

Auditor's Independence and Audit Quality: A Study of Selected Deposit Money Banks in Nigeria

Babatolu Ayorinde Tobi^{1,*}, Aigienohuwa Osarenren Osasrere², Uniamikogbo Emmanuel³

¹Department of Accounting, Federal University of Agriculture, Abeokuta, Nigeria

²Department of Accountancy, Nnamdi Azikwe University, Awka, Nigeria

³Department of Accounting, Rhema University, Aba, Nigeria

Abstract The need to ensure reliable and high quality of audit work has largely focused on auditors independence to ensure an auditor is not too familiar with his client, because if an auditor is too familiar with his client it will jeopardize their integrity and in return impair their independent opinion. The objective of this study is to examine the effect of auditor's independence on audit quality of selected deposit money banks in Nigeria. The population of this study comprised of twenty (20) listed Deposit money banks in Nigeria. Purposive sampling technique was used to select sample size of seven (7) banks. Secondary Data was used and data were sourced from the audited annual report of the sample banks. The Data analysis techniques that were adopted for this study consisted of descriptive statistics, correlation and ordinary least square (OLS) regression. The study revealed that there is a positive relationship between audit fee, audit firm rotation and audit quality. There exist negative relationship between audit firm tenure and audit quality. The correlation between audit quality and leverage is strong, negative and statistically significant. The correlation between audit quality and company size is strong, positive and statistically significant. The study recommends that Auditor's independence should be strengthened by taking different measures to address the issues which could create threats for auditors. The measures will include, but not limited to regular rotation of auditors, reduction in the tenure of auditors and appropriate audit fees.

Keywords Audit quality, Auditors independence, Audit fee, Audit firm rotation, Audit firm tenure

1. Introduction

In recent times, research about the quality of audit report has increased tremendously, several factors has contributed to this fact, stemming from the growing importance of good corporate governance mechanism arising from highly publicized accounting scandals in Nigeria and across the globe. Many high profile corporate collapses, such as the case of world Com and Enron in the United state, have been traced to poor audit quality associated with a perceived lack of auditor independence. Recent reports of questionable accounting practices adopted by some companies in Nigeria have brought the issue of auditor's independence to the forefront, and putting the auditing profession credibility in doubt (Otusanya and Lauwo, 2010). As a result of all these questionable accounting practices engaged in by companies, auditors have been put under pressure to ensure that their reports is made up of assurance to investors whose funds are invested in those companies are properly accounted for.

In Nigeria at present, there are two recognized 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 by CAMA (2004) it is pertinent that every incorporated companies appoints an external auditor, who is required by law to give an independent opinion on the state of affairs of these corporations, whether or not they show a true and fair view of the financial health of the corporation. The company and allied matters act (CAMA, 2004) 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.

As posited by Knechel (2009), auditing and the audit process provide an evaluation of the probability of material misstatement and reduce the possibility of undetected misstatement to a reasonable or appropriate assurance level. Auditor's independence has been of serious concern not only to the end users of financial information but to the whole society in general. The need to ensure dependable and high quality audit work has largely focused on auditor's independence in order to ensure that an auditor is not too familiar with his client, because familiarity will jeopardize the integrity of the auditor and in turn impair their independent opinion as to the financial health of their client. Arrunda (2000), in his view shows that demand for auditing

* Corresponding author:

ayorinde.tobi@yahoo.com (Babatolu Ayorinde Tobi)

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services arose from the need to facilitate dealings between the parties involved in business relationships- shareholders, creditors, public authorities, employees and customers.

2. Objectives of the Study

The main objective of the study is to examine the relationship between auditor's independence and audit quality of selected deposit Money Banks in Nigeria. The study outlines the following specific objectives

- i) To investigate the relationship that exists between audit fee and audit quality
- ii) To examine the relationship that exist between audit firm rotation and audit quality
- iii) To find out the relationship that exists between audit firm tenure and audit quality

3. Literature Review and Hypotheses Development

The international audit and assurance Standard Board (IAASB), a sub-committee of the international federation of Accountant (IFAC) defined audit as an independent examination of, and expression of opinion on the financial statements of a business enterprise by an appointed auditor in accordance with his terms of appointment and in compliance with the relevant statutory and performance requirement. The audit report is the end product of every audit assignment that the auditor issues to its client company expressing his opinion on the true and fair view regarding an enterprise financial statement.

