

**EFFECTS OF AUDIT TENURE AND FEE ON AUDIT QUALITY OF SELECTED
FOOD PRODUCTION COMPANIES IN NIGERIA**

AKANBI TEMITOPE .O.
Bursary Unit,
Nnamdi Azikiwe University, Awka
to.akanbi@unizik.edu.ng

Prof Alphonsus S. Anichebe
Department of Accountancy
Faculty of Management Sciences
Chukwuemeka Odumegwu Ojukwu University
Igbariam Campus
Anambra State as.anichebe@coou.edu.ng

Orjinta Hope Ifeoma (PhD)
Department of Accountancy
Faculty of Management Sciences
Chukwuemeka Odumegwu Ojukwu University
Igbariam Campus
Anambra State ifyorjinta@gmail.com

Abstract

This study examined the effects of audit tenure and fee on audit quality of quoted food production companies in Nigeria. Ex-post facto, correlation research design and longitudinal research design was employed and Panel Least Square (PLS) technique was used in the analysis of the secondary data collected from a sample of 10 firms for a period of ten years spanning (2011-2020). The secondary sources of data were collected from annual reports of the selected food production companies. Two (2) specific objectives and two (2) hypotheses were subjected to preliminary data tests such as descriptive statistics, Pearson correlation analysis and variance inflation factor and were analyzed using panel regression analysis. The empirical analysis using a total of 100 company-year observations, shows that client importance and auditor education level exert positive and significant effects on audit quality of quoted food production companies in Nigeria which was statistically significant at 1% and 5% levels of significance respectively while another positive but non-significant effect was documented for audit fees. It was concluded that audit tenure has negative and significant effect on audit quality of quoted food production companies in Nigeria, which was statistically significant at 1% level of significance having recorded a negative coefficient value of -0.1432% and a probability-value of 0.0001. Audit fee has a positive and insignificant effect on audit quality of quoted food production companies in Nigeria. Conclusively, it is accepted that a better standard of independence of auditors improves a robust audit efficiency that results in accurate financial reporting. The following recommendations were made: long tenure of auditor should be discouraged while the maximum three years audit firm tenure policy for auditors in Nigeria should be backed up by law and strictly enforced and that Regulatory agencies in Nigeria should increase surveillance on audit practices with regards to fees charged.

Keywords: Audit, Auditor, Audit Independence, Audit Tenure, Audit Fee, Audit Quality

Introduction

Nigeria battles and surges towards breaking loose from the current excruciating economic recession, the need to maintain investors' confidence in the capital market through high quality auditing and transparent financial reporting is unequivocally paramount. Considering that several investors in Nigeria, in the past fifteen years, appeared to have lost confidence on the authenticity, integrity, effectiveness and significance of the audit function owing to cases of incessant accounting scandals which were largely linked to poor audit quality associated with a perceived lack of auditor independence, among other factors (Okolie, 2014; Babatolu, Aigienohuwa & Uniamikogbo, 2016). The auditing and the audit process provide an evaluation of the probability of material misstatements and reduce the possibility of undetected misstatement to a reasonable or appropriate assurance level (Knechel, 2009). Consequently, auditing has been acknowledged to influence financial reporting and provide robust impact on investors' confidence (Ekwueme, Anichebe & Orjinta; 2020).

Audit quality is an important issue that is considered by various interest groups in some selected food production companies, audit scope, and capital market. Because audit quality is barely visible in practice, research in this area has always been faced with many problems of definition. Arens, Elder, Beasley, and Fielder (2011) also saw the quality of the audit as how well an auditor detects and reports material misstatements in financial statements, the detection aspects are a reflection of auditors' competence, while reporting is a reflection of ethics or auditors' integrity, particularly independence. Several corporate collapses, audit failures, and the global financial crisis have threatened the credibility of the audit function. They were mainly attributed to managerial opportunistic behaviour and unethical accounting practices (Shen & Chih, 2007). These practices undermined the quality of reported accounting numbers which is of prime importance to several stakeholders and investors inclusive. This has led to the debate among financial statement users, regulatory bodies, and practitioners on how to safeguard the audit profession by assuring the highest levels of independence (Houqe, Van Zijl, Dunstan, & Karim, 2012). There has been a growing emphasis on the perceived independence of external auditors (O'Sullivan, 2000). These recent corporate financial failures pose a great challenge to the authenticity, integrity, effectiveness and significance of the audit function.

