REVIEW OF THEORIES ON AUDITORS' ROTATION

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Abstract
A lot of debates have been evolved among theories of auditor's rotation. Some theorists have argued that auditors should rotate on a specific basis, others refute these claims and assert that longer tenure audit engagement engender quality audit, while in other quarters narrow it down, emphasizing on other factors that could mitigate the effect of audit rotation such as audit tenure, fees and independence. Auditor rotation entails the auditor(s) rotate after a specific period. Audit quality reveals that the auditor has in-depth knowledge and experience on the clients' specific job on a longer tenure. This assertion has relatively enhanced other factors. Rotation of external auditors requires audit firms to be rotated after a specific number of years despite the quality, independence of the audit firm, and the willingness of the shareholder and management to keep the audit firm. The aim of this study was to review theory of auditors' rotation. The paper presents detailed analysis of auditor rotation, auditor independence, tenure, fees and audit quality. Specifically, it supervenes major inherent problems of audit firms and policy measures. Hence, the study demystifies credible and genuine reasons for or toward audit rotation. Therefore, the paper identifies basis for future research, expanded the scope of study and highlighted relevance arguments among related theoretical issues using a causal factor and conceptual approach involving qualitative survey of literature to bring relevant issues to the fore as oppose to the aforementioned nomenclatures. Essentially, various historical development ensuring countries that involved or adopted rotation were discussed. The study backs its assertions with relevant theories. It was revealed that auditors' rotation also has a link with quality auditing, quality financial reporting and independence. Nevertheless, builds confidence on the ability of management to protect the interest of the stakeholders. However, concludes that rotation may create a balance among firms and give fair value to audit firms reporting. It proposes that in order to produce high level of audit quality require effort from both the professional bodies to provide a proper standard auditing procedure and the accounting firm to provide highly experienced staff with independent mental attitude.

Keywords: audit firms, auditors' rotation, audit quality, fees, financial reporting, independence, tenure, quality

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INTRODUCTION
Audit service is provided by audit firms often known as external auditors (Oladipupo & Moneye-Emina, 2016). Mandatory rotation of external auditors requires audit firms to be rotated after a specified number of years despite the quality, independence of the audit firm, the willingness of the shareholders and management to keep the firm (Onwuchekwa, Dominic & Izedonmi, 2012). A mandatory audit rotation would prevent auditors from becoming too close with managers, impacting on their independence and quality. The idea that the auditor

should be independent of client has been a cornerstone of auditing for over a century (Long, 2014). The main ideal accordingly is that if an auditor is too familiar with a particular client the auditor may be sufficiently skeptical about clients' representations or may not prove the client's business with appropriate assiduousness as a result leading to possibly inadvertently to increased levels of quality control risk and yet detection of risk.

The significance of audit of financial statements is to reduce the risk of making decisions by the stakeholders on incorrect financial information or numbers (Franken, 2011). To ensure this, there is need to engagement an independent auditor, not only as a watch dog but to carry out duty of fair, skill care, and provide clear position and resolution to material misstatement. Therefore, audit rotation is the rotation of audit firm or rotation of audit partner after a specified period (Rong, 2017). One of the possible sources of familiarity arises from having contract with client over too long a period of time (Long, 2014). Due to the need to preserve and reduce threats to auditors' independence, proponents of auditor's rotation and regulators have pushed for mandatory auditors' rotation whether mandatory audit firm or engagement partner's rotation (Azizkhani, Monroe & Shailer, 2006).

Against this backdrop, audit quality is diminished with long audit tenure that mandatory rotations will reduces familiarity threats, ensures auditors independence and provides a greater skepticism and a fresh perspective that may be lacking in long-standing auditor client relationships (Firth, Rui, & Wu, 2010). The debate for audit rotation came up as a result of the necessary for an independence auditor with a speculated period of tenure (Zawawi, 2007). It could also be that the benefits of not audit rotation is much less than the cost of rotation which implies that audit quality is not improved by audit rotation (Rong, 2017). Therefore, a longer auditor rotation according to Jenkins and Velury (2008) improve audit quality as auditors may need time to gain expertize in the business they audit and acquire client specific knowledge over time. Mandatory rotation leads to less biasing auditing report (Dopuch, King & Schwartz, 2001) thereby reduces over statements and increases understatements insinuating increased reporting conservatism (Lu & Sivaramakrishnan, 2009).

Auditing involves performing procedures to obtain evidence about amounts and disclosures in the financial statements so as to evaluate the appropriateness of accounting estimates made by management (KPMG, 2008). The import of audit of financial statements is to reduce the risk of making decision by the stakeholders on incorrect financial information or number (Franken, 2011). Auditors played a key role in ensuring the users of financial statement about the reliability and credibility of a company's financial statement (Nasution, 2013). For the role to be achieved, the auditor's independence is a principle that should be maintained by both the auditor and their clients. Since audited financial statements are the joint product of audit client negotiation process American Institute Certified Accountants [AICPA], (1999). In any case, audit independence is vital to the reliability of auditor's report which has been adjudged as the basis of the accounting profession and one of its most precious assets. It follows however that audit quality is a product of auditor's independence, and independence is relevant to auditor familiarity with client especially when auditor becomes too familiar with a client, hence this may affect the auditors' independence.

On that regard, audit quality is a basic ingredient in improving the credibility of financial statements to users of accounting information, when such independence is lessened the quality of audit suffers and doubted (Imegi & Oladutire, 2018; Egbunike, & Abiahu, 2017). Suffice to say that the purpose of auditing is to improve the level of confidence of users of the financial reporting according to International Standard on auditing No. 200. Nevertheless, it could also be that auditors' rotation sometimes may results in a negative audit quality because replacement of the auditor may worsen the quality of audit (Morrill, 2008). In that case, mandatory audit firm rotation is an extension of audit partner rotation, and the role of external auditor is to ensure that the financial reports of companies are true, fair and reflect the true economic status of the company. This means that when an auditor is independent of client enhances some indicators of a quality audit. However, this study reviewed theories on auditor's rotation.

