

**AUDITOR INDEPENDENCE AND FINANCIAL
STATEMENT QUALITY**

**OMUSI VICTORY
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HIGHER NATIONAL DIPLOMA (HND)
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CERTIFICATION

We the undersigned hereby certify that this project work carried out by **Omusi Victory** with Mat. No: SBS/2012060117 under our supervision and that it is adequate in scope and quality in partial fulfillment of the requirements for the Award of Higher National Diploma (HND) in Accountancy.

DR. IZEVBEKHAI, M.O.
PROJECT SUPERVISOR

DATE

MR. ABUMERE, D.I.
HEAD OF DEPARTMENT

DATE

DEDICATION

This project is dedicated to God Almighty for his love, protection and benevolence over me throughout the period of my study.

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My profound gratitude goes to **God Almighty** for his unconditional love and mercy upon my Life, for making my dream a reality may his name alone be praised.

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Abstract

This study investigates auditor independence and financial statement quality. The secondary source of data collection was adopted in the study where the purposive sampling technique was used to select a sample size of seventy-five (75) non-financial firms listed in the Nigerian Exchange Group. Ordinary Least Square regression method was used to analyze the variables in this study using STATA. The findings revealed that audit tenure has significant effect on financial statement quality of listed non-financial firms in Nigeria and that joint audit has no significant effect on financial statement quality of listed non-financial firms in Nigeria. The study recommends among others that firms in Nigeria should endeavour to pay the right audit fee required in order to enable the engagement of audit firm that is independent from influence.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

One of the consequences of free trade which resulted from globalization is the positioning of companies as the main actors in the economy (Mercilina & Gina, 2020). Related to this is the fact that both states and businesses are now compelled to get themselves ready to adapt to the changes caused by globalization. According to Saputra (2015), this development is a change in the external business environment that is compelling the company to produce strong competitiveness if they have to receive the benefits of globalization. The free flow of goods and services and several additional production factors in the era of globalization have made the demographic boundaries of a country to become irrelevant. Investors from various countries can now invest in other countries that provide better returns simply by studying and analyzing the relevant information before making an investment decision.

One of the crucial documents employed as sources of information is the financial report. The basic purpose of financial statements is to assist decision makers in evaluating the financial strength, profitability and the future prospects of a business entity, The basic objective of preparing financial statement is to provide information useful for making economic decisions. Hence, the necessity for preparing financial

statements that can be trusted by investors cannot be overemphasized. To ensure that those statements are believed, the audit of financial statements is necessary - especially for those companies that are incorporated in the form of limited liability companies. The management of a company appointed by the shareholders is usually held accountable, in the form of financial statements, for the funds applied in the management of that company.

Saputra (2015) contends that if an audit is to be carried out in a manner that meets the reasonable expectations of the users of audited financial statements, it is necessary to ensure that it is performed with due regard for quality. The audit firm must not succumb to the temptation of compromising quality to achieve financial benefits. In order to ensure high audit quality and restore public investor confidence in corporate financial reporting, greater regulation of the profession has been put in place in many countries. Also, the financial failures in many countries have significantly influenced the international regulatory environment in a way that requires a response.

Audit independence is an auditor' unbiased mental attitude in making decisions throughout the audit and financial reporting (Marnet, Barone & Gwillian, 2019). The attribute of independence is a very specialized concept for auditors. Looking for maintaining the highest ethical standard for the accounting profession, independence refers to the

quality of being free from influence, persuasion or bias. In addition, independent auditor is expected to be without bias with respect to the client under audit and should appear to be objective to those relying on the results of the audit. Similarly, auditor independence refers to the auditors' ability to maintain an objective and impartial mental attitude throughout the audit. In the absence of independence, the value of audit services will be greatly impaired (Abdollahiebli, 2018) and in turn, if an auditor lacks independence, this increases the likelihood that they would be perceived as fewer objectives and therefore less likely to report a discovered breach. Compromised independence results in a lower level of audit quality being provided on financial statements (Holm & Thinggaard, 2018). In other words, if the auditor is not independent, the incentive to do a high quality audit is weakened, as misstatements will not be reported even if found.

Moreover, audit credibility can be achieved through various mechanisms of assurance, i.e. assuring the public and other users that the information in a report is true and fair. It hasn't an emergence, if auditors lack of objectivity and professional scepticism. That is level of assurance provided by auditor independence links to the audit credibility. The higher level of audited financial statement assurance reliance based on higher auditor independence that its relation to the auditor credibility. At the result, strength of auditor independence also enhances auditor

credibility (Abdollahiebli, 2018). This is an important factor in the credibility of financial reporting. An auditor as a member of the accountancy profession maintains a professional attitude characterized with its objectivity and integrity. He must not only be independent but to be so at all times. I.e. He or she should not be involved in relationships, financial or otherwise which may cast doubt on his integrity.

1.2 Statement of Problem

Several audit failures have taken place in Nigeria, some leading to the restatement of figures in the financial statements. Although it has not been proven by any detailed investigation that these audit failures were due to the impairment of auditor's independence, this could reasonably be suspected to be a major contributing factor (Mercilina & Gina, 2020).

In Nigeria, the culture of joint audit is equally not a new phenomenon, although the "Big4" audit firms and other interest groups opposed its mandatory implementation "as proposed by ICAN and Financial Reporting Council of Nigeria (FRCN); it has remained a voluntary practice as they preferred. As such, publicly quoted companies and shareholders, who deem it fit, appoints more than one audit firm to audit their financial statements (Jinadu, Ojeka, & Agbeyangi, 2015). It is as a result of the increasing implementations of joint audit by different countries and the controversies surrounding making it a mandatory requirement for publicly listed companies in Nigeria, that have triggered

the wide academic research interests on the concept of joint audit and its effects on the adopting firms. Also in Nigeria for instance, the oligopolistic nature of the audit market is gradually pushing the smaller audit firms out of the market for audit services (Anil, 2016).

To carry out an audit in a manner that meets the reasonable expectations of users of audited financial statements, it is essential that the work is performed with due regard for audit independence. The audit firm and the auditor must not be compromised and they must not compromise quality to achieve financial or non-financial benefits. The decline in the confidence in financial reporting and auditing arising from corporate collapses and audit failures in a number of countries including Nigeria is the background of reforms in audit independence and quality control. The consequence of this has been greater regulation of the profession in an attempt to restore public and investor confidence in corporate financial reporting.

1.3 Research Questions

The following are the research questions of the study:

- i. To what extent does audit fee affect financial statement quality of listed non-financial firms in Nigeria?
- ii. To what extent does audit tenure affect financial statement quality of listed non-financial firms in Nigeria?

