AUDIT THEORY AND ITS IMPLICATIONS ON AUDIT TODAY: THE NIGERIAN EXPERIENCE

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Abstract

This paper is set out to examine the various auditing theories and how they apply to contemporary auditing. The need for auditing is paramount so as to give a credible report by an independent expert about the company's affairs that is managed by the employees to the shareholders. Auditing theories are necessary as these forms platforms on which audit work is based on providing clues on how to carry out audit functions. The study adopts exploratory research method by reviewing literatures relating the subject matter and case study approach was adopted using Cadbury Nigeria Plc and ailing banks. Audit theories were considered. Professional ethics should be duly exercised avoiding compromise so as to minimize cases of corporate scandals to ensure a good audit. The study concludes that detection of corporate scandals has been prolonged as a result of negligence in professional conduct, theory of accountability and ethics is very crucial to audit work. Auditors should adhere to the professional ethics in carrying out their duties and monitoring agency should ensure close supervision of all audit firms at regular intervals.

Keywords: *Auditing, Audit Theories, Audit practice, Case study.*

Introduction

According to Lee and Azham (2008) audit means to hear and it was derived from the Latin word 'audire,' In the olden days, the practice of audit was carried out by auditors listening to the accountant read over their accounts in order to check them and ensure everything is correct, they do not examine financial statements and other documents relating to the financial statements of the company as it is practiced today. This practice of auditors listening to accountant read over their accounts was carried out in some ancient countries including Mesopotamia, Greece, Egypt, Rome, U.K. and India. Auditing grew and rapidly developed in the 18th century after the industrial revolution that brought about the growth of the joint stock companies

separating ownership and management. The big companies were no longer handled by the owners but over seen by others thus the need for accountability so as to give a credible report on the company's affairs by an independent experts necessitated auditing. Auditing theories are platforms on which audit is based on thus providing guidelines on how to carry out audit functions. The focus of audit has shifted from detecting of fraud in the 20th century.

The complexity of business environment necessitated the shareholders handling their resources in the care management. However, managers sometimes tend to be selfish acting in their own interest leading to contracting a third party usually an auditor to give credibility on the financial statement. Lee and Azham (2008) noted that the development of auditing overtime reveals the constant changes in audit objective and the roles of auditors due to highly influenced contextual factors such as the fall of big corporations. The corporate scandals of Cadbury, financial institutions in Nigeria involving Oceanic Bank Plc, Intercontinental Bank Plc, Afribank Plc, Finbank, Bank PHB, and Spring Bankhad created crisis in the credibility of audited financial statement and a great question on the professional ethics in accountancy profession. This calls for insufficient application of audit theories to practice. The opinion of auditors often influences the decision of both internal and external users of financial statement. Therefore, auditors are to strictly adhere to the theories of auditing in order not to mislead the users.

The need of auditing came as a result of accountability when men could no longer take care of their herds and needed another person to take care of it thus accounting for it. If accountability which infers responsibility is considered then auditing will be much better but there seems to be a neglect or partly adherence to theories. The disparity of business ownership and agency problem have resulted in corporate scandals making this study necessary to consider its role on today's audit world.

The objective of this study is to examine the theories in auditing and applying it to contemporary audit. Audit theories are seen to form a platform on which auditing is established. These theories are worth studying so as to move forward in organizations and audit world in general. The different theories are considered and its application to today's audit.

This study adopted the exploratory research design method to explore audit theories and how it applies to auditing today. Secondary data were reviewed including books, articles. Based on this, conclusion was drawn.

Literature Review

The disparity in business ownership and management created the need for auditing. These as a result of different view from each party, owners of business have little or no control over their resources. In such instance, third party is required for reasonable assurance over the activities of the company in the form of audit. According to Whittington and Pansy (2012), he defined auditing as a search that brings about verification of accounting records as well as examining other supporting evidence of the financial statement. Auditing involves evaluation of information of a company and its environment, internal controls, assets and carrying out audit procedures. Audit has to do with assertion of what management says exist in an organization. There is need to verify and assert on what the management of business report exist in the organization.

According to Arens, Elder and Beasley (2006) the conflict of interest between stakeholders and managers created the demand for auditing. The need for audit services came as a result of several factors; gap between users of financial statements and preparers of financial statements, conflict of interest between financial statements users, complexity of the economic transactions and the expected effect of the financial statements on decision making. Audit report is the means by which auditors communicate to users and this report must be understood by users, objective and accepted as been relevant.

