Mandatory Audit Firm Rotation and Audit Quality in Zimbabwe

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Abstract
This research was intended to assess the effects of Mandatory audit firm rotation on audit quality in Zimbabwe. The suspicion that auditors' independence has been compromised as some companies do not rotate their auditors has prompted the researcher to carry out this study. The focus of this study, objectives, were to identify the effects of Mandatory audit firm rotation on audit quality, to determine the effects of audit tenure length on audit quality and to suggest measures that can be put in place to promote Mandatory audit firm rotation. A descriptive research design was adopted as it provides a picture of a situation as it naturally happens. A sample of 33 companies was selected out of the study population of 77 companies which is made up of 15 auditing firms listed on ZSE directory under category of auditing service and 62 companies which represented all the firms that are listed on the Zimbabwe Stock Exchange. Primarydata was collected using questionnaires whereas secondary data was mainly collected from journals and other prior researchers work. Pearson regression and correlation analysis from the SPSS revealed that there is a strong positive linear relationship between Mandatory audit firm rotation and audit quality, while a strong negative correlation of existsbetween the length of audit tenure and audit quality. The study also reveal that that law enforcement, conducting workshops and training stakeholders are the possible measures that can be put in place to promote mandatory audit firm rotation.
Keywords: Mandatory audit rotation, Audit tenure, Audit quality.

1.0 Background of the study

The major financial failures at Enron and WorldCom, as well as apparent failures at Qwest, Tyco, Adelphia, and others led to financial reporting reforms contained in the Sarbanes – Oxley Act of 2002 (SOA), (Arel, Brody, & Pany, 2005). SOA's have resulted in theformation of Public Company Accounting Oversight Board (PCAOB) and introducing mandatory rotation of lead and reviewing audit partners after five consecutive years on an engagement, (Arel, Brody, & Pany, 2005). A Mandatory audit firm rotation rule sets a limit on the maximum number of years an audit firm can audit a given company's financial statements and is meant to often to preserve auditor independence and possibly to increase investors' confidence in financial reports (Cameran, Prencipe&Trombetta, 2008). TheEuropean Commission has proposed mandatory rotation for all European listed companies (European Commission, 2011).

Mandatory audit firm rotation (MAFR) rule was introduced and enforced for all listed companies in Italy in 1975 and the rule became effective for all listed companies in the mid-Eighties. The regulation allowed an auditor term to be renewed every three years up to a maximum tenure of nine years and Italian listed companies were subject to both a retention and a rotation rule (Cameran, Prencipe&Trombetta, 2008). In Netherlands there is a new Dutch law related to auditing, known as the Dutch Audit Profession Act which imposes an eight-year audit firm rotation period and sharply restricts non-audit services (Earnest and Young, 2014). In the US, the Government Accountability Office (GAO), was instructed by the SEC to investigate the issue of MAFR and the investigation by GAO concluded that there are no clear the potential benefits of a MAFR rule (GAO 2008).

In August 2011, the Public Company Accountability Oversight Board (PCAOB) in the US issued the Concept Release, *Auditor Independence and Audit Firm Rotation*, whichconsiders mandatory audit firm rotation, but did not specify a time frame (Chartered Accountants of Canada, 2012).Whereas in some countries like Italy, South Korea, and Spain mandatory audit firm rotation exists (Cameran et al. 2011, Kwon et al. 2010, Arrunada and Pas Arez 1997). Such a rule can have severe implications on the way the audit market behaves as it affects both the costs of audit firms, in respect of time and effort invested, but also the companies being audited (Ernst and Young, 2013) whereas the Sarbanes-Oxley Act of 2002 required the General Accounting Office to study the potential effects of mandatory auditor rotation in strengthening auditors' resistance to opinion shopping threats, some scholars advocate a policy of mandatory auditor retention to mitigate companies' opinion shopping opportunities (Lennox,1998).However Mazri and Smith (2012) stated that companies change auditors for a variety of reasons, some changes to improve operating performance on the other hand management may change auditors to enhance their personal interests.Nyakuwana, (2014) highlighted that not many countries have yet introduced this rule as part of legislature, and neither has Zimbabwe

