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External Auditor Unethical Financial Reporting on Corporate Business Failure in Nigeria

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INTRODUCTION

Financial reports serve as avenue for managers to give accounts of their stewardship to shareholders and other stakeholder, which are expected to present fair and truth reflection of the financial position of an organization as at the time of preparation and presentation. The reports are expected to influence the decision making process of a diversity of interest groups including, shareholders, employees, suppliers, creditors, financial analysts, stockbrokers, management, and government agencies – with timely and reliable information useful for making prudent, effective and efficient decisions. In order to overcome the problem of credibility, integrity and transparency of financial statements, an auditor who is an independent of the management is appointed to investigate the information in the financial statements and report his findings to the shareholders (Millichamp, 2010). In performing this role, the auditor fosters the trust of the public and encourages them to believe that the financial statements are true and fair (Sikka, 2009). However, following numerous cases of corporate crisis, scandal and failures, some of which were linked to the negligence or unethical financial reports of the auditors, the public confidence in the financial statements has long been eroded and this have led to the auditing profession once again in the lime light as a result of several business failures. These failures have brought up a lot of public discourse which results to increased demands for ethical values within the auditing profession.

External Auditors are professionally qualified Accountants who involved in public practices. According to section 357 (1) of the Company and Allied Matters Act 2004, every company shall at each Annual General Meeting appoint an Auditor or Auditors to audit the Financial Statement of the company, and to hold office from the conclusion of that until the conclusion of the next Annual General Meeting. This protracts the ethical and legitimate responsibilities of Auditors to audit the Financial Statements of an entity in ensuring corporate accountability, transparency, liquidity and survival and growth. They are expected to consider whether the information presented in the Financial Statements are relevant, reliable, comparable, accurate and understandable when forming an opinion on whether the financial statement fairly represent the financial position, results of operations and cash flows of an entity (IAASB 2003), (PAS 90), (AICPA 2000). Of course their reports suppose to provide relevant information for strategic business decisions that are applicable at all level (Akpota & Israel 2013).

Auditors responsibility are retrospect in nature by examining financial data with the aim of detecting omissions and frauds and securing the reliability and credibility of the financial statements. But often times the reverse is the case, unethical financial reports and corporate business collapse or failure has long been a great threat to sustained economic growth globally and this is made worse considering the contemporary global business network. Marcus (2001); Paullyn, (2003); Olabiyi, (2006); Ehichioya, (2011) Opine that despite the evolution of corporate governance practices, other strategic managerial and stakeholders actions, inability or failure of firms to meet its objectives has shown a prominent phenomenon in our daily businesses.

As a matter of fact, the quantum effect of these organized and sophisticated business failure witnessed recently in the corporate world, posed a major threat in the trust and confidence shareholders, investors,

and the general public have in financial statements. There is a clear drop in user perceptions of the audit function irrespective of the structure of the functions since they are compromising their responsibilities. Jenfa, (2010) once said that auditor(s) contribute to business failure because they do cover up fraud and collaborated with their client to commit fraud.

However, the roles of external auditor unethical financial reports toward business failure are influenced by the quality of evaluation financial statements. This shows that auditors have not live up to expectation in discharging their responsibilities and the failure of statutory audit to prevent and reduce corporate business failures and then the question why engaging statutory auditor(s). In view of grievous economic consequences of these business failures which often times are of permanent in nature, although different strategic efforts have also been put in place to ensure true and fair financial reports to have accountability, transparency, growth and a stable corporate businesses (Akpota & Isreal, 2013).

Stain, (2004), Fubara, (2004), Daso, (2007), agreed that low volume of operational funds (working capital) has also been found in literature as having a relationship with corporate business failure. There are other important aspects in business literature that linked corporate business failure to poor strategy implementation and perhaps poor operationalization of strategic planning and controls but this study will focus on external auditor unethical financial reports and corporate business failure.

Statement of Research Problem

Recently the number of corporate business failure filling for reorganization, restructuring and bankruptcy has significantly increased and this has been a growing concern about ethical and integrity issues in the accounting and auditing profession. As such, this era has been branded by series of corporate failures, ethical negligence, auditing and accounting scandals both in developed and developing economies. All stakeholders in corporate

businesses world are aware of the great danger and implication of unethical behavior of external auditor is causing the business world. In other words, there is much concern about auditors' consideration about going concern assumption when preparing financial statements. Although different issues have been raised as to whether every economic event supposes to have effects on the entity and reported or reflected in the financial statements.

The fall outs from corporate business failure relating to unethical financial reports have pervasive implication on accounting profession, and the users of the accounting reports, which suggests that they stem from a systematic decline of accounting ethics over the years (Tsegba, Upaa & Tyoakosu, 2015). If auditors are not ethical, the users of accounting information will lost that trust and confidence in their opinion and reports. Jenfa (2010) opine that not all accountants/auditors are practitioners, that some have thrown integrity and the ethics of the profession out of their windows-engaging in unethical behaviour (window dress the accounts, connive, falsify etc)

The increasing number of business failures, crisis and scandals such as WorldCom, Enron, Anett, Pan Pharmaceuticals, Cadbury, Afribank and Lever brothers, and so many other are associated with unethical financial reports, however, there is call for questioning, the level of reliability of financial figures as it is perceived that such reports could be doctored and might not represent the truth and fair picture of the financial performance of the organization (Olalere, 2010).