The development and evolving of audit as well as the history can be divided into five periods: Prior to 1840, 1840s-1920s, 1920s-1960s, and 1960s-1990s and 1990s – present. Ancient auditing started in the form of checking activities and this was found in the ancient civilizations of China. In Greece, ancient checking activities started around 350 B.C and it's close to present day audit. When an individual is convicted of embezzling found he is fined to pay ten times the amount stolen by the court. In order to ensure that transactions relating to revenue and expenditures stated were properly accounted for, officers were appointed known as special audit officers (Gul,Tech, Andrew & Schelluch, 1994).

The Italian city states found the checking of activities. Goods of merchants were brought in by ship sailor captains from the old world to Europeans countries and this was verified. The aim for auditing was primarily for the detection of fraud. According to Porter, Simon & Hatherly (2005) before the industrial revolution, there was little commercial application to auditing as industries were managed by the owners and dealt with cottages and small mills. The need to report on business by the owner was not seen to be necessary. There were no audit sampling and procedures during this period.

The period of industrial revolution stems from 1840s– 1920s and auditing was firmly established (Gill & Cosserat, 1996). Brown (1962) concluded that the duty of auditors were to check the arithmetical accuracy of transactions and prepare accurate financial statements thus paying little or no attention to internal control of companies.

This period of 1920s – 1960s was characterized with the growth of US economy which brought about various developments in audit from the United Kingdom to United State of America. Porter, Simon & Hatherly (2005) gave some important characteristics of approaches to audit as follows; (i) internal control was relied upon by the company and the use of sampling techniques, (ii) the collection of audit evidence using sources from internal and external, (iii) truth and fairness of financial statements were being emphasized, (iv) a shift to the audit of Profit and Loss Statement which was gradual while Balance Sheet was equally important, and (v) physical observation of external and other evidences, outside the "books of account".

The period of 1960s -1990s was characterized with the growth in the economy with advancement in technology; the companies also grew in size as well as in complexities of operations. The auditors' roles in the 1970s were important which brought about the credibility of financial information and enhancing the operations of the capital market (Porter, Simon & Hatherly, 2005).

The early 1980 period was characterized by the use of analytical procedures as internal control assessment process was seen to be

expensive thus necessitating for the adjustment of the approaches of auditors (Salehi, 2007). The mid 1980s was characterized by risk-based auditing (Turley & Cooper, 1991). Risk-based auditing is an audit approach that entails auditor focusing on areas that are more likely to contain errors. Subsequently, the auditors need to have a thorough understanding of the organization of their clients, their personnel that played prominent role, their policies, and their industries (Porter, Simon & Hatherly, 2005). Financial data processing was now made possible by the use of computer systems.

In 1990s - present there is rapid growth and change in auditing profession as result of growth in the economy. Auditing has expanded beyond the function of attesting of financial statement and has developed new processes involving business risk of companies and if this risk is not controlled, it may affect the company's financial statement.

Theories in Auditing

Audit theories such as policeman theory, credibility theory, quasi-judge theory, theory of inspired confidence, agency theory, ethics theory, assurance theory, accountability theory, information theory and continuous audit theory are discussed as follows:

Policeman Theory

This theory thrived in the early days until 1940s (Hayes, Schilder, Dassen and Wallage, 1999). Policeman theory sees the responsibility of an auditor as that of searching, discovering and fraud prevention. Auditors were acting as policemen to ensure arithmetic accuracy of financial statement and for the detection and prevention of fraud. It lost its explanatory power due to its inability to explain the shift in auditing from true and correct to verification of true and fair view. The main focus of auditing is that of providing reasonable assurance and verification of the true and fairness of financial statements.

Lending Credibility Theory

This theory included credibility of financial statement to the function of auditors. Information asymmetry will be greatly reduced on the audited account that is prepared by agent for principals informed decision. Porter (1990) revealed that information made based on audited accounts do not form primary basis for decisions made by investors. This may be argued as there are other factor investor are to consider before making investment decision which could be qualitative or economic factors etc. However, most investors rely greatly on the audited financial statement; this creates the importance of credibility on all financial statements. The auditor should ensure to provide credibility to information management gives about the organization. It's when the public have confidence in the report of an auditor that makes it useful.