The ICAZ IFRS update seminar which was held on 13 October 2013 for the purpose of revising Zimbabwe Stock Exchange (ZSE) listing requirements, proposed rotation of auditors (ICAZ, 2013). ZSE (2013) stated that from our stakeholder consultations, in the eyes of the investors, rotation of auditors seems to be a good way to mitigate the risk of collusion between management and the auditors. This is not to say that auditors are not professional but is aimed at highlighting the perception that is out there(ICAZ, 2013). ZSE, (2013) also proposed that the auditors of the listed company should be changed every 5 years to demonstrate independence in form and appearance.

Report on the observance of standards and codes (ROSC) Auditing and Accounting Zimbabwe (2011) highlighted that Audit firm rotations are mostly taking place in bank audits at the insistence of the Reserve Bank of Zimbabwe. However there are some locally listed companies in Zimbabwe that have been audited by the same audit firm for over 30 years. In the absence of audit practice reviews at the moment, it is not possible to establish whether partner rotations are taking place in the audit firms as a safeguard against independence and over-familiarity threats. Some stakeholders interviewed expressed concern over close relationships between some companies and their auditors in different forms that compromise auditor independence (ROSC A&A, 2011) The relationship between audit tenure and audit quality remains controversial (Khasharmeh& Said, 2014). Many believe that the longer the audit tenure, the lower the audit quality (negative correlation) due to the closer relationship between auditors and management (Catanach& Walker, 1999; Vanstraelen, 2000). This closer relationship creates more flexibility for the management to produce financial statements in the auditor's favor (Davis, Soo, &Trompeter, 2002), while others believe that the longer the audit tenure, the higher the audit quality (positive correlation) (Geiger &Raghunandan, 2002).Therefore this research seek to examine the relationship between Mandatory audit firm rotation and Audit quality in Zimbabwe.

2.0 Literature Review

2.1 History on Mandatory audit firm rotation

The history on Mandatory audit firm rotation can be traced back to 1977, when Congress created the Cohen Commission after several corporate scandals (Committee reports 2013-2014; Cohen, 1977). The Cohen Commission eventually ruled against Mandatory audit firm rotation, and rather suggested that audit committees retain discretion in choosing whether to rotate audit firms or periodically rotate auditors among the auditing team of the auditing firm. Mandatory audit firm rotation surfaced again in 2002 amid congressional level headed discussion on what eventually got to be Sarbanes-Oxley, but was again rejected (Committee reports, 2013 – 2014). However Kim et al (2015) highlighted that regulators and policy makers all over the world began to consider the adoption of Mandatory audit firm rotation (MAFR) as the world is in the middle of recent global financial crisis.In November 2003, as required under Sarbanes-Oxley, GAO issued a study on the potential effects of MAFR, which finished up that Mandatory audit firm rotation may not be the most efficient approach to fortify auditor independence and enhance audit quality (Committee reports, 2013 – 2014). In August 2011 following eight years of alterations established by SOX, the Public Company Accounting Oversight Board (PCOAB) stated that the time of reconsidering MAFR has come again and the need to consider "ending a firm's ability to turn each appointment into a continuing income stream" and "as a result, significantly enhance the auditor's ability to work as an independent watchdogs" (PCOAB Release No. 2011-006). However the U.S. House of Representatives in July 2013, endorsed a bill called Audit integrity act which refrained PCAOB from implementing mandatory audit firm rotation (Nichols, 2013; Federation of European Accountants, 2013).

