

Innovations

Regulatory Adherence and Professional Conduct in Nigeria Accounting: An Evaluation of Enforcement Mechanisms

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Abstract: *This study examined regulatory adherence and professional conduct in Nigeria accounting: An evaluation of the enforcement mechanisms. The main aim of this study is to: investigate the audit firms' compliance degree with the Financial Reporting Council of Nigeria registration requirements. Determine the degree of audit firms' compliance with mandatory audit firm rotation regulation in Nigerian accounting practices. Ascertain the level to which accountants are objective in their professional accounting practices in Nigeria. Ascertain how effective regulatory enforcement is in instilling compliance and professionalism among professional accountants in Nigeria. Survey research design was used through a well-structured online questionnaire through a Google Form. A stratified and purposive sampling technique was adopted, while the Taro Yamane method was used in sample size selection. Frequency, percentages, and the Pearson Chi-Square test were used for data analysis. Findings indicated a significant compliance rate with Financial Reporting Council registration requirements by audit firms in Nigeria (Pearson chi-square $p < .046$). Findings also indicated a non-significant compliance level to mandatory audit firms' rotation regulation and objectivity principles by professional Accountants in Nigeria (Pearson chi-square $p < .249$ and $p < .561$), respectively. Finally, findings indicated that Regulatory bodies' effectiveness in enforcing full adherence among professional accountants in Nigeria is non-significant (Pearson chi-square $p < .162$). Hence, this study recommends regular training of professionals by FRCN to improve audit firms' compliance with registration rules by Regulatory bodies. Enhancement of monitoring and enforcement of audit firm rotation and objectivity in Nigeria. Strong penalties like license retrievals and suspensions should be strictly enforced to deter non-compliance from professional Accountants in Nigeria.*

Keywords: *Regulatory adherence; Professional Conducts; Ethics; Objectivity; Regulatory Enforcements; Financial Reporting*

1. Introduction

The accounting profession is the main structure of financial responsibility in business enterprises across the world. With the ever-increasing globalization and economic integration, the demand for effective accounting standards and practices has compounded. Accounting is a crucial profession that promotes economic integrity and investor confidence in Nigeria, as it is in most other developing countries (Olojede & Olayinka, 2022). The credibility and authenticity of financial reports can be maintained only through adherence to regulatory requirements and professional ethics. The regulatory and ethical frameworks provided by regulatory bodies like the Financial Reporting Council of Nigeria (FRCN), the Institute of Chartered Accountants of Nigeria (ICAN), and the Association of National Accountants of Nigeria (ANAN) have facilitated accountability in the Nigerian accounting system. A good regulatory and ethical system will bring transparency, reliability, and investor safety in financial activities (Solomon, 2020). Therefore, the compliance with the current rules by professional accountants is highly important to enhance the quality and transparency of financial reporting and the economic system (Todorovic, 2018; Burdon and Sorour, 2020). Nonetheless, even with these regulatory frameworks, proper enforcement and complete compliance appear to be an imminent issue in the accounting practice. These issues have not only cast doubt on the integrity of the financial statements and the competence of the professionals responsible for the same, but also on the quality of enforcement measures implemented by regulatory authorities (FRCN, 2021; Adeyemi, Okere & Olowookere, 2019).

Cases of corporate scandals and failures globally and locally have been a core evidence of the consequences of weak regulations and ethical conduct. The collapse of Enron and WorldCom in the early 2000s in the United States was a global scenario that revealed massive accounting fraud and governance over time. This scandal resulted in a huge financial loss, costing investors billions and exposing corporate governance systems' failures (Cunningham, 2013; Ogbomo, Ojiakor, Esenohor & Lauretta, 2022). In 2006, Cadbury Nigeria Plc, a reputable Nigerian beverage company, was caught in the web of accounting scandals ranging from cost deferrals, false supplier certificates, and overstatement of the company's profit by over N13 billion between the periods of 2003 and 2006. However, this scandal led to the sack of the Managing Director and Chief Finance Officer, while the external Auditors of the company were indicted and fined. Also, the collapse of Oceanic Bank Plc in 2010 has questioned the regulatory enforcement and ethical compliance level in Nigeria. These cases highlighted how fragile oversight mechanisms amplify corporate ethical lapses (Gasu, 2023). Scholars have maintained diverse positions on the cause of these recurring regulatory and ethical shortcomings. While some attributed it to the regulatory bodies, others disagreed and blamed the professional accountants. Blaming the regulatory bodies, Adebayo & Wali (2019); Nwachukwu, Olowookere &

Adelaja, (2020); Adeyemi, Okere & Olowookere, (2019) posited weak regulatory enforcement, sanctions, and poor corporate governance as a major challenge. Also in agreement, Onyebuchi and Udeh (2022) maintained that a weak regulatory environment further enables these practices, as ethical compliance is perceived as optional rather than compulsory. In disagreement, Albrecht, Hilton, and Wilkerson (2016) posited that inadequate training and poor awareness of ethical standards among accounting practitioners are major contributors to these challenges. In support, Okwu, Nwachukwu & Nmezi (2019) blamed the accountants, maintaining that accountants face pressures from client demands and competitive practices, which compromise ethical compliance. Ethical dilemmas often force accountants to choose between integrity and clients' personal expectations. This dilemma, if not professionally handled, erodes trust in the accounting profession. According to Mubaraq, Abdulrasaq & Saidu (2019), Park (2022), these pressures, if not ethically handled, lead to financial misreporting with severe consequences for firms and investors.

Specifically, the issue of Regulatory adherence and ethical conduct have raised major concerns in Nigerian accounting practices. Hence, there is a pressing need for inquiry into the level of regulatory and ethical compliance in Nigerian accounting practices. Also, the effectiveness of regulatory bodies in enforcing adequate compliance. Despite the growing body of studies relating to the subject matter, various researchers like Ezeagba and Abiahu (2018), Egiyi & Ugwuoke (2019), Idor et al (2020), Mohapatra et al. (2017) have conducted studies on accounting ethics and compliance. However, their studies seem general, as they neglected vital elements of regulatory requirements and ethical conduct. Hence, a gap exists in ascertaining audit firms' compliance level with the FRCN registration requirements and rotation regulations (following Audit Regulation 2020 provisions). Also, the extent to which Accountants in Nigeria embrace objectivity in their corporate duties. Finally, the effectiveness of regulatory enforcement mechanisms in tackling non-compliance in the Nigerian accounting system.

