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AUDITORS' CHARACTERISTICS AND QUALITY OF FINANCIAL INFORMATION

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ABSTRACT

Auditors' characteristics have effects on the quality of financial information which is fundamental to users' decision-making. This study was done in order to evaluate the auditors' characteristics and quality of financial information provided. The main problem studied is that management prepares financial statements that contain financial information, in order to be useful for decision making by different stakeholders and management services, a proper examination of such information in today's business environment and legal framework requires the assurance, credibility, and confidence from a third party that will certify what managers have reported. Thus, auditors are required to demonstrate certain qualities in conducting such work. This study followed exploratory research design. Findings demonstrated that auditors should possess technical and functional qualities (ethical skills, technical and competence skills, independent mind and in appearance, objectivity and other human skills for communication and relationships) which all help them to be effective examiners and assessors of financial information quality in terms of relevance, reliability, comparability, and understandability for clear decision making. The empirical studies demonstrated the negative effects of bad auditors' behaviors on violation of audit and professional standards and the study concluded and recommended that audit services are considered as financial, medical services to different beneficiaries and that auditors should protect their profession and stakeholders' interests.

KEYWORDS: *Quality, Auditors, Financial Information, Ethics, Competence, Independence, Objectivity, Reliability, Relevance, Comparability and Understandability*

INTRODUCTION

Today's business environment and professional standards of auditing require the auditors to have qualitative characteristics that will help them to provide the effective job in a certification of the quality of financial information provided by management. Because of the direct or indirect relationship between management and auditors either internal or external, the general perception is that these auditors as independent and professional people must have characteristics that will help them to manage their profession, emotions, and relationships towards impartial reporting and provision of opinion on the financial information that have been prepared and presented by management. The major components of their characteristics are functional qualities and technical qualities which specifically are human characteristics, ethical behaviors, educational characteristics and professional characteristics (Alkafaji, Shakir, Khallaf & Majdalawieh, 2010).

Thus, the auditors characteristics give them the power to examine and assess the qualities of financial information that managers prepare and present to different users such as investors, shareholders, employees, customers, government agencies, creditors, financial institutions and financial analysts. These stakeholders have expectations that must be satisfied by audit reports. Auditors certify financial statements which must be reliable, relevant, understandable, timely presented and comparable internally and externally (Alkafaji, Shakir, Khallaf & Majdalawieh, 2010).

From the global perspective, the audit failures that resulted in the failure of Arthur Anderson were due to the lack of ethical values of its managers and audit practitioners that were employed. The lack of professional integrity made the internal auditors of WorldCom and Enron that were internationally respected companies to abuse their reputation by not revealing the truth about the financial situation of their organizations that was going bad. The failure of audit functional and professional qualities led to the failure of audit firms and their clients, thus, self-interests led to abuse of reputation of audit services providers (Moein, Abbas, & Daneshmandi, 2013).

Apart from the developed economies, the developing countries also face big challenges and failures of businesses based on the failure of auditors qualities. This is because of the lack of independence and objectivity in conducting audit services in different businesses especially private businesses. Audit failures also may come from weak technical and professional qualities in accounting and auditing services providers which are firms that are expected to help and intervene in protection of stakeholders interests and mitigate all agency problems and reduce huge losses that companies may face once managers prevail their self-interests by using their discretional intensions in manipulating financial statements figures and values and through earnings management practices (Chambers & McDonald, 2013).

In Nigeria, the failure of the audit is revealed in the failure of audit services in five banks as it is revealed by Central Bank of Nigeria in 2009. These five banks are (1) Union Bank; (2) Afri-Bank; (3) Fin Bank; (4) Intercontinental Bank and (5) Oceanic Bank. The evidence demonstrated that all of these financial institutions were having the unqualified or clean report about their financial health from external auditors (Ande, 2011). Another scenario of Nigerian audit failure was Cadbury Plc.

Okafor and Okaro (2013), Otusanya, Lauwo and State (2010) in their studies demonstrated that issues related to the failure of audit in Nigeria and found to be costly to auditors, investors as well as the general public. Investors lost their money in billions of dollars and the case of Cadbury (Nig) Plc auditors was not willingly ready to detect that the financial statements were falsified to impress stakeholders. The effects of such behaviors are that people lost their trust and faith in capital market investments and depositors lost their money that they invested in the capital market.