In Nigeria, corporate scandals include the cases of Cadbury Nigeria Plc and African Petroleum (AP) (Okolie & Agboma 2008); Savannah Bank and African International Bank (Odia, 2007); Wema Bank, Nampak, Finbank and Spring Bank (Adeyemi & Fagbemi, 2010); and others such as Diamond bank Plc, Intercontinental Bank Plc., Bank PHB Plc; Oceanic Bank Plc. and AfriBank Plc. The above are overtly reported cases that resulted from misleading financial reports. There is therefore an apprehension about the quality of accounting income and its relationship with the quality of the auditing process which has been observed to increase over time following the periodical clusters of business failures, frauds, and litigations. The issue is whether these corporate collapses are not the outcome of poor audit quality resulting from elongated auditor tenure, excessive amount charged as audit fee, lack of external auditor independence and the inability of the audit function to address audit quality.

Therefore, in view of the onerous challenges that face the audit function, some studies like (Willekens & Gaeremynck, 2000; Heninger, 2001; Ebrahim, 2001; Piot & Janin, 2005; Gerayli, Yanesari & Ma'atoofi, 2011) have attempted to ascertain any noticeable relationship between auditor tenure, fees, size and auditor independence and have tried to demonstrate the impact of this relationship on the quality of the earnings reported by quoted companies in many countries. These have attempted to examine the nexus between audit independence and audit quality in the Nigerian audit market. However, the prior findings were uncertain; (Willekens & Gaeremynck, 2000) indicated a positive relationship while (Gerayli, Yanesari & Ma'atoofi, 2011) showed contrary due to the type of study design employed, sample size, data collection instruments and analysis techniques used. This study expects to explore the impact of reviewers' freedom on review quality among cited food creation organizations in Nigeria. Against this setting, the accompanying targets were raised to direct this review

Objectives of the study

The general objective of this journal is to examine the effect of auditors' independence on the audit quality of selected food production companies in Nigeria. The specific objectives are to:

1. Ascertain the effect of audit tenure on audit quality of food production companies in Nigeria.
2. Examine the effect of audit fees on audit quality of food production companies in Nigeria.

Research Questions

Based on the above-stated objectives, the following research questions were addressed:

1. How does audit tenure affect audit quality of selected food production companies in Nigeria?
2. To what extent does audit fee affects audit quality of selected food production companies in Nigeria?

Research Hypotheses

Hypotheses are a tentative answer to research questions. Therefore, in line with the above research questions, the following hypotheses stated in null form were formulated:

Ho₁: Audit tenure has no significant effect on audit quality of quoted food production companies in Nigeria.

Ho₂: Audit fees have no significant effect on audit quality of quoted food production companies in Nigeria.

Review of Related Literature

Literature review encompasses of revelations from extant studies

2.1 Literature Review

Under this review, we were able to conceptualize all our concepts which comprise of both dependent and independent variables.

2.1.1: Audit Quality

Lawrence, Minutti-Meza and Zhang (2011) noted there is no sufficiently convincing proxy for audit efficiency. Interpretation of audit quality can depend significantly on how one considers it. No agreed factor affects audit efficiency across the globe, leading to differences in perception (Dickins, Johnson-snyder & Reisch, 2018). Audit efficiency is a controversial issue in both private and public sector organizations (Hoopes, Merkley, Pacelli, & Schroeder, 2018; Masood & Afzal, 2016). Both stakeholders of financial statements should have a good understanding of what establishes quality reporting, which will affect the tools that will adopt to measure the quality audit report.