The statutory audit of companies is coded in the companies and allied matters Act, 2004, section 357 which deal with the appointment of an auditor by members at the annual general meeting (AGM). Section 359 of CAMA, 2004 outlined the statutory duties of an auditor to include: (i) the primary duty of the auditors of a company is to make a report to its members on the accounts examined by them, and on every statement of financial position and statement of comprehensive income, and on all group financial statements, copies of which are to be laid before the company in a general meeting during the auditors tenure of office; (ii) Schedule 6 of CAMA 2004 sets out those matters that must be expressly stated in the auditor's report.

Auditor's independence may be defined as an auditor's unbiased mental attitude in making decisions throughout the audit and financial reporting process. An auditor's lack of independence increases the possibility of being perceived as not being objective. This means that the auditor will not likely report a discovered breach (Deangelo, 1981). The major threats to auditor independence are the fees perceived by the auditor for audit and non audit services and the length of the auditor – client relationship. The impaired independence of an auditor result in poor audit quality and allows for greater earnings management and lower earnings

quality (Okolie, 2014). Auditor's independence may be impaired by auditor tenure. As the auditor client relationship lengthens, the auditor may develop close relationship with the client and become more likely to act in favour of management, resulting in reduced objectivity and audit quality.

Audit quality is an important issue that is considered by various interest groups in the company, 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. One of the most common definitions of quality audit, which is defined by Di Angelo (1981), 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.

4. Review of Empirical Literatures

The collapse of banks and corporation in Nigeria has drawn the attention of the public and regulatory agency to question audit quality. Banks in Nigeria are regulated by different agencies in Nigeria like: Central Bank of Nigeria (CBN), Banks and other Financial Institution Act (BOFIA), Securities and Exchange Commission (SEC) and so on.

Ilaboya and Ohiokha (2014), this study empirically examines the impact of audit firms' characteristics on audit quality. They proxy the dependent variable (audit quality) using the usual dichotomous variable of 1 if big 4 audit firm and 0 if otherwise. Data for the study were sourced from the financial statements of 18 food and beverage companies listed on the Nigerian Stock Exchange market within the period studied (2007-2012). They adopted multivariate regression technique with emphasis on Logit and Probit method in analyzing their data for the study. Their study revealed there is a positive relationship between firm size, board independence and audit quality whereas there is a negative relationship between auditor's independence, audit firm size, audit tenure and audit quality.

Chijoke, Emmanuel and Nosakhare (2012), examine the relationship between audit partner tenure and audit quality. They used Binary Logit Model estimation technique in analyzing the relationship between the tenure of an auditor and audit quality. Their findings reveal that there is a negative relationship between auditor tenure and audit quality though the variable was not significant. The other explanatory variables (ROA, Board Independence, and Director Ownership and Board size) considered alongside auditor tenure were found to be inversely related to audit quality aside from Returns on Assets which exhibited a positive effect.

Adeyemi and Okpala (2011), opined that an audit firm's tenure can result in a loss of auditor's independence. A long audit-client relationship could lead to an alignment of the auditor's interest and that of its client which makes truly independent behaviour of the auditor a probability. The

study concluded that audit firm rotation does not necessarily enhance audit independence in Nigeria. This could be due to the unity of professional attitude among auditors and similarity in cultural bias and orientation, or tenure may have significant effect on the audit quality.

Dopuch, King and Schwartz (2001) also examine the impact of auditor tenure on audit quality. The result is consistent with the hypothesis that the auditor compromises his independence most often in a long term auditor contract and suggests that after all auditor tenure may have significant effect on the audit quality.

