

Determinants of External Auditor Choice Selection in Listed Global Brand Companies in Nigeria

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Abstract

This research work analyses the determinants of external auditor choice selection in listed Global Brand companies in Nigeria. The Big 4 audit firms consisting Akintola Williams, Ernst and Young, KPMG, and Price Water House Coopers where selected for the study. Out of the 11 global brands in Nigeria, only 9 had complete and consistent data and so were used. The study employed Multinomial Probit Regression (PMR) analysis in x-raying the data. Panel data referring to listed companies for the period of 2008-2017 was employed. The independent variable used for this study include: firm size; leverage; firm profitability; firm age, and; audit fee. The result showed a significant positive relationship between firm size and choice of external auditor's selection. The study also reveals audit fee could discourage listed global brand companies from engaging the Big 4 audit firms in Nigeria. The study therefore recommends that the global brand companies should ensure a large asset base which will improve their tendency to engage the Big 4. In addition the Big 4 audit firms should ensure that their fees are affordable as this will attract the global brand companies in Nigeria.

Keywords: External auditor, Global brand, Big4 Auditors, Auditor choice

Introduction

Engaging the services of an audit firm is a significant corporate governance mechanism that is carried out in order to alleviate several disorders or conflicts which can be created in a company's internal working environment (Evangelia, 2013). Watts and Zimmerman (1986) argues that the ex-ante value of an audit depends on the auditor's incentives to selectively disclose ex post hence, there is a strong relationship between audit quality and auditor selection. Audit quality forces the companies to work with Big 4, which means that they prefer big audit firms because of their reputation.

In spite of the availability of large number of audit service providers, the audit market is dominated by only a small number of large audit firms called the "Big Four". These Big four audit firms are: KPMG Professional Services; Ernst and Young (E&Y); Akintola Williams Deloitte (AKWD); and Price water house Coopers (PWC).

The motive for an organizations' choice of a specific auditor may be complex and are likely to differ across organizations as the benefits of acquiring an audit service are multi-faceted (Knechel, 2012). Companies needing to engage the services of an accounting firm to provide professional auditing services are faced with difficulties of deciding whether to re-appoint the incumbent auditor or settle for a new auditor. However, the central reason proposed

in literature for a company to hire an auditor and to accept the additional monitoring by an external party, is drawn from the agency theory. The decision to hire an external auditor is with the intention of reducing agency costs caused by several information asymmetries arising in a company's working environment.

The overall choice for an audit firm is usually based on a consideration for quality in addition to cost (Knechel, Niemi & Sundgren, 2008). Therefore company management considers their needs and then seeks an auditor with the requisite skills and competencies that will provide the needed solutions. Cost is a major factor when considering proposals from external auditors. According to El Ghouli, Guedlami, Lennox and Pittman (2007) engaging a Big Four auditor requires a deep evaluation of its marginal costs. The argument goes on that when an organization is seeking to improve the quality of its disclosures, it will be eager to hire a Big Four auditor which is strengthened by Porter (2015) who remarked that improvement in disclosure requirement necessitates the services of qualified accountants.

The 'Big Four' international accounting audit firms caters for about 90 percent of listed companies in Nigeria, while the 15 national firms with international affiliation audit the remainder of 10 percent. World Bank Report (2004). The intense competition in the audit market itself has led to a desire to understand the issues that influence auditors' selection decision. Following Beattie and Fernley (2013) auditor choice is motivated by three possible sources – audit environment, audit firm characteristics, and finally client characteristics.