LITERATURE REVIEW

Concept of Auditors Rotation

There have been recorded audit failures evidenced by recurring instances of prominent corporate collapse that occurred in recent times. These audit failures have raised serious concern about the authenticity and reliability of companies' financial statements (Ayorinde & Babajide, 2015). Audits add credibility to financial management provided financial reports and helping to reduce investors' information risk (Mansi, Maxwell & Miller, 2004). Audit is expected to boost the value to financial statements by adding credibility to reported information, enabling interested stakeholders to make economic decisions using such information (Hoyle, 1978). The need for auditors, according to agency theory, stems from the need to monitor whether agents are acting in the best interests of owners. In other words, protecting shareholder's rights and ensuring they receive financial reports of high-quality rests on the shoulders of auditors (Shakhatreh, Alsmadi & Alkhataybeh, 2020). The quality of information disclosed by firms depends on the examination of these firms' reports by an independent third party.

Therefore, audit is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users or parties (Messier, 2000; Bahram, 2007). Mandatory rotation according to Stakebrand (2016), is refer to the firm, the entire audit firm which have to rotate after a certain number of years, or to the audit partner, in which case only the leading partner who signs the opinion has to change periodically. Suffice to say that mandatory audit partners seem to have been between better accepted and are more commonly allied around the world. Knechel and Vanstraelen (2007) found that auditor rotation has negative influence on financial reports and audits qualities. Though, it has been implemented in only few countries and it may be as a result of the higher cost associated with doing so (Cameran, Nigri & Pettincchio, 2015). The rotation of partner is less severe since it would only involve a rotation of audit partners within the same firm. The compromise and deficiency in auditors' independence create the need for the rotation of the audit partner in order to enhance audit quality. (Government Accountability Office [GAO], 2003).

The advocates of audit firm rotation believed that a scheme of compulsory rotation would prevent auditors from becoming too aligned with manager thereby impacting on auditors' independence (Jackson, Moldrich & Roebuck, 2008). Mandatory rotation eliminates the expectation of a continued stream of revenues and liberates auditors from the pressure to bend to clients' will to prevent the loss of the revenue stream (Public Company Accounting Oversight Board [PCAOB], 2011). Considerably, auditors are to expresses opinion on company account so as to ascertain whether or not the firm financial statement meet true and fair view allegiance as require by laws. In that regard, companies have to engage external auditor. The demand for audit service by every business organization is necessitated by the need to address the agency problem of conflict of interests between the shareholders and business managers (Oladipupo & Money-Emina, 2016).

Zawawi (2007) noted that the concept of mandatory auditor rotation came in as a result of highly publicized corporate failures that resulted in litigation. Thus, due to the perilous times that overcrowded and bedeviled the profession, rotation becomes eminent, mandatory, necessary, unnecessary and subject of debate. However, the rotation of external auditors was conceived to be a solution to possible familiarity threats between personnel of the audit firm and the client. Mandatory rotation of auditors involves rotation of audit firms after a fixed period of tenure (Carrera, Gomez-Aguilar, Humphrey & Ruiz-Barbadillo, 2007). Onwuchekwa et. al. (2012) posits that rotation of external auditor is age long event which have been in existence for over six decades. Firm rotation may help to prevent large scale corporate from collapses. Audit rotation is an extension of auditor's tenure that was found to affect auditor independence (Hoyle, 1978). Under mandatory rotation regime, if a client is experiencing conflicts with its auditor over accounting treatments and the auditor is forced to rotate, the market misses out on useful signs that would have taken place under voluntary rotation (Buck & Michaels, 2005).

Accordingly, section 207 of the SOX (Sarbanes – Oxley) Act defined audit firm rotation as the imposition of a limit on the period of years during which an accounting firm may act as an auditor of record in a particular firm. Audit failures are generally higher in the first year of the auditor-client relationship as the new auditor understands the clients' operations (Arel, Brody & Pany, 2005). Geiger & Raghunanda (2002) admit that the errors in audits report are significantly more prevalent at the beginning of a relationship between the auditor and client. Hence, the competence and expertize are obtained from repetition of the same audit procedures in certain industries for many years (Iman and Sukrisno, 2014). A client may be a significant source of revenue for an auditor and auditor may be reluctant to jeopardize this revenue stream as would not want to bite the hand that feeds him (Hoyle, 1978). Cameran et al (2015) articulated that mandatory auditor's rotation rule imposes periodical breaks to audit engagements and is intended to avoid excessively long relationship between the auditors and the clients, which is believed to negatively influence the quality of the audit.

It therefore follows that the more experience an auditor in a client's particular industry, enhances the ability of the auditor to suspect the existence of errors and fraud in financial statements audit by doing the analytical review procedures (Wright & Wright, 1997). Mandatory rotation of audit firms is statutory prescription of the length of time an audit firm stays and renders professional services to its clients. Therefore, requires audit firms to be rotated after a specific number of years despite the efficiency, quality, independence, trust and the willingness of the shareholders to keep the audit firm. Audit rotation would be to require audit firms to rotate after a certain number of years. Auditors' long-term professional relationship closeness with their clients, some says have perceived and suggested that such relationships may threaten the auditors' objectivity, independence and quality of financial reporting (Ebimobowei & Oyadonghan, 2011). PCAOB (2011) conducted a survey on the effect of mandatory rotation of auditors and found that the benefits of mandatory auditor's rotation would not outweigh its costs. So, in rotating the auditor, input factors are influenced such as independence, tenure and client experience (Wooten, 2003).

Auditors Independency and Audit Quality

Independence implied independence of mind and that of appearance. Independence of mind shows that the expressed opinion has not been affected by factor which could compromise integrity, professional skepticism and objectivity of judgment and independence in appearance. This is what a reasonable and informed third party perceives to be independent after considering all the factors that can threaten the objectivity of the auditor (Ebimobowei & Oyadongha, 2011). Auditor independence is a mental attitude that is talking unbiased viewpoint in the performance of evidence, and on the evaluation of the results and the issuance of the audit report (Arens, Mark, Beasley & Randa, 2010). Nizarul, Hapsari & Purwauti (2007) study revealed that auditor independence provides highest contributing attributes on auditor quality so in facing conflict of independence an auditor applies professional skepticism, judgment and auditing standard and guidelines including full compliance to ethical standards in other to take final decision.