2. Objectives of the Study

The main objective of this study is to assess regulatory adherence and professional Conduct in Nigerian accounting: An evaluation of enforcement mechanisms. Specifically, this study tends to:

- Examine Audit Firms' compliance level with Financial Reporting Council registration requirements in Nigeria.
- Ascertain the degree of adherence to Mandatory Audit Firm rotation regulation in Nigerian accounting practices.
- Determine the degree to which accountants exhibit objectivity in their professional duties in Nigeria.

- Examine the effectiveness of regulatory bodies in enforcing compliance among professional accountants in Nigeria.

The Research Hypotheses of the study are in null form and, in line with the research objectives.

3. Review of Related Literature

Regulations refer to a collection of rules and regulations that have been put in place by governments or other regulatory bodies to oversee the conduct of individuals, businesses, and other organizations (Norman, 2011). Accounting regulations in relation to this study are the set standards, rules, and guidelines that are used in the preparation, presentation, and reporting of the financial statements. Such rules and regulations make financial reporting consistent, reliable, and transparent. FRCN, Companies and Allied Matters Act (CAMA), the Nigerian Exchange Group (NXG), and the International Financial Reporting Standards (IFRS) are some of the regulatory bodies governing accounting practices in Nigeria. The FRCN is significant in formulating and implementing accounting standards. In ensuring transparency and independence, the FRCN, by the Audit Regulation Act 2020, required that the Audit firms must be registered with the council and a rotation of the audit firms as well. Under the stipulation, any audit or assurance services firm in Nigeria shall not fail to comply with the registration requirements by FRCN. These are: Name of Firm and address, certificate issued by the Corporate Affairs Commission (CAC), valid practicing license provided by a recognized Professional Body (RPB), and registration of partners.

Mohapatra, Elkins, Lobo and Chi. (2017) argued that clients of Public Company Accounting Oversight Board (PCAOB) registered audit firms have better audit quality post-registration than pre-registration in China. This implies that, as a result of the registration, audit firms will strive to keep up with contemporary knowledge and expertise to comply with international standards. In audit firm rotation, Jadiyappa, Hickman, Kakani, & Abidi (2021) argued against it, stating that longer audit tenure without rotations improves audit quality. This improvement is attributed to the auditor's increased familiarity with the client firm's operations and likely potential risks. On the contrary, Firth, Rui & Wu (2012) maintained that companies subjected to mandatory audit partner rotation tend to receive more modified audit opinions as a result of a lesser familiarity threat, compared to those without rotation. Hence, professional accountants must work closely with regulatory bodies and stakeholders to develop effective accounting standards, build capacity, and promote good accounting practices (FRCN, 2019). However, developing effective accounting standards alone does not guarantee good accounting practices; ensuring adequate regulatory compliance is paramount. Hence, Regulatory bodies must also have the

capacity and resources to enforce compliance and monitor regulatory risks in all institutions (Adeniran, Abhulimen, Obiki-Osafiele, Osundare, Agu, & Efunniyi, 2024). According to the International Federation of Accountants (IFAC, 2019), Regulatory compliance is the process of ensuring that an organization's financial reporting and disclosure practices comply with relevant laws, regulations, and standards. Total compliance with relevant accounting regulations by professionals is very pertinent to an organization. In agreement, Mande (2014) and Oluwagbemiga (2019) argued that high compliance can enhance the credibility of financial statements, thereby boosting investor confidence and attracting foreign investment. Compliance with accounting regulations is very important as it is essential for maintaining public trust and confidence in financial markets and institutions (Olaoye & Agbaje, 2024). However, to ensure total adherence, professional accountants are expected to exhibit professional and ethical conduct in carrying out their professional duties. According to the International Federation of Accountants (IFAC, 2018), professional conduct involves the adherence to established codes of ethics and professional standards, encompassing principles such as integrity, objectivity, confidentiality, professional competence, and due care. Payne, Corey, Raiborn, and Zingoni (2020) maintained that, as accountants play a critical role in shaping economic decision-making and the reliability of financial reporting, professional conduct is very important to the accounting profession. Barrainkua and Espinosa-Pike (2018) argued that ethical behavior has a direct impact on public confidence in the financial statements prepared by professional accountants. Hence, as custodians of financial information, accountants are expected to uphold integrity, transparency, and professionalism to maintain public trust in the profession (Abdulkareem, 2019). To ensure utmost regulatory compliance and ethical conduct, there is a need for adequate enforcement mechanisms by regulatory bodies. According to Arowoshegbe, Uniamikogbo, and Atu (2017), inadequate enforcement of ethical norms and ineffective regulatory monitoring are among the challenges that might face upholding professional conduct in Nigerian accounting practices. Hence, effective and efficient regulatory enforcement is of great importance in the Nigerian accounting system.

3.1 Conceptual Framework

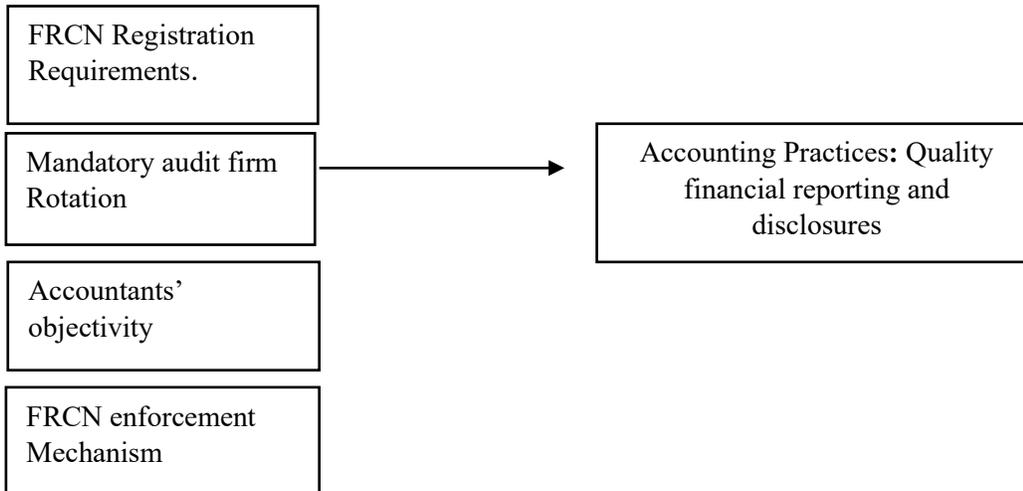


Figure 3.1 Author's compilation of Conceptual Framework

This framework in Figure 3.1 confirms that FRCN registration policy, required audit firm rotation, Accountants' Objectivity, and FRCN enforcement are the necessary elements that can improve the quality of financial reporting in Nigeria. These components are able to enhance the credibility of audit services and the reliability of financial reports in Nigeria when they have been well implemented and robust.