Surprisingly, to date, most of the auditor selection research work has predominantly been conducted in the US and other developed economies such as Australia (Craswell, 2015), New Zealand (Firth & Smith, 2017) and the UK (Beattie & Fernley, 2013). Hence, this study will be among the few exceptions (Okere, Ogundipe, Oyedeji, Eluyela &

Ogundipe, 2018; Uwhejevwe 2016; Olowookere & Inneh 2016) to empirically evaluate the possible determinants of external audit choice selection in Nigeria. Citron and Manalis (2001) did a study on auditor selection in Greece shedding light on auditor selection determinants in an emerging market and Aksu, Onder and Saatcioglu (2007) provides evidence on the auditor selection process in Turkey. To the best of our knowledge, this study is unique and has been able to isolate global brand companies listed on the Nigeria Stock Exchange.

The broad objective of this study is to evaluate the determinants of external auditors' choice among quoted global brand companies in Nigeria. The remaining part of this paper consists of sessions which address Literature review; while session three provides the Methodology employed in the study. Presentation and Interpretation of result will be found in session four; while session five will conclude and proffer recommendations for the study.

Literature Review

External Auditor:

In the framework of the popular agency theory, Jensen and Meckling (1976) posit that separation of ownership generates a lot of dispute between stakeholders. Accordingly, possible manipulation of accounting information by managers tends to diminish the credibility of financial information which equally dampens stakeholders' value. Hence a concern for an independent third party, which may add credibility to the published financial statements by way of auditing and expressing an opinion on the financial information, becomes imperative. Therefore, the need for an external auditor, for the sole purpose of limiting accounting manipulation, thus reducing conflicts of interest and reducing information asymmetry between the principal and agent cannot be underestimated. (Choi, 2017; Ianniello, Marnarchi & Rossi, 2015; Jensen & Meckling, 1976; Watts & Zimmerman, 1986)

Global Vs Nigerian Audit Markets

Previously, the global supply of audit firms was made up of three distinct categories of firms in terms of brand name reputation (DeFond, 1992). The Big-Eight, which have global reputations; Second tier firms, which are intermediate size firms with regional reputations, and smaller audit local firms. More than two decades, the Big-Eight audit firms gradually became the Big-Four after several mergers that began in the 1980s and of course the recent accounting and reporting scandals of the late 1990s and 2000s. Historically, these firms include: Arthur Andersen, Arthur Young, Coopers and Lybrand, Deloitte-Haskins & Sells, Ernst & Winney, KPMG, Peat Marwick, Price Waterhouse and Touche Ross (DeFond, 1992).

The year 1989 saw the merger of Arthur Young and Ernst & Winney becoming Ernst & Young while Deloitte Haskins & Sells merged with Touche Ross to form Deloitte & Touche. Price water house and Coopers & Lybrand merged to form Price Waterhouse-Coopers in 1997 and equally saw the growth of second tier auditing firms significantly improving (Hayes & Schilder, 2013). Similar to the Big Four, second tier auditing firms offer a wide variety of services in addition to audit assurance services, such as tax, book keeping, management advisory services, and corporate finance services, although their work is not quite as extensive as that of the Big Four.

Nigeria, being a British colony, its accounting and auditing characteristics can be linked to the traditional British book keeping. The most significant feature of the traditional British book keeping audit is that it was closely bound up with doing the client's accounting. However, its full implications have been largely overlooked by historians, perhaps because Nigerian Companies Acts (CAMA, 2004) and the audit textbooks all made a clear distinction between the directors' responsibility to produce a statement of financial position and the auditors' job to give an opinion on it.

Theoretical Framework

Agency Theory of Auditor Selection

We make an attempt to base this study on the Agency Theory. The Agency Theory is based on the relationship between the principal (owners) and the agent (managers). The breakdown of ownership from management in modern corporations provides the context for the function of the Agency Theory. Modern organizations have widely dispersed ownership in the form of shareholders, who are not normally involved in the management of their companies. In these instances, an agent is hired to manage the daily operations of the company. Jensen and Meckling (1976) & Eisenhardt (1989) noted that this peculiarity between ownership and control creates the potential for conflicts of interests between agents and principals which result in costs associated with resolving these conflicts.