Mautz and Sharaf (1961) argue that independence is a mental attitude that is free from the influence of others, and is not controlled by other party, does not depend on others. Auditor's independence in auditor client relationship is the ability of the auditor to maintain an unbiased standpoint in performing his audit assignments, issuing audit opinion and ensuring high quality audit report. Auditor independence means the existence of honesty in considering fact and dispassionate in the existence of an objective consideration to formulate and express opinion (Iman & Sukrisno, 2014). Watkins, Hillison and Morecroft (2004) disclose that auditor's independence and competence affect the credibility, reliability and quality of the auditor's report. According to Mautz and Sharaf (1961), an auditor must be aware of lot of conditions which may tend to influence their attitude and independence. In that regard, independency is a mental attitude possessed auditors to stop them from talking sides when auditing. There are other factors motivating independence such as the need to presence reputation and client revenue (Buck & Michaels, 2005).

Auditor independence is relevant to auditor familiarity with client. Conspicuously, when auditor becomes too familiar with a client, it may affect auditor independence thereby impaired auditor independence, and the quality of audit suffers (Odia, 2015). Familiarity threat is one of the main risks to the independence of the auditor (Long, 2014). The relationship between independence and rotation of external auditors can be interpreted differently, thereby considering a long term auditor-client relationship by the proponents of rotation as the main element that could impair independence and objectivity (Ebimobowei & Oyadongha, 2011). Panino, Smith & Ismail (2010) study shows that audit quality is affected by auditor competence, auditor independence in conducting thorough examination to make available auditors' opinion. Firth et al (2010) infer that auditors independence through mandatory rotation reduces familiarity threat, any case provide a great skepticism and a fresh perspective that be lacking in long standing auditor client relationships.

From the aforementioned, existence of audit rotation can prevent a longer relationship between the auditor and his client, whence reduces the independence of the auditor. Auditor's independence must be maintained and in the area of their audit fees (Inas, Iman, Agus, Eka, & Dyah, 2019). Gadjah (2016) collects that the importance of auditor in dependence encourages the regulator to regulate the length of an auditor's assignment period in order to improve independence. Auditor independence will be tested when the auditor's firm is placed in a situation when they have to give their opinion about their client's financial reports. Against this backdrop, independence is a component of professionalism which has to be maintained by professional public accountants wherefore prioritize the public's needs above the client's or auditors' interests when auditing the financial reports of the clients. Increasing the independence of auditor contributes to the improvement of the quality of the auditing services. Familiarity with the client has the effect of reducing the fresh point of view auditors have in the early years of engagement (Hoang Tien, Thuong, Minh Duc, & Hoang Yen, 2019). Over familiarity between the auditor and client likely to restrict the value added services of the auditor. Beest, Braam & Boelens (2009) inform that when auditor's assurance about the magnitude to which the financial report represents economic phenomena faithfully, the auditors' report adds value to financial reporting information. However, audit quality is a product of auditor's independence.

Audit Tenure, Fees and Audit Quality

Audit quality is the soul of audit profession and related to the vital interest of the public (Imegi & Oladulire, 2018), and a basic ingredient in enhancing the credibility of financial statements to user of accounting information. Kaklar, Kangarlouei, and Motavassei (2012) and Egbunike and Abiahu (2017) posit that audit quality prevents financial crises by producing qualitative financial reports. De Angelo (1981) sees it as the probability by which an auditor will both discover and truthfully report material errors, misrepresentation and omissions detected in a client's accounting system. Audit quality as the probability that an auditor will both discovers material misstatements in the client's financial statements and truthfully report such material errors, misrepresentation, or omission in the client's financial statements into their auditor report for the users. This probability depends upon the broad concept of an auditor's professional conduct wherefore includes factors as objectivity due professionalism and conflict of interest. Francis (2004) ensue that longer auditor-client relationships improve audit quality as a result that the auditor acquires client specific knowledge over time. This implies that auditor quality is lower during the early years of the auditor-client relationship thereby increases with length of auditor tenure due to the reduction in information disproportion between the auditor and the client. According to Omoregie and Dibia (2020), poor works of the quality of audit of Arthur Andersen have been as a result of lack of auditor independence, audit firm rotation and audit fee.

Al-Thuneibat, Al-Issa and Ata-Baker (2011) found that audit quality deteriorates when the tenure of an audit firm is extended as a result of growth in the magnitude of discretionary accruals. Audit quality serves the accuracy of auditor's information reporting and provides qualitative financial reports which then prevent financial crises (Kaklar, Kangarlouei, & Motavassei, 2012). Abdollahiebli (2018) said that in relation to the extent to which relent audit standards are complied with. Measures of audit quality include specialty in auditor industry auditor independence, client legal claims, auditor size, auditor's tenure and auditor authenticity risk. Ammar, Mohammad and Muhammad (2018) ague that quality audit is that which is conducted by a big 4 audit firm. Thus, an audit conducted by big 4 audit firm represents low levels of manipulation as opposed to an audit conducted by a non-big audit firm. In their view Cameran, Merlotti and Di Vincenzo (2005) pointed out that introduction of mandatory rotation of external auditors is an expensive tool whose advantages are not relevant. Arens, Best, Shailer, Fidler, Elder and Beasley (2011) suggested that one of the means to reduce the possibility of fraud is mandatory rotation of external auditor. The detection aspect is a reflection of auditor competence, while reporting is a reflection of ethics or audit integrity, particularly independence. Audit quality is how well an audit process detects and reports material misstatements in the financial statements.

However, auditor and other who opposed mandatory rotation of auditors believe it reduces audit quality; increases cost of audits and eliminate the choice of audit committee (Ebimobowei & Oyadonghan, 2011). In providing their services, audit firms are entitled to fees paid by the client in compensation for their efforts. The level of fees paid usually relates to the efforts exerted by the auditors, depending on the client's size and risk. Such fees may be discretional, and if they are not in line with the auditor's efforts might impair independence and hence the quality of the report (Shakhatreh et al., 2020). Onaolapo, Ajulo and Onifade, (2017) agree that audit fee is the fees paid for annual audits and reviews of financial statements for the most recent fiscal year. The amount of audit fee can vary depending on the complexity of services, assignment risk, the cost structure of Public Accountants Firm (PAF), the required level of expertise, and other professional considerations. Higher fees increase the chances of auditor-client economic bonding, which may cause auditors to put their professional independence in jeopardy, thus undermining audit quality (Karsemeijer, 2012). GAO (2003) found that estimated amount of seventeen (17%) percent additional cost against the backdrop of this would be incurred as auditor selecting cost in the first-year instance on audit fees. Hence, the quality of an audit cannot be directly observed before contracting, or otherwise, even after the audit is conducted (Zerni, 2009).