Kabiru and Abdullahi (2012), they carried out an empirical investigation into the quality of audited financial statements of deposit money banks in Nigeria, using both primary and secondary data and from the population of 21 banks they select a sample of 5 banks comprises of First Bank, Zenith Bank, Union Bank, United Bank for Africa and Access Bank, all publicly quoted companies in Nigeria. They found that Independence of an auditor does significantly improve the quality of audited financial statements of money deposit banks in Nigeria. Compliance to auditing guidelines has positive and significant effect on the quality of audited financial statement of money deposit banks in Nigeria. Material misstatement does significantly affect the quality of audited financial statements of money deposit banks in Nigeria. They also found that audited financial statements of Nigerian money deposit banks, if re-audited by other independent auditors, will give the same result and conclusion.

Vanstraelen (2000) examines the effect of long-term audit client relationship on audit quality. The external user's perception of the audit report was used as the indicator for quality. Utilizing the logistic regression model, the study findings shows that long-term auditor client relationships is positively related with the increased likelihood of the auditor issuing an unqualified opinion. A significant difference was also found between the auditor's reporting behaviour in the first two years versus the last year of the audit mandate. This implies that auditors are more willing to issue an unqualified audit report in the first two years of their official mandate than in the last year of their mandate. The policy implications of Vanstraelen (2000) support mandatory auditor rotation to maintain the value of an audit for the external users.

Adeniyi and Mieseigha (2013), examined the effect of audit tenure on Audit Quality in Nigeria. A dummy value of 1 was used if a firm employ the services of any of the big 4 auditors and 0 if otherwise, tenure measured in terms of number of years spent as auditor for Sample company. If greater than 3, we assign 1, else 0, size measure as natural logarithm of total assets, return on Assets Calculated by dividing a company's annual earnings by its total assets, board Independence measured as the proportion of external directors on the board, board Size measured as the number of directors on the board, directors' ownership measured as the

percentage of ownership by directors.

Their study revealed that the relationship between tenure and audit quality was observed to be inverse and this could stimulate the discourse on the sensibleness of changing auditors after a period of time as it may be effective at increasing the level of audit quality. For the other variables examined alongside tenure such as board size, board independence and director ownership which are all proxy of the corporate governance were found to be inversely related with audit quality. Their study further reveal that return on assets have also been seen to be in line with prior studies while that of company size is at variance with prior study.

We hypothesize, based on the review of literature that:

H₀₁: There is no significant relationship between audit fee and audit quality.

H₀₂: There is no significant relationship between audit firm rotation and audit quality.

H₀₃: There is no significant relationship between audit firm tenure and audit quality.

5. Methodology

This paper adopted historical and descriptive research design. A panel data analysis was carried out considering the fact that the paper simultaneously combines cross sectional and times series data. The population of this study comprised the twenty (20) listed Deposit Money Banks in Nigeria. Purposive sampling technique was used to select sample size of seven (7) banks out of a population of twenty (20) quoted Deposit Money Banks in Nigeria over a period spanning between 2009 to 2013 accounting – year. Secondary Data was used for this study and the data were sourced from the audited annual report of the sample Deposit Money Banks in Nigeria. The Data analysis techniques that were adopted for this study consist of multiple regression using ordinary least square method of estimation (OLS) and correlation.

Model specification and measurement of variables

$$AUDQUA_{it} = \alpha_0 + \alpha_1 AUDFEE_{it} + \alpha_2 AUDFIMRO_{it} + \alpha_3 AUDTENURE_{it} + \alpha_4 LEV_{it} + \alpha_5 COYSIZE_{it} + e_{it}$$

Where;

AUDQUA = Audit Quality

AUDIN = Auditor Independence

AUDFEE = Audit Fee

AUDFIRRO = Audit Firm Rotation

AUDTENRE = Audit Tenure

Control variables

LEV = Leverage

COYSIZE = Company size

e_t = Error Term

α_0 = Intercept

Table 1. Measurement of variables

S/N	Variables	Definitions	Type	Measurement
1	AUDQUA	Audit Quality	Dependent	LOG of total number of staff in audit firm
2	AUDFEE	Audit Fee	Independent	Natural Log of the Audit Fees Paid by the company.
3	AUDFIMRO	Audit Firm Rotation	”	‘1’ if there is audit firm rotation and ‘0’ if otherwise.
4	AUDTENURE	Audit Tenure	”	Length of auditor-client relationship. ‘1’ if 3 yrs+ and ‘0’ if otherwise.
5	LEV	Leverage	Control	Total Debts /Equity.
6	COYSIZE	Company Size	”	Natural log of company Total Assets.