However the European Union Council on December 18 2013, released a document called "Agreement on the reform of the audit market" which revealed a new rule (Regulation 537/2014/EU) in regards to mandatory audit rotation for European organisations. All the public- interest entities (PIEs) which were based in Europe, including banks, insurance and listed firms, were required from the second quarter of 2014, to change their auditing firms after a 10 year audit tenure. However, the mandatory rotation period can be extended to 20 years if the audit is put out for offer, or 24 years in cases of joint audits. This rule of Mandatory audit firm rotation measure came into practice in order to improve transparency and confidence in the audit market and also to enhance audit quality offered by auditing firms (Sotirios, 2014; Tysiac, 2014; European Commission, 2014).In Italy, Mandatory audit firm rotation rule was enforced in 1975 by Presidential Decree D.P.R. 136/1975 and it has been effect for more than 20 years. However it became effective for all listed companies in Italy in the mid-Eighties. In this Italian setting, auditors can be appointed for a time period 3 years and can be reappointed twice up to a maximum tenure of 9 years. In Spain, the Statutory Audit Law of 1988 Mandatory audit firm rotation was enforced for a period of four years which is from 1991 to 1994. However the rule was later dropped before the first mandatory rotations could take place (FEE, 2004; Cameran, Prencipe and Trombetta, 2008). Nevertheless Carrera et al (2007) asserted that, the dropping of Mandatory audit firm rotation policy was politically influenced, thus, Spanish regulators are reconsidering whether a case exists to re-establish the MAFR requirement.

Firth et al (2012) highlighted that China has different kinds of mandatory rotations such as mandatory audit firm rotation and mandatory audit partner rotation. In addition South Korea and Jordan have also adopted mandatory audit firm rotation rule (Harris and Whisenant, 2012; Al-Nimer, 2015). Kwon, Lim and Simnett

(2010) document that MAFR was enforced in Korea in 2006 by the Korean Financial Supervisory Services (FSS).The legislation required the incumbent audit firm to be rotated after seven years so as to reduce auditors' incentives to build a long-term relationships with their clients so that their choices for conservative accounting preferences may be induced (Kwon, Lim and Simnett, 2010).Furthermore Brazil enforced mandatory audit firm rotation rule for listed companies except banks and China have imposed this rule on state owned entities and financial enterp-rises (Said and Khasharmeh, 2014). Said and Khasharmeh (2014) also point out that some of the G20 jurisdictions introduced mandatory audit firm rotation such as Indonesia has introduced laws that require a five- year rotation for the central bank and six year rotation of auditors specifically for private and public companies. Saudi Arabia also introduced MAFR on all listed companies excluding banks and Turkey enforced a five- year rotation for all listed entities and energy companies and seven year rotation for insurance organisations and eight year rotation for banks (IESBA, 2012).

2.2Relationship between Mandatory Audit Firm Rotation and audit quality

Onwuchekwa, Erah and Izedonmi, (2012) used aregression statistical model to test the relationship between the dependent audit quality" and audit "tenure" and concluded that rotation of auditors may improve the quality of audit.Kwon, Lim and Simnett (2010) reinforced the prior argument when they argued that, in a setting were audit firm rotation is voluntary, audit quality is more likely to diminish for two reasons. The First is that, a client is more likely to engage an auditor with audit quality not higher than that of the incumbent auditor. In the case of resignation, a client will face difficulties in getting an auditor that can provide the same level of audit quality. In the event of dismissal, a client may engage in opinion shopping since there is an incentive to the client to hire an auditor who will issue a desired opinion on an accounting matter or on the financial statements as a whole. Second, the incoming auditor under the voluntary auditor change setting will not be familiar with the new engagement and faces a high learning curve.

Furthermore Said and Khasharmeh (2014) highlighted that periodically rotating audit firms will allow new auditors to bring a fresh look to the public entities' financial reporting and help the auditor to properly deal with issues of financial reporting, since auditor's tenure will be limited under MAFR. Furthermore smaller and medium-sized audit entities will grow which then leads to the development of the auditing profession. Said and Khasharmeh (2014) findings also reviewed that there is a noteworthy relationship between MAFR and quality of audit. Thus, longer partner tenure jeopardise auditor's performance as it catalyses auditor's to lack the quality in the auditing process. In addition Dao et al (2008), who conducted a survey on 635 US entities in the business year of 2006 and concluded that, in long-term engagements, investors realize a negative impact on audit quality.

