

# AUDITOR INDEPENDENCE AND AUDIT QUALITY: A SURVEY OF THE NIGERIAN BANKING SECTOR

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## Abstract

*The objective of this study is to examine the effect of auditor's independence on audit quality of listed deposit money banks in Nigeria. The population of this study comprised of fifteen (15) listed deposit money banks in Nigeria. The research design adopted in this study is the descriptive survey. Primary data was used for this study. The data was sourced from a five point likert's scale questionnaire administered to the respondents. The data analysis techniques adopted are the descriptive statistics and ordinary least square (OLS) regression. The findings indicate that client importance has a negative but insignificant relationship with audit quality with a correlation co-efficient of (0.456) which implies that a 1% increase in client importance will result to 45.6% decrease in audit quality. Also, the relationship between audit firm rotation and audit quality was positive and significant at 1%, 5%, and 10% significance level with audit quality. Again, the relationship between non-audit services and audit*

*quality is negative and statistically significant while the relationship between client affiliation with audit firm and audit quality is negative and significant. Hence we recommend that auditors' independence should be strengthened by taking different measures to address the issues which could create threats for auditors. The measures include; but not limited to regular rotation of auditors, limit of non-audit services rendered to audit client which dampens audit quality.*

**Keywords:** Auditor's independence, Audit quality, Audit rotation, Non-audit services.

## Introduction

Corporate organisation's management goal should be to maximise shareholders' wealth, which implies maximizing the value of the stock. In this study, "maximizing the value of the stock," means the "true, long-run value," which may be different from the current stock price. Good managers understand the importance of ethics, and

they recognise that maximizing long-run value is consistent with being socially responsible. The banking sector is one of the viable sectors today in Nigeria. The banking sector attracts a lot of investors who in turn expects a very attractive return on their investment at the end of the financial year. Management and other staff will put in their best to but it is the responsibility of the auditor to ascertain that account meets the requirement by expressing an opinion on the financial statement presented by management.

This is in contrast with what was obtainable in the medieval era, when businesses were owned and managed by owners and as such self-accountability was eminent, but as businesses kept growing in an ever changing environment, there was a need to separate ownership from management. This gave rise to the principal agent relationship where owners entrusted the duty of running the day to day affairs of their businesses into the hands of professional managers (agents). This constant developmental changes necessitated the need for business owners to look for an intermediary whose duty is to supervise the work performed by management to ensure quality performance. This by implication ushered in auditing which is an examination of accounting records undertaken with a view of establishing whether they correctly and completely reflect the transactions which they relate (DeAngelo, 1981).

Reliable accounting and financial activity aid society in allocating resources in an efficient manner. Economic resources are attracted to the firms, the geographical area and organisational entities that are shown by

the financial measurement to be capable of using the resources to the best advantage of investors; whereas inadequate accounting reporting on the other hand, conceals waste and inefficiency, thereby preventing an efficient allocation of economic resources. It is required that the independent auditor should provide credibility information. Credibility implies that the information can be relied upon by outsiders such as shareholder, creditors, government, regulators, customers and other interested third parties. These third parties use this information to make various economic decisions such as whether to invest in the organization or not. The credibility added to the information by the independent auditor actually reduces information risk, which is the risk that the financial information used to make the decision is materially misstated. Auditor independence has been termed the cornerstone of the auditing profession hence it is the foundation of the public to trust in the attest function (Caswell 2001). Independence of the auditor helps to ensure quality audits and contribute to financial statement users' reliance on the financial reporting process.

According to Okezie (2006), the fundamental concept of professional independence is an attitude of the mind, based on integrity and an objective approach to work. The study maintains that an auditor must at all times; perform his duty objectively by any consideration which might appear to be in conflict with the requirements. Also, Appah (2008) noted that independence in auditing means having a position to take an unbiased viewpoint in the performance of audit test, analysis of results and attestation in the audit report. It

is a situation where the auditor should not be under any influence and control of client or management in the course of carrying out his duty at any given time.

Researchers have documented specific characteristics that influence auditor choice including: prestige, technical ability, fees, industry specialization, client recommendations, and good working relationships with clients (Shockley and Holt 1983). Notably, with the exception of fees, each of these observable characteristics directly informs auditor reputation. Accordingly, engaging in efforts to develop a firm's reputation would be a logical step toward improving a firm's ability to attract additional clients. However, the resource constraints and limited geographic reach of small audit firms represent significant obstacles to reputation enhancement.