Once auditors sell their integrity and professionalism by covering the mistakes and errors they found in the financial statements of the companies that they examine and receive bribe and others monetary and non monetary incentives towards the abstinence of conducting more investigations about the internal control systems that may be weak and incoherent in helping the safety of financial and physical resources that different stakeholders provided and entrusted to managers.This study is composed of the introduction, statement of the problem, objectives of the study, methodology, literature review, conclusion and recommendations to audit firms and solicitors of audit services.

Statement of the Problem

The financial statements contain financial information that is communicated to different users for different decision making. Since this kind of information emanates from management that may have a direct or indirect a self-interest, may be manipulated to attract investors, financial institutions, shareholders, customers, employees and even managers themselves, it is needful to get external body that needs to help in tracing the quality of such financial information before any decision is made based on financial statements that have been provided by managers.

To provide confidence and credibility to the financial information auditors are supposed to have abilities, qualities and characteristics that help them to carry out such important tasks. The failure to such possession of auditors' quality leads to incomplete financial information for decision making and erroneous information for decision making since the financial reports provided by management are to be assessed to be free from a certain level of biasness. The lack of major characteristics of auditors as required by the profession and complexity of the business environment today, will lead to the failure of audit services and auditors reputation. The audit failures are popular in audit profession and failure of business companies that people used to trust as sustainable and auditors and managers were highly trusted but their expectation from the audit services lost its interests since management is still influencer of audit services in today's business environment (Edelman & Nicholson, 2010).

Objective of the Study

The main objective of this study is to provide a dynamic discussion about the auditors’ characteristics and quality of financial information provided.

Specifically, this study intends to:

- Evaluate the auditors characteristics in conducting their work and development of their profession;
- Examine the qualities of financial information provided by management to different users;
- Find out the effects of lack of auditors characteristics on quality of financial information.

Theoretical Foundation and Related Literature

This section reviews the relevant theories and literature related to this study. The theories reviewed include Agency theory, legitimacy theory, stewardship theory and theory of inspired confidence.

Agency Theory

In this study, agency theory is adopted since it measures, emphasizes and explains the relationship between the managers known as agents of the investors or shareholders who are the principals (Eisenhardk, 1989). This theory posits that the agents should report their level of stewardship to the principals. Thus, financial information provided by managers should be clear and qualitatively prepared and presented in a clear language to all investors, especially external users, including the foreign investors if the capital is provided outside the country of the multinational organizations (Nikkinen & Sahlström, 2004). Thus, the qualities of auditors should allow them to provide assurance about the quality of the financial information provided by management to different users and decision makers without any kind of self- interests.

Legitimacy Theory

Suchman (1995) posits that company's actions are desirable, properly done, and appropriate within socially constructed systems of values, beliefs and norms of the society in which they operate. There is empirical evidence that what a business entity does affect the society and all stakeholders. This implies that the companies should socially and environmentally report its actions to its stakeholders. Thus financial information is one component of what they should report about to different stakeholders. This is the suggested ideal perception that the companies are to provide a corporate report to fulfill the requirements of legitimacy theory as suggested by Williams and Ho-Wern (1999) and Samkin and Schneider (2010). The legitimacy theory in its financial reporting perspective implies legitimacy or accountability reporting framework in order to provide effective financial communication to the investors and others users. Therefore, this system can work when the auditors provide assurance, confidence and credibility to the work of the managers.

Stewardship Theory

This theory suggests that there is not a conflict of interest between the managers and the investors. It posits that the main objective of governance is to provide the mechanisms and structure that helps in facilitating the coordination among the parties in the relationship. This theory shows that managers should not cause management problems but have to be kind in their actions when dealing with the entity's activities and be responsible for those activities. In the same line managers behaviors must be aligned with the principals' wish and objectives and also stakeholders are to interact positively with managers (Froystein, 1981). Thus, this theory shows that managers consider companies entrusted to them as their own businesses and should manage them as if they are the owners and should consider owners as partners than bosses. Therefore, all the stakeholders need to get qualitative financial information that would help them to make different decisions based on financial statements prepared under management supervision and responsibility.