Quasi-judicial Theory

According to Hayes, Schilder, Dassen and Wallage (1999) quasi-judicial theory considers an auditor as a judge in financial distribution process. However, Porter 1990 reveals that the decisions and decision process of auditors are not publicly available, auditing do not guarantee the doctrine of precedence or consistency and there are different reward system to both an auditor and the judge which makes their independence to be different.

Inspired Confidence Theory

A Dutch man, professor Theodore Limperg developed the theory in the 1920s (Hayes, Schilder, Dassen and Wallage, 1999). The

professor's theory addressed two things, demand for and supply of services. Demand services emerged as a result of participation of outside stakeholders where accountability is required from the management in return to their contribution. Information provided may be biased which results to conflict of interest between the management and stakeholders. The auditor on the supply side should provide his information to ensure that information is rational.

Contingency Theory: This theory is a situational theory "it depends". The theory is common in auditing and management accounting research. Its use is in the recent accounting research. Umanath (2003) opined that contingency theory helps researchers to introduce factors to systematically explain and predict expected phenomenon. This also helps in auditing, enabling the prediction of a particular outcome from an event using a previous phenomenon. Waterhouse and Tiessen (1978), Fisher (1995) observed contingency theory suggest no universal control system as best but circumstances will determine the control system that is appropriate at a particular time. Hongren (1982) suggest that specific situations will determine the choice of an auditing technique to be adopted. Circumstances will determine the appropriate control system to adopt.

The Information Theory

This theory focuses on information provided to user so they can make informed economic decisions. This is closely related to credibility. Audited financial information is very important to investors so as to make decisions on various types of investment and enables them to assess the returns and risks of their decision. Financial data cannot be considered as improved and thus use for decision-making except the data is audited.

The Assurance Theory

Assurance services improve information quality for decision-making. The service of a professional who is independent is therefore required for assurance engagement. This in turn improves information making it relevant and reliable to users. Report is being issued by an auditor to a third party on reliability of an assertion.

Theory of Accountability

Accountability is an act of being responsible for an action. Accountability creates the obligation to account for activities in an organization. Accounting starts with accountability. According to Leclerc, Moynagh, Boisclair and Hanson (1996) accountability is the obligation to render an account for responsibility conferred. Managers are responsible for the financial information provided in their financial statement and activities in an organization. Auditors need to audit the accounts of organizations with care as the users make informed financial decision from it so as not to mislead the users. Negligence of this has resulted to several corporate scandals. Accountability has to do with responsibility and when a negative action occurs, the person in charge will take responsibility and thus be accountable.

Agency Theory

The agent has more information than the principal thus giving rise to information asymmetry which as a result adversely affected the principals' ability to monitor whether their interests are properly served or not by the agent. Agency theory shows relationship between the principal and agent. "Agency problem is one of the age-old problems that persisted since the evolution of the joint stock companies" (Panda & Leepsa, 2017. Pp 75). The managers tend to

act in their interest than the interest of the shareholders. The Institute of Chartered Accountants in England and Wales (2006) as cited in Millichamp and Taylor (2008) stated that "Agency theory is that the managers are usually motivated by their own personal gains and work to exploit their own personal interests rather than considering shareholders' interest and maximizing their value". The agent can decide to differ the report of losses to another period so as to boost the company's performance for their own gain. Agency theory seeks to ensure the alignment of the interest of managers with that of the shareholders. The beginning of agency problem as considered by Eisenhardt (1989) is when there is agency conflict between the principal and the agent which results into agency costs which makes it difficult to monitor and assess the agent. The principals are not able to monitor the agents' performance, thus the occurrence of controversy (Jensen & Mecklin 1976).

The agent performs certain duties for the principal who in turn reward the agent. It is expected that audit will provide an independent check on the actions of agent and creates confidence on the financial statement of an organization thus providing check and balances. The auditor supervises the relationship between the principal and agent. Audit reduces overall agency cost.

Accounting Professional Ethics

Every profession has its ethics that needs to be strictly adhered to. The accounting profession is not left out. Ethics as defined in oxford dictionary is 'the moral principles that controls or influence a person's behavior'. Every discipline has ethics governing it. ICAN (2009) gives the fundamental principles of professional ethics in accounting to include integrity, objectivity, and professional competence and due care, confidentiality and professional behavior. In carrying out any function the professional ethics should not be overlooked.