Blandon and Bosch (2015) argue that longer audit tenure could impair auditor independence and lower audit quality since a longer auditor-client relationship may breed over familiarity and make the auditor to lose his honest disinterestedness. Choi, Kim and Zang (2010) said an abnormal fee is the variance between the audit fees received by an auditor and the normal audit fee anticipated. Zhang, Hay and Holm (2016) revealed that the amount of audit fees does not suggest any loss of independence. Firth et al (2010) noted that audit quality is diminished with long audit tenure. Notwithstanding, the quality of audit work can be evaluated from several points of view: such as performance determinants, which relate to the ability of auditors intended both as knowledge and experience; professional control of general concept together with ethical constraints and judgment belongs to this category; economic incentives, which meant that the audit firm's performance is affected by economic considerations hence have to be evaluated when both detection and reporting of matters are analyzed; and auditor market known as the normal audit while the audit fee above or below the average audit fee is known as abnormal fee. Khan and Abdul-Subhan (2019) supported that a higher audit cost leads to more efficient audit services as compare to companies having less audit cost. Jinghui, Wang, Kent, and Baolei (2020) discover that group affiliated firms that share the same network auditor are more likely to be sanctioned by regulators for misleading or fraudulent financial reporting.

Historical Development of Auditors Rotation

The need for auditor rotation according to extant literature was due to the scandals and collapses that cast doubts and eroded audit quality (Imhaff, 2003), and coercion between auditors and client which brought about reduction in audited financial report. Mandatory rotation of external auditor was first introduced during the Mckesson Robbins Scandal in the late 1930s. This came to the fore again after Enron financial scandal and the compromise of Arthur Anderson, Worldcom, Tyco and others. Mandatory auditor rotation has been a subject of debate in some quarters over and above two decades. Stakebrand (2016) has said that the increase in attention for mandatory auditor rotation in the past 15 years was not rare. Therefore, it has been debated in most countries while others adopted. In many countries, regulators have made efforts to improve audit quality through formulation of rules whereby impacting on auditor's independence, and one of the proposed resolutions was mandatory rotation of auditors (Myers, Myers & Omer, 2003). Hoyle (1978) noted that in 1939 during the Netherlands security and exchange commission (SEC) hearing mandatory rotation was already discussed. KPMG (2015) espouses that in the Europe, the European parliament approved a new legislation, mandating audit firm rotation for European Union (EU) public interest Entities (PIES).

The key requirement of the EU audit legislation is that public interest entities in the EU must change their statutory audit firm after a certain period of time. This new legislation accordingly requires companies to rotate their audit firm every 10 years. The regulation admits that under a certain condition, the period can be extended for up to 14 years with a maximum tenure of 24 years. Extensively, EU member states' legislation can notwithstanding require a maximum tenure that is shorter than 10 years. Siregar, Amarullah, Wibowo, and Anggraita, 2012) admit that audit partner rotation has also be a common ground for company determination in the United Kingdom (UK), they noted that in January 2003, UK has reduced the maximum period for rotation of lead partner from seven (7) to five (5) years. According to Comunale and Sexton (2005), Brazil firm mandatory audit rotation was admitted for banks and listed companies in 1999. The professional requirements in United States (US) provide that the partners in charge of an audit engagement should be replaced at least once every seven years. Accordingly, the SOX Act of 2002 further requires audit partner rotation at least once in every five years in the US. In respite of these, Italy has adopted mandatory audit firm rotation since 1975; Italy has 9 years mandatory firm rotation of tenure while Netherlands 8 years respectively (KPMG, 2015).

Moreso, most notable extant literature asserts that several Asian countries among South Korea, Japan take on the move for mandatory auditor's rotation ideas. Chen, Lin, and Lin (2008) noted that Japan decided in April 2004 to opt for the disbandment of audit partner by disallowing them from being engaged in the auditing of the same listed company any period exceeding seven (7) consecutive years. Siregar et al (2012) posit that South Korea slated mandatory audit rotation of companies listed in Korea Stock Exchange (KSE) or registered with the Korea

Securities Dealers Automated Quotations (KOSDAQ) for every six (6) years, effect from 2006 with exceptions of foreign investment companies that are subsidiaries of foreign parent companies as defined by their law. And which intend to appoint the same auditors as those of the parents, companies listed on other foreign exchange markets such as the New York Stock Exchange (NYSE), National Association of Securities Dealers Automated Quotations (NASDAQ), and London Stock Exchange (LSE). Apparently, in Indonesia, months after the enactment of the SOX Act in September, 2002 in US, the finance minister signed a decree on public accountant services mandating auditor partner rotation for three (3) years and audit firm rotation for five (5) years. The decree as stipulated was revised in 2008 while restrictions on the provision of services of audit firm was changed to a maximum of six (6) consecutive fiscal years whereby audit partner rotation remains at three (3) years.

This move was as a result of collapses of many companies and banks during the Asian crises in 1997 to 1998 which raised concerns about the poor audit quality associated with a perceived lack of auditor independence. In 2006, Irish carries out audit reform, the reform introduced some rules that regulate statutory audits and audit undertaken in Ireland. These rules are requirements for mandatory audit firm rotation, relate to audits of Public Interest Entities (PIE) issuing a Statutory Instrument (SI 312 of 2016) which introduced a mandatory rotation of audit firms after 10 years for each PIE. These reforms were not without a transition arrangement in place. The transition arrangements depend on the length of the existing relationship which may have longer transition thereby existed for longer term than eleven (11) to twenty (20) years as the case may be as at June, 2014 (Doloitte, 2016). In March 2002, Singapore Monetary Authority call for banks registered in that country not to appoint the same public auditing or accounting firm for more than five (5) consecutive financial years. Though, only exception to this rule was that foreign banks operating within Singapore States are not included. In Turkey, Public Oversight Accounting (POA) and Auditing Standards Authority (ASA) in an audit of the Public Interest Entity (PIE) in December, 2012 issued new Independent Audit Communiqué Policy (IACP) mandating firms not to retain auditor for a period more than seven (7) years within ten (10) year financial period. In India, banks, private insurance and publicly owned companies were task to engage in mandatory rotation in every four (4) years.