One of the most disturbing observations about business failures is that some Auditors employed by the organization were part of the decisions that allowed unethical practices to continue unabated for such a relatively period of time. In Nigeria, the Afribank crisis arose from outright cooking of the bank's books by the Directors and External Auditors while Cadbury was a case of significant and deliberate overstatement of financial

statements over the years (Onu, 2007; Jetuah, 2007). WorldCom was another high profile accounting scandal as a result of audit failure. WorldCom was US based telecommunication company, which grew rapidly through aggressive acquisition (Meyer, 2007). In 2002, the internal auditors of the company uncovered over $3.8billion fraud perpetrated by inflating the revenue and treating revenue expenses as capital expenses (Tran, 2002). This resulted into $3.8billion not properly accounted for between 1999 and first quarter of 2002. Arthur Andersen the auditor of the company issued a clean health report on the company during the period and did not uncover the fraud and today where is Worldcom? In every scandal, the auditors have always put up a defence that it is clients' responsibility to detect and prevent fraud, error and other irregularities in organizational operation (Goodwin & Seow, 2002). In all of their unholy behaviour, auditors are still holding on to the principle, which views audit as watchdog not bloodhounds and not expected to detect fraud as enunciated in the case of Kingston Cotton Mill Company in 1896.Unfortunately, times has changed and public expectation of the role of the auditors has equally changed. Given the above scenario, this study takes incisive focus on the relationship between external auditors unethical financial reporting and corporate business failure in Nigeria.

Objectives of the Study

The broad objective of this study is to investigate the effect of external auditor unethical financial reporting on corporate business failures. The specific objectives are:

(a) To examine the effects of fraud concealments on financial reporting of corporate entity.

(b) To identify whether certification of untrue and unfair Account affect financial reporting of a going concern business.

Research Questions

The research questions for this study include the following

(a) Is there any relationship between external auditor fraud concealment in the financial reporting and corporate business failure?
(b) What is the relationship between certification of untrue and unfair financial reporting and corporate business failure?

Statement of Research Hypotheses

In order to carryout empirical and investigative study on the effect of external auditor unethical financial reporting and corporate business failure, the following hypotheses were formulated:

H_1: There is no significant relationship between fraud concealment and corporate business failure.

H_2: There is no significant relationship between certification of untrue and unfair financial reports and corporate business failure.

REVIEW OF RELATED LITERATURE

Studies on the going concern, growth and survival of entities principles are numerous and widespread (Adela, 2010; Enyi, Ifurueze & Enyi, 2012; Fellingham & Newman, 1989; Best, Bucky & Tan, 2001; Adeyemi & Uadiale, 2011; Nogler, 2008, Enofe, Mgbane, Otuya & Ovie 2013). The specialized literature offers multiple well documented descriptive or much practical approaches of this method of behavior of auditor phenomenon. Research studies on going concern reveals that with different topics or hypothesis on bankrupted and auditor thinking towards going concern, modification judgment, accounting regulation and the role of the going concern and opinion in valuing companies stocks, empirical analysis, models and financial ratios to identity the probability of going concern,(Carson, Forgher, Geiger, Lennox, Reghunandon & Willenkens, 2012).

Akpota ,et al.(2013) opine that companies are required to prepare financial statements on a going – concern basis unless a plan of liquidation has been approved by the entity's owners or the plan to liquidate is being imposed by other forces and it is very unlikely that the entity will remain a going

concern in the future. Adele (2010) asserts that for the periods beginning on or after December 15, 2009, the going concern is based on statement of the International Standard on Auditing ISA 570 going concern. This regulation, emphasize on the auditor responsibility to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation of financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern. Adeyemi ,et al. (2011) also maintain that auditors need to obtain sufficient appropriate audit evidence regarding the management's appropriateness use of the going concern assumption in the preparation of the financial statements before concluding, which is based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cost significant doubt on the entity's ability to continue as a going concern. Adeniyi, (2004) stated that in reality, the unqualified opinion is wrongly seen as a certification that the corporate business is solvent, liquid and has the capacity to adapt to the dynamics of the environment. He further buttress that any subsequent business failure resulting from management misjudgment, fraudulent practice, economic instability, inconsistency in micro-economic policies are viewed as failures of auditors. A critical examination of the literature on corporate business failure shows that analyst are not likely to distinguish between business failures that are management induced and those with external infractions (Farry, 2004; Fome, 2006).According to Brain and Mark(1997),we can surely make a distinction between business failures which had resulted from unpredicted environmental factors and failures which are the management fault, in the sense that a reasonably prudent and informed management could have prevented them. They further added that, interesting enough, there are not many other possibilities but with this fundamental principle in place, that the failure of a business is generally, either no one fault or the management fault, one can argue that the conditions under which business fail imply a corporate or group responsibility on the part of management to its employees. Asemota (2003) through an empirical work attributed failures to unethical

practices of work which he enumerated as loafing, working too slowing, feigned injuries and many others. While, Gilman (2003) in his investigation insisted that corporate environment is plagued with non value oriented professional whose professional conduct have helped in preparing the path for corporate collapse. In the same vein, Larry and Viano (2000) have shown concern for the ethical dilemma that managers and practitioners are enmeshed and had considered it as a major reason for swift corporate failures. For instance, it was discovered that WorldCom, huge revenue expenses of about 3.85billion dollar were unprofessionally treated as capital investments instead of exposing them in the year that they were incurred and when compelled by the law to re-classify the amortized expenditure, it recorded huge losses that negatively affected its stock price, resulting in the biggest corporate bankruptcy ever recorded, (Akpotu, & Isreal, 2013).