- iii. To what extent does joint audit affect financial statement quality of listed non-financial firms in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to examine the effect of auditor independence on financial statement quality. However, the specific objectives include:

- i. To examine the effect of audit fee on financial statement quality of listed non-financial firms in Nigeria
- ii. To evaluate the effect of audit tenure on financial statement quality of listed non-financial firms in Nigeria
- iii. To investigate the effect of joint audit on financial statement quality of listed non-financial firms in Nigeria

1.5 Statement of Hypotheses

The following are the hypotheses of the study stated in their null forms:

- i. Audit fee has no significant effect on financial statement quality of listed non-financial firms in Nigeria
- ii. Audit tenure has no significant effect on financial statement quality of listed non-financial firms in Nigeria.
- iii. Joint audit has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

1.6 Significance of the Study

The results from this study are useful for the users of audited financial statement and regulators as a feedback to enhance audit quality in Nigeria. It will broaden extant literature on audit quality in Nigeria and assist policy maker in formulating and administering pragmatic policy to improve audit quality in Nigeria audit setting.

The result of this study will further clarify the extent to which auditor's independence significantly affects the credibility of audited financial statements in Nigeria.

Furthermore, the result of this study will serve as a reference point for further research.

1.7 Scope of the Study

This study focused on audit independence and financial statement quality. The scope of this study is on listed non-financial firms in Nigeria. The listed non-financial firms were chosen because of the fact that their financial reports and accounts over the periods of study were published under strict supervision of CBN. In addition, the financial report which is among our sources of data collection is available in the Nigerian Exchange Group (NGX) published fact book. Lastly, the study will focus on seventy-five (75) non financial firms using a time frame of ten (10) years; 2011 to 2020.

1.8 Limitations of the Study

One major limitation the study faced is the number of units to be studied. To solve this problem, the researcher limited the study to the non-financial sector of the firms listed in the Nigerian stock exchange.

Another problem faced by the study is generalization issue. However, in a bid to solve this problem, the researcher studied a significant number of companies with wide years range. This is to ensure the results gotten can be true representation of the entire sector.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Conceptual Reviews

2.1.1 Financial Statement

Financial statements are reports prepared by a company's management to present the financial performance and position at a point in time. A general purpose set of financial statements usually includes a balance sheet, income statements, statement of owner's equity and statement of cash flows. These statements are prepared to give users outside the company, like investors and creditors, more information about the company's financial positions. Publicly traded companies are also required to present these statements along with others to regulatory agencies in a timely manner. Financial statements are the main source of financial information for most decision makers. That is why financial accounting and reporting places such a high emphasis on the credibility, accuracy, reliability and relevance of the information on these financial statements (Ugwu, Aikpitanyi & Idemudia, 2020).

Ndubuisi and Ezechukwu (2017) opined that the immediate role of audit independence is to serve the audit by making it more effective in providing assurance that the auditor will plan and execute the audit objectively. Hence the larger purpose of audit independence and its objective must be sought. Mitra, Deis and Hossain (2019) on the other

hand assert that the immediate objective of an audit is to improve the reliability of information. Improvement in the reliability of corporate disclosure reduces the risk that an investor or creditor will make a poor decision because the information is inaccurate or otherwise wanting in quality. It must be noted that risk information is present every time an investor or creditor uses information to assess the economic risk of a potential investment, so care should be taken in carrying out an audit assignment.

2.1.2 Auditor Independence

The audit report is the primary medium of communication between auditors and the company stakeholders. The growing interest about financial reports and the extent to which they could be trusted by investors and stakeholders suggests that they should be prepared objectively and audited by an independent and neutral body, this body normally being the independent external auditors. Reliability of audit report refers to a condition, in which investors and all those interested in a company's business affairs, consistently find the audit reports and opinion about a company's financial statements and position to be dependable and credible. Reliable audit reports also reveal whether accounting reports are reasonably free from error and bias and whether the accountants are justified in making a 'going concern' assumption. It therefore implies that for the audit report to be reliable it must give

investors adequate information about the quality and accuracy of the accounting reports so that they can decide the extent to which to place reliance on the report in making investment decisions (Hussaini, Noor & Hasnah, 2018).

The better the quality of information investors and creditors use for the assessment of economic risk, the better their chances of making sound decisions. In other-words their information risk is lower. This information risk perceived by investors and creditors is reflected in the cost of capital of the firms. Both suppliers and users of capital benefit from reliable corporate disclosure. Knechel, Krishman, Pevzner, Shechik and Velury (2012) acknowledged the fact that the way in which audit independence improve the reliability of information used for investment and credit decision is well understood in theory and practice. Audit work by deterrence, detection and verification. Knowing that auditors will do their work, management is deterred from distorting the financial results. However, auditors often detect the vast majority of distortions that nevertheless occur and verification of undistorted information by selective tests provides evidence of its reliability. Asthana, Khurana and Raman (2018) showed that auditing improves the reliability of the financial information investors' use for decision making. More reliable information affects the earnings reported which is of value relevance to the investors. Also earnings per share is more likely to reflect corporate

earning power if figures used more closely reflect the substance of financial performance of the bank. Investors are likely to invest their capital in the most productive enterprises if financial reports reflect corporate earning power than if they do not.

The auditors' independence is sometimes described as adding credibility to the timeliness of financial report which is an important ingredient of auditing though management's corporation is also needed (Carmona, Momparler & Lassala, 2015). Audit quality when considered with auditor independence impact the confidence level which users of financial statements have in financial reports. Without improved reliability there would be no valid basis for investor confidence in the information made available and earnings will have less of a relationship with firms earning power and report timeliness.

Auditor's independence has been defined as the ability of the auditor to maintain an objective and impartial mental attitude throughout an audit. It is also a condition under which an auditor could take an unbiased viewpoint in the performance of audit tests, analyses of result, and attestation in the audit report of an entity. In addition, Wakil, Alifiah and Tijjan (2019) considered audit independence as requiring an attitude of responsibility that is separate from the client's interest; the auditor maintains an attitude of healthy professional skepticism.

Independence of the auditor, according to Camillus and Celestine (2021), can be explained from two perspectives, namely (i) independence in mind and (ii) independence in appearance. The authors assert that independence in mind reflects the auditor's state of mind which allows the audit to be carried out with an unbiased attitude. It reflects a long standing requirement that statutory auditors should be independent in fact. Independence in appearance is the outcome of other people's interpretation of what independence should actually be. Most of the value of audit function will be lost if auditors are independent in fact but users believe them to be advocates for their client.

