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Effect of Corporate Governance Mechanisms on Going Concern Likelihood of Listed Deposit Money Banks in Nigeria

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Abstract. Going concern describes the company's ability to maintain its business continuity. The auditor can issue a going concern audit opinion if the company's condition is doubtful in its business continuity. Based on this premise, this study investigated the effect of corporate governance mechanisms on the going concern likelihood of Deposit Money Banks (DMBs) in Nigeria. The study used an ex post facto research design. The secondary data source was collected from the published annual financial reports of the studied DMBs in Nigeria. The study covered fifteen DMBs in Nigeria, ranging from 2013 to 2021. The data collected were analysed using logistic regression analysis using STATA software. Findings from the research show that board financial expertise and independence negatively and significantly affect the likelihood of DMBs in Nigeria. The study also indicates audit firms' size positively affects going concern likelihood. While audit tenure shows a negative and significant impact on the going concern likelihood of DMBs in Nigeria. Based on the above findings, the study recommends that the authorities ensure that the board has the requisite financial expertise to oversee the financial reporting, risk management, and decision-making of the DMB. The regulatory authorities should also investigate cases of the perceived failure of the board to perform its oversight function and take appropriate disciplinary actions against erring board members.

Keywords: board financial expertise; board independence; audit firm size; audit tenure; going concern.

INTRODUCTION

Going concern is integral to an entity's financial reporting regarding a business's long-term viability and continuity. This assumption necessitates that the company can maintain its existence and will persist in conducting its operations in the foreseeable future. The company's capacity to sustain its operations, commonly called the "going concern" concept, is frequently linked to its managerial proficiency in effectively overseeing its activities to ensure continuity. When a company's financial stability is compromised, shareholders anticipate timely notification of potential financial distress. This notification is often facilitated by an external auditor, an independent entity responsible for issuing statements regarding the company's financial status [1].

The failures of major corporations like Enron Corporation, WorldCom, and Tyco International

in the United States, which boasts some of the best-regulated and most efficient capital markets in the world, have brought to light the urgent need to improve corporate governance systems in both developing countries and countries that have already developed their economies. In addition, several scandals occurred in other countries, such as the one involving Parmalat in Italy in 2003, Bre-X and YBM Magnex in Canada in 1997, Royal Ahold in the Netherlands in 2003, Credit Lyonnais and Vivendi in 1993 and 2002, respectively, Metalgesellschaft in Germany in 1994, and HIH Insurance Ltd. in Australia in 2001, further emphasise the necessity of prioritising effective corporate governance practices worldwide.

In addition, Nigeria has experienced several bank failures as a direct result of insufficient corporate governance practices and other contributing factors. The financial institutions that participated

in the scandal were Afribank, Intercontinental Bank, Oceanic Bank, Equatorial Trust Bank, and Bank PHB. All of these problems have made it more difficult for businesses all over the world to continue operations as usual. It is, therefore, essential to improve financial reporting that is both accurate and objective to adequately value securities and instil confidence in the capital market among investors. Thus, businesses must improve their monitoring and controlling mechanisms to address their financial difficulties, particularly the likelihood of continuing operations.

A considerable body of research has explored the association between the going concern opinion and corporate governance mechanisms, with a predominant emphasis on countries other than Nigeria. The findings of these studies have demonstrated a lack of consensus. Although these studies have yielded valuable insights about the subject matter, it is imperative to acknowledge that their findings may not be readily transferable to the Nigerian context. The present study aims to overcome this constraint by conducting research in a distinct national context, namely Nigeria. The objective is to investigate the association between corporate governance and the issuance of going concern opinions, focusing on listed deposit money banks. The decision to prioritise the Nigerian context holds excellent significance owing to the notable differences in institutional frameworks and litigation landscapes between developing markets, such as Nigeria, and developed markets. The applicability of research outcomes obtained in developed markets may be constrained when applied to the Nigerian context due to variations in cultural norms, legal frameworks, regulatory structures, and market dynamics.

Regarding the empirical studies, the reporting of going concern information in companies' annual reports is still lacking in Nigeria. Hence, this research addresses the literature gap. This study examines corporate governance mechanisms' effect on ongoing concerns in listed deposit money banks in Nigeria. The specific goals are to:

1. Examine the impact of board expertise on ongoing problems in listed deposit money banks in Nigeria.
2. Assess the effect of board independence ongoing concern in listed deposit money banks in Nigeria.