Igoli,(2000), Lasby,(2003), Narekhe,(2006), Visuwalani,(2007) noted that most public organizations have ascribed business failure often times to poor policy crafting and implementation. Conroe, (2008) in his investigation discovered that food waste had obviously not the reason for corporate business failures but lack of improper accounting practices alongside poor inventory management paved way for collapse. The argued is that failures is being trigger by improper accounting practices as may be undertaken by accounting professional and internal employees which are characteristically shown by low profitability levels in all those types of organizations. Again, Daramola,(2006) had reported that delays in information acquisition due to source delays are yet other factors that have resulted business to lull. Sun and Chery (2000) argued that some managers of small enterprises who do not believes that observing auditing standards can help their company to improve overall organizational quality will never implement a successful quality management system in their organization. Hence, there is an obvious reason why non- behaving managers companies coax auditors to go easily during the auditing process, and trying auditors economically with auditees can easily to do their bidding.

Ethical Reasoning and Decision Making Process

Baron (2000) opined that decision is a choice of action of what to do or not to do. These decisions are made to be able to achieve set objectives and they are based upon beliefs about what actions will achieve goals. Oghuma and Okunbor (2010) asserted that individual choice of the appropriate ethical philosophy can be influenced by such factors as education, experiences, beliefs, social norms, as well as environmental factors such as Enron scandal. Enron's at one time was the seventh largest company in the United States before it went into liquidation following an accounting scandal. The scandal involved irregular accounting and auditing procedure of creating a bunch of off-balance sheet partnership to hide the company's debt toward improving its financial reporting in order to pump up its stock price.

The effectiveness and efficient decision making is often difficult particularly with complex issues that have ethical implications. The dilemma, that comprise this unethical auditing have several possible resolutions depending on the constructs and rationales that are used when developing the selected decision. Basically, the ethical philosophy employed provides guidance for the decision maker and will ultimately provide the final decision. An individual can use various criteria in the ethical decision-making. The utilitarian criterion concerns decisions that are made only on the foundation of the outcomes or consequences, who believe that experienced auditors have the ability to evaluate the different outcomes of the decision and to predict their consequences? This is important since a decision usually has an indirect effect on other decisions and it is up to the auditor to decide what outcome of the possible solutions that is the best, that the ability to forecast the outcomes of a decision is something that experienced auditors' posses, since it is all about experience. Robbins (2003) equally agreed that protecting the rights of individuals is very germane to decision making criterion. For example to protects whistleblowers, during auditing procedures and it is good for an auditing firm to have a whistleblower function. There will always be

unethical people who have to be reported in order to save the trustworthiness of the profession,(Larsson et al, 2006). Therefore, the function gives the employees the ability to report colleagues who are acting unethical. When reporting unethical behavior within and outside the firm, one factor that makes people dare and have the courage to report is that they can be anonymous. The fact that you can report anonymously, this will leads to an increased reporting, effectiveness, efficiency and hopefully reduce unethical financial reporting in the long run.

The auditing profession is based on practical experience and therefore it requires some years in the profession to gain the appropriate knowledge and skills in order to make accurate and ethical decisions which will be useful to the profession alike. This belief is also confirmed by the auditors that turn to other and more experienced colleagues when needing advice.

Effect of Unethical Financial Reporting on Accounting Profession

The main effect of unethical practices in the audit profession is the negative image on the profession. As a matter of fact, the quantum effect of these organized and sophisticated frauds witnessed recently in the corporate world, posed a major threat in the trust and confidence shareholders, investors, and the general public had in financial statements. James and Seipel, (2009) states that there is a clear drop in user perceptions of the auditor functions irrespective of the structure of the function.There are countless cases of high profile corporate business failure due to auditor unethical financial reviewed and reports: Parmalt (Italy);Enron (USA); Worldcom MCL (USA); Satyan (India); Cadbury (Nigeria); Africa Petroleum (Nigeria); Kmart (USA); One.tel (Australia); Royal Ahold (Netherland); System Computer Service (India). The effect of unethical financial reports is that, auditors are assumed to be trustworthy, professionally trained personnel, any breach of such trust will make clients and other users of financial information to lose confidence in relying on the information provided. There opinion may no longer be seen as truly professional rather as a mere rubber stamp that cannot be relied on. The

likes of these auditors bring disrespect, scandalous reputation and absolute lack of confidence and trust in the auditors' reports. (Jenfa, 2010).