The audit report is the initial point of communication between auditors and the corporate stakeholders. Audit reports should be prepared objectively. Financial statements ought to be audited by an independent and neutral body, considering the growing interest in financial reports and the extent to which they could be trusted by investors and stakeholders. This neutral body is normally the independent external auditors.

2.1.3 Audit Fee

Audit fee can be explained to be the amount charged by the auditor for an audit assignment carried out. That is, the amount charged by the auditor for any work done in order to express opinion on the true and fair state of affairs or position of the client's enterprise. Wakil, Alifiah and Tijjan (2019) described audit fee as the fee charged by a public

accountant to the client for the financial audit services. This is in accordance with the opinion of The Securities and Exchange Commission, Final Rule that the audit fee is the fees paid for annual audits and reviews of financial statements for the most recent fiscal year. The amount of audit fee can vary depending on the complexity of services, assignment risk, the cost structure of Public Accountants Firm, the required level of expertise, and other professional considerations.

Audit fee is the remuneration received from a client on the discharge of audit service. It is the amount charged by the auditor for the audit assignment of a client. Olaoye, Aguguo, Safiriyu and Abiola (2019) opined that the aggregate of audit fees are the amount of all costs covered for auditor. Mercilina and Gina (2020) pointed that there is variation in the amount of the fee, depending on auditee size and how complex the auditing process is. This is similar to the view of Turley and Willikens (2018) that there are three composite factors which contribute to the establishment of audit fees, which include complexity, Client size and associated risk. Audit fees are the fees paid to the auditors that reflect the cost of the effort conducted by the public editors and litigation risks.

More so, Carmona, Momparler and Lassala (2015) explore the relationship between audit fees and audit quality of listed firms in Spain. They show that audit fee is negatively and significantly related to

discretionary accruals. This indicates that higher audit price is related lower discretionary accruals and higher financial reporting quality.

Asthana, Khurana and Raman (2018) examine fees competition amongst Big 4 auditors and audit quality in US. They show that fees competitions are valued as essential mechanism for enhancing audit quality in the vastly concentrated US audit market. In the same vain, Knechel, Mintchik, Pevzner and Velury (2018) examine the impacts of widespread trust and community cooperation on audit fees amongst different countries in the world. They reveal that countries with higher trust and community cooperation have high likelihood to expense on a strong audit job to request higher auditing services. They argue that countries with greater trust and community cooperation reimburse higher audit fees to demand greater assurance. This indorses that countries with higher extensive trust or greater public cooperation pay higher price on auditing services and hence are prepared to pay higher audit fees.

From the emerging market, Al-Dhamari, Al-Gamrh, Ismail and Ismail (2018) explore the link between related party transactions and audit fees in Malaysia. They indicate that audit fees are high for firms that engage in related party transactions including the acquisition and sale of assets, goods, and services. This validates the finding of Al-Rassas and Kamardin (2015) who study the influence of external audit quality and audit committee characteristics in Malaysia. They show that audit fee has

a negative and significant relationship with discretionary accruals. This suggests that higher audit fees is associated to lower discretionary and higher financial reporting quality in Malaysia.

2.1.4 Audit Tenure

Audit tenure is the agreed period of engagement between the auditor and client. The issue of audit tenure is usually linked to auditor independence. Research conducted by Mercilina and Gina (2020) showed that audit quality increases as audit tenure increases. This result is however contrary to the results of a research conducted by Abdollahiebli (2018) which reveals that as the length of auditor-client relationship increases; there could be decrease in the level of audit quality, because too long auditor-client relationship impairs auditor's independence. Furthermore, the audit quality decreases as the auditor-client relationship lengthen. Corroborating this finding, Hussaini, Noor and Hasnah (2018) also find that, long audit partner tenure is associated with lower propensity to issue a going-concern report. However, the study involving going-concern report in the US suggests that audit reporting failures are significantly higher in the first few years of auditor-client relationship. Audit firm tenure as well as audit partner tenure, affects financial reporting quality.

Mandatory audit firm rotation is the change of audit firm with the objective to avoid the close relationship between auditor and clients that

could lead to accounting misstatements and frauds. The rotation occurs in several ways: first, firms can voluntarily rotate their auditor however, reasons for this form of rotation is ambiguous as such information are not disclosed by firms. Voluntary change of auditors is frequently linked to audit failures like fraud, financial distress, shareholder's discretion and auditor ineffectiveness. Secondly, mandatory rotation for an Audit firm, which requires the firm to end the tenure with its current auditor after a certain number of years. This rotation of the audit firm has both positive and negative impact on financial reporting quality (Monroe & Hossain, 2013).

Prior studies link long tenure of an audit firm to the independence of the auditor; some studies even show that rotation is mandatory to promote independence. Other studies show that audit rotation create independence but do not improve financial reporting quality rather increases audit cost because audit firm may have limited information of new client which may consequently lead to lower audit quality.

After the occurrence of accounting scandals in the last decade, the Sarbanes-Oxley Act of 2002 requires mandatory rotation of audit firms at least once every five years. Several other countries also have similar requirements for mandatory rotation of audit firms. However, there are no such requirements of mandatory rotation of audit firm tenures in Pakistan. Therefore, in the current study, the determinants of financial reporting

quality are further examined to understand the impact of auditor tenure. Particularly, this study provides a detail explanation on the association between audit firm tenure and accrual-based earnings management activities in a single country, like Pakistan. The results are also useful for regulators to monitor any earnings management activities.

The essential principle of assessing the financial reporting quality is related to the faithfulness of the objectives and quality of disclosed information in a company's financial reports. These qualitative characteristics enhance the facilitation of assessing the usefulness of financial reports, which will also lead to a high level of quality. To achieve this level, financial reports must be faithfully represented, comparable, verifiable, timely, and understandable. Thus, the emphasis is on having transparent financial reports, and not having misleading financial reports to users; not to mention the importance of preciseness and predictability as indicators of a high financial reporting quality (Gajevszky, 2015). Faithful representation is usually measured in terms of neutrality, completeness, freedom from material error, and verifiability.

