



Auditor Independence and Audit Quality in Nigerian Banks: Mediating role of Auditor-Client Relationships

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ARTICLE INFO			ABSTRACT
Article History:			<i>The study mediates the effect of auditor-client relationships on the association between auditor independence and quality audits within the Nigerian banking sector. A non-probability convenience sampling method was utilized to gather data from 150 internal auditors working in Nigerian banks. Data analysis was performed with the aid of Path Analysis-Structural Equation Modelling (PA-SEM). The results of the Path Analysis with Structural Equation Modeling (SEM) highlight the nuanced relationship between auditor independence, auditor-client relationships, and audit quality in the banking sector. The study provides evidence of a partial mediating effect of auditor-client relationships on the relationship between auditor independence and the quality of audits. Both auditor independence and auditor-client relationships independently predict quality audits, aligning with established guidelines. This conclusion underscores the need for a comprehensive understanding of the multifaceted factors influencing audit quality in the banking industry. Therefore, the policymakers should consider reviewing and updating existing regulatory frameworks to incorporate the importance of both auditor independence and auditor-client relationships in ensuring audit quality.</i>
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INTRODUCTION

The pivotal role of the banking sector in driving economic growth in Nigeria cannot be overstated. Through the provision of financial services, banks play a key role in facilitating investment, entrepreneurship, and capital formation, thereby fostering the overall development of the economy (Ogbeide & Osaze, 2017). According to Okpukpara (2015), banks are instrumental in advancing financial inclusion by offering a diverse range of services to various segments of the population. Initiatives such as mobile banking and agent banking have proven effective in integrating previously unbanked or underbanked individuals and businesses into the formal financial system. Afolabi (2013) supports this perspective, emphasizing that access to financial services, made possible by the banking sector, contributes significantly to poverty reduction. The provision of banking services empowers

individuals and businesses to save, invest, and access credit, ultimately enhancing their economic well-being over time.

In recent times, the banking sector has grappled with challenges related to fraud and financial mismanagement. Recent research findings indicate that Nigerian banks have incurred substantial losses of approximately N159 billion, equivalent to about 202 million dollars, due to fraudulent activities since 2020. Notably, more than 25 billion naira has been lost to various forms of fraud, encompassing illicit activities in internet banking, malicious digital loans, point-of-sale (POS) transactions, ATMs, and mobile applications. According to the report from the Financial Institution Training Centre (FITC), the first quarter of 2023 witnessed recorded fraudulent activities amounting to 473 million naira, while the figure surged to over 5 billion naira in the second quarter of the same year (Imafidon et al., 2023). This alarming trend has significantly undermined the confidence of both local and foreign investors, as well as eroded public trust in the banking sector.

The significance of a quality audit has been widely recognized by scholars, financial analysts, and researchers as a remedy for unethical practices within the banking sector. According to Imafidon et al. (2023), a quality audit plays a crucial role in ensuring the financial stability and integrity of banks. It serves as a vital tool for detecting, deterring, and mitigating fraud and mismanagement, acting as an independent line of defense that safeguards depositors' funds, fosters public trust, and helps prevent financial crises. Ogbeide, and Osaze (2017) emphasize that quality audits are instrumental in identifying operational inefficiencies and weaknesses in internal controls. This identification prompts improvements that optimize performance and enhance resource allocation. This underscores the notion that a quality audit serves as a robust mechanism for reviewing internal controls, financial records, and transactions, often uncovering discrepancies and irregularities indicative of fraud. Therefore, the preservation of auditor independence and the cultivation of strong auditor-client relationships are deemed essential for conducting quality audits, propelling the banking sector into the global spotlight of relevance (Okafor, Nnadi, & Onugu, 2020; IAASB, 2023; Tower, 2023).

Auditor independence has been identified as a tool that influence quality audits, which is referring to the impartiality and lack of bias in the audit process. It is the freedom of auditors from any financial, personal, or other relationships that may compromise their ability to make objective and unbiased judgments (Salehi & Moradi, 2010). In the same direction, Tower (2023) demonstrates that auditor independence is a cornerstone of the auditing profession as well as a crucial element in the statutory corporate reporting process. It is also a key prerequisite for adding value to financial statements (Shakhathreh, Alsmadi, & Alkhataybeh, 2020; Ahmed, 2014). Tower (2023) also confirms that the requirement of auditor independence arises from the need to establish the independent auditor as an objective and trustworthy arbiter of the fair presentation of financial results.