Theory of Inspired Confidence

This theory posits that the demand of audit examination services is based on the fact that there are many parties considered as stakeholders that have interests in the company because of their contribution in terms of direct or indirect investments. This theory posits that these stakeholders require the examination of financial information emanated from managers in order, check its relevance, reliability and faithfulness for further decision-making process (Ittonen, 2010).

Conceptual Review

This section is dedicated to the review of the components of the auditors’ characteristics and quality of financial statement from the literature that has been provided by different sources of scholars.

Audit Expectation Gap

The biggest task of the companies' management is to provide a satisfactory quality of financial statements that are published and submitted to different and diverse group of users who consider them as a primary source of financial performance and financial position. Thus, each of the users expects a certain level of quality of financial information that comes from especially quoted companies. One issue that is still challenging today's users’ decision making is the perceived existence of self-interests on the side of managers that disfavors other stakeholders (Chin-Ying, Chan-jane, & Ya-chen, 2008).

An effective way to monitor such discretional behaviors on the side of management is to rely on the third party's independent examination and assessment of the reported financial statements which are done by auditors who provide clear evidence on what manager’s report to the users. The audit expectation gap is that auditors should work in a way that aims at filling this gap by ensuring the fairness and reliability of financial statements. Thus, once auditors are incapable to fill such expectation gap, their quality and reputation are questionable (Abedalqader, Ibrahim, & Baker, 2010).

Auditors Characteristics

De Angelo (1981) cited by Ardakani (2010) considers auditing quality as a degree or the possibility that the public or users of audit services, expect that auditors are able to detect errors, irregularities considered as misstatements in the financial reports, internal control systems and accounting systems in large and be able to report them independently to high levels of the company's management.

Professionally, these characteristics or qualities are grouped into technical qualities and functional qualities. The technical qualities referred to how to meet client's expectations in detecting and reporting errors and irregularities in financial statements prepared and presented to meet users' needs. Functional qualities refer to the degree to which the audit process, procedures, methods, audit empathy and communication of audit results satisfies clients' expectations (DeFond & Zhang, 2014). Specifically, these characteristics are discussed in the next sections of this paper.

Ethical Standards and Professional Responsibilities

Anderson (2012) posits that auditors must have and demonstrate in their work fundamental principles such as integrity which enforce fairness, truthfulness and professional honesty and these features once internalized will lead to audit success and are considered to be a cornerstone of auditors work and professional development. Auditors are required to continually live with these characteristics as professional standards during their career development and practices.

Ethically, auditors are to perform their duties and tasks when carrying out their job to avoid all kind of temptation of neglecting some areas or issues in conducting their duties in the books of the clients, such as error and fraud and also should avoid all kind of being intimidated and influenced while conducting their audit (Norwani, Mohamad & Chek, 2011).

Technical Skills and Competence

Seol, Sarkis and Lefley (2011) argue that technically auditors throughout their careers are required to show interest in technical skills acquisitions. This would enable them to gain current trend of the business environment, professional development, and current issues in economic and financial advancement. And therefore, will generate and formulate the opinion that is appropriate and not inappropriate opinion because of lack of knowledge. To maintain this kind of technical skills the professional bodies and accounting standards setters are required also to provide educational training and development and relevant materials to qualified professionals for their continuous learning.

Stewart and Subramaniam (2010) and Anderson (2012) mention that auditors need to be the staff that is professionally educated, experienced and attending professional development training and seminars on the current and future issues affecting their services and markets. This view posits that beyond the university, college of business education, professional certificates from different qualification bodies are needed to show that the auditors have gone through a transformation of mindset in the area of audit services.

Competence of auditors refers to the adequate capacity they demonstrate in carrying out their job. Akinbuli (2010) is of the view that the adequate professional competence in quantity and quality of auditors determine the quality of their work. The study of Alkafaji, Shakir, Khallaf and Majdalawieh (2010) posits that auditors' competence and technical skills are acquired through the formal educational level attained in the areas that are directly and indirectly related or linked to the types of audit services. This helps auditors to acquire skills in dealing with job challenges and problem-solving scientifically. This study also reveals that academic major contributes to the competence of auditors and professional accountants and reveals that accounting, management and finance are key areas that are privileged in acquiring audit competence skills.

