Is there any relationship between auditor tenure and auditor independence? (iii)What is the nature of the relationship between auditor tenure and audit failure? (iv) What is the relationship between mandatory auditor rotation and audit costs/fees? (v)Does mandatory auditor rotation contribute significantly to a fair competition in the audit market?

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The quality of the auditors' report is a critical ingredient in assessing the credibility of financial statements. However the auditor can hardly produce quality audit reports if he is not independent of the audit client. If the auditor lack independence, he is likely to give a biased opinion on the financial statements audited by him. One of the factors that could easily erode the auditor's independence is a close relationship with the client company brought about by long audit tenure with a particular client. Prior studies have documented two view points of the effect of audit tenure on the credibility of financial statements (Shafie, et *al,* 2007). According to one view, long association between a client and an audit firm may lead to impaired auditor independence (Geiger and Raghunandan, 2002). In the United State of America, the Metcalf committee Report argued that long association between a corporation and an audit firm may lead to such close identification of the accounting firm with the interests of the client's management that truly independent action by the accounting firm becomes difficult. The report therefore suggests a mandatory auditor rotation as a way to reduce the dependence of auditors on clients (Geiger and Raghunandan, 2002). Long ago, it was noted that long association can lead to auditor independence problems due to the fact that a slow, gradual and honest disinterestedness would be the greatest factor that impair auditor independence. It was therefore suggested that a mandatory auditor rotation regime would improve audit quality by reducing client's ability to adversely influence the auditor's judgments (Brody and Moscove, 1998) and minimize auditor independence threats (Geiger and Raghunandan, 2002). Various researches have found that long auditor tenure would rather decrease audit quality (Deis and Giroux, 1992; O Keeffe, Simunic and Stein, 1994; Raghunandan, Lewis and Evans, 1994). Vanstraelen (2000) finds a negative relationship between auditor tenure and auditor opinion and supported mandatory audit firm rotation. Dopuch, king and Schwartz (2001) conducted an experimental research and fiind that auditors are less likely to be biased in their reporting if rotation is required. They also find, however, that mandatory audior rotation also increases the magnitude of investment to improve financial reporting quality.

Teoh and Lim (1996) find that retention of auditors for over five years would influence and impair auditor independence. They also agree that audit firm rotation would improve auditor independence.
Following the Sarbanes Oxley Act of 2002, the U.S General Accounting office (GAO) conducted a survey on mandatory Audit firm rotation and conclude that "mandatory audit firm rotation may not be the most efficient way to strengthen auditor independence" (GAO, 2003:5). In the other view point, maintaining the same audit firm for a long time was more economical to the client due to high start up costs when client rotate auditors. According to Geiger and Raghunandan (2002), audit firms tend to reduce their audit fees in the early year of engagement to attract clients. Low-balling requires audit firms to seek for longer audit engagement with their clients so that they could recover back their loss in the early year. Stince (1991), examines the relationship between auditor tenure and a lawsuit. In the study, he finds that auditor tenure was shorter for those audit engagements that resulted in law suits.
Many countries have been practicing mandatory auditor rotation though in different forms and with different requirements. Italy has required mandatory audit firm rotation since 1975 and it has also considered audit partner rotation (GAO, 2003). According to GAO (2003) Singapore started mandatory auditor rotation in March, 2002 while Austria started the operation in 2004. Spain had a stint with mandatory auditor rotation requirement between 1989 and 1995. Many other Countries, however, require audit partner rotation. In 2003, the United Kingdom adopted the recommendations of the co-coordinating group in Audit and Accounting Issues (CGAA) to strengthen the audit partner rotation requirements by reducing the maximum period of rotation for the lead partner from 7 years to five years. The United States out rightly rejected the idea of an audit firm rotation requirement (GAO, 2003). The French code of accounting ethics had required audit partner rotation since 1998. In Japan, Audit partner and review partner rotation requirement had been in force since May 2003.
The major implementation issues on mandatory audit firm rotation are (i) the maximum number of years to be spent on an audit (2) The type of companies covered. Different countries have adopted different time periods over which an auditor may audit an audit client before being disengaged mandatorily. In Italy, the same audit firm may serve as the auditor of a company for a maximum of 9 years. After that there is a minimum time lag of 3 years before the auditor can return. In Brazil, there is a maximum term of five years and a minimum time lag of 3 years before the auditor can return. In Singapore, Banks incorporated in Singapore cannot appoint the same auditor for more than 5 consecutive financial years but a time out period is not stipulated. The listed companies are only subject to audit partner rotation with a maximum of five years stay before rotation. Austria has a 6 years mandatory audit firm rotation with a time tag of 1 year before any reappointment is allowed. In the United Kingdom, the maximum period for audit partner and review partner rotation is currently 5 years. Spain has a mandatory audit firm rotation requirement with a maximum of 9 years, which included mandatory retendering every 3 years between 1989 and 1995. Then from 1995, the law was amended such that after the mandatory 9 years, the audit firm can be reappointed on an annual basis. From November 2002, all audit engaged team members (including audit partners, manager's supervisor and junior staff) have to rotate after 7 years in certain types of companies. In the Netherlands, the maximum period for rotation of the engagement audit partner is 5 years. In Japan, the audit partners and review partners are prohibited from being engaged in auditing the same listed company over a period of 7 consecutive years.
The other issue is whether there should be a uniform application of mandatory auditor rotation requirement to all companies. In Italy, mandatory audit firm rotation is limited to listed companies, the same thing as Brazil. In Singapore, mandatory audit firm rotation is applicable only to banks incorporated in Singapore while mandatory audit partner rotation is applicable to listed companies. In Austria, the mandatory audit firm rotation requirement applies only to public companies.
From the foregoing, it can be seen that generally there has not been a consensus on the effect of mandatory auditor rotation on overall audit quality and effectives. In the remaining part of this section, specific issues and dimension of mandatory audit for firm rotation are examined and related hypotheses developed.

AUDITORS ABILITY TO DETECT FINANCIAL REPORTING ISSUES
For the auditor to be able to issue a quality audit report, he should be able to detect material financial reporting issues in the financial statements presented to him by the client's management. The issue then is how mandatory audit firm rotation will affect the auditor in this regard. De Angelo (1981) stated that the quality of auditors is divided into two. The first is the ability to detect anything misleading in financial statements of the client while the second is the willingness to report the misleading information. The first is the competence and skills of the auditor to detect any fraud or error while the second is related to the auditors' independence. It has been argued that under mandatory auditor rotation, new audit firms provide a fresh look at clients operations and financial reporting practices. This, opponents of mandatory audit firm rotation argue, adversely affect the likelihood that a new auditor will detect financial reporting issues that may materially affect a company's financial statements. According to this view, new auditors lack sufficient knowledge regarding firm specific risks and as a consequence, audit failures would likely increase(Myers *et al*, 2003) This result was also affirmed by the study carried out by the U.S. General Accounting Office (GAO, 2003).Thus there is a general consensus that under mandatory auditor rotation, there is an increased risk of audit failure that may result from the new auditor's lack of specific knowledge of the client's operations, systems, and financial reporting practices. We thus formulate the following hypothesis:
H1: There is a negative relationship mandatory auditor rotation and the ability of the auditor to detect material financial reporting issues.
MANDATORY AUDIT FIRM ROTATION AND AUDITOR INDEPENDENCE
It is argued that mandatory auditor rotation puts auditors in a stronger position to resist management pressures and thereby allows auditors to exercise more objective professional judgment (Brody and Moscove, 1998) The proponents of mandatory audit firm rotation have generally been concerned with a deterioration of auditor independence, and its effect on audit quality, as the length of auditor tenure increases. They argue that there is a tendency for auditors, over time to gradually align with the wishes of management and thus not act completely independent (Geiger and Raghunandan, 2002; Brody and Msocove, 1998; Gietzman and Sen, 2002; Healy and Kim 2003; Kaplan, 2004; Moore *et al*, 2006). It is argued that pressure on the audit firm and engagement partners to retain clients is a critical factor in whether or not they will deal appropriately with material financial reporting issues when there is no mandatory audit firm rotation. Under mandatory audit firm rotation, the incumbent auditor's knowledge that a new firm must replace it at the end of a specified tenure will positively affect the audit firm in dealing appropriately with material financial reporting issues (GAO, 2003). There are however opposing views to this. Opponents of mandatory audit firm rotation have noted that auditors may be influenced more by the management of a newly acquired client than for a client that has been audited for a longer period. According to this school of thought, incumbent auditors earn quasi-rents due in part to the high start up costs incurred by the auditor and the client. Thus the recently acquired quasi-rents of incumbency may make new auditors more vulnerable to threats of dismissal in the earlier years of the auditor-client relationship. Additionally, auditors with short tenures may be concerned about reputation effects if they are perceived as being "fired" shortly after obtaining a new client (Geiger and Raghunandan, 2002). Also there is analytical research evidence that auditor independence may be more threatened during the early year(s) of an audit engagement due to the temptation to appease new clients in an attempt to extend the quasi-rents of incumbency (Elitzur and Falk, 1996).
Thus there is an unsettled controversy on the effect of mandatory auditor rotation on auditor independence. We therefore hypothesize that:
H2: There is a positive relationship between mandatory auditor rotation and auditor independence.
MANDATORY AUDIT FIRM ROTATION AND AUDIT QUALITY/REPORTING FAILURE
There is much controversy in the literature as to the effect of mandatory auditor rotation on audit quality/reporting failure. The controversy centers on whether audit quality is lower in the earlier year than in the latter years of an auditor's engagement. Proponents of mandatory audit firm rotation are generally concerned that auditor independence and thus audit quality will decrease with increased auditor tenure (Myers *et al*, 2003). This is the primary argument for mandatory auditor rotation (Carcello and Naggy, 2004). According to them, audit quality may be lower when auditor's tenure is long for at least two reasons. First, long auditor tenure could lead to complacency among the audit team members. Some clients gain a reputation inside the accounting firm as having strong financial reporting controls, accurate financial statements, and top management with integrity and competence. If the audit team expects these to continue into the future, then the vigor and skepticism brought to the audit engagement decline with tenure. On the other hand, a new audit firm could bring to bear skepticism and a fresh perspective that the incumbent auditor lacks (Commission on Public Trust and Private Enterprise, 2003; Silvers, 2003). Secondly, long standing clients of an audit firm may by viewed as a source of a perpetual annuity. De Angelo (1981) argues that an existing audit client provides the auditors