Integrity as defined by Oxford dictionary is 'the quality of being honest and having strong moral principles'. Integrity entails fair dealings, truthfulness and honesty. ICAN (2009) advises accountants not to be seen associated with report they believe to have the following information as stated "contains a materially false or misleading statement, contains statements or information furnished recklessly and omits or obscures information required to be included where such omission or obscurity would be misleading".

You either have integrity or not. It is good to have personal and professional integrity as this can enable one achieves a lot in life. Accountants and auditors are to conduct themselves at all times in such a way that will not bring discredit to their profession. Integrity cannot be isolated, it has ripple effect in organizations, that is, individual's integrity has effect on the entire organization.

Independence ensures that one is not being controlled by anything including people and owners of business. In performing their duty, auditors need to be objective. Independence and objectivity goes hand in hand in auditing. Independence in mind allows auditors to display act of integrity, maintaining objectivity and professional skepticism with due diligence. It allows auditors state their opinion without any influence or compromise in his professional judgment. Independence in appearance makes auditors not to allow their independence in mind to be compromised. Corporate scandals have a negative impact on auditors' credibility so auditors must do

everything to avoid it. Kares and Kriskova (2010) stated the fundamental principles relating to auditors profession in compliance with ethical code of auditors includes integrity, objectivity, professional competence and due diligence, professional behavior, professional standards and independence.

Auditors objectivity entails that auditors should not be bias in dealing with any client but must be objective. Auditors' independence ensures that before acceptance of any assignment, auditors and team members must ascertain their independence is not interfered with. Auditor's independence can be intentionally or unintentionally threatened.

Auditors are to bear in mind when performing any duty their professional codes of conduct. This should be a guide when accepting or carrying out any duty. In Nigeria, auditors should abide by the code of professional conduct of members that is being issued by ICAN which was drawn from and conforms with International Federation of Accountants (IFAC).There are consequences of unethical behavior in practice which may lead to sanctions for misconduct. Integrity, objectivity, independence, professional competence, due diligence, care and skills, professional behavior must be taken into cognizance in any assignment.

Continuous Audit Theory

Auditing has been argued to be carried out on a continuous basis and not annually. AICPA 1999 defines continuous audit theory as "a methodology that enables independent auditors to provide written assurance on a subject matter, for which an entity's management is responsible, using a series of auditors' reports issued virtually simultaneously with, or a short period of time after, the occurrence of events underlying the subject matter". Alles, Kogan and Vasarhelyi (2002) defined continuous auditing as the application of modern information technologies to the standard audit products, be they the mandated annual audit opinion or internal IT audit. Continuous auditing is a development of financial audit from manual to systems-based methods.

Empirical review

Adeyemi, Okpala and Dabor (2012) suggested using both primary and secondary data that multiple directorship has effect on audit quality and provisions of non-audit services. The quality of audit is often affected when an auditor of a company is carrying out other non-audit services for his client at the same time. However, Christopher and Israel (2013) concluded in their study that the unethical attitudes of external auditors have effect on the corporate failure of businesses. Also, Okaro and Okafor (2013) concluded that auditors were too long on their job resulting to the impairment of their independence on clients and thereby providing non audit services.

Okaro, Okafor and Ofoegbu (2013) in their study on corporate fraud revealed that corporate fraud in the public and non-profit organizations are perpetuated with the aid of 'CRIME' meaning Cooks, Recipes, Incentives, Monitoring and End results and noted similarities in the perpetuation of fraud by the top management and differences were seen in the instruments used for fraud perpetuation. Otunsanya and Lauwa (2010) revealed in their study in the bid for auditors to increase their profits they involve practices that are anti-social and partly responsible in the distress and collapse of Nigerian banks by not issuing a

qualified report when such is the case in the course of their audit.

Ohiokha and Akhalumeh (2013) found that external auditors complied with standards but criticism were tailored towards International Auditing Standards (IAS) as there is need for interpretation, clarification and improvement that are applicable to the Nigerian environment. Holm and Zaman (2012) in their study on audit quality factors of transparency, expertise, professionalism and commercialization found UK Financial Reporting Council (FRC) and professional bodies have focused mainly on issues which possibly do not pose threats to the commercial interest of audit firms.