Role of Professional Bodies in Ensuring Ethical Financial Reporting

At the apex of the professional bodies regulating accounting and auditing practices in the world is the International Federation of Accountants (IFAC). The role of professional body is that of providing guidance, encouraging continuity of efforts and promoting harmonization amongst member bodies (Izedomi, 2008).Toward this end, the body established on International Code for Professional Accountants. These codes essentially form the foundation of each member body's standards of conduct for professional public Accountants and Auditors. The code explicitly provides for the fundamental principles that have to be observed by professional auditors and accountants in order to achieve common objectives irrespective of the sector in which they function. These fundamental principles are integrity, objectivity and independence, professional competence and due care, confidentiality, professional behavior and technical standard.

Integrity serves to maintain and broaden public confidence and trust. An auditor should perform all professional responsibilities with the highest sense of fair dealing and truthfulness. Thus an auditor should not be associated with reports or any other production or provision of information where he or she believes that such information contains materially false or misleading statements. Similarly, the auditor should disassociate himself from preparing financial statement or records which contains a statement that has been prepared and provided recklessly without proper care or consideration for its accuracy. Objectivity and independence demands that an auditor must not allowed his professional or business judgment to be affected by bias (Personal prejudice), conflict of interest and undue influence from others. A member in public practice should be independent both in fact and appearance when providing auditing and other alternative services to clients. Professional competence and Due care imply that an

auditor has a duty to maintain his professional knowledge and skills at a level that enables him to provide a competent professional service to his client. This includes a requirement to keep up to date with the developments in area of accounting and auditing that is relevant to the work that he/she does. Confidentiality demands that an auditor must respect and maintain confidentiality of information obtained in the course of his work. Consequently, he should not disclose such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose or do so. Confidential information should not be used for a personal advantage of the professional accountant and auditor or third parties. Professional behavior requires a professional auditor to observe laws and regulations and to avoid any action that would discredit the accountancy profession. This requirement however covers such promotional issues as advertising by accounting and auditing firm which the code specifies that must be truthful and must not disparage the service provided by rival firms.

The external auditor or accountant in practice has a considerable body of ethical support to work from particularly if he is a member of one of the various Chartered Accountancy bodies. These bodies (ICAN & ANAN) publish guidelines covering key areas of accounting work and behaviour such as their relationship with the client; the type of work they can do for the client; the way to safeguard independence; the standard of reporting expected of accountants; the manner of dealing with conflicts of interest; the expected reports in a given circumstances such as take-over, insolvencies and so on, and the nature and type of advice they can give clients.

Theoretical Framework

Every profession has a responsibility to the society. Therefore, it becomes necessary for all true professionals to promulgate code of ethics (rules) to guide the activities of their members. The underlying reasons for a code of ethics for any profession is the need for public confidence in the quality of

the service delivery or rendered by such profession regardless of the individual who is providing it (Oghuma & Okunbor, 2010). Business ethics implies the studying of different business decision that deals with issues of right and wrong, (Crane & Matten, 2014). It has been found that there exists an overlap between ethics and the law. Nevertheless, ethics and law are not equivalent. The law can be seen as the minimum acceptable standards of behavior and many ethical issues are not explicitly covered by law, (Larsson & Wennerholm, 2006). It is said that business ethics begins where the law ends and business ethics is mainly concerned with those issues that are not covered by the law. Business ethics management is the direct attempt to manage ethical issues or problems through specific policies, practical and programmes (Smith, Smith & Muligi, 2005). There are several management activities that could be regarded as business ethics. Whenever Management trying to enforce the right ethical behavior of employees, managing stakeholder relations and assessing ethical performance, then, we could simply say that the management is putting in place, the appropriate codes and values to enhance performance and the going concern of an entity. Ogundele, Olajide, Hassen and Ashamu (2008) asserted that entrepreneurs and other organizations compete for information influence and resources in a given environment. This could leads to potential conflict in term of selecting ends and the means to the ends, which raises the question of what criteria should guide ethical behavior.

Weihrich and Koontz (2006) noted that normative ethics have developed three types of moral theories. The first is the utilitarian theory which holds that plans and actions should be evaluated by the consequences. It is based on the assumption that plans and actions should produce the greatest good for the greatest number of people. The Second is the theory based on rights, examples include, due process and freedom of association. Third, is the theory of justices, which demands that decision maker should be guided by fairness, equality and equity as well as impartiality? Normative ethics involves arising at moral standard that regulate right and wrong conduct.

It is the search for an ideal litmus alert of proper behavior and thinking that seeks for principles or reasons upon which moral positions can be justified. Ethical reasoning is important for the decision-making since most decisions involve ethical dilemmas (Baron, 2000). Robbins (2003) opined that an individual can use different criteria in the ethical decision-making. When using the utilitarian criterion, decisions are made on the foundation of the outcomes of the decision. This could be further buttress, by thinking that experienced auditors have the ability to evaluate the different outcomes of the decision and to predict their consequences. This is important since a decision usually has an indirect effect on other decisions and it is up to the auditor to decide what outcome of the possible solutions that is the best.