Audit quality is an important issue that is considered by various interest groups in the company, It is obvious how critical audit quality is to bring accountability and transparency to public sector entities. DeAngelo (1981) as cited by Aliu, Okpanach and Mohammed (2018), show that audit quality is the market assessment of the likelihood that the auditor (i) detect significant distortions of the financial statements or employers accounting system and (ii) report significant distortions. Arens, Elder, Beasley and Fielder (2011) also saw the quality of the audit as how well an audit detects and report material misstatements in financial statements, the detection aspects are a reflection of auditors' competence, while reporting is a reflection of ethics or auditors' integrity, particularly independence. Audit quality is the identification and reporting of substantial misrepresentation of facts in financial statements by an auditor (De Angelo, 1981), which represents the competence of the auditor. In the meantime, reporting represents the ethics or honesty of auditors, in particular, independence (Ajekwe & Ibiame, 2017; Ghosh & Moon, 2018). Enofe Mgbame, Efayena and Edegware (2014) emphasized that audit quality relates to an auditor's ability to safeguard the interests of financial statement users by identifying and disclosing misstatements and information asymmetry among financial statements users and management. This suggests that audit quality is evident when a financial statement is without any asymmetry of details. In the same way, audit quality is seen as the possibility of minimizing the associated risk of disclosing material misstatement in financial statements, and perceived quality is linked to what users of a financial statement feel about the auditor's ability to minimize material misstatement (Wakil, Alifiah & Teru, 2020). In a recent related study, it was revealed by Klynveld Peat Marwick Goerdeler (KPMG) concerning the looming effect of negative publicity about ethical missteps and poor audit quality. This may otherwise cause adverse immediate consequences—damage to the relationship, potential loss of the contract, and possible

unemployment. This also has led to the collapse of many firms without warning, which raises questions about consulting services Curtis and Verschoor (2018). Due to this, many audit firms have faced multiple scandals that led to public apology for apparent substandard consulting for the politically connected. According to main street investor survey published by centre for Audit Quality (CAQ), it was revealed that more than half of investors (52%) had either some or very little confidence in audited financial information released by publicly traded U.S. companies, and only 35% had a great deal or quite a bit of confidence. This development is not far behind trustworthy, conflicts of interest, Negative news heard, and lack of adequate information. DeAngelo (1981) cited in Egbunike, Egbunike, and Okafor (2017) defined audit quality as the probability that (a) the auditor will uncover a breach and (b) report the breach.

Nonetheless, audit efficiency is generally seen as a market-assessed joint likelihood that a particular auditor will be able to discover a violation in the company's accounting system and report the violation. The requirement for audit quality is high, in the context of the above statements. As Khan, Panatik, Saat and Perveen (2013) put it, audit efficiency has drawn the researchers' attention to that. The most widely used methods of audit quality determination are regular auditing, accountability auditing, performance control, and audit reports. Badawi (2008) reports a list of companies involved in cases of accounting scandals related to poor audit quality and earnings manipulations in the past decade. International Credential Assessment Service of Canada-ICAS (2014) documented that auditors' independence, audit tenure and audit fee have a positive influence on audit quality. It means that the higher the auditor independence, the higher the audit quality.

2.1.2: Audit Tenure

Auditor Tenure is defined in this study as the length of the auditor-client relationship. A rather too long association between the auditor and his client may constitute a threat to independence as

personal ties and familiarity may develop between the parties, which may lead to less vigilance on the part of the auditor and even to an obliging attitude of the latter towards the top managers of the company. Several studies (Dopuch, King & Schwartz, 2001; Myers, Myers & Omer, 2003) have attempted to evaluate possible explanatory variables for the state of audit quality, focusing on the relationship between company-specific and audit firm-specific factors that could mediate audit quality. In light of these studies, auditor tenure has become the focus of much debate. Should a firm replace its auditors regularly or should the auditor be allowed to build a long-term relationship with the client? The strategy carried out by the audit firm is subsequently expected to lead to client equality and the prevention of long relationships between the auditor and his client changing into a personal relationship. The audit firm's (auditors') total duration to hold their client or number of consecutive years that the audit firm (auditors) have audited the client's (Johnson, Khurana & Reynold, 2002). Auditor tenure has two aspects: the tenure of individuals engaged in the audit, particularly the engagement partner, and the tenure of the audit firm. Some studies on audit partner tenure find a positive association between audit partner tenure and audit quality measured by discretionary accruals (Chi, Huang, Liao & Xie, 2009).

