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Auditor Independence and Financial Statement Quality

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Abstract

This study investigates auditor independence and financial statement quality. The secondary source of data collection was adopted in the study where the purposive sampling technique was used to select a sample size of seventy-five (75) non-financial firms listed in the Nigerian Exchange Group. The ex-post factor research design was also used due to the fact that the variables cannot be manipulated by the researcher. Ordinary Least Square regression method was used to analyze the variables in this study using STATA. The findings revealed that audit tenure has significant effect on financial statement quality of listed non-financial firms in Nigeria and that joint audit has no significant effect on financial statement quality of listed non-financial firms in Nigeria. The study recommends among others that firms in Nigeria should endeavour to pay the right audit fee required in other to enable the engagement of audit firm that is independent from influence.

Keywords: *Financial Statement, Auditor Independence, Audit Fee, Audit Tenure, Joint Audit*

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Background to the Study

The placement of businesses as the primary actors in the economy is one of the effects of free trade that came about as a result of globalisation (Mercilina & Gina, 2020). This is related to the fact that governments and businesses must now prepare for the changes brought on by globalisation. In order for the corporation to reap the rewards of globalisation, Saputra (2015) claims that this development represents a shift in the external business environment. The demographic borders of a nation are no longer significant due to the free flow of commodities and services and a number of other production factors in the age of globalisation. Investors from different nations can now invest in other nations that offer higher returns by researching and evaluating the pertinent data prior to making an investment decision.

The financial report is one of the key records used as information sources. Financial statements' primary goal is to help decision-makers assess a company's financial health, profitability, and prospects for the future. The main goal of creating financial statements is to offer data that can be used to make decisions about the economy. Therefore, the importance of creating financial statements that investors can believe in cannot be overstated. The audit of financial statements is required, especially for businesses that are incorporated as limited liability corporations, to verify that those statements can be believed. Financial statements are typically used to hold the management of a company, which is chosen by the shareholders, accountable for the money used in that management.

According to Saputra (2015), an audit must be carried out with due consideration for quality if it is to live up to the reasonable expectations of the users of audited financial statements. The audit business must resist the urge to sacrifice quality in order to reap financial rewards. Greater regulation of the profession has been implemented in many nations in order to guarantee high audit quality and restore public investor confidence in corporate financial reporting. Additionally, the numerous financial collapses have had a huge impact on the global regulatory landscape, which calls for a reaction.

According to Marnet, Barone, and Gwillian (2019), audit independence refers to an auditor's objective mental attitude when making judgements related to the audit and financial reporting. For auditors, the concept of independence is quite specialised. Independence refers to the trait of being free from influence, persuasion, or bias with a goal of upholding the highest ethical standard for the accounting profession. In addition, an independent auditor is expected to remain impartial towards the client being audited and to present an impartial front to those who would be depending on the audit's findings. The ability of the auditors to maintain an impartial and objective mental attitude throughout the audit is referred to as auditor independence. The value of audit services will be significantly reduced in the absence of independence (Abdollahiebli, 2018), and as a result, if an auditor lacks independence, there is a greater chance that this will be viewed as them having fewer objectives and less motivation to disclose a breach. Financial statements are supplied with a lower level of audit quality when independence is compromised (Holm & Thinggaard, 2018). In other words, if the auditor is not independent, there is less motivation to conduct a high-quality audit because errors won't be revealed even if they are discovered. In Nigeria, there have been a number of audit failures, some of which have resulted in the restatement of financial statement data. The degradation of the auditor's independence could be suspected to be a significant contributing element, even though this has not been confirmed by any thorough inquiry (Mercilina & Gina, 2020).

Although the "Big4" audit firms and other interest groups opposed its mandatory implementation as advocated by ICAN and the Financial Reporting Council of Nigeria (FRCN), it has remained a voluntary practise as they wished. In Nigeria, the culture of joint audit is also not a recent development. As a result, shareholders and publicly traded companies that think it appropriate hire multiple audit firms to review their financial accounts (Jinadu, Ojeka, & Agbeyangi, 2015). The widespread academic research interest in the idea of joint audit and its effects on adopting firms has been sparked by the growing implementation of joint audit by various countries and the controversy surrounding making it a requirement for publicly listed companies in Nigeria. The oligopolistic nature of the audit market, for instance, is rapidly driving Nigeria's smaller audit companies out of the market for audit services (Anil, 2016).