There has been some critique against the ethical issues since they are considered to only focus on the misconduct of individuals and are not concerned with how ethical problems arise in the first place. Ethical issues cannot capture the complexities involved in modern business life. It is also argued that this cannot be used to address many of the ethical problems in business since problems are more complex than the codes can handle (Davies, 1997). It is assume that there is no demerit with ethical issues, since the purpose of the ethical codes is to prevent unethical financial reporting and business failure. The Enron, Africa Petroleum, Cadbury, WorldCom, Waste Management, AOL, Kmart and Paramalat scandal if ethics were as importance as great as it is today, it would be harder for being unethical and let a Scandal occur. Erliden et al argued that scandal like Enron had to happen before anyone would react and realize the importance of being ethical in the auditing profession and in business in general. The situation may sometimes become more complex and even compounded by the contradictory position in which professional accountants who claims to be protecting the public interest find themselves engaging in unethical practices. However, the right to improved financial reporting cannot be assumed in a society that is highly infested with corruption, unethical value and anti-social financial practices. This is because, in a corrupt society and lack of ethical value, the quality of

accounting systems, accounting data generated and the reliability of information presented in audited financial statements will not be trusted by end users (Ajibolade, 2008; Okike, 2008). Therefore in a society like Nigeria, where corruption, lack of checks and balances, ethical value eroded and lack of integrity system is endemic and weak institutionalization, the auditor(s) opinions will always be in doubt. Therefore we adopted utilitarism theory in this study because this theory believes that plan and actions should be evaluated by its consequences.

Empirical Evidence

A summary of some of the prior studies on the effect of external auditor unethical financial reporting on corporate business failure in Nigeria and its implication in the society in terms of decision making process in the literature are stated below;

Alabede,(2012) the study reflects on the role, compromise and problems of the external auditor in the corporate governance with particular reference to the UK. The study indicates that the role of the external auditor is greatly facilitated by efficient and effective internal control system and with the cooperation of the audit committee. However, the study provides striking evidence in the course of the audit role, some auditors' compromise their professional integrity for economic gain. However, to have effective role of the auditor, it is recommended among others that the regulatory body should be directly involved in the appointment of auditors of large companies

Salaudee, Ibikun and Chima (2015) this study examined unethical accounting practice and financial reporting quality in Nigeria. An explanatory case study approach was used for the study complemented by archival data, newspaper reports and regulatory report. One of the key issues in the findings is that extended audit tenure could impair auditor's independence and ability to employ professional skepticism on matters at their disposal. Non adherence to the spirit and letter of corporate governance was also responsible for the corporate scandals. The study

recommends therefore that the composition of the board of Directors and audit committee members should be made up of people of proven integrity and corporate experience. Also the tenure of external auditors should have a terminal frame and not be too long to as to affect their ethical conduct.

Bakre (2007) has documented various cases in which accountants and external auditors in collaboration with the management and directors of companies falsified and deliberately overstated company accounts. Investigations in the financial report of Afribank implicated Akintola Williams & Deloitte in facilitating an overstatement of the bank's account by the management. Other Nigerian cases have also been documented in which a number of professional accounting firms were involved in, and indicted for, anti-social practices in conflict with their professional claims to be acting in the public interest.

Quick, Turley, and Willekens, (2008), examines the association between indirect measures of audit quality and financial statement analysis using multivariate regression analysis. It was discovered that audit fees is positively associated with financial statements but do not find evidence that auditor size, tenure or industry specialization are associated with audit quality in the directions predicted. Their results provide new evidence as to the current usefulness of these indirect measures in predicting audit quality.

Akpotu et al (2013) the study investigated external auditor's unethical behaviour and corporate business failure in Nigeria public owned firms. The study used a structured questionnaire to generate their data drawn from different organizations. Through a correlational analysis the result of the study indicates that external auditor's unethical behaviour strongly correlates with corporate business failures. They concluded that, all the necessary apparatus should be in place to discourage unholy behaviour by auditor(s).

Enofe, et al. (2013) the study examined the issue of audit reporting and going concern in the face of corporate scandals in Nigeria. The study adopted the survey research design. An instrument containing 20 items was designed using the 5-point Likert scales ranging from strongly agree (5) to strongly disagree (1). A total of 60 samples were drawn from the target population using the simple random sampling technique. The study reveals that there is a significant relationship between going concern reporting and corporate failures. It was further advice that all involved in the preparation and audit of financial statement must pay careful attention to going concern assumptions.

Musa, Success and Iyaji (2014) evaluate the role of Auditors in the recent Nigerian banking crisis. The findings reveals that contrary to auditors claims to be protecting the public interest, accountants and auditors may be partly responsible for cases of distress and the collapse of banks in Nigeria, as they failed to qualify their reports when there were indications of financial difficulties in the banks. There is also evidence to show that auditors have collected large sums of audit and non-audit fees. Such events raise questions about the value of company audits, auditor independence and the quality of audit work. The study therefore recommends that, to strengthen corporate reporting and auditing there should be corporate democracy as stakeholders in the banking industry should have the power to determine who should be the auditor and how the auditor is to be remunerated.

Tsegba, et al (2015) study investigates the determinants of unethical financial reporting, exploring the views of professional and academic accountants in Nigeria. The study utilized the survey design with a sample of 212 respondents drawn from a population made of professional and academic accountants resident in Benue State of Nigeria. The postulated hypotheses were tested using multinomial logistic regression, Kruskal-Wallis Hand Chi-square tests, and Mann-Whitney U-test. The results reveals that, in order of severity, 'weak corporate governance',

'attempts to conceal deteriorating financial position', and 'compensation and bonus incentives' as the main determinants of unethical financial reporting. The study therefore concluded that there should be urgent needs to incorporate good corporate governance systems in the overall strategies of corporations in order to curtail incidences of unethical financial reporting.