2.1.5 Joint Audit

Joint audit, according to PwC (2011), is a method where two independent audit firms work together to issue one audit opinion to a firm. Anil (2016) also defined joint audit as “an audit on a legal entity

(the auditee) by two or more auditors to produce a single audit report, thereby sharing responsibility for the audit”. Generally, joint audit can be described as the coming together of more than one audit firm to audit the financial statement of a given legal entity with the common goal of arriving at a single audit report. This act of collaboration in professional audit practice, as described above, clearly depicts the concept of 'Joint Audits' (Gatawa, 2015). It follows therefore that, in a joint audit, both audit firms share the responsibility of executing the entire audit task and jointly share the rewards thereof in an agreed proportion, as well as bear joint liability in case of an audit failure (Abdollahiebli, 2018). The advocates of joint audit such as the (European Commission, 2010; 2014) believe it would increase the probability of detecting errors and enhance audit quality by improving audit evidence precision - as it is often said that 'two heads are better than one'. They also believe it would enhance auditor independence as it would be difficult for the client to jointly develop economic bonding with two different audit firms (Lobo, Paugam, Zhang, & Casta, 2017).

Others like Okaro (2018) also believe it would reduce audit market concentration by strengthening the market position of the non-Big4 audit firms as well as mitigating biases that affect auditor judgement (Marnet, Barone, & Gwillian, 2019). The opposing group, however, contends that joint audit would increase audit costs astronomically without meaningful

quality improvements and may also induce a free-riding problem between the audit firms.

2.2 Theoretical Framework

2.2.1 The Policeman Theory

This theory claims that the auditor is responsible for searching, discovering and preventing fraud. In the early 20th century, this was certainly the case. However, more recently the main concern of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements. However, the detection of fraud is still a hot topic in the debate on the auditor's responsibilities. Typically after the events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud.

2.2.2 Agency Theory

According to Wakil, Alifiah and Tijjan (2019), agency theory suggests that information asymmetries and conflict of interest between the agents and the principals should theoretically be able to regulate behavior in an organization through directing and rewarding system. This theory postulates that information asymmetry influences objective scrutiny of financial statements as well as agency problems. The principal-agent relationship is explained in agency theory which assumes that the principals lack reasons to believe their agents as a result of information asymmetries and conflicting interest. Thus, information

asymmetry during decision making occurs when one party is more informed than the other party. The agency theory provides the theoretical underpinnings to support the position of auditors' independence in bridging information asymmetry gap between principal and agent.

Similarly, contradictory aspects such as financial rewards, market opportunities, and associations with other parties that are not directly related to principals can drive agents to be more optimistic about the economic performance of an entity rather than the performance of the whole organization. Information asymmetries and opposing motivations decrease dependability of information, which result in the principals' lack of trust on their agents. Consequently, Colbert and Jahera (2017) suggest that as a third party, auditors should try to align the interests of agents with principals. They should also endeavor to let principals to measure and control the behavior of their agents and to increase the principals' confidence on agents that may negatively influence auditor's independence.

The agency theory suggests that the auditor is appointed in the interests of both the third parties as and the management. A company is perceived as a web of contracts. Several groups (suppliers, bankers, customers, employees etc.) make some kind of contribution to the company for a given price. The task of the management is to coordinate these groups and contracts and try to optimize them.

2.2.3 Signalling Theory

Originally developed by Michael Spence in 1973, the signaling theory refers to a situation where one party (termed the agent) credibly conveys information to another party (the principal). It was initially based on observed knowledge gaps between organizations and prospective employees but later extended to other domains. Signalling theory posits that firms with good performance are inclined to making voluntary disclosures more readily because doing so is regarded as an easy means of distinguishing themselves from others in the marketplace. Hence this study assumes that auditors' independence is positively related to reliability of financial reports. It is suggested by Scott (2009) that manipulative accounting may be used for signalling since managers will endeavor to window-dress the report in such a manner that it will transmit their desired information to users.

2.2.4 Game Theory

Game theory is a model that captures the competitive interaction between two (or more) players in order to maximize their own self-interest, both anticipating and acting accordingly (i.e, as rational players). Auditing is the most popular area where game theory can be applied in the field of accounting. The first one to use game theory to research joint audit was Paugam and Casta (2012). They showed that the assignment of two Big4 auditors (sharing equal credibility costs associated with likely

low impairment-related disclosures) in a joint audit task from a game theory perspective would lead to the dilemma-solution of the inmate, according to which 'doing nothing' is the dominant strategy because neither of the Big4 auditors would have an incentive to take corrective action as they both share the reputation cost.

On the contrary, the prevailing approach for the auditor will be to take corrective steps to increase the amount of financial disclosures, as Big4 auditors matched with non-Big 4 auditors bear a significant, if not all, part, of the credibility costs associated with disability testing management. In Big4 with Big4 matching, the "do nothing" approach is therefore more likely to be dominant - leading to low quality results; pairing the Big4 with non-Big4 auditors is more likely to lead to higher quality results (Paugam & Casta, 2012).

This work is anchored on game theory. Aligning the theory with this study, it is assumed that players (auditors) within the game (joint audit arrangement) are rational and will strive to maximize their pay-offs in the game (audit assignment) – in terms of ensuring rationality in the allocation of audit work vis-à-vis audit fees, maximisation of independence and quick audit process (i.e. duration of audit report lag).

2.3 Empirical Review

2.3.1 Audit fees and financial statement quality

Ugwu, Aikpitanyi and Idemudia (2020) examined the impact of audit quality on the financial performance of all the 15 listed DMBs in Nigeria from 2011-2017. Independent variables used are audit firm size, joint audit and audit fee, while ROA, proxy for financial performance, is the dependent variable. Secondary data were used, which were extracted from the financial statements of the listed DMBs. The study employed correlation and ex-post facto research designs and multiple regressions were used for data analysis. The study revealed significant and positive relationship between audit firm size and ROA, negative and significant relationship between joint audit and ROA and negative and insignificant relationship between audit fee and ROA. The study, therefore, recommends that since joint audit showed significant relationship with firm performance in this regard regulatory bodies should try to make joint audit compulsory and any firms that fail to comply should be sanctioned. The study also recommends that since audit firm size positively and significantly affects firm performance. Smaller audit firms should be encouraged as they are likely to carry out a more thorough audit assignment, because most of the DMBs engaged the service of the bigger audit firms.

Ezuwore-obodoekwe and Elias (2020) ascertained the connection between the independence of the external auditor and the credibility of audited financial statements in Nigeria. Specifically, the study seeks to find out (i) if there is a significant relationship between the external auditor's integrity and the credibility of audited financial statements in Nigeria and(ii) an objective approach to the external audit process is significantly connected with the credibility of audited financial statements in Nigeria. Survey research design was employed while Chi-squared technique was used for analyzing the data. The data used for this work were collected using a well-structured questionnaire collected from 150 users of audited financial statements in Enugu State. The results of the study show that there is a significant relationship between the external auditor's integrity and the credibility of audited financial statements in Nigeria. The study also finds that an objective approach to the external audit process is significantly connected with the credibility of audited financial statements in Nigeria. It recommends that auditor's independence should be strengthened by taking different measures such as reduction in the tenure of auditors, regular rotation of auditors and appropriate audit fees.