In addition to upholding auditor independence, the significance of auditor-client relationships as crucial tools for efficient and insightful audits has been widely acknowledged. It is noteworthy that these relationships empower auditors to acquire in-depth knowledge of a client's business, internal controls, and risks, facilitating the swift identification of key audit areas and the seamless execution of audits (Imafidon et al., 2023). Taking a similar perspective, some argue that auditor-client relationships act as a double-edged sword in the pursuit of high-quality audits. While close collaboration can enhance efficiency and comprehension, it concurrently raises concerns about potential threats to auditor independence (Fossung, & Verges, 2022). Striking the right balance becomes paramount in

ensuring accurate financial reporting and fostering public trust in the auditing profession (Ivungu, Kenneth, & Austine, 2019).

Existing research has correlated auditor independence with quality audits, and parallel studies have explored the relationship between auditor-client relationships and quality audits across various sectors, including manufacturing, education, agriculture, automobile, and services (Imafidon, Josiah, & Agbo, 2023; Shakhathreh, Alsmadi, & Alkhataybeh, 2020; Simon, 2018; Sunday, 2019; Fossung, & Verges, 2022). However, there is a notable gap in the literature, as no available studies have examined the extent to which auditor independence influences quality audits when auditor-client relationships are introduced. This novel study aims to address this gap by exploring the mediating effect of auditor-client relationships on the association between auditor independence and quality audits within the Nigerian banking sector.

The research is anticipated to make a meaningful contribution to the banking sector's efforts in attaining the Sustainable Development Goals (SDGs) by mobilizing significant financial resources for the funding of sustainable development projects by the year 2030.

Theoretical Framework

Various theoretical frameworks frequently arise in discussions about auditor independence, auditor-client relationships, and quality audits. Noteworthy among these are institutional theory (Shakhathreh et al., 2020; Al-Khaddash., 2013), agency theory (Simon., 2018; Amahalu., 2018), social exchange theory (Imafidon et al., 2023; Fossung, & Verges, 2022), resource dependency theory (Stella, & Uchenna, 2019; Ivungu et al., 2019), and structuration theory (Sunday., 2019; Adegbie et al., 2017). Surprisingly, none of the existing studies have amalgamated these theories to elucidate the nexus between auditor independence, auditor-client relationships, and quality audits. This innovative investigation diverges from this trend by incorporating institutional theory, Stakeholder theory, and social exchange theory. These combined theories are employed to elucidate the mediating role of the auditor-client relationship in the connection between auditor independence and quality audits. This approach provides a novel framework for comprehending the intricacies of auditor independence, quality audits, and auditor-client relationships, shedding light on the factors that influence these pivotal aspects of the auditing process.

Institutional Theory

In the realm of auditing, institutional theory, rooted in sociology and organizational studies, emerged during the 1970s as a prominent framework for comprehending how organizations conform to and are shaped by institutional norms, values, and expectations (Shakhathreh et al., 2020). This theory asserts that organizations strive for legitimacy by aligning with institutional pressures, encompassing cultural, social, and regulatory expectations. Within the context of auditing, Institutional theory suggests that auditors adhere to institutional norms and expectations, offering insights into how the institutional environment influences auditor behavior, encompassing independence and adherence to auditing standards (Shakhathreh et al., 2020). Al-Khaddash (2013) posits that institutional theory provides auditors with a platform to function within a broader institutional environment comprising regulatory bodies, professional standards, and societal expectations. This implies that auditors must conform to these norms to establish and sustain legitimacy. According to Simon (2018), the adherence to institutional expectations plays a pivotal role in ensuring the independence of auditors, facilitating the performance of their roles with objectivity and impartiality. Stella, and Uchenna (2019) further illustrates the connection between institutional theory and quality

audits, emphasizing how institutions shape expectations and standards for auditing practices. Institutional pressures impact the adoption of best practices, methodologies, and standards in auditing. Sadem advocates that adherence to established norms and standards enhances the legitimacy of auditors, fostering a positive perception of their role among clients and stakeholders.

In a related study, Sunday (2019) reinforces the theory that adherence to institutional norms and standards builds trust in the auditor-client relationship. Clients are more likely to trust auditors who follow established practices and standards, as this conformity aligns with societal expectations and institutional norms. Consequently, Institutional theory suggests that Nigerian banks, including auditors, should actively seek legitimacy in the eyes of stakeholders and the broader institutional environment. Compliance with standards and norms is essential to mitigate the risk of audit failures, financial scandals, and legal repercussions. This, in turn, enhances the overall stability and reliability of the auditor-client relationship.