4. Theoretical Framework

This study is anchored on the Agency and deterrence theory. Agency Theory was propounded by Michael C. Jensen and William H. Meckling in 1976. This theory emphasizes the principal-agent relationship, where principals (such as shareholders or stakeholders) delegate decision-making authority to agents (such as managers, Accountants, or Auditors) to act on their behalf. The Principals delegate operational authority to agents with the expectation that they will act in the best interest of the owners. But there may arise a situation where agents possess greater insight into the firm's operations than the principals, creating chances for agents to act unethically to serve their personal interests to the detriment of shareholders. Such a divergence results in information asymmetry, which is an agency problem (Jensen & Meckling, 1976). To address these problems, accounting regulation compliance plays a critical role in mitigating agency issues. The Financial Reporting Council of Nigeria (FRCN) audit firm registration and mandatory rotation were established as part of mechanisms to promote transparency, accountability, and good governance. By regulating audit firms and ensuring compliance with professional standards, the FRCN can help reduce the risk of agency problems. Hence, promote stakeholder confidence in the accounting profession.

The Deterrence Theory was first developed by Cesare Beccaria and Jeremy Bentham in the 18th century. This theory provided a useful framework for understanding the role of sanctions in preventing unethical behavior in various social and work settings. The theory noted that severe penalties and robust enforcement mechanisms can deter unethical financial practices, like fraud, misrepresentation, and non-compliance with standards in the accounting profession. According to Kaplan & Williams (2013), if organizations believe that non-compliance will result in mild penalties, unnoticed or unpunished, the deterrent effect of the regulations is weakened. Hence, the effectiveness and control of regulatory bodies in enforcing compliance can be seen as a critical step in preventing non-compliant behavior among professional Accountants and firms. This may involve conducting regular audits, implementing whistleblower programs, or utilizing data analytics to detect irregularities in financial reporting (Murphy, 2012). Strict sanctions and penalties, like the retrieval of a practicing license, suspensions, can deter other professionals from engaging in similar behavior. This will ultimately enhance the quality of audit services and financial reports.

5. Empirical Review

Mohapatra et al. (2017) investigated whether Public Company Accounting Oversight Board (PCAOB) registration improves audit quality and leads to higher audit fees among audit firms in China. The study constructed a propensity score-matched sample of clients of PCAOB-registered and non-registered audit firms, performing a difference-in-differences analysis. Findings indicate that audit quality increases following PCAOB registration, and clients pay higher audit fees for audits by PCAOB-registered firms. The study argued that registration may result in audit firms improving their knowledge and expertise to comply with international quality controls. The simultaneous increases in audit fees and audit quality post-registration suggest that Chinese client firms perceive value in associating with PCAOB-registered audit firms. Hence, they are willing to pay a premium for the validation of the reliability of their financial statements covered by such reputational bonding.

Santos-Jaén, De Almagro-Vázquez and Del Carmen Valls Martínez (2023) examined the impact of auditor tenure and audit fees on earnings management among S&P 500 companies in the U.S. The study covered the period from 2012 to 2021. Analyzing 3,010 observations using panel data with fixed effects regression. Findings revealed that longer auditor tenure improves financial statement quality. This finding is contrary to some arguments that project mandatory auditor rotation as the best approach to enhance financial report quality. Additionally, the study found that the relationship between audit fees, auditor tenure, and earnings management is influenced by the audit firm's internal culture, particularly its ethical standards. This emphasizes the importance of firm-specific factors in shaping audit quality.

Okoroigwe, Ukagha, Abalaka, Ibrahim and Shaba (2021) studied the influence of regulatory framework compliance on the quality of financial reporting and corporate governance in the Nigerian banking sector. An ex-post facto research design was adopted and secondary sourced from the Central Bank of Nigeria (CBN) statistical bulletin and the National Bureau of Statistics. Multiple regression was used to analyze the data. The findings indicated that the accounting regulatory framework exhibited a significant, positive, and covariant relationship with the quality of financial reporting and corporate governance regulation in Nigeria's banking sector from 2011 to 2020. However, adherence to disclosure requirements did not show the anticipated effects and therefore had a non-significant influence on the quality of disclosure and corporate governance. Consequently, the study asserts that IFRS compliance, External auditors' reports, and the format for financial statements significantly contribute to improving the quality of disclosure and corporate governance regulation in the Nigerian banking sector.

Okoye, Adeniyi, and Ajala (2022) investigated the impact of audit tenure and auditor firm size on financial statement fraud among 76 listed non-financial firms in Nigeria. The study spanned over 12 years from 2011 to 2022. The study employed Robust Least Squares regression analysis and the Benish M-score model. The findings revealed that neither audit firm size nor auditor tenure had a significant effect on financial statement fraud. The results implied that engaging a Big 4 audit firm did not necessarily guarantee the prevention of financial statement fraud, suggesting that other factors played a more crucial role. Based on these findings, the study recommended that regulatory authorities consider implementing a moderate audit tenure of 5 years. This tenure duration was believed to provide auditors with sufficient time to gain a thorough understanding of their clients' businesses, potentially enhancing audit quality and reducing the likelihood of financial statement fraud.

Bassey, Ubi, Olatunbosun, Asi and Emmanuel (2020) explored the links between audit rotation, independence, and audit quality in Nigeria. The objectives focused on evaluating the impact of audit cost, worker rotation, and tenure on audit quality. To meet these goals, the study used an ex-post-facto research design based on data from selected firms' annual reports from 2010 to 2019. The research employed a panel least squares procedure. The findings indicated that audit cost significantly harmed audit quality in the selected Nigerian banks, while Audit worker rotation had a minimal negative effect. Additionally, audit tenure also had a negligible negative impact on audit quality in these banks. The study recommended that audit firms set audit costs according to professional benchmarks to ensure independence and improve quality. There should be regular rotation of workers to avoid over-familiarity. Lastly, regulatory agencies and ICAN should enforce compliance with audit tenure regulations to guarantee independence and enhance audit quality.

