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Fostering Transparency and Accountability Enhancing Statutory Audits in Nigeria

Melvin Ayogu[a]

Abstract

This research examines the intricate dynamics surrounding the efficacy of statutory audit in gauging organizational performance, particularly within the Nigerian context. Leveraging the survey research method, the study administered meticulously crafted questionnaires to gather insights from relevant stakeholders. One of the seminal revelations gleaned from the data analysis pertains to the palpable inadequacy of fees allocated to auditors—a critical factor that impinges upon the quality and rigor of audit processes. Moreover, the study underscores the imperative for a recalibration of extant legislative frameworks governing auditing practices, advocating for measures to fortify auditor independence and regulatory oversight. This resonates with the broader imperative of fostering an environment conducive to transparent, accountable, and ethically sound financial reporting practices. The ramifications of these findings reverberate throughout the organizational landscape, as the prevalence of fraud, misconduct, and lapses in governance engender a climate of mistrust and uncertainty among stakeholders. Indeed, the erosion of confidence in financial reporting mechanisms underscores the urgent need for systemic reforms aimed at bolstering the integrity and efficacy of statutory audits. Against this backdrop, the research proffers a cogent set of recommendations designed to ameliorate the prevailing challenges and fortify the auditing ecosystem. Chief among these recommendations is the establishment of a robust financial reporting council—a regulatory body empowered to oversee auditing standards, enforce compliance, and cultivate a culture of accountability within the auditing profession. Furthermore, the study advocates for the promotion of joint audit competition—an initiative aimed at fostering diversity, enhancing audit quality, and mitigating the risks associated with concentration in the audit market. Complementary to these measures is the imperative of investing in continuous professional development initiatives, ensuring that audit staff are equipped with the requisite skills, knowledge, and ethical grounding to discharge their duties effectively. The study furnishes compelling insights into the multifaceted challenges confronting statutory audit practices in Nigeria, underscoring the exigency of concerted action to address systemic deficiencies and restore trust in financial reporting mechanisms. By heeding the clarion call for reform and embracing a culture of transparency, accountability, and professionalism, stakeholders can collectively navigate the complexities of the audit landscape and foster a climate conducive to sustainable organizational performance and stakeholder value creation.

Keywords: Statutory Audit, Organizational Performance, Auditor Independence, Regulatory Oversight
JEL Codes: M42, M48, G38

1. INTRODUCTION

The concept of auditing, as elucidated encapsulates the fundamental principles and objectives of this essential process. At its core, auditing serves as a systematic and objective method for scrutinizing assertions regarding economic actions and events (Rittenberg and Schwieger 2005). Auditors undertake the responsibility of obtaining and evaluating evidence to ascertain the degree to which these assertions align with established criteria or standards. This objective stance underscores the importance of maintaining impartiality and independence throughout the auditing process, ensuring the integrity and reliability of the findings (Farida, 2021). Central to auditing is the reliance on evidence-based examination. Auditors meticulously collect and analyze evidence to substantiate claims made in financial statements, transactions, or other economic activities. This evidence serves as the foundation upon which auditors base their evaluations, providing a factual basis for their assessments. Through thorough scrutiny and analysis, auditors aim to identify any discrepancies or inconsistencies that may exist between the assertions and the established criteria (Logie and Marsoun, 2021). The process of auditing culminates in the communication of findings to interested stakeholders. Clear and transparent reporting of audit results is essential for ensuring that relevant parties are informed about the outcomes of the audit and any implications for the organization. Stakeholders, including management, shareholders, regulators, and other interested parties, rely on these audit reports to make informed decisions and assess the integrity of financial reporting and business operations (Roszkowska, 2021; Senturk and Ali, 2021). Thus, effective communication of audit findings plays a critical role in promoting transparency, accountability, and trust in the financial markets and auditing also serves as a cornerstone of financial oversight, providing assurance on the accuracy and reliability of financial information. By upholding principles of objectivity, evidence-based evaluation, and transparent communication, auditors play a pivotal role in safeguarding the integrity of financial reporting and fostering confidence among stakeholders in the business environment.