3. Ascertain the audit firm size on ongoing problems in listed deposit money banks in Nigeria.

4. Determine the effect of audit tenure ongoing concern in listed deposit money banks in Nigeria.

In line with the objectives stated above, the following hypotheses were developed:

H₀₁: Board expertise has no significant effect on the going concern of listed DBMs in Nigeria

H₀₂: Board independence has no considerable impact on the going concern of listed DBMs in Nigeria

H₀₃: Audit firm size has no significant effect on the ongoing problem of listed DBMs in Nigeria

H₀₄: Audit tenure has no considerable impact on the going concern of listed DBMs in Nigeria

Literature Review

Concept of Going Concern Likelihood. The probability of a going concern pertains to evaluating a firm's capacity to sustain its operations in the foreseeable future. The consideration of financial reporting is a fundamental component that significantly impacts the formulation of financial statements, encompassing the balance sheet, income statement, and cash flow statement [2].

The going concern assumption is a fundamental tenet in the field of accounting, positing that a business entity will persist in its operations without any foreseeable cessation in the foreseeable future. Hence, when preparing financial statements, accountants and auditors must evaluate the probability of a company's sustained viability as a going concern. Assessing a going concern entails the examination of the company's financial status, operational efficacy, and prospective outlook. Accountants and auditors analyse various economic indicators, including liquidity ratios, solvency ratios, and profitability ratios, to assess the adequacy of a company's financial resources for fulfilling its obligations. Additionally, the evaluators will analyse the organisation's capacity to generate income, effectively manage expenses, mitigate risks, and maintain competitiveness within its respective industries.

Board Financial Expertise and Going Concern. Board expertise can play a critical role in assessing the going concern likelihood of a company. The board of directors oversees the company's management, including its financial performance, risk management, and strategic direction

[3]. The board's collective knowledge, skills, and experience can be valuable in evaluating the company's ability to continue operating as a going concern. Board members with financial expertise, such as certified public accountants (CPAs) or financial analysts, can provide insight into the company's financial statements and financial performance. They can help evaluate the company's liquidity, solvency, and profitability ratios, as well as its economic forecasts and projections [4].

Board members with financial expertise can also help identify potential financial risks to the company's ability to continue as a going concern. They can evaluate the effectiveness of the company's internal controls and risk management policies and procedures and guide on addressing any identified weaknesses. Moreover, board members with financial expertise can help ensure the company complies with accounting standards and regulations related to going concern assessments. For example, they can evaluate the appropriateness of management's assumptions and estimates associated with the going concern assessment and review the adequacy of disclosures related to going concern uncertainties in the financial statements [5].

Board Independence and Going Concern. The assessment of a company's going concern likelihood can be significantly influenced by the degree of board independence. The presence of an autonomous board of directors can offer an impartial evaluation of the financial well-being of the organisation and the probability of its sustained operation. According to [4], independent board members can pose complex inquiries and question the assumptions and estimations made by management concerning assessing ongoing concerns.

Establishing an autonomous governing body can also guarantee the company's adherence to accounting standards and regulations about evaluations of ongoing concerns. An independent board can assess the suitability of management's assumptions and estimations about evaluating the going concern status. Additionally, it can scrutinise the adequacy of the disclosures concerning uncertainties related to the going concern in the financial statements [6]. More, including independent board members, can offer significant expertise and experience in evaluating the economic wellbeing and potential risks associated with the company. Additionally, they can pro-

vide a novel viewpoint and innovative concepts to tackle any identified deficiencies effectively.

Audit Firm Size and Going Concern. The size of an audit firm is a factor that can potentially influence the probability of an auditor issuing a going concern opinion. The scale of the audit firm may influence the decision, as larger firms possess more excellent resources and expertise to evaluate the company's financial state comprehensively. Numerous empirical investigations have been undertaken to examine the correlation between the size of audit firms and the issuance of going concern opinions. According to [3], it was observed that audit firms of more significant size exhibited a reduced propensity to issue a going concern opinion. This observation implies that such firms may possess enhanced resources and expertise, enabling them to evaluate the organisation's financial state comprehensively. The research additionally revealed that the magnitude of a client's business, as measured by the size of the audit firm, played a substantial role in determining the probability of receiving a going concern opinion, with smaller clients exhibiting a higher likelihood of acquiring such an opinion. It was discovered that there exists a positive correlation between the size of an audit firm and the probability of issuing a going concern opinion. This finding implies that larger audit firms tend to exercise greater prudence when evaluating the financial state of a company. Additionally, the research revealed that the impact of audit firm size on the issuance of going concern opinions was more prominent in instances where the client exhibited a less robust financial standing. This implies that the magnitude of the audit firm's size could hold significant relevance in evaluating companies that face a heightened likelihood of insolvency.