Ilemona and Nwite (2021) investigated the Accounting Code of Ethics and the Severity of Threats to Auditors' Compliance in the Nigerian Business Environment. The study investigated the severity of five (5) significant challenges to auditors' compliance with the code of ethics in Nigeria. These dangers include intimidation, self-interest, advocacy, familiarity, and self-review. Five (5) point Likert scale questionnaire. Using random sampling, questionnaires were delivered to 360 auditors from three (3) states of Nigeria, namely Kogi, Benue, and Plateau states, in private practice and employment of organizations. 210 of them were returned, of which 195 were found usable. Data was analyzed using basic percentages of non-parametric statistics and percentage ranking. The findings revealed that among the dangers faced by auditors in the course of their duties, Intimidation dangers (ITs) were the first and most severe of all kinds of threats. The study recommended, among other things, that auditors prioritize their careers and reputation, striving for objectivity, honesty, and probity at all times.

Fathi and Rashed (2021) investigated Egyptian auditors' perceptions of the impact of mandatory audit firm rotation on audit quality. A survey of 239 auditors from Big and non-Big audit firms was used. Data for the study were analyzed using a one-sample t-test. Findings revealed that mandatory rotation is perceived to enhance auditor independence and professional skepticism but compromise client-specific knowledge. However, industry specialization can mitigate this knowledge loss. Despite the increased costs that mandatory audit firm rotation poses, the benefits of improved independence, skepticism, and audit quality outweigh the expenses. Therefore, the study concluded that mandatory audit firm rotation can be an effective mechanism for promoting audit quality.

Okwuosa and Peter (2024) explored the effectiveness of international financial reporting standard enforcement in Nigeria. This includes review, monitoring, sanctions, culture, and legal frameworks establishing the FRCN. Descriptive and correlational research designs were adopted. The study revealed that accountants have a high perception of the effectiveness of IFRS enforcement in Nigeria. While auditors have a low perception of the effectiveness of IFRS enforcement in Nigeria. This shows that the accountant feels that IFRS compliance has brought changes to financial statement preparation and reporting. Also, companies are being compelled by the FRCN to comply with IFRS provisions by levying sanctions on erring companies that fail to comply. The study recommends that FRCN should publish the names of companies that fail to comply with IFRS provisions in national dailies. This will serve as a deterrent to erring companies. In addition, FRCN should be provided with the resources necessary to discharge its duties optimally. This will equip the staff of FRCN to perform their responsibilities with full force.

Kadhim and Bougatef (2024) studied the effect of international accounting and auditing standards on the quality of financial reporting for firms listed on the Iraq

Stock Exchange. A content analysis methodology was applied to the firm's financial reports. A sample comprising 18 companies listed on the Iraq Stock Exchange spanning 8 different sectors was used. The results indicated that, except for the banking sector, the majority of these companies do not adhere to international accounting standards for financial reporting. Also, statutory auditors generally do not comply with international auditing standards, apart from those auditing firms that implement international financial reporting standards. Hence, the study pointed out that widespread non-compliance with International accounting and auditing standards among most listed companies in Iraq may adversely affect the quality and reliability of the financial information they provide.

Dayanandan and Kuntluru (2023) investigated the impact of mandatory audit rotation (MAR) on audit quality in India. This follows its implementation in 2017. Data was analyzed from 714 firms over six years. Findings show that Mandatory Audit Rotation had a significant negative effect on audit quality. That is, longer auditor tenure is associated with better audit quality. The reason for this outcome is that as audit firm tenure increases, knowledge of the prevalent risks faced by the client firm becomes familiarized. Hence, the rate of errors is reduced. The study also revealed that concentrated ownership compromised audit quality. The findings suggest that the Mandatory Audit Rotation regulation failed to achieve its intended objective of improving audit quality in India. Hence, the study recommends a re-evaluation of regulatory policy based on objective evidence.

Inyang, Oboh, and Nwabuikem (2019) investigated ethical thoughts in accounting and their impact on accounting practice. Data were gathered from primary sources using a well-structured questionnaire. The question was distributed to a sample of one hundred and sixty-one (161) people, of which one hundred and forty-eight (148) completed and returned. The surveys were distributed to registered members of the ICAN District Society in Calabar, Nigeria. The findings revealed a significant negative relationship between ethical thoughts and corporate accounting practices in Nigeria. The study recommended that Professional accountants, as providers of accounting information, should follow the codes of professional best practices set by relevant professional organizations. Each organization in Nigeria should have an ethics department to guarantee that all actions, including financial reporting, adhere to the codes of ethics. The Board of Directors and Audit Committees should be comprised of individuals with corporate experience, integrity, and financial knowledge.

Olaoye, Aguguom, Safiriyu and Abiola (2019) investigated the independence of statutory auditors and the trustworthiness of financial statements in Nigerian listed manufacturing firms. The study used a survey research design. Data were collected from structured online questionnaires distributed to shareholders of Nigerian-listed firms. 150 structured questionnaires were issued at random, and 137 were returned

by respondents. The collected data were analyzed with descriptive and inferential statistics. The paper found that the independence of statutory auditors had a significant positive effect on the reliability of financial statements (RFS). Also, non-financial interest (NFI) had a positive but minor effect on the dependability of financial accounts. Audit tenure (AT) showed a positive and significant effect on financial statement dependability. Non-audit services (NAS) have a good and considerable impact on financial statement dependability. The study recommended that audit firms limit the number and duration of non-audit services provided to companies they serve as external auditors, as well as conduct frequent financial statement reviews where their clients have an interest in reducing self-review and self-interest threats.