Stakeholder theory

Stakeholder theory, a management and organizational framework, underscores the importance of recognizing and fulfilling the needs and expectations of diverse stakeholders within an organization. In the banking context, this theory translates into a commitment to considering and balancing the interests of all stakeholders for sustained success (Shakhathreh et al., 2020). This study delves into the relevance of stakeholder theory in three pivotal facets of the banking industry: quality audits, auditor independence, and auditor-client relationships. According to Fossung, and Verges (2022), stakeholder theory underscores the significance of audits addressing the needs of all stakeholders, extending beyond shareholders. This implies that audits should evaluate risks impacting various stakeholders, encompassing financial stability, operational efficiency, ethical conduct, and environmental impact. For instance, an audit should not solely focus on financial performance but also assess compliance with environmental regulations and the bank's influence on local communities.

Furthermore, Ivungu, Kenneth, and Austine (2019) assert that stakeholder theory posits auditors have a responsibility to a range of stakeholders, including creditors, employees, and the public. Independence is crucial to serve the interests of all stakeholders by furnishing accurate and reliable financial information. Stakeholder theory also considers the broader impact of the auditor-client relationship on stakeholders, perceiving a healthy relationship as beneficial for transparency and accountability. This theory also establishes a foundation for banks to showcase a quality audit through independent auditors and amicable auditor-client relationships, enhancing credibility and trustworthiness for all stakeholders (Parker & Guthrie, 2010).

In a parallel vein, the International Federation of Accountants (IFAC) (2012) confirms that stakeholder theory promotes open communication and transparency between auditors and bank management, fostering a collaborative approach to identifying and addressing risks. This collaborative effort benefits all stakeholders by building trust and understanding between auditors and clients. Stakeholder theory, therefore, offers a comprehensive framework for understanding and managing the relationships between auditors, clients, and other stakeholders in the banking sector. By recognizing the diverse interests involved, Stakeholder theory contributes to the enhancement of quality audits, the promotion of auditor independence, and the cultivation of positive auditor-client relationships. This integrated approach aligns with the broader goals of organizational sustainability and stakeholder value creation.

Social exchange theory

Social Exchange Theory (SET) has its origins in sociology and social psychology, gaining prominence in the early to mid-20th century and being further developed by scholars like George C. Homans, Peter M. Blau, and Richard M. Emerson (Glover, Prawitt, & Woods, 2018). At its core, SET revolves around the principles of social behaviour and relationships, proposing that individuals participate in social interactions with the anticipation of reciprocity or the exchange of resources. Van Der Zahn (2004) emphasizes that social exchange within auditing involves mutual expectations of trust and honesty. The independence of auditors is a pivotal element in upholding trust throughout the auditing process. Stakeholders rely on auditors to provide an impartial evaluation, while auditors, in turn, depend on stakeholder trust for sustained relevance and credibility. In the SET framework, independence becomes a form of social exchange between auditors and stakeholders, where auditors offer their expertise and assurance services, and stakeholders, encompassing shareholders and the public, trust that auditors act in their best interest.

Horton et al. (2008) highlight the social exchange dynamics in the auditor-client relationship, characterized by the interchange of information and resources. Clients furnish necessary information for audits, and auditors reciprocate with expertise and assurance. Trust and open communication play pivotal roles in shaping the effectiveness of this exchange, significantly influencing the auditor-client relationship. Echoing this sentiment, Glover et al. (2018) argue that the quality of the audit process is shaped by the social exchange between auditors and clients. Effective communication and collaboration contribute to a comprehensive understanding of the client's business, thereby enhancing the overall audit quality. According to Dart (2011), auditors play a crucial role in providing assurance to external stakeholders that corporate reports and financial statements accurately represent the performance of the company. To fulfill this responsibility effectively, it is imperative that auditors maintain independence from the client company while fostering a positive and cooperative relationship with their clients.

In line with these perspectives, it is advocated that banks should create an environment conducive to auditor independence and the effectiveness of the auditor-client relationship. This enables auditors to deliver their expertise and assurance services, fostering trust among stakeholders, including shareholders and the public, who rely on auditors to act in their best interests.