On the other hand opponents of MAFR such as AICPA, cited research indicating that auditor rotation may impair audit quality and the longer the audit firm tenure, the more the audit quality increases (Said and Khasharmeh, 2014). Other research shows that many audit fiascos occur soon after a client changes audit companies (Davis et al, 2009; Gul et al, 2009). PricewaterhouseCoopers (2012) also argued that Mandatory audit firm rotation will reduce audit and financial reporting quality. Furthermore Said and Khasharmeh (2014) believed that MAFR would decrease audit quality, make financial reporting less authentic, and add cost for investors. Ernst and Young (2013) also argued that MAFR has not proven to boost audit quality; indeed, some studies have reviewed that it may negatively affect audit quality particularly where there are shorter rotation periods (Cameran, Prencipe and Trombetta, 2013).

Furthermore the view of opponents of MAFR is reinforced by a study carried in Italy, the research concluded that MAFR was hurtful to audit quality since it increased start-up costs and caused disruptions in the appointment phase (Kwon, Lim and Simnett, 2010). Ruiz-Barbadillo et al (2009) examined the impact of MAFR on auditor behaviour in the Spanish context and found no proof that a mandatory rotation requisite is allied with a higher probability of issuing going-concern opinions.In addition to the prior discussion, Mandatory audit firm rotation causes audit risk, below standard audit implementation, in the early years of audit engagements, because an auditor may has not comprehensively understood his/her clients (Beatty, 1989; Craswell, Francis, and Taylor, 1995). DeAngelo (1981) believed that audit quality is the combination between auditor's independence and competence. Therefore Said and Khasharmeh (2014) predicted that there is a positive relationship between the auditor's competency and tenure. Thus, the longer the tenure, the higher the auditor's competency since the auditor gets a better understanding of the firm's specific risks, accounting information system and internal controls (Said and Khasharmeh, 2014). Also Al-Thuneibat et al (2011) pointed out that, there is a negative correlation between MAFR and the quality of auditing in companies listed at the stock exchange of Jordan between 2002 and 2006.

2.3 Effects of long-term auditor-client relationship on audit quality

Kwon, Lim and Simnett (2010) opine that the independence of auditors is compromised with long-term relationships between auditors and clients thereby affecting audit quality. International Federation of Accountants (IFAC) and US Government Accountability Office (GAO) argued that long-term relationship between the auditors and their clients compromise auditor independence and consequently, the objectivity in the audit (IFAC, 2003; GAO, 2004; EU, 2010). Furthermore, close association between audit firm and client could give rise to opinion shopping since it may lead to an eagerness of auditors to please the client instead of being the objective third party (Arel et al, 2005).In addition, proponents of Mandatory Audit Firm Rotation (MAFR) have suggested that impairment of auditors' independence can lead to auditors' support for more aggressive accounting choices that are not acceptable by GAAP and can ultimately result in a failure to detect material fraud and/or misstatements (Kwon, Lim and Simnett, 2010) Mautz and Sharaf (1961) opine that long-term auditor client relationship have negative effect on auditor independence since auditor's objectivity about a client decreases over time. Furthermore Harris and Whisenant (2012) reinforced the argument that long-term auditor relationship hampers audit quality when they argued that, an improvement in either competence or independence would lead to enhancement in audit quality. Burton and Roberts (1967) suggested that personal relationship among the auditor and management is a determining factor towards reducing audit quality. Furthermore proponents of MAFR believe that the longer the audit tenure, the lower the audit quality (negative correlation) due to the closer relationship between auditors and management (Catanach and Walker, 1999;Vanstraelen, 2000). This closer relationship causes the auditor and the client to engage in opinion shopping and thus audit quality will diminishes as there is a possibility of not adhering to financial reporting standards in support of aggressive accounting reporting methods (Davis, Soo and Trompeter, 2002 ; Said and Khasharmeh, 2014).