[a] Quantitative Economic Research Bureau (Quanterb), Aba, Nigeria

The provision outlined in Section 359(1) of the Nigerian Companies and Allied Matters Act (CAMA) 1990, as amended, underscores the crucial role of auditors in ensuring transparency and accountability within companies. According to this section, auditors are mandated to prepare a comprehensive report for the members of the company regarding the accounts they have examined (Minutti-Meza, 2021). This report encompasses not only the financial statements of the company but also includes any group financial statements that are to be presented at the company's general meeting during the auditor's tenure of office. This requirement emphasizes the significance of the auditor's role in providing independent assurance regarding the accuracy and reliability of the financial information presented by the company. By examining the accounts and financial statements, auditors help to verify the integrity of the company's financial reporting and identify any discrepancies or irregularities that may exist (Alkhazaleh et al., 2021). The auditor's report serves as a critical tool for shareholders and other stakeholders in evaluating the financial health and performance of the company. Furthermore, the inclusion of group financial statements highlights the importance of transparency and accountability in cases where the company is part of a larger group or conglomerate. Auditors are tasked with assessing not only the financial performance of the individual company but also its contribution to the overall group performance, ensuring that shareholders have a comprehensive understanding of the company's financial position within the broader context of the group. Section 359(1) of CAMA also underscores the vital role of auditors in promoting corporate governance, accountability, and investor confidence. By providing clear and objective reports on the company's financial affairs, auditors play a crucial role in upholding transparency and facilitating informed decision-making by shareholders and other stakeholders. The responsibility of the auditor in examining the financial statement is to enable him express an opinion on the truth and fairness of the financial statements.

The statement highlights the pivotal role of auditors in ensuring transparency, accountability, and integrity within organizations (Wijaya et al., 2021). By inviting auditors to examine stewardship reports, both owners and managers demonstrate their commitment to upholding high standards of corporate governance and financial reporting. For owners, the satisfaction derived from an auditor's opinion on the stewardship report provides assurance that the financial information presented accurately reflects the company's performance and financial position. This assurance is essential for making informed decisions regarding investments, resource allocation, and strategic planning (Humphreys and Trotman, 2022). Moreover, it enhances trust and confidence in the management of the company, fostering stronger relationships between owners and management. Similarly, for managers, the validation provided by an auditor's opinion serves to justify their actions and decisions, reinforcing their integrity and competence in stewarding the company's resources. By subjecting the stewardship report to independent scrutiny, managers demonstrate their commitment to accountability and transparency, aligning their interests with those of shareholders and other stakeholders (Chiu, 2021). The involvement of auditors in examining stewardship reports serves to enhance the credibility and reliability of the information presented. Auditors, as independent and objective professionals, bring expertise and impartiality to the evaluation process, enabling them to provide an unbiased assessment of the truth and fairness of the report. Their opinion adds credibility to the stewardship report, instilling confidence among stakeholders and enhancing the reputation of the organization. The statement underscores the importance of auditors in upholding standards of corporate governance, accountability, and transparency. By verifying the accuracy and integrity of stewardship reports, auditors play a critical role in promoting trust and confidence in the financial reporting process, thereby contributing to the long-term success and sustainability of organizations. The assertion made by Oladipupo (2005) underscores the comprehensive nature of an auditor's role in evaluating financial statements. Auditors are not simply tasked with examining the accounts from which financial statements are prepared; rather, their responsibilities extend to collecting all relevant information necessary to form an opinion on the truth and fairness of the report.

This holistic approach reflects the thoroughness and diligence required of auditors in fulfilling their mandate. By gathering all relevant information, auditors ensure that their evaluation is based on a complete and accurate understanding of the organization's financial affairs (Cazazian, 2022). This includes not only reviewing the financial records and statements but also assessing the underlying transactions, processes, and controls that impact the financial reporting process. The collection of relevant information enables auditors to perform a comprehensive assessment of the accuracy, completeness, and reliability of the financial statements. Auditors must exercise professional judgment and skepticism throughout this process, critically evaluating the evidence gathered to identify any potential errors, misstatements, Juliana et al., (2021) or irregularities that may affect the reliability of the financial information. Furthermore, the inclusion of all relevant information ensures that auditors are able to provide stakeholders with a robust and reliable opinion on the truth and fairness of the financial report. This opinion serves as a key determinant of the credibility and reliability of the financial statements, influencing stakeholders' confidence in the organization's financial performance and integrity and Oladipupo's assertion highlights the importance of a thorough and comprehensive approach to auditing, which encompasses the collection of all relevant information necessary to form a reliable opinion on the truth and fairness of the financial report. By adhering to rigorous professional standards and practices, auditors play a crucial role in promoting transparency, accountability, and trust in the financial reporting process. The statement underscores the overarching responsibility of auditors to meticulously scrutinize the accounts and records of various types of entities, Saks (2022) spanning from businesses and charities to trusts, professional firms, and governmental establishments. This comprehensive examination is conducted with a level of detail that enables auditors to form an informed opinion about the accuracy and reliability of the financial information presented. Auditors are entrusted with the critical task of assessing the financial affairs of entities across diverse sectors and industries. Their role extends beyond mere validation of financial statements; it encompasses a thorough review of the underlying transactions, processes, and controls that underpin financial reporting (Smieliauskas et al., 2022). By delving into the