Audit tenure refers to the length of time between the times auditor has served a client from the period of his initial engagement. Auditor Tenure as defined by Okunega, & Ediae, (2013) is the length of the auditor-client relationship. There are two opposing views on the effects of auditor tenure on earnings management (Enofe, Mgbame, Okunega, & Ediae, 2013). The first view is that a longer tenure enables the auditor to develop competence because decisions are based on extensive client knowledge developed over time; while the second view, the opposing view, is that it hampers independence because it enables an auditor gain so much familiarity and therefore likely to act in favour of management (Knechel & Vanstraelen, 2007). Adeyemi and

Okpala (2011) observed that a long auditor-client relationship may cause an alignment of both interests and thus reducing the likelihood of a truly independent behaviour of the auditor. Lengthy link between the auditor and his client may threaten unconventionality given developed familiarity. This may lead to less caution and compromise on the part of the auditor. Besides, a lengthy engagement may bring about less effort to signal the failings of internal control and risk sources (Okolie, 2014). Knapp (1991) established a linkage between audit tenure and competence.

2.1.3 Audit Fee

Audit fee is the aggregate amount in monetary terms received for a particular audit service. Audit fees are amounts paid to auditors for an audit assignment. It reflects the cost of the efforts expended by the public accountants and risks of litigation (Choi, Kim, Liu, & Simunic, 2009). Chersan, Robu, Carp, and Mironiuc (2012) view the audit fee as the sums payable/paid to the auditor, for the audit services offered to the auditee. Researchers like; (Okolie, 2014; Babatolu et al, 2016) suggest that the amount paid for an audit service could act as impediment for auditor independence arguing that higher audit fees will likely increase the economic bond between the auditor and the auditee, thereby impairing the auditor's independence (Fiitriany, Sylvia, &Viska, 2016; & Okolie, 2014)while audit firm that charges little fees might be influenced by the institution management who may decide to offer more money for the auditor to compromise his professionalism hence interfere with his independence.

Gap in Literature

Prior studies revealed that the relationship between audit independence and audit quality was observed to be inversely related and this could stimulate the discourse on the sensibleness of changing auditors after some time as it may be effective at increasing the level of audit quality.

For the other variables examined alongside tenure such Inas, Iman, Agus, Eka and Dyah (2019); Ogbeide, Okaiwele and Ken-Otokiti (2018) Babatolu, Aigienohuwa and Uniamikogbo (2016) revealed that mandatory audit rotation period (pre-period), there is no significant association between audit rotation and audit quality. Interestingly, from various empirical examined, most school of taught supported positive relationship between audit rotation and audit quality in the voluntary audit rotation (post-period). Inas, Iman , Agus, Eka and Dyah (2019); Ogbeide, Okaiwele and Ken-Otokiti (2018) Babatolu, Aigienohuwa and Uniamikogbo (2016) revealed that mandatory audit rotation period (pre-period), there is no significant association between audit rotation and audit quality. Aliu, Okpanachi, and Mohammed (2018) showed that there is a significant positive relationship between auditor's independence and audit quality. Chijoke, Emmanuel, and Nosakhare (2012); Ogbeide, Okaiwele, and Ken-Otokiti (2018); Babatolu, Aigienohuwa, and Uniamikogbo (2016) findings show that there is a significant negative relationship between audit firm tenure and audit quality. Ilaboya, and Ohiokha (2014) revealed that there is a negative relationship between auditor's independence, audit firm size, audit tenure, and audit quality.

However, some studies indicated a positive relationship while others showed contrary due to the design employed, sample size, data collection instruments, and analysis techniques used. Besides, most of the studies on auditor independence and audit quality were centered on foreign countries that cannot predict the activities of local firms that is the gap which this paper will bridge.

2.2: Theoretical Framework

Under this section, the under-listed relevant theory was used to explain the relationship that exist between auditors' independence and audit quality.

2.2.1: Agency Theory

The theoretical framework embedded in this work is agency theory, propounded by Jensen and Meckling (1976). They suggested a theory of how the governance of a company is based on the conflicts of interest between the company's owners (shareholders) and its managers. It is used to determine the impact of audit quality on the market prices of firms quoted on Nigerian Exchange Ltd. According to the agency theory, a company consists of a set of linked contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling these resources (Sarens & Abdolmohammadi, 2007). Jensen and Meckling (1976) stated that in agency theory, agents have more information than principals, and this information asymmetry adversely affects the principal's ability to monitor whether or not their interests are being properly served by the agents.