However on the other hand Davis, Soo and Trompeter (2002) pointed out that, others believe that the longer the audit tenure, the greater the audit quality (positive correlation) (Geiger and Raghunandan, 2002; Said and Khasharmeh, 2014).This view was reinforced by Jackson et al (2008) suggested that, in the Australian capital market between 1995 and 2003 that the likelihood of restricted going concern opinions increases with the period of the audit tenure due to the auditor's experience. Chi, Huang, Liao, and Xie (2009) also find some evidence that audit quality of entities subject to Mandatory audit firm rotation in 2004 is higher than audit quality of organisations not subject to rotation in 2004.In addition, Myers et al (2003) and Kaplan and Mauldin (2008) they found that earnings quality to be greater with longer term auditor firm-client relationships because auditors with longer tenure put greater constraints on managers. Furthermore Pierre and Anderson (1984) and Stice (1991) pointed out that, audit failures and lawsuits tend to be largely experienced in the initial years of an audit engagement and thus, long-term auditor- client relationship will enhance the audit quality. Geiger and Raghunandan (2002) also renforced the view that the longer the audit tenure the better the audit quality.

Carcello and Nagy (2004) highligted that the probability of material misstatements in financial reporting is higher in the first years of the audit firm's tenure and is not substantially higher for instances of long-term audit tenure. Casterella (2010) also pointed out that a research conducted in 2004, which used a sample of companies charged by the Security Exchange Commission (SEC) with fraudulent financial reporting concluded that undetected fraud is more likely in the initial years of the auditor-client relationship.Furthermore the above argument was reinforced by Said and Khasharmeh (2014) when they pointed out that, through long-term auditor-client relationship, the auditor attains appropriate or significant knowledge and understanding of an entities operations over time risks associated with the company, which thereby enhance audit quality. Myers et al (2004) concluded there is no relationship between the nature and sternness of the restatement and auditor tenure.

2.4Measures to be put in place to promote Mandatory Audit Firm Rotation

2.4.1Law Enforcements

In Australia a legislation called Corporations Act 2001 was enforced which required listed companies on the Austria Stock Exchange to mandatorily rotate their auditors (Ottaway, 2013).Ian Mackintosh, Australian Securities and Investments Commission (ASIC) then Chief Accountant pointed out auditor's predicament in regards to maintaining auditor independence, he stressed out that auditors are in the centre of a minefield as the paradox of being expected to reconcile a commercial service provider/client relationship with a whistleblowing/watchdog responsibility. The service provider/client relationship is supported by commercial incentive and the public responsibility role is supported by very little legislative or other incentive, yet the public except auditors to perform as "contracted regulators" of financial reporting which might be difficult under these circumstances (Ottaway, 2013). Thus there is a need of enforcing Mandatory audit rotation to guide against loss of auditors independence (Kwon et al., 2010).

Furthermore ICAZ (2013) pointed out that, ZSE has suggested that Mandatory audit firm rotation should be enforced on all listed companies on the Zimbabwe Stock Exchange, as one of its listing requirements. Furthermore the dangers of not complying with this rule on listed companies will be penalties. This move is believed to be a good practice in terms of corporate governance in the eyes of investors since it mitigate the risk of collusion between the auditor and management. The enforcement of this rule is aimed at highlighting the perception out there that auditors should demonstrate independence in appearance and form, thus the proposal of the enforcement of this rule is not to say auditors are not professional (ICAZ, 2013).In addition ZSE proposed to fine issuers and sponsors if non-compliance with the requirement is noted. This was noted that administrative fines is a new concept on the ZSE but they exist in JSE and LSE and other markets (ICAZ, 2013). Loewenstein (1997) pointed out that SEC is considering the increase for penalties for proven auditor bias cases.

2.4.2Conducting workshops

In a letter by Jonathan Faull, European Commission (EU), (2014) document that following the adoption MAFR enforced by the new Regulation 537/2014/EU regarding statutory audits of PIEs, the commission will provide assistance in informing all stakeholders about the new rule in order to maintain a level playing field in the audit market. Furthermore regulators, supervisors and stakeholders' practical questions about the implementation of the new legislation of MAFR will be clarified or addressed in a first specific workshop to be held (European Commission, 2014). Furthermore International Ethics Standards Board for Accountants (IESBA), (2015) pointed out that European Commission was organising workshops for its Member States regards to implementation of Mandatory audit firm rotation.

BDO (2014) also pointed out that workshops which are being currently held by the European Commission with its Member States is of the purpose of clarifying the implementation issues arising from the adoption MAFR rule and to ensure consistency application of the new rule by all Member States. Arruñada and Paz-Ares (1997) also supported the above view when they documented that comments received from participants' commentators at the workshop of Economic Analysis of Law at the Universidad Carlos III in Madrid were gratefully acknowledged. This workshop was supported by DGICYT, scientific agency of the Spanish government.In addition Stephen Haddrill, Chief Executive officer of Financial Reporting council UK, documented that there was stakeholder workshop held in Brussels on 4 March 2016. The workshop was mainly focused on the implementation of Audit Regulation and Directive (ARD) changes to UK regulation of audit and one of the regulation change being enforced was audit rotation and retendering (FRC, 2016).

2.4.3 Training Stakeholders

Training stakeholders on Mandatory audit firm rotation plays a major role in promoting the adoption of the legislation. This will provide appropriate professional development among stakeholders for instance auditors technical competence will be enhanced (i.e if ICAZ venture into training courses about MAFR in universities and at a professional level), (Integrity Development guide, 2012).Furthermore Loewenstein (1997) notes that training programs helps in making awareness. This was enforced by IASB (2010) suggested through ISQC 1, that actions such as legal and regulatory requirements may be communicated by but not restricted to training seminars, meetings, formal or informal dialogue.

3.0 Research Methodology

The descriptive research design was used for the purpose of this study. Descriptive studies are concerned with the what, where and how of a phenomenon hence more placed to build a profile on that phenomenon (Mugenda and Mugenda, 2003). Ruling out relationships among variables in the descriptive research process is labelled as correlation study which, according to Cooper and Schindler (2003), is a subset of descriptive study. Burns and Groove (2003), pointed out that a descriptive research design provides a picture of a situation as it naturally happens. It may also be used for further developments, justify the current practice and make judgments. Descriptive survey often uses questionnaire to collect information by asking the same questions to all respondents, possibly under the same circumstances to achieve that level of consistency hence research questionnaire was used.

The study was based on audit firms on the ZSE directory and all firms listed on the ZSE. Therefore the population of the study totaled to 77 including 15 auditing firms listed on ZSE directory under category of auditing service and 62 companies which represented all the firms that are listed on the Zimbabwe Stock Exchange website. The sample size for the study was 33 companies comprising of 15 auditing firms listed on the auditing service on the Zimbabwe stock exchange and 18 listed companies picked from each sector. The sample size comprised of one managing partner from each audit firm and one audit committee member from each of the listed companies on the ZSE. Law (2012) highlighted that a sample size of 30% of the population can fairly represent the population and therefore 30% of the population, in this case would be 23 firms. However the 33 out of 77respondents (43%) was used in the study which is slightly higher as advocated by Law (2012). Non-probability sampling which helps researchers to select units from a population that they are interested in studying. The non-probability sampling technique used was purposive sampling. Purposive sampling relies on the judgement of the researcher when it comes to selecting the units that are to be studied („Saunders, 2012). The researcher used his judgment and selected 15 managing partners from each of the 15 auditing firms selected and one member of the audit committees of the 18 listed companies selected so as to obtain an accurate representation of the phenomena at hand as the study requires technical respondents. Therefore the concentration on people with particular characteristics assisted in obtaining relevant information about the research study.

4.0Results and discussion

4.1Effects of Mandatory audit firm rotation on audit quality

Table 4.1: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.971[a]	.942	.942	.310

a. Predictors: (Constant), Mandatory audit firm rotation

Table 4.1 above indicates a simple linear regression model summary, which clearly shows that **R = 0.971**. R is a measurement of strength in association between Mandatory audit firm rotation and audit quality and since the degree of relationship existing between Mandatory audit firm rotation and audit quality is equal to 97.1%, it shows that there is a strong positive relationship between the two variables. In addition the R Square = 0.942 which indicates that there is a 94.2% level in the coefficient of determination. Thus mandatory audit firm rotation determine the level of audit quality to the rate of 94.2% and these indicates a strong degree of determination between the two variables.Furthermore the above findings that there is a strong positive relationship between Mandatory audit firm rotation and audit quality are inconsistency with Said and Khasharmeh (2014) findings that, there is a noteworthy relationship between Mandatory audit firm rotation and quality of the audits. However these findings did not converge with the findings of Al-Thuneibat et al (2011) who highlighted that, there is a negative correlation between MAFR and the quality of auditing

4.2Relationship between Length of audit tenure and audit quality

Table 4.2: Length audit tenure and audit quality

		Length of audit tenure	Audit quality
Length of audit tenure	Pearson Correlation	1	-.732**
	Sig. (2-tailed)		.001
	N	28	28
Audit quality	Pearson Correlation	-.732**	1
	Sig. (2-tailed)	.001	
	N	28	28

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.2 above shows that there is a strong negative relationship of **-0.732** between the length of audit tenure and audit quality. This means that the longer the audit tenure, the lower the audit quality. These findings are inconsistency with Vanstraelen (2000) findings that the longer the audit tenure, the lower the audit quality (negative correlation) due to the closer relationship between auditors and management. However Davis, Soo and Trompeter (2002) findings were in disagreement with the results obtained in table 4.5 above, they pointed out that the longer the audit tenure, the greater the audit quality (positive correlation).

4.3Measures to be put in place to promote Mandatory Audit Firm Rotation

4.3.1. Law Enforcement

Results indicates that 24 out of 28(86%)agreed while 4 out of 28(14%) did not agree with the assertion that law enforcement can be one of the measures to put in place to promote Mandatory audit firm rotation. This view converged with Ottaway (2013) view that audit firm rotation can be promoted through law enforcement such as what Australia had done, it enforced a legislation called Corporations Act 2001 which required listed companies on the Austria Stock Exchange to mandatorily rotate their auditors.

4.3.2Conducting Training Workshops

Results reveal that 22 out of 28(79%) agreed while 6 out of 28 (21%) disagreed to the notion that that workshops will provide assistance in providing assistance in the understanding of the legislation requirements and also provide opportunities for clarifying implementation issues that might arise. These findings are in line with IESBA (2015) initiative that the European Commission should organize workshops for its Member States with regards to the implementation of Mandatory audit firm rotation.

5.0Conclusions and Recommendations

5.1 conclusions

The research conclusions were derived from the research findings. The study concluded that there is a strong positive relationshipbetween Mandatory audit firm rotation and audit quality. Thus the quality of audits improves when audit firms are mandatorily rotated. The study also concluded that there is a strong negative correlation between audit tenure length and audit quality.Thus the longer the audit tenure the lower the audit quality. The study concluded that law enforcement, conducting workshop and training stakeholders are the measures that promote adoption of Mandatory audit firm rotation.

5.2 Recommendations

- The government should consider crafting a piece of legislation on Mandatory audit firm rotation in Zimbabwe.
- The government should enforce the ZSE to adopt the legislation as its one of the listing requirements.
- The government should put in place penalties for companies that do not comply with the legislation.
- PAAB should constantly audit the audit firms to ensure compliance.
- The Institute of Chartered Accountancy in Zimbabwe (ICAZ) should introduce courses with regards to the legislation, that assist in training stakeholders especially in the tertiary institutions in order promote the adoption of the legislation.
- The limit on audit firm tenure should not be more than 10 years.

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