details of the accounts and records, auditors seek to gain a comprehensive understanding of the entity's financial position, performance, and compliance with relevant regulations and standards. The scope of an auditor's examination encompasses various aspects, including but not limited to, the completeness and accuracy of financial data, adherence to accounting principles and standards, effectiveness of internal controls, and compliance with legal and regulatory requirements. Auditors employ professional judgment, expertise, and analytical skills to assess the reliability of the financial information and identify any discrepancies, errors, or irregularities that may warrant further investigation or disclosure (Choudhary et al., 2021). Furthermore, the responsibility of auditors extends beyond financial matters to encompass broader considerations such as transparency, accountability, and stewardship of resources. Auditors play a crucial role in safeguarding the interests of stakeholders by providing independent assurance on the accuracy and integrity of financial reporting and the statement highlights the fundamental role of auditors as guardians of financial integrity and transparency across various types of entities. Through their meticulous examination and evaluation of accounts and records, auditors contribute to the credibility and reliability of financial information, thereby enhancing trust and confidence in the entities they serve.

The statements by Izedonmi (2000) and Oladipupo (2004) emphasize the critical importance of auditor independence in conducting effective and objective audits. Auditor independence is essential for ensuring that auditors maintain a wholly impartial and unbiased stance throughout the audit process, enabling them to fulfill their responsibilities with integrity and credibility. An independent auditor is able to approach their work with an objective outlook, free from any undue influence or conflicts of interest. This independence is vital for maintaining the integrity and credibility of the audit process, as it ensures that auditors are not swayed by external pressures or considerations that may compromise their ability to form unbiased opinions. Furthermore, auditor independence is essential for fostering trust and confidence among stakeholders in the reliability of audit findings and opinions (Akther and Xu, 2021). When auditors are perceived as independent and objective, stakeholders can have greater assurance in the accuracy and integrity of financial reporting, enhancing transparency and accountability within organizations. To uphold auditor independence, it is essential for auditors to adhere to general principles that safeguard their objectivity and impartiality. This includes refraining from engaging in any activities or relationships that could impair their independence or create perceived conflicts of interest. By maintaining a commitment to independence, auditors can uphold professional standards and ethical principles, ultimately contributing to the credibility and reliability of the audit process. In short, auditor independence is a cornerstone of effective and credible audits. By approaching their work with an independent outlook and adhering to principles that preserve their independence, auditors can conduct objective and impartial audits that enhance trust and confidence in financial reporting and corporate governance.