with client-specific quasi-rents, an annuity representing the rents (the present value of excess audit fees over audit costs) the auditor expects to receive over the life of the auditor client relationship. Viewing the client as the source of a perpetual annuity may compromise the auditors' independence. Rotation of auditors would also reduce any financial incentives for external auditors to compromise their judgment on borderline accounting issues. In disagreeing with management, auditors would no longer be risking a stream of revenues that would continue in "perpetuity" since the audit engagement would no longer be previewed as permanent (Carcello and Naggy, 2004).

On the other hand, opponents of mandatory audit firm rotation argue that audit quality is lower in the early years of an auditor-client relationship (St. Pieire and Anderson, 1984; AICPA, 1992; O'Malley, 2002; BDO Seidman, 2003). Audit quality and therefore reporting failures, are alleged to be lower in the early years of the relationship because the auditor is unfamiliar with the client's business, operations systems, controls, and accounting policies (BDO Seidman, 2003). Also a new auditor may be unfamiliar with industry error patterns. It has been found that there is a relation between industry group and both financial statement error patterns (Melalta and Wright, 1996) and fraudulent financial reporting (Beasely, et at, 1999, 2000). The above controversy led us to formulate our third hypothesis:

H3: There is a positive relationship between mandatory auditor rotation and audit quality /financial reporting failure.

MANDATORY AUDIT FIRM ROTATION AND AUDIT COSTS/AUDIT FEES

Opponents of mandatory audit firm rotation rule have argued that the rule has a considerable impact upon the overall costs of audit service. This is true at least for the first few years of activities carried out in a new appointment (Cameran, *et at*, 2003). During the first few years of a new appointment more man-hours are necessary together with the implementation of more qualified resources than those usually employed during the auditing of financial statements in the following years. According to Cameran et al (2003), this "training period" is never less than two to three years for complex groups that operate in an international level. According to a research, European accounting firms estimate that their costs would be 15% higher for new clients in a familiar industry and about 25% higher for those in unfamiliar industrial sectors when they engage an audit client for the first time (Ridyard and De Bolle, 1992). According to GAO (2003), opponents of mandatory audit firm rotation believe that more frequent changes in auditors likely to occur under mandatory audit firm rotation will result in the public accounting firms and ultimately public companies incurring increased costs for audits of financial statements. These costs were listed as (1) Marketing costs (the cost incurred by firms related to their efforts to acquire or retain clients); (2) Audit costs (the costs incurred by audit firms to perform an audit of a client); (3) Audit fee (the amount charged by an audit firm to audit a client company); (4) Selection cost (the internal costs by a company in selecting a new audit firm); (5) support costs (the internal costs incurred by a company in supporting the audit firm's efforts to understand the company's operations, systems, and financial reporting practices). Without a mandatory audit firm rotation, these companies are more likely to absorb their higher initial year audit costs rather than pass them to the audited companies in the form of higher audit fees because of the firm's interest in retaining the audit client. However, when the companies must rotate under a mandatory rotation rule, they may have no alternative than to pass the higher costs to the audit clients (GAO, 2003). Thus, we hypothesize as follows:

H4: There is a positive relationship between mandatory auditor rotation and audit costs/ audit fees.

MANDATORY AUDIT FIRM ROTATION AND AUDIT MARKET COMPETITION

Although mandatory audit firm rotation is generally considered by its proponents as a means of enhancing auditors independence and audit quality, mandatory rotation may also provide increased opportunities for some audit firms to compete to provide audit services to companies (GAO, 2003) But according to the GAO survey, this will not however, increase the number of audit firms willing and able to compete for company audits. There are diverse opinions on how mandatory audit firm rotation will affect competition in the audits market. Some are of the opinion that mandatory auditor rotation will indeed reduce the number of firms competing in the audit market. According to one argument, if small firms realize that they would be required to rotate off-of engagements after a period of time, they will be less likely to serve those clients and put time and effort to them. As a result, fewer firms will be interested in serving these companies unless they see an increased opportunity to obtain replacement clients in the future. However, the ability of smaller firms to attract large companies is difficult. We therefore hypothesize that:

H5: There is a positive relationship between mandatory audit firm rotation and fair competition in the audit market.

METHODOLOGY

The research design is a structured cross sectional survey of a stratified random sample of 240 respondents in Edo and Delta States of Nigeria. The research is on the effects of mandatory auditor rotation on auditor independence and audit quality in Nigeria but due to resource constraints and the difficulty in accessing every possible respondent in Nigeria, the study was limited to Edo and Delta States. The respondents were drawn from among three groups (a) Financial Analysts; (b) Registered auditors and (c) Users (Bank Loan Executives). The registered Auditors were drawn from the list of Auditors in practice in Edo and Delta States as contained in the 2009 Membership Year Book of the Institute of Chartered Accountant of Nigeria. The list of Bank Loan Executives was drawn from the banks operating in Benin City (Edo State) and Asaba (Delta State). The bank loan Executive serves as a proxy for users of financial statements. The financial analysts groups was drawn the list of members of the Institute of Chartered Accountants of Nigeria, the Chartered Institute of Taxation of Nigeria, the Institute of Chartered secretaries and Administration of Nigeria and the Chartered Institute of stock Brokers who are based in Edo and Delta States. The respondents were surveyed through questionnaires.

The five point Linkert scale was used in the design of the questionnaire. The Linkert scale has been one of the most widely and successfully used technique to measure attitudes (Donald *et al*, 1955). See also Linkert (1932:13). The scale was constructed by assembling a number of statements about auditor's independence in Nigeria. The respondents were asked to indicate whether they strongly agree, agree, undecided, decided disagree or strongly disagree with each of the series of statements. The questionnaire consists of two parts. Part 1 contains questions on information about the respondents for purposes of respondent's classification, and part II consists of question on issues of the impact of mandatory auditor rotation.

Various descriptive statistics were used in analyzing the data while the one way analysis of variance (ANOVA) was used as the inferential statistical procedure to test the hypotheses.

RESULTS

During the data gathering exercise a total of 210 questionnaires were administered to the three groups with each group receiving no questionnaires. Table 1 in the appendix shows the distribution of the questionnaires and the response rates. In order to avoid group dominance in the result of the research equal number of respondents were selected from the various groups. The minimum response of 25 from the bank Loan Executive group was used as the reference datum for selecting the other two groups. The questionnaires consequently analyzed are shown in table 2. The demographic characteristics of the respondents in those responses were analyzed are shown in table 3.

