Determinants of Audit Quality and Audit Quality: A Study of Listed Companies in Nigeria

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Abstract
The study ascertained the determinants of audit quality of listed companies on the Nigerian Stock Exchange. Ex Post Facto research design was used for the study. A sample of sixty three (63) companies was used for the study from a population of one hundred and seventy companies listed on the Nigerian Exchange. The binary logit regression was applied when the dependent variable is dichotomous in nature (i.e. 1 and 0). Based on the outcome, it could be deduced that the explanatory variable of auditors' independence poses an inverse significant impact on audit quality. The result also showed that audit tenure has a significant negative impact on audit quality. Based on the findings of this study, it was recommended among others, that management are expected to ensure strong corporate governance principles that would ensure that external auditors remain independence of insiders' influence. This is expected to enhance the auditors' objectivity which would lead to higher audit quality ceteris paribus.

Keywords: *Auditors' independence, Audit tenure and Audit quality*

1. INTRODUCTION

In recent years, concerns have been raised by stakeholders about the role of auditors and the quality of the external audit functions, particularly in the aftermath of the several highly publicized collapses of some giant companies abroad such as Enron, WorldCom, and so on. In Nigeria also, the corporate failures of firms like Cadbury, Lever Brothers Plc, Afribank, Oceanic bank and Intercontinental bank were all linked to poor audit quality which resulted to sanctions by the Security and Exchange Commission (SEC). Following these there have been several changes in the regulatory arrangements of reporting practices by different countries which reflect the considerable public dissatisfaction with the effectiveness of audit quality and the roles of auditors. Examples include the Sarbanes-Oxley Act of 2002 in the United State of America (USA) and the several Codes of corporate governance in Nigeria, beginning from the 2003 Code to the currently implemented 2018 Code to the Cadbury report in the United Kingdom (UK). The major goal of these regulations is to improve the firms' corporate governance environments as well as address financial reporting anomalies. However, despite the interventions of these regulatory authorities, studies conducted by Adeyemi, Okpala and Dabor (2012) suggest that the challenges of ensuring credibility in financial reporting and auditing are still largely predominant and this calls for concern.

Considering the magnitude of stakeholders that rely on the outcome of an audit outcome in making investment decisions, a high-quality audit service is often envisaged. Shareholders depend on the external auditor's reports to offer some guarantee that the fiscal reports of a company are a true and fair representation of the economic status of the company. In its 2014 report, the IAASB (International Auditing and Assurance Standards Board) describes the objective of auditing the financial statements as …"for the auditor to form an opinion on the financial statements based on having obtained sufficient appropriate audit evidence about whether the financial statements are free from material misstatement and to report in accordance with the auditor's findings" (IAASB, 2014). A poorly audited financial report will most likely mislead investors and also harbours detrimental effects on shareholders' wealth. These issues, coupled with the high rate of corporate collapse in recent past, were the concerns that appeared to have popularised the empirical investigations into the drivers of audit quality.

However, despite these large concentrations of studies on audit quality determinants, attempts at arriving at a consensus have remained elusive due to mixed findings.

For example, while findings from studies by Ndubuisi and Ezechukwu (2017), Ogoun and Owota (2017), Babatolu, Aigienohuwa and Uniamikogbo (2016); show that variables like auditor independence is a strong positive influencers of audit quality; others found either non-significant or negative relationship among - audit tenure (Monye-Emina & Jeroh, 2014, Adeniyi & Mieseigha, 2013; Omoye & Aronmwan, 2013), auditor independence (Ilaboya & Ohiokha, 2014) – and audit quality. These conflicts in findings can be attributed to a number of factors such as i) divers audit quality measures, ii) country-specifics and methodological issues; and iii) sector-based heterogeneities. While the issues related to (i) above has been acknowledged by previous studies (for example Bob, 2016) as there has been no agreement as to the best measure of audit quality (Kilgore, Martinov-Bennie, & Wright, 2014), that of (iii) appears to have been neglected. The sector-based differences (like financial and non-financial sectors) may have contributed to the varying outcomes in previous studies. The study therefore, ascertains the determinants of audit quality of listed companies on the Nigerian Exchange Group (NGX). The specific objectives of the study are to:

1. Ascertain the effect of auditor independence on audit quality of listed companies in Nigeria;
2. Determine the extent to which auditor's tenure influences the audit quality of listed companies in Nigeria.