2. LITERATURE REVIEW

The historical origins of the term "audit," as elucidated by Odion & Lawani (2009), shed light on its evolution from a Latin word meaning "he hears" to its modern-day usage in the context of financial scrutiny and accountability. Originally, the practice of auditing can be traced back to ancient times when the accounts of estates, domains, or manors were examined by those in authority. This examination involved calling out the accounts to be checked by individuals who had prepared or compiled them, with the aim of ensuring accountability and transparency. The term "audit" thus originated from the notion of a hearing or review process conducted by those in authority to verify the accuracy and integrity of financial records. Over time, this practice evolved into the modern concept of auditing, which involves a systematic and detailed examination of the accounts of business entities. In its contemporary sense, auditing entails subjecting financial statements and records to thorough scrutiny, with the objective of enabling the auditor to form an opinion on their truth and fairness. The historical roots of auditing underscore its fundamental purpose of promoting accountability and transparency in financial reporting. By tracing its origins back to ancient practices of oversight and verification, we gain a deeper understanding of the principles that underpin the audit process. Today, auditing plays a crucial role in ensuring the reliability and integrity of financial information, thereby fostering trust and confidence among stakeholders in the business environment. Okolo (1988) provides a comprehensive definition of an audit, emphasizing its conscientious, objective, and thorough nature. According to this definition, an audit entails a meticulous examination and inquiry into any statement of account pertaining to financial transactions or assets. This examination encompasses not only the financial records themselves but also the underlying documents and, where feasible, physical assets. The primary objective of the audit is to enable the auditor to form an opinion on whether the statement of account accurately reflects the financial position and performance of the entity. This opinion is based on the auditor's assessment of the truthfulness and fairness of the information presented in the statement of account. The auditor evaluates the reliability and accuracy of the financial records, ensuring that they provide a faithful representation of the entity's financial affairs. Crucially, Okolo (1988) highlights the role of independence in the audit process. The audit is conducted by an independent individual or team, separate from the entity's management or financial officers. This independence is essential for ensuring objectivity and impartiality in the audit process, as it allows the auditor to provide an unbiased assessment of the statement of account. Okolo (1988) definition encapsulates the essence of auditing as a rigorous and objective examination of financial statements and records. By upholding principles of conscientiousness, objectivity, and independence, auditors play a vital role in promoting transparency, accountability, and trust in financial reporting.

Rees (1995) contributes to the understanding of auditing by emphasizing the multifaceted nature of the process. Auditing involves not only the scrutiny of financial documents but also the examination of physical assets. This comprehensive approach ensures that auditors thoroughly evaluate all aspects of an organization's financial affairs,

leaving no room for discrepancies or inaccuracies to go unnoticed. By highlighting the importance of examining physical assets, Rees (1995) underscores the significance of tangible evidence in the audit process. In addition to reviewing financial records, auditors may physically inspect assets such as inventory, equipment, and property to verify their existence, condition, and valuation. This hands-on approach adds an extra layer of assurance, as it allows auditors to directly assess the tangible resources that underpin the organization's financial position. Furthermore, Rees (1995) emphasis on the examination of documents reinforces the meticulous nature of auditing. Auditors meticulously review a wide range of financial documents, including invoices, receipts, bank statements, and contracts, to trace the flow of transactions and ensure their accuracy and completeness. This attention to detail is essential for uncovering any discrepancies, errors, or irregularities that may exist within the organization's financial records. Rees (1995) definition highlights the rigorous and comprehensive nature of auditing, which encompasses both the examination of financial documents and the inspection of physical assets. By adopting such a thorough approach, auditors can form a robust opinion on the accuracy and fairness of financial statements, thereby promoting transparency, accountability, and trust in financial reporting.

Smith (2010) delves into the crucial concepts of auditor independence and objectivity, shedding light on their pivotal roles in ensuring the effectiveness and integrity of auditing practices. With a focus on these fundamental principles, Smith (2010) underscores their significance in upholding the credibility and reliability of audit processes. Auditor independence serves as a cornerstone of the auditing profession, ensuring that auditors remain free from any undue influence or bias that may compromise their ability to perform their duties objectively. By maintaining independence from the entities they audit, auditors can conduct their assessments with impartiality and integrity, thereby enhancing the trust and confidence of stakeholders in the audit process. Similarly, auditor objectivity is essential for ensuring that auditors approach their work with an unbiased and impartial mindset. Objectivity requires auditors to remain impartial and neutral, basing their judgments and opinions solely on the evidence and facts presented during the audit. This commitment to objectivity helps to safeguard the integrity of audit findings and opinions, ensuring that they accurately reflect the true financial position and performance of the audited entity Smith (2010) discussion highlights the critical importance of auditor independence and objectivity as essential elements of effective auditing. By adhering to these principles, auditors can fulfill their responsibilities with integrity and professionalism, thereby contributing to the credibility and reliability of financial reporting and corporate governance.