AUDITORS ABILITY TO DETECT FINANCIAL REPORTING ISSUES

The analysis of the responses to the questionnaire are contained in table 4, 5,6 and 7, for the combined group, Analyst, Users and Auditors' groups, respectively. From table 6, there is a strong support for the proposition that under mandatory audit firm rotation, there is the likelihood that a new auditor is unlikely to detect material financial reporting issues because new audit firms have to provide a fresh look at client's operations. The support cuts across the three groups with means of 3.72 (and standard deviation of 0.879), 3.92 (and a standard deviation of 0.708), 3.48 (and a standard deviation of o.823) and 3.76(and a standard deviation of 1.052) for the Combined, Analysts, Users and Auditor groups, respectively. There is also support for the proposition that a new audit firms initial level of knowledge of the clients' specific operation and financial reporting practiced increases the risk that the new audit will not detect material misstatement in the financial statements during the first year of the auditors tenure. Over 90% of the combined respondents either strongly agree or disagree with only about 2.6% either disagree or strongly disagree. Only 5.3% are not sure. The support is uniformly distributed among these groups. The mean support for the statement are 4.2, 4.48, 4.32 and 4.00 for the Combined, Analysts, Uses and Auditor groups, respectively.

The third statement under the section is that the lack of specific knowledge of a new auditor of the clients operations and financial reporting practice increases the risk that the new auditor will not detect material misstatements in the financial statements during the first year of the auditor's tenures. The respondents also supported the statement with means of 4.08, 4.28, 3.62 and 4.28 respectively for the combined analyst's users and auditors group respectively. The last statement under the auditor's ability to detect material financial reporting issues is that the inability to detect material reporting issues is higher in a new audit firm because the new audit firm is likely to place heavy reliance on information provided by the client. Again there is support across the three groups for the statement with means of 3.52, 3.68, 3.44 and 3.48 for the combined, analysts, users and auditor groups respectively

AUDITOR INDEPENDENCE AND MANDATORY AUDIT FIRM ROTATION

This section deals with the perception of auditor independence given mandatory audit firm rotation. The first statement in this series is that pressure on the firm and engagement partners to retain clients is a factor in whether or not they will deal appropriately with material reporting financial issues when there is mandatory audit firm rotation compared with when there is no mandatory audit firm rotation. There is a strong support for this proposition with over 95% of the combined respondents either strongly agreed or agreed and only about 17% not sure. No respondent disagreed or strongly disagreed. This same level of support was extended to the remaining proposition in this section namely: (i) that under mandatory audit firm rotation the incumbent audit firm knowledge that a new audit firm must replace it at the end of a specified tenure will positively affect the audit firm in dealing appropriately with financial reporting issued; and(ii) that placing a limit an audit firm tenure will positively affect the audit firm in dealing appropriately with financial reporting issue.

AUDIT QUALITY AND AUDIT FAILURE

From the analysis, 25.3%, 60.0% and 14.7% of the combined respondents strongly agreed, agreed and not sure respectively that lengthy audit firm tenures may lead to impaired auditor independence which in turn reduces audit quality. This result gives a mean of 4.11, 4.16, 4.08 and 4.08 for the combined group, analyst, users and auditors respectively. There was also clear affirmative support for the remaining statements in the section that: (i) the risk of an audit failure is likely to increase as the audit firms tenure increases due to familiarity with the clients management and the desire to retain the client over many years;(ii) the risk of an audit failure is likely to increase as the audit firm become too familiar with the audit approach and procedure;(iii) that rotation of audit firms would reduce any financial incentives for auditors to compromise that position on borderline accounting issues. These last three statements did not have any disagree or strongly disagree, response.

AUDIT RELATED COSTS AND FEES

This section deals with the cost implication of having a regime of mandatory audit firm rotation. There is a strong agreement that mandatory audit firm rotation is likely to increase audit costs and that these will result in indirect audit fees. 45.3%, 45.3% and 9.3% of the combined respondents strongly agreed, agreed and are not sure respectively that an audit firms initial year audit costs are likely to exceed the firms subsequent annual audit cost. No respondent either disagreed or strongly disagreed with this. The means response is 4.36, 4.20, 4.40 and 4.44 for the combined group, analysts, users and auditors, respectively. There is also a strong support for the position that under mandatory audit firm rotation, firms are likely to increase audit fees during the new limited audit tenure period to be able to receive any additional initial year cost incurred to fully understand the clients operations and reporting practices. the results were 3.89, 3.56, 3.76 and 4.28 respectively for the combined group analysts, uses and auditors, respectively strong support was also given to the following proposition on audit related cost and fees (i) under mandatory audit firm rotation, audit firms are more likely to incur additional marketing costs associated with the increased opportunities to compete for new audit clients; (ii) additional marketing costs that are likely to be passed to the audit client through higher audit fees ; (iii)if an auditor is replaced through a competition among increased firms under mandatory audit firm rotation, the client company will incur selection costs associated with holding the competition; (iv) in the whole the potential costs are likely to be significantly higher than the potential benefit that my result from mandatory audit firm rotation.

MANDATORY AUDIT FIRM ROTATION AND AUDIT COMPETITION

This section examined the likely effects of mandatory audit firm rotation on the level of competition in the audit market. Respondents generally agreed that mandatory audit firm rotation is likely to increase opportunities of audit firms to provide audit services to clients. 33.3%, 50.7% and 16.0% of the combined respondents strongly agreed, and are not sure respectively with no respondents disagreeing or strongly disagreeing. The support is fairly distributed among the various groups of respondents. The mean responses were 4.12, 4.28,4.0 and 4.24 for the combined group, analysts, users and auditors respectively. The analysis also shows a support for the statements that rotation is likely to result in a fairer distribution of audit firms able and willing to compete for audit clients among a greater number of audit firms and mandatory audit firm rotation is likely to increase the total number of audit firms. 33.3%, 56% and 10.7% of the combined respondents strongly, agreed, agreed and are not sure respectively that mandatory audit firm rotation is likely to result in a fairer distribution of audit clients among a greater number of audit firms. This represents mean responses of 4.23, 4.04, 4.24 and 4.40 for the combined group, analysts, users and auditors respectively.

IMPLEMENTING MANDATORY AUDIT FIRM ROTATION

This section elicited respondent opinions on various ways of implementing mandatory audit firm rotation if a decision to that effect is taken. The first of such issues that was the limit on the incumbent auditor's tenure. The choice of three to four years had a mean response of 3.85, 4.08, 4.00 and 3.51. from the combined group, analysts, users and auditors respectively. The choice of five to seven years had a mean response of 2.93, 2.16, 2.24 and 4.40 from the combined group, analysts, uses and auditors, respectively. The choice of eight to ten years had mean responses of 2.49, 2.16, 2.24 and 4.40, respectively. Lastly, the choice of more than ten years did not receive support from any of the group of respondents. The mean response for this choice was 1.65, 1.56, 1.80 and 1.72 for the combined group, analysts, users and auditors, respectively. The next proposition under implementation of mandatory audit firm rotation was that mandatory audit firm rotation should be applied uniformly for audits of all companies regardless of the size or nature of the company. There was a strong support for the proposition by all the groups with mean responses of 4.28, 4.04, 4.24 and 4.52 for the combined group, analysts, users and auditors, respectively. The next preposition contradicted the last one and says that mandatory audit firm rotation should be applied only to the quoted companies. There was complete rejection of the proposition by all the group of respondents. The mean responses for the proposition were 2.36, 2.20, 2.25 and 2.69 for the combined group analysts, users and auditor respectively. The second to the last proposition says that the introduction of mandatory audit firm rotation should be implemented over a period of years (staggered) on a reasonable basis to avoid a significant number of companies changing audit firms simultaneously. There was a strong support for this. The mean of the combined group was 4.08 while that of the various groups were 3.92, 3.80, and 4.52 for the analysts, users and auditor respectively.

The last but not the least proposition was that to ensure quality at the initial year in a mandatory audit firm rotation regime, the audit firm should be required to perform additional audit procedures that would ensure that material financial reporting issues are detected. There was an affirmative support for this with mean responses of 3.99, 4.32, 4.28 and 3.36 for the combined group, analyst, users and auditors respectively.

TEST OF HYPOTHESIS

Table 8 shows a summary of the result of the testing of the hypothesis. The first hypothesis says that there is a negative relationship between auditor tenure and the ability of the auditor to detect material financial reporting issues. The hypothesis was tested using questions 1, 2 and 3. The result shows a calculated value of 3.597 which is greater than the critical value of 3.14. Thus the hypothesis was accepted. The second hypothesis says that there is a positive relationship between auditor tenure and auditor independence and it was tested with questions 5, 6 and 7. The result shows a calculated value of 20.297 which is far greater than the critical value of f = 3.14. The hypothesis is thus again accepted. Hypothesis 3 says that there is a positive relationship between auditor tenure and financial reporting failure. The hypothesis was tested using question 8, 9 and 10 and it yielded a calculated value of f = 7.343 which is greater than the critical value of f = 3.14. Thus the alternative hypothesis was accepted. Hypothesis 4 which says that there is a positive relationship between mandatory auditor rotation and higher audit fees was tested with questions 12, 13, 14, 15, 16 and 17. It yielded a calculated value of f = 3.540 which is greater than the table value of f = 3.14, hence the hypothesis was accepted. Hypothesis 5 says that there is a positive relationship between mandatory audit firm rotation and fair competition in the audit market. The hypothesis was tested with questions 18, 19 and 20. The hypothesis testing yielded a calculated value of F= 5.271 which is higher than the table value of 3.14.Thus the hypothesis is accepted.

