Effects of Auditor Rotation and Audit Quality on Corporate Governance Practices in Zimbabwe Local Authorities. A Stakeholder Perspective

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Abstract

The study aims to promote the impacts of auditor rotation (AR) and audit quality (AQ) on corporate governance (CG) reporting and practices in Zimbabwe local authorities. A sample of study consisting of 21 audit committee chairpersons and 47 chief audit executives was used. The data sample was analysed under the multiple regression model to explore the statistical significance of the relationships between AR, AQ and CG. Empirical results of the study indicate that AR and AQ which are directly related variables with CG, have a combined significantly positive effect on CG. *This follows the multiple regression analysis having established a non-significant AR, being 0.001<AR>0.005, but a highly significant intercept and AQ coefficient.* Therefore, it was concluded that as much we may observe an improvement in CG following AR, this relationship in not statistically significant. This entails that AR itself does not have power to affect corporate governance reporting and practices. Thus, only by affecting AQ, can AR make an actual difference to CG reporting and practices in Zimbabwe local authorities. The findings from this enquiry will equip policy makers and regulators, particularly the Auditor General's office, when making subcontracting decisions, helping them to decide whether to incline with the global trend of mandatory auditor rotation or adapt an alternative perspective.

Keyword: *Auditor rotation, Audit quality, Corporate governance, Zimbabwe Local Authorities*

1.0 Introduction

The persistent economic meltdown facing Zimbabwe has negatively impacted the country's public finance management systems and has seen compromised public sector corporate governance practices which are being blamed for the current unprecedented decline in the quality of public service delivery particularly in local authorities. These concerns are usually voiced through organized stakeholder activism, actioned through civil society organizations, dominantly residents' associations. Surprisingly, none to just a few of these corporate governance concerns would have been reported or brought to light in audit reports, worse-off scenarios being cases where some of the organizations would have been issued unqualified audit reports. Yet external auditors, as independent corporate monitoring agencies, are appointed yearly to audit and report on the performance of public sector organizations, with a presumed responsibility to contribute towards reduction and minimization of agency problems, through the provision of assurance to the public that management of public institutions is serving to the public's best interests.

In Zimbabwe, the responsibility for auditing public sector organizations lies with the nation's " audit institution, the office of the Auditor General", who in usual cases due to lack of capacity sub-contracts some of its authority to private audit firms. However, the office of the Auditor-General retains full responsibility for auditing public sector organizations. It is common practice that majority of the sub-contracted audit firms are re-appointed yearly to audit the same organizations, particular cases are firms sub-contracted to audit selected local authorities who have maintained their tenure of office in excess of 10 years. This study is aimed at researching

whether the questionable quality of audit output, reflected through inadequate and seemingly biased corporate governance reporting, can be attributed to audit tenure of office, through an empirical assessment of stakeholder perceptions on the role and impact of auditor rotation on corporate governance reporting and practices in Zimbabwe local authorities.

The literature indicates how critical the compulsory rotation of auditors is and how it helps to im prove Corporate diclosures 'accuracy and reliability. Mandatory auditor rotation has received attention from previous studies, though not so many studies have focused on audit rotation to date, relative to other aspects of organisational management sciences (Cameran, Francis, Marra, & Pattinicchio, 2015; Hay, 2015).
Proponents of mandatory rotation of auditors claim that prolonged audit firms / clients relations c an trigger Audit failures due to high familiarity can compromise auditors' independence and professional confidence". (Chi, Myers, Omer, & Xie, 2017; Cameran, Ditillo, & Pettinicchio, 2017; Wilson, McNellis, & Latham, 2018)."
Opponents claim that the extended relationship between auditors and clients contributes in the lo ng run to the accumulation of useful knowledge of clients and the industry and to enhanced audit efficiency". (Fontaine, Khemakhem, & Herda, 2016; Allam, Ghattas, Kotb, & Eldaly, 2017; Nguyen & Kend, 2017; Tian & Xin, 2017; Aschauer & Quick, 2018)."
These two opposing claims argue that their approaches promote and enhance audit quality, as such, the concept of audit quality is central to this debate.

Previous studies have shown that a new auditor provides professional services with a different pe rspective and encourages audit independence" (Firth, Rui, & Wu, 2012)". However,

Some studies showed contrary findings that indicate a decrease in auditor efficiency due to the lo ss of customer-specific information after auditing rotation" (Chi, Myers, Omer, & Xie, 2017)". Although there is no clear evidence for the effects of auditor rotation, the concept of compulsory auditor r otation is common in both developed and developing countries.Poor corporate governance practices in Zimbabwe public sector have of late been blamed for the continuously declining quality of

public service delivery.
Delivery of public service refers to the delivery of public services to its residents by public bodie s, regardless of class or economic status" (Le Grand, 2009; Wanna, Butcher, & Freyens, 2010)," meaning that the major tenets of a good public service are high quality and its equitable distribution. Public service delivery is funded by taxpayers, afforded without a profit motive and as such, it is not subjected to market forces. This effectively has a tendency to overshadow the incentive to create value for money for the taxpayer (Van Wheele, 2014), which is also complicated by the obscurity associated with performance measures for its administration.