3. AUDIT FAILURE AND RELEVANCE OF STATUTORY AUDIT IN NIGERIA

Auditors, like many other professionals, face legal and other repercussions in the event of audit failures, where they fail to meet the expected professional standards in their work. However, unlike some professionals whose liability is restricted to their clients or patients, independent auditors face a broader scope of liability. They are also accountable to an expanding array of third parties, particularly investors and creditors, who rely on audited financial statements to inform their decision-making processes. This reliance exposes auditors to significant potential losses, as any errors or omissions in the audit process can have far-reaching consequences for these stakeholders. The magnitude of potential loss faced by auditors is considerable and is typically assessed at the time of conducting the audit. Auditors bear the responsibility of ensuring the accuracy and reliability of financial statements, as any inaccuracies or misstatements can result in financial losses for investors and creditors who rely on this information. Therefore, auditors must exercise diligence and care in their work to minimize the risk of audit failures and the associated liabilities. The growing expectation for auditors to uphold professional standards and safeguard the interests of various stakeholders underscores the importance of maintaining high levels of competence and integrity within the auditing profession. Auditors must remain vigilant and diligent in their duties, recognizing the significant impact that audit failures can have on the financial markets and broader economy. The legal position of auditors is marked by complexity and ambiguity, as statutes governing auditor appointments often lack clear definitions and details regarding auditors' responsibilities and liabilities. In the absence of explicit statutory guidance, case law and professional pronouncements play a crucial role in delineating the scope of auditors' duties and liabilities. It is imperative for every professional accountant to possess a thorough understanding of the legal responsibilities and liabilities associated with auditing. Fundamentally, the primary duty of company auditors is to provide statutory reports to the members of the company on its accounts. While there may be instances where auditors' duties extend beyond statutory requirements, particularly in non-statutory audits, the statutory duties remain paramount and cannot be circumvented.

Navigating the legal landscape surrounding auditors' responsibilities and liabilities requires a nuanced understanding of both statutory requirements and legal precedents established through case law. Auditors must exercise diligence and care in fulfilling their duties, recognizing the potential legal ramifications of their actions or omissions. In conclusion, while the legal position of auditors is complex and subject to interpretation, a comprehensive understanding of statutory requirements, case law, and professional standards is essential for ensuring compliance and mitigating legal risks. Adhering to rigorous professional standards and exercising due diligence in performing audit engagements are essential components of fulfilling auditors' legal responsibilities and safeguarding their professional integrity. Both legal regulations and professional standards place a duty on auditors to exercise reasonable skill and care in the performance of their duties. Auditors are tasked with conducting audits and issuing audit reports, which serve as their professional opinions on the truth and fairness of financial statements. When auditors endorse financial statements as presenting a true and fair view, stakeholders place considerable trust in these statements due to their confidence in the auditors. The significant reliance placed on auditors underscores the heavy responsibility they bear in carrying out their duties honestly and diligently. Auditors serve as gatekeepers of financial information, and their assessments play a crucial role

in shaping stakeholders' perceptions and decisions. As such, auditors must approach their work with integrity and meticulous attention to detail, recognizing the profound impact their conclusions may have on the perceptions and decisions of investors, creditors, and other stakeholders.

By upholding high standards of professionalism and ethical conduct, auditors can fulfill their duty to provide reliable and trustworthy assessments of financial statements. This commitment to integrity and diligence not only safeguards the interests of stakeholders but also preserves the credibility and integrity of the auditing profession as a whole. The duty of auditors to act with reasonable skill and care is underscored by both legal requirements and professional standards. Given the significant reliance placed on their assessments, auditors must discharge their responsibilities with honesty, diligence, and integrity to maintain the trust and confidence of stakeholders and uphold the credibility of the auditing profession. The importance of honesty, reasonable care, and skill in the role of auditors was underscored in the landmark case of London and General Bank (1895). In this case, the judge articulated that auditors must uphold honesty by refraining from certifying information they do not believe to be true. Additionally, auditors must exercise reasonable care and skill in verifying the accuracy of the information they certify. When auditors fail to fulfill these duties, they may be held liable for negligence, which can lead to audit failure. Negligence occurs when auditors fall short of the expected standard of care in their professional duties, resulting in errors or omissions that compromise the reliability of their audit opinions. In such cases, auditors may be held accountable for any financial losses or damages incurred by stakeholders as a result of their negligent actions.