Okike, (2009) and Bakre, (2007) once again agree that a number of scholars have shown that many auditors, particularly members of the Institute of Chartered Accountants of Nigeria (ICAN), have been responsible for the crisis in the banking and manufacturing sectors in Nigeria. These studies show that the regulatory framework in Nigeria is weak, because members of the professional firms implicated in a number of anti-social practices in Nigeria have not yet been sanctioned. The studies therefore suggested that the accounting profession in Nigeria and other regulators (such as the Central Bank of Nigeria, the National Deposit Insurance Corporation, and the Nigerian Accounting Standards Board) must continue to monitor developments in both the external and internal reporting environments.

RESEARCH METHODOLOGY

The basic method employed to generate data relevant to the objectives of this study was a combination of structured interview and tailored questionnaire. The sample survey method was adopted because it is likely to generate the kind of information required as well as providing good basis for generation of the findings. The survey is considered appropriate for collecting data from a given population with an intention to determine the opinion, attitudes and perception of personnel considering the variables under study.

The populations of this study consist of potential investors, management of corporate firms, government agencies (CBN, SEC & FIRS), creditors and lenders (Financial Institutions), academics and members of professional bodies (ICAN & ANAN)

Secondary Sources of Data

Secondary sources of data comprises of existing material in libraries, archives and public offices, they exist in the form of published data in companies or public records, such records may be in the form of production records, account records, payroll, or such other records, routinely kept by companies, trade associations. This work consulted Textbooks, Journals, Magazines, Annual Reports, Seminar Report Paper and other relevant materials/books.

Population of the Study

Uzoagul (1998), asserts that population can be referred to as target population, accessible population, finite or infinite population. For this research purpose the target population consists of both male and female from diverse ethnic nationality, their educational background ranges from first living certificate, university degree and professional alike. The selection is done base on potential investors, executive management staffs of different entities, executive staffs of government agencies (CBN, SEC,& FIRS), creditors and lenders (Financial Institutions), academics and members of professional bodies(ICAN & ANAN). The population was estimated at 1600.

Sampling Procedure

With the population under study spread across the entire countries, it becomes expedient that sample be collected from the population, as a result of this, stratified random sampling method were employed, the choice of this was the premeditated by high concentration of headquarters or areas of operation in this area which are mainly Lagos, Ogun, Oyo, Anambra and Rivers State. Audit firms based in Edo State were also sampled using judgmental sampling method. The questionnaires were administered to some selected companies, investors, staffs of CBN, SEC & FIRS, Financial Analyst, lecturers and students from University of Benin and executive staffs of Zenithbank, United Bank for Africa and Fidelity Bank Plc.\

The sample size was accurately determined by using Burley's formula propounded and popularized by Yamane (1973) for the determination of sample size in a finite population, stated as:

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

Where: n = sample size; N = population size (finite population); e = desired level of significance, level of significance = 5%.

$$n = \frac{1600}{1 + 1600(.05^2)} = 320$$

The questionnaire were drawn with likert scale type response by the respondents which implies Strongly Agree (SA), Agree(A), Undecided (U) Disagree(D) and Strongly Disagree(SD).These questionnaires were administered through personal contact and the service of research assistant, some of the question that were not clear enough were clarified.

Method of Data Analysis and Decision Rule

There exist various statistical tools which are employed in the interpretation of data for testing hypothesis as well as drawing references and conclusions.

For the analysis to be effective, the researcher decided to use simple percentage and Statistical Package for Social Sciences (SPSS 19.0) chi-square at a decision rule of $p > 0.05$.

Research Instrument

For the purpose of this research work, both primary and secondary sources of data make up the research instrument. These were opted for because they are the easiest means by which all necessary information required can be obtained without unnecessary influence.

To ensure validity of the questionnaire used for the study, the questionnaire (draft form) was given to researchers in some selected

University for their independent review. Necessary adjustments were made on the draft questionnaire based on their comments and suggestions. The variables in this research work are attitude and dispositions, which were ordinal measures on a five-point scale. Five- point scale technique was used to assign numbers in the measure of the degree of intensity of the relationships between the independent variables. Five-point likert statement with strongly agree =5, agree =4, undecided =3, disagree =2 and strongly disagree = 1 are logically employed to quantitatively reflect this order of ranking. The responses obtained therefore were analyzed using statistical techniques such as tabulations, percentages and Chi-square Decision rules.

Validity and Reliability

The instrument for this study was subjected to both face and content validation. The validation of questionnaire was based on research question in other to make sure that not at variance with the subject understudy. The researcher contacted some academicians to scrutinize the question and they critically appraised and made necessary corrections. To determine the level of reliability of instrument used, the questionnaire was subjected to test of internal consistency.

Data Presentation and Analysis

As mention earlier, a total of 320 questionnaires were distributed and 260 were returned filled representing 81% response rate.