DISCUSSION OF RESULTS

In this section, we examine the implication of the results for the issues raised on mandatory audit firm rotation. The results have shown that respondents believe that under a regime of mandatory audit firm rotation a new audit firm will have to take a fresh look to familiarize him with the client's specific operations and financial reporting practices. It will take some time for the auditor to be fully apprised of the client's situation. As a result, the auditor may have to place heavy reliance on the information provided by the client management. The net effect is that a new auditor may not be able to detect some material reporting financial issues. Thus, mandatory audit firm rotation will from this perspective likely increase the risk of audit failure. This is similar to the findings of Myers et al (2003), GAO (2003) among others.

On the relationship between mandatory audit firm rotation and auditor independence, the results indicate that because of the need to retain audit clients, auditors may not deal appropriately with material financial reporting issues when there is no mandatory auditor rotation. But where it is certain that at the end of a given period, the auditor must leave the audit client, then the auditor will no longer be under pressure and would want to report appropriately. Also the results have indicated that the perception of auditor's independence will increase if there is a mandatory limit on the auditor's tenure. This position conform will the result of some earlier studies (Geiger and Ragnnanda, 2001, Brody and Moscove, 1998; Gieltman and Sen, 2002; Healay and Kim, 2003; Kaplan, 2004; Moore et al, 2006). The results are also in line with the familiarity threat normally faced by auditors. They ,however, contradicts the dissenting view that auditors are more likely to be influenced in the early years because of their need to recoup their start up costs and to prevent the reputation that a sack in an early may engender (see Elitzur and Falk, 1996).

The next issue is the relationship between mandatory audit firm rotation and audit failure. The results have indicated that lengthy audit firm tenure may lead to impaired auditor independence which in turn leads to audit failure due to the familiarity threat. Thus, according to the results, rotation of audit firms would mitigate the effects of long auditor tenure by removing the financial incentives for auditor to compromise their position on borderline accounting issues. This particular issue has relationship with the issues earlier discussed namely the relationship between mandatory audit firm rotation and auditors ability to detect material financial reporting issues and auditor independence. The result of the analysis indicates that the respondents have given auditor independence pre-eminence over ability to detect material financial reporting issues. This is in line with the findings of (Myers et al 2003; Carcello and Naggy, 2004). By accepting the position, the study has negated the opposing view of mandatory auditor firm rotation which agreed that audit quality is indeed lower in the earlier years (St. Pierre and Anderson, 1984; AICPA, 1992; O'Malley, 2002)

The next issue which the study examined was the relationship between mandatory audit firm rotation and audit related costs and fees. The results indicated that mandatory audit firm rotation is likely to increase audit costs and consequently audit fees. The increase in cost is attributable to the cost of familiarization with the new system by the auditors' additional marketing cost, the cost of hosting the competition for audit job by the client company among others. The results are similar to earlier findings (Cameran et al, 2003, Ridyard and Bolle, 1992, GAO, 2003). Logically the result indicated that increase in cost of audit occasioned by mandatory audit firm rotation is likely to be passed to the client in the form of audit fees.

One of the major issues in mandatory audit firm rotation is the likely affect on audit market competition. There are diverse opinions on this. The result of the study, however, indicates a support for the position that a mandatory auditor firm rotation regime will increase the opportunities for audit firms to provide audit services to clients, increase the number of audit firm willing and able to compete for audit jobs and generally result in a fairer distribution of audit clients, among a greater number of audit firms. This contradicts some aspects of GAO (2003). The GAO (2003) asserted that though mandatory audit firm rotation may increase the opportunities for audit clients, it will not increase the number willing and able to compete. The reason given is that small audit firms may not be willing to invest time and money in audits in which they would be rotated out very soon. The result of our study has revealed that with the lopsided nature of the present audit market in Nigeria which is heavily tilted in favour of the multinational audit firms; mandatory audit firm rotation would indeed be very beneficial to audit market competition in Nigeria

The last group of issues which the study addressed relate to how mandatory audit firm rotation should be implemented to have the desired results. The first of such issues is the length of tenure of an incumbent audit firm. Our results have indicated a preference for a maximum period of 3 to 4 years to be spent on an audit before rotation. However in most countries where mandatory audit firm rotation is currently practiced, the audit firm tenure is fairly longer ranging from about five to nine years. The preference for a shorter tenure by respondents is an indication of the degree of change which Nigerians desire to see in the audit profession. In line with this quest for a complete turn around, the respondents want mandatory audit firm rotation applied to all companies, big or small, quoted or unquoted and irrespective of the sector. This is again contrary to what happen in most other jurisdictions where mandatory audit firm rotation is applied principally to publicly quoted companies and the financial sector.

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

The study was carried out to examine the necessity or otherwise of having a mandatory audit firm rotation regime in Nigeria, the likely effects of such a regime and the best method of implementing it. The study has revealed the following among others: (i) mandatory audit firm rotation may increase the likelihood of an auditor not detecting material financial reporting issues in the early years of an audit (ii) Long auditor tenure on the other hand, may be associated with higher likelihood of audit reporting failure; (iii) placing a limit on audit firms tenure will positively affect the perception of auditors' independence (iv) Mandatory audit firms rotation will improve audit quality as it will reduce any financial incentives for auditors to compromise their position on borderline accounting issues; (v) Mandatory audit firm rotation is likely to increase overall audit costs and consequently audit fees, (vi) Mandatory audit firm rotation is likely to improve competition in the audit market which will culminate in a fairer distribution of audit clients among a greater number of audit firms.

The issue of mandatory audit firm rotation will continue to be of interest in Nigeria just like in other countries of the world. Some countries like Italy, Singapore, and Austria are already implementing mandatory audit firm rotation while some countries like the United Kingdom and the Netherlands are implementing mandatory audit partner rotation. In most countries of the world including the United State of America, there is neither mandatory audit firm or audit partner rotation. The study has concluded that the present system where by an audit firm can audit a company indefinitely is counter productive. The study has also concluded that limited auditor's tenure will improve audit quality and reduce audit reporting failures in Nigeria. The study will therefore be of particular policy markers who may want to implement mandatory audit firm rotation. It will also be of relevance to the professional accounting bodies. In the absence of statutory pronouncement, the professional bodies can enact rules for their member that may have the same effect. Also, the study will be relevant to shareholders and Board of Directors of Companies. They may wish to implement the recommendation in the study in their respective companies as part of their company policies. Lastly the study will be relevant to the audit firms themselves. In the absence of regulation in this direction from the regulatory agencies, the professional bodies and client companies, audit firms may find the study useful in conducting their audits particularly in the deployment of staff to audit assignments. The audit firms may embark on a policy of mandatory audit partner rotation.

Based on the findings and conclusions above, the following recommendations are made (i) mandatory audit firm rotation should be introduced in Nigeria (ii) The same audit firm should not serve as the auditor of a company for a continuous period of more than five years. (iii) There should be a minimum time lag of four year before an audit firm can return to audit a company (iv) Mandatory audit firm rotation should be applied uniformly to all companies irrespective of the size of the company. Also it should be applied to both quoted and unquoted companies (v) The introduction of mandatory audit firm rotation should be spread over a period of four years to avoid chaos in its implementation. (vi) Audit standards should be reviewed to allow for additional audit procedures that would ensure that material financial reporting issues are detected at the initial period of each audit.

REFERENCES

1. American Institute of Certified Public Accountants (AICPA) (1978). *The Commission on Auditors' Responsibilities: Report, Conclusions and Recommendations,* New York: AICPA.