Relevance of the Theory

Sarens and Abdolmohammadi (2007) opine that agency theory assumption is that principals and agents act rationally and use contracting to maximize their wealth. A consequence of this is the moral hazard issue (Farouk & Hassan, 2014) since all available information is not known to the principals at the time a decision is being made by an agent. Thus, the principal fails to determine whether the agent's actions are in the best interest of the firm. To reduce the likelihood of the moral hazard corporate governance ensures the inclusion of auditing as an internal control and monitoring function. They stress the divergence of diffusion, separation of ownership and controlling such divergence demand monitoring. Therefore, numerous auditing processes will be needed to monitor the agent's actions in more diffused ownership structures (Farouk & Hassan, 2014).

The principal-agent association as shown in agency theory is important to understand how the role of an auditor has developed (Farouk & Hassan, 2014). Watts (1998) observes that auditing is considered as a bonding cost paid by agents to a third party to satisfy the principal's demand for accountability. Like any other cost of running the business, the cost of auditing is borne by principals to protect their economic interests. Louise (2005) stated that audits serve as a fundamental purpose in promoting confidence and reinforcing trust in financial information. Agency theory therefore, stresses a useful economic theory of accountability, which helps to explain the development of audit function and by extension the quality of an audit process.

Methodology

Research Design:

This study was ex-post facto in nature since it investigated the effects of independent variables on the dependent variable after occurrence and is most suitable for cost-effect studies.

Area of the Study

The study covered all the selected quoted food production companies in Nigeria. Food production companies were chosen because of their uniqueness in financial reporting disclosure requirements as non-financial firms. Data was collected from only secondary sources.

Population of the Study

The population of the study comprises of all the quoted food production companies listed on the Nigerian Exchange Ltd (NE) as of 31st December 2020. The companies are; Dangote Flour Mills Plc., Union Dicon salt, Nascon Plc., Dangote Sugar Plc, Unilever Nigeria, UTC limited, Flour Mills Nigeria Plc., Nestle Foods Nigeria Plc., Mchnichols limited, Honeywell flour Plc, Cadbury Nigeria Plc and Nigeria Breweries.

Sampling and Sample Size

The sample for the study was purposively drawn from the total of twelve (12) companies quoted under food production sub sector. The decision was premised on the classification of the firms as food products companies (based on the nature and description of activities) as shown on the Nigerian Exchange Limited (NE). The focus on part of food production sub-sector of consumer goods firms was to ensure uniformity and avoid the risk of bias from different levels of regulations associated with different sectors of the stock market. The study employed a variant of non-probability sampling, namely the purposive sampling technique and included all the firms in the food production sub sector into the sample. In addition, the sample excluded newly quoted companies that did not exist as at beginning of 2011 i.e. newly quoted companies with missing data points were left out as this will result in missing data for the period being studied. Old companies that have gone into extinction were also left behind. Finally, after much filtration, we were left with only 10 firms with adequate availability of data points.

Data and variables description

The study used audit tenure and audit fee as independent variables while audit quality was used as the dependent variable measured using audit firm size. One control variable was introduced which is firm size.

Table 1: Operationalization of Variables

Dependent Variable Audit Quality (AUDQTY)	Audit firm size, measured as a dichotomous variable 1 if a firm is audited by Big4 audit firms and 0 if otherwise. Inspiration drawn from prior studies like; Kanagaretnam, Krishnan, Lobo, and Mathieu (2011), Chen, Chen, Lobo, and Wang (2011) Ekwueme, Anichebe and Orjinta (2020).
Independent Variables: Audit Tenure (AUDTEN)	Length of auditor client relationship.(inspiration drawn from prior studies like Okolie; 2014; Ekwueme, Anichebe and Orjinta, 2020)
Audit fee (AUDFE)	Quantum of audit fees received (inspiration drawn from prior studies like; Okolie; 2014, Ekwueme, Anichebe and Orjinta, 2020)

Source: Researchers’ Conception (2021)