Hussaini, Noor and Hasnah (2018) examined the relationship between audit fees and financial reporting quality of listed firms in Nigeria. They used 88 listed companies in Nigeria for the period of 2012

to 2016. The data were obtained from the annual reports of the listed firms and Thompson Reuters DataStream. Accruals model was used to represent financial reporting quality. A multiple regression was employed in the estimation model. The study reveals that higher audit fees are associated to lower level of discretionary accruals and thus imply higher financial reporting quality. The result also supports the resource dependence theory which proposes that higher percentage of financial experts in the board lessen the degree of accounting manipulation. The study provides an understanding to investors, policymakers and regulators about the pivotal role of audit fees in reducing accounting manipulation and in enhancing financial reporting quality in the listed firms in Nigeria.

Onaolapo, Ajulo and Onifade (2017) examined the effect of audit fees on audit quality in Nigeria using a sample of listed cement companies on the floor of the Nigerian Stock Exchange. In specific terms, the study investigates the relationship between audit fee, audit tenure, client size, leverage ratio and audit quality. Ordinary Least Square Model estimation technique was employed to analyze the relationship between the explanatory variables and the dependent variable. Secondary data derived from the published annual reports of the selected companies for a six year period (2010- 2015) was used for the study. Findings from the study show that audit fee, audit tenure, client size and leverage ratio

exhibit a joint significant relationship with audit quality given coefficient of determination (R^2) being 0.6006 and a combined p-value of 0.001 and $F_{calc}=7.14$. This implies that the predictive power of the independent variables as used to explain changes in audit quality is about 60%. Audit fee in particular shows a significant positive impact on audit quality with a t and p-values of (4.04 and 0.001) respectively as well as a high positive correlation coefficient of 0.7513 with audit quality. The study recommends that Government through the various professional bodies should develop robust policies that will help improve audit quality in Nigeria.

The study of Abdul-Rahman, Benjamin and Olayinka (2017) which examined effect of audit fees on audit Quality of listed cement manufacturing companies in Nigeria using secondary data derived from the annual report of the sampled companies for a period of six years (2010-2015). Ordinary least square estimation technique was used to analyze the relationship between the explanatory variable and the dependent variable. Finding from the study show that audit fee, client size, audit tenure and leverage ratio exhibit a joint significant relationship with audit quality and audit fee in particular shows a significant positive impact on audit quality.

Oladipupo and Monye-Emina (2016) examined the effect of abnormal audit fees on audit quality in audit market in Nigeria. The data

for the study were collected from the audited annual reports and accounts of 50 companies quoted on the Nigeria Stock Exchange (NSE) for a period of 7 years spanning from 2005 to 2012 financial years giving a total of 350 data firm observations. A probit binary regression technique was employed for the analysis. The study documented that both positive and negative abnormal audit fees had insignificant positive impacts on audit quality.

Rahmina and Agoes (2014) determined the effect of auditor independence, audit tenure, and audit fee both partially and simultaneously on the audit quality. The research used primary data collected through the distribution of questionnaire to the audit firms listed in the Capital Market Accountant Forum (FAPM) in Indonesia. The population of the study was senior auditor, supervisors, managers, and partners positions and worked on the audit firm member of FAPM. Among the findings of the study is that audit fee has positive and significant influence on audit quality.

Olarinoye and Ahmad (2016) examined whether audit fees impair the independence of auditors in Nigeria and also the effects of corporate governance mechanisms on the quality of financial reporting. The study employed the Generalized Methods of Moment (GMM) estimation to control the presence of unobserved heterogeneity effects and endogeneity issues in the auditors' independent model. The data was obtained from

the annual reports of 89 listed companies on the Nigerian Stock Exchange (NSE) for the years 2008 to 2013. The findings of the study revealed that abnormal audit fees charged by Nigerian auditors do not impair their independence, but rather they might reflect additional efforts undertaken during the course of the audit. Likewise, the study found that the presence of independent non-executive foreign directors on a board improved the quality of financial reporting and an increased in the percentage of share ownership of foreign institutional shareholders also improved the quality of financial reports.

Kraub, Pronobis and Zulch (2015) examined abnormal audit fees and audit quality in German audit market between 2004 and 2010 using a sample of 841 firms listed on the Frankfurt Stock Exchange. They observed that positive abnormal audit fees are negatively associated with audit quality whereas negative abnormal audit fees have an insignificant or at best, statistically weak positive effect on audit quality. They opined that audit fees premium can lead the auditor to compromise independence and economic bonding whereas audit fees discount can either impair independence or reduce audit efforts.

2.3.2 Audit tenure and financial statement quality

Camillus and Celestine (2021) investigated the impact of audit firm tenure on financial reporting quality of quoted manufacturing companies in Nigeria. Ex post facto research design with panel data was adopted for

the study. The population consists of forty-five (45) quoted manufacturing firms in Nigeria as listed on the Nigerian Stock Exchange (NSE) as at 2020. Judgmental sampling technique was used in determining the sample size of sixteen (16) quoted manufacturing firms in Nigeria for a period of 5 years (2011-2015). Secondary data was collected for this study and the Spearman's correlation coefficient and multiple regression analysis were used to analyze the data collected and this was computed with the aid of Stata12. Discretionary accrual was computed based on Modified Jones Model, 1995. The study revealed that there is an insignificant relationship between long-term audit firm tenure on financial reporting quality of quoted companies in Nigeria, I.e. long-term audit tenure has insignificant impact on discretionary accruals. Therefore, it was recommended that legislators should make more efforts to regulate "audit firms" rather than "auditors" if the final goal is to improve the quality of earnings.

Wakil, Alifiah and Tijjan (2019) reviewed auditor independence literature and the factors affecting independence in order to determine the effects of the factors on independence. The method employed for the research is a desk system of research design, in which data were collected through secondary sources such as journals, books and internet materials. The finding of the review indicates that the most mentioned threats to

auditor independence are non-audit services, audit tenure, auditor-client relationship and client importance.