2.0 CONCEPTUAL FRAMEWORK

2.1 Audit Quality

Based on available literature, studies on audit quality have gained significant interest in both developed and developing countries. However, researchers (e.g. Anis, 2014; Enofe, Mgbame, Efayena & Edegware, 2014) still argue that there is still not an agreed-upon universal definition of audit quality. To that effect, Enofe, Mgbame, Efaye and Edgware (2014) posit that "audit quality is much debated but little understood". There from, several definitions have emerged over the course of the years trying to conceptualize the proper definition of the concept. The technical competence is easy to conceptualize, but independence is considered more problematic, being "difficult to prove and easy to challenge" (Mednick, 1990). DeAngelo sees independence as the auditor's willingness to report defects in audited financial statements. This concept can be thought of as independence, which in itself is not directly observable.

2.2 Auditor Independence and Audit Quality

Auditor independence has been viewed as being very fundamental to the auditor's job and profession; this is because, without it, audited financial statements would not have value in the perception of the end-users. Auditor independence concept requires that auditor should carry out his work freely and in an objective manner. Since the independence of the auditor is a critical issue for the auditing profession, many studies have been performed in this area.

Auditor independence is fundamental to the credibility and reliability of auditor's report and if the reports are not credible, the investor would have little confidence in them if auditors' are not independent in both fact and appearance. DeAngelo (1981) relates the probability of detection to auditor competence and probability of revelation is associated with auditor independence. Due to larger client portfolios, big auditors can exert more pressures on management. Large international accounting firms have established brand reputation and had motives to maintain it by providing high-quality audit. Lack of financial affiliation with clients' will likely make bigger auditors more independent (Jeong & Rho, 2004). This independence provides big auditors with stronger negotiation stance with their chart compared with smaller audit firms (Nelson, Elliott & Tarpley, 2002). As Francis (2009) states, "higher quality audits are inferred by the auditor's likelihood of issuing a going-concern audit report and accuracy of the report in predicting client bankruptcy, and the degree to which client's evidence earnings management behaviour"

Prior studies assert that high fees paid by a company to its external auditor increase the economic bond between the auditor and the client and thus, the fees may impair the auditor's independence (Frankel, Johnson & Nelson, 2002; Li & Lin, 2005). The impaired independence results in poor audit quality and allows for greater earnings management and lower earnings quality (Okolie, Izedonmi & Enofe, 2013). Other prior studies that have shown that auditor independence affects audit quality positively include Windsor and Warning-Rasmussen (2009); and Alim, Trisni and Lilik**,** 2007).

2.3 Audit-Firm Tenure and Audit Quality

Auditor tenure is also considered as a significant determinant factor of audit fee. Over the last few decades the association between audit quality and auditor tenure has been constantly debated (Daniels & Booker, 2011), especially after the failures of Enron and Worldcom. Belen, Roberto, and Antonio (2014) studied the auditor tenure association with audit quality by using a sample of 254 audits carried out on Spanish state-owned foundations between 2003 and 2010. The results reveal that audit quality, measured as the likelihood that an auditor will submit a qualified opinion, increases over the first five years of the relationship and then decreases. Nevertheless, Jackson, Moldrich and Roebuck (2008) conclude that audit tenure can enhance audit quality. On other hand, Bedard, Johnstone and Smith (2010) examined the relationship between audit partner tenure, audit planning and audit fees. The results reveal a strong association between audit fees and audit tenure of American companies. Furthermore, this study mentioned that the amount of audit fees for longer partner tenure is significantly positively associated with realization rates and audit partners contribute more audit effort in the first year of engagement. Moreover, Bedard et al (2010) suggest that a long tenure means painstaking knowledge of the client, which results in a more valuable auditor-client relation. However, previous research pointed to possible association between the change of the auditor firm and audit fees, thus, auditor change will include in the regression model as the determination of audit fee.