Egiyi and Ugwuoke (2019) investigated the adequacy of ethics in accounting practice in Nigeria. The study attempted to bridge the gap between the recorded form of ethical rules and actual practice. Previous studies focused on constructionism, neglecting global ethical considerations and the culture of accounting methods. Notwithstanding the code of ethics, the accounting culture or practices, both locally and globally, remain susceptible to the intricacies of creative accounting tactics. Hence, the study attempts to bridge and address the gap by examining global ethical considerations and accounting practices in Nigeria. Showing key aspects of account window dressing, whistleblowing, income smoothing, and all other aspects of creative accounting practices that have plagued Nigeria's accounting culture. The methodology uses a survey research design based on questionnaires. The study's population consisted of 3,200 ANAN and ICAN members, and the sample size was 3118, representing 97% of the population. Spearman's rho and Kendall's Tau-b nonparametric tests were adopted for data analyses. Findings revealed that the code of ethics in accounting was sufficient for professional accountancy practice in Nigeria. However, the study noted that Lack of awareness of ethical standards is a significant factor contributing to breaches of ethical accounting practices in Nigeria. Olojede, Iyoha, Egbide and Erin (2020) explored the influence of regulatory agencies on creative accounting practices within Nigeria. This research utilized a descriptive and survey research design. A multi-stage sampling technique was employed, and questionnaires were disseminated to 405 participants, including account preparers, account users, and regulators. From the distributed questionnaires, 241 were returned. The study employed Ordinary Least Squares (OLS) for data analysis and hypothesis testing. The results indicated that regulatory agencies collectively exert a significant influence on creative accounting practices, although the degree of individual contribution from each agency varies. Findings showed that Nigeria's regulatory agencies demonstrate weaknesses and inefficiencies in enforcing adherence to relevant regulations. Findings also showed a lack of severe penalties for non-compliance and weak whistle-blowing mechanisms

in Nigeria. The study recommends enhancing the institutional capabilities of these regulatory agencies by ensuring compliance with financial reporting standards and guidelines.

Amahalu (2019) investigated the effect of auditors' rotation on the audit quality of quoted deposit money banks in Nigeria. The study spanned from 2008 to 2017. An ex-post facto research design was utilized for this study. Out of the fifteen (15) publicly listed deposit money banks in Nigeria as of December 31, 2017, eleven (11) banks were purposefully selected. Secondary data sourced from annual reports was used. The panel data underwent statistical analysis through the use of the Pearson correlation coefficient and simple regression analysis. The findings indicated that audit rotation significantly influences audit firm size, the size of the audit committee, and audit fees. The study recommended that the auditor-client relationship should not extend beyond three years, as prolonged interaction may lead auditors to develop a close rapport with clients, increasing the likelihood of biased behavior toward management, which could compromise objectivity and the quality of audits.

Salawu (2017) researched the Assessment of the Institutional Regulatory Framework for Auditor Independence in Nigeria. The study used empirical methods to analyze the efficiency of Nigeria's institutional regulatory framework for auditor independence. The study used purely library research, supplemented by the content analysis method. The study findings identified flaws in the regulatory framework assessed, such as the ineffectiveness of whistleblowing in Nigeria. Also, violations of auditors' reporting independence, negligence on the part of audit regulators and external auditors in Nigeria, the proliferation of Accounting Professional Bodies, and a decline in ethics. The study recommended that harmonization of corporate governance codes and accounting professional bodies by the FRCN be a prerequisite. It will help in promoting auditor independence. Furthermore, the study advised that Nigerian regulators develop stricter regulatory mechanisms to detect fraud, impose appropriate disciplinary measures, and penalize non-adherence. Furthermore, ICAN should promote its members' dignity by shifting the selection of external auditors away from executive directors and toward non-executive directors, audit committees, and shareholders.

Okwuosa and Peter (2024) explored the effectiveness of international financial reporting standard enforcement in Nigeria. This study employed a blend of descriptive and correlational research designs. This design was adopted to analyze the perceptions of accountants and auditors about the effectiveness of IFRS enforcement, utilizing a questionnaire. The study revealed that accountants have a high perception of the effectiveness of IFRS enforcement in Nigeria, while auditors have a low perception of the effectiveness of IFRS enforcement in Nigeria. The study recommends that FRCN should publish the names of companies that fail to comply with IFRS provisions in national dailies. This will serve as a deterrent to erring

companies. In addition, FRCN should be provided with the resources necessary to discharge its duties optimally. This will equip the staff of FRCN to perform their responsibilities with full force and penetrate companies that have yet to submit their financial statements to FRCN for review.

Ahinful, Addo, Boateng and Danquah (2017) investigated accounting ethics and the professional accountant: the case of Ghana. The primary goal of the research is to determine the extent to which accounting ethics apply to professional accountants. A survey research design was adopted in the study. The majority of the respondents were accountants and auditors from institutions in specific districts in Ghana's eastern region. Data was gathered through a well-structured questionnaire. Data for the study were analyzed using descriptive statistics. Findings show that accounting ethics is of significant relevance to professional accountants in Ghana. However, there are challenges to total compliance with the accounting profession's ethical standards and codes. The study also revealed that some factors, such as money and legalistic culture, contribute to accounting fraud. Hence, the study recommends that efforts aimed at increasing ethical knowledge and standards at all levels should be strengthened by all stakeholders in the accounting profession.

6. Methods and Materials

6.1 Research Design

This study adopted a descriptive survey research design. According to Creswell (2014), a descriptive survey is a research design approach that seeks to describe the characteristics of a population or phenomenon, often using a questionnaire or survey instrument. This design is suitable for this study because it helps understand opinions, behaviors, or practices of a specific population on a subject matter, hence making it suitable for this study.

6.2 Population

The population for this study is 133,722, owing to the information from the ICAN and ANAN brochures for inductees as of November 2024 and February 2025, respectively. With 65,593 for ICAN members and 68,129 for ANAN members, totaling 133,722. This target population was considered appropriate in this research because they have access to specialized knowledge and skills in Accounting and Finance, and through their professional qualifications, they have firsthand experiences about financial practices, problems, and trends in Nigeria.

6.3 Sample Size and Sampling Technique

Taro Yamane's sample size determination technique, proposed by Taro Yamane, a Japanese statistician in 1967, was adopted. A stratified and purposive sampling technique was used to select the sample for this study. This technique is suitable

because it ensures that the sample is representative of different sub-groups within the population. The strata were based on the two professional accounting bodies (ICAN and ANAN). Additionally, the purposive sampling technique was employed to select respondents based on possession of professional certifications and their availability to respond to the questions in due time. Due to the professional nature of the topic, certified professional accountants were purposefully selected as respondents for this study.

The Taro Yamane formula is shown below:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

N = population size

e = error margin (0.045)

Therefore; $n = \frac{133722}{1 + 133722(0.045)^2} \quad n = 492$

N/B: Based on Taro Yamane's formula, the sample size of 492 was obtained. Out of the 492 shared questionnaires, 407 were returned properly filled. However, 85 were not properly filled, hence they were invalid. The **407** properly filled questionnaires were used for the decision of the study. Also, given the professional exposure of the respondents, an error margin of 0.045 was used to ensure more accuracy in the results.