It is, therefore, the presumed role of the audit to unearth and report poor corporate governance practices and recommending best practice requirements, which in turn will be expected to result in an improvement in public service delivery. As much as literature sources argue on the ambiguity of measuring value addition in service delivery, good corporate governance practices can create value through its contribution towards the achievement of objectives of the government while affording the best returns to the providers of finance, the taxpayers (Basley & Ghatak, 2007; Weishaar, 2013). Effective public service delivery entails availing the basic resources to sustain human livelihoods such as clean water, electricity, and infrastructure, however, these basic services are in critical deficit in Zimbabwe and the prevailing situation is negatively impacting the quality of lives of citizens. This paper is meant to assess the possible contribution auditor rotation might bring on bord towards addressing corporate governance challenges, *either directly or* through its implication on audit quality in Zimbabwe local authorities.

2.0 Statement of the problem

Studies point to the importance of audit in upholding "corporate governance" practices within public sector organizations. In Zimbabwe, it is mandatory through the provisions of the "Public Entities Corporate Governance Act (Chapter 10:31)", "Public Finance Management Act (22:19)", the "Rural District Councils Act (29:13)" and the "Urban councils Act (29:15)",that, within 120 days after financial year end, all local authorities produce audited finan cial statements. Notwithstanding this solid statutory requirement, widespread poor corporate governance concerns within local authorities are reported through civil society organizations and other non-governmental development stakeholders and not through the audit reports. Ironically, some of these reported local authorities would have been issued with disclaimers or unqualified audit reports with minor to total exclusion of corporate governance concerns raised in audit reports to the attention of critical stakeholders, the public. This, therefore, raises questions on the quality of audit services being availed, and the need to assess if the prolonged tenure of office dominating the local government subsector audits can be attributed to the prevailing phenomenon. Consequently, literature on the relationship between audit quality assessed through mandatory auditor rotation and quality of public service delivery as assumed to be guaranteed though an improvement in corporate governance remains scant and inconclusive. As such, this paper is meant to make an key contribution to the literature through an assessment of the contribution and Impact of mandatory rotation of auditorson corporate governance reporting and quality and practices in Zimbabwe local authorities.

This study aim: **we just show the relationship between** Auditor Rotation and Audit Quality on Corporate Governance

- to establish the perception of internal governance stakeholders towards auditor rotation in Zimbabwe local authorities.
- create relations between the rotation of auditors, audit quality on corporate governance and local government practices in Zimbabwe.

This study is concerned primarily with the development of audit theory and practice and its effec t on corporate governance practices in Zimbabwe.and other developing countries with related socio-economic settings, considering:

- The effect of the rotation of the auditor and audit quality are little known" (Hay, 2015; Cameran, Francis, Marra, & Pattinicchio, 2015)" on corporate governance in developing countries, particularly in Zimbabwe. Previous studies in the history of Zimbabwean did not recognize the effect of auditor rotation as assessed through audit quality on Zimbabwe public sector corporate governance reporting and practices.
  on corporate governance of mandatory audit rotation
- the economic and accounting contexts also make Zimbabwe an important location to examin e the effect . The poor state of public service delivery and poor corporate governance concerns rocking the nation's public sector, notwithstanding public sector reforms and mandatory auditing of public sector institutions spelt out by regulation has raised much interest in the need to find answers as to how these corporate governance concerns are sneaking the auditors, who in usual cases are issuing unqualified audit reports and raising no corporate governance concerns facing their clients, yet for the same organizations, civil society groups such as resident associations raise worrying and usually real corporate governance allegations against management of the same institutions.

This study has two main hypotheses. The first hypothesis (H1) can be states as:

$\mathbf{H_0}$: *Auditor rotation (AR) does not affect audit quality (AQ), versus;*
$\mathbf{H_1}$: *Auditor rotation (AR) affects audit quality (AQ).*

While the second hypothesis (H2) can be stated as:

$\mathbf{H_0}$: *Audit quality (AQ) does not affect corporate governance (CG), versus;*
$\mathbf{H_1}$: *Audit quality (AQ) affects corporate governance (CG.)*

3.0 Study conceptual framework

Generally, the arguments and debate around audit rotation, audit quality and corporate governance emanates from the supposition that

The prolonged relationship between an external auditor and a client organization will inevitably lead to a disparity in the efficiency of the audit. The consistency of the audit relates to the probability that the audit or will detect a breach and report such a breach. *Such professional practice by the monitoring agent will foster management to improve the way they run affairs of the organisation*.