There have also been reversals to this age long debates in many quarters over the years, whether due to policy infractions or otherwise. The presence of section 404 of the Sarbanes-Oxley (SOX 404) material weaknesses which were found to have allowed for greater earnings manipulation using discretionary accrued has some sets of drawbacks as tested as specified in the SOX Act of (2002) which says the lead audit or coordinating partner and the review partner must rotate off the audit every five years to restore confidence to financial reporting. It noted that as a result of the European Commission 2010 Green Paper and US Public Company Accounting Oversight Board (PCAOB) proposed the mandatory audit firm rotation in mid-2011. Respite effort by the PCAOB to impose mandatory auditor rotation on public companies failed two (2) years when the US House of Representative prohibits audit firm rotation by amending Section 103 of the Sarbanes-Oxley Act of 2002 in 2013 (PCAOB, 2011). However, several other countries such as Canada, Spain, Austria, Greece, Slovakia and others which had previously required mandatory audit rotation have also opted out of their requirement to mandate their industries to rotate external auditors. This may not have been associated with the perceive gains but rather or otherwise may have been connected to recorded failure in response from external structure, which meant that the auditor's performance is influenced by the state of professional ethics, the visibility of the profession's enforcement actions and interaction with professional peer groups (Onwuchekwa et al., 2012). Pitt (2012) subscribes that auditor will slack off and have lower rather than higher incentives to maintain audit quality if they lack any expectation of continued revenues.

Shinta, Diyanti and Wijayanti (2019) argued that audit quality is the auditor's ability to detect errors in financial statements and report them to the users. Audit quality will affect the audit report issued by the auditor. Therefore, audit quality becomes important and the main concern to guarantee the accuracy of the financial statement audit. Onaolapo, Ajulo and Onifade, (2017) support that audit quality is seen in terms of the presence of fundamental characteristics, reliability, significance, scope, objectivity, clarity, timelines, effectiveness and efficiency. Hence, the interaction of these characteristic gives quality to the audit. Kinney and Libby (2002) found that auditor independence can be affected negatively when auditor fee is high. Mandatory auditor rotation prevents the audit firm from developing a close relationship with the client therefore providing an incentives for the audit firm to carry out its work to a high standard which they are aware that the quality of their work would be observed to some reasonable extent when audit work undertake by a new firm of auditors. Salehi and Kangarlouei (2010) add that measures of audit include specialty in auditor industry, auditor independence, client legal claims, auditor size, auditor's tenure and auditor authenticity risk.

According to De Angelo (1981), longer term audit firms have higher audit quality due to a greater level of independence because any given client is immaterial to a large firm audit practice. Audit firm tenure as well as audit partner tenure, affects financial reporting quality (Chen, Lin, & Lin, 2008). Therefore, audit quality is the market assessed joint probability that a given auditor with both to discover a breach in the client's accounting system and report the breach. As a result, a long-term tenure can reduce the incentive for the auditor to carry out auditor's duties with professional independence. Nevertheless, both the auditor and client point of view tend to converge, so that the auditor results biased. Imegi and Oladutire (2018) noted that auditor tenure has become the focus of much debate, and the resulting dilemma is that the firm is faced with the decision of whether to replace its auditors after a period of time or to build and maintain a long term relationship with the audit firm. Accordingly, rotation of audit firms is as a way of improving audit quality. Jenkins and Velury (2008) noted that long auditor rotation improves audit quality as auditors may need time to gain expertise in the business they audit and acquire client specific knowledge over time. Bazerman, Loewenstein and Moore (2002) opine that the decline in effectiveness of the old auditor is linked to familiarity with clients, less willingness to challenge them and escalation of commitment.

Indah (2010) found that as the length of auditor-client relationship increases; there could be decrease in the level of audit quality, because too long auditor-client relationship impairs auditor's independence. The providers of audit service charge their clients certain fees as remunerations for their audit efforts. Ettredge, Scholz, & Li (2007) argue that lower fees might increase the client's loyalty to the auditor, since they are charging less than the market rate, so the auditor might tolerate management misstatements or aggressive accounting practices. There were other divergent that agree with the view that higher audit fees result in better audit quality (Larasati, Ratri, Nasih, & Harymawan, 2019). The average audit fees in the industry is auditor's mandatory rotation to policies on quality audit despite the huge concentration to mitigate or lessen the cause and effects of corporate failure.

In Nigeria, the company and Allied Matters Act (CAMA, 2020) as amended required that publicly quoted companies should appoint independent external auditors to carry out the audit of their annual reports and accounts to provide reasonable assurance that the audited financial statements are free of any material misstatements. Section 357 to 369 in part XI provided for auditing practices and auditor's independence as well as appointment, qualification, remuneration, rights, functions, powers, auditor's report and removal and establishment of audit committee. Though, this proviso does not provide for rotation of auditors. In 2006, the Central Bank of Nigeria (CBN) introduced mandatory rotation of auditors for Nigeria banks to back up its policy of bank consolidation in 2004 (Nworji, Adebayo & David, 2011), while the financial reporting council of Nigeria (FRCN) through the unveiled Nigeria code of corporate governance (NCCG, 2018) acknowledge that external audit firms may be rotated by all companies for no longer than ten (10) years. FRCN (2019) collets that external audit firms disengaged after ten years of continuous service may not be considered for reappointment until seven years after their disengagement. Hence, there should be a rotation of audit partner engagement every five years in order to preserve independence.

It therefore follows that these were in order to restore confidence in the Nigeria banking services sector as well as encourage the auditor to give true reports about their client's financial position (Ujah, 2006). The CBN issued this directive in line with the provisions of the CBN code of corporate governance for banks paragraph 8.2.3 in the wake of several financial scandals and audit failure associated with some corporations. According to Onwuchewa et al (2012), rotation of external auditor is not an extra ordinary policy, although it is somewhat fresh following the pronouncement by the Central Bank of Nigeria (CBN) giving all deposit money banks up to December 31 2010 to replace external auditors that have been appointed for more than ten years including years spent with constituent legacy banks. Otusanya and Lauwo (2010) add that rampant distress of banks, and consequent impoverished by fraudulent financial reporting and reasons that auditors are often incriminated by the regulatory authorities for failure to report cases of fraud in the distressed bank form the nexus for the policy. Hence, boost rendition of true reports about banks financial position and ensure compliance with international standards.