The critical important basis of Agency Theory is seen in the fact that managers are usually motivated by their own personal achievements and will therefore work to exploit their own personal interests rather than considering shareholders' interests of maximizing shareholder value. For example, managers may be fascinated by lavish offices, company cars and other extravagant items, since the cost is borne by the owners. Thus, the key predicament specified by Agency Theory is ensuring that managers pursue the interests of shareholders and not only their own interests. (Klein and Leffler 1981; Broye and Weil 2008)

The Institute of Chartered Accountants in England and Wales noted that under the agency theory, agents cannot be trusted since they can accumulate gains for themselves at the expense of the shareholders. Millichamp & Taylor, (2010) Hence the argument holds that the shareholders have no alternative but to compensate the agent well enough for their endeavors in order to reduce the temptation of employing the company's asset for private gains.

According to Agency Theory, the agent (management) fulfils certain obligations for the

principal (shareholders) by virtue of the terms in the economic contract. Therefore, the primary medium of monitoring managers of a firm is by an audit of the financial statements which normally is carried out by an independent monitor (external audit firm). However, Culpan and Trussel (2005) posit that for this monitoring mechanism to be successful, several components of the audit must be in place. Firstly, the monitor must be independent of the agent, meaning that the auditors must not have any conflicts of interest with the managers. Secondly, the standards for conducting the audit must provide reasonable certainty of detecting misstatements or fraud. Finally, the agent's accounting practices and financial disclosures must be relevant and reliable. It is on such background that external auditing services serve to dilute the adverse effects of ownership separation and control between agent/manager and shareholders. (Jensen & Meckling, 1976)

However, some of the main features of the audit working environment, such as competition and work regulations, impede on the role of separation of ownership and control. Competition from the marketplace limits the rents which an audit firm receives from its private information. Yet, the market also provides the audit firm with alternative sources of demand that increases its threats of resignation. Regulations create the requirement for the purchase of a minimum quantity of auditing, as suggested by Generally Accepted Auditing Standards (GAAS) that prescribe minimum audit procedures. Therefore, competition and regulation may interact in determining the relationship between an audit firm and its role in diluting the adverse effects of the separation of ownership and control.

As stated earlier, organizations' choice of a specific auditor may be complex and may differ across organizations. This is because the benefits of acquiring an audit service are multi-faceted (Knechel, 2012). Companies have a choice to re-appoint the incumbent auditor or settle for a new auditor. We shall therefore

discuss the factors that could influence external auditors' choice selection.

Empirical studies

In Australia, McPhail and Sands (2014) studied the determinants of the choice criteria used in the auditor selection process. These authors spotted eight criteria from the literatures. The result of the study identified nine choice criteria with firm technical competence and client orientation been the two most important criteria while level of audit fee, effective preparation and communication of audit submission are significantly more important to companies appointing a new auditor. A change of auditor may result from demand for audit quality.

The reports of Beattie and Fearnley (2015) connotes that dissatisfaction with audit quality is one of the most common motives cited for choosing a different auditor. A company may select a higher quality auditor in order to provide more credible information to investors and creditors (Schwartz & Menon, 2015). The univariate analysis of Pong and Kita (2006) indicated that Japanese companies learned to select the same external auditors as their main banks to reduce the agency costs.

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In this study, Firm profitability, Leverage, Firm size, Firm age and Audit fee will be considered.

Relationship between auditor choice selection and audit fee

In examining the link between audit quality and audit firm size, audit fee becomes a

necessary concern for audit quality (DeAngelo, 1981; Francis, 2004; Hay and Davis, 2004, Amahalu & Ezechukwu, 2017). According to Hay and Davis, (2004) higher audit fees are also connected to the choice of qualified auditors. However, in spite of the huge fee, some clients are kin in employing the services of large audit firms and this reflects the confidence imposed on big auditors who are believed to have greater monitoring and bonding which promotes higher audit quality (Hay & Davis, 2004). Large audit firms hire better professionals as against small audit firms and clients believe that larger auditors are open to more technical information and continuing education while auditor competence and specialization is also more enhanced. On this note it is expected that larger audit firm will provide higher auditor's specialization (audit quality) therefore higher audit fees is achieved (DeAngelo, 1981).