Figure 1 below depicts the study conceptual model. The model explains that:

- AR (independent variable) cannot influence CG (dependent variable) directly, and instead does so by means of its influence on AQ (mediator variable). In this case AQ is what is sometimes referred to as the intervening variable.
- Although we may observe an improvement in corporate governance (CG) reporting and practices following auditor rotation (AR). AR itself does not have the power to affect CG reporting and practices. Only by affecting AQ, can AR make actual and sound difference to CG reporting and practices (Elder, Lowensohn, & Reck, 2015).

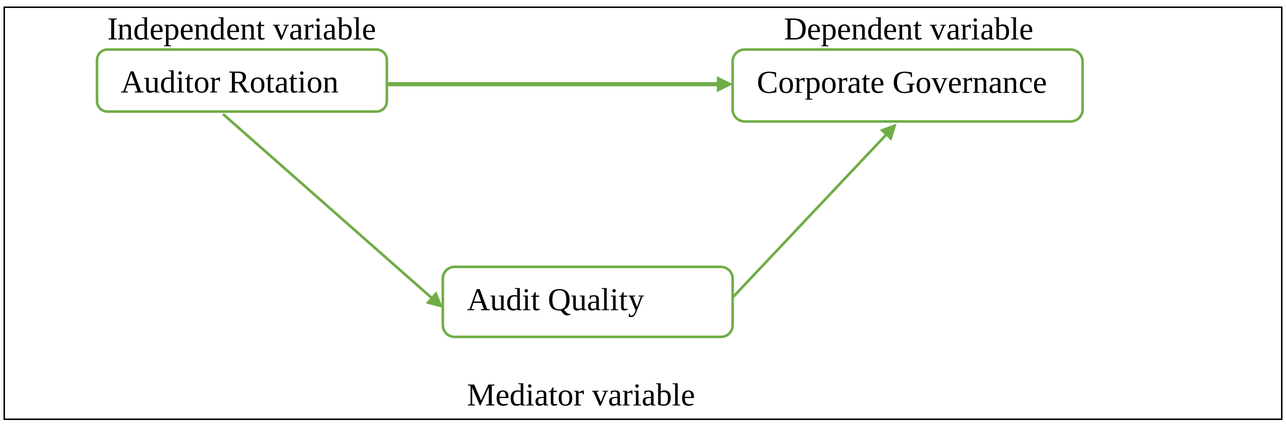

Figure 1: Study conceptual framework
Source: Researchers conceptualisation, 2020

4.0 Literature review

The study literature reviewed largely supports the current study. This study perceives the aspect of auditor rotation from the perspective internal governance stakeholders. This is achieved through the application of two main theoretical frameworks. The stakeholder groups are divided in to two main different groups, thus internal governance stakeholders and external stakeholders. The study applies the self-determination theory as the lenses through which we can investigate auditors' motivations to objectively report on an entity's "corporate governance practices" and the perception of internal governance stakeholders on mandatory auditor rotation. The study applies the agency theory as lenses through we can investigate audit committees, internal auditors, and other internal governance stakeholders' perceptions towards auditor rotation and the subsequent corporate governance reporting by external auditors and practices by internal governance stakeholders.

4.1 Empirical review of prior literature on stakeholder perception on audit rotation, audit quality and corporate governance.

Currently, there is an on-going debate on the efficacy of auditor rotation. This debate remains largely unresolved as scholars keep pointing to varying justifications in support and against auditor rotation. Both extremes will be justifying their arguments on grounds of improved audit quality and corporate governance. This therefore might mean the audit profession has to establish other methodologies through which assurance of practitioner independence may be guaranteed, outside the traditional methodologies such as auditor rotation (Zubaini, et al., 2019). Studies have been conducted to try and demystify this relationship; however, the arguments remain inconclusive. This study follows a stakeholder perspective of Impact of rotation

and quality of audit, as such, a review of prior recent literature on that relationship is discussed hereunder.

Said and Khasharmer (2014) conducted their study examining how audit practitioners perceive mandatory auditor rotation and how their perception impacts independence. Their study which was centered in Bahrain, making use of questionnaires revealed that audit practitioners concur with the notion that mandatory auditor rotation is capable of safeguarding independence.

The study showed a significant positive relation between independence and the auditor's compulsory rotation (Said & Khasharmeh, 2014).*This support the current study findings which established an association between "auditor rotation and audit quality", given that auditor independence is one of the critical dimensions of audit quality.*

"Tepalagul and Lin (2015)", by reviewing published academic papers 1976-2013, conducted a theoretical study of academic literature on audit independence and audit quality. Their review established that majority of studies confirm That there is no direct connection between office tenure and independence of the auditor. Specifically, they concluded that empirical studies largely establish that audit tenure of office has not been proved to have any negative bearing on financial accountability by management. However, this conclusion cannot be taken at face value and overgeneralised as there is notable lack of extensive literature on the subject of auditor rotation (Cameran, Francis, Marra, & Pattinicchio, 2015; Hay, 2015). *These findings concur with the current study which established a poor direct relationship between auditor rotation and corporate governance. Tepalagul and Lin (2015) study however contradicts current study findings which establish a significant relation between the auditor rotation and audit quality, considering auditor independence is a critical dimension of audit quality*.

Fantain, Khemaken and Herda (2016) conducted their study on how audit committees perceive the issue of mandatorily rotating audit firms in Canada. This study whose data was collected through personal interviews established the existence of a negative perception towards the idea of mandatorily rotating audit firms. As it was perceived as tantamount to undermining the audit committee's stakeholder-granted authority of appointing auditors and managing their operational settings (Fountain, Khemakhem, & Herda, 2016).*This contradicts current study findings which establish that internal governance stakeholders (internal auditors and audit committee chairpersons) positively perceive the impact auditor rotation might bring on corporate governance practices in Zimbabwe local authorities. This current perception is motivated by the different operational settings, considering that in Zimbabwe local authority settings, audit committees do* *not have such 'stakeholder-granted' authority to appoint auditors, as this is the role of the supreme audit institution, the Auditor General's office*.

Harber and Mcgregor (2017) conducted their study looking into

How the mandatory debate of the audit company impacts on professional judgment.. The study which dominantly used practitioner perspectives was motivated by the proposed regulation to mandatorily require the companies listed to rotate audit firms every 5 years, as suggested by the the "South African Independent Regulatory Board for Auditors (IRBA)". The study established that practitioners negatively perceive the issue of regulation. The study concluded that professional judgement has to be opted for as a better option compared to the use of regulation to strengthen auditor independence (Harber & Mcgregor, 2017). In the same spirit, William and Wilder (2017) examined how practitioners perceive audit firm rotation as a pillar to enhancing auditor independence. Their study, as is the case with Herber and Mcgregor (2017), established that audit practitioners negatively perceive the use of rotation. Solutions to enhancement of independence proposed during the study threw weight on the use of audit committees. The study recommended against the use of regulation and the need to reinforce structures and standards at client-level (Williams & Wilder, 2017). *This conclusion and recommendation contradict current study findings and recommendation. This can be explained by current study settings which does not guarantee confidence on professional proficiency of audit committees. Audit committees in Zimbabwe local authorities have a critical deficit in professional competencies to execute their mandate, since they are appointed on political rather than professional or technical grounds* (Jachi & Mandongwe, 2019).
Kim, Kim, Lee, and Yoo (2019) examined investors' perceptions of mandatory audit firm rotation in Korea.

The study identified a negative relationship between compulsory rotation of the audit firm and ca pital costs.
. The study established that mandatiry auditor rotation enhances auditor independence and reduces cost of capital (Kim, Kim, Lee, & Yoo, 2019). Notwithstanding the inconclusiveness and the arguementative nature of this debate, some jurisdictions are mandating the rotation of auditors, in their endavour to improve auditing output quality. For example, in 2017 the IRBA of South Africa proposed the need to mandate auditor rotation after every five years. This rulling is proposed to become effective in April 2023. The development is aimed at enhancing audit quality and promote competition within the auditing profession, aimed at capacitating local audit firms (Harber & Marx, 2019). The study by Harber and Max looked into how audit practitioners and audit committee menbers of companies listed on the Johanesburg Stock Exchange (JSE) perceive the issue of mandatory auditor rotation in light of the fact that such regulation is aimed at advancing the Black Economic Empowerment (BEE) policy of South Africa. The study established that, mandtory auditor rotation may not bringforth the intended results particularly assessing the regulator's motive through the BEE lenses, as boards and committees of listed companies are highly likey to remain defiant against appointing local firms with relatively less industry experience (Harber & Marx, 2019).

This review point to the inconclusiveness of the audit rotation debate. Therefore, the current study aims to add to existing literature by examining the impact of auditor rotations on corporate governance as mediated through audit quality, *aiding and complementing findings by "Elder et al., (2015); Gwizu et al., (2017);Qawqzeh et al., (2018")".*

4.2 Theoretical review

4.2.1 Auditor objective-reporting motivation and the Self-Determination Theory (SDT)

This study is exploratory in nature and does not seek to confirm or repudiates how external audit practitioners perceive auditor rotation. Nonetheless, expecting external auditors in Zimbabwe public sector settings to be supportive of mandatory auditor rotation would be hypocritical, considering auditor rotation is not mandatory in Zimbabwe public sector, and no public sector organisation has the discretion of choosing its auditors. Therefore, the study sought to assess how internal auditors and audit committee members (internal governance stakeholders) perceive the concept of mandatory rotation and to assess this perception with the understanding that according to the self-determination theory, under normal circumstances, external auditors are motivated to objectively report on corporate governance concerns they unearth during their formal engagements.

The self-determination theory postulates that there are intrinsic factors, such as the need to be recognised with good work that drive and motivates behaviour, regardless of the external environment (Ryan & Deci, 2000). The theory however, recognise the tendency of behaviour inclination to an external coercion such as an external demand, a reward or bribes. The theory also recognises the existence of another form of motivation, referred to as introjected regulation, involving acceptance of an external regulation but not fully identifying it with oneself. According to Ryan & Deci (2000) "it is a relatively controlled form of regulation in which behaviours are performed to avoid guilty or anxiety or to attain ego enhancements such as pride" (Ryan & Deci, 2000)". With this form of interjections, individuals will be driven in to demonstrating ability or expertise in order to maintain a feeling of worthy. In light of these insights, we can therefore apply the self-determination theory as lenses through which we can investigate auditors' motivation to report on their clients' corporate governance situations with objectivity, helping us to interpret responses to questions raised. *The Self-Determination Theory, through its recognition that behaviours tend to be modified to have an inclination to an external coercion such an external demand, a reward or a bribe, supports the current study findings calling for the necessity of audit rotation to safeguard audit quality.*

4.2.2 Audit committees' and internal auditors' perspective and the "Agency Theory"

The agency theory is an economic responsibility theory focused on the relationship between the owners of resources and those employed to manage such resources. This separation of management and ownership roles is associated with inherent potential conflicts of interests which can only be resolved or contained at a cost" (Jensen & Meckling, 1976; Fama & Jensen, 1983)". The agency theory is focused on the notion that management, as an agent is usually driven by personal interests for self-enrichment, the cost of which is met by the principal. Thus, the agency theory sought to resolve the overbearing effects of such conflicting goals (Jensen & Meckling, 1976). The pursuit for self-enrichment by the agent is associated with costs to the organization, the burden of which falls to the principal. As such, the agent cannot be trusted, hence require some form of monitoring to ensure his actions are in the best interests of the principal. “The agency theory” therefore provides a basis to ensure there is some form of goal congruency between the agent and the principal, through alignment of interests” (Turley & Zaman, 2004; Al-Matari, Al-Swidi, & Fadzil, 2014)”. Corporate governance mechanisms are therefore designed to mitigate agency costs and protect the interest of shareholders through monitoring of management activities” (Al-Matari, Al-Swidi, & Fadzil, 2014).”

The audit committee may be regarded by the board of directors as one
of the most important components of the decision making structure for internal monitoring

” (Fama & Jensen, 1983; Al-Matari, Al-Swidi, & Fadzil, 2014).” “Effective monitoring entails the use of internal audit, external audit, audit committees and non-executive directors. These monitors act in the best interests of the shareholders. As a result, high audit quality involving an independent internal audit function supported by an audit committee with the suitable attributes, and an independent and objective external audit function play a significant role in reducing chances for management to peruse self-interests. However, in contrary with literature on audit appointment which bestow the responsibility of appointing and monitoring of external auditors on audit committee” (Marx, 2009; Baesley, Carcello, Hermanson, & Neal, 2009; Cohen, Krishnamoorthy, & Wright, 2010; Fontaine, Khemakhem, & Herda, 2016),” in Zimbabwe local authorities, audit committees have no contribution or role to play towards the appointment of external auditors. As such, gaps may remain as there is lack of firm-specific assessment of oversight adequacy and independence of external auditors. Therefore, through the lens of the agency theory, this study sought to assess how audit committees and internal audit personnel in Zimbabwe local authorities perceive the concept of mandatory auditor rotation and its potential implication on corporate governance reporting and practices.

5.0 Research methodology

The study used a structured questionnaire to collect data
During this study, the data were collected through a structured questionnaire from 21 audit committee members and 47 internal audit practitioners purposively selected from Zimbabwe local authorities. Considerations made in respondents selection include local authority representativeness, to ensure every local authority categorisation was represented and experience within the local government sub-sector and willingness to participate. To enhance the quality of responses, participants with number of years of experience in excess of 5 years within the local government sub-sector were preferred.The data have been analyzed with the (SPSS).The paper applied the “multi-linear regression model” to explore the relationship between a dependent variable (CG) and the predictor (AR) variable as well as the mediator variable (AQ).

5.0 Data presentation and testing of hypotheses

This section deals with data presentation and hypothesis testing, the researchers used a questionnaire method as an essential tool for data collection, where the researchers initially tested the validity of the two hypotheses by relying on statistical analysis using the statistical program (SPSS) to extract the following:

i. Reliability and validity coefficients;
ii. Arithmetic mean, standard deviation, Skewness coefficient of the study sample;
iii. Correlation coefficient between the study variables; and
iv. Multiple linear regression, F-test, T-test, and Durbin-Watson test to validate the hypothesis.

6.1 Scientific conditions of the questionnaire

6.1.1 Validity

The validity is one of the most important characteristics of a good scale, because it reveals the strength of the scale on what it is set to measure. The researchers assessed the validity of the questionnaire content through distributing it to a group of experts and specialists within relevant specializations (accounting science, banking and financial sciences, statistics). The paragraphs that obtained the experts' approval were 85% of the experts' opinions, and therefore they are valid and acceptable paragraphs.

6.1.2 Reliability

Reliability is accuracy in estimating a person's true response to the paragraph that the scale measures, or the consistency of the individual's relationship if he takes the same scale multiple times in the same circumstances. The test is constant if it gives the same results continuously in the case of repeated application to the sample themselves and under the same conditions. The aim of the reliability assessment is to estimate measurement errors and to suggest methods to reduce these errors. The reliability coefficients were calculated using the internal consistency method, to achieve a high degree of measurement accuracy.These coefficients included an index ("Cronbach's Alpha") to measure the degree of "internal consistency" at the level of the paragraphs as a whole, and Intercorrelation Scale and correcting it with the Spearman-Brown Scale and the Guttman Split-Half Scale. The results indicated that those scales are on a high level towards the confirmation of the reliability status in the scale (questionnaire).
The results of the above reliability parameters are shown in Table 1 below.

Table 1: Reliability Statistics coefficients of the questionnaire

N of Items	Cronbach's Alpha	Correlation Between Forms	Spearman-Brown Coefficient	Guttman Split-Half Coefficient	ASSESSMENT OF STATISTICS
AR (7questions)	.824	.897	.946	.925	ACHIEVED
CG (5 questions)	.790	.810	.885	.886	ACHIEVED
AQ (5 questions)	..800	.770	.883	.884	ACHIEVED

Source: Researchers, 2020

Reliability coefficients are very high for the sample searched and can be trusted to estimate the stability of the scale. It is clear and without doubt the high degree of accuracy achieved on the paragraphs of the questionnaire, which makes them suitable for studying the phenomenon on the same society in the future (under the same conditions) .This confirms the validity of the design and approval of the current research results, which were based on data collected using the previous questionnaire.

6.2 Study population and sample

The Zimbabwe local government sub-sector is composed of 92 local authorities, from these the chairpersons of the audit committees and the respective chief audit executives were the initial targeted participants, thus our total targeted population consisted of 184 participants. Of the targeted population, a total of 150 instruments were successfully distributed. The society of study represents professionals who specialize in accounting, auditing and internal controls. Thus, the total of the study society represents targeted (152) person to whom questionnaires were successfully distributes as presented in Table 2 below:

Table 2: Study population and targeted sample

	Local Authorities Categorisation	Total population	No. of Participants (Sample) Distribution
1	Rural District Councils (RDCs)	120	100
2	Local Boards	8	6
3	Town Councils	24	20
4	Municipalities	16	13
5	City Councils	16	13
TOTAL		184	152

Source: Researchers, 2020

As represented on the table above, 152 instruments were successfully distributed, from which we excluded 2 which were returned blank. That gives us a sample of successfully distributed and successfully collected questionnaires to be 150, and 80 items were selected from this society (80), giving us the determinant of sample size, since (12) of these questionnaires were excluded due to incomplete answers and inaccuracies in them. That means, we obtained, 85% of them as the response rate of usable instruments presented below in Table 3

Table 3: Study sample (final) distributed per local authority categorisation

	Local Authority Category	Number of L. Authorities	Number of Participants
1	Rural District Councils (RDCs)	60	47
2	Local Boards	4	1
3	Town Councils	12	5
4	Municipalities	8	4
5	City Councils	8	11
TOTAL		92	68

Source: Researchers, 2020

The Likert scale was chosen to address the questions in the survey sample to know the effect on corporate governance of each variable, which is as follows:

Table 4: Questionnaire 5-point Likert-type scale of responses

Strongly Agree	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
5	4	3	2	1

Source: Researchers, 2020

The researchers relied on this scale to test hypotheses in addition to other statistical methods. The hypothesis was be acceptable when it was greater than (3) according to the scale of the arithmetic mean, or otherwise it was considered unacceptable.

6.3 Hypotheses testing

To test the association between study variables, the study hypotheses were restated as follows:
Study hypothesis one (H1):

$\mathbf{H_0}$: *Auditor rotation (AR) does not affect audit quality (AQ), versus;*
$\mathbf{H_1}$: *Auditor rotation (AR) affects audit quality (AQ).*

While the second hypothesis (H2) can be stated as:

$\mathbf{H_0}$: *Audit quality (AQ) does not affect corporate governance (CG), versus;*
$\mathbf{H_1}$: *Audit quality (AQ) affect corporate governance (CG.)*

Averages, standard deviations, and skewness coefficients of the study sample are presented as in Table 5 below.

Effect of auditor rotation (AR) on audit quality (AQ	Mean Statistic	Std. Deviation Statistic	Skewness Statistic
More than one audit firms have audited your local authority between 2009 and 2018?	4.56	.819	-2.659
Rotation of auditors should be mandatory in the interest of objective corporate governance reporting	4.16	.914	-1.422
Your organisation's audit committee has a corporate policy for audit firm rotation	4.34	.693	-1.153
Auditor independence is a critical and important issue within your organisation	3.13	1.420	-.024
You are always watchful of issues that might potentially compromise audit independence in your organisation	3.06	1.377	.214
There is a criterion for managing relationship between the external auditor and management	4.45	.923	-2.191
Your relation with the external auditor is positive and sound.	4.04	1.033	-1.337
AVERAGE	3.962857	1.025571	-1.22457

Source: Researchers, 2020

Table 5 above shows Averages, standard deviations, and skewness coefficients of the impact of "auditor rotation on audit quality". It is noted that the mean of the sample responses for this section (**impact of (AR) on (AQ)**) was (3.963) with a standard deviation (1.026) and a skewness coefficient (-1.22457), i.e. higher than the standard value (3).The data are not significantly dispersed, which indicates a clear harmony between the study sample answers. Since the value is far from zero, the graph is flattened, and since its value is negative, it is facing left. In other words, individuals of the sample agreed that there was auditor rotation effect on audit quality. Table (6) below shows Averages, standard deviations, and skewness coefficients of the effect of auditor rotation (AR) on corporate governance (CG)

Table 6: Effects of auditor rotation (AR) on corporate governance (CG)

Effects of auditor rotation (AR) on corporate governance (CG)	Mean Statistic	Std. Deviation Statistic	Skewness Statistic
Your auditors have a very positive and sound relationship with management.	3.57	1.434	-.678
Auditors frequently meet with management	2.59	1.301	.876
Management have an input in audit firm selection decisions	4.29	.780	-1.706
It is very important to have a good relationship between the external auditor and management	4.47	.710	-2.144

It is noted that the mean of the sample responses for this section was (3.632) with a standard deviation (1.111) and a skewness coefficient (-0.8464), i.e. higher than the standard value (3).The data are not significantly dispersed, which indicates a clear harmony between the study sample answers. Since the value is far from zero, the graph is flattened, and since its value is negative, it is facing left. In other words, individual of the sample agreed that there was auditor rotation effect on corporate governance. Table 7 shows Averages, standard deviations, and skew coefficients of the audit quality impact (AQ) on corporate governance (CG)

Table 7: “Effects of audit quality (AQ) on corporate governance (CG)”

Effects of audit quality (AQ) on corporate governance (CG)	Mean	Std. Deviation	Skewness
	Statistic	Statistic	Statistic
There are clear guidelines to seek recourse if you ever feel your auditors aren’t doing enough, or their independence has been compromised	2.63	1.137	.491
Your local authority is afforded the opportunity to choose between changing and maintaining current auditor	2.85	1.161	.425
The management letter provided by the external auditors is very important and informative	4.62	.751	-2.953
There are measures in place which are meant to ensure auditor independence?	4.35	.702	-1.253
You meet the external auditor at least twice per year only as audit committee and internal audit	4.06	1.082	-1.494
AVERAGE	3.702	0.9666	-0.9568

Source: Researchers, 2020

The correlation matrix between (AR), (CG) and ((AQ) are listed in Table 8 below.

Table 8: Correlation matrix between auditor rotation (AR), corporate governance (CG) and audit quality (AQ)

Correlations				
		AR	CG	AQ
AR	Pearson Correlation	1	.850	.890
	Sig. (2-tailed)		.000	.003
CG	Pearson Correlation	.850	1	.900
	Sig. (2-tailed)	.000		.000
AQ	Pearson Correlation	.890	.900	1
	Sig. (2-tailed)	.003	.000	
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Researchers, 2020

Table 8 above (0.890) indicates the strong positive correlation between the AR and AQ. The AQ -CG relationship was also highly strongly positive (0.900) .