Audit Tenure and Going Concern. The duration of an auditor's tenure is an additional variable that can influence the probability of an auditor issuing a going concern opinion. Audit tenure is a term used to describe the duration of the professional relationship between an audit firm and its client. As the time of audit tenure extends, auditors may develop a heightened sense of familiarity with the client, potentially leading to an increased likelihood of overlooking potential financial challenges. This may decrease the probability of issuing a going concern opinion when justified. Numerous empirical investigations have been undertaken to examine the correlation between the duration of audit tenure and the issuance of go-

ing concern opinions. In a study conducted by [3], it was discovered that there exists a positive correlation between audit tenure and the probability of issuing a going concern opinion. This implies that as the duration of audit tenure increases, auditors may be more inclined to give a going concern opinion.

Additionally, the research revealed that the impact of audit tenure on the issuance of going concern opinions was more prominent in instances where the client exhibited a less robust financial standing. This implies that the duration of audit tenure could be particularly significant when evaluating companies at a heightened risk of insolvency. The probability of an audit engagement resulting in a going concern opinion was more important during the initial year than in subsequent years. The study posits that auditors may exhibit higher prudence in their evaluations during the initial year of the engagement. As they gain a deeper understanding of the client and its financial standing, there is a tendency for auditors to display a decreased likelihood of issuing a going concern opinion in subsequent years.

Theoretical Framework

Agency theory posits that a distinct division exists between ownership and control within publicly traded corporations, thereby creating a potential conflict of interest between managers and shareholders. Within this particular framework, the primary duty of the board of directors is to advocate for the concerns and welfare of shareholders while ensuring that managers act in a manner that aligns with the shareholders' best interests [7].

The presence of board expertise and independence are crucial attributes of a board that can significantly influence the quality of financial reporting and the probability of a going concern opinion being issued. A committee comprising individuals with advanced financial expertise may possess enhanced capabilities to recognise potential economic challenges and engage in more rigorous inquiry with management, thereby improving the overall financial reporting standard. Similarly, a board that exhibits greater independence is less susceptible to the influence of control and may demonstrate a greater propensity to scrutinise management's claims regarding the organisation's financial state.

Factors related to audit quality, such as the size of the audit firm and the length of the audit tenure, can also influence the probability of issuing a going concern opinion. Audit firms of a larger scale possess more excellent resources and specialised knowledge, enabling them to perform a more comprehensive audit. Consequently, this enhanced audit process yields a higher calibre audit and a more precise evaluation of the company's financial standing. Nevertheless, it has been previously discussed by [8] that extended audit tenure has the potential to result in auditor complacency.

The utilisation of agency theory in this context implies that board characteristics and audit quality factors can serve as mechanisms to align the interests of managers and shareholders effectively. Boards characterised by enhanced financial expertise and independence play a crucial role in safeguarding shareholders' interests by ensuring that management acts in their best interest. Additionally, high-quality audits strengthen the dependability of financial reporting, thereby shielding shareholders from potential financial losses.

Examining board characteristics and audit quality factors is essential in the context of listed deposit money banks in Nigeria due to the pivotal role these banks hold in the Nigerian economy. It is crucial to comprehend the influence of these factors on the probability of a going concern opinion being issued. By analysing the factors that influence the likelihood of a going concern opinion being issued within this particular context, regulators and stakeholders can enhance their comprehension of the financial reporting quality within these banks. Consequently, they can implement measures to guarantee that these institutions operate securely and prudently.

METHODOLOGY

The study adopted 'an ex-post facto research design. The study population comprises all 25 listed Deposit Money Banks (DMBs) in Nigeria as of 31st December 2021. This study used a secondary source of data collection.