2. American Institute of certified public *Accountants (AICPA) (1992) Statement of Position Regarding Mandatory Rotation of Audit firms of Publicity Held Companies,* Washington D.C.: AICPA
3. American Institute of Certified Public Accountants (AICPA) (1995) "New Legislative Preview: The New Agenda and What it Means to the Accounting Profession", *Journal of Accountancy179 (10).*
4. Arrunada B. and C. Paz-Ares (1997) "Mandatory Rotation of Company Auditors: A Critical Examination". *International Review of Law and Economics 17*
5. Bates, H. L, Ingram, R. W. and Reckers, M.J(1982)"Auditor Client Affiliation: The Impact on Materiality", *Journal of Accountancy 153(4)*
6. BDO Seidman, L.L.P (2003) "Oversight Hearing on Accounting and Investor Protection: Issues Raised by Enron and other Public Companies, Washington D.C: *Senate Committee on Banking Housing and Urban Affairs. 107th Congress 2nd Session,* March 6.
7. Beasly M. S., Carcello, J. V. and Hermanson A. R (1999)."Fraudulent financial Reporting (1987-1997): An Analysis of U.S Public Companies Committee of Sponsoring Organization of the Tread way commission". *Accounting Horizons (December)*
8. Brody, R. G. and Moscove, S.A (1998) "Mandatory Auditory Rotation". *National Public Accountant 43(3)*
9. Cameran, M, Prencipe, A and Trombetta, M (2008) *Auditor Tenure and Auditor Changes: Does Mandatory Auditor Rotation Really Improve Audit Quality?.* Paper presented at the XXXIEAA Annual Conference, Rotterdam.
10. Camerari M, Livatino, M., Pechiari N and Vigano, A (2003) A survey of the Impact of Mandatory Rotation Rule on Audit Quality and Audit Pricing in Italy, Manchester: Paper Presented at the European Auditing Research. Network (EARN) Symposium, November. www.solaboconi.it/aec/osservatoriorevisione. Carcello J. and Nogy, A. L (2004) "Audit firm Tenure and fraudulent financial Reporting". *Auditing: A Journal of Practice and Theory. 23*
11. Commission on Public Trust and Private Enterprise (2003) *Findings and Recommendations Part 2: Corporate Governance Part 3; Audit and Accounting,* New York: The Conference Board.
12. De Angelo, L. E. (1981)."Auditor size and Audit Quality". Journal of *Accounting and Economics,*
13. Deis, D. R. and Giroux, G. (1992) Determents of Audit Quality in the Public Sector. The Accounting Review, 67(3), 462-479.
14. Dopuch, N; King R, and Schwatz, R (2001) "An Experimental Investigation of Retention and Rotation Requirements*". Journal of Accouning Research* 39 (1).
15. Dunham, K. J. (2002) "Firms that want to switch Auditors Find it Takes, Money and Faith" *Wall street Journal (March 15*).
16. Elitzier, R and Falk, H (1996) "Planned Auditor Quality." *Journal of Accounting and Public Policy 15*
17. European Federation of Accountants and Auditors (EFAA) (1998). The Role the Position and the Liability of the statutory Auditor within the European Union, London : EFAA
18. Geiger, M. A. and Reghunandan, K (2002) Auditor Tenure and Reporting Tenures, Auditing, Sarasota.
19. Gietzman, M.B and Sen, P.K (2002)"Improving Auditor Independence through selected Mandatory Rotation". *International Journal of Auditing 6(2).*
20. Healey. T. J and Kim, Y.J (2003) "The Benefits of Mandatory Audit Rotation" *Regulation 26(3).*
21. Hoyle, J. (1980) "Mandatory Rotation is Not the Best Solution to the Problems of Independence and Public Protection" *Journal of Accountancy 145(May)*
22. Institute of Chartered Accountants of England and Whales (ICAEW) (2002) *Mandatory Auditor Rotation of Audit Firms*, London: ICAEW.
23. International Chamber of Commerce (ICC) (2005) *The Adverse Effects of Compulsory Audit Firm Rotation: Final Statement*, New York: ICC, March
24. Kaplan, R (2004) "The Mother of all Conflicts: Auditors and their Clients". *Illinois Public Law and Legal Theory Research Paper Series 04-13.*
25. Maletta, M and Wright A (1996) "Audit Evidence Planning: An Examination of Industry Error Characteristics". *Auditing: A Journal of Practice and Theory (Spring)*
26. Marshall, A. G. and Raghunandan, K (2002) "Auditor Tenure and Reporting Failures", *Auditing: A Journal of Practice and Theory, 21.*
27. Mautz, R. K and H. A Sharaf (1961) *The Philosophy of Auditing American Accounting Association Monograph No. 6,* Sarasota FL: American Accounting Association.
28. Moore, D.A, Tetlock, P.E Tanlu, L and Bazerman, M. H. (2006) Moral Seduction and Strategic Issue Cycling". *Academy of Management Review 31(1)*
29. Myers J. N, Myers L.A and Omer, T.C. (2003) "Exploring the Term of the Auditor-Client Relationship and the Quality of Earnings". *Journal of Accountacy Business, 31 (5)*
30. Myers, J. N; Myers, L. A and Omer, T.C (2003) "Exploring the Term of the Auditor Client Relationship and the Quality of Earnings; A Case for Mandatory Auditor Rotation?".
31. New York Sock Exchange (2002) Corporate Accountability and Listing standards Committee Recommendation.
32. O'keefe, T.B; Simunic, D. A and Stein, M.C. (1994) The Production of Audit Services: Evidence from a major Public Accounting Firm, Journal of Accounting Research 32(2), 241-261.
33. Reghunandan, B; Lewis,B and Evans, J (1994) "An Empirical Investigation of Problem Audits". *Research in Accounting Regulation 8.*
34. Ridyard D. and De Bolle, J (1992) Competition in European Accounting, Dublin: McFort
35. Securities and Exchange Commission (SEC) (1994) *Staff Report on Auditor Independence,* Washington, DC: Government Printing Office.
36. Shafie, R; Hussin, W.N; Yusof, M.A and Tussain, M.H (2007) "Audit firm Tenure and Auditor Reporting Quality: Evidence in Malaysia*", International Business Research,* 2(21).
37. Silvers D (2003) *Comment Letter on the SEC's Proposed Rules on Auditor Independence*, Washington D.C: AFL.
38. St. Pierre, K and Anderson, J. A. (1984). "An Analysis of factors Associated with Law Suits against Public Accountants". *The Accounting Review*. April
39. Teo, H. Y and Lim C.C. (1996) "An Empirical Study of the Effects of Audit Committees Disclosure of Non-Audit Fees and Other Issues on Audit Independence: Malaysian Evidence". *Journal of International Accounting, Auditing and Taxation*, 5(2).
40. U. S General Accounting Office (GAO) (2003) *Public Accounting Firms: Required Study on the Potential Effects of Mandatory Audit firm Rotation,* Washington, D. C: Government Printing Office.
41. US House of Representatives' Committee on Financial Services (2002) *Sarbanes Oxley Act of 2002, Public Law No 107-204,* Washington, D.C: Government Printing Office.
42. Wolf F. R. Tackett J. A and Clavpool (1999)" Audit Disaster futures: Antidotes for the Expectation Gap?" *Managerial Auditing Journal 14 (9).*

APPENDIX

TABLE 1: QUESTIONNAIRE DISTRIBUTION

Respondents	No. of Questionnaires administered of	No. of Questionnaires Returned	Response Rate (%)
Analysts	80	40	50.00
Auditors	80	25	31.50
Users	80	30	37.50
Total	240	95	39.58

TABLE 2: QUESTIONNAIRES ANALYZED

Respondents	No of Questionnaires Received	No of Questionnaires Analyzed	No of Questionnaires rejected	%of Questionnaires Analyzed
Analysts	40	25	15	62.50
Auditors	25	25	-	100.00
User	30	25	5	60.00
Total	90	75	15	83.33

TABLE 3: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

AGE	FREQUENCY	PERCENTAGE
21-30years	15	20.00
31-40years	25	33.33
41-50years	20	26.67
51 years and above	15	20.00
Total	75.00	100.00
GENDER		
Male	50	66.67
Female	25	33.33
Total	75.00	100.00
YEARS WORKED		
Under 5 years	15	20.00
06-lOyears	22	29.33
ll-15years	6	8.00
16- 21 years	6	8.00
21-25years	8	10.67
26-30years	8	10.67
31 years and above	10	13.33
Total	75	100.00