Section 20 of NCCG further outline that the tenure of auditor rotation to assume for all public companies whether listed or not, all private companies that are holding companies of public companies or other regulated entities, all concessioned or privatized companies, and all regulated private companies being private companies that file returns to any regulatory authority other than the Federal Inland Revenue (FIRS) and the Corporate Affairs Commission (CAC). The aim is to resolve the challenges of applying the multiple sectorial Codes which are distinct in their application as they are industry specific. These are expected to report on the application of the Code in their annual reports for financial years ending after January 1st 2020 in prescribed manner and form by the FRCN. Prior to the awaiting NCCG proviso that is to take effect from 2020, Securities and Exchange Commission (SEC) earlier in 2003, Section 33 of the SEC Code provides for corporate concern to rotation their external auditors on regular basis as well as require that companies request their external audit firms to rotate audit partners assigned to undertake external audit job from time to time. This is to establish the need for public companies to safeguard the integrity of the external audit process and guarantee the independence of external auditors by rotating both audit firm and partners. The code further requests that audit firms being retained continuously for no longer than ten (10) years, where external audit firms disengaged after continuous services to company of ten (10) years may be reappointed only after another seven (7) years after their disengagement.

Theoretical Underpinning

This study anchored it premises on the theory of hypotheses to explain the divergence views about the two theories of hypotheses. The theory of hypotheses tends to expound the influence of longer auditor tenure. The debate on auditor's tenure rotation has been evolved around audit fees, independence and encouraging audit quality. The opposing hypothesis argued that longer tenure increases audit quality through learning, while the auditor independence hypothesis advocates that longer tenure lessening audit quality and financial reporting because of the impairment of auditor's independence. The study also expands its discussion to the theory of agency. According to Kim, Lee, Lee (2015), the proponents of the view for maintained that audit firms' rotation can prevent a long relationship between the auditor and the clients to become an individual relationship. Therefore, audit firms may have a good effect on audit performance. The new audit firm may have a different point of view which gives new insight into the client's financial statements, boost the confidence of financial reports and increase the auditor's ability to withstand management pressure in negotiations (Ewelt-Knauer, Gold & Pott, 2013). They noted that considering financial reports to an extent are based on estimates and models rather than exact measurements and the focus in audit according to regulation which has shifted from reliability towards relevance in financial reporting and the process involves a high level of management participation.

Fakhfakh, Sakka & Jarboui, 2016) identify that the new auditor will be more skeptical to identify questionable accounting practices and detect material misstatements in financial statements. Meanwhile, whenever the external auditor's characteristics prove to be high the audit report publication date is discovered to be short. Wang & Tuttle (2009) advance that the scenarios in hand auditors are more likely to accept rather than rejects doubtful earnings management. They noted that regulating audit firm tenure strengthens the negotiation power of the auditor and limiting the financial pressure that otherwise exists when risking of loosen the client. In unrelated audit market, however, auditors are expected to balance the audit firm's income and potential future assignments with their ability to remain objective and independent towards management. The proponents of the opposing views augments are basically centered on costs and benefits of auditor's rotation. Jenkins and Vermeer (2013) advocate that the business community is generally against increasing audit market regulation as it increases audit costs and undermines the role of audit committees. Audit firm rotation can increase initial costs through the changing of the auditor (Inas, et al 2019). Thus, that hiring a new auditor starts from the basis to understand the management process and the industry of the client companies.

In order to obtain high audit quality when accepting a new client, the audit firm is required to construct an understanding of the client's business model, environment and organizational structure (Chi, Huang, Liao & Xie, 2009). Auditors are generally at the risk of being more dependent on management during this period before client specific knowledge is accumulated considering a foremost reason for mandatory audit firm rotation which is to increase auditor independence (Ewelt-Knauer et al., 2013). This implies that auditors become more rather than less dependent on management. This condition also makes auditors more dependent on management estimates and representations during the initial year of audit involvement and which can lead to possible bias. Azizkhani, Daghani and Shailer (2018) found that the possibility of misstatements identified in the financial statements is considerably lesser in the first two years of the audit tenure in relation to the longer tenure period. The audit team also needs to allocate additional resources to implement satisfactory learning procedures before and during the audit engagement which ultimately reflects in higher audit fees. However, firm rotation increases the risk of audit failure before the audit firm acquires the necessary client specific knowledge.

Review of Prior Studies.

Several empirical studies have been carried out in this area to examine the theories of auditor's rotation. There are seems to be consensus from most of these studies but these were justified in different views as follows. In a study conducted by Ebimobowei and Oyadonghan (2011) aim to examined the role of mandatory rotation of auditors on the quality, costs and independence of an audit in South-South Nigeria. The study used both primary and secondary sources of data with use of questionnaires to randomly selected 172 respondents. The study employed Spearman Rank Order Correlation Coefficient to analyze results, and therefore, revealed that there is statistically significant relationship between mandatory rotation of auditors and the quality of audit reports, independence of auditors and the costs of audit.

Gadjah (2016) empirically tested the effects of auditor rotation and auditor tenure on an auditor's independence in companies listed on the Indonesia Stock Exchange (ISE). The study used secondary data from 2002 to 2010 and employed logistic regression estimation techniques. The result showed that auditors' short and long term tenure has significance negative effects on the auditor's independence while, auditors' rotation has a significant positive effects on the auditor's independence.

Onwuchekwa et al (2012) did a study to determine the relationship between mandatory audit rotation and audit quality. The study uses primary data collect information among lecturers in southern states of Nigeria and adopted Binary Logistic regression techniques through computer Eviews 7 software and percentage analysis to test analysis. The study revealed that there exist a negative relationship between mandatory audit rotation and quality. Therefore, recommends that other ways of improving audit quality should be explored.

Imegi and Oladutire (2018) attempted to provide evidence on the existence of a relationship between mandatory auditor rotation and audit quality in Nigeria firms. The study used secondary data of all listed Banks within the period of 2010 – 2015 on the Nigeria Stock exchange (NSE) and employed Ordinary Least Squares (OLS) econometric technique to reach results. The result showed that there is a significant relationship between mandatory auditor rotation and audit quality. Hence, audit independence has a positive effect, while other variables found related to audit quality.

Inas et al (2019) examine whether the changes in audit rotation policy affect the relationship between audit firm rotation and audit quality in Indonesia. The study used secondary data from listed IDX firms with 2,403 observations from 371 firms and employed ordinary least squares (OLS) regression to lest the hypothesis. The study found that there is no significant association between audit rotation and audit quality, and a positive relationship between audit rotation and audit quality in voluntary audit rotation post period. This implied that voluntary audit rotation without any coercive regulation is more effective in improving audit quality.