Olaoye, Aguguo, Safiriyu and Abiola (2019) investigated the impact of the independence of statutory auditor on the reliability of financial statements of the manufacturing companies in Nigeria. The study adopted a survey research design. It used data collected from structured online questionnaires which were administered to the shareholders of listed companies in Nigeria. The population of the study comprised all shareholders in Nigerian listed companies, 150 structured questionnaires were randomly distributed from which 137 were retrieved from the respondents. The gathered data were analyzed using descriptive and inferential statistics. For unwavering quality, the Cronbach alpha was used to test the dependability of the instrument. Findings show that independence of statutory auditors had a positive significant effect on reliability of financial statements (RFS) ($F= 9.018$, $Adj. R^2 = 0.191$, $p < 0.05$). In addition, it was found that nonfinancial interest (NFI) had a positive insignificant effect on RFS, $AdjR^2 = 0.195$; $F\text{-Stat.} = 9.255$; $P = 0.000$. Audit tenure (AT) also had a positive significant effect on RFS, $AdjR^2 = 0.078$; $F\text{-Stat.} = 3.877$; $P\text{-value} = 0.005$. While Non- audit services (NAS) exhibited a positive significant effect on RFS, $AdjR^2 = 0.118$; $F\text{-Stat.} = 5.568$; $P\text{-value} = 0.000$. Based on the findings, the study recommended that audit firms should regulate the number and length of

non-audit services rendered to companies they serve as external auditor and also undergo a frequent review on financial statements where their clients have interest so as to reduce self-review and self-interest threat.

Okezie and Egeolu (2019) examined the effect of audit independence on reliability of financial reports in the banking sector. Ex-post facto research design was used while the data were elicited from four (4) banks listed on the Nigerian Stock exchange and also operates within the African region. The data spanning across 5 years from 2014-2018, were analyzed with multivariate linear regression. Findings show that audit independence had a significant effect on the value relevance of the financial reports of the banks under study. This was reflected in how the amount spent on audit fee had no significant effect on the reported earnings per share (proxy for reliance on financial reports by investors). Further findings reveal that audit independence has an insignificant effect on the timeliness of the financial reports.

2.3.3 Joint audit and financial statement quality

Mercilina and Gina (2020) examined the impact of joint audits on three different audit quality proxies, namely: audit delay, auditor independence and audit fees. The study made use of secondary data extracted from the annual reports of sixty-three (63) companies listed on the Nigerian Stock Exchange (NSE) for a 5- year period (2014-2018). Three panel regression models were developed to accommodate the three

audit quality proxies; while firm size, complexity and risk were also included in each of the equations as control variables. The data analysis techniques used includes descriptive statistics, correlation matrix and panel regression techniques. Result showed that, joint audits have negative and non-significant impact on audit delay as well as non-significant effect on audit fees. However, no linear relationship was established between joint audits and auditor independence. On the three control variables, only firm size and firm complexity significantly influenced both audit delay (negatively) and audit fees (positively), while firm risk was insignificant in the both established models. The study recommends, among others, that companies may reconsider their stance on the engagement of joint auditors in order to balance the audit market concentration between the Big4 and the smaller audit firms in Nigeria.

Tom and Ying (2018) studied the effect of audit quality on a firm's financial performance in China from 2010 to 2016. The study used audit size, audit fee and leverage as independent variables and Return on Investment as a dependent variable. The data employed in the study was secondary data using multiple regression to analyze the data. It was revealed that audit size and audit fees are positively correlated with ROI, although the correlation is not significant at traditional while leverage is negatively and insignificantly related to ROI.

Kwabena (2017) studied the effect of internal audit quality on firm's financial performance in Kenya from the period of 2010 to 2016. The study used primary and secondary data. Firm size, financial leverage and liquidity were used as independent variables and return on equity as dependent variable. The study used 121 listed firms on Nairobi Stock Exchange (NSE). Multiple regressions were used to analyze the data. The study revealed that firm size, leverage and liquidity have significant impact on return on equity. The study recommended that in order to implement good internal audit, managers need to know that they should be concerned about interrelation between internal audit and financial performance in order to improve the financial performance of the firm.

Sylvester and Eyesan (2017) studied the impact of audit quality on earnings management in Nigerian DMBs. The study used 18 banks quoted on the NSE as at December, 2010 as sample of the study. Data was gathered for the period 2005 to 2010. The cross-sectional year-by-year regression analysis was used to analyse the data. Audit quality was measured using audit fees and auditor change, and abnormal loan loss provision was used to measure earnings management. The results show that both audit fees and auditor change were positively and significantly related to abnormal loan loss provision. This suggests that high audit fees and changes in auditor tenure will aggravate earnings management. The study recommended that auditor change should not be ceremonial but

based on the fact of inefficiency and audit fee from each auditor client should be monitored to enforce the five percent maximum from each client as suggested by Institute of Chartered Accountants of Nigeria code of ethics of 2016.

Sim, Daw and Abu (2016) studied the effect of financial reporting and audit qualities on firm performance for 56 firms listed on the Malaysian stock market, selected from the construction sector for the period of 2010 to 2013. Data were collected from the published annual reports and their notes to the financial statements of the sampled firms. To assess the level of compliance with the provisions of the Financial Reporting Standard (FRS) in Malaysia, content analysis was carried out. The firm's engagement with established audit firms was used as a proxy for audit quality, and return on assets was used as a measure of firm performance. Panel data analysis was employed in analyzing the data and testing the stated hypotheses. The use of panel data reveals that practices of FRS by firms significantly and positively related to their financial performance. The results also indicate that audit quality has a significant positive impact on business financial success. The study, therefore, recommends that the management of listed construction firms improve their practices of FRS and employ the service of established audit firms in support of financial success.

Anil (2016) studied the effect of audit quality on corporate governance in industrial companies in Borsa Istanbul from 2011 to 2015. For this purpose, data of 41 industrial companies traded in Borsa Istanbul in 2015 were obtained from the companies' annual reports, financial statements and their institutional web sites. The study used free float, company age, independent board members and institutional investors as independent variables and audit firm size, firm size, financial leverage and CEO duality as dependent variables. The study employed multiple regression to analyse the data. The study revealed that firm size, the rate of institutional ownership, duration of trading time in stock exchange market, and company history variables were found statistically positive on audit quality. The study recommended that the independent auditing should have a quality process.

Cheong, Boon, Ongtze and Hong (2015) studied the relationship between audit quality, earnings management, and financial performance among public listed companies in Malaysia. 100 companies were randomly selected from the Industrial Products and Consumer Products industry listed on the Main Board of Bursa Malaysia during the period of 2008 to 2013. The study used audit size, audit fee and audit tenure as independent variables, discretionary accrual and absolute discretionary accrual as mediating variables and ROA as a dependent variable. The study uses multiple regressions to analyse the data.