It is crucial that the work is carried out with due consideration for audit independence in order to conduct an audit in a way that fulfils the reasonable expectations of users of audited financial statements. To obtain financial or non-financial benefits, the audit firm and the auditor must not be compromised, nor must they sacrifice quality. The background for improvements in audit independence and quality control is the reduction in confidence in financial reporting and auditing brought on by company failures and audit failures in a number of nations, including Nigeria. Greater regulation of the industry as a result has been implemented in an effort to rebuild investor and public confidence in corporate financial reporting. Hence, this study fills these gaps by examining the auditor independence and financial statement quality. However, the results from this study will be useful for the users of audited financial statement and regulators as a feedback to enhance audit quality in Nigeria. It will broaden extant literature on audit quality in Nigeria and assist policy maker in formulating and administering pragmatic policy to improve audit quality in Nigeria audit setting.

Literature Review and Hypotheses Testing

Financial Statement

Financial statements are summaries of a company's financial performance and condition at a specific point in time that are prepared by management. A balance sheet, income statements, a statement of owner's equity, and a statement of cash flows often make up a general-purpose set of financial statements. These financial statements are generated to provide customers outside the company with more information about the company's financial positions, such as creditors and investors. These statements and others must be timely submitted to regulatory agencies by publicly traded corporations as well. For the majority of decision-makers, financial statements serve as their primary source of financial information. The credibility, accuracy, trustworthiness, and relevance of the information on these financial statements are therefore highly valued in financial accounting and reporting (Ugwu, Aikpitanyi, & Idemudia, 2020).

According to Ndubuisi and Ezechukwu (2017), the immediate function of audit independence is to benefit the audit by improving the assurance it offers that the auditor will plan and carry out the audit objectively. Therefore, it is necessary to look for the audit independence's bigger goal and objective. On the other hand, Mitra, Deis, and Hossain (2019) claim that increasing information dependability is the immediate goal of an audit. The danger that an investor or creditor may choose poorly because of erroneous or otherwise subpar information is decreased as corporate disclosure becomes more reliable. Care should be given when doing an audit assignment since risk information is always present whenever an investor or creditor utilizes information to evaluate the economic risk of a possible investment.

Auditor Independence

The major method of communication between auditors and the stakeholder in the organisation is the audit report. Financial reports should be objectively created and audited by an independent and neutral organisation, typically independent external auditors, given the growing interest in financial reports and the degree to which investors and stakeholders can trust them. When a company's financial statements and position are continuously regarded as reliable and credible by investors and other parties with an interest in its business activities, this is referred to as having a reliable audit report. Reliable audit reports also demonstrate whether the accountants had good reason to believe that the business will survive. Additionally, they demonstrate how accurately and reasonably free from bias accounting reports are. Therefore, it implies that for the audit report to be dependable, it must give investors enough information about the dependability and accuracy of the accounting reports so they can decide how much reliance to place on the report when making investment decisions (Hussaini, Noor & Hasnah, 2018).

The greater the quality of the information creditors and investors use to evaluate economic risk, the greater the likelihood that they will come to wise conclusions. Their information risk is therefore smaller. The cost of capital for the firms reflects this information risk as considered by creditors and investors. Reliable corporate transparency benefits both capital providers and capital consumers. According to Knechel, Krishman, Pevzner, Shechik, and Velury (2012), theory and practice both recognise how audit independence improves the trustworthiness of information used to make investment and credit decisions. Deterrence, detection, and verification are used to audit work. Management is discouraged from falsifying the financial figures by the knowledge that auditors will carry out their duties. However, the vast majority of distortions that do happen are typically caught by auditors, and the dependability of undistorted information is demonstrated by chosen tests that validate it. According to research by Asthana, Khurana, and Raman (2018), auditing increases the dependability of the financial data that investors rely on to make decisions. More trustworthy information has an impact on reported results, which are important to investors. Additionally, if the metrics utilised more closely mirror the substance of the bank's financial performance, earnings per share is more likely to indicate corporate earning capacity. If financial reports reflect corporate earning power, investors are more likely to place their money in the most productive businesses than if they do not.