The London and General Bank case serves as a poignant reminder of the critical importance of honesty and diligence in the auditing profession. Auditors must adhere to high ethical standards and exercise due diligence in their work to ensure the accuracy and reliability of financial information. By upholding these principles, auditors can fulfill their responsibilities effectively and maintain the trust and confidence of stakeholders in the integrity of financial reporting. When auditors fail to meet their duties adequately, they may face liability for negligence, which can ultimately lead to audit failure. This assertion is supported by Adeniyi (2004), who highlights the legal and professional consequences that auditors may encounter if they do not fulfill their responsibilities with the requisite standard of care and diligence. Negligence in auditing occurs when auditors deviate from the expected standard of care and skill in their professional duties. This deviation can take various forms, such as inadequate verification procedures, failure to detect material misstatements, or insufficient documentation of audit evidence. When such shortcomings compromise the reliability of the audit opinion or lead to financial losses for stakeholders, auditors may be held accountable for their negligent actions. The notion of auditor negligence underscores the importance of upholding high professional standards and exercising due diligence in auditing practices. Auditors must diligently perform their duties, adhere to established auditing standards, and exercise professional skepticism to identify and address potential risks and errors in financial reporting. By doing so, auditors can mitigate the likelihood of negligence and contribute to the effectiveness and credibility of the audit process. The risk of liability for negligence serves as a compelling incentive for auditors to uphold rigorous standards of professionalism and diligence in their work. Adhering to these standards not only mitigates the risk of audit failure but also safeguards the interests of stakeholders and preserves the integrity of the auditing profession.

4. RELEVANCE OF STATUTORY AUDIT IN NIGERIA

Statutory audits play a crucial role in assisting organizations in enhancing their internal audit functions and improving overall financial reporting practices. By subjecting financial statements to rigorous scrutiny, statutory audits help measure the effectiveness of existing internal audit processes and facilitate the development of enhanced internal audit methodologies. This process enables organizations to identify areas for improvement, strengthen internal controls, and enhance transparency and accountability in financial reporting. Furthermore, the endorsement of financial statements by auditors lends credibility to the accounts, reinforcing their authenticity and accuracy. Stakeholders, including investors, creditors, and regulatory authorities, rely on audited financial statements as a true and fair representation of an organization's financial position and performance. The independent nature of the auditor's opinion, derived from an objective examination of relevant evidence, instills confidence in the reliability of the financial information presented. By providing an external validation of financial statements, statutory audits contribute to fostering trust and confidence among stakeholders, thereby facilitating informed decision-making and promoting financial stability. Additionally, the audit process serves as a valuable mechanism for detecting and deterring fraudulent activities, safeguarding the interests of shareholders and other stakeholders. Statutory audits serve as a cornerstone of corporate governance and financial accountability, helping organizations enhance their internal audit functions, improve financial reporting practices, and uphold transparency and integrity in their operations. By adhering to rigorous audit standards and principles, auditors play a vital role in promoting trust, confidence, and credibility in the financial markets.

Statutory audits play a pivotal role in ensuring the accuracy and reliability of financial statements, which, in turn, has a positive impact on employee efficiency and integrity. The knowledge that an independent audit will be conducted encourages employees to exercise greater diligence and accuracy in the accounting process, leading to fewer errors and improved financial reporting quality. Additionally, the prospect of an audit acts as a deterrent against the misappropriation of assets by employees, as the risk of detection and consequences serves as a deterrent. Moreover, the requirement for financial statement assertions to be verified during the audit process enhances management's accountability and transparency. Knowing that their representations will be scrutinized by external auditors incentivizes management to provide accurate and truthful information, reducing the likelihood of misstatements or misrepresentations in the financial statements. This increased scrutiny fosters a culture of honesty and accountability

within the organization, promoting ethical behavior and integrity in financial reporting practices. Statutory audits contribute to maintaining the integrity and reliability of financial statements, thereby enhancing employee confidence in the accuracy of financial information. By promoting accountability, transparency, and ethical conduct, statutory audits play a vital role in upholding the credibility of financial reporting and fostering trust among stakeholders. Statutory audits play a crucial role in enhancing the perceived value of a business, particularly in the context of potential acquisitions or mergers. Prospective purchasers place considerable emphasis on the earning capacity and financial performance of a business, which are typically reflected in its profit and loss accounts over several years, often spanning five to ten years. Having these financial records audited and certified by a qualified accountant significantly bolsters their credibility and reliability. Audited financial statements provide assurance to potential buyers regarding the accuracy and integrity of the financial information presented. This assurance is particularly valuable during negotiations, as audited accounts serve as a trusted benchmark for assessing the financial health and viability of the business.