2.4 Summary of the Review

In the light of the positions of various studies as reviewed above, the researcher can argue that the effects of auditor independence on quality of financial statements are controversial. Moreover, few empirical studies use publicly available secondary data in order to determine whether perceived threats to auditor independence actually compromise financial statement. Therefore, this study which was motivated by the lack of consensus in the literature on the effect of auditor independence on quality of financial statement will contribute to the debate by examining the relationship between auditor independence and financial statement quality in Nigeria.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The ex-post factor research design is used in this study due to the fact that the variables cannot be manipulated by the researcher. This method was adopted since social scientific research problems do not lend themselves to experimental and controlled inquiry of the ex-post factor kind. Also, this research design makes it impossible to select, control and manipulate the factors necessary to study cause-and-effect relationships directly.

3.2 Population of the Study

The population of this study consists of Nigerian listed companies on Nigerian Stock Exchange as at 31st December, 2021. The population comprises of one hundred and fifty six (156) firms listed on Nigerian Stock Exchange.

3.3 Sample Size and Sampling Technique

Since the entire listed firms cannot be used for the study, the study is limited to seventy-five (75) non-financial firms listed on the Nigeria Exchange Group (NGX). The basic criteria of selecting these firms are the capitalization prowess and their specialization on industrial sector. In selecting the sample, purposive sample technique was used to derive the

sample size. The purposive sampling was used to ensure that the sample represents a diversity of perspectives.

3.4 Sources of Data Collection

The secondary source of data collection was used for this study where data was gathered from audited annual reports of selected non-financial firms listed on the Nigeria Exchange Group (NGX). However, for the purpose of this study, 10 years (2011 – 2020) annual reports of the 75 selected non-financial firms were adopted.

3.5 Method of Data Analysis

The study used Ordinary Least Square (OLS) regression analysis method to investigate the impact of independent variables on dependent variable. A multiple linear regression model was used to establish the significance of the model. The results obtained from the model are presented in tables to aid and ease the analysis.

3.6 Model Specification

The study employed multiple regression technique of analysis using Least Squares regression estimation. This method was adopted because it enhance easy presentation and interpretation of data.

The empirical model of the study is mathematically expressed as follows;

$$\text{TMLN}_{it} = \beta_0 + \beta_1 \text{AUDF}_{it} + \beta_2 \text{JOTA}_{it} + \beta_3 \text{AUDT}_{it} + \epsilon_{it}$$

Where;

$$\beta_0 = \text{Constant}$$

$$\beta_1 - \beta_3 = \text{Coefficient of parameters estimated}$$

$$\text{TMLN} = \text{Timeliness (Proxy for financial statement quality)}$$

$$\text{AUDF} = \text{Audit fee}$$

$$\text{JOTA} = \text{Joint Audit}$$

$$\text{AUDT} = \text{Audit tenure}$$

$$\epsilon_{it} = \text{Error term}$$

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Presentation and Analysis of Data

Table 4.1 presents the summary of the descriptive statistics for the dependent and independent variables for seven hundred and forty-seven (743) observations. It shows that timeliness measure has a mean value of about 112.2 and a standard deviation of about 81.507. The maximum value of the variable is 934 while the minimum is 28. The maximum values for all other variables are 5.842, 1 and 1 the minimum for all the variables are 2.301, 0 and 0 respectively.

For audit fee, mean value was 4.1006 and standard deviation of 0.5867. The corresponding values for the others are: Audit tenure, 0.7727 and 0.4192 respectively; joint audit, 0.0292 and 0.1684 respectively. The p-values of the skewness and kurtosis statistics show that nearly in all the cases the data are judged to be normally distributed at 5% level of significance.

Table 4.1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max	Pr(Skewness)	Pr(Kurtosis)	Prob>chi2
TMLN	743	112.2083	81.50734	28	934	0.0000	0.0000	0.0000
AUDF	743	4.100661	.5867175	2.301	5.842	0.0142	0.0285	0.0062
JOTA	743	.0291777	.1684161	0	1	0.0000	0.0000	0.0000
AUDT	743	.7729084	.4192308	0	1	0.0000	0.0585	0.0000

Source: Researcher's Computation Using STATA

Table 4.2: Correlation Matrix

	TMLN	AUDF	JOTA	AUDT
TMLN	1.0000			
AUDF	-0.1324	1.0000		
JOTA	-0.0529	0.1822	1.0000	
AUDT	0.0438	-0.0171	0.0006	1.0000

Source: Researcher's Computation Using STATA

Table 4.2 shows that there are mixed correlations between the various variables used in the study. The table shows positive correlation between timeliness measure and audit tenure while the measure and the other variables are negatively correlated. The table shows that no two of the explanatory variables are perfectly correlated or nearly so. Thus, the problem of multicollinearity is absent in this model.

4.2 Testing of Hypothesis

Test Statistic

The statistical tool used in testing the stated hypotheses is the regression test procedure which uses the individual significance test (t-test) and the overall significance test (chi-squared-test). The goodness of fit of the model is tested using the coefficient of determination. The estimation of these statistics is done using the STATA computer software.

Significance Level

The level of significance adopted in this study in testing the stated hypotheses of this study is 5%. This level is usually considered adequate for studies in management and other behavioural sciences.

Decision Rule

The critical p-value used in these tests is 0.05. Thus, the researcher accepts a given alternative hypothesis as being accepted if calculated p-value is less than or equal to 0.05, otherwise the researcher accepts the null hypothesis that there is no significant effect.

Table 4.3: Regression result

Variable	OLS Regression	ROBUST Regression
AUDF	-17.57(0.001)	-1.7510(0.001)
JOTA	-14.41(0.418)	-0.6251(0.009)
AUDT	8.0835(0.253)	-0.8437(0.074)
_cons	178.49(0.000)	94.0526(0.000)
F-Stat	5.06(0.0018)	1.02(0.0042)
N	743	743
VIF	1.08	
Heteroscedasticity	149.64(0.0000)	
R-Squared	0.0201	
Adj R-Squared	0.0161	

Source: Researcher's Computation Using STATA

Table 4.3 shows that the explanatory variable does not account for much of the systematic variations in the dependent variable. The table shows very moderate value of R-squared of 0.0201.

This moderate value of the R-squared statistic suggests that there are many other variables in explaining changes in the dependent variable. For the model, the p-value of the F statistic (0.0018) shows that the model overall is suitable for estimating the stated model.

The VIF test (1.08) shows that there is the absence on multicollinearity and so there is no need to drop any variable. Also, the heteroscedasticity is 149.64 with p-value of 0.0000, showing that there significant heteroscedasticity problem and so the need for a robust regression.

Hypothesis One

H₀: Audit fee has no significant effect on financial statement quality of listed non-financial firms in Nigeria

H₁: Audit fee has significant effect on financial statement quality of listed non-financial firms in Nigeria

Computation

The test statistic is computed by STATA software and the results are as shown in Table 4.3.