6. Presentation and Analysis

Descriptive Analysis

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
AUDFEE	35	7.90310	8.68840	8.2924200	.19821386
AUDFIMRO	35	0	1	.20	.406
AUDTENURE	35	.00000	1.00000	.3714286	.49024089
LEV	35	2.68170	11.43990	6.7547914	2.59702741
COYSIZE	35	11.24810	12.58780	12.0959629	.31559334
AUDQUA	35	2.42	2.97	2.8631	.18769
Valid N (listwise)	35				

Table 3. Result of correlation analysis of study variables

	AUDITORSFEE	AUDFIRRO	AUDTENRE	LEV	COYSIZE
Pearson Correlation	.487**	.224	-.152	-.542**	.631**
Sig. (2-tailed)	.003	.196	.382	.001	.000
N	35	35	35	35	35

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 2 contains the descriptive statistics of the study variables. The audit fee does not disperse too much away from the average audit fee of 8.2924200, as indicated by the standard deviation of .19821386.

There is also regular audit firm rotation, as the mean is .20, and the standard deviation is low at .406. The average audit tenure stand at .3714286, with a standard deviation of .49024089. The average leverage ratio of selected firm is 6.7547914; the average company size is 12.0959629.

Overall, all variables are well represented, with the computation of the minimum, maximum, mean and standard deviation.

Study of relationship - Correlation Analysis

The correlation between audit quality and audit fee is positive, strong and statistically significant ($r=.487$, $p \leq .003$). The positive relationship means that the quality of audit fee is dependent on the audit fee; the higher the audit fee, the more qualitative the audit work will be. There is also a 48.7%

relationship between the two variables. The relationship is significant at 1%, meaning we are 99% confident about the asserted nature of relationship between audit quality and audit fee

The correlation between audit quality and audit firm rotation is positive but somewhat weak strong and not statistically significant at 5% level of significance ($r=.224$, $p \leq .196$). The positive relationship means that the rotation of audit firms on a regular basis engenders audit quality, because regular rotation of auditors will help checkmate some of the threats to the independence of auditors which could adversely affect or jeopardize the quality of audit. There is also a 22.4% relationship between the two variables.

The relationship between audit quality and audit tenure is weak, negative but not statistically significant at 5% level of significance ($r=-.152$, $p \leq .382$). The negative relationship means that the shorter the tenure of the auditor, the more qualitative the audit is likely to be. Short audit tenure via the regular rotation of auditors should help checkmate some of

the threats to the independence of an auditor, thereby enhancing the audit quality. There is a 15.2% inverse relationship between the two variables - audit quality and audit tenure.

The correlation between audit quality and company leverage is strong, negative and statistically significant at 5% level of significance ($r = -.542$, $p \leq .001$). The positive relationship means that the higher the leverage level of the firm, the lower is the audit quality likely to be. There is also a 54.2% relationship between the two variables.

The correlation between audit quality and company size is strong, positive and statistically significant at 5% level of significance ($r = .631$, $p \leq .000$). The positive relationship means that the bigger the firm, the higher the quality of audit is likely to be. This may be unconnected to the fact that larger

sized firms (expectedly with wider spectra of stakeholders), can afford to pay auditors better which in turn implies that such auditors are likely to do more qualitative job, partly because of the large audit fee and partly because of the need to protect the interest of the wider stakeholder group in such large firms. The relationship is 63.1% strong, and we are 99% confident about the asserted nature of relationship between these two variables.

Study of relationship - Regression Analysis

Table 4 shows the ANOVA results of the model. The F statistics is 9.248, and the p value $\leq .0000$, meaning that the model is statistically significant at 5% significance level.

A visual inspection of the model significance is furnished in figure 1, generated from the SPSS (version 21) software.