Professional qualifications have been developed to get competent auditors and professional accountants such as Certified Internal Auditor (CIA), Certified Public Sector Accountants (CPA), Chartered Accountants (CA), Fellow Chartered Accountants (FCA) and Associate Chartered Certified Accountant (ACCA). After acquiring qualification, auditors have to remain the domain of their profession of certifying the financial information from the management of firms and academic domains so that their brain and practices be aligned than deviating and start the newcareer that they do not have a background of. This also will help the accounting professional bodies to provide them with additional updates in the domain of auditing services and accounting and this is emphasized by the Institute of Internal Auditors in the practices of continuous learning (Garcia & Cuadrado, 2011).

Objectivity

Another quality of auditors is objectivity which is an unbiased mental attitude that help them to carry out their job engagement. This requires from them not have any kind of external relationships with the clients under examination when conducting their job and in the formulation of qualitative based- opinion (Alzeban & Gwilliam, 2012). This means that auditors should report objectively and without any kind of management relationship on what reporting is all about towards audit findings. This will lead to qualitative audit report that ensures the reliability of financial information to be submitted to different users in the decision- making process (Abernathy, Barnes & Stefaniak, 2013).

Independence of Auditors

A professional accountant or auditor needs to be independent. The studies of Al-Matarneh (2011), Hellman (2011), Badara and Saidin (2012) revealed that auditors' independence is majorly related to a kind of freedom from any kind of dependence and any behavior of influence and control by a member of the audited firm or organization. This explained the reason why auditors have to report and address their opinion to higher levels of authority in the organizations. Depending on the corporate governance structure, but conventionally the auditors are to report to the audit committees of the board of directors.

The internal auditors also need to be independent like the external auditors. Thus, independence of internal auditors is that they audit any kind of service, department, and function of the audited firm in full independence and without any kind of pressure or limited access to certain information that they really need based on their procedures and processes (Al-Nawaiseh & Alnawaiseh, 2015). Lack of influence on the audit work and the process leads to an improved result of the audit and this will ensure that the management of the audited firm gets a clear measurement of accountability and transparency (Seol, Sarkis & Lefley, 2011).

Also, Zulkifli, Alagan and Mohd (2014) demonstrate that auditors' independence increases credibility, confidence and reliability to their report and help the users of that report while making effective decisions based on the financial information provided by management. This means that auditors' independence reveals the quality of decision that will be made on the audited financial information and the main concern of the deciders.

Additional Characteristics of Auditors

The additional characteristics of auditors are opened mind to see a big and large picture of issues, having vision and instinct, mind, skillful people, having diversified abilities of decision making, leadership and effective communication skills (Anderson, 2012). The additional characteristics of auditors are some necessary skills that they are supposed to have and cultivate in their way of living and working. These include communication skills which refer to a way of listening, writing, speaking, use and master of professional reporting language and interpersonal relations.

These skills help auditors to be good assessors and reporters to the audit committee and board of directors, even to the general public that will use their reports (Seol et al., 2011). Such skills will also be helpful to auditors in evidence collection, selecting methods and applying audit procedures in carrying out their examinations of their client firms' transactions. In the same thought the study of MacRae (2014) argues that auditors are required to possess confidential skills, communication skills, have to be good listeners and imitators, good readers of the sender's message, good encoders, judgment and skepticisms, influencers in team spirit, good and effective collaborators and cooperators, organized, able to work with all levels of management, having the power to persuade, creating relationships and good facilitators.

Finally, Chambers and McDonald (2013) posit that auditors must be good partners, having a spirit of diversity and read for continuous learning with integrity mindset, possessing qualitative professional behaviors that allow them to follow laws, rules and regulations that guide them in avoidance of all kind of actions that negatively affect their reputation.

The usefulness of these characteristics is that they help them to be independent in carrying out their work and to avoid any kind of self-interest threat, self-review threat, advocacy threat, familiarity threat, and intimidation threat (Al-Nawaiseh, & Alnawaiseh, 2015).