This confirms the proof of the first hypothesis that t: Auditor rotation (AR) does in fact affect the audit quality (AQ). It also confirms the proof of the second hypothesis that: Audit quality affect corporate governance (CG). The researchers went on to prepare

Analysis of regression to determine the relationship between study variables as follows:

6.4 Regression analysis

The first table 9 in the output of tests tells us about the variables in our analysis.

It turns out the AR and AQ variables are useful in predicting the CG.

Table 9.: Variables to predicate CG

Variables Entered/ Removed[a]			
Model	Variables Entered	Variables Removed	Method
1	AQ, AR[b]	.	Enter
a. Dependent Variable: CG			
b. All requested variables entered.			

Source: Researchers, 2020

The next table 10 presents description of the multiple linear regression model and overall fit stati stics. We consider our model's adjusted R2 is .910 with the R2 = .890. This means that the linear regression explains 89 percent of the variance in the results. The DurbinWatson d = 1.750, which is between the two critical values of $1.5 < d < 2.5$. Therefore, we can conclude that our multiple l inear regression data contains no linear auto-correlation of first order.
Regression equation seems to be very useful in making predictions as the value of R2 (0.890) is near 1.It means the correlation between observed data and predicted data is 0. 890. There is strong correlation between them, so the model is useful to predict the CG.

Table 10: "Multiple linear regression model"

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.910[a]	.890	.850	0.008	1.750
a. Predictors: (Constant), AQ, AR					
b. Dependent Variable: CG					

Source: Researchers, 2020

Source: Researchers, 2020

The next table in output 11 is the F-test. The F-test of linear regression has the null hypothesis that the model describes zero variance in dependent variable (i.e., R2 = 0). The Ftest is highly significant; thus, we can conclude that the model explains a large amount of the CG variance. Since pvalue < 0.001 0.05, we must deny the firm's null hypothesis. In other words, AQ and AR would influence the firm's CG.

Table 11: Anova of linear regression model

ANOVAa						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.916	2	81.458	55.892	.000b
	Residual	50.183	47	1.457		
	Total	61.099	49			
a. Dependent Variable: CG						
b. Predictors: (Constant), AQ, AR						

Source: Researchers, 2020

The next table 12 shows various estimates of linear regression including the degree of intercept and importance. We consider a significant AR in our multiple linear regression analysis. Also it is very significant intercept and AQ coefficient. Which means this model is important because of the p-value < 0.001<0.005.

At the significance point α = 0.05, there is ample evidence to conclude that at least

one of the predictors (AQ and AR) is useful for predicting CG; therefore, the model is useful.

Table 12: Multilinear regression estimates

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.577	.152		16.923	.000
	AR	7.195E-5	.031	.000	.002	.004
	AQ	.309	.030	.325	10.439	.000
a. Dependent Variable: CG						

Source: Researchers, 2020

From table 12, the regression equation can be presented as:

CG = 2.577 + 0.00007195* AR+ 0.309* AQ

A linear regression is performed between the independent variable (AR) and the mediator variable (AQ), to ensure that the variable (AQ) represents the mediator variable. Since they have a significant relationship, so AQ represents a mediator component. And it affects the governance of corporations. Table (13) reveal estimates of the linear regression

Table (13) show the linear regression estimates

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.094	.136		30.148	.000
	AR	.073	.030	.078	2.413	.0016
a. Dependent Variable: AQ						

Source: Researchers, 2020

7.0 Conclusion

The regression model described earlier analyzes the relationships between dependent variable (C G) and independent variables (AR) and (AQ). Results of the study variables multiple regression analysis (AR, AQ and CG) have concluded that there is a good correlation between these variabl es (0.85, 0.89 and 0.90 respectively), as shown in Table 8.Also, the analysis showed us that this model is appropriate and useful for studying the relationship among these variables because the value of (F) statistic which is significant as shown in Table 11. Moreover, empirical study findings indicate that AR and AQ which are directly related variables with CG, have a combined significantly positive effects on CG. Therefore, it can be concluded that as much we may observe an improvement in CG following AR, this relationship in not statistically significant. This entails that AR itself does not have power to affect corporate governance reporting and practices. Thus, only by affecting AQ, can AR make an actual difference to CG reporting and practices in Zimbabwe local authorities.

Declaration of interests

The authors confirm that there is no conflict of interest to declare for this publication

Acknowledgements

The authors would like to thank the Permanent Secretary for the Ministry of Local Government, Public Works and National Housing for giving them permission to conduct the study using local authorities in Zimbabwe as cases.

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