Auditors are required to report financial misdemeanor in company's accounts to increase transparency and accountability through fraud detection. The quality of the audit services rendered by the auditor and the audit report are to a great extent affected by the independence of the auditor. The probability that an auditor will uncover a breach and disclose such discovery is one of the assessments of an audit quality (De Angelo 1981b). If the auditor's independence in mind and in appearance is compromised, then the auditor is less likely to report the irregularities and this will result in the impairment of audit quality. As a result it can be argued that the lower the degree of independence of the auditor, the lower the quality of audit services will be. Palmrose (1988) defines audit quality as the level of assurance, the probability that the

financial statements contain no material omissions or misstatements and argues that a higher level of assurance correspond to a higher quality of audit services. As an important part of her definition, she adds that audit failure being a financial statement with omissions and/ or misstatements, is less likely to occur when audit services are of higher quality.

Auditor independence which is the focus of audit quality in recent times seems compromised as most corporations whose financial statements were audited and on which unqualified reports were issued collapsed shortly after audit with the news that the financial statements are grossly misstated (Deirdre, 2010). Auditor independence which determines audit quality of their report is one of the fundamental causes of corporate failures that led to the collapse of hitherto strong firms whose fallout caused the global economic meltdown of the middle 2000. A typical example is the collapse of ENRON. This led to user's apathy and confusion about the role auditors ought to play to safeguard not only their profession but also build and restore investor's confidence with a view to reducing the audit expectancy gap that existed after the collapse of these firms. Investigations into their collapse revealed that their failures were connected with auditor's inability to exhibit their professional competence and independence. The collapse of these firms caused the erosion of shareholders fund, and further widened the gap between shareholders and management. In the same vein, creditors and other fund providers lost their fate in what would be their compensation for their investments. The question posed by various

users of financial statements is whether auditors have compromised their integrity and independence to perform their statutory duties?

The findings in existing literature on auditor independence and audit quality of deposit money banks have been unanimous, in order words, studies found the existence of a positive relationship. For example Kkukenya and Mdoon (2017). They conducted a survey to investigate the effect of auditor independence on audit quality of deposit money banks randomly selected. It was concluded that auditor independence has a positive relationship with audit quality. Recent studies have uncovered four dimensions of auditor independence, which are client importance, non-audit services (NAS), audit firm rotation, and client's affiliation with Certified public accountant firms. It is on this note that the researcher deems it plausible to review relevant literature to find out if the unveiled threats have any effect on audit quality. Empirical studies on auditor independence and audit quality were centred on one or two of the threats and majorly done outside Nigeria. This we perceived as a research gap for domestic work hence the need for this study.

## **THEORETICAL FRAMEWORK**

### **Literature and hypotheses development**

In Nigeria, there are two recognised accounting bodies, the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountant of Nigeria (ANAN), which are saddled with the responsibility of regulating accounting practices in Nigeria. As stipulated in CAMA (1990) as amended, it is pertinent that every incorporated company appoints an external

auditor, who is required by law to give an independent opinion on the state of affairs of the organisation, whether or not they show a true and fair view of the financial health of the firm. The Act further states that every auditor shall have the right of access, at all times, to the books, accounts and vouchers of the company and to such information and explanation as may be necessary in the course of carrying out the audit work.

In today's business world, people have often transact with faceless corporations which they have minimal knowledge about. In such societies external auditing and auditors are promoted as trust engendering technology and watchdog with the capacity to enhance a particular kind of social order. Investor's confidence is essential for the efficient functioning of the international financial markets, and adds to the economic growth and stability around the globe. They need to be sure that the financial information provided for their investment decisions is credible and reliable. The financial information provided by companies, government agencies and other entities can be boosted by independent auditors who give assurance on the trustworthiness of the financial statements. Although the company's management is primarily responsible for the quality of its financial statements, external auditors give an unbiased guarantee about that quality (International Federation of Accountants [IFAC], 2010).