Table 4. Model ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.736	5	.147	9.248	.000 ^b
Residual	.462	29	.016		
Total	1.198	34			

a. Dependent Variable: AUDQUA

b. Predictors: (Constant), COYSIZE, AUDTENURE, LEV, AUDFIMRO, AUDFEE

Model Summary

Target	AUDQUA
Automatic Data Preparation	On
Model Selection Method	Forward Stepwise
Information Criterion	-144.110

The information criterion is used to compare to models. Models with smaller information criterion values fit better.

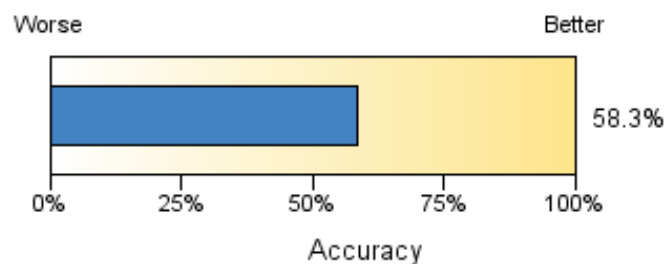


Figure 1. Model Summary for Audit Quality

The model has a 58.3% degree of accuracy. The model information criterion is also minimal (at -144.110), which proves the model fitness.

Table 5. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.784 ^a	.615	.548	.12617

a. Predictors: (Constant), COYSIZE, AUDTENURE, LEV, AUDFIMRO, AUDFEE

The summary of the model is presented in table 5. The coefficient of determination (R square) of .615 means that 61.5% of the audit quality is dependent on the combination of company size, audit tenure, leverage of client company, rotation of audit firm, and audit fee, while the remaining 38.5% (error term) is traceable to other factors that determine quality of audit, aside the variables specified in the model.

Table 6 contains the coefficients of the regressors. The constant, α_0 has an unstandardised beta coefficient of -1.185 (p value $\leq .244$).

Audit fee (AUDFEE) has a coefficient, α_1 , of .121 (p value $\leq .575$), confirming the strong, positive relationship between audit quality and audit fee, earlier established from the correlation analysis.

Audit firm rotation (AUDFIMRO) has a coefficient, α_2 , of .021 (p value $\leq .736$), confirming the positive relationship between audit quality and audit fee, earlier established from the correlation analysis.

Audit tenure (AUDTENURE) has a coefficient, α_3 , of -.006 (p value $\leq .909$), confirming the negative relationship between audit quality and audit tenure, earlier deduced from the correlation analysis in table 3.

Leverage ratio of firm (LEV) has a coefficient, α_4 , of -.032 (p value $\leq .002$), corroborating the negative relationship between audit quality and level of leverage of the firm, earlier deduced from the correlation analysis in table 4.5.

Size of firm (COYSIZE) has a coefficient, α_5 , of .270 (p value $\leq .050$). The coefficient is statistically significant at 5% level of significance, confirming the positive relationship from our correlation analysis between audit quality and size of the firm, observable in table 3.

We tested for collinearity using the tolerance and VIF statistics. The regressors each had tolerance coefficient less than 1.0; and a VIF coefficient less than 10.0 (table 5). Collinearity between a dependent and independent variable will exist if the tolerance and VIF coefficients exceed 1.0 and 10 respectively. Since the co-efficients for all the regressors are within the specified limits, we conclude that there is no collinearity between audit quality and each of the independent variables. Table 7 provides further analysis on the collinearity diagnostics.

By substituting coefficients of variables of table 4.10 in our model, the equation yields:

$$\text{AUDQUA} = -1.185 + .121 \text{ AUDFEE} + .021 \text{ AUDFIMRO} - .006 \text{ AUDTENURE} - .032 \text{ LEV} + .270 \text{ COYSIZE}$$