6.4 Sources of Data and Collection Instruments

Data for this study were sourced from the responses of the target samples through a well-structured questionnaire (primary data). The primary information was collected through the dissemination of a well-structured five (5) point Likert-scale questionnaire on the various professional accounting members' media platforms with the aid of a Google Form template via a link.

6.5 Method of Data Analysis

The descriptive statistics were carried out to ascertain the individual characteristics of the variables, while the normality test was conducted to ascertain if the dataset is normally distributed. Frequency and percentages were adopted to measure the degree of compliance and summarize each of the questionnaire items, while the Pearson Chi-Square Test of Independence was used to test the hypothesis at 5% level of significance. The Statistical Package for Social Sciences (SPSS) was used for data Analysis.

6.6 Reliability and Validity of Instruments

To ensure the reliability of the questionnaire, the Cronbach's alpha coefficient was used to measure the reliability and internal consistency of the instrument. A Cronbach's alpha value of ≥ 0.7 shows a reliable instrument for a meaningful study. To ensure the validity of the questionnaire, expert review opinion from three (3) experts in the accounting and finance field was used. The experts' feedback on the clarity and relevance of the questions was used to modify the questionnaire.

7. Data Presentation and Analysis

7.1 Demographic Results of the Respondents

Table 7.1.1 Professional Membership

		Frequency	Percent	Valid Percent
Valid	ICAN	203	49.9	49.9
	ANAN	170	41.8	41.8
	BOTH	34	8.4	8.4
	Total	407	100.0	100.0

Source: Authors Computation using SPSS

Table 7.1.1 shows the demographic analysis of the respondents, revealing a distribution of professional membership who responded to the questionnaires. The Institute of Chartered Accountants of Nigeria (ICAN) members dominate the sample, accounting for 49.9% (203 respondents). Followed by members of the Association of National Accountants of Nigeria (ANAN), who make up 41.8% (170 respondents). A smaller proportion, 8.4% (34 respondents), holds dual membership in both ICAN and ANAN.

7.3 Reliability Test

Table 7.3.1 Cronbach's Alpha Reliability Test

Reliability Statistics	
Cronbach's Alpha	N of Items
.950	16

Source: Authors Computation using SPSS

To ensure the reliability and internal consistency of the data gathering instrument, the Cronbach's Alpha reliability test was conducted on Table 7.3.1 above. The Cronbach's Alpha reliability test result indicated an alpha value of 0.950. Generally, a Cronbach's Alpha value of 0.9 and above is considered excellent. Hence, this result provided strong evidence for the reliability of the scale, indicating that the results are consistent and trustworthy.

8. Test for Research Hypotheses

Hypothesis One: Audit Firms have no significant Compliance rate with the Financial Reporting Council Registration Requirements in Nigeria.

Table 8.1.1 Results for Hypotheses One

Audit firms fully Register Firm Names and Addresses with The Financial Reporting Council of Nigeria						
	SA	A	U	SD	D	TOTAL
Frequency	126	237	39	3	2	407
Valid Percent	31.0%	58.2%	9.6%	0.7%	0.5%	100%
Audit firms maintain full records of a valid practice license With the Financial Reporting Council of Nigeria						
	SA	A	U	SD	D	TOTAL
Frequency	102	244	50	8	3	407
Valid Percent	25.1%	60.0%	12.3%	2.0%	0.7%	100%
Audit firms ensure the timely renewal of their registration with The Financial Reporting Council of Nigeria						
	SA	A	U	SD	D	TOTAL
Frequency	66	106	62	63	110	407
Valid Percent	16.2%	26.0%	15.2%	15.5%	27.0%	100%
Audit firms provide their Corporate Affairs Commission registration Certificates to the Financial Reporting Council of Nigeria						
	SA	A	U	SD	D	TOTAL
Frequency	154	188	60	4	1	407
Valid Percent	37.8%	46.2%	14.7%	1.0%	0.2%	100%

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	44.395 ^a	30	.046
N of Valid Cases	407		

Source: Authors Computation using SPSS

The result in Table 8.1.1 showed that a significant proportion of audit firms comply with registering firm names and addresses with FRCN, with 58.2% agreeing and 31% strongly agreeing, while a relatively lower proportion of 9.6% are undecided, 0.7% disagree, and 0.5% strongly disagree. Regarding maintaining full records of valid practice licenses with FRCN, result agrees that a relatively high proportion of audit firms maintain full records of valid practice licenses, with 60% agreeing and 25.1% strongly agreeing, while 12.3% are undecided, 2% disagree, and 0.7% strongly disagree. The timely renewal of registration appears to be a challenge, with 26% agreeing, 16.2% strongly agreeing, 15.2% undecided, 15.5% disagreeing, and 27% strongly disagreeing. Lastly, the provision of Corporate Affairs Commission registration certificates to FRCN seems to be a common practice, with a relatively high level of 46.2% agreeing and 37.8% strongly agreeing, while 14.7% are undecided, 1% disagree, and 0.2% strongly disagree. The Pearson Chi-Square shows a value of (44.395) with a p-value of (0.046), which is less than 5% conventional degree of significance.

Hypothesis Two: There is no significant adherence to the Mandatory Audit Firm Rotation regulation in Nigerian accounting practices.

Table 8.1.2 Results for Hypotheses Two

Mandatory rotation of audit firms and their engagement partners is strictly adhered to by public interest entities in Nigeria.						
	SA	A	U	SD	D	TOTAL
Frequency	50	156	104	31	66	407
Valid Percent	12.3%	38.3%	25.6%	7.6%	16.2%	100%
Audit firms rotate the engagement partners assigned to undertake the external Audit of a company after 5 years.						
	SA	A	U	SD	D	TOTAL
Frequency	44	143	103	38	79	407
Valid Percent	10.8%	35.1%	25.3%	9.3%	19.4%	100%
Audit firms are retained by Public entity firms for not more than 10 years continuously.						
	SA	A	U	SD	D	TOTAL
Frequency	47	184	110	41	25	407
Valid	11.5%	45.2%	27.0%	10.1%	6.1%	100%

Percent						
Audit firms strictly adhere to a 7-year cooling-off period before being re-appointed as a statutory Auditor of the firm.						
	SA	A	U	SD	D	TOTAL
Frequency	46	84	107	68	102	407
Valid Percent	11.3%	20.6%	26.3%	16.7%	25.1%	100%

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	43.835 ^a	38	.249
N of Valid Cases	407		