2.4 Empirical Review

Owolabi and Babarinde (2020) examined the determinants of audit quality in Nigeria from the dimension of corporate governance. Their independent variables comprised of board size, board independence, board gender diversity and foreign ownership. Their sample consisted of fifteen Nigerian banks for a twelve-year period beginning from 2007 to 2018. They employed the panel data estimation procedure and found that board gender diversity, ethnic diversity, board composition and board size are significant variables that can explicate on audit quality of the deposit money banks in Nigeria, but foreign diversity does not have any significant impact on audit quality in Nigeria. Ogoun and Perelayefa (2020) ascertained the corporate governance determinants of audit quality focusing on board independence as measure of corporate governance and three control variables of firm size, leverage and firm profitability. They sampled a total of 71 non-financial firms for the periods of eight years (2008 to 2015). Just like this current study, the study measured audit quality using a dummy variable of "1" and "0", with 1 representing the use of a big four auditor by the firm and 0 otherwise. They used the binary panel regression technique and found that board independence is negatively and significantly related to audit quality.. Oyedokun, Yunusa and Adeyemo (2018) ascertained the determinants of audit quality using 12 out of the 17 companies listed under the Industrial Goods sector in the Nigerian Stock Exchange for a period of six financial years (2012-2017). They proxied audit quality using discretionary accruals and tested against three independent variables of auditor tenure, audit fees and audit firm size. They adopted the panel regression analyses using STATA and found that auditor tenure has a positive and non-significant relationship with audit quality. Their result also showed that audit fir size and audit fees have negative relationships with audit quality, but only the former was statistically significant. They concluded that high audit fee is not a guarantee of high audit quality. Ndubisi and Ezechukwu (2017) examined the determinants of audit quality among deposit money banks listed on Nigeria Stock Exchange. They specifically examined the effect of audit fee, audit firm tenure and audit firm size on audit quality. They employed the secondary data for a period ranging from 2010 to 2015. Employing the Pearson coefficient of correlation, Ordinary Least Square (OLS) and Granger causality test, they find that there is a positive and statistically significant relationship between audit fees, audit tenure, audit firm size and audit quality of banks listed on the floor of Nigerian Stock Exchange at 5% level of confidence. Onaolapo, Ajulo and Onifade (2017) determined the effect of audit fees on audit quality of cement manufacturing companies in Nigeria. They specifically investigated the relationship between audit fee, audit tenure, client size, and leverage ratio and audit quality. They used secondary data as derived from the published annual reports of four (4) manufacturing companies for a six year period (2010-2015). They employed the OLS model estimation technique and find that audit fee, audit tenure, client size and leverage ratio exhibit a joint significant relationship with audit quality. While particularly, only Audit fee shows a significant positive impact on audit quality, the other variables of leverage, client size and audit tenure are not significant. Babatolu et al (2016) determined the effect of auditor's independence on audit quality among seven (7) purposively selected deposit money banks in Nigeria from 2009 to 2013. The population of this study comprised of twenty (20) listed Deposit money banks in Nigeria. Adopting descriptive statistics, correlation and ordinary least square (OLS) regression technique, their findings revealed that there is a positive relationship between audit fee, audit firm rotation and audit quality, while a negative relationship exists between audit firm tenure and audit quality. On the correlation matrix, the association between audit quality and leverage was strong, negative and statistically significant, while that between audit quality and company size was equally strong, positive and statistically significant. Akhidime (2015) examined how board structure and corporate characteristics of Nigeria banks affect their audit quality. They sampled a total of 19 banks out of the population of the 25 Nigerian banks over a five- year period. The result of their binary logistic regression analysis confirmed that non-executive, independent directors and director's share ownership impacted positively on the audit quality of the sample banks. Okolie (2014) determined the relationship and effects of auditor tenure and auditor independence on the earnings management (discretionary accruals) of companies in Nigeria. The