Quality of Financial Information

Watson (2012) states that financial accounting should have quality itself before anyone may expect from its qualitative financial information. Thus, financial information should come out of a well structured financial accounting system, so that the financial statements convey information to users for decision making. The financial accounting is the base through which financial reports provide true and fair information about the past financial performance and financial position of an entity. And this process must be transparent in order to be useful for the decision makers (Biddle, Gilles & Verdi, 2009; Tasios & Bekiaris, 2012).

IASB (2010) indicates in the financial reporting framework that qualities of financial information are relevance and faithful representation. The same framework mentions the enhancing qualities of financial information as comparability, verifiability, timeliness and understandability and this was also reinforced by Mbobo and Ntiedo (2016). Dunlop (2012) suggests that for any financial information to be useful and beneficial to users it has to be presented at a specific right time otherwise it will not relevant for decision-making. Thus, financial information is time-based, otherwise, it loses its value for decision making needs and decision-making depends on time so that such decision may help to change or to save the business opportunities. Financial accounting information is considered as the final product of accounting process that measures the relationship between management and other stakeholders of an entity and a useful for multiple objectives depending on the users and financial accounting information.

Relevance of Financial Information

Relevance of financial information refers to its capacity in creating the difference in the decision-making process for the users. This means the financial information must have the capacity to influencing decision towards predicting value, and confirmation of the value of a specific item. The financial information has such capacity if the outcomes can be reliably predicted based on current and past situations of business (Power, 2010). In this case, decision makers, especially investors, lenders and creditors base their decision on the financial information presented by company management in order to measure its level of return on investments, capacity to pay liabilities and payables. Then relevance comes as to confirm the financial information provided by management to decision-makers a past and current events or situation that can be used as predictors of the future longevity of business (Garcia & Cuadrado, 2011).

Faithful representation and Reliability of Financial Information

Faithful representation or reliability of financial information is a quality of financial information that shows and depicts complete information, neutral information without human discretional influence, and would be free from any material errors and any kind of irregularities,which is to be certified by an independent auditor and accompanied by high level of management confirmatory statement. The financial information should have more explanations and descriptive data in terms of value, nature and any kind of updates based on current emergent issues that affect reported objects (Mbobo & Ntiedo, 2016; IASB, 2010).

The financial information must be dependable and useful to the decision makers and to achieve this, it must faithfully represent the performance and financial position of a company. That is, the financial information must have faithful representation, completeness, neutrality, and free from bias and accounting errors either in accounts records, in balances or in categories and classification. The financial statements must reflect the economic substance of all transactions that took place during the accounting period under consideration and their clear disclosures that are useful in decision making (Kabinu & Rufai, 2014). Reliable financial information is the one that is free from errors either material or immaterial. It must be free from human manipulations and intentional mistakes that may lead to the wrong decision- making process on the side of all users. The reliability of such information must be reflected in all the future usages, especially in trends analysis and financial statements, comparison analysis (Ogachi, Chuma & Onsiro, 2013).

Financial statements of an entity need to be quality based since they provide financial information that affects shareholders and other stakeholders. They need to get satisfactory responses in terms of information about their investments, performance and financial position, level of solvability and creditworthiness, salary payment ability and other short payables such as taxes, accounts payable, and salary payables (Kundeliene, 2011). For information to be reliable, the decision makers are free to verify any kind of information, and this is done by hiring the external professional accountants or auditors who evaluate, assess and report to external users and provide assurance about the financial statements prepared and presented by the management. Thus, accounting systems, internal control systems must be effectively implemented to allow the entity to produce reliable financial information (Power, 2010).

The reliability of financial information comes from the financial reports that are easy to read and understand and must not be confused to the readers of such reports and the decision makers. Therefore, the accountant needs to prepare financial accounting information in a recognized language and supply a more explanations or details about business activities of their entity in a clear full disclosure including the assumptions that the users may need to have their basic knowledge. Today's changing business environment that necessitated external sources of finances from different globalized capital markets where local GAAPs are no longer in a position of satisfying the decision makers, such as stockholders and bondholders must also be taken into consideration in the reliability of financial information (Shahwan, 2008; Geoffrey, Holmes & Sugden, 2009).