The perception of the stakeholders on audit performance gap in Nigeria using agency theory, inspired confidence and policeman was conducted by Adeyemi and Olowookere (2011). The expectations gap on auditor's duty performance is wide. No specific generally accepted description of auditor's role is stated. The scandal has a negative impact on auditor's profession. However, financial statement users should be enlightened on what auditor's role exactly is on financial statement and extent to which he should go. Control measures put in place to ensure good quality control.

Case study

The SEC (Securities and Exchange Commission) after receiving a copy of the annual report of Cadbury in June 2006, reviewed found out the decline in their profitability, leverage ratios were worsening, deteriorating cash flows, disclosures were inadequate, non-compliance with corporate governance codes and loans were being obtained for payment of dividend against the regulations of SEC. Price Waterhouse Coopers (PWC) was appointed to investigate and report the overstatement in Cadbury's financial statement for the period 2003 to 30th September, 2006 being an independent audit firm (SEC, 2008).

The Directors, some management staff of the company, its external auditors Akintola Williams Delloitte (AWD) alongside with others were summoned by the Administrative Proceedings Committee (APC) and findings as stated by SEC (2008) are as below:

i. "A former managing Director connived with the company's Board since year 2002 used stock buy backs, cost deferrals, trade loading and false suppliers certificate to manipulate its financial reports that were issued to the public and filed with the Commission.
ii. AWD, one of the leading and most experienced accounting firms in the country were external auditors to the company for over forty years.
iii. The APC of the Commission found that N13.255 billion was the accumulated overstatement for the years 2002 to September 30, 2006 and that AWD audited the published accounts for those years as well as carried out an interim audit for the period ended September 30, 2006.
iv. That a balance of N7.7 billion was credited to the company's account in 2005 without confirmation of the bank balances from any of the banks. AWD did not make any note in the 2005 audited account that it did not receive confirmations from any of the banks for the balances recorded against such banks. The materiality of the amount is significant enough to have put AWD on enquiry.

v. That AWD sent management letters on the company's 2001 to 2005 accounts, yet they failed or refuses to note the lapses in the accounts when no satisfactory responses was given by the company's management.
vi. That in carrying out its job as Reporting Accountants in the Right Issue of 5 billion irredeemable loan stock, AWD reviewed the accounts forecasts of the company's following which it filed with the Commission a memorandum of profit forecast that was unrealistic.
vii. That though Auditors normally really on documents presented to them by clients to do their work however they are required to probe further when put on inquiry as shown by the stock certificate of N700 million allegedly issued by JOF Limited but disclaimed in writing by the alleged issuer, which was large enough to make AWD seek further confirmation but it did not.
viii. That professional skepticism generally requires that an auditor should not believe documents presented by a client till it sees evidence that they are genuine. In the company's case, AWD did not probe further or doubt documents presented by the company in spite of the internal control lapses detected and revealed in its management letters.
ix. That AWD and in particular the partners that handled the company's account did not carry out their assignment with high level of professionalism and diligence expected of a reputable accounting firm of its caliber".

Chikendu (2009) wrote on audit failures in ailing banks that on CBN's examination of some ailing banks, it noted that their financial statement was far from the reality however, the affected financial statements were audited and issued an unqualified report. CAMA1990 and BOFIA states that financial statement should be signed off by auditors as representing true and fair view of a company's affairs for the year ended and if these reports have been well prepared in accordance and in compliance to the law and cases were proper records are not kept. One of the bailed out banks report stated that "we have audited the accompanying consolidated financial statement of 'the bank' and its subsidiaries (together 'the group') comprising the consolidated cash balance as at 31 December, 2008 and the consolidated profit and loss account and consolidated cash flow statement for the period then ended and a statement of significant accounting policies and other explanatory notes. In our opinion, the financial statement gives a true and fair view of the state of affairs of the bank and group as 31 December, 2008 and of their profits and cash flows for the period ended in accordance with the Nigerian Statement of Accounting Standards, the Companies and Allied Matters Act 1990 and Banks and Other Financial Institutions Act 1990". However, findings by CBN appeared to give lies of the above assertions and posed several questions about the credibility of the auditors majorly on the exposure of debt disclosures.