study employed the use of secondary data derived from the Nigerian Stock Exchange fact book on a total of 342 company year observations. The empirical analysis shows that audit tenure and auditor independence exert significant effects and exhibit significant relationship with the amount of discretionary accruals of quoted companies in Nigeria. Musa,Success and Iyaji (2014) on the role of auditors in the recent Nigerian banking crisis examined the contemporary auditing and the role of accountants and auditing firms in causing the collapse of banks. The paper locates the role of auditors within the broader dynamics of professionalism and the pursuit of profits to argue that major accountancy firms are becoming more and more willing to increase their profits by indulging in anti-social practices that show scant regard for social norms and even legal rules and regulations. Contrary to their claims to be protecting the public interest, accountants and auditors may be partly responsible for cases of distress and the collapse of banks in Nigeria, as they failed to qualify their reports when there were indications of financial difficulties in the banks. There is also evidence to show that auditors have collected large sums in audit and non-audit fees. Such events raise questions about the value of company audits, auditor independence and the quality of audit work. Similarly, Adeniyi and Mieseigha (2013) investigated the relationship between audit tenure and audit quality in Nigeria using Binary Logit Model estimation technique. They found that a negative relationship exists between auditor tenure and audit quality, though the variable was not significant. Enofe, Mgbame and Enabosi (2013b) in their argument that auditors' independence plays a pivotal role in enhancing the audit quality in the organisation evaluated the relationship between audit quality and auditors' independence in Nigeria. They adopted a cross sectional analysis of companies listed on the Nigerian Stock Exchange was carried out. They measured audit quality by the fees charged by the audit firms, while audit tenure, board independence, and ownership structure made up the independent variables. Using the ordinary least square (OLS) regression analysis, their results indicated that as auditors' independence increase, the quality of the audit also improves and as the independence of the board and the ownership structure increases, the quality of the audit reduces. Aronmwan, Ashafoke and Mgbame (2013), in a related study, examined the relationship between audit firm reputation and audit quality in Nigerian listed companies. Using the Ordinary Least Square estimation technique, they found that a positive significant relationship exists between audit firm reputation and audit quality. All the control variables they employed such as audit committee independence, expertise, company size and leverage showed positive relationship with audit quality, except audit committee size which showed inverse relationship. Hamideh, Mahmood and Abbas (2013) examined the relationship between auditor's characteristics and audit quality of a sample of 91 non-financial companies listed in the Tehran Stock Exchange, Iran between 2007 and 2011. They adopted the modified Jones model in estimating Discretionary accruals which they have been used to determine the audit quality. Adopting a panel data approach, they found that there is no significant relationship between auditors tenure and audit quality. They also confirmed a significant association between audit expertise and audit quality was confirmed. Yi-Fang, Lee-Wen, and Min-Ning (2015) investigate the relative importance between service quality and firm size in the performance determinants of audit firms under different market segments and business strategies. This study extracts a human capital-based service quality by the principal component analysis technique. In terms of market segment, total samples are divided into national, regional, and local audit firms. Further, based on the business strategies audit firms take, regional and local firms are classified into two categories: stability and expansion type firms. Empirical results indicate that service quality is a more important performance determinant than firm size in the national firms. Next, operating performance of expansion regional firms is better than that of stability regional firms. Gacar (2016) examined the relationship between audit quality and corporate governance of industrial companies in Istanbul, Turkey. He employed secondary data sources obtained from non-financial listed companies' annual reports, financial statements and also their institutional web sites. He applied the logistic regression method and found that firm size, the rate of institutional ownership, duration of trading time in stock exchange market, and company history variables as statistically positive and strong determinants of audit quality.