Comparability of Financial Information

Financial accounting information helps its users in making choices between many alternatives and substitutable cases in the decision make process. Consequently the internal examination of financial performance and financial position of the firm is carried out by comparability of the company's situations (past and present) through analysis using at least two years comparative information, especially about the financial performance and financial position to measure the profitability level, and returns on investment (Obert, 2011). The comparison of financial information can also be done between two or more companies in the same industry. Among different types of decisions to be made, comparability of financial information aims to help decision makers or user to find out and get a clear understanding of the existing similarities and level of differences that may exist within a company or industry and come up with strong corrective measures, and or new vision about what the entity is doing. From the industrial perspective, comparability of financial information mainly refers to the application of accounting principles, standards, policies and procedures towards their improvement or restructure (Braam & Beest, 2013; Gorayska, 2013).

Timeliness of Financial Information

This quality of financial information requires the presentation and communication of financial information before it loses its core value for decision making and change. Professional accountants and management are required to be aware that financial information is needed by users for a specific and timely purpose and have to present it in a very short time after the end of the accounting period (Amaoko, 2012). What a company has done previously is to be analyzed critically by decision makers, especially board of directors or investors or owners even the partners and individuals. This may result in the analysis of positive variances to be encouraged or negative variances to be transformed into positive by next coming accounting period. Timely financial information helps to improve the weaknesses found during the last accounting period and set strategies for future strengths since financial accounting reports on what have happened. Financial information is relevant when it is presented on time and influences the decision making process otherwise it loses its quality of being relevant (Watson, 2012).

In the present century characterized by information technology everything, including accounting information must be presented on time and manual accounting information preparation must be avoided regardless of the company's size and number of transactions. This is based on the fact that manual system does not help in communicating financial information on time and it also consumes resources. The retrieval of past financial information in manual system of financial accounting also takes time and human energy than the computerized accounting information system (Laube, 2015).

Understandability

According to the IASB (2010), understandability is an enhancing quality of financial information. Thus, financial information should be well categorized, and presented in clear form that helps decision makers or users to understand the clear meaning of everything that is contained in financial statements that is prepared and presented to them.

The five components of quality of understanding of financial information was presented by Mbobo and Ntiedo (2016) as (a) the organization of financial information in financial statements (b) information disclosure and notes to the reports (c) information presentation in tables and diagrams (d) clear language used for elements that are in reports (e) enclosure of glossary of terminologies that are not clear to all or unfamiliar words or terms explanations.

Verfiability of Financial Information

Verification of financial information posits that it should be easy to be used by different people that are knowledgeable and these people should be able to independently reach consensus in their decision about the appropriateness of the financial information. The cases where financial information may be related to estimates which are a kind of probability measurement should also be clear to all users (IASB, 2010). The information in the financial statements should be physically verified or audited and debtors or creditors should be able to be consulted in order to get confirmation of their balances. The concerned parties should also be able to verify the cash accounts directly. In addition, accounting methods used also are to be evaluated and users should be able to get information that confirms the faithfulness, quality and quantity of the amount contained in financial reports.

Empirical Review

In the case of WorldCom in the United States of America (USA), the internal audit department lied to the audit committee because it was bribed and was working under the management which has a direct influence on the department. This has led to the failure of WorldCom due to the lack of competence, low level of training and lack of experienced staff. Even the few who were qualified staff were not given access to information about the updated assessment of income statement and statement of financial position of the organization (Louwers, Ramsay, Sinason & Strawser, 2008). The external audit firm Arthur Anderson that supposed to carry out an effective external audit from zero processes to investigate what was happening to the client and report independently and objectively to investors, shareholders and creditors violated ethical professional rules and regulations. And due to this type of negligence, Arthur Anderson substituted its personality and reputation with self-interest and financial threats (Zekany, Braun & Warder, 2004).