Empirical Review and Hypotheses Development

Several studies have investigated the impact of auditor independence on audit quality, with consistent findings. Abdul et al. (2014) in Indonesia, Adeyemi and Okpala (2011) in Nigeria, Ahmed (2014) in Egypt, Babatolu et al. (2016) in Nigeria, and Soltani (2007) in a global context all conclude that independent auditors are more likely to conduct high-quality audits. Madumare and Onwucheka (2020) also investigated the impact of auditor independence on the quality of audits within Nigerian banks, establishing a significant association between auditor independence and the quality of audits. Similarly, Yakub and William (2020) explored the relationship between auditor independence and the quality of audits in listed firms, concluding that auditor independence is significantly linked to enhanced audit quality.

In a separate study, Aliu, Okpanachi, and Mohammed (2018) focused on the Nigerian Oil and Gas industry, finding that auditor independence serves as a key predictor of high-quality audits. Otuya (2019) affirmed the significance of auditor independence by demonstrating its substantial association with the quality of corporate reporting in the Nigerian manufacturing

industry. Bassey et al. (2020) delved into the connections between audit independence and the quality of auditing in Nigeria, revealing a significant relationship between various dimensions of auditor independence and audit quality.

Further emphasizing the impact of auditor independence, a study conducted by Ebubechukwu (2023) concentrated on non-financial firms in Nigeria, indicating that auditor independence plays a pivotal role in ensuring the quality of financial reporting. Owolabi and Agbaje et al. (2021) explored the influence of auditor independence on the quality of financial reporting in Nigerian banks, finding a significant association between auditor independence and enhanced financial reporting quality. Similarly, Okunola (2020) affirmed the substantial effect of auditor independence on the quality of financial reporting in Lagos State Parastatals. Ezuwore, and Elias (2020) conducted a study on the effect of auditor independence on audit quality, providing confirmation that auditor independence significantly contributes to the attainment of high-quality audits. These collective findings underscore the consistent and crucial role of auditor independence in ensuring the quality and reliability of audit outcomes across various industries in Nigeria. Hence, the following hypothesis emerged:

H1: Auditor independence has a significant link with quality audits

Mediating effect of Auditor-Client Relationship

The relationship between auditors and clients can be traced back to the early stages of formal accounting practices, with roots in ancient civilizations such as Mesopotamia and Egypt (Knechel, Nitzan, & Tubbs, 2020). Described as intricate and multifaceted by Durtschi, Knoepfle, and Knechel (2014), this longstanding association yields undeniable benefits for both parties. Through the cultivation of transparent communication, the sharing of knowledge, and the adherence to ethical standards, the auditor-client relationship significantly enhances the quality and independence of audits, ultimately serving the best interests of investors, stakeholders, and the broader financial markets. Van der Stede and Young (2011) argue that clients grant auditors access to internal information, systems, and personnel, providing invaluable insider knowledge. This access enables auditors to gain a profound understanding of the client's business, identifying potential risks and areas warranting closer examination. Supporting this perspective, Davis, Ricchiute, and Trompeter (2015) affirm that the auditor-client relationship fosters open communication and collaboration, facilitating the timely exchange of information, clarification of complex issues, and the resolution of disagreements in a constructive manner.

A research investigation carried out by Aondoakaa, and Achika (2020) highlights that the auditor-client relationship plays a role in shaping the connection between auditor independence and the quality of audits in Bahrain. Similarly, in another study, Magdas, Tudor, and Popa (2022) assert that the auditor-client relationship serves as a platform where auditor independence and the quality of audits are intertwined. In backing this claim, Bleibtreu, and Stefani (2018) illustrate that the auditor-client relationship serves as a framework establishing the meaningful correlation between auditor independence and the quality of audits on a global scale. He et al. (2017) contend that a strong auditor-client relationship, grounded in auditor independence, is vital for safeguarding the precision and dependability of financial reporting. This implies that auditor independence, cultivated within the dynamics of the auditor-client interaction, notably enhances the quality of presented financial information.