3.0 MATERIAL AND METHOD

3.1 Research Design

The study employs the *Ex-Post Facto* research design. The appropriateness of this design to this study is based on its core objective of examining the relationship between one or more variable and another in which the variables involved are not subject to manipulation by the researcher. The study is longitudinal and made use of panel data covering a time period of eight (8) financial years (2012 to 2019) involving both financial and non-financial firms quoted on the Nigerian Exchange Group.

3.2 Population of the Study

The population of the study consists of one hundred and seventy (170) companies quoted on the Nigerian Exchange Group. This number comprises both the fifty seven (57) financial companies and one hundred and thirteen (113) non-financial companies.

3.3 Sample and Sampling Technique

Both financial and non-financial companies, the study adopted an equal sample of both financial and non-financial companies as the sample size. For the purpose of determining the sample size, the sampling technique derived from Burley's formula and was popularized by Yamane (1967) was employed. The 10% error margin was applied on the entire population in order to arrive at a researchable sample. The formula stated below was adopted:

$$n = \frac{N}{1+N\,(e)^2} \qquad \text{..............................Equ 3.1}$$

Where:
n = sample size;
N = population size (i.e. 170);
e = desired level of significance, (in this case is 10%).
Incorporating the relevant statistics into equation 3.1, we have:

$$n = \frac{170}{1 + 170\,(0.1)^2} = 62.963$$

n = 63

From the above computation, a total of sixty three(63) listed companies form the sample size of the study. However, considering that the study intended to use an equal sample of both financial and non-financial companies in order to justify the basis for comparison, the judgmental sampling technique was further employed in selecting thirty-two (32) financial companies and another thirty-two (32) non-financial firms – making a total of sixty-four (64) companies as the eventual sample size. The use of the judgmental sample techniques is justifiable in order to ensure that an equal number of companies from each sector are chosen while also maintaining the number justified by the Yamane formula adopted. Themajor criterion for selection was based on up-to-date availability for the entire financial years earmarked for evaluation, including the 2019 financial year.

In order to ensure that the information obtained are reliable, the data were collected only from secondary sources - as sourced from the annual reports and accounts of the selected quoted companies.

3.4 Method of Data Analysis

For the purpose of the empirical analysis, the study employed descriptive statistics, binary logit regression and hierarchical moderating regression technique. A Hierarchical Moderating Regression Analysis (MRA) is a specific application of multiple linear regression in the regression equation contains elements of interaction or multiplication of two or more independent variables (Ghozali, 2011), on the other word, the binary logit regression is a regression technique that is applied when the dependent variable is dichotomous in nature (i.e. 1 and 0). A descriptive analysis of the data was conducted to obtain the sample characteristics among the companies.

Moderation Model Specification

The functional form goes thus;
AUDQ = *f* (AID, ATN)……………………………………………………………Equ (i)
While the explicit model is given as:
$AUDQ_{it} = \alpha_O + \alpha_1 AID_{it} + \alpha_2 ATN_{it} + \mu$..Equ (ii)
Where:
Υ_O, β_0, α_O = Constants or Intercepts
Υ_1 to… Υ_8; β_1 to… β_8; α_1 to… α_9= Unknown coefficients or parameters to be estimated
it = " i" represents number of companies 1,...,64; and "t" represents period covered i.e. 1,...,6yrs
AUDQ = Audit quality for the eight year period (Dependent variable)
AID = Auditor independence for the eight year period (Independent variable)
ATN = Auditor's tenure for the eight year period (Independent variable)
μ = Stochastic error term

4.0 RESULT AND DISCUSSION
4.1 Data Analysis
Table 1: Descriptive Statistics

	AUDQ	AID	ATN
Mean	0.630859	0.002962	0.603516
Median	1.000000	0.001692	1.000000
Maximum	1.000000	0.084589	1.000000
Minimum	0.000000	6.49E-05	0.000000
Std. Dev.	0.483044	0.005030	0.489646
Skewness	-0.542341	9.656379	-0.423232
Kurtosis	1.294134	142.0785	1.179125
Jarque-Bera	87.17898	420604.2	86.01783
Probability	0.000000	0.000000	0.000000
Sum	323.0000	1.516367	309.0000
Sum Sq. Dev.	119.2324	0.012927	122.5137
Observations	512	512	512