Table 6. Regression Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-1.185	.997		-1.188	.244		
AUDFEE	.121	.213	.127	.567	.575	.263	3.797
AUDFIMRO	.021	.060	.044	.341	.736	.785	1.274
AUDTENURE	-.006	.054	-.016	-.115	.909	.659	1.518
LEV	-.032	.009	-.441	-3.362	.002	.771	1.298
COYSIZE	.270	.132	.453	2.047	.050	.271	3.688

a. Dependent Variable: AUDQUA

Table 7. Collinearity Diagnostics^a for study variables

Model Dimension	Eigenvalue	Condition Index	Variance Proportions					
			(Constant)	AUDFEE	AUDFIMRO	AUDTENURE	LEV	COYSIZE
1	4.556	1.000	.00	.00	.01	.01	.00	.00
2	1.009	2.125	.00	.00	.42	.13	.00	.00
3	.351	3.605	.00	.00	.50	.65	.00	.00
4	.085	7.336	.00	.00	.00	.12	.90	.00
5	.000	118.885	.93	.04	.07	.08	.08	.14
6	8.691E-005	228.954	.06	.96	.00	.01	.02	.86

a. Dependent Variable: AUDQUA

Hypotheses Testing

Hypothesis 1

H₀: There is no significant relationship between audit fee and audit quality

In table 3 containing result of correlation analysis, the correlation coefficient ($r=.603$, $p \leq .000$) is positive and statistically significant at 5%. We therefore do not accept the null hypothesis but the alternate, H₁, that *there is a significant relationship between audit fee and audit quality*.

Hypothesis 2

H₀: There is no significant relationship between audit firm rotation and audit quality.

Result of correlation analysis in table 3 shows there is no statistically significant relationship between audit firm rotation and audit quality ($r=.224$, $p \leq .196$). The regressor coefficient of audit firm rotation (AUDFIMRO) in table 5 is not statistically significant ($\alpha_2 = .021$, $p \text{ value} \leq .736$), we therefore retain the null hypothesis, H₀, that *there is no significant relationship between audit firm rotation and audit quality*.

Hypothesis 3

H₀: There is no significant relationship between audit firm tenure and audit quality

Result of correlation analysis in table 3 shows there is no statistically significant relationship between audit firm tenure and audit quality ($r = -.152$, $p \leq .382$). The regressor coefficient of audit firm tenure (AUDFIMRO) in table 5 is not statistically significant ($\alpha_3 = -.006$, $p \text{ value} \leq .909$), we therefore retain the null hypothesis, H₀, that *there is no significant relationship between audit firm tenure and audit quality*.

7. Discussion of Findings

Stemming from the result of the analysis of this study, the findings showed that there is positive relationship between audit fee and audit quality and this indicate that audit quality is dependent on audit fee; the higher the audit fee, the more qualitative the audit work will be. The result is consistent with the studies of Craswel (2002), Frankel et al (2002) and Li et al (2005), they also agree that higher audit fees will increase the auditor's effort and result in a higher audit quality.

The relationship between audit firm rotation and audit quality is also positive and this signify that the rotation of audit firms on a regular basis engenders audit quality because regular rotation of auditors will help checkmate some of the threats to the independence of auditors which could adversely affect or jeopardize the quality of audit. Findings by Healy et al (2003), Carcello et al (2004), have also argued that rotation of audit firms is a way of improving audit quality. This is because familiarity with the client has the effect of reducing the fresh point of view auditors have in the early years of engagement.

There exist negative relationship between audit firm tenure and audit quality and this imply that the shorter the tenure of the auditor, the more qualitative the audit is likely to be. It is also in tandem with the findings of previous studies such as that of Chijoke et al (2012), Davis et al (2003) and Carcello et al (2004). The correlation between audit quality and company leverage is strong, negative and statistically significant at 5% level of significance and this indicate that the higher the leverage level of the firm, the lower is the audit quality likely to be. The correlation between audit quality and company size is strong, positive and statistically significant at 5% level of significance. The positive relationship means that the bigger the firm, the higher the quality of audit is likely to be. It is in line with the study of Ilaboya et al (2014).

8. Conclusions

The correlation between audit quality and audit fee is positive, strong and statistically significant ($r=.603$, $p \leq .000$). The positive relationship means that the quality of audit is dependent on the audit fee; the higher the audit fee, the more qualitative the audit work will be. The correlation between audit quality and audit firm rotation is positive but somewhat weak strong and not statistically significant at 5% level of significance ($r=.224$, $p \leq .196$). The positive relationship means that the rotation of audit firms on a regular basis engenders audit quality, because regular rotation of auditors will help checkmate some of the threats to the independence of auditors which could adversely affect or jeopardize the quality of audit.