The study has selected a specific population of banks for analysis, and the researchers have employed a censoring sampling technique to suit the chosen research model. Here is an expansion of the provided information:

1. Dropping Banks Not Listed as of 2012.

2. Eliminating Banks No Longer in Existence or Delisted.

3. Eliminating Banks with Insufficient Data Records.

After applying these filters, ten banks were eliminated, and the remaining 15 met all the criteria. The data was collected from the annual reports and bank accounts for nine years (2013 to 2021). The data analysis technique used in this study was logistic regression. In addition to using the Log-likelihood value, the model feasibility test in this study also uses Hosmer and Lemeshow's goodness of fit test.

Model Specification:

$$GCL = \beta_0 + \beta_1 BEXP + \beta_2 BI + \beta_3 AFS + \beta_4 ATEN + \beta_5 LEV + \varepsilon$$

where GCL – Going Concern Likelihood; β_0 – Intercept; β_1 to β_5 – coefficient of slope or regression coefficient; BEXP – Board Expertise; BI – board independence; AFS – Audit Firm Size; ATEN – Audit Tenure; LEV – Leverage; ε – error term.

Table 1 – Variable Measurement

Variable	Measurement
Going Concern Likelihood – Dependent variable	Score one if a company obtained a modified audit opinion and 0 if otherwise.
Board Expertise – Independent variable	Board expertise in the board was measured by the percentage of total members of the board with accounting and finance knowledge.
Board independence – Independent variable	A dummy variable that equals one if independent directors are present on the board and 0 otherwise
Audit Firm Size – Independent variable	takes a value of 1 if an audit firm is a Big Four or 0 if a non-big Four.
Audit Tenure – Independent variable	Auditors Tenure is computed as "1" for companies that hired external auditors that stayed for ten years and "0" for auditors with less than ten years of engagement.
Leverage (control variable)	total debt divided by the total equity

RESULTS AND DISCUSSIONS

Table 2 presents the statistical summary of the going concern likelihood of Deposit Money Banks (DMBs) in Nigeria.

Table 2 – Descriptive Statistics

Variables	Mean	Std. Dev.	Min	Max
GCL	.6218487	.4869761	0	1
BEXP	.2454989	.1280962	.0769231	.5
BI	.3174539	.1392245	.0909091	.75
AFS	.6416667	.4815213	0	1
ATEN	.8907563	.3132637	0	1
LEV	.472408	.1903619	.0895	.928887

The mean value of the going concern likelihood for the DMBs is 0.6218487, indicating that, on average, the banks have a higher probability of continuing their operations in the future. The standard deviation of the going concern likelihood is 0.4869761, which indicates that the data points are spread out from the mean. The minimum value of the going concern likelihood is 0, which means that some DMBs have a very low probability of continuing their operations in the future. The maximum value of the going concern likelihood is 1, which means that some DMBs have a very high chance of continuing their operations in the future.

The mean value of the board financial expertise for the DMBs is 0.2454989, indicating that, on average, the banks' boards of directors have some financial knowledge. The board's financial expertise standard deviation is 0.1280962, which suggests that the data points are relatively close to the mean. The minimum value of the board's financial expertise is 0.0769231, which means that some DMBs have a board with relatively low financial knowledge. The maximum value of the board's financial expertise is 0.5, which means that some DMBs have a board with a relatively high financial understanding. Table 2 also presents the statistical summary of the board independence of Deposit Money Banks (DMBs) in Nigeria. The mean value of the board independence for the DMBs is 0.3174539, indicating that, on average, the banks' boards of directors have some level of independence. The standard deviation of the board independence is 0.1392245, which suggests that the data points are relatively spread out from the mean. The minimum value of board independence is 0.0909091, which means that some DMBs have a relatively low level of

board independence. The maximum value of board independence is 0.75, which means that some DMBs have a relatively high level of board independence. The mean value of the AFS for the DMBs is 0.6416667, indicating that, on average, the banks engage rather large audit firms. The standard deviation of the AFS is 0.4815213, which suggests that the data points are spread out from the mean. The minimum value of the AFS is 0, which means that some DMBs engage small audit firms. The maximum value of the AFS is 1, which means that some DMBs hire giant audit firms.

The mean value of the audit tenure for the DMBs is 0.8907563, indicating that, on average, the banks have engaged the same audit firm for a relatively long period. The standard deviation of the audit tenure is 0.3132637, which indicates that the data points are spread out from the mean. The minimum value of the audit tenure is 0, meaning some DMBs frequently engage new audit firms. The maximum value of the audit tenure is 1, meaning that some DMBs hire the same audit firm for a very long time.