Model specification:

Multivariate analysis was used by modeling audit quality as a function of explanatory variable. The audit quality model used in this study is adapted from prior studies of Chen, Chen, Lobo, and Wang (2011) model while the auditor independence model was adopted from prior studies of Aliu et al. (2018). The model for this study was adopted from the work of Aliu et al. (2018) whose original model is stated functionally as follows:

$$AUDQ_{it} = \beta_0 + \beta_1 AUDFE_{it} + \beta_2 FSIZE + \beta_3 LEV_{it} \dots \dots \dots (1)$$

Our model modified and extended the model tested by Aliu, Okpanachi and Mohammed (2018) and panel least square was adopted for the purpose of hypothesis testing and was guided by the following linear model:

$$Y = F(X_1, X_2, X_3, X_4, X_5, X_6) \dots \dots \dots (1)$$

$$AUDQTY_{it} = F(AUDTEN, AUDFE, \dots \dots \dots (2)$$

$$AUDQTY_{it} = \beta_0 + \beta_1 AUDTEN_{it} + \beta_2 AUDFE_{it} + \epsilon_{it} \dots \dots \dots (3)$$

Where,

AUDQTY stands for Audit Quality

AUDTEN stands for Audit Tenure,

AUDFE stands for Audit fee,

Firm size was added as a control variable to caution the performance effect in the study.

Subscripts i denote number of firms, t denotes years or time-series dimensions ranging from 2011-2020, ε is the error term of the model capturing other unexplanatory variable and $\beta_0, \beta_1, \beta_2$, Stands for Regression model coefficients.

Method of Data Analysis

The information relating to the features of auditors' independence (audit tenure, audit fee) were used as independent variables and audit quality was used as dependent variable while firm size was used as control variable. Panel data multiple regressions (fixed and random effect regression) was used to analyze the causal relationship between auditors' independence and audit quality. All the variables were analyzed using Panel data multiple regression. Durbin Watson (DW) was employed to test the degree of correlation. A value of DW close to 2 indicates absence of auto-correlation in disturbance.

Decision Rule:

When the probability value is less than 5% – rejects null hypothesis (H_0) and accepts alternate hypothesis (H_1) but when probability value is greater than 5% – accepts H_0 and rejects H_1 all at 5% level of significance.

PRESENTATION AND ANALYSIS OF DATA

Table 2: Fixed Effect Regression Result

Cross-section random effects test equation:

Dependent Variable: AUDQTY

Method: Panel Least Squares

Date: 08/13/21 Time: 02:49

Sample: 2011 2020

Periods included: 10

Cross-sections included: 10

Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.349703	0.951591	3.520108	0.0007
AUDTEN	-0.143228	0.035142	-4.075697	0.0001
AUDFE	0.004768	0.017093	0.278978	0.7809

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.945574	Mean dependent var	0.620000
Adjusted R-squared	0.935855	S.D. dependent var	0.487832
S.E. of regression	0.123552	Akaike info criterion	-1.198661
Sum squared resid	1.282271	Schwarz criterion	-0.781834
Log likelihood	75.93304	Hannan-Quinn criter.	-1.029963
F-statistic	97.29248	Durbin-Watson stat	2.271815
Prob(F-statistic)	0.000000		

Source: Researcher's summary of regression result (2021).

Ho₁: Audit tenure has no significant effect on audit quality of quoted food production companies in Nigeria.

The regression result in table 4.3.2 above revealed that audit tenure has negative effect on audit quality of quoted food production companies in Nigeria with a negative coefficient value of 0.1432% and t-statistics value of 4.075 and a probability value of 0.0001 which is statistically significant at 1% level of significant. The study established that audit tenure has a statistically significant effect on audit quality ($\beta_1 = -0.1432$, $p = 0.0001 < \alpha = 0.05$). The value β_1 was negative showing that audit tenure has a negative effect with audit quality of listed food production firms in Nigeria hence when auditor length of service is elongated by one year, audit quality diminishes by 14.32%, indicating that the more time an audit firm spends with the client, the more auditor independence decreases, and the greater the possibilities of not maintaining audit quality.

Ho₂: Audit fees have no significant effect on audit quality of quoted food production companies in Nigeria.