Relationship between age and auditor choice selection

The study of Knechel, Niemi and Sundgren (2008) used Finnish firms to analyze the auditor choices for a sample of 2,333 predominantly small and mid-sized companies. Their findings suggest that among the oldest firms, the choice to hire a certified auditor can be adduced to the level of professional experience in the organization as measured by age and extent of workforce.

Relationship between firm profitability and auditor choice selection

The findings of Johnson and Lys (2017) reveal that ROA as one firm specific that may signal auditor choice. This argument is consistent Abbott and Parker (2010) whose study provides a positive relationship between return on asset and engagement of an industry specialist auditor, noting that a more profitable firm is more likely to pay a premium demanded by a specialist. A study in Greece by Citron and Manalis (2011), revealed that there is no significant difference between the return on asset levels of two clients of two groups of auditors- the Big-Six vs. the non-Big-Six-. Their study also suggest that clients of the Big-

Six are more profitable compared to those of second tier audit firms, but clients of local audit firms have higher (but insignificant) return on asset than those of second tier audit firms.

Relationship between leverage and auditor choice

Following the agency framework, the reasoning of Chow and Rice (2017) suggest that agency cost increases with the percentage of debt in capital structure and this opens a window for a monitoring mechanism like that of an independent audit. The study of Chow and Rice (2017) supports the fact that leverage effect calls for more monitoring which demands specialized auditing. (Einchenseher & Shields, 2006; Palmrose, 2016; Simunic & Stein, 2015; DeFond, 1992; Firth & Smith, 1992)

A positive relationship between leverage and demand for higher brand name reputation auditors have been documented by Einchenseher and Shields (2013), DeFond (1992), Firth and Smith (1992). This has been attributed to the ability to diversify away the risk associated with high leverage (Johnson & Lys, 2000) But on the contrary, the studies of Simunic and Stein (2015); Francis and Wilson (2012) documented a negative relationship between leverage and brand name auditors.

Relationship between firm size and auditor choice selection

Larger clients may have received high quality services from a myriad of professional advisors; hence, they may be less satisfied with the seemingly less quality services of small audit firms. Also additional professional services package such as consultation, tax and legal services supplied by larger audit firms could also be a factor for selecting large audit firms.

Citron and Manalis (2000) documents that client size is positively related with selection of Big-Six audit firms; Onder, Aksu and Balci (2004) report that firm size are significantly associated with auditor choice selection. While

Berton (2012) suggests that larger clients may receive more attention from large audit firms.

Methodology

The research design adopted for this research is the *ex-post facto* research design also called causal comparative research. We use the financial data provided by annual reports domicile at the Nigerian Stock Exchange (NSE). Specific sample data for our analysis are for those firms listed on the Nigerian Stock Exchange during 2008 –2017. The final sample size is made up of nine (9) global brand quoted companies in Nigeria. The sample for this study was selected from a list of global brand companies in Nigeria which have been listed for at least ten (10) years. These global brand companies have the characteristics of exporting their products and services outside the shores of Nigeria. They also carry out their operations in one or more subsidiaries outside Nigeria and have investments branches in foreign countries.

Secondary data obtained from a sample of nine (9) quoted companies were studied out of the thirteen (13) global brand Nigerian firms quoted on the NSE over a period of ten years. (2008 and 2017) resulting in 90 company accounting – year observations. Archival data were extracted from annual reports and accounts of the selected companies. This study consists of a total of six (6) variables.

For the purposes of this study, a Probit Multinomial Regression Analysis was adopted as the research instrument. In this study, the statistical tool of Probit Multinomial Regression analysis, (PMR) was employed to find coefficient estimates for the variables of interest. Stata 13 econometric software was used to conduct all the various econometric and statistical analysis.