Oladipupo and Moneye-Emina (2016) examine the effect of abnormal audit fees on audit quality in audit market in Nigeria. The study used secondary data from quoted companies in the Nigeria stock exchange with 350 observations and employed Probit Binary regression technique to arrive on decision. It reported that abnormal audit fees do not matter to audit quality contrary to expectation that board independence and firms' size had negative impacts, thereby observed both positive and negative abnormal audit fees, and a significant positive impact on audit quality.

Shinta et. al. (2019) this study aimed to analyze the effect of audit tenure, audit rotation, audit fee, accounting firm size, and auditor specialization to audit quality. The study population was from manufacturing companies listed on the Indonesia Stock Exchange from 2015-2017. While it chose purposive sampling method to obtained 50 companies as samples and adopted logistic regression to test claims. The study showed that audit rotation, fee audit, and accounting firm size do not affect audit quality while, the audit tenure and auditor specialization affect audit quality.

Ibrahim and Ali (2018) evaluated the impact of audit fees on audit quality. The study employed sample of conglomerate companies from a period of 2004 to 2015 on annual reports and accounts using a panel data on ordinary least square and random effect regression. The paper presents that both audit fees and audit firm size have a positive impact on company audit quality. Therefore, suggested that there is need for regulatory bodies in line with best practice to look critically into modalities for charging audit fees while ensuring they are commensurate with the audit effect.

Iman and Sukrisno (2014) aimed to investigate the influence of auditor's industry specialization, auditor's independence and audit procedures to detect fraud towards audit quality. The study uses questionnaire and interviews among 50 public accounting firms which are registered in Indonesian Stock Market and employed exploratory research. The result revealed that auditor's industry specialization and auditor's independence have significance influence on the procedures to detect fraud and on audit quality.

Ogujiofor, Anichebe and Ozuoma (2017) empirically tested the rotation between audit attributes, fee and quality. The study used judgmental sampling method of 14 banks and employed Ordinary Least Square (OLS) regression technique for analysis. It revealed that there is a positive relationship between audit quality and abnormal audit fees, audit quality and audit auditor tenure, while auditors' independence had a positive impact on audit quality. However, propose that the elements that have the possibility to impair the independence of the auditor should be effectively investigated and regulated.

Onaolapo et al (2017) study aimed to examine the effect of audit fees on audit quality in Nigeria using secondary data derived from the published annual reports of the selected companies for a six-year period (2010-2015) of listed cement companies on the floor of the Nigerian Stock Exchange (NSE). The study employed Ordinary Least Square (OLS) Model estimation technique to analyze the relationship between the explanatory variables and the dependent variable. The study found that audit fee, audit tenure, client size and leverage ratio exhibit a joint significant relationship with audit quality given coefficient of determination.

Jinghui et. al. (2020) study examined the effect of audit fees, audit firm size and audit opinion on the quality of disclosures. The study uses a sample of low-quality financial statements in Jordan that have been reported as breaches by the Jordanian Securities Commission (JSC) and collected data from the financial statements of the manufacturing and services companies listed on the Amman Stock Exchange (ASE) from the period of 2009 to 2016. The paper adopted a logistic regression for analysis. The study revealed that audit fees have a positive significant effect while audit opinion has a negative significant effect on actual violations. Therefore, audit firm size was found to be insignificant in relation to the level of violations.