Based on the regression result above, it was found that audit fee has a positive and statistically insignificant effect on audit quality having recorded a positive coefficient value of 0.0047 and probability value of 0.7809 ($\beta_2 = 0.0047$, $p = 0.7809$). The value β_2 was positive showing that

audit fee has a positive effect on audit quality of listed food production firms in Nigeria hence when audit fee increases by one naira, auditors independence is affected thereby audit quality rises by a non significant value of 0.0047 degree. This empirically validates the argument that higher fees may result in audit quality as the auditor will be induced to thoroughly examine his reports as a result of by higher amount of money he receives and this thereby increases audit quality.

Summary of Findings, Conclusion and Recommendations

Summary of Findings

Drawing from a sample of 10 selected food production companies quoted in Nigeria Exchange limited for ten fiscal years from 2011-2020 and using five independent variables (AUDTEN, AUDFE, CLIMP, PNAS and AUDEL). We discovered that:

- i. Audit tenure has negative and significant effect on audit quality of selected food production companies in Nigeria which was statistically significant at 1% level of significant having recorded a negative coefficient value of -0.1432% and a probability-value of 0.0001.
- ii. Audit fee has a positive and insignificant effect on audit quality of selected food production companies in Nigeria.

Conclusions

Reviewed literature generally accepted that a better standard of independence of auditors improves a robust audit efficiency that results in accurate financial reporting. Building from the literature reviewed, the independence of the auditor has significant association with the quality of the audit. It is crystal clear from the review that some studies like Ogbeide, Okaiwele and Ken-Otokiti (2018); Ekwueme, Anichebe and Orjinta (2020) indicated a positive relationship between

auditor independence and audit quality while others showed contrary due to the type of study design employed, sample size, data collection instruments and analysis techniques used. Nevertheless, this study discusses and theoretically explores the correlation between the independence of the auditor and its proxies (audit tenure, audit fee) and audit quality.

Recommendations

Based on the findings and conclusion of the study, the following recommendations were in line with global trends, professional accounting bodies, Financial Reporting Council of Nigeria, and the National Assembly should issue a codified and authoritative framework, guideline or standard for auditors' tenure in Nigeria. Again, long tenure of auditor should be discouraged while the maximum number of three years for audit firm tenure policy for auditors in Nigeria should be backed up by law and strictly enforced.

- i. Regulatory agencies in Nigeria should increase surveillance on audit practices with regards to fees charged.

References

- Adeyemi, S.B. & Okpala O. (2011). The Impact of Audit Independence on Financial Reporting: Evidence from Nigeria. *Business and Management Review*, 1(4), 9 – 25.
- Aliu, M. M. Okpanachi, J. & Mohammed N. A. (2018). Auditor's Independence And Audit Quality: AN empirical Study. *Accounting & Taxation Review*, 2(2).
- Arens, A.A., Elder, R. J., Beasley, M.S., & Fielder, B.A. (2011). *Auditing, Assurance Service and Ethics in Australia* (8th edition). Pearson Australia.
- Babatolu, A. T. Aigienohuwa, O.O. & Uniamikogbo, E. (2016). Auditor's Independence and Audit Quality: A Study of Selected Deposit Money Banks in Nigeria. *International Journal of Finance and Accounting* 2016, 5(1): 13-21.
- Chi, W., Huang, H., Liao, Y. & Xie, H. (2009). Mandatory Audit Partner Rotation, Audit Quality and Market Perception: Evidence from Taiwan. *Contemporary Accounting Research*. 26(2), 359 – 391.
- DeAngelo, L. E. (1981). Auditor Size and Audit Quality. *Journal of Accounting and Economics*, 3(3), 183-199.
- Dickins, D., Johnson-snyder, A.J., & Reisch, J.T. (2018). Selecting AN auditor for Bradco Using Indicators of Audit Quality. *Journal of Accounting Education*, 1(1).
- Dopuch, N. D., King, R. R., & Schwartz, R. (2001). An Experimental Investigation of Reputation and Rotation Requirements. *Journal of Accounting Research*, 39(1), 93-117.
- Egbunike, F. C., Egbunike, P. A., & Okafor, G. O. (2017). Audit Firm Attributes and Bank Failure in Nigeria. *International Journal of Economics and Business Administration*, 3(3), 20-31.
- Ekwueme, J. A., Anichebe, A. S. & Orjinta, H. I. (2020) External Auditors' Independence and Earnings Management of Consumer Goods Firms in Nigeria. *Journal of Accounting, Business and Social Sciences*, 3(3), 1-17
- Enofe, A.O., Mgbame, C., Efayena, O., & Edegware, J. (2014). Audit Firm Characteristics and Auditing Quality: The Nigerian Experience. *International Journal of Business and Economics Research*, 5(6), 23–34.