Nevertheless, research conducted by Hamilton, Ruddock, Stokes, and Taylor (2005) indicated that a prolonged auditor-client relationship appears to hinder the auditor's ability to attain a

high level of conduct necessary for elevating audit quality. Therefore, the following hypotheses are proposed:

H2: Auditor independence has a significant association with auditor-client relationship

H3: Auditor-client relationship has a significant association with quality audits

H4: Auditor-client relationship mediates between auditor independence and quality audits

Conceptual Framework

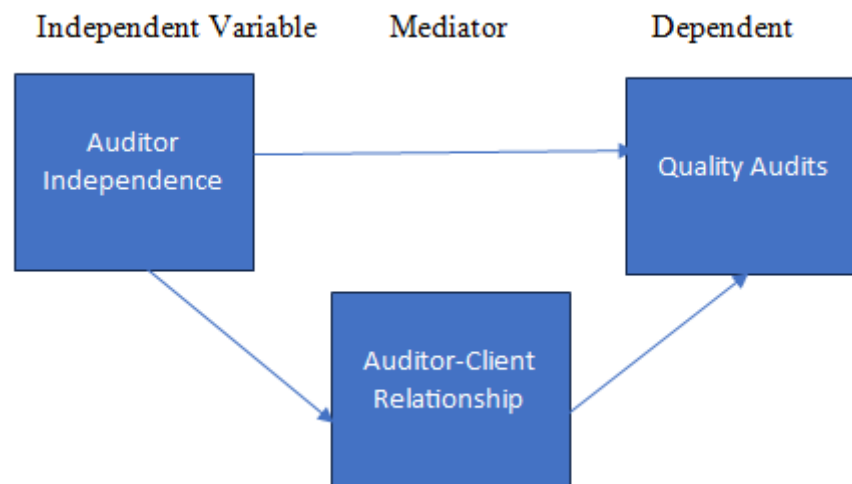


Figure 1: Conceptual Model

METHODOLOGY

Sampling Procedures

A non-probability convenience sampling method was utilized to gather data from 150 internal auditors working in Nigerian banks. The demographic details of the participants are outlined as follows: 55% of the sample were male, while 45% were female, indicating a gender-sensitive approach in the banks' employment policies. Regarding age distribution, 50% fell within the 20 to 35 years bracket, 30% were in the 36 to 45 years bracket, and the remaining respondents were 46 years and older. This suggests that a majority of the participants are in the prime of their professional careers, poised to contribute to the global prominence of the sector. In terms of educational qualifications, 40% of the respondents held a master's degree, 50% held a bachelor's degree, and 10% possessed a diploma; all respondents were holders of an Accounting professional certificate. Additionally, 8% reported 1-5 years of working experience, 40% had 5-10 years, and 58% had over 10 years of experience. This indicates that all respondents have a high level of proficiency in auditing practices.

Survey Instrument

The study employed three instruments: the auditor independence scale, the auditor-client relationship scale, and the quality audits scale. All scales were structured on a five-point Likert scale, ranging from one (strongly disagree) to five (strongly agree). The auditor independence scale, consisting of 5 items, drew inspiration from the works of Yakub and

William (2020) and Ebubechukwu (2023). The auditor-client relationship scale, comprising 4 items, was developed and validated by Knechel, Nitzan, and Tubbs (2020). Additionally, the quality audits scale, consisting of 5 items, was derived from the research conducted by Magdas, Tudor, and Popa (2022). The internal consistency factors (α) reported by the authors were 0.78 for auditor independence, 0.81 for the auditor-client relationship, and 0.84 for quality audits, indicating the reliability of the respective scales.

Table 1: Summary of Results of the Measurement Instruments Validation

variable		Cronbach's alpha
Auditor Independence – Cronbach Alpha – (AIS = 0.852)		
AIS 1	Auditors in our bank are free to make decisions without undue influence from management or other parties.	0.812
AIS 2	Auditors in our bank maintain objectivity in their judgment and are not swayed by personal or financial interests.	0.799
AIS 3	External pressures, such as client relationships or financial incentives, do not compromise the independence of auditors in our bank.	0.821
AIS 4	Auditors in our bank consistently adhere to professional standards and ethical guidelines to ensure independence in their work	0.802
AIS 5	The reports generated by auditors in our organization are transparent and unbiased, reflecting a commitment to maintaining independence in the audit process.	0.816
Auditor- client relationship: Cronbach Alpha – (ACR = 0.867)		
ACR1	There is effective communication and cooperation between auditors and banking clients during the audit process	0.803
ACR2	Clients actively cooperate with audit procedures, facilitating a thorough and effective audit.	0.789
ACR3	Auditors maintain independence and objectivity in their interactions with banking clients, avoiding conflicts of interest.	0.811
ACR4	Information required for the audit is exchanged in a timely manner between auditors and banking clients	0.815
Quality Audits - Cronbach Alpha – (QUS = 0.819)		
QUS 1	Our organization actively engages in continuous improvement efforts to enhance the quality of audit processes and outcomes.	0.812
QUS 2	Auditors in our organization maintain independence and objectivity, contributing to the overall quality of audits.	0.808
QUS 3	Our audit practices consistently adhere to professional standards and guidelines, ensuring a high level of quality	0.804