Source: Authors Computation using SPSS

The result in Table 8.1.2 showed that 38.3% of respondents agree and 12.3% strongly agree that public interest entities strictly adhere to mandatory rotation of audit firms and their engagement partners, while 25.6% are undecided, 7.6% disagree, and 16.2% strongly disagree. The results also showed that 35.1% of respondents agree and 10.8% strongly agree that audit firms rotate their engagement partners after 5 years, while 25.3% are undecided, 9.3% disagree, and 19.4% strongly disagree. Furthermore, the results showed that 45.2% of respondents agree and 11.5% strongly agree that audit firms are retained by public entity firms for no longer than 10 years continuously, while 27% are undecided, 10.1% disagree, and 6.1% strongly disagree. Moreover, the results showed that 20.6% of respondents agree and 11.3% strongly agree that audit firms strictly adhere to a 7-year cooling-off period before being re-appointed as a statutory auditor, while 26.3% are undecided, 16.7% disagree, and 25.1% strongly disagree. The Pearson Chi-Square shows a value of (43.835) with a p-value of (0.249), which is greater than 5% conventional degree of significance.

Hypothesis Three: Accountants do not exhibit a significant level of objectivity in discharging their professional duties in Nigeria.

Table 8.1.3 Results for Hypotheses Three

Professional Accountants prepare financial reports with utmost neutrality in Nigeria.						
	SA	A	U	SD	D	TOTAL
Frequency	59	64	44	138	102	407
Valid Percent	14.5%	15.7%	10.8%	33.9%	25.1%	100%
Auditors form an unbiased opinion on the actual state of a firm's financial position in Nigeria.						
	SA	A	U	SD	D	TOTAL
Frequency	50	67	42	135	113	407
Valid Percent	12.3%	16.5%	10.3%	33.2%	27.8%	100%
Professional Accountants discharge their corporate duties independently of management influence in Nigeria.						
	SA	A	U	SD	D	TOTAL
Frequency	58	56	41	149	103	407
Valid Percent	14.3%	13.8%	10.1%	36.6%	25.3%	100%
Auditors do not allow their personal interests to deter the accuracy of their reports in Nigeria.						
	SA	A	U	SD	D	TOTAL
Frequency	53	65	50	116	123	407
Valid Percent	13.0%	16.0%	12.3%	28.5%	30.2%	100%

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	37.799 ^a	40	.561
N of Valid Cases	407		

Source: Authors Computation using SPSS

The result in Table 8.1.3 shows that 15.7% of respondents agree and 14.5% strongly agree that professional accountants prepare financial reports with utmost neutrality,

while 10.8% are undecided, 33.9% disagree, and 25.1% strongly disagree. The results also showed that 16.5% of respondents agree and 12.3% strongly agree that auditors form an unbiased opinion on the actual state of a firm's financial position, while 10.3% are undecided, 33.2% disagree, and 27.8% strongly disagree. Furthermore, the results showed that 13.8% of respondents agree and 14.3% strongly agree that professional accountants discharge their corporate duties independently of management influence, while 10.1% are undecided, 36.6% disagree, and 25.3% strongly disagree. In addition, the results showed that 16% of respondents agree and 13% strongly agree that auditors do not allow their interest to deter the accuracy of their reports, while 12.3% are undecided, 28.5% disagree, and 30.2% strongly disagree. The Pearson Chi-Square shows a value of (37.799) with a p-value of (0.561), which is greater than 5% conventional degree of significance.

Hypothesis Four: Regulatory bodies are not significantly effective in enforcing full compliance and promoting Ethical Conduct among Professional Accountants in Nigeria.

Table 8.1.4 Results for Hypotheses Four

The FRCN monitoring system adequately ensures that only qualified and Competent Audit firms are registered to practice.						
	SA	A	U	SD	D	TOTAL
Frequency	98	75	47	63	124	407
Valid Percent	24.1%	18.4%	11.5%	15.5%	30.5%	100%
Financial misrepresentations are adequately detected and sanctioned by regulatory Authorities						
	SA	A	U	SD	D	TOTAL
Frequency	53	78	33	102	141	407
Valid Percent	13.0%	19.2%	8.1%	25.1%	34.6%	100%
Sanctions and Penalties imposed for non-compliance are effective in deterring professional accountants from unethical practices						
	SA	A	U	SD	D	TOTAL
Frequency	65	70	25	116	131	407
Valid Percent	16.0%	17.2%	6.1%	28.5%	32.2%	100%
Enforcement of ethical standards by regulatory bodies has significantly reduced financial irregularities in Nigeria						
	SA	A	U	SD	D	TOTAL
Frequency	73	70	37	94	133	407

Valid Percent	17.9%	17.2%	9.1%	23.1%	32.7%	100%

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	49.183 ^a	40	.162
N of Valid Cases	407		

Source: Authors Computation using SPSS

The result in Table 8.1.4 showed that 18.4% of respondents agree and 24.1% strongly agree that the FRCN monitoring system ensures only qualified and competent audit firms are registered, while 11.5% are undecided, 15.5% disagree, and 30.5% strongly disagree. The results also showed that 19.2% of respondents agree and 13% strongly agree that financial misrepresentations are adequately detected and sanctioned, while 8.1% are undecided, 25.1% disagree, and 34.6% strongly disagree. In addition, the results showed that 17.2% of respondents agree and 16% strongly agree that penalties for non-compliance are effective deterrents, while 6.1% are undecided, 28.5% disagree, and 32.2% strongly disagree. Moreover, the results showed that 17.2% of respondents agree and 17.9% strongly agree that enforcement of ethical standards has reduced financial irregularities, while 9.1% are undecided, 23.1% disagree, and 32.7% strongly disagree. The Pearson Chi-Square shows a value of (49.183) with a p-value of (0.162), which is greater than 5% conventional degree of significance.