TABLE 4: COMBINED RESPONDENTS' DESCRIPTIVE STATISTICS

		SA	A	UD	D	SD	Mean	Std. Dev.	T. stat
	SECCTION A: AUDITOR'S ABILITY TO DETECT MATERIAL REPORTING ISSUES								
1	Under mandatory audit firm rotation, new audit firms provide a fresh look at clients operations and financial reporting practice. This adversely affects the likelihood that a new auditor will detect material financial reporting issues.	13 17.3%	34 45.3%	24 32.0%	2 2.7%	2 2.7	3.72	.879	36.669
2	A new audit firm's initial level of knowledge of the clients specific operations and financial reporting practices is lower than that of the previous auditor who has spent some time with the firm.2	30 40.0%	39 52.0%	4 5.3%	1 1.3%	1 1.3%	4.28	.745	49.724
3	The lack of specific knowledge of a new auditor of the clients operations and financial reporting practices increases the risk that the new auditor will not detect material misstatements in the financial statements during the first year of the auditors tenures.	30 40%	39 52%	4 5.35%	1 1.3%	1 1.3%	4.08	.731	48.350
4	Inability to detect material reporting issue is higher in a new audit because the new audit firm is likely to place heavy reliance on information provided to client management.	3 4.0%	35 46.7%	35 46.7%	2 2.7%	0 0%	3.52	.623	48.932
	SECTION B: AUDITOR INDEPENDENCE								
5	Pressure on the firm and engagement partners to retain clients is a factor in whether or not they will deal appropriately with material financial issues when there is no mandatory auditor rotation compared with when there is mandatory audit firm rotation	30 40.0%	34 45.3%	11 14.7%	0 0%	0 0%	4.25	.699	52.675
6	Under mandatory audit firm rotation, the incumbent audit firm's knowledge that a new firm must replace it at the end of a specified tenure will positively affect the audit firm in dealing appropriately with financial reporting issues.	29 38.7%	44 58.7%	2 2.7%	0 0%	0 0%	4.36	.536	70.412
7	Placing a limit on an audit firm's tenure will positively affect the perceptions of the auditor's independence	15 20.0%	31 41.3%	29 38.7%	0 0%	0 0%	3.81	.748	44.159
	SECTION C: AUDIT QUALITY AND AUDIT FAILURE								
8	Lengthy audit firm tenures may lead to impaired auditor independence which in turn reduces audit quality.	19 25.3%	45 60.0%	11 14.7%	0 0%	0 0%	4.11	.628	56.668
9	The risk of an audit failure is likely to increase as the audit firm's tenure increase due to familiarity with the client's management and the desire to retain the client over many years.	28 37.3%	39 52.0%	8 10.7%	0 0%	0 0%	4.27	.644	57.399
10	The risk of an audit failure is likely to increase as the audit firm tenure becoming too familiar with auditor's approach and procedure.	14 18.7%	41 54.7%	20 26.7%	0 0%	0 0%	3.92	.673	50.441
11	Rotation of auditors would reduce any financial incentives for auditor to compromise their position on borderline accounting issues.	4 5.3%	40 53.3%	31 41.3%	0 0%	0 0%	3.64	.584	53.934
	SECTION D: AUDIT RELATED COSTS AND FEES								
12	An audit firms initial year audit costs are likely to exceed the firms subsequent annual audit costs.	34 45.3%	34 45.3%	7 9.3%	0 0%	0 0%	4.36	.650	58.076
13	Under mandatory audit firm rotation firms are likely to increase audit fees during the new limited audit tenure period to be able to receives any additional initial year and costs incurred to fully understand the clients operations and reporting practices	16 21.3%	35 46.7 %	24 32.0%	0 0%	0 0%	3.89	.727	46.358
14	Under mandatory audit firm rotation audit firms are more likely to incur additional marketing costs associated with the increased opportunities to compute for new audit clients	15 20.0%	39 52.0%	19 25.3%	2 2.7%	0 0%	3.89	.746	45.217
15	Under additional marketing costs that one likely to incur under mandatory audit firm rotation are likely to be posed to audit clients through higher audit fees.	33 44.0%	37 49.3%	5 6.7%	0 0%	0 0%	4.37	.610	62.076
16	If an auditor is replaced through a competition among increased firms under mandatory audit firm rotation the client company will incur selection costs associated with holding the competition.	21 28.0%	40 53.3%	14 18.7%	0 0%	0 0%	4.09	.681	52.033
17	On the whole the potential costs are likely to be significantly higher than the potential benefit of that may result from mandatory audit firm rotation.	34 45.3%	38 50.7%	3 4.0%	0 0%	0 0%	4.41	.572	66.854
	SECTION E: AUDIT MARKET COMPETITION								
18	Mandatory audit firm rotation is likely to increase the opportunities of audit firms to provide firm to provide financial audit services to clients.	25 33.3%	38 50.7%	12 16.0%	0 0%	0 0%	4.17	.685	52.744
19	Mandatory audit firm rotation is likely to increase the number of audit firms using and able to compete for audits of companies	23 16.0%	40 53.3%	12 16.0%	0 0%	0 0%	4.15	.672	53.464
20	Mandatory audit firm rotation is likely to result in a fewer distribution of audit clients among a greater number of audit firms.	25 33.35	42 56.0%	8 10.7%	0 0%	0 0%	4.23	.628	58.324
	SECTION F:IMPLEMENTATION								
	If mandatory rotation of public accounting firms were required, the limit on the incumbent firm's tenure period should be								
21	Three to four years	11 14.7%	42 56.0%	22 29.3%	0 0%	0 0%	3.85	.651	51.240
22	Five to seven years	11 14.7%	18 24.0%	11 14.7%	25 33.3%	10 13.3%	2.93	1.308	19.417
23	Eight to ten years	1 1.3%	13 17.3%	23 30.7%	23 30.7%	15 20.0%	2.49	1.045	20.671
24	More than ten years	0 0%	1 1.3%	8 10.7%	32 42.7%	34 45.3%	1.68	.720	20.218
25	Mandatory audit firm rotation should be applied uniformly for audits of al companies regardless of the size or nature of the company.	30 40.0%	36 48.0%	9 12.0%	0 0%	0 0%	4.28	.669	55.405
26	Mandatory audit firm rotation should be applied only to the bigger companies	0 0%	4 5.3%	26 34.7%	38 50.7%	7 9.3%	2.36	.729	28.053
27	The introduction of mandatory audit firm rotation should be implemented over a period of year (staggered) on a reasonable basis to avoid a significant number of companies changing auditors simultaneously.	23 30.7%	35 46.7%	17 22.7%	0 0%	0 0%	4.08	.731	48.350
28	To ensure audit quality at the initial year. The audit firm should be require to perform specified traditional audit procedures that would ensure that material financial reporting issues are detected.	17 22.7%	42 56.0%	14 18.7%	2 21.3%	0 0%	3.99	.726	47.566