QUS 4	The audit procedures employed in our organization are effective in uncovering relevant information and risks.	0.809
QUS 5	The audit planning process in our organization is thorough and ensures that all relevant aspects are adequately considered.	0.810

The data presented in Table 1 indicates that the factor weights for all indicators surpass 0.5. This suggests that the questions effectively account for the variability in the associated variables. Consequently, the measurement model is deemed appropriate for analysis.

Method of Data Analysis

Data analysis was performed with the aid of Path Analysis-Structural Equation Modelling (PA-SEM).

RESULTS AND DISCUSSION

Table 2: PA-SEM (Direct Effect)

Path	Coef.	t-value	p-value	Hypothesis	Remark
QUS <- AIS	.3278822	4.39	0.000	H1	Confirmed
QUS <- ACR	.40139	5.74	0.000	H2	
ACR <- AIS	.6610355	9.27	0.000	H3	Confirmed

Table 2 presents the direct effects in a Path Analysis-Structural Equation Model (PA-SEM) and their significance levels. The beta- value of 0.327 and t-value of 4.39 indicate that the auditor independence (AIS) has a positive relationship with quality audits. The p-value of 0.000 further confirms the statistical significance of the relationship. This finding aligns with theoretical expectations and supports the notion that independent auditors are less susceptible to bias and pressure, leading to more thorough and objective audits (Okunola, 2020). This connotes that promoting auditor independence enhances the quality of audits and safeguards the interests of investors. Cultivating a culture of independence within the audit profession ensures the integrity and reliability of financial reporting, thereby making a significant contribution to a more stable and efficient financial system. This finding is in alignment with the previous studies that auditor independence has a positive and significant association with quality of audits, which safeguards the interests of investors (Otuya, 2019; Owolabi & Afolayan, 2020; Ebubechukwu, 2023). Therefore, H1 is supported.

The beta-value of 0.4013, coupled with a t-value of 5.74, signifies a positive association between the auditor-client relationship and quality audits. This suggests that an elevated level of auditor-client relationship corresponds to a higher standard of quality audits. This implies that fostering a stronger and more collaborative relationship between auditors and clients could contribute to an enhanced standard of quality in audit processes. This suggests that investing in and nurturing effective communication and cooperation between auditors and clients may result in improved audit outcomes and a higher level of assurance in financial reporting. The study concurs with the existing research that auditor-client relationship is a strong predictor of quality audits (Khashermer & Hezabr, 2016; Magdas et al., 2022). Hence, H2 is confirmed.

The evidence further indicates a positive correlation between the auditor-client relationship and auditor independence, as reflected in a beta-value of 0.661 and a t-value of 9.27. The significance is underscored by a p-value of 0.000, affirming the meaningful linkage between the two variables. This suggests that a robust and positive auditor-client relationship is closely tied to higher levels of auditor independence. Organizations and regulatory bodies may consider prioritizing measures that foster positive interactions between auditors and clients to potentially strengthen auditor independence, thus promoting trust and reliability in financial reporting. Hence, H3 is supported .