Furthermore, the presence of audited financial statements acts as a safeguard against potential manipulation or fabrication of financial data by sellers seeking to inflate the perceived value of their business. Without the certification of an auditor, financial statements may be viewed with skepticism, leading to contentious negotiations and potentially derailing the acquisition process. In essence, statutory audits contribute to transparency, credibility, and trustworthiness in financial reporting, thereby enhancing the perceived value of a business and facilitating smoother negotiations during mergers or acquisitions. By providing independent verification of financial information, audits help mitigate risks and uncertainties for prospective buyers, fostering confidence in the accuracy and reliability of the financial data presented.

Statutory audits offer a range of significant benefits to companies, regulators, shareholders, and other stakeholders, making them an essential component of corporate governance and financial accountability. By mandating audits, regulators promote efficient management practices, deter fraudulent activities, and encourage transparency and openness in corporate affairs. Moreover, audits serve as a powerful tool for promoting good corporate governance and enhancing trust in financial reporting. In Nigeria, the statutory requirement for audit aims to provide reasonable assurance that financial statements comply with Generally Accepted Accounting Principles (GAAP) and are free from material misstatements, errors, and discrepancies. This assurance is vital for ensuring the reliability and accuracy of financial information, thereby enabling stakeholders to make informed decisions. Furthermore, statutory audits enable companies to monitor their organizational ethics and conduct effective reviews of operational and financial performance. By assessing the quality, economy, and efficiency of their operations, companies can identify areas for improvement and implement strategies for continuous enhancement. This proactive approach to performance evaluation fosters accountability, transparency, and responsible stewardship of resources. Statutory audits play a critical role in promoting financial integrity, accountability, and corporate governance. By providing assurance on the accuracy and reliability of financial statements, audits enhance confidence among stakeholders and contribute to the overall stability and sustainability of companies and the financial system.

Statutory audits play a crucial role in Nigeria by providing stakeholders with valuable insights and benchmarks on the effectiveness of controls within the procure-to-pay process. Independent auditors meticulously assess systems and procedures to identify weaknesses that may lead to financial leakage, thereby helping clients and firms implement practical solutions to mitigate future risks. By minimizing loss of value and enhancing optimal controls over financial statements, statutory audits contribute to the overall integrity and reliability of financial reporting. Moreover, the relevance of statutory audit in Nigeria extends to its role in combating corruption and embezzlement across financial firms and related entities. The rigorous scrutiny and examination conducted during audits serve as a deterrent to fraudulent activities, helping to uncover instances of malpractice and misconduct. The intervention of statutory auditors often leads to the discovery and exposure of fraudulent actors, who are subsequently held accountable by regulatory authorities such as the Economic and Financial Crimes Commission (EFCC). Without statutory audits, many firms in Nigeria would be vulnerable to collapse due to unchecked corruption and financial mismanagement. The introduction of statutory audit requirements has been instrumental in strengthening accountability and transparency within the financial sector, thereby safeguarding the interests of stakeholders and preserving the integrity of the Nigerian economy. As highlighted by Igbokwe (2004), statutory audits have played a pivotal role in uncovering fraudulent practices and holding perpetrators accountable for their actions, ultimately contributing to a more resilient and trustworthy business environment in Nigeria.

5. RESULT AND DISCUSSION

Table 1 illustrates the responses collected regarding the relevance of audit and its effect on investor confidence. Among the respondents, 17 expressed the view that audit failures have diminished the relevance of audits, while 13 disagreed with this statement. This suggests a divided perspective on the impact of audit failures on the perception of audit importance. On the other hand, a significant majority of 29 respondents believe that audit information enhances investor confidence. This indicates a strong consensus among the participants regarding the positive role of audit information in bolstering investor trust and assurance. The table also provides the total count of respondents for each category. Out of the total 60 respondents, 46 participated in the discussion on the relevance of audit, highlighting the significant engagement with this topic among the surveyed individuals. This balanced participation allows for a more comprehensive understanding of the diverse perspectives regarding the role of audits in financial reporting and investor confidence.