The study of Edelman and Nicholson (2010) dealt with the case of Arthur Anderson that used to be one of the big five of auditing firms in the world which collapsed due to the lack of integrity and ethical behaviors, violation of accounting and auditing professional regulations. The lack of integrity in providing assertions on the issues of the Enron corporation from the Arthur Anderson negatively affected the investors, creditors, governments, shareholders, customers, financial analysts, managers and employees. This case revealed that auditors that were assigned the examination tasks did not apply their professional integrity and knowledge in risk assessment and closed their eyes to the relevant issues that destroyed the Enron and Arthur Anderson accounting firm. As accounting professional firm, Arthur Anderson supposed to act independently and employed the laws and rules of the profession to expose the misstatement of the financial information and issued a qualified opinion on the financial statements prepared and presented by the Enron. Instead, it issued cleared unqualified opinion for a period of three years starting from the year 1998 to the year 2000 that misled the investors and other stakeholders (Edelman & Nicholson, 2010).

Locally, the audit failure was popular from last decade where five banks collapse after having an unqualified opinion from external reports. From 2006 Nigeria experienced financial distress where investors and general public lost their trust in banking and capital markets because they lost billions of naira in those banks. The other popular failure of audit in Nigeria was Cadbury Plc which collapsed in 2006. From these experiences, the auditors of that were involved in these failures were accused and blamed because they did not use their due diligence, abuse of the professional standards,lack of skepticism. Fagbemi, Abogun, Uadiale and Uwuigbe (2013) posit that auditors that were involved in the failure of Nigeria audit service markets were corrupt and sold their ethical and professionalism characteristics by refused to do what is right and put their self interests first. They were supposed to combat all kinds of threats and save their reputation. Otusanya and Lauwo (2010) studied and reported the failure of Ile-Oluji coca products, African Petroleum Company, Standard Printing and Publishing Company, Lever Brothers and Union Dicon Salt. The failure of these companies made the investors and other stakeholders to lose a huge amount of money.

Methodology

This study adopted exploratory research design. Data for the study were gathered by reviewed relevant literature to the study. The literature reviewed is from the journals and textbooks. The researchers analyzed the data gathered in order to reach conclusions about the study.

DISCUSSIONS OF THE FINDINGS

The findings from this study revealed that auditors’ characteristics are fundamental to the sustainability of their industry which is certification of financial information. The needs for the positive contribution of audit services are enormous and all sustainable businesses consider audit services as a source of credibility, reliability and confidence in what management reports to stakeholders. Companies that did not present unethical financial reports or have nothing to hide will not have anything to fear if the shareholders request the hiring of external auditors to examine the financial reports, internal control, and accounting process of the organization. This would expose the weaknesses in the financial reporting systems and enable the management to take corrective actions based on the advice of the auditors’ report.

The findings demonstrated that auditors need to maintain their qualities and work ethics without any kind of influence from the management of the client firms in order to provide quality audit service. Anything less than maintaining quality characteristics of the auditors would always present misleading auditors’ reports. And this would cause the investors and other stakeholders to lose their hard earned resources. The cases of audit failures discussed locally and international audit failures resulted in a lot of losses to the investors and other stakeholders in the financial capital markets. As a result of audit failure, the public lost trust and faith in the financial capital markets and this has had negative consequences on the economic activities both locally and internationally.

CONCLUSIONS AND RECOMMENDATIONS

This study dealt with auditors' characteristics and quality of financial information they audited. The study concluded that auditors must be ethical, objective, competent, independent, communicative and honesty in all matters related to their work and especially when they are carrying out their job. They have to manage their emotions and comply with professional audit standards and work accordingly. Self-interests threats demonstrated the failure of decision-making process on the side of investors, governments, shareholders, customers, creditors, financial institutions, financial analysts and employees because their decisions were based on the misled financial information provided by the auditors.

Thus, the following recommendations were suggested by this study:

- Auditors should protect their profession and reputation by avoiding any kind of conflict of interest in the carrying out their job.
- Auditors should take into consideration the loss that may be caused by unethical and a violation of professional behaviors and standards.
- Audit regulators should impose heavy penalty and fines on auditors that fail to abide by auditing rules and regulations to deter future unethical behavior.
- Managers should stay away from self-interests behavior that is temporary and apply discretional ethical behavior that would enhance their credibility and reputation. Shareholders and other parties that hire auditors should judge their behaviors in the process of selecting them in order to minimize audit failure's effects on their businesses.

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