The mean value of the leverage (LEV) for the DMBs is 0.472408, indicating that, on average, the banks have financed their assets with moderate debt. The standard deviation of the leverage is 0.1903619, which suggests that the data points are relatively spread out from the mean. The minimum value of the leverage is 0.0895, which means that some DMBs have a relatively low level of debt financing. The maximum value of the leverage is 0.928887, which means that some DMBs have a relatively high level of debt financing.

Table 3 shows that there is a negative relationship between the going concern likelihood and the board expertise (exp) and board independence (BI) of Deposit Money Banks (DMBs) in Nigeria.

Table 3 – Correlation Result

	GCL	BEXP	BI	AFS	AT	LEV
GCL	1.0000					
BEXP	-0.3666	1.0000				
BI	-0.3316	0.2071	1.0000			
AFS	0.0072	-0.2208	-0.0142	1.0000		
AT	0.2121	0.0088	-0.0813	-0.0115	1.0000	
LEV	-0.1962	0.0645	0.0247	0.4689	0.2029	1.0000

The correlation coefficient between going concern likelihood and board expertise is -0.3666, while the correlation coefficient between going concern likelihood and board independence is -0.3316. A negative correlation means that as the value of one variable (in this case, board expertise and board independence) increases, the value of the other variable (going concern likelihood) decreases. In other words, banks with higher levels of board expertise and independence are less likely to have going concern issues. The negative relationship between going concern likelihood and board expertise and freedom is not surprising, as a competent and independent board is expected to provide adequate oversight and governance, which can help prevent financial distress and going concern problems. Therefore, the results from Table 3 suggest that DMBs in Nigeria with boards with higher levels of expertise and independence are less likely to have ongoing concern issues.

The study also shows a positive relationship between going concern likelihood and audit firm size (AFS) and audit tenure, as indicated by the correlation coefficients of 0.0072 and 0.2121, respectively. A positive correlation means that as the value of one variable (in this case, audit firm size and audit tenure) increases, the value of the other variable (going concern likelihood) also increases. This suggests that banks that have engaged larger audit firms or have had longer audit tenure are more likely to have going concern issues. The positive relationship between going concern likelihood and audit firm size and term could be due to various reasons. For instance, larger audit firms may have more clients and, therefore, may be unable to provide each client with the same level of attention and quality of service. Similarly, longer audit tenure could lead to complacency on the part of the auditor, leading to potential audit failures and ongoing concern issues.

A negative correlation coefficient of -0.1962 between going concern likelihood and financial leverage in Table 2 suggests that as economic leverage increases, the possibility of a company being a going concern decreases. In other words, these two variables have an inverse relationship - when one goes up, the other goes down. This negative relationship between financial leverage and going concern likelihood may be because higher levels of financial leverage can increase a company's financial risk and make it more vulnerable to financial distress or bankruptcy. In

contrast, lower levels of financial leverage may indicate a stronger financial position, increasing the likelihood that the company will continue to operate as a going concern.

Table 4 – Hosmer and Lemeshow's goodness-of-fit.

Step	Chi ²	Sig
1	Hosmer-Lemeshow chi ² (8) = 9.33	Prob > chi ² = 0.3155

Hosmer and Lemeshow's test statistic is 9.33 with a significance probability of 0.3155, and they concluded that the model had met the data adequacy (fit) because the null hypothesis was accepted.

Table 5 shows that the Pseudo R² is 0.2422, which means that 24% of the variation in GCL of DMBs in Nigeria is explained jointly by the independent variables captured in the model. The table also shows that the model is fitted, as evidenced by the LR chi²(5) of 31 (as indicated by the P-value of 0.00).

Table 5 – Summary of Logistic Regression Analysis

	Coeffi	Std. Err.	z	P> z
BEXP	-5.874213	2.13492	-2.75	0.006
BI	-5.107748	2.064089	-2.47	0.013
AFS	.3680248	.5993474	0.61	0.539
AT	2.008075	.8144384	2.47	0.014
LEV	-3.629658	1.597867	-2.27	0.023
Pseudo R ²	0.2422			
LR chi ² (5)	31.21			
Prob > chi ²	0.0000			

Table 5 shows that board financial expertise significantly affects the going concern likelihood (GCL) of listed DMBs in Nigeria as indicated by the coefficient of -5.874213 with a P-value of 0.006, which is statistically insignificant at a 5% significance level. The negative coefficient for board financial expertise suggests that companies with more board financial expertise are associated with lower GCL, which may be because financial experts on the board are more likely to identify potential financial risks and take measures to mitigate them.