TABLE 5: ANALYSTS DESCRIPTIVE STATISTICS

	SECCTION A: AUDITOR'S ABILITY TO DETECT MATERIAL REPORTING ISSUES							
1	Under mandatory audit firm rotation, new audit firms provide a fresh look at clients operations and financial reporting practice. This adversely affects the likelihood that a new auditor will detect material financial reporting issues.	5 20.0%	13 52.0%	7 28.0%	0 0%	0 0%	3.92	.702
2	A new audit firm's initial level of knowledge of the clients specific operations and financial reporting practices is lower than that of the previous auditor who has spent some time with the firm.Q2A	12 48.0%	13 52.0%	0 0%	0 0%	0 0%	4.48	.510
3	The lack of specific knowledge of a new auditor of the clients operations and financial reporting practices increases the risk that the new auditor will not detect material misstatements in the financial statements during the first year of the auditors tenures.	9 36.0%	14 56.0%	2 8.0%	0 0%	0 0%	4.28	.614
4	Inability to detect material reporting issue is higher in a new audit because the new audit firm is likely to place heavy reliance on information provided to client management.	2 8.0%	14 56.0%	8 32.0%	1 4.0%	0 0%	3.68	.690
	SECTION B: AUDITOR INDEPENDENCE							
5	Pressure on the firm and engagement partners to retain clients is a factor in whether or not they will deal appropriately with material financial issues when there is no mandatory auditor rotation compared with when there is mandatory audit firm rotation	17 68.0%	8 32.0%	0 0%	0 0%	0 0%	4.86	.476
6	Under mandatory audit firm rotation, the incumbent audit firm's knowledge that a new firm must replace it at the end of a specified tenure will positively affect the audit firm in dealing appropriately with financial reporting issues.	11 44.0%	13 52.0%	1 4.0%	0 0%	0 0%	4.40	.577
7	Placing a limit on an audit firm's tenure will positively affect the perceptions of the auditor's independence	10 40.0%	7 28.0%	8 32.0%	0 0%	0 0%	4.08	.862
	SECTION C: AUDIT QUALITY AND AUDIT FAILURE							
8	Lengthy audit firm tenures may lead to impaired auditor independence which in turn reduces audit quality.	6 24.0%	17 68.0%	2 8.0%	0 0%	0 0%	4.16	.554
9	The risk of an audit failure is likely to increase as the audit firm's tenure increase due to familiarity with the client's management and the desire to retain the client over many years.	10 40.0%	15 60.0%	0 0%	0 0%	0 0%	4.40	.500
10	The risk of an audit failure is likely to increase as the audit firm tenure becoming too familiar with auditor's approach and procedure.	8 32.0%	9 36.0%	8 32.0%	0 0%	0 0%	4.00	.816
11	Rotation of auditors would reduce any financial incentives for auditor to compromise their position on borderline accounting issues.	15 60.0%	10 40.0%	0 0%	0 0%	0 0%	3.60	.500
	SECTION D: AUDIT RELATED COSTS AND FEES							
12	An audit firms initial year audit costs are likely to exceed the firms subsequent annual audit costs.	9 36.0%	12 48.0%	4 16.0%	0 0%	0 0%	4.20	.707
13	Under mandatory audit firm rotation firms are likely to increase audit fees during the new limited audit tenure period to be able to receives any additional initial year and costs incurred to fully understand the clients operations and reporting practices	2 8.0%	10 40.0%	13 52.0%	0 0%	0 0%	3.56	.651
14	Under mandatory audit firm rotation audit firms are more likely to incur additional marketing costs associated with the increased opportunities to compute for new audit clients	4 16.0%	10 40.0%	10 40.0%	1 4.0%	0 05	3.68	.802
15	Under additional marketing costs that one likely to incur under mandatory audit firm rotation are likely to be posed to audit clients through higher audit fees.	9 36.0%	13 52.0%	3 12.0%	0 0%	0 0%	4.24	.663
16	If an auditor is replaced through a competition among increased firms under mandatory audit firm rotation the client company will incur selection costs associated with holding the competition.	11 44.0%	14 56.0%	0 0%	0 0%	0 0%	4.44	.507
17	On the whole the potential costs are likely to be significantly higher than the potential benefit of that may result from mandatory audit firm rotation.	11 44.0%	11 44.0%	3 12.0%	0 0%	0 0%	4.32	.690
	SECTION E: AUDIT MARKET COMPETITION							
18	Mandatory audit firm rotation is likely to increase the opportunities of audit firms to provide firm to provide financial audit services to clients.	10 40.0%	12 48.0%	3 12.0%	0 0%	0 0%	4.28	.678
19	Mandatory audit firm rotation is likely to increase the number of audit firms using and able to compete for audits of companies	10 40.0%	10 40.0%	5 20.0%	0 0%	0 0%	4.20	.764
20	Mandatory audit firm rotation is likely to result in a fewer distribution of audit clients among a greater number of audit firms.	6 24.0%	14 56.0%	5 20.0%	0 0%	0 0%	4.04	.676
	SECTION F:IMPLEMENTATION							
	If mandatory rotation of public accounting firms were required, the limit on the incumbent firm's tenure period should be							
21	Three to four years	6 24.0%	11 44.0%	6 24.0%	0 0%	0 0%	4.08	.759
22	Five to seven years	1 4.0%	6 24.0%	14 56.0%	4 16.0%	0 0%	2.16	.746
23	Eight to ten years	1 4.0%	5 20.0%	9 36.0%	10 40.0%	0 0%	1.88	.881
24	More than ten years	3 12.0%	8 32.0%	14 56.0%	0 0%	0 0%	1.56	.712
25	Mandatory audit firm rotation should be applied uniformly for audits of al companies regardless of the size or nature of the company.	8 32.0%	10 40.0%	7 28.0%	0 0%	0 0%	4.04	.790
26	Mandatory audit firm rotation should be applied only to the bigger companies	1 4.0%	6 24.0%	15 40.0%	3 12.0%	0 0%	2.20	.707
27	The introduction of mandatory audit firm rotation should be implemented over a period of year (staggered) on a reasonable basis to avoid a significant number of companies changing auditors simultaneously.	6 24.0%	11 44.0%	8 32.0%	0 0%	0 0%	3.92	.759
28	To ensure audit quality at the initial year. The audit firm should be require to perform specified traditional audit procedures that would ensure that material financial reporting issues are detected.	10 40.0%	13 52.0%	2 8.0%	0 0%	0 0%	4.32	.627

TABLE 6: USERS' DESCRIPTIVE STATISTICS

S/N	DESCRIPTION	SA	A	UD	D	SD	Mean	Std Dev.	Tstat
	SECCTION A: AUDITOR'S ABILITY TO DETECT MATERIAL REPORTING ISSUES								
1	Under mandatory audit firm rotation, new audit firms provide a fresh look at clients operations and financial reporting practice. This adversely affect the likelihood that a new auditor will detect material financial reporting issues.	1 4.0	13 52.0	9 36.0	1 4.0	1 4.0	3.48	.823	21.153
2	A new audit firm's initial level of knowledge of the clients specific operations and financial reporting practices is lower than that of the previous auditor who has spent some time with the firm	10 40.0	13 52.0	2 8.0	0 0	0 0	4.32	.627	34.441
3	The lack of specific knowledge of a new auditor of the clients operations and financial reporting practices increases the risk that the new auditor will not detect material misstatements in the financial statements during the first year of the auditors tenures.	3 12.0	13 52.0	7 28.0	2 8.0	0 0	3.68	.802	22.940
4	Inability to detect material reporting issue is higher in a new audit because the new audit firm is likely to place heavy reliance on information provided to client management.	11 44.0	12 48.0	2 8.0	0 0	0 0	3.44	.651	26.435
	SECTION B: AUDITOR INDEPENDENCE								
5	Pressure on the firm and engagement partners to retain clients is a factor in whether or not they will deal appropriately with material financial issues when there is no mandatory auditor rotation compared with when there is mandatory audit firm rotation	11 44.0	13 52.0	1 4.0	0 0	0 0	4.36	.638	34.185
6	Under mandatory audit firm rotation, the incumbent audit firm's knowledge that a new firm must replace it at the end of a specified tenure will positively affect the audit firm in dealing appropriately with financial reporting issues.	5 20.0	14 56.0	6 24.0	0 0	0 0	4.40	.577	38.105
7	Placing a limit on an audit firm's tenure will positively affect the perceptions of the auditor's independence	5 20.0	14 56.0	6 24.0	0 0	0 0	3.96	.676	29.300
	SECTION C: AUDIT QUALITY AND AUDIT FAILURE								
8	Lengthy audit firm tenures may lead to impaired auditor independence which in turn reduces audit quality.	7 28.0	13 52.0	5 20.0	0 0	0 0	4.08	.702	29.044
9	The risk of an audit failure is likely to increase as the audit firm's tenure increase due to familiarity with the client's management and the desire to retain the client over many years.	15 60.0	9 36.0	1 4.0	0 0	0 0	4.56	.583	39.102
10	The risk of an audit failure is likely to increase as the audit firm tenure becoming too familiar with auditor's approach and procedure.	6 24.0	14 56.0	5 20.0	0 0	0 0	4.04	.676	29.892
11	Rotation of auditors would reduce any financial incentives for auditor to compromise their position on borderline accounting issues.	4 16.0	13 52.0	8 32.0	0 0	0 0	3.84	.688	27.907
	SECTION D: AUDIT RELATED COSTS AND FEES								
12	An audit firms initial year audit costs are likely to exceed the firms subsequent annual audit costs.	12 480	11 44.0	2 8.0	0 0	0 0	4.40	.645	34.082
13	Under mandatory audit firm rotation firms are likely to increase audit fees during the new limited audit tenure period to be able to receives any additional initial year and costs incurred to fully understand the clients operations and reporting practices	4 16.0	11 44.0	10 40.0	0 0	0 0	3.76	.723	25.988
14	Under mandatory audit firm rotation audit firms are more likely to incur additional marketing costs associated with the increased opportunities to compute for new audit clients	4 16.0	11 44.0	9 36.0	1 4.0	0 0	3.72	.792	23.496
15	Under additional marketing costs that one likely to incur under mandatory audit firm rotation are likely to be posed to audit clients through higher audit fees.	12 48.0	11 44.0	2 8.0	0 0	0 0	4.40	.645	34.082
16	If an auditor is replaced through a competition among increased firms under mandatory audit firm rotation the client company will incur selection costs associated with holding the competition.	9 36.0	15 60.0	1 4.0	0 0	0 0	4.32	.557	38.795
17	On the whole the potential costs are likely to be significantly higher than the potential benefit of that may result from mandatory audit firm rotation.	11 44.0	14 56.0	0 0	0 0	0 0	4.44	.507	43.820
	SECTION E: AUDIT MARKET COMPETITION								
18	Mandatory audit firm rotation is likely to increase the opportunities of audit firms to provide firm to provide financial audit services to clients.	5 20.0	15 60.0	5 20.0	0 0	0 0	4.00	.645	30.984
19	Mandatory audit firm rotation is likely to increase the number of audit firms using and able to compete for audits of companies	10 40.0	13 52.0	2 8.0	0 0	0 0	4.32	.627	34.441
20	Mandatory audit firm rotation is likely to result in a fewer distribution of audit clients among a greater number of audit firms.	8 32.0	15 60.0	2 8.0	0 0	0 0	4.24	.597	35.498
	SECTION F:IMPLEMENTATION								
	If mandatory rotation of public accounting firms were required, the limit on the incumbent firm's tenure period should be								
21	Three to four years	3 12.0	19 76.0	3 12.0	0 0	0 0	4.00	.500	40.000
22	Five to seven years	1 4.0	2 8.0	5 20.0	11 44.0	6 24.0	2.24	1.052	10.647
23	Eight to ten years	1 4.0	5 20.0	14 52.0	5 20.0	0 0	2.08	.759	13.695
24	More than ten years	1 4.0	3 12.0	11 44.0	10 40.0	0 0	1.80	.816	11.023
25	Mandatory audit firm rotation should be applied uniformly for audits of al companies regardless of the size or nature of the company.	7 28.0	17 68.0	1 4.0	0 0	0 0	4.24	.523	40.550
26	Mandatory audit firm rotation should be applied only to the bigger companies	0 0	1 4.0	6 24.0	17 68.0	1 4.0	2.28	.614	18.575
27	The introduction of mandatory audit firm rotation should be implemented over a period of year (staggered) on a reasonable basis to avoid a significant number of companies changing auditors simultaneously.	4 16.0	12 48.0	9 36.0	0 0	0 0	3.80	.707	26.870
28	To ensure audit quality at the initial year. The audit firm should be require to perform specified traditional audit procedures that would ensure that material financial reporting issues are detected.	7 28.0	18 72.0	0 0	0 0	0 0	4.28	.458	46.699