The descriptive statistics in table 1 shows the characteristics of the variables used in the study. The result was presented in a comparative form reflecting the outcomes from both the financial and non-financial companies that formed part of the overall sample of the study. This means that, within the period covered by the study, the financial companies paid higher fees to auditors (as a percentage of revenue) than the non-financial companies. Further, the mean values of ATN (audit tenure) suggests that about 56% of the sampled financial companies retained their auditors for periods exceeding three (3) financial years compared to about 65% for the non-financial companies. This means that the non-financial companies retain their external auditors longer than the financial companies. However, in terms of the reputation of the auditors (proxied by the number of years the audit firms have been in existence), the auditors of the non-financial companies showed an average of 41 years of operation, while those of the financial companies are cumulatively 31 years.

Further, the Jarque-Bera statistics of each of the variables and its corresponding probability values suggest that only data on board independence (in the financial sector) follows a normal distribution. However, the departure from normality, as observed in most of the variables, does not pose any major problem in panel data analysis. According to the Central Limit Theorem, as cited in Ghasem and Zahediasl (2012), with large enough sample sizes (> 40), the violation of the normality assumption poses no major problem in panel data analysis. The pooled normality test in the next sub-section presents the cumulative normality test.

Table 2: Correlation

Covariance Analysis: Ordinary
Date: 04/09/21 Time: 22:37
Sample: 2012 2019
Included observations: 512

Correlation t-Statistic Probability	AUDQ	AID	ATN
AUDQ	1.000000 ----- -----		
AID	-0.080817	1.000000	

	-1.831090	-----	
	0.0677	-----	
ATN	-0.024288	0.060824	1.000000
	-0.548672	1.376142	-----
	0.5835	0.1694	-----
	-5.643771	3.379380	-0.986173
	0.0000	0.0008	0.3245

Source: Researchers Computation using E-views 10 (2021)

4.2 Test of Hypotheses

H_{O1}: Auditor independence has no significant effect on audit quality of listed companies in Nigeria.

H_{O2}: Auditor's tenure does not significantly influence the audit quality of listed companies in Nigeria.

Table 3: Analysis with moderating variable

Dependent Variable: AUDQ
Method: ML - Binary Probit (Newton-Raphson / Marquardt steps)
Date: 04/09/21 Time: 22:56
Sample: 2012 2019
Included observations: 512
Convergence achieved after 5 iterations
Coefficient covariance computed using observed Hessian

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-9.299494	0.986836	-9.423543	0.0000
AID	-30.84659	12.35950	-2.495779	0.0126
ATN	-0.302571	0.146489	-2.065489	0.0389

McFadden R-squared	0.367610	Mean dependent var	0.630859
S.D. dependent var	0.483044	S.E. of regression	0.376231
Akaike info criterion	0.871915	Sum squared resid	71.05800
Schwarz criterion	0.954695	Log likelihood	-213.2104
Hannan-Quinn criter.	0.904365	Deviance	426.4207
Restr. Deviance	674.3006	Restr. log likelihood	-337.1503
LR statistic	247.8799	Avg. log likelihood	-0.416426
Prob(LR statistic)	0.000000		

Obs with Dep=0	189	Total obs	512
Obs with Dep=1	323		

The z-statistics and probability (Sig.) values of each of the variables from the regression results in Table 2 was used to test the entire null hypotheses. In all, the study adopted all the three typical values of test of significance under the two-tailed test (that is, 1%, 5% and 10%). The decision rule is to accept H_O (null hypotheses) when/if the probability value (p-value) exceeds the three typical significance test values of 0.01 (1%), 0.05 (5%) and 0.1 (10%) but if the probability value is less than any of the three, we can reject H_O. Alternatively, we accept a variable when the absolute z-Statistic value is greater than or equals to 2.0 (≥ 2).