The relationship between audit quality and audit tenure is weak, negative but not statistically significant at 5% level of significance ($r=-.152$, $p \leq .382$). The negative relationship means that the shorter the tenure of the auditor, the more qualitative the audit is likely to be. The correlation between audit quality and company leverage is strong, negative and statistically significant at 5% level of significance ($r = -.542$, $p \leq .001$). The positive relationship means that the higher the leverage level of the firm, the lower is the audit quality likely to be. The correlation between audit quality and company size is strong, positive and statistically significant at 5% level of significance ($r=.631$, $p \leq .000$). The positive relationship means that the bigger the firm, the higher the quality of audit is likely to be. This may be unconnected to the fact that larger sized firms (expectedly with wider spectra of stakeholders), can afford to pay auditors better which in turn implies that such auditors are likely to do more qualitative job, partly because of the large audit fee and partly because of the need to protect the interest of the wider stakeholder group in such large firms.

9. Recommendations

In order to make Nigerian Auditing firms more effective in their activities, so that they can continue to play their

appropriate roles in the growth and development of deposit money banks and the economy at large, the following measures are recommended for adoption and practice:

- Auditors of deposit money banks in Nigeria should live up to the expectations of their clients, their professional bodies, the laws of the land and the general public. These can be achieved by upholding the ethics of their profession as they observe ethical codes such as integrity, objectivity and confidentiality.
- It is also recommended that the auditor should be remunerated on the basis of work experience,

qualification, duration of the audit assignment, and background profile. The payment of the adequate fee will encourage the auditor to do the assurance engagement assignment according to the high degree of standardization expected.

- The professional bodies should always watch governmental actions and raise alarm on policies which could hinder smooth discharge of Auditors' responsibility, especially in the audit of deposit money banks in Nigeria.

Appendix 1. Data of Study Firms

BANKS	YEARS	AUDFEE	AUDFIRRO	AUDTENRE	LEV	COYSIZE
FCMB	2009	8.0597	0	0	2.6817	11.8031
	2010	8.1038	1	0	2.9964	11.7313
	2011	8.1133	0	0	4.1130	11.7794
	2012	8.2468	0	1	5.8821	11.9583
	2013	8.3810	0	1	6.0162	12.0036
GTB	2009	8.2447	0	0	4.4114	12.0280
	2010	8.4948	0	0	4.4114	12.0280
	2011	8.4555	1	0	4.4114	12.2065
	2012	8.5064	0	0	5.1208	12.2393
	2013	8.5255	0	1	5.3271	12.3228
ZENITH	2009	8.2041	0	0	3.9134	12.1231
	2010	8.3856	1	0	4.2124	12.2776
	2011	8.4048	0	0	4.9013	12.3667
	2012	8.5051	0	1	4.6258	12.4157
	2013	8.6232	0	1	5.1721	12.4974
UBA	2009	8.1953	0	0	7.2872	12.0929
	2010	8.3464	1	0	8.0160	12.2089
	2011	8.4928	0	0	10.4260	12.2884
	2012	8.4900	0	1	10.8094	12.3566
	2013	8.4713	0	1	10.2421	12.4220
DIAMOND	2009	8.2331	0	0	5.0879	11.9436
	2010	8.1717	0	0	4.5544	11.7744
	2011	8.1114	0	1	7.6112	11.9051
	2012	8.2045	0	1	9.8226	12.0712
	2013	8.2755	1	0	9.9385	12.1815
STERLING	2009	7.9058	0	0	9.5022	11.2481
	2010	7.9031	0	0	9.6099	11.4427
	2011	7.9031	0	1	11.3172	11.7028
	2012	8.0792	0	1	11.4399	11.7636
	2013	8.2553	0	1	10.1538	11.8499
FIRST	2009	8.2826	0	0	5.7349	12.4273
	2010	8.2856	1	0	5.7677	12.3627
	2011	8.2856	0	0	6.7688	12.4532
	2012	8.3997	0	1	6.9264	12.4952
	2013	8.6884	1	0	7.2051	12.5878

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