According to Camillus and Celestine (2021), there are two ways to explain the independence of the auditor: (i) independence of the intellect, and (ii) independence of appearance. The authors contend that having independence in mind permits the audit to be conducted objectively because it represents the auditor's mental state. It is consistent with a long-standing requirement that statutory auditors be truly independent. The result of other people's perceptions of what independence should genuinely be is independence in appearance. If auditors are actually independent but consumers mistakenly assume they are representing their client, the audit function will lose the majority of its usefulness. The audit report serves as the auditors' first point of contact with the corporate stakeholders. Reports from audits should be written with objectivity. Given the increased interest in financial reports and the likelihood that investors and other stakeholders would place their trust in them, financial statements should be audited by a neutral, impartial organisation. The independent external auditors typically serve as this impartial entity.

Audit Fee and Financial Statement Quality

The amount the auditor charges for completing an audit assignment is known as the audit fee. This refers to the fee the auditor charges for any work performed to provide an opinion on the true and fair condition of things or position of the client's business. According to Wakil, Alifiah, and Tijjan (2019), an audit fee is the cost a public accountant charges a client for financial audit services. This is in line with The Securities and Exchange Commission's Final Rule, which states that the audit fee refers to the costs associated with yearly reviews and audits of financial statements for the most recent fiscal year. The complexity of the services, assignment risk, the pricing structure of the public accounting firm, the required level of skill, and other professional factors can all affect the audit fee amount.

The payment collected from a client upon completion of the audit service is known as the audit fee. It is the fee the auditor requests for the client's audit assignment. According to Olaoye, Aguguo, Safiriyu, and Abiola (2019), the total of audit fees represents the whole cost of the auditor. According to Mercilina and Gina (2020), the fee amount varies according to the size of the auditee and the complexity of the auditing process. This agrees with Turley and Willikens' (2018) assertion that audit fees are determined by three composite elements, including complexity, client size, and associated risk. Audit fees are the compensation given to auditors that take into account the expense of the work done by the public editors and the likelihood of litigation.

More specifically, Carmona, Momparler, and Lassala (2015) investigate the connection between audit fees and audit quality of Spanish listed companies. They demonstrate a negative and significant relationship between audit fees and discretionary accruals. This suggests that higher financial reporting quality and smaller discretionary accruals are connected to higher audit price.

Asthana, Khurana, and Raman (2018) investigate audit quality and fee competitiveness among the Big 4 auditors in the US. They demonstrate the importance of fees contests as a strategy for raising audit quality in the highly competitive US audit industry. In the same vein, Knechel et al. (2012) look at how trust and community cooperation affect audit fees in various nations throughout the world. They show that nations with greater levels of trust and community cooperation are more likely to spend money on a thorough audit and ask for more expensive auditing services. They contend that nations with better levels of mutual trust and community collaboration pay more audit fees in order to obtain higher levels of assurance. This supports the idea that nations with higher levels of extensive trust or stronger levels of public cooperation pay more for auditing services and are therefore willing to pay higher audit fees.

The effects of audit quality on the financial performance of each of the 15 DMBs listed in Nigeria from 2011 to 2017 were explored by Ugwu, Aikpitanyi, and Idemudia in 2020. Audit firm size, joint audit, and audit fee are employed as independent variables, and ROA, a proxied measure of financial performance, is used as the dependent variable. We used secondary data that was taken from the listed DMBs' financial statements. Ex-post facto and correlational research designs were used in the study, and multiple regressions were used to analyse the data. The study found a strong and positive correlation between audit firm size and ROA, a significant and negative correlation between joint audit and ROA, and a significant and negative correlation between audit fee and ROA. The study consequently suggests that regulatory agencies aim to make joint audit mandatory and that any firms who disobey should face sanctions as joint audit demonstrated a substantial relationship with firm performance in this regard. Since audit firm size has a favourable and considerable impact on company performance, the study also makes this recommendation. Because the majority of DMBs used the services of the larger audit firms, smaller audit companies should be supported because they are likely to complete an audit assignment in a more thorough manner.