Table 1: Descriptive Analysis on the Effect of External Auditor Unethical Financial Reporting on Corporate Business Failure in Nigeria

E	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	F freq	%	F freq	%	F freq	%	F freq	%	F freq	%
Concealment of fraud in financial reports can leads to corporate business failure	115	44	98	37	15	6	21	9	11	4

Laziness and tardiness in discharging of duties by external auditor has effect on business failure	109	42	87	34	25	9	12	5	27	10
Certification of untrue and unfair financial statements affect business going concern	89	34	90	35	46	18	26	1 10	9	3
Lack of Professional skills, care and diligence on financial reports by external auditor leads to corporate business failure.	111	43	68	26	34	13	27	10	20	8
Management team colluding with external auditor(s) causes corporate business failure	54	20	39	15	82	32	42	16	43	17

Source: Researcher's field work, 2016

The above table reveals the responses received from respondents with regard to the effect of external auditor unethical financial reporting on corporate business failure in Nigeria. The first question on the table was an attempt to know whether the respondents are aware that concealment of fraud in financial reports results to business failure. As mentioned above, 260 respondents opined with the following percentage: 81% of the total respondents agree that concealment of fraud in the financial reports results to business failure, 13% respondents had a different view and 6% were neutral since they could not agree or disagree. This simply means that some auditors do conceal fraud in financial statement to the detriment of the end users of accounting information.

The second question reveals if external auditor's laziness/tardiness in discharging his duties is unethical in financial reporting result to corporate business failure, this was validated with about 76% respondents who opine that external auditor inexperience and half-baked auditor(s) contributes to firm failure. However, 15% respondents disagree while the remaining respondents had a neutral view of 9%. As regard the certification of untrue and unfair accounts by the external auditors in the disclosure of unethical financial reporting leads to corporate business failure, 18% undecided, 13% disagree and 69% respondents responded positively (agree). This shows

that most of the corporate firm problems are contributed by external auditor by compromising their reports or forming opinion that negate the interest of the stakeholders. On the question of lack of professional skills, care and diligence financial reports by the external auditor have effects on business going concerns, 13% undecided, 18% disagree and 69 % agree. The responds from the respondents' reveals that it is unethical for any external auditor to disclosure financial figure that are at variance with reality on the reporting status of the entity due to inexperience and negligence.

Finally, the last question addresses the issues of if collusion with management team by external auditors has any effect on corporate business failure. 35 % of the total responses which represent 93 respondents agreed that external auditors' collude with management team have effect on business failure, 85 respondents representing 33 % of the total respondents disagree while the remaining 82 respondents representing 32% of the total respondents were neutral.

DATA ANALYSIS: HYPOTHESES TESTING

Hypotheses 1

H_1: There is no significant relationship between fraud concealment and corporate business failure.

Question one (1) on table 1 above was used to test hypothesis one (1) raised earlier in this study with the aid of Statistical Package for Social Sciences (SPSS 19.0) Chi-square at a decision rule of $p > 0.05$.

Concealment of fraud in financial reports leads to business failure

	Observed N	Expected N	Residual
Strongly Agree	115	52.00	36.4
Agree	98	52.00	25.4
Undecided	15	52.00	-10.6
Disagree	21	52.00	-9.6
Strongly Disagree	11	52.00	-11.6
Total	260		

	Concealment of fraud in financial reports leads to corporate business failure
Chi-Square	73.103[a]
DF	4
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 52.

Interpretation

Based on the result from the SPSS chi-square analysis using $P > 0.00$ is less than 0.5, it simply means that there is a relationship between external auditor concealment of fraud in financial reports and corporate business failure. This reveals that the manipulation of accounting figures by management and auditors portrait a great danger for the corporate business survive, this will cause unstable entity and failure. The responsibility of an auditor as the watch dog will automatically be eroded by this act of manipulating, falsifying accounting figures by colluding with management and therefore endangering the information users (stakeholders) of a business.

Hypothesis 11

H_2: There is no significant relationship between certification of untrue and unfair financial reporting and corporate business failure.

Question two (2) on table 1 was used to test hypothesis two (2) raised in this study with the aid of Statistical Package for Social Sciences (SPSS 19.0) chi-square at a decision rule of $p > 0.05$.

Certification of untrue and unfair financial statements affects corporate business failure

	Observed N	Expected N	Residual
Strongly Agree	109	52.00	20.4
Agree	87	52.00	21.4
Undecided	25	52.00	-18.6
Disagree	12	52.00	-17.6
Strongly Disagree	27	52.00	-5.6
Total	260		

Certification of untrue and unfair financial statements affects corporate business failure

	Certification of untrue and unfair financial statements affect corporate business failure
Chi-Square	76.829[a]
DF	4
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 52.