Table 4.4: Regression Results on Audit fee and financial statement quality

Variable	Coefficient	p-value
AUDF	-1.7510	0.001

Source: Extracted from STATA Computations

Decision

With a coefficient of -1.7510 the results indicate that Audit fee negatively impacts return on assets, while the probability value of 0.001 indicates that the negative impact is significant. This leads to the rejection of the null hypothesis, thus acceptance of the alternate hypothesis that Audit fee has a significant impact on financial statement quality of listed non-financial firms in Nigeria, and the impact is negative.

Hypothesis Two

H₀: Audit tenure has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

H₁: Audit tenure has significant effect on financial statement quality of listed non-financial firms in Nigeria.

Computation

The test statistic is computed by STATA software and the results are as shown in Table 4.4.

Table 4.5: Regression Results on Audit tenure and financial statement quality

Variable	Coefficient	p-value
AUDT	-0.6251	0.009

Source: Extracted from STATA Computations

Decision

With a coefficient of -0.6251 the results indicate that Audit tenure negatively impacts financial statement quality of listed non-financial firms in Nigeria, while the probability value of 0.009 indicates that the negative impact is significant. This leads to the acceptance of the alternate hypothesis, thus the rejection of the null hypothesis. The researcher accepts that Audit tenure significantly impacts firm financial performance of listed non-financial firms in Nigeria.

Hypothesis III

H₀: Joint audit has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

H₁: Joint audit has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

Computation

The test statistic is computed by STATA software and the results are as shown in Table 4.6.

Table 4.6: Regression Results on Joint audit and Financial Statement Quality

Variable	Coefficient	p-value
JOTA	-0.8436	0.074

Source: Extracted from STATA Computations

Decision

With a coefficient of -0.8436 the results indicate that Joint audit positively impacts financial statement quality of listed non-financial firms in Nigeria while the probability value of 0.074 indicates that the positive impact is not significant because it is more than 0.05. This leads to the acceptance of the null hypothesis, thus rejecting the alternate hypothesis. The researcher accepts that Joint audit does not significantly affect financial statement quality of listed non-financial firms in Nigeria.

4.3 Discussion of Findings

This study examined the relationships among the variables: audit fee, audit tenure and joint audit.

The results indicate that almost all the variables are significantly normally distributed at 5% level of significance. The correlation matrix indicates the variables have mixed relationships. The results also indicate the absence of multi-collinearity.

Essentially, the findings of the study are: with a coefficient of -1.7510 the results indicate that Audit fee negatively impacts return on assets, while the probability value of 0.001 indicates that the negative impact is significant. This leads to the rejection of the null hypothesis, thus acceptance of the alternate hypothesis that Audit fee has a significant impact on financial statement quality of listed non-financial firms in Nigeria, and the impact is negative. The result agrees with consistent with the findings of Ugwu *et al.* (2020) and Hussain *et al.* (2018), but was not consistent with the findings of Abdul-Rahman *et al.* (2017), Kraub *et al.* (2015), and Rahmina and Agoes (2014). This inconclusiveness may have resulted from the existence of varying degrees of institutional backdrops.

Similarly, with a coefficient of -0.6251 the results indicate that Audit tenure negatively impacts financial statement quality of listed non-financial firms in Nigeria, while the probability value of 0.009 indicates that the negative impact is significant. This leads to the acceptance of the alternate hypothesis, thus the rejection of the null hypothesis. The researcher accepts that Audit tenure significantly impacts performance of listed deposit banks in Nigeria, and that such effect is negative. The result agrees with the findings of Camillus and Celestine (2021), Wakil *et al.* (2019), Okezie and Egeolu (2019) but not consistent with the findings of Olaoye *et al.* (2019).

And, with a coefficient of -0.8436 the results indicate that Joint audit positively impacts financial statement quality of listed non-financial firms in Nigeria while the probability value of 0.074 indicates that the positive impact is not significant because it is more than 0.05. This leads to the acceptance of the null hypothesis, thus rejecting the alternate hypothesis. The researcher accepts that Joint audit does not significantly affect financial statement quality of listed non-financial firms in Nigeria. The result agrees with the findings of Kwabena (2017), Tom and Ying (2018), Sim *et al.* (2016) but not consistent with the finding of Sylvester and Eyesan (2017). This might have been as a result of using different industrial sectors.

CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION AND
RECOMMENDATIONS

5.1 Summary of Findings

The following are the summary of findings of the study:

- i. Audit fee has significant effect on financial statement quality of listed non-financial firms in Nigeria
- ii. Audit tenure has significant effect on financial statement quality of listed non-financial firms in Nigeria.
- iii. Joint audit has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

5.2 Conclusion

It is clear that auditors' independence is fundamental to the credibility of the financial statement. The opinion of the auditor is what the users of financial statement use in making their decisions. For appropriate decision to be made the auditor's report has to be one that is void of bias or manipulation. In order to be able to do this efficiently the auditor should be discouraged from providing non audit services.

An auditor does not have primary responsibility for the prevention of fraud, but provides an approach that an auditor should follow when conducting an audit. It state that when planning and performing an audit procedures, reporting and evaluating the procedure thereon, the auditor

must consider the risk of material misstatement in the financial statement resulting from error and fraud. As for a moral perspective, auditors are professionals, with professional obligations to the public. They should not engage in any activity that appears to impair their effectiveness as professionals, regardless of the totality of their incentives. Professionals are presumed to do things because of their professional duties, not because of their best interests. Incentives right or wrong is concentrated. Morally, some seem to believe that it is wrong for an auditor if "appear" not to be independent. Intrinsic ethical concentration is an influencing factor to consider on a moral view the nature of the moralistic analysis that support the enhancement of the audit independence and have significant to the auditor's role to play auditors' primary duty to protect the public interest and the necessity to use judgment in fulfilling this duty.

5.3 Recommendations

The following recommendations are hereby made:

- i. Firms in Nigeria should endeavour to pay the right audit fee required in order to enable the engagement of audit firm that is independent from influence. This will enhance the degree of confidence in the reported financial statement and in turn create a high level of reliability on the financial reports by investors.

- ii. A well-defined standard sanctioned by law should be put in place to regulate auditors' tenure in Nigeria. This will further strengthen mandatory audit rotation in Nigerian firms.
- iii. Managers should cooperate with auditors in an independent manner so as to ensure the publication of financial reports of the firm on time which will enhance and facilitate prompt investment decision as these investors look at timely reports to be reliable.

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