- Farouk, M.A, Hassan, S.U. (2014). Impact of Audit Quality and Financial Performance of Quoted Cement Firms in Nigeria. *International Journal of Accounting and Taxation* 2(2):1-22.
- Ghosh, A., & Moon, D. (2018). Auditor Tenure and Perceptions of Audit Quality. *Accounting Review*, 80(2), 585–612.
- Hoang Tien, N., Thuong, T. M., Minh Duc, L. D., & Hoang Yen, N. T. (2019). Enhancing Independence of Local Auditing Services by Profiting from Experiences of the Big4 Group (KPMG, Deloitte, PWC E&Y) Operating in Vietnam Market. *Cogent Business & Management*, 6(1).
- Hoopes, J.L., Merkley, K.J., Pacelli, J., & Schroeder, J.H. (2018). Audit Personnel Salaries and Audit Quality. *Review of Accounting Studies*, 23(3), 1096–1136.
- ICAS, (2014). Influence of Auditor Independence, Audit Tenure and Audit Fee on Audit Quality of Members of Capital Market Accountant Forum in Indonesia. *Procdia-Social and Behavioural Sciences*.164, 324-331.
- Johnson, V., Khurana, I., & Reynolds, J. (2002). Audit-Firm Tenure and The Quality of Financial Reports. *Contemporary Accounting Research*, 19(4), 637-660.
- Jensen MC, Meckling WH (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics* 3(4):355-375.
- Khan, S., Panatik, S.A., Saat, M.M., & Perveen, H. (2013). Auditors' Behavioral Intention Towards Dysfunctional Audit Behavior Applying Theory of Reasoned Action. *Jurnal Teknologi (Sciences and Engineering)*, 64(3), 153–158.
- Knechel, W. R. (2009). Audit Lessons From The Economic Crisis: Rethinking Audit Quality. Inaugural Lecture Delivered at Maastricht University on Friday, September 11.
- Lawrence, A., Minutti-Meza, M., & Zhang, P. (2011). Can Big 4 versus Non-Big 4 Differences in. *The Accounting Review*, 86(1), 259–286.
- Louise, M. (2005). The Effects of Auditor Independence on Audit Quality. Paper Presented at The Department of Accounting, Bowling Green State University.
- Masood, A., & Afzal, M. (2016). Determinants of Audit Quality In Pakistan. *Journal of Quality and Technology Management*, XII(II), 25–49.
- Okolie, A.O, (2014). Auditor Tenure, Auditor Independence and Accrual Based Earnings Management of Quoted Companies in Nigeria. *European Journal of Accounting Auditing and Finance Research* 2(2):63-90.

- Okolie, A.O, Izedonmi, F.I.O .(2014). The Impact of Audit Quality on The Share Prices of Quoted Companies in Nigeria. *Research Journal of Finance and Accounting* 5(8):150-166.
- Sarens, G, Abdolmohhamadi, M.J. (2007). Agency Theory as a Predictor of The Size of The Internal Audit Function in Belgian Companies. *Paper Presented at The Annual Congress of European Accounting Association* in Lisbon.
- Shen, C. H., &Chih, H. L. (2007).Earnings Management and Corporate Governance in Asia's Emerging Markets.*Corporate Governance: An International Review*, 15(5), 999-1021.
- Wakil, G. K., Alifiah, M. N. &Teru, P. (2020). Auditor Independence and Audit Quality in Nigeria Public Sector: A Critical Review.*Journal of Critical Reviews* ISSN-2394-5125 7(7), 39-61.