It is important to state that audit quality is perceived differently, depending on who is assessing it. All parties involved in the financial report process, (namely users,

auditors, regulators and the society), have diverse views when it comes to the question of evaluating audit quality. For instance, users of financial reports consider the non-existence of material misstatements as high audit quality, while auditors speak about high audit quality when finishing all duties required by the companies' audit methodology in a satisfactory manner. Furthermore, to an audit firm, "high-quality audit implies that its work can be defended against challenges in an inspection or court of law. The adherence to professional standards displays high audit quality for regulators, and the society perceives high-quality audit to be one that prevents economic problems for a firm or the market (Knechel, Krishnan, Pevzner, Shefchik & Velury, 2013). Therefore the auditor should carry out their duty with utmost professionalism, hence our first hypothesis which states thus: **H<sub>01</sub>: There is no significant relationship between client importance and audit quality.**

The Public Company Accounting Oversight Board (PCAOB; the Board) in its 2011 "Concept Release on Audit Firm Rotation and Auditor Independence" proposed audit rotation will enhance independence in the auditor-client relationship. The major benefit typically discussed in reference to auditor rotation is fairly ubiquitous: immediate improvement in independence between client and auditor. The argument made by pundits of rotation asserts that long-term client service relationships taint the ability of an independent auditor to remain skeptical, especially in those cases where the engagement is large and material to a firm's revenue base (Whitehouse 2013).

In the United States of America, there is a consensus among corporations and audit firms is that audit firm rotation will lead to increased regulatory costs as well as lower quality audits (Aubin 2013). Many studies revealed that audit quality is strengthened over time and is impaired at its fullest in the initial years of an engagement (e.g., Carcello and Nagy 2004; Ghosh and Moon 2005; Blouin, Grein, and Rountree 2007). However, the anti-rotation argument rests on audit engagement infancy contributing to lack of exposure to the issuer-specific corporate model and an overall deficient understanding of core business practices as well as a higher likelihood of undetected fraudulent reporting. Further, opponents submit that cost-benefits are disproportionate- typically citing a 2003 GAO report that suggests engagement costs balloon by upwards of twenty percent in the initial year of an audit (McTague 2013).

Evaluating the audit rotation proposal, the Sarbanes-Oxley Act of 2002 (SOX; the Act) dismissed the idea of mandating audit firm rotation in favour of other measures designed to combat independence issues between auditor and client. Primarily, the Act mandated that audit committees, independent of corporate management, take responsibility for all governance and continuance practice related to the external audit – including appointment of auditor, approval of non-audit services, and determination of auditor compensation (Gupta 2013). SOX also hastened audit engagement partner rotation from seven years to five while extending the mandatory partner cooling-off period to five years from the previous requirement of two. Most importantly, the Act established the PCAOB

as the independent public company audit regulator. However, these proposals/studies are referenced in developed nations and not Nigeria and considering the fact that most Nigerians invest in the banking sector because of its viability, we therefore propose our second hypothesis which states thus: **Ho<sub>2</sub>: There is no significant relationship between audit firm rotation and audit quality.**

In recent times, it has been observed that some audit firms are now involved in the provision of Non-Audit Services (NAS). Given the definition of auditing according to Madumere (2016), it can be conceived that auditors are going out of their scope as contained in the ISA 200 which states that: “the objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework”. Several scholars have argued that, such services create an economic bond between auditor and client, impairing an auditor’s independence. On the other hand, equally strong opinions have been expressed that the provision of NAS increases an auditor’s knowledge of the client’s business, resulting in a more effective audit.

In a study by Causholli, Chambers, and Payne (2014) revealed that, there is a significant and robust evidence that NAS is associated with lower audit quality. Evaluating the impact of NAS provided by auditors to their client, Cowen (1980). Hall (1988) examines the alleged loss of independence due to the expansion of auditors’ scope of practice to include non-

audit services. In general, early regulatory efforts by the Securities and Exchange Commission (SEC) were greeted with skepticism. Many questioned if auditor independence was affected by the selling of NAS. There were additional concerns that restrictions on NAS could harm the economic viability of audit firms. However, others argued that the substantial sums paid by audit clients to their audit firms for NAS could create an economic bond that inevitably impairs audit firms’ independence.