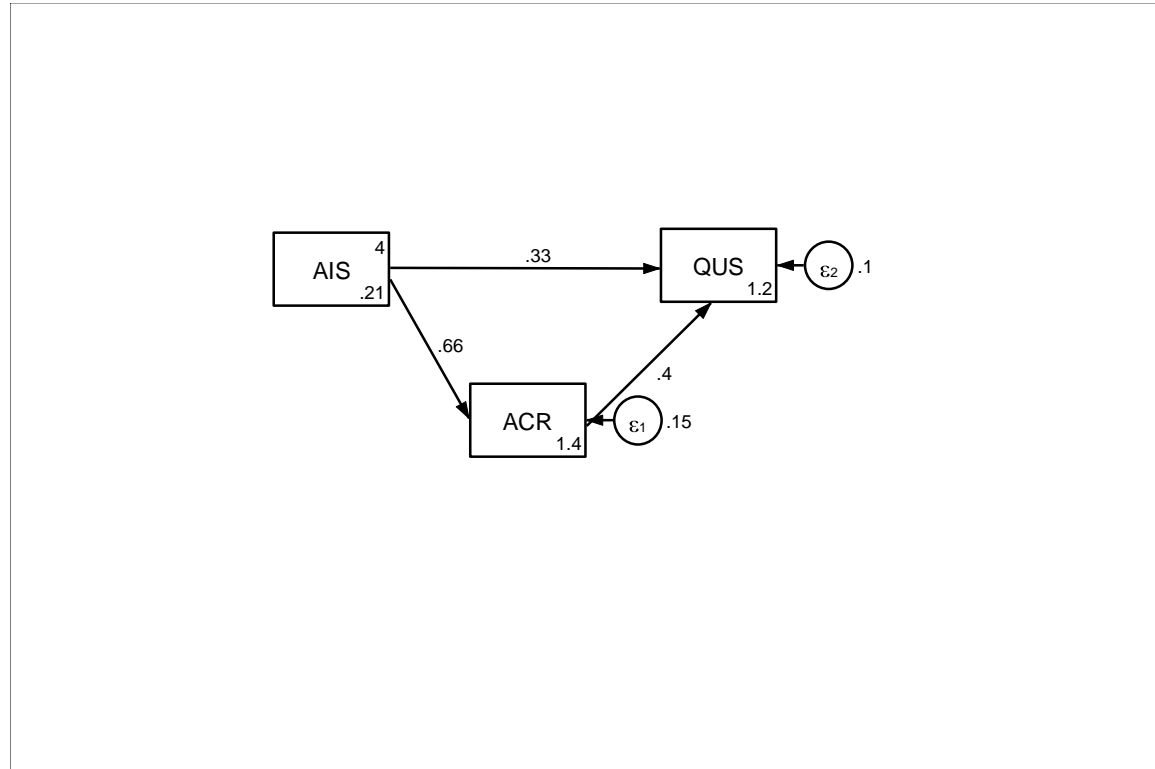


Figure 1: SEM

Table 3: PA-SEM (Indirect Effects)

Path	Coef.	t-value	p-value	Hypothesis	Remark
QUS <- ACR<-AIS	.2653	4.88	0.000	H4	Partially supported

The table displays findings from a Path Analysis utilizing Structural Equation Modeling (SEM), with a specific emphasis on indirect effects. The beta coefficient of 0.265 and a t-value of 4.88 suggest a partial mediating influence of auditor-client relationships on the association between auditor independence and the quality of audits (see Fig 1). This conclusion is supported by the observation that both auditor independence and the auditor-client relationship serve as predictors for quality audits. The study aligns with the guidelines proposed by Kenny and Baron (1986), which state that when the independent variable (in this case, auditor independence) and the mediator (auditor-client relationships) are predictors of the dependent variable (quality audits), partial mediation occurs. This adds credibility to the study's findings, as they are consistent with established theoretical frameworks. This suggests that these two factors independently contribute to the quality of audits conducted. The relationship between the auditor and the client, as well as the independence of the auditor, are

important considerations in understanding and predicting the quality of audit outcomes. Hence, H4 is partially supported.

CONCLUSION

The results of the Path Analysis with Structural Equation Modeling (SEM) highlight the nuanced relationship between auditor independence, auditor-client relationships, and audit quality in the banking sector. The study provides evidence of a partial mediating effect of auditor-client relationships on the relationship between auditor independence and the quality of audits. Both auditor independence and auditor-client relationships independently predict quality audits, aligning with established guidelines. This conclusion underscores the need for a comprehensive understanding of the multifaceted factors influencing audit quality in the banking industry.

RECOMMENDATIONS:

Based on the findings, the following recommendations are made:

1. Banks should strengthen their mechanisms for overseeing and ensuring auditor independence. This involves implementing robust policies and procedures to identify and mitigate potential conflicts of interest. Regular audits of the independence of auditing firms can contribute to maintaining a high standard of objectivity and impartiality in the auditing process.
2. Banks should invest in effective management of these relationships. Establishing clear communication channels, fostering transparency, and promoting a collaborative environment between auditors and clients can enhance the overall quality of audits. Regular training programs for auditors on relationship management skills may be beneficial.
3. Based on the study findings, policymakers should consider reviewing and updating existing regulatory frameworks to incorporate the importance of both auditor independence and auditor-client relationships in ensuring audit quality.

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