Discussion of Findings

The requirement of CAMA 1990 for the audit of company's account was complied with by auditing the account of Cadbury Nigeria Plc by AWD. However, there were fraudulent practices the auditors failed to report on which is not in line with audit theories. This may be due to the fact that they were auditors for the company for over forty (40)

years. Auditing a company for a long period may lead to bias and the auditor's objectivity may be affected resulting to compromise of the auditing standard despite having requisite experience. AWD had been auditing their account yet they never discovered the accumulated overstatement. The failure of AWD is not in line with carrying their assignment with due diligence and care. The agency theory is evidenced indicating that the agents are still in business of expropriating the principals and so therefore, auditors need to carry out his duty with care and due diligence to ensure a fair report. More so, the audited financial statement is relied upon by users to make informed economic decision.

Theory of information warranted AWD to write a management letter when they could not receive satisfactory explanation on the dealings of the company however, they failed creating information risk. There was no report as to whether they were restricted from gaining access to relevant documents but rather gave an unqualified audit report. Theory of ethics is evidenced as an auditor is not supposed to audit a company for several years in order to maintain her independence but this was not the case of AWD who has been Cadbury Nigeria Plc auditors for several years. Despite a big firm, AWD showed negligence and lack of professional care and due diligence in carrying out her duty. Integrity cannot be isolated, it has ripple effect in organizations thus an individual's integrity has effect on the entire organization. AWD had several partners and not all were engaged in the audit of Cadbury Plc however, the entire firm was affected by the actions of few.

The case of failures of banks in 2008 created question on auditors' credibility on the financial statement. Theory of lending credibility to financial statement users was at stake as the financial statement did not reveal the true state of affairs of the companies. They did not consider the professional ethics. There integrity, objectivity, independence was questionable. They compromised their ethics and accepted audit fee that was above the required percentage. In order for auditors not to dampen their profession, they should ensure to carry out their duty in a professional way and avoid any form of compromise.

The problem of agency theory lending to the contracting of a third party to give reasonable assurance was defeated. The auditor is to report and form his opinion on the activities reported by the agent if it was carried out accordingly but he did not give a true opinion. They never raised any objection as to deviations of management in application of applicable standards in their report.

The primary duty of an auditor is not to detect fraud but however, in the course of carrying out his duty, he is to report any incidence of such. Audit theories are very important to auditing today. Accountability forms the primary reason why audit is conducted. Responsibility creates accountability and auditing is all about accountability.

Professional ethics when strictly followed will greatly reduce the corporate scandals in various organizations. Professional ethics ensures fairness of information to all parties concerned and not at the detriment of the other. This brings about maintenance of high level of degree of independence in today's audit. Any audit without integrity attracts negative view from users but when professional codes of conduct is complied with, it gives users assurance on the financial

statement. Independence should never be compromised as this creates distrust on the credibility of the financial statement.

Auditing should be carried out with a state of independence so as to provide credible information to the public. Any financial statement not audited creates a credibility gap. This may be due to the biased nature of the managers preparing it. This gap is breached by auditors providing credibility to financial statement users, stating that financial statement has not materially departed from generally accepted accounting principles. Economic decisions are made by users of the financial statement and these decisions are made under conditions of uncertainty however, auditors give credibility to the financial statements reducing information risk. Auditing provides limited effect on companies' business risk but has significant effect on the level of its information risk. This is so because information gives more confidence in assessment of business risk.

Summary and conclusion

Auditing and its theories go hand in hand. For any auditor to succeed in the course of auditing he must consider the theories and make appropriate use of it. Corporate scandals have been experienced as a result of negligence in professional conduct. Theory of accountability and ethics is very crucial to audit work. Adherence to these theories will minimize corporate scandals in companies. The cases of Cadbury Nigeria Plc and banks failure shows negligence in the professional conduct of auditors affecting ethics in the profession, information risk, lending credibility, agency theory and assurance. Auditing is a crucial area in accounting profession and it should strictly adhere to the high professional standards in discharging their duties. Users of financial statement make informed economic decisions from audited financial information and therefore, auditors should carry out their duties with care and due diligence so as to minimize information risk which in turn takes care of business risk. The objective of audit has not changed but information technology keeps changing so auditors need to adapt by using innovative computer auditing techniques in order to ensure effectiveness in auditing.

Conclusively, the auditors must exercise professional care and diligence in carrying out their duties. They should avoid compromise of any form and even after acceptance of an audit work when found their independence is impaired then the need to withdraw from such engagement. Monitoring agencies should ensure close supervision of audit firms irrespective of their sizes.

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