TABLE 7: AUDITORS' DESCRIPTIVE STATISTICS

S/N	DESCRIPTION	SA	A	UD	D	SD	Mean	Std Dev.	Tstat
	SECCTION A: AUDITOR'S ABILITY TO DETECT MATERIAL REPORTING ISSUES								
1	Under mandatory audit firm rotation, new audit firms provide a fresh look at clients operations and financial reporting practice. This adversely affect the likelihood that a new auditor will detect material financial reporting issues.	7 28.0%	8 32.0%	8 32..0%	1 4.0%	1 4.0%	3.76	1.052	17.871
2	A new audit firm's initial level of knowledge of the clients specific operations and financial reporting practices is lower than that of the previous auditor who has spent some time with the firm	7 28.0%	14 56.0%	2 8.0%	1 4%	1 4.0%	4.00	.957	20.889
3	The lack of specific knowledge of a new auditor of the clients operations and financial reporting practices increases the risk that the new auditor will not detect material misstatements in the financial statements during the first year of the auditors tenures.	9 36.0%	14 56.0%	2 8.0%	0 0%	0 0%	4.28	.614	34.869
4	Inability to detect material reporting issue is higher in a new audit because the new audit firm is likely to place heavy reliance on information provided to client management.	12 48.0%	13 52.0%	0 0%	0 0%	0 0%	3.48	.510	34.124
	SECTION B: AUDITOR INDEPENDENCE								
5	Pressure on the firm and engagement partners to retain clients is a factor in whether or not they will deal appropriately with material financial issues when there is no mandatory auditor rotation compared with when there is mandatory audit firm rotation	2 8.0%	14 56.0%	9 36.0%	0 0%	0 0%	3.72	.614	30.306
6	Under mandatory audit firm rotation, the incumbent audit firm's knowledge that a new firm must replace it at the end of a specified tenure will positively affect the audit firm in dealing appropriately with financial reporting issues.	7 28.0%	18 72.0%	0 0%	0 0%	0 0%	4.28	.458	46.699
7	Placing a limit on an audit firm's tenure will positively affect the perceptions of the auditor's independence	10 40.0%	15 60.0%	0 0%	0 0%	0 0%	3.40	.500	34.000
	SECTION C: AUDIT QUALITY AND AUDIT FAILURE								
8	Lengthy audit firm tenures may lead to impaired auditor independence which in turn reduces audit quality.	6 24.0%	15 60.0%	4 16.0%	0 0%	0 0%	4.08	.640	31.859
9	The risk of an audit failure is likely to increase as the audit firm's tenure increase due to familiarity with the client's management and the desire to retain the client over many years.	3 12.0%	15 60.0%	7 28.0%	0 0%	0 0%	3.84	.624	30.745
10	The risk of an audit failure is likely to increase as the audit firm tenure becoming too familiar with auditor's approach and procedure.	18 72.0%	7 28.0%	0 0%	0 0%	0 0%	3.72	.458	40.589
11	Rotation of auditors would reduce any financial incentives for auditor to compromise their position on borderline accounting issues.	11 44.0%	14 56.0%	0 0%	0 0%	0 0%	3.44	.507	33.950
	SECTION D: AUDIT RELATED COSTS AND FEES								
12	An audit firms initial year audit costs are likely to exceed the firms subsequent annual audit costs.	13 52.0%	10 40.0%	2 8.0%	0 0%	0 0%	4.44	.651	34.120
13	Under mandatory audit firm rotation firms are likely to increase audit fees during the new limited audit tenure period to be able to receives any additional initial year and costs incurred to fully understand the clients operations and reporting practices	9 36.0%	14 56.0%	2 8.0%	0 0%	0 0%	4.28	.614	34.869
14	Under mandatory audit firm rotation audit firms are more likely to incur additional marketing costs associated with the increased opportunities to compute for new audit clients	6 24.0%	19 76.0%	0 0%	0 0%	0 0%	4.24	.436	48.636
15	Under additional marketing costs that one likely to incur under mandatory audit firm rotation are likely to be posed to audit clients through higher audit fees.	13 52.0%	12 48.0%	0 0%	0 0%	0 0%	4.52	.510	44.322
16	If an auditor is replaced through a competition among increased firms under mandatory audit firm rotation the client company will incur selection costs associated with holding the competition.	2 8.0%	10 40.0%	13 52.0%	0 0%	0 0%	3.56	.651	27.358
17	On the whole the potential costs are likely to be significantly higher than the potential benefit of that may result from mandatory audit firm rotation.	12 48.0%	13 32.0%	0 0%	0 0%	0 0%	4.48	.510	43.930
	SECTION E: AUDIT MARKET COMPETITION								
18	Mandatory audit firm rotation is likely to increase the opportunities of audit firms to provide firm to provide financial audit services to clients.	10 40.0%	11 44.0%	4 16.0%	0 0%	0 0%	4.24	.723	29.305
19	Mandatory audit firm rotation is likely to increase the number of audit firms using and able to compete for audits of companies	4 16.0%	16 64.0%	5 20.0%	0 0%	0 0%	3.96	.611	32.405
20	Mandatory audit firm rotation is likely to result in a fewer distribution of audit clients among a greater number of audit firms.	11 44.0%	13 52.0%	1 4.0%	0 0%	0 0%	4.40	.577	38.105
	SECTION F:IMPLEMENTATION								
	If mandatory rotation of public accounting firms were required, the limit on the incumbent firm's tenure period should be								
21	Three to four years	13 52.0%	12 48.0%	0 0%	0 0%	0 0%	3.52	.510	34.516
22	Five to seven years	10 40.0%	15 60.0%	0 0%	0 0%	0 0%	4.40	.500	44.000
23	Eight to ten years	2 8.0%	10 40.0%	13 52.05	0 0%	0 0%	3.56	.651	27.358
24	More than ten years	2 8.0%	14 56.0%	9 36.0%	0 0%	0 0%	1.72	.614	14.013
25	Mandatory audit firm rotation should be applied uniformly for audits of al companies regardless of the size or nature of the company.	14 52.0%	10 40.0%	1 4.0%	0 0%	0 0%	4.52	.586	38.570
26	Mandatory audit firm rotation should be applied only to the bigger companies	2 8.0%	15 60.0%	6 24.0%	2 8.0%	0 0%	2.69	.736	18.655
27	The introduction of mandatory audit firm rotation should be implemented over a period of year (staggered) on a reasonable basis to avoid a significant number of companies changing auditors simultaneously.	13 52.0%	12 48.0%	0 0%	0 0%	0 0%	4.52	.510	44.322
28	To ensure audit quality at the initial year. The audit firm should be require to perform specified traditional audit procedures that would ensure that material financial reporting issues are detected.	11 44.0%	12 48.0%	2 8.0%	0 0%	0 0%	3.36	.638	26.345

TABLE 8: HYPOTHESIS TESTING

		Sum of Squares	Df	Mean Square	F	Sig.
H1	Between Groups	1.635	2	.817	3.597	.032
	Within Groups	16.365	72	.227		
	Total	18.000	74			
H2	Between Groups	4.661	2	2.330	20.297	.000
	Within Groups	8.267	72	.115		
	Total	12.927	74			
H3	Between Groups	1.799	2	.899	7.343	.001
	Within Groups	8.818	72	.122		
	Total	10.616	74			
H4	Between Groups	.467	2	.234	3.540	.034
	Within Groups	4.753	72	.066		
	Total	5.221	74			
H5	Between Groups	1.635	2	.817	5.271	.010
	Within Groups	11.173	72	.155		
	Total	11.176	74			

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, IT and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail i.e. **infoijrcm@gmail.com** for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail infoijrcm@gmail.com.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals