# Creative Accounting, Audit Risk and Audit Failure in Nigeria: What is the Auditor's Perspective?

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## ABSTRACT

Creative accounting has taken a centre stage in the discussions around audit failures on the global stage. Several researches have sought to proffer solutions that aid organizations to avoid the potholes. This study however examined the Auditors' perspective on the effect of creative accounting practices on audit risk and audit failure in Nigeria. The study employed survey research design using the Chi-square to analyze data gathered from questionnaires distributed to 115 practicing auditors from different geo-political zone in Nigeria. The findings of the study revealed that creative accounting has a significant effect on audit risk with a non significant effect on audit failure. Based on the results obtained from this study it is recommended that, Auditors should ensure that detailed attention is given to the detection of creative accounting practice by managers during the course of audit practice. Also, auditors must make sure that they adhere strictly to the dictates of the International Standards on Auditing in order to avoid failure of audit.

***Keywords:*** *Audit failure, Audit risk, Auditors' perspective, Creative accounting, Earnings management, International standards on auditing.*
***JEL Classification:*** *M40; M48.*

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**Highlights of this paper**

- The paper examines the auditors' persperctive on relationship between creative accounting and audit risk and audit failure in Nigeria.
- The paper is an upgraded version of the manuscript presented at the 5th Annual International Academic Conference of the Institute of Chartered Accountants of Nigeria.
- The paper recommends a more detailed audit attention since there is an established relationship between creative accounting and audit failure by strictly adhering to dictates of the ISAs in the conduct of audit of entities.

## 1. INTRODUCTION

To understand the reasons behind creative accounting we must first look at what leads to creative accounting? (Yan, 2003). The answer to this question lies in the conflicts of interest among different stakeholders of a business (Sanusi and Izedonmi, 2014). While, managing shareholders' interest is to pay less tax and dividends, Investor-shareholders are interested in getting more dividends and capital gains. On the other hand, country's tax authorities are interested in collecting higher taxes. The employees put their interest in better salaries and higher profit share. In the face of all this conflicting interests of various stakeholders, creative accounting puts one group or two to advantageous position at the expense of others. In an attempt to conceptualise creative accounting, Mulford and Comiskey (2002); Vander (2004) were of the opinion that management use book entries as strategic tools to manipulate the financial statements which informs the practice of creative accounting and this, in the long run, may mislead the firm's stakeholders to the advantage of the managers.

As stated in Mathew and Perera (1996) creative accounting increases the risk faced by auditors in the course of an audit. The word creative in connection with accounting is often thought of as a dirty word with negative connotations (Fizza and Qaisar, 2015; Okoro and Okoye, 2016). From a creativity point of view, it may have positive effects if it enhances the development of accounting practice. However, when creative accounting techniques are used by a company, audit risk increases and may consequently result in investment loss if such company fails (Lei, 2009). External auditors are statutorily expected to conduct audit exercises on organizations and give an independent opinion on their financial statements. Such opinion gives the users of the financial statements some level of confidence that the accounts give a true and fair view of the financial position of the firm. In spite of such opinions, corporate failures have been witnessed and material misstatements have been discovered after audit (Iwu-Egwuonwu, 2011). This indeed is a problem posed by creative accounting.

Several authors such as Zhao *et al.* (2006); Mulford and Comiskey (2002); Gabar (2015); Okoro and Okoye (2016); Nwaorgu *et al.* (2019) and Vander (2004) have tried to investigate the concept of creative accounting and the various techniques used by management to manipulate financial statements. However in their studies, the impact of creative accounting practices on the audit of financial statements and the consequent effect on audit failure has not been up to date with events in Nigeria. Thus, this study seeks to examine effect of creative accounting practice on audit risk and audit failure in Nigeria. The specific objectives of this study includes to:

## 2. LITERATURE REVIEW

### *2.1. Concept of Creative Accounting*

Creative Accounting as defined by Naser and Pendlebury (1992) is the transformation of financial accounting figures from what they actually are to what the management desires by taking advantage of the existing accounting rules and standards or ignoring some or all of them. Other notable words used by previous authors to describe creative accounting includes; manipulative accounting, fraudulent accounting, income smoothing, earnings management, earnings smoothing, financial engineering, window dressing and cosmetic accounting. This also involves both income statement and balance sheet manipulations (Stolowy and Breton, 2004). Nwoye *et al.* (2017) posit that the assembly of procedures set up to change the profit or loss of an organization either by increasing or decreasing same in the financial statements often represent the case when the subject of creative accounting is on the table. In spite of the fact that the concept of creative accounting is frequently used in business literature, there is no definition that is generally accepted. However, authors such as Griffiths (1986); Michael (1988) and Zhang (2009) have considered creative accounting as an assembly of techniques, options and freedom room left by accounting regulations, without moving away from laws or accounting requirements, thereby permitting managers to change the financial result.

Balaciu *et al.* (2009) identified six main areas considered as the major sources of incentives for and areas of creative accounting practices: flexibility in regulation; a lack of regulation; a scope for management that assumed some targets for the future; the timing of transactions; the use of artificial transactions; and finally, the reclassification and presentation of financials. In their studies they proved that even in highly regulated countries such as the United States, the accounting environment afford a great deal of flexibility, thereby allowing creative accounting to flourish.

### *2.2. Creative Accounting and Audit Risk*

Porter *et al.* (2003) defined audit risk as the risk that arises when auditors give an inappropriate opinion on financial statements. In their study they identified two forms of audit risk which are: the risk that occurs when the auditor expresses a qualified opinion (say something is missing) on financial statements that are not materially misstated and the risk that the auditor may express an unqualified (clean) opinion on financial statements that are materially misstated. The International Auditing and Assurance Standards Board (IAASB) (2018) defines audit risk as the risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated.

Porter *et al.* (2003) further stated that, in order to reduce audit risk to desired level, auditors must plan the nature, timing and extent of audit procedures carefully. When planning an audit, auditors must consider the likelihood of error in the light of inherent risk and the system of internal control in order to determine the extent of work required to satisfy themselves that the risk of error in the financial statements is sufficiently low (Okoye and Alao, 2008). Thus from the foregoing, the propose that:

*$Ho_1$: Creative accounting practice does not have positive and significant impact on audit risk.*

### *2.3. Creative Accounting and Audit Failure*

Zhou and Liu (2006) defined audit failure as a situation whereby a certified public accountant (CPA) makes an error audit opinion for unfaithful financial statements as a result of non-conformity to audit standard. A properly done audit does not guarantee zero distortions in the financial reports but makes sure that, serious distortions are unlikely to occur. Thus, audit failure cannot occur unless there is serious auditors' error or misjudgement (Tackett *et al.*, 2004). Poor audit planning and audit quality may also lead to audit failure where the auditors fail to exercise professional scepticism and material misstatements championed by creative accounting practices which goes unnoticed.

In today's multifaceted and multidisciplinary economic environment, management of organization places more and more emphasis on increasing results with fewer resources through evaluation of the economy, efficiency, and effectiveness of the organization's operations (Reider, 2007). While the audit provides an after-the-fact opinion that financial statements present a fair view of company affairs, no guarantee is made to conclude that company operations are conducted in the most economical, efficient, and effective manner (Allen *et al.*, 2006). As indicated from the literature, we propose that:

*Ho₂: Creative accounting practice does not have positive and significant impact on audit failure.*

### 2.4. Theoretical Framework

This study is anchored on the signaling theory but the agency theory which is a relevant theory to the study of creative accounting is discussed as well.

The Signaling theory: Signaling refers to a situation where one party conveys information to another party. Scott (2009) define signal as an action taken by a high-type manager that would not be rational if that manager was low type. Scott (2009) suggest that creative accounting may be used for signaling as managers will try to smooth the financial statement in the manner it will transmit the desired information to the other stakeholders of the firm. Thus, creative accounting is used to reveal persistent earnings power which is interpreted as a signal since earnings reversal can make it very costly for a low-type manager to manipulate and report higher earnings that can be sustained.

The agency theory: As propounded by Jensen and Meckling (1976) is the separation of ownership and control. This includes that the owner (the principal) engages the manager (the agent) to perform services on behalf of her and delegates decision making authority to the agent but in same regards both stakeholder's views and interest are not the same. Thus, the firm grows in size, the shareholders (principals) tend to lose effective control of the business, leaving professional managers (agents) who posses more information than principals to manage the affairs of the business. The agency theory helps to analyze the relationship between the principal and the agent. It analyses contracts designed to motivate a rational agent to act on behalf of a principal when her interests could otherwise conflict with those of the principal (Egbunike and Abiahu, 2017). As a result of the conflicting interest, the owners (shareholders) engage the services of a third party (Auditor), who is independent to serve as a watch dog and to protect the interest of the owners (Zhang, 2009).

### 2.5. Empirical Literature

Most researchers have examined different aspects of creative accounting and earnings smoothing as well as the issues of audit risk and failure. Some of these studies are reviewed below:

Allam *et al.* (2013) investigated the relationship between audit quality on performance, which includes earnings smoothing, operating and stock performance. The study sampled 106 firms from the financial sector listed in the Amman Stock Exchange Market with a total of 212 observations during the 2008-2009 sample years. The results showed that the audit quality has an impact on earnings smoothing and stock performance. It does not have an effect on operating performance.

Teitel and Machuga (2010) carried out a similar study and found out that firms that hire high quality auditors have greater improvements in earnings quality after implementation of the Best Corporate Practices Code in Mexico than firms that hire low quality auditors. In Mexico, they believe that hiring high quality auditors may be a private contractual mechanism replacing their weak regulatory environment.

However, Lei (2009) carried out a study about creative accounting and audit risk and observed that when creative accounting techniques are used by companies in China, audit risk is increased and may consequently result in investment loss if such company fails. This is in line with observation to the Enron case in the United States, which the failure of the firm was traced to creative accounting practices which was unnoticed or might have been completely ignored by their auditors during the audit.

Ahmed (2017) studied the impact of creative accounting ethics techniques on the reliability of financial reporting from auditors and academics point of view. He collected data through a well-structured questionnaire is designed and distributed it to a randomly chosen sample of certified auditors and accounting instructors in some universities in Saudi Arabia. He analysed his data using descriptive and inferential statistics. His results, deduced that creative accounting techniques used by management negatively affect the reliability of financial reporting. Also, that the statutory auditor plays an important role in promoting creative accounting practice in such way that positively affect the reliability of financial reporting.

In their study, Okoro and Okoye (2016) examined the role of International Financial Reporting Standards (IFRSs) in taming creative accounting and unethical accounting practices in Nigeria. Using structured questionnaires administered to 120 professionals (auditors, investors, stockbrokers) and the Pearson Product Moment Correlation, the study found that IFRSs can be used to tame creative accounting practices, thereby moderating excessive unethical accounting practices.

Nwoye *et al.* (2017) studied the the role of predictive ratios in curbing creative accounting practices in the financial reporting system of Dangote Cement Nigeria Plc. The study applied the Beneish 8-Predictive Ratios and the Altman Z-Scores on the financials of Dangote Cement Nigeria Plc to deternmine if such measures were effective in checkmating such creative accounting practices in the company's published financials for the period of 2000 to 2015. The study discovered that there is no significant difference in the impact of the joint application of Beneish 8-predictive Ratios and the Altman Z-score model on creative accounting practices in the financials of the company.

## 3. METHODS

This study adopts survey research design and questionnaires containing 20 structured questions were administered in order to collect data for analysis using descriptive statistics. Chi-square and T tests were considered for conducting test of hypotheses 1 and 2. Data were collected from practicing auditors in different parts of the country. To this end, both open and close ended questionnaire were carefully prepared and administered to all selected respondents to complete. Due to availability and cost of mobility, purposive sampling was adopted. Based on this, a samply of 115 respondents were selected across the country. The questionnaire is designed in a Likert summation manner. The questionnaires were administered directly to the selected respondents as shown in the Table 1.

**Table-1.** Descriptive statistics: Questionaire distribution.

| Location | Frequency | Percentage |
|---|---|---|
| Lagos | 28 | 24.3 |
| Abuja | 28 | 24.3 |
| Kano and Kaduna | 30 | 26.1 |
| Enugu and Owerri | 29 | 25.2 |
| Total | 115 | 100 |

**Source:** Field survey (2019).

### *3.1. Result and Analysis*

In this section, relevant descriptive statistics analysis required to characterize the nomenclature of the respondent as well as responses to research questions. Inferential statistics required for informing the researchers' decision as to whether to reject or accept the stated hypotheses are also conducted and analyzed. Two hypotheses were specified in this study. This section presents the results of the Chi-square and the Cramer's V for goodness of fit test.

**Tables-2.** Descriptive analysis of respondent bio data.

| Item | N | Range | Minimum | Maximum | Mean |
|---|---|---|---|---|---|
| AGE | 115 | 27.00 | 25.00 | 52.00 | 36.1739 |
| NYS | 115 | 28.00 | 2.00 | 30.00 | 10.7913 |
| Valid N (listwise) | 115 | | | | |

**Source:** Authors' compilation (2019).

The Table 2 reveals that the various respondents in the selected audit firms has age range of 27 years. Among the auditors, the least age is 25 while, the maximum age is 52 years. The result also reveal that the range for the Number of Years in Service (NYS) is 28 while the minimum NYS among the respondents is 2 years with a maximum NYS of 30. On the average, the mean age of all the respondents is 36.1739 while, the mean NYS is 10.7913. This average shows the overall age and level of experience the respondents. With an Average NYS of 10.7913, the data reveals that the Auditors sampled have enough working experience needed to give a sound opinion on the topic under review by the study.

### *3.2. Analysis of Responses*

From the responses obtained in the Table 3, 1.7% of the respondent Disagreed while, 30.4% strongly disagreed that creative accounting does not have an impact on Audit risk. Also 38.3% agreed while, 29.6% strongly agreed that the practice of creative accounting has a significant impact on audit risk.

### *3.3. Test of Hypothesis I*

*$H_{01}$: Creative accounting practice does not have positive and significant impact on audit risk.*

The chi square was used to test hypothesis one. This type of test statistics becomes appealing for this study as ordinal data measured with Likert-scale make up the data for the hypothesis. The responses bordering on respondents' indecision (undecided) were not considered. The data were therefore categorized into four scales (5-1). The aim of the resultant category is to prepare the data in the required form for the test, since there is the need to compare whether there is a significant independence and/or difference between those who agreed and those who do not. Table 4 presents the test result on the effect of creative accounting practice on audit risk. Chi square test of independence was run to determine whether there is a significant relationship between creative accounting practice and audit risk among the sampled respondents.

### *3.4. Decision Rule*

From the analysis above, there is a statistically significant relationship between creative accounting practice and audit risk ( = 38.198, p = 0.000). The Pearson's chi- square value of 38.198 is greater than the table value of 9.49 and the significant level of 0.000 is less than the accepted significant level of 0.05. Therefore, the null hypothesis is rejected while the alternate hypothesis is accepted, implying that creative accounting practice has positive and significant impact on audit risk.

From the result in Table 5, 3.1% of the respondent disagreed, 29.0% strongly disagreed, 28.3% agreed while 39.6% strongly agreed that creative accounting practices have a significant impact on audit failure.

**Table-3.** Post hoc analysis (Cross tabulation) on the effect of creative accounting on audit risk.

| | | | Audit risk | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | No respond | Disagreed | Strongly disagreed | Agreed | Strongly agreed | |
| **Creative accounting** | **Disagreed** | **Count** | 0 | 0 | 2 | 0 | 0 | 2 |
| | | Expected count | .2 | .2 | .9 | .5 | .3 | 2.0 |
| | | % within creative accounting | 0.0% | 0.0% | 100.0% | 0.0% | 0.0% | 100.0% |
| | | % within audit risk | 0.0% | 0.0% | 3.8% | 0.0% | 0.0% | 1.7% |
| | | % of total | 0.0% | 0.0% | 1.7% | 0.0% | 0.0% | 1.7% |
| | | Residual | -.2 | -.2 | 1.1 | -.5 | -.3 | |
| | | Std. residual | -.4 | -.4 | 1.2 | -.7 | -.5 | |
| | Strongly disagreed | Count | 1 | 1 | 8 | 13 | 12 | 35 |
| | | Expected count | 2.7 | 3.0 | 15.8 | 8.8 | 4.6 | 35.0 |
| | | % within creative accounting | 2.9% | 2.9% | 22.9% | 37.1% | 34.3% | 100.0% |
| | | % within audit risk | 11.1% | 10.0% | 15.4% | 44.8% | 80.0% | 30.4% |
| | | % of total | 0.9% | 0.9% | 7.0% | 11.3% | 10.4% | 30.4% |
| | | Residual | -1.7 | -2.0 | -7.8 | 4.2 | 7.4 | |
| | | Std. residual | -1.1 | -1.2 | -2.0 | 1.4 | 3.5 | |
| | Agreed | Count | 3 | 4 | 21 | 13 | 3 | 44 |
| | | Expected count | 3.4 | 3.8 | 19.9 | 11.1 | 5.7 | 44.0 |
| | | % within creative accounting | 6.8% | 9.1% | 47.7% | 29.5% | 6.8% | 100.0% |
| | | % within audit risk | 33.3% | 40.0% | 40.4% | 44.8% | 20.0% | 38.3% |
| | | % of total | 2.6% | 3.5% | 18.3% | 11.3% | 2.6% | 38.3% |
| | | Residual | -.4 | .2 | 1.1 | 1.9 | -2.7 | |
| | | Std. residual | -.2 | .1 | .2 | .6 | -1.1 | |
| | Strongly agreed | Count | 5 | 5 | 21 | 3 | 0 | 34 |
| | | Expected count | 2.7 | 3.0 | 15.4 | 8.6 | 4.4 | 34.0 |
| | | % within creative accounting | 14.7% | 14.7% | 61.8% | 8.8% | 0.0% | 100.0% |
| | | % within audit risk | 55.6% | 50.0% | 40.4% | 10.3% | 0.0% | 29.6% |
| | | % of total | 4.3% | 4.3% | 18.3% | 2.6% | 0.0% | 29.6% |
| | | Residual | 2.3 | 2.0 | 5.6 | -5.6 | -4.4 | |
| | | Std. residual | 1.4 | 1.2 | 1.4 | -1.9 | -2.1 | |
| Total | | Count | 9 | 10 | 52 | 29 | 15 | 115 |
| | | Expected count | 9.0 | 10.0 | 52.0 | 29.0 | 15.0 | 115.0 |
| | | % within creative accounting | 7.8% | 8.7% | 45.2% | 25.2% | 13.0% | 100.0% |
| | | % within audit risk | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | % of total | 7.8% | 8.7% | 45.2% | 25.2% | 13.0% | 100.0% |

**Source:** Authors' compilation (2019).

**Table-4.** Chi-square tests.

| Item | Value | Df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson chi-square | 38.198[a] | 12 | .000 |
| Likelihood ratio | 41.663 | 12 | .000 |
| Linear-by-linear association | 23.375 | 1 | .000 |
| N of valid cases | 115 | | |

a. 13 cells (65.0%) have expected count less than 5. The minimum expected count is .16.

### 3.5. Test of Hypothesis Two

*$Ho_2$: Creative accounting practice does not have positive and significant impact on audit failure.*

The chi square was used to test our hypothesis two. This type of test statistics becomes appealing for this study as ordinal data measured with Likert-scale make up the data for the hypothesis. The test result on the impact of creative accounting practice on audit failure is as shown in Table 6. Chi square test of independence was run to determine whether there is a significant relationship between creative accounting practice and audit failure among the sampled respondents.

### 3.6. Decision Rule

From the analysis above, there is no statistically significant relationship between creative accounting practice and audit failure ( = 14.921, p = 0.093). The Pearson's chi- square value of 14.921 is greater than the table value of 9.49 but the level of significance is 0.093 which is above the accepted level of significance (0.05). Therefore, the null hypothesis is accepted while the alternate hypothesis is rejected, implying that creative accounting practice has positive but non- significant effect on audit failure.

## 4. DISCUSSION OF RESULTS

In line with the first specific objective which was set to determine the impact of creative accounting practice on audit risk. The results of this study indicate that creative accounting practice has a positive and significant impact on audit risk. Our findings is consistent with the works of Lei (2009) who found that when creative accounting techniques are used by a company, audit risk increases and may consequently result in investment loss if such company fails.

Also, the second specific objective which was set to ascertain the impact of creative accounting practice on audit failure. Results revealed that creative accounting has a positive but insignificant impact on audit failure. A high audit risk will consequently result in investment loss if such company fails.

Audit failure is said to have occurred when there is a serious distortion of the financial statements which is not reflected in the audit report, and the auditor has made a serious error in the conduct of the audit (Arens *et al.*, 2002) Our findings is consistent with the works of Zhou and Liu (2006) in the Study of American Audit Failure, who found that auditors may unknowingly fail to appropriate his or her opinion on financial statements that are materiality misstated.

**Table-5.** Post hoc analysis (Cross tabulation) on the impact of creative accounting on audit failure.

| | | | Audit failure | | | | Total |
|---|---|---|---|---|---|---|---|
| | | | **Disagreed** | **Strongly disagreed** | **Agreed** | **Strongly agreed** | |
| **Creative accounting** | **Disagreed** | **Count** | **0** | **2** | **0** | **0** | **2** |
| | | Expected count | .6 | .9 | .3 | .1 | 2.0 |
| | | % within creative accounting | 0.0% | 100.0% | 0.0% | 0.0% | 100.0% |
| | | % within audit failure | 0.0% | 3.8% | 0.0% | 0.0% | 3.17% |
| | | % of total | 0.0% | 1.7% | 0.0% | 0.0% | 3.1% |
| | | Residual | -.6 | 1.1 | -.3 | -.1 | |
| | | Std. residual | -.8 | 1.1 | -.6 | -.4 | |
| | Strongly disagreed | Count | 7 | 17 | 10 | 1 | 35 |
| | | Expected count | 11.0 | 16.1 | 5.5 | 2.4 | 35.0 |
| | | % within creative accounting | 20.0% | 48.6% | 28.6% | 2.9% | 100.0% |
| | | % within audit failure | 19.4% | 32.1% | 55.6% | 12.5% | 29.0% |
| | | % of total | 6.1% | 14.8% | 8.7% | 0.9% | 29.0% |
| | | Residual | -4.0 | .9 | 4.5 | -1.4 | |
| | | Std. residual | -1.2 | .2 | 1.9 | -.9 | |
| | Agreed | Count | 17 | 19 | 6 | 2 | 44 |
| | | Expected count | 13.8 | 20.3 | 6.9 | 3.1 | 44.0 |
| | | % within creative accounting | 38.6% | 43.2% | 13.6% | 4.5% | 100.0% |
| | | % within audit failure | 47.2% | 35.8% | 33.3% | 25.0% | 28.3% |
| | | % of total | 14.8% | 16.5% | 5.2% | 1.7% | 28.3% |
| | | Residual | 3.2 | -1.3 | -.9 | -1.1 | |
| | | Std. residual | .9 | -.3 | -.3 | -.6 | |
| | Strongly agreed | Count | 12 | 15 | 2 | 5 | 34 |
| | | Expected count | 10.6 | 15.7 | 5.3 | 2.4 | 34.0 |
| | | % within creative accounting | 35.3% | 44.1% | 5.9% | 14.7% | 100.0% |
| | | % within audit failure | 33.3% | 28.3% | 11.1% | 62.5% | 39.6% |
| | | % of total | 10.4% | 13.0% | 1.7% | 4.3% | 39.6% |
| | | Residual | 1.4 | -.7 | -3.3 | 2.6 | |
| | | Std. residual | .4 | -.2 | -1.4 | 1.7 | |
| Total | | Count | 36 | 53 | 18 | 8 | 115 |
| | | Expected count | 36.0 | 53.0 | 18.0 | 8.0 | 115.0 |
| | | % within creative accounting | 31.3% | 46.1% | 15.7% | 7.0% | 100.0% |
| | | % within audit failure | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | % of total | 31.3% | 46.1% | 15.7% | 7.0% | 100.0% |

**Source:** Authors' compilation (2019).

**Table-6.** Chi-square tests.

| Item | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson chi-square | 14.921[a] | 9 | .093 |
| Likelihood ratio | 15.332 | 9 | .082 |
| Linear-by-linear association | .447 | 1 | .504 |
| N of valid cases | 115 | | |

a. 7 cells (43.8%) have expected count less than 5. The minimum expected count is .14.

## 5. CONCLUSION

From the findings of this study, it is concluded that creative accounting has a significant effect on audit risk but has no significant effect on audit failure. As such, auditors should ensure that detailed attention is given to the detection of creative accounting practice by managers during the course of audit practice. Also, auditors must make sure that the use of the International Standards on Auditing (ISA) is adhered to strictly in the course of audit in order to avoid audit failures.

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