Interpretation

Given the asymp, significance of 0.000 which is less than 0.5, it simply means that there is a significant relationship between external auditor certification of untrue and unfair opinion in financial reporting and corporate business failure. This reveals that whenever there is certification of untrue and unfair of financial statements by auditor, the users of the accounting information will be endangering their investment because wrong strategic and management decision will be taken which will have greater effect on the survival of such corporate business. Again contrary to their claims to be protecting the public interest, auditors are partly responsible for cases of distress and the collapse of corporate businesses, as they failed to qualify their reports when there were indications of financial difficulties of a going concern entity. This findings agree with Wrong, (2004) which asserted that auditor(s) have failed to take proper steps to detect accounting irregularities yet issue an unqualified opinion on the financial statements presented to shareholders for making decision. The quality of the audit and the independence of the auditors were questionable because in the case of Arthur Andersen who received not just audit fees

but fees for non-audit services. For example, it earned $55 million for non-audit services and there were regular exchanges of employees between Enron and Arthur Andersen, thereby compromising the independence of the auditors and causing a conflict of interest and this situation will always give an opportunity for the auditor to certify untrue and unfair financial statements. The stakeholders bears the costs and effect whenever there is business failures, people losing their jobs, lost of revenue by government and causing investors to lose their investments (funds). The question that comes to mind most often is that, many of the directors and senior officials of the distressed corporate entities do face trial for their unethical behaviour, but whereas the (WATCH DOGS) auditors are moving freeing without been trial and convicted for perpetrating and misinforming the general public.

Summary of Findings

This study attempted to investigate the effect of external auditor unethical financial reporting and corporate business failure in Nigeria. The statistical analysis reveals that the roles of ethical financial reporting are germane to corporate existence. The research finding shown that,

(i) Auditor(s) aids management to conceal fraud and other relevant information in the financial statements.

(ii) Certification of untrue and unfair financial statements by auditor(s) contributed to unethical financial reporting because most often, auditor(s) are quite aware of materials that have effects on the reports yet the auditor(s) unqualified the reports.

(iii) The study reveals that lack of professional cares, skills and knowledge do affect corporate business existence, and therefore financial statements lack all the necessary vital information that will help in making strategic investment and managerial decisions as a result of the deficient of the financial statements. This findings agree with Tran, (2002) in the case of WorldCom, where the external auditor could not discovered over $3.8billion fraud perpetrated by inflating the revenue and treating revenue

expenses as capital expenses which the external auditor issued a clean health reports on the company, and this contributed to WorldCom failure.
(iv)The finding equally reveals that laziness/tardiness of auditor(s) contributed to unethical financial reporting by not properly reviewing all the necessary documents to form either qualify or unqualified opinion.
(v) It was discovered that auditor(s) collude with management to misinform the users of accounting information. What is expected from auditor is integrity and transparency in service; unfortunately the concepts of integrity, transparency and ethical value have been eroded and this constitutes a great danger to a going concern of any business. This negate the principles of integrity and independence as emphasize by Deen (2000) and Ensley (2007) that the integrity of accounting information suppose to aid in strategic investment and managerial decisions.

CONCLUSION

Our study concern external auditor unethical financial reporting and its implication on the going concern of corporate business entity. The analysis result reveals a positive significant relationship between auditor unethical financial reporting and business failure. The different measurement of unethical reporting which includes fraud concealment, collusion between management and external auditor, unfair opinion certification, lack of professionalism and tardy on the part of auditor discharging duties. The implication of all these is that irrelevant and unreliable accounting information are provided for end users for decision making. In these circumstances, the accounting information provided at this point is subject to integrity and ethical questioning since the information is untrue and unfair in nature. The study reveals that unethical information portrait severe dangers to the users of the information especially now that corporate business are globally governed. The quality of accounting information provided under this circumstance will not guarantee investors the avenue to maximize wealth. In all ramification the study reveals that accounting profession have compromise their integrity, ethical value and independent because auditor dependent on the director for their engagement;

nomination, promotion and remuneration determination, and, as such, they will always work for the interest of the executive director rather than the stakeholders.. It is clear that audited financial reports are to enhancing confidence and trust for strategic decision making and so, auditor are expected to live up to expectation by providing accounting information devoid of unethical financial disclosure.

RECOMMENDATIONS

Every profession has its shortcoming and if discovered, they have to be corrected to enhance efficient, effective and continue promoting the relevant role as expected to play. Based on the findings, the following were recommended:

(i) Accounting professional ethics should be review and broaden existing ethical codes and standards. Also auditor(s) found culpable of aiding and abetting illegality should be made to face unpalatable consequences.

(ii) There is need to introduce "Peer Review Committee" in the accounting profession to ensure and enhance quality and qualitative financial reporting, this will prevent auditor(s) from conniving, falsify, bury of fraud and irregularities in the financial reports.

(iii) Tenureship of auditor should be on rotational bases and extended tenure should be discouraged by corporate businesses in Nigeria. And again auditor nomination, promotion and fees determination should be determined by shareholders rather than executive directors. This will help to prevent easy closeness between the clients and the auditor within a distant time.

(iv) Training and retraining of professional members (auditors) should be held frequently, this will enhance more skills, cares and diligent in discharging their responsibilities. Auditor should be made to consult a professional expert whenever there is any green area in the cause of his/her job.

(v) Again government regulatory authorities (CBN, CAC, FIRS. etc) should critically examine financial statements especially Federal Inland

Revenue Services (Maximizing government revenue) and Central Bank (Financial Statements of Banks) and penalty should be taken against any auditor(s) or corporate business entity for unethical financial reporting.

(vi) To minimize unethical financial reporting by auditors, all the stakeholders need to have knowledge of financial reporting principles and the consequence it will cost corporate existence if auditor(s) are unethical in their financial reports.

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