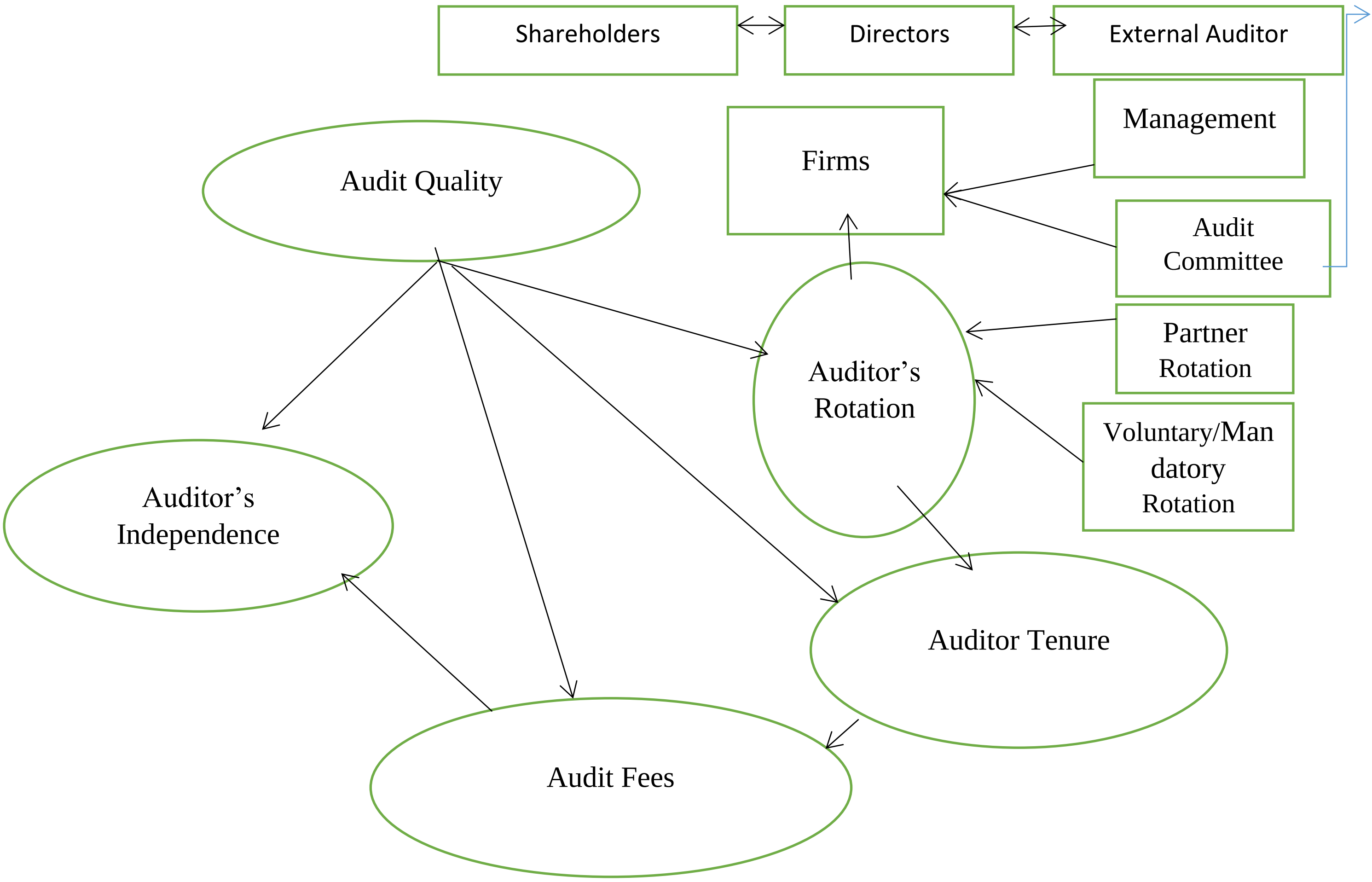

Fig. 1: A schematic diagram showing the relationship between variables
Sources: Author Compilation of Conceptual Model (2021).

Fig. 1 presents conceptual model of a detailed literature review on every part of discussion amidst to the specific indicators of interest under the conceptual framework. The above schematic diagram shows that the entity management is there to works for the survival of the firm ensuring that the business organization earns income as well as strives for the foreseeable entity concept. The audit committee is comprising of directors, shareholders and the external auditor. Auditor engagement involves fees. Its intonation evolves quality, independency, tenure elongation etcetera. The conglomerates of these variables were to further strengthen entity ties. The auditor is either to rotate mandatorily, voluntarily, shift tenure or otherwise. This is to either forestall or restore confidence of quality financial reporting. Quality of audit can be varying in scope depends on the situation beforehand. Quality may come as a result of higher fee or not, voluntary or through mandatory rotation or extension of audit tenure, independence and/or other factors as the case may be. The answer to the above relationship should be left to the policy of the state respite to perceived role of these variables of interests. However, the schematic model projects the relationship among variable of interests as describe above.

Gap Identified from Prior Studies

Prior study on audit firm rotation, independence, tenure and fees on quality of audit has either appraised the factors, impact or relationships. A study in another country compares before and after the elimination of audit firm rotation regulations, industry specialization, auditor independence, audit procedures, audit fees, audit firm size, audit opinion, disclosures, audit tenure, audit rotation, audit fee, accounting firm size, auditor specialization on audit quality (Inas et al, 2019; Iman & Sukrisno, 2014; Jinghui et al., 2020; Shinta et al., 2019); increase auditor independence (Gadjah, 2016). Another from the domestic area evaluated audit fees, mandatory auditor rotation on quality, auditors, costs, independence, Auditor Tenure, (Oladipupo & Monye-Emina, 2016; Onwuchekwa et al., 2012; Imegi & Oladutire 2018; Ebimobowei & Oyadonghan, 2011; Odia, 2015). This paper attempted to overview literature and discover that most studies are limited to the above area, therefore, expands works to accommodate not only on auditor's rotation but to review relevant areas surrounding theories of auditors rotation including independency, quality audit, fees, tenures and historical background as well as expands discussions to accommodate area of interests and domesticated works to the theory of hypotheses in order to have basis for further dialogue.

Contribution to Knowledge

This paper contributed to knowledge by expanding prior studies done in auditor's rotation as following: The study

i. Evaluated subsistence works done on this area and domesticating result on Nigeria geographical climate;
ii. Extended quality of literature to enhance models used by previous studies as well as extended periods of works done prior to this period.
iii. Expanded knowledge by harnessing previously used methodology thereby employing secondary sources of data publication such as journal article, text books, magazine, and other publications to bring to the fore discussion on recent tropical issues.

CONCLUSION AND RECOMMENDATIONS

The main aim of this study was to review theory of auditors' rotation. A lot of debates have been emerged among theories of auditor's rotation. Some theorists have argued that auditor should be rotated on a specific basis, others refuted the claim and asserts that elongation of audit quality engender quality audit, while in another quarters narrows it down, emphasizing on other factors that could mitigate the effect of audit rotation such as audit tenure, fees and independence. Auditor rotation entails auditor rotate after a specific period. Audit quality reveals that auditor has in-depth knowledge and experience on the clients' specific job hence imbibes accounting principle when is on a longer tenure. This assertion has relatively enhanced other factors. Rotation of external auditors requires audit firms to be rotated after a specific number of years despite the quality, independence of the audit firm, and the willingness of the shareholder and management to keep the audit firm. Auditor's rotation may create a balance among firms, given fair value to audit firms reporting. Therefore, auditors' rotation has potential of increasing as well as influencing quality audit. Quality audits revealed that auditors are fully aware of the impact of audit failure. The significance influence of auditor's independence on audit procedures is to detect fraud in a financial statements audit and towards audit quality which reveals that the auditor has an absolute unbiased mental attitude that needs to be promoted which is independence.

Audit quality often related to the ability of the auditor to detect material misstatement in the financial statements due to error or fraud. This phenomenon has expose mutual relationship between auditors and client in term of information asymmetry, sinking for reward of extra remuneration, out fees, familiarity, compromise and interference with auditor independence. The paper presents detailed analysis of auditor rotation, auditor independence, tenure, fees and audit quality. Specifically, it supervenes major inherent problems of audit firms and policy measures. Hence, the study demystifies credible and genuine reasons for or toward audit rotation. The paper identifies basis for future research, expanded the scope of study and highlighted relevance arguments among related theoretical issues using a causal factor and conceptual approach thereby involving qualitative survey of literature to bring relevance issues to the fore as oppose to the aforementioned nomenclatures. Essentially, various historical development ensuring countries that involved or adopted rotation were discussed. The study backs its assertions with relevant theories. It was revealed that auditors' rotation also has a link with quality auditing, quality financial reporting, independence and builds confidence on the ability of management to protect the interest of the stakeholders. However, concludes that rotation may create a balance among firms and give fair value to audit firms reporting. The paper proposes that in order to produce high level of audit quality require effort from both the professional bodies to provide a proper standard auditing procedure and the accounting firm to provide highly experienced staff with independence mental attitude.

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