The Multinomial Probit Model is a statistical model that is popularly used to predict the outcome of an unobserved multi-way trial given the associated explanatory variables. While doing this, it attempts to explain the relative effect of differing explanatory variables on the different outcomes. Alternatively, we could say that Multinomial logistic regression is used to predict categorical placement in or the probability of category membership on a dependent variable using multiple independent variables.

These multiple independent variables could either be dichotomous (i.e., binary) or continuous (i.e. interval or ratio in scale). Multinomial logistic regression is a simple extension of binary logistic regression that allows for more than two categories of the dependent or outcome variable. Like binary logistic regression, multinomial logistic regression makes use of maximum likelihood estimation to evaluate the probability of categorical membership. In this study, the dependent variables of audit choice was captured as Audit Big 4 firms with the exception of the audit firm of Ernest and Young which have not provided its services to any of the sampled firms during the period under study. For this purpose data was collected from the company’s audited annual reports. The choice of secondary data was informed due to its relative speed, low cost, the possibility of generating longitudinal data sets by comparing data across years and the possibility of generating comparative data sets among the sampled firms.

Model Specification

The following model as adopted from Citron and Manalis (2000) is used to examine the association between independent and the dependent variables of the Global Brand listed firms in Nigeria.

$$audb4 = f(aufee, fage, patma, tlbta, fsize) \dots \dots \dots (1)$$

This can be written in explicit form as:

$$audb4 = \pi_0 + \pi_1aufee + \pi_2fage + \pi_3patm + \pi_4tlbta + \pi_6fsize \dots \dots \dots (2)$$

And can be written econometrically as:

$$audb4_{it} = \pi_0 + \pi_1 aufee_{it} + \pi_2 fage_{it} + \pi_3 patm_{it} + \pi_4 tlbta_{it} + \pi_5 fsize_{it} + \sum_t \dots (3)$$

Where: audb4 =Audit big 4

Aufee =Audit Fee

fage =Firm Age

patma =Profit after tax margin

tlbta =Firm Leverage

fsize =Firm Size

\sum = Stochastic or disturbance term.

t = Time dimension of the Variables

π_0 = Constant or Intercept.

π_{1-5} = Coefficients to be estimated or the Coefficients of slope parameters.

Table 1 Proxies and Predicted Signs for Explanatory Variables

Variable	Predicted Sign	Type	Scale
<i>Audic</i>	+	Dependent	Measured as Big Four Audit Companies in Nigeria
<i>Aufee</i>	+	Independent	Total amount being paid to the external during the period of one year
<i>Fage</i>	+	✓	Firm Age, Difference between current year and year of listing
<i>Patma</i>	+	✓	Profitability, Measured as Net profit after tax divided by Revenue
<i>Tlbta</i>	-	✓	Leverage, Measured as Total Liabilities divided by Total Asset
<i>Fsize</i>	+	✓	Log of Total Assets

The following are the hypothesis to be tested:

H0₁: There is no significant relationship between audit fee and auditor choice selection among global brand listed companies in Nigeria.

H0₂: There is no significant relationship between firm age and auditor choice selection among global brand listed companies in Nigeria.

H0₃: There is no significant relationship between profit after tax and auditor choice selection among global brand listed companies in Nigeria.

H0₄: There is no significant relationship between firm leverage and auditor

choice selection among global brand listed companies in Nigeria.

H0₅: There is no significant relationship between firm leverage and auditor choice selection among global brand listed companies in Nigeria.

Presentation and Interpretation of Results

The dependent variable of the Big 4 audit firm in Nigeria was used. However this study adjusted for Akintola Williams Delliote (AW) =1, KPMG =2 and Price Water House Coopers (PWC) =3. The audit firm of Ernsts and Young is not included in the sample as it was found not to have audited any of the global brand listed companies in Nigeria during the period of analysis.