The spectacular accounting failures of Enron, WorldCom, and others in the early 2000s refocused this debate and resulted in two regulatory efforts that substantially changed the provision of NAS by audit firms. First, the Sarbanes-Oxley Act (SOX) prohibited the provision of most types of NAS to audit clients. Second, in 2003, the SEC issued Rule No. 33-8183 (SEC 2003) that prohibited audit partner compensation that rewards the sale of NAS to audit clients. This rule was created in response to the SEC’s concerns that audit partners’ compensation plans created pressure on partners to generate incremental NAS revenue from audit clients, negatively affecting their independence.

In the process of studying the impact of NAS on audit quality, Brandon and Mueller (2009) provide an excellent review of the academic research. However, an early study by (Frankel, Johnson, and Nelson 2002) seemed to find evidence that the level of NAS fees were associated with lower audit quality (measured using abnormal accruals), subsequent studies found no such evidence (e.g., Ashbaugh, LaFond, and Mayhew

2003; DeFond and Francis 2005; Francis 2006; Schneider, Church, and Ely 2006; Bloomfield and Shackman 2008; Lim and Tan 2008; Habib 2012). The findings of Frankel (2002) were attributed to problems in the authors' research design. Therefore, contrary to the arguments of NAS opponents and the concerns of the SEC, extensive accounting research examining the pre-SOX period, found little if any empirical evidence supporting the idea that high levels of NAS impair auditor independence. In fact, some evidence seemed to support the contrary argument that providing NAS to clients increased auditors' ability to provide a high-quality audit (e.g., Simunic 1984). Overall, the consensus of the academic studies suggested that the contemporaneous level of NAS does not, in general, have an adverse effect on audit quality. As a result, many now feel that the regulatory structures created to limit NAS have been a solution in search of a problem. Our study need to find out what is obtainable in Nigeria and to what extent. It is in line with the above that we propose our third hypothesis which states thus: **H<sub>03</sub>: There is no significant relationship between non audit service and audit quality.**

DeAngelo (1981), opined that audit quality is the probability that an auditor will detect an infringement in the client's accounting system, and reports it. The detection of a breach relates to the auditor's capability and effort, whereas the report of the breach depends on the auditor's independence, objectivity and professional skepticism. Broadly, an audit is defined as an evaluation process assessing the degree of compliance with given standards resulting in a

judgement. Quality, on the other hand, is the total of characteristics and features of a process, system, and; product and service able to meet concrete needs (Mills, 1989). Moreover, audit quality can boost the quality of information disclosed by the companies and thus decrease information asymmetry. The information asymmetry in public markets arises from the existence of uninformed traders and informed traders. Audits are capable to decrease information asymmetry and agency costs. Further, auditors are able to discover misstatements and accounting errors in financial statements, and offer an independent assessment of the financial statements produced by the company's manager. Therefore, audit quality contributes to the trustworthiness of financial disclosure, and to that extent working with the firm is less expensive, it decreases the cost of capital (Hakim & Omri, 2010).

High-quality external auditing is a central component of well-functioning capital markets. The accounting literature focuses on two principal forces that motivate auditors to deliver quality-a litigation/insurance incentive and a reputation incentive. Under the first motive, if auditors are legally liable for audit failures, they have an incentive to deliver quality to avoid the costs of litigation. The insurance role arises because investors prefer larger audit firms as these firms can better meet investors' legal claims thus providing investors' financial recourse against poor audit quality. It is expected that, auditors have reputational incentives to avoid audit failures because audit quality is valuable to clients and so priced in the market for audit services. Under this view, clients defect to other auditors when an

audit firm's reputation for quality deteriorates. Empirically, it is difficult to separate the effects of litigation/insurance from those of reputation in markets such as the U.S. because the largest audit firms have both the largest litigation incentives and the strongest reputations.

In May 2006, regulators in Japan took the unprecedented step of suspending ChuoAoyama's operations for two months as punishment for its role in the Kanebo fraud. Also in response to these events, and at about the same time, PwC adopted a "two-firm strategy" in Japan, under which it undertook to (i) address the audit quality problems at ChuoAoyama, which it rebranded Misuzu, and (ii) establish a new, smaller "high-quality" affiliate in Japan, which it named Aarata. A select group of Japanese clients that included Sony and Toyota, as well as large multinational clients with operations in Japan, moved to Aarata. The revelation in December 2006 of serious accounting irregularities at Nikko Cordial, another prominent ChuoAoyama client, ultimately caused Misuzu to be shut down.