Table 1

	Yes	No	Total
Audit failure diminished relevance of audit	17	13	30
Audit information enhance investor's confidence	29	1	30
Total	46	14	60

6. CONCLUSIONS

Audit failure is a multifaceted issue with significant implications for the public interest. Given the importance of professional accounting services in safeguarding financial integrity and promoting transparency, external auditors must prioritize satisfactory performance on the job. This entails delivering reports that are reliable, services that are of high quality, and ensuring cost efficiency in their operations. The primary intention of external auditors should be to fulfill their responsibilities diligently and effectively. This involves conducting thorough examinations of financial records and statements to identify any discrepancies, errors, or fraudulent activities. By adhering to professional standards and best practices, auditors aim to provide stakeholders with accurate and trustworthy information about the financial health and performance of an organization. Furthermore, auditors must prioritize the public interest in their work, recognizing their role in maintaining investor confidence, facilitating capital markets, and promoting economic stability. Their actions should be guided by ethical principles and a commitment to serving the needs of society as a whole. The prevalence of audit failure has significantly undermined the importance of auditing in the country. In an environment plagued by corruption and where whistleblowers are at risk of retaliation, auditors face considerable challenges in carrying out their duties effectively. The pervasive culture of corruption and the threat of violence against those who speak out create a hostile environment for auditors and hinder the effectiveness of auditing processes. In such circumstances, the relevance of audit is called into question, as the integrity and reliability of audit findings may be compromised by external pressures and undue influence. The pursuit of an anti-corruption agenda is therefore essential to create a more conducive environment for auditors and auditing to thrive. Efforts to combat corruption and strengthen accountability mechanisms are crucial in restoring public trust in the auditing profession and ensuring the credibility of audit reports. To address the root causes of audit failure and enhance the effectiveness of auditing practices, it is imperative to strengthen anti-corruption measures, protect whistleblowers from retaliation, and promote a culture of transparency and accountability. Only through concerted efforts to combat corruption and uphold ethical standards can the relevance of audit be restored and the integrity of financial reporting be safeguarded. The establishment of a Financial Reporting Council, in collaboration with the Nigerian Accounting Standards Board, following a model aligned with international standards such as those recommended by the World Bank, could significantly enhance auditing practices in Nigeria. Such a council would be tasked with promoting and enforcing auditing and accounting standards, thereby ensuring consistency and reliability in financial reporting. Additionally, there should be stringent regulations and sanctions in place to enforce compliance with auditing and accounting standards. This would serve as a deterrent against fraudulent practices and help maintain the integrity of financial reporting. Furthermore, investing in the proper training and development of audit staff is essential. Professional excellence in auditing requires a combination of education and practical experience. Continuous training and education are necessary to keep audit professionals updated on evolving auditing practices, especially in a rapidly changing technological landscape where auditing in a computerized environment demands specialized skills. By prioritizing the establishment of robust regulatory frameworks, investing in training and development initiatives for audit professionals, and enforcing strict adherence to auditing standards, Nigeria can improve the quality and effectiveness of auditing practices, thereby restoring trust and confidence in the financial reporting process. In addition to regulatory reforms and training initiatives, fostering a culture of transparency and accountability within organizations is crucial. This involves promoting ethical behavior and integrity at all levels of the corporate hierarchy. Companies should prioritize internal controls, risk management, and governance mechanisms to prevent and detect fraud and misconduct. Collaboration between regulatory bodies, professional organizations, academia, and industry stakeholders is essential for developing and implementing effective auditing standards and practices. By engaging in dialogue and sharing best practices, these entities can work together to address the challenges facing the auditing profession and enhance its credibility and effectiveness. Moreover, leveraging technology can streamline audit processes and improve efficiency and accuracy. Investing in advanced auditing tools, data analytics, and automation can enable auditors to conduct more thorough and timely examinations of financial records, identify potential risks, and provide valuable insights to stakeholders. Furthermore, enhancing public awareness and understanding of the role and importance of auditing in ensuring financial transparency and accountability is crucial. Educating stakeholders, including investors, shareholders, policymakers, and the general public, about the value of independent audits can help build trust and confidence in the integrity of financial reporting. Ultimately, ensuring the relevance and effectiveness of auditing in Nigeria requires a multifaceted approach that addresses regulatory, institutional, technological, and cultural factors. By implementing comprehensive reforms and fostering a supportive environment for auditors, Nigeria can strengthen its auditing profession and contribute to the country's economic development and stability.

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