4.3 Discussion of Findings

The result shows that auditors' independence poses an inverse significant impact on audit quality. The significant effect of auditor tenure on audit quality is in tandem with most previous Nigerian studies such as Ilaboya and Ohiokha (2014), Monye-Emina and Jeroh (2014). The result also showed that audit tenure has a significant negative impact on audit quality.

Going by this outcome, our result negates those by Babatolu, Aigienohuwa and Uniamikogbo (2016), Enofe, Mgbame, Otuya, and Ovie, (2013) and Monye-Emina and Jeroh (2014) who found empirical evidence that auditors' independence asserts positive significant impact on audit quality. The possible explanation to the variability in the reported signs compared to the aforementioned previous studies could be attributed to the different proxy of auditor independence employed. This study adopted the auditor independence measure adopted from Adeniyi and Mieseigha (2013) and Ilaboya and Ohiokha (2014)(i.e. ratio of audit fee to company's revenue) while the aforementioned studies largely used the natural log of audit fees as proxy for auditor independence - which was also deployed here as the measure for audit fee variable. Thus, despite the reported negative sign not tallying with our expectation, the study of Ilaboya and Ohiokha (2014) did not find any significant relationship between auditor's independence and audit quality using the same metrics of auditor independence.

5.0 CONCLUSION AND RECOMMENDATIONS

The study ascertained the determinants of audit quality of listed companies on the Nigerian Stock Exchange. *Ex Post Facto* research design was used for the study. The binary logit regression was applied when the dependent variable is dichotomous in nature (i.e. 1 and 0). Based on the outcome, it could be deduced that the explanatory variable of auditors' independence poses an inverse significant impact on audit quality. The result also showed that audit tenure has a significant negative impact on audit quality. The implication of the significant negative coefficient sign is that when audit fee (in terms of high average audit fee as a percentage of company revenue) is abnormally high, it could impair auditor independence thereby resulting in a lower audit quality. However, the length of auditor-client relationship in Nigerian companies significantly affect the audit quality when proxied using the Big4 dichotomous measure.

The earlier assumption was that highly independent auditors will likely resist management interference and be mindful of the perceived threat to their independence while discharging their duties and thus, take necessary steps in order to preserve their reputation capital. In this respect, the study expected that increased independence would lead to high audit quality but the interpretation of the result suggests that abnormally high audit fees can be an inducement and impair auditor's objectivity and judgement. The negative coefficient sign suggests that lengthy auditor tenure has the likelihood of reducing the audit quality. Thus, companies with poor audit quality are strongly associated with lengthy auditor tenure. This outcome aligns with the apriori expectation of the study and with the school of thought that assumes that lengthy auditor tenureship creates familiarity with the client as well as an avenue for compromised auditor independence.

5.2 Recommendations

Based on the findings of this study, the following policy recommendations are put forward:

1. Management are expected to ensure strong corporate governance principles that would ensure that external auditors remain independence of insiders' influence. This is expected to enhance the auditors' objectivity which would lead to higher audit quality ceteris paribus. However, having negative coefficient sign in this study is an indication that regulatory bodies should always monitor the activities of the audit firms, in ensuring that they do not compromise independence using the quasi rent routes. For example, by lobbying for consultancy services in a company they audit and striving to maximise non-audit services.
2. Our findings revealed that longer audit firm tenure has the likelihood of reducing audit quality, even though the result is not significant in the financial sector. It is recommended that the relevant regulatory bodies in Nigeria should set a limit on what maximum audit tenure should be and strictly ensure its enforcement. Our raw data suggests that some of the sampled companies retained their auditors for up to 14 years. More so, companies should equally ensure that the outgoing auditor has little or no influence in the engagement of an incoming auditor in order to ensure complete independence.
3.

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