The coefficient of -5.107748 suggests that board independence hurts the going concern likelihood (GCL) of listed Deposit Money Banks (DMBs) in Nigeria. This means that as the level of board in-

dependence increases, the GCL of the listed DMBs decreases. Furthermore, the p-value associated with the coefficient is 0.013, less than the 5% level of significance commonly used in hypothesis testing. This indicates that the negative relationship between board independence and GCL is statistically significant at the 5% significance level. These findings suggest that having a higher level of board independence can lead to a lower likelihood of listed DMBs being a going concern. This may be because independent board members are less likely to be influenced by management and can provide a more objective assessment of the company's financial position and risks.

The coefficient of .3680248 suggests that audit firm size, explicitly being a member of the Big 4, positively affects the going concern likelihood (GCL) of listed Deposit Money Banks (DMBs) in Nigeria. However, the p-value associated with the coefficient is 0.539, more significant than the 5% level of significance commonly used in hypothesis testing. This indicates that the relationship between audit firm size and GCL is statistically insignificant at the 5% significance level. In other words, insufficient evidence suggests that being audited by a Big Four firm significantly impacts the likelihood of a listed DMB being a going concern in Nigeria.

The coefficient of 2.008075 suggests that audit tenure positively affects the going concern likelihood (GCL) of listed Deposit Money Banks (DMBs) in Nigeria. This means that as the length of the audit tenure increases, the GCL of the listed DMBs also increases. Furthermore, the p-value associated with the coefficient is 0.014, less than the 5% level of significance commonly used in hypothesis testing. This indicates that the positive relationship between audit tenure and GCL is statistically significant at the 5% significance level. These findings suggest that longer audit tenures may be associated with a higher likelihood of listed DMBs being a going concern. This may be because long-term auditors may become too familiar with their clients and less independent in assessing the company's financial position and risks.

The analysis results indicate that financial leverage significantly affects the going concern likelihood (GCL) of listed Deposit Money Banks (DMBs) in Nigeria. Specifically, the coefficient of -3.629658 suggests that an increase in financial leverage is associated with a decrease in the GCL

of the listed DMBs. The statistical significance of this relationship is supported by the associated p-value of 0.023, which is less than the commonly used threshold of 5% for statistical significance. Therefore, it can be concluded that the negative relationship between financial leverage and GCL is unlikely to have occurred by chance. These findings suggest that higher levels of financial leverage may increase the likelihood of a listed DMB experiencing financial distress, decreasing the possibility of it being a going concern. This may be because high levels of financial leverage increase the company's risk of defaulting on its debt obligations, leading to financial difficulties and instability.

CONCLUSIONS

The findings revealed that board financial expertise and independence significantly affect the likelihood of DMBs in Nigeria. They conclude that companies with boards with solid financial knowledge and freedom are likelier to avoid concern issues, which can benefit the company and its stakeholders. Audit firm size also appears to have an insignificant effect on ongoing concern. This suggests that the size of the audit firm does not significantly impact a company's likelihood of facing ongoing concern issues. At the same time, audit tenure substantially affects the probability of DMBs in Nigeria. The study concludes that the length of time an audit firm has been working with a company may impact the company's

chance of facing ongoing concern issues. Following this study's findings and conclusion, the study recommends that.

The authorities should ensure that the board has the requisite financial expertise to oversee the financial reporting, risk management, and financial decision-making of the DMB. The regulatory authorities should also investigate cases of perceived failure of the board to perform its oversight function and take appropriate disciplinary actions against erring board members.

DMBs should enhance the independence of their board by appointing independent directors who are not affiliated with the DMB or its management.

The regulatory authorities should enhance their oversight function by monitoring the quality of audits conducted by audit firms. The authorities should ensure that auditors adhere to ethical standards and that their opinions are unbiased. The regulatory authorities should also investigate cases of perceived audit failure and take appropriate disciplinary actions against erring auditors.

The regulatory authorities in Nigeria should review mandatory audit rotation for DMBs. This will limit the years that an audit firm can serve as the external auditor of a DMB. By introducing mandatory audit rotation, the independence of external auditors will be enhanced, and the risk of familiarity threat will be reduced.

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