Interpretation of Results

Table 2: Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
audb4	90	2.222222	.812095	1	3
fage	90	32.77778	10.771	3	49
patma	90	11.92603	8.312375	1.84	44.44
tlbta	90	63.98206	17.59247	17.55	87.9
fsize	90	2.645556	.4205134	1.91	3.76
aufee	90	43.03333	48.0936	13.2	220

Source: Authors Computation 2018

The descriptive statistics above shows that there is no much difference among audit service provider within global brand listed companies in Nigeria. This is evident from the high standard deviation value of 81%. Again the descriptive statistics reveals that the variation in audit fee charges of the selected

audit firms is very wide. This implies that while some of the audit firms charge low fees others do charge very high fees. This finding is evident from the minimum fee of 13.2 million naira and maximum fee of 220 million naira for the sampled audit firm under the period of analysis.

Table 3: Pearson Correlation Matrix

	audb4	fage	patma	tlbta	fsize	aufee
Audb4	1.0000					
fage	0.1016	1.0000				
patma	-0.1372	-0.6089	1.0000			
tlbta	-0.1753	-0.2538	-0.0709	1.0000		
fsize	-0.4108	-0.5829	0.6471	0.0759	1.0000	
aufee	-0.1510	-0.7433	0.7643	-0.0028	0.2228	1.0000

Source: Authors Computation 2018

Furthermore, the correlation analysis above shows that except for the variable of firm age, all other explanatory variables are negatively associated with the dependent variable of (audb4). This finding implies that there is a negative association between choice of audit selection and all the explanatory variables

employed in this study. However it should be noted that the strength of association between the dependent variable and all the independent variables of interest are relatively weak except for the variable of firm size which showed a moderate strength of 41%.

Table 4: Skewness & Kurtosis (Normality Test)

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
Audb4	90	0.1448	0.0000	23.89	0.0000
fage	90	0.0000	0.0147	17.83	0.0001
patma	90	0.0000	0.0027	19.56	0.0001
tlbta	90	0.0916	0.1509	4.87	0.0876

fsize	90	0.0211	0.3594	5.83	0.0543
aufee	90	0.0000	0.0005	30.12	0.0000

Source: Authors Computation 2018

In testing for data normality, the findings from the skewness/kurtosis result shows that all the variables are normally distributed. All the variables employed pass the test of significance at 1%, 5%, and 10% level of significance. This suggests that there should be no worries for the presence of outlier in the data sample.

Table 5: Breusch-Pagan/Cook-Weisberg test for heteroskedasticity

Prob chi	0.08
VIF	2.58

Source: Authors Computation 2018

In carrying out the test for muticolinearity the Breusch-Pagan / Cook-Weisberg test for heteroskedasticity was adopted. The result concludes an insignificant Prob >chi square value of 0.081 which suggest that the effect of multicollinearity is not present due to the low mean value of Variance Inflation Factor (VIF) of 2.58. This result allows the researcher to reject the alternative hypothesis which assumes the presence of heteroskedasticity. Hence a spurious regression coefficient estimates which could possibly lead to wrong conclusion have been avoided.

Table 6: Multinomial Probit Regression Result

	Expected Sign	AW Model	KPMG Model	PWC Model
Fage	+	-0.136 (-1.830) {0.068}*	-0.110 (-1.770) {0.076}*	0.136 (1.83) {0.068}*
Patma	+	-0.266 (-1.850) {0.064}*	0.129 (1.470) {0.143}	0.266 (1.850) {0.064}
Tlhta	-	0.019 (0.340) {0.730}	0.027 (0.860) {0.390}	-0.018 (-0.340) {0.730}
Fsize	+	11.096 (3.270) {0.001}**	6.910 (2.59) {0.009}**	-11.096 (-3.270) {0.001}**
Aufee	+	-0.074 (-2.13) {0.033}**	-0.074 (-2.59) {0.010}**	0.074 (2.130) {0.033}**

Note. ***, **, * represents Level of significance is at 1% 5% and 10% (2-tailed).