Firms with a reputation for credible financial reporting are likely to change auditors when their audit quality is questioned to avoid the capital market consequences of potentially unreliable financial reporting (Hennes et al. 2011). However, these benefits must be balanced against the costs of switching auditors. First, firms face search costs in identifying and hiring a new audit firm. Second, incumbent auditors develop firm specific knowledge and expertise about the client that is costly for a new auditor to acquire (DeAngelo

1981). Third, the supply of auditors is constrained in the short run, especially when many firms are looking for new auditors at the same time (Kohlbeck et al. 2008; Ramnath and Weber 2008), as is likely to be the case in our setting.

Prior research finds that local audit office effects are important in explaining auditor attributes such as client dependence (Reynolds and Francis 2001), industry expertise (Ferguson et al. 2003; Francis et al. 2005; Basioudis and Francis 2007), and audit quality in general (Francis and Yu 2009; Chaney and Philipich 2002; Nelson, Price, & Rountree, 2008, Aubin 2013). This suggests that there is a local office effect on audit quality as well as an overall audit firm effect. If audit quality problems are confined to a particular practice office, investors are less likely to be concerned about clients of other offices of the audit firm.

Since an accurate measure of audit quality is a *sin qua non* to practitioners and academics, audit quality is a crucial determinant of the reliability of the audited financial statements. Practitioners take into account audit quality when evaluating a firm and accounting researchers frequently include audit quality as an important determinant of firm reporting behaviour. Therefore we propose our fourth hypothesis as follows: **H<sub>04</sub>**: There is no significant relationship between client affiliation with audit firm and audit quality.

## **METHODOLOGY**

We adopted the simple regression method. This is because regression is the determination of a statistical relationship

between two or more variables (Kothari 2004). In simple regression, we have only two variables, one variable (defined as independent) is the cause of the behaviour of another one (defined as dependent variable). Regression can only interpret what exists physically i.e., there must be a physical way in which independent variable *X* can affect dependent variable *Y*. The basic relationship between *X* and *Y* is given by

$$Y = a + bX$$

where the symbol *Y* denotes the estimated value of *Y* for a given value of *X*. This equation is known as the regression equation of *Y* on *X* (also represents the regression line of *Y* on *X* when drawn on a graph) which means that each unit change in *X* produces a change of *b* in *Y*, which is positive for direct and negative for inverse relationships. Data relating to auditor's independence, components and the Big Four (Deloitte, Pricewaterhouse coopers (PwC) Ernst and Young (E&Y) KPMG) audit firms were collected for 13 years (2005-2017). The population of the study consists of listed deposit money banks in Nigeria. For this study, all the deposit money banks in Nigeria are considered appropriate.

### **Model Specification**

In other to examine the impact of auditor independence on audit quality, a multiple linear model is built. This model captures the contribution of client importance, auditor rotation, non-audit services and client affiliation with audit firm. The functional relationships between these variables are expressed as follows;

$$AUDQ = f[CI]$$

$$AUDQ = f [NAS]$$

$$AUDQ = f [AR]$$

$$AUDQ = f [CAF]$$

$$AUDQ = f [\alpha + \beta_1 CI + \beta_2 NAS + \beta_3 AR + \beta_4 CAF + \mu_1]$$

Where:

AUDQ = Audit Quality

CI = Client Importance

NAS = Non Audit Services

AR = Auditor Rotation

CAF = Client Affiliation with Audit Firm

$\mu_1$  = Error Term

$\beta_1$ - $\beta_4$  = Unknown coefficient of the Parameter Estimate

$\alpha$  = Unknown constant to be Estimated

### **FINDINGS**

This study empirically determined the impact of auditor independence on audit quality of listed deposit money banks in Nigeria. It revealed the relationship between the dimensions of auditors independence in Nigeria (Client Affiliation With Audit Firm, Client Importance, Non Audit Service, Audit Firm Rotation) and the degree to which auditor's independence affects audit quality. And result of our findings shows that:

There is a negative relationship between client importance and audit quality in deposit money banks in Nigeria the P-value of (0.332) suggest that audit quality does not have significant relationship with client importance. This is in tandem with the findings of Krishnam and Krishnam (1996) which findings shows that given that the client deserves a qualified opinion, auditors are less likely to the qualified opinion when a client decile position in the auditors position is higher,

The correlation co-efficient of 0.456 in audit firms rotation shows that there is a positive relationship between audit firm rotation and

audit quality of listed deposit money banks in Nigeria, the P-value of (0.015) suggest that audit quality has a significant relationship with audit firm rotation at 5% level of significance. It is in line with the findings by Healy et al (2003), Carcello et al (2004), who have also argued that rotation of audit firm is a way of improving audit quality since familiarity with the client has the effect of reducing the fresh point of view auditors have in the early years of engagement.

Also, a correlation co-efficient of -0.586 non-audit services presents a negative relationship between non-audit services and audit quality in Nigeria money deposit banks, the P-value of (0.003) suggest that audit quality has a significant relationship with non-audit services at 5% level of significant. This is in tandem with the findings of (Defond et al 2002) which findings revealed that non-audit services create conflicting interest which might lead to the auditor losing sight of objectivity. Finally we affirm that, there is a negative relationship between Client Affiliation with Audit Firm and audit quality in Nigeria money deposit banks. The F-ratio of 2.683 and the P-value of 0.006 suggest that audit quality has a positive and a non-significant relationship with non-audit services at 5% level of significant.

## **CONCLUSION AND RECOMMENDATIONS**

Auditors owe their clients duty of care. The qualities required, of an auditor are: tact, caution, firmness, good temper, integrity, discretion, industry, judgement, patience, clear headedness and reliability. This must be applied at all times. Our conclusions are

subject to two caveats. Our study revealed the followings: that client importance has a negative but insignificant relationship with audit quality therefore the stated null hypothesis is accepted. That audit firm rotation has a positive and significant relationship with audit quality hence the stated null hypothesis is rejected. That non-audit services have a negative but significant relationship with audit quality therefore the stated null hypothesis is accepted. Furthermore, it was revealed that, client affiliation with audit firm has a negative but significant relationship with audit quality therefore the null hypothesis is accepted.

Based on the outcome of the study, we make the following recommendations (i) Auditors should be conservative with economically important clients (larger clients) in an audit portfolio to guard against pressure that tend to dampen audit quality. (ii) Deposit money banks in Nigeria should ensure that they adopt mandatory auditor rotation and also seek the partnership of one of the Big four (Deloitte, Pricewaterhouse coopers (PwC) Ernst and young (E&Y) KPMG) auditors to guarantee quality audit. (iii) Auditors in Nigeria deposit money banks should strive to limit the non-audit services rendered to their client to boost the quality of audit work. (iv) Auditors should take appropriate safeguards in respect to client affiliation with audit firm as this can negatively affect audit quality. (v) Future studies are recommended most especially in Nigeria taking into consideration the dimensions of audit independence revealed and extend to other sectors like manufacturing, transport, education etc.

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**Appendix**

**Appendix 1: Impact of client importance on audit quality.**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	-.589 <sup>a</sup>	.436	-.201	.41811	.436	2.967	1	26	.332	1.799

- a. Predictors: (Constant), Client\_Importance
- b. Dependent Variable: Audit Quality

**Source: SPSS version 22**

**Appendix ii: Impact Of Audit Firm Rotation On Audit Quality**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.456 <sup>a</sup>	.208	.178	.37889	.208	6.839	1	26	.015	1.981

- a. Predictors: (Constant), Audit\_Firm\_Rotation
- b. Dependent Variable: Audit\_Quality

**Source: SPSS version 22**

**Appendix iii: Impact of non-audit services on audit quality**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	-.586 <sup>a</sup>	.307	-.203	.42423	.307	4.194	1	26	.003	1.889

a. Predictors: (Constant), Non\_Audit\_Services

b. Dependent Variable: Audit\_Quality

**Source: SPSS version 22**

**Appendix iv: Impact of Client Affiliation With Audit Firm**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	-.447 <sup>a</sup>	.261	.025	.41267	.261	2.683	1	26	.006	1.829

a. Predictors: (Constant), Client\_Affiliation\_With\_Audit\_Firm

b. Dependent Variable: Audit\_Quality

**Source: SPSS version 22**