9. Discussion Findings

9.1.1 Objective One

The hypothesis outcome revealed that there is a high rate of compliance with the Financial Reporting Council Registration Requirements by Audit Firms in Nigeria. According to the findings, a number of firms have observed some of the FRCN registration requirements, such as the registration of firm names and addresses, and valid practice licenses. This demonstrates their willingness to abide by regulatory norms. Nevertheless, problems with timely registration renewal indicate areas to be improved. These findings have far-reaching implications since failure to abide by the rules of timely registration of FRCN could bring significant implications. In this case, audit firms lose their credibility in undertaking audit functions. This, in its turn, is capable of affecting investor confidence, not to mention financial report reliability. Training and sanctions on audit firms would help them to learn more about the FRCN registration requirements and be more compliant. The assertion of this study is in line with that of Mohapatra et al. (2017), who maintained that clients of registered audit firms experienced higher audit quality after registration, implying that

registration motivates audit firms to maintain credibility, knowledge, and expertise to comply with international standards. The Pearson Chi-Square test result indicated a statistically significant adherence with a p-value of 0.046. Given this result, we reject the null hypothesis that Audit Firms have no significant Compliance rate with the Financial Reporting Council Registration Requirements in Nigeria. This suggests that audit firms in Nigeria do have a significant compliance rate with FRCN registration requirements, although the level of compliance varies across different aspects of the requirements.

9.1.2 Objective Two

The results of the hypothesis revealed that no significant compliance with the Mandatory Audit Firm Rotation regulation exists in the accounting practice of Nigeria. Its findings suggest that the public interest bodies partially adopt the mandatory rotation of audit firms and the engagement partners. This is the same case with the rotation of engagement partners by audit firms, which has a similar degree of compliance after 5 years. This is a good move because the rotation of the engagement partner will contribute to minimizing the risk of familiarity and bias during the process of auditing. This conclusion corresponds to the assertions of Amahalu (2019), who explained that audit rotation plays a very crucial role in assisting in curbing over familiarity in relationships between the audit firm and clients, which could affect the objectivity of auditors in the long term. Nonetheless, it is in contrast to the results of Jadiyappa et al. (2021), who claimed that the lack of audit rotation, along with the extension of audit tenure, enhances audit quality, which can be explained by the fact that the auditor has a better understanding of the operations of the client firm and perceived risks. The retention of audit companies by public entity firms for no more than ten years appears to result in a higher level of compliance. This is positive because long-term auditor tenure can breed familiarity and bias, thereby jeopardizing auditor independence. However, adherence to a 7-year cooling-off period before being re-appointed as a statutory auditor seems to be a challenge in Nigeria. This emphasizes the need for regulatory bodies to provide guidance and oversight to ensure that audit firms comply with this regulation adequately. The Pearson Chi-Square test result indicates a non-significant compliance, with a p-value of 0.249. Given this result, we fail to reject the null hypothesis that there is no significant compliance with mandatory audit firm rotation regulations in Nigeria.

9.1.3 Objective Three

The findings of the hypothesis showed that Accountants do not exhibit a significant level of objectivity in discharging their professional duties in Nigeria. With a sizable proportion of respondents disagreeing or strongly disagreeing that professional

accountants prepare financial reports with utmost neutrality, form unbiased opinions, discharge their duties independently, and avoid personal interests influencing their reports. These findings have huge implications, as a lack of objectivity might jeopardize the accuracy and dependability of financial reports. This potentially could result in poor investment decisions, financial losses, and damage to the accounting profession's reputation. Also, a lack of objectivity can undermine the credibility of financial reporting, weakening trust in the capital market and the economy as a whole. The findings of this study are in line with the assertion of Cletus and Oghoghomah (2014), who recorded a low rate of adoption of accounting ethics in professional practice in Nigeria. As a result of greed, self-interest, poor societal values, lack of clearly defined ethical guidelines, lack of professional competence, self-deception, and rationalization. These findings also align with the assertion of Albrecht, Hilton and Wilkerson (2016), who posited that professional accountants are not being properly trained, and a lack of awareness regarding ethical standards among professionals can be a major reason for these inconsistencies. Hence, regulatory and professional bodies should focus training and guidance on objectivity and its role in financial reporting. This could include conferences and seminars that cover objectivity concepts, risks to objectivity, and solutions for sustaining objectivity in practice. Accounting firms should also establish strong internal controls, such as independent financial report review and conflict-of-interest management policies. The Pearson Chi-Square test result indicated a non-significant adherence, with a p-value of 0.561. Given this result, we fail to reject the null hypothesis that professional accountants in Nigeria do not demonstrate significant objectivity in their practices.

9.1.4 Objective Four

The findings showed that Regulatory bodies are not significantly effective in enforcing full compliance and promoting Ethical Conduct among Professional Accountants in Nigeria. The results imply that the FRCN monitoring system is less effective in ensuring that only qualified and competent audit companies are registered. Similarly, regulatory bodies are less effective in the detection and sanctioning of financial misrepresentations by professional accountants, as there are no strict penalties for non-compliance. Hence, the implementation of ethical norms and their impact on minimizing financial irregularities have become a huge challenge. These findings indicate that regulatory bodies face challenges in promoting full compliance and ethical conduct among professional accountants. Findings of this study are in agreement with the findings of Olojede et al (2020), Salawu (2017), and Okwuosa & Peter (2024), whose study concluded that Nigeria's regulatory agencies demonstrate weaknesses and inefficiencies in enforcing adherence to relevant regulations. This resulted from a lack of strict penalties and

effective monitoring. To improve effectiveness, regulatory bodies should consider strengthening monitoring, investigation, and enforcement mechanisms. The Pearson Chi-Square test result indicated a non-significant enforcement, with a p-value of 0.162. Given this result, we fail to reject the null hypothesis that regulatory enforcement is not effective enough to impact full compliance and ethical conduct among professional Accountants in Nigeria.

10. Conclusion and Recommendation

This research indicated that legal adherence and professional ethics are relevant in reinforcing the accounting profession in Nigeria. Nevertheless, there are still existing loopholes in the implementation of FRCN requirements, mandatory audit firm rotation, and auditor objectivity. Cases like the Cadbury Nigeria Plc financial misstatement scandal and the downfall of the Oceanic Bank Plc revealed that lax enforcement, lack of compliance culture, and inadequate regulatory capacity may undermine confidence that people place in the financial reporting. These failures warrant an immediate requirement to enhance ethical standards and regulations in the accounting practices in Nigeria. Regulators ought to reinforce compliance audits in order to overcome such challenges. Stronger penalties like huge fines, long-term suspensions, and revocation of practicing licenses should be imposed on defaulting firms to serve as a deterrent. Institutionalizing regular ethics and capacity-building programs by professional bodies such as ICAN and ANAN, and internal controls by audit firms, is also essential to limit malpractice. Regulators, professional bodies, and practitioners should work together to ensure that they create a compliance culture geared towards regaining investor confidence and protecting the economic stability of Nigeria.

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