Source: Authors Computation 2018

The multinomial probit regression result showed that the choice preference for Akintola Williams by global brand listed companies in Nigeria is as a result of their firm size (fsize=0.001). This result show that firm size of global brand listed companies in Nigeria justifies the attraction for Akintola Williams Delloitte audit firm. This result further suggest that as asset sizes of these global brand listed companies increases the choice selection for

Akintola Williams Delloitte audit firm services increases. This resulting relationship is significant at 5% level of significance. This finding is in tandem with Knechel Niemi and Sudgren (2008).

Furthermore the study also reveals that the audit firm of Akintola Williams Delloitte is not attractive to global brand listed companies in Nigeria as a result of firms' low audit fee

budget, low profit after tax margin and perhaps age factor of the listed firm. Therefore we accept the alternative hypothesis of a significant relationship between firm size and auditors' firms' selection of global brand listed companies in Nigeria.

Again the study reveals that the relationship between KPMG audit firm and the size of global brand listed companies in Nigeria is positive and significant. The variable of total asset ($fsize=0.009$) is significant at 1% level of significance and as such good enough to hire the services of KPMG audit firm. However, audit fee charges ($aufee= -0.257$) showed a negative relationship with KPMG audit firm. Hence, this finding negates the findings of Chau and Leung, (2006) Claessens et al., (2002). It suggest that a cut in audit fee from these Big 4 audit firms geared towards encouraging patronage of Big4 audit firms in Nigeria will be a welcome development. Therefore we reject the null hypothesis of no significant relationship between audit fee and choice of external auditor selection among global brand listed companies in Nigeria

The result also reveals that global brand companies in Nigeria hire the services of PWC as a result of its age status. ($fage = 0.068$), hence the older the firm the higher the chances of selecting the audit firm of PWC for better quality of audit services. Furthermore, the result suggests that audit fee ($aufee=0.033$) and profit after tax ($patm=0.064$) were significant factors that motivated global brand listed companies to patronize the audit firm of Price Water House Coopers. This suggest that ROA as a variable may be related to auditor choice, since a more profitable firm is more likely to pay the fee premium demanded by a specialist. This finding is consistent with the result of Johnson and Lys (1990) Abbott and Parker (2000).

The relationship between the variable of leverage for global brand listed companies under review showed a positive choice selection for the services of Akintola Williams Delliote and KPMG. Their coefficient estimate

of 0.019 and 0.027 respectively accounts for such inferences. However this relationship does not pass the test of significance even at 10% level. Furthermore, the result reveals that as global brand listed companies accumulates more and more leverage, the motivation to hire the services of a Big 4 such as Price Water House Coopers audit firm shrink. This implies that we accept the null hypothesis that there is no significant relationship between firm leverage and auditor choice selection among global brand listed companies in Nigeria.

Conclusion and Recommendations

The paper examined the relationship between some firm characteristics and the selection of external auditors by listed global companies in Nigeria. Data were collected from 9 listed global companies from a period of 2008-2017. Results show that the larger the asset base of a company, the more the propensity to select from the Big 4 audit firms. We also discovered that the audit fee had a significant and negative relationship with the choice of Big 4 audit firms which implies that the higher the audit fee, the lower the tendency to make the choice of a Big 4. In addition, findings reveal that the older the firm the higher the chances of engaging a Big 4.

Therefore this study carefully recommends that:

1. Listed global brand firms in Nigeria should ensure that their asset base keep increasing so as to have sufficient financial strength to employ a Big 4 as external auditor;
2. The Big 4 should ensure that their audit fees are moderately affordable to attract listed global brand firms in Nigeria;
3. The Big 4 audit firms should look out for older companies as clients as they have the tendency to keep a track record by providing high quality information to stakeholders and will hence prefer to employ a reputable audit firms

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