The relationship between the credibility of audited financial statements in Nigeria and the independence of the external auditor was established by Ezuwore-obodoekwe and Elias in 2020. The study specifically aims to determine (i) whether the integrity of the external auditor and the credibility of audited financial statements in Nigeria are significantly correlated, and (ii) whether the credibility of audited financial statements in Nigeria is significantly correlated with an objective approach to the external audit process. The data was analysed using the Chi-squared method and a survey study methodology. 150 users of audited financial accounts in Enugu State completed a well-structured questionnaire to provide the data for this study. The study's findings indicate a strong correlation between the integrity of the external auditor and the reliability of the audited financial statements in Nigeria. The study also reveals a strong relationship between the reliability of audited financial statements in Nigeria and an objective approach to the external audit process. It suggests that various actions be taken to strengthen the independence of auditors, including a shortening of auditor tenure, regular auditor rotation, and reasonable audit fees.
Hypothesis 1: Audit fee has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

Audit Tenure and Financial Statement Quality
The duration of the relationship between the customer and the auditor is known as the audit

tenure. Typically, the question of auditor independence and tenure is related. According to research by Mercilina and Gina (2020), audit quality rises as audit tenure rises. This result, however, conflicts with those of a study conducted by Abdollahiebli (2018), which found that as the length of the auditor-client relationship lengthens, the quality of the audit may decline because an excessively long auditor-client relationship compromises the independence of the auditor. Additionally, the audit quality declines over time as the distance between the auditor and the customer increases. Hussaini, Noor, and Hasnah's (2018) findings that lengthier audit partner tenure is associated with decreased inclination to give a going-concern report support this conclusion. The going-concern report study in the US, however, indicates that audit reporting failures are substantially more common in the initial years of the auditor-client relationship. Financial reporting quality is impacted by the duration of the audit firm and audit partners.

The goal of mandatory audit firm rotation is to avoid the tight contact between the auditor and clients, which may result in accounting fraud and misstatements. There are numerous ways that the rotation might take place. First, corporations can choose to freely change their auditor, albeit the motivations for this type of rotation are murky because the firms themselves withhold this information. Audit failures including fraud, financial distress, shareholder discretion, and auditor inefficiency are usually associated with voluntary changes in auditors. Second, an audit firm must conclude its tenure with its existing auditor after a predetermined number of years due to required rotation. The quality of financial reporting is impacted by the audit firm's rotation in both positive and negative ways (Monroe & Hossain, 2013).

The Sarbanes-Oxley Act of 2002 mandated the required rotation of audit firms at least once every five years in response to the prevalence of accounting crises over the previous ten years. The mandatory rotation of audit firms is likewise mandated in a number of other nations. However, Pakistan does not have any laws requiring the rotation of audit firm tenures. In order to comprehend the influence of auditor tenure, the current study further examines the factors that affect the quality of financial reporting. In particular, this study offers a thorough explanation of the relationship between accrual-based profits management actions and audit firm tenure in a specific nation, such as Pakistan. Regulators can utilize the findings to keep an eye on potential earnings management efforts.

The effect of audit firm tenure on the quality of financial reporting for listed industrial businesses in Nigeria was examined by Camillus and Celestine in 2021. The study used a panel data ex post facto research design. As of 2020, there were forty-five (45) quoted manufacturing companies in Nigeria that were listed on the Nigerian Stock Exchange (NSE). According to the study, there is little correlation between long-term audit firm tenure and the quality of financial reporting for listed businesses in Nigeria, i.e., long-term audit tenure has little bearing on discretionary accruals. Therefore, it was suggested that if the ultimate goal is to increase the quality of profits, legislators should exert more effort to control "audit firms" as opposed to "auditors".

In order to ascertain the effects of the factors on independence, Wakil, Alifiah, and Tijjan (2019) studied the literature on auditor independence as well as the factors affecting independence. Data were gathered for the study using secondary sources, including books, journals, and online resources, using a desk system of research design. According to the review's findings, non-audit services, audit tenure, auditor-client relationships, and client importance are the most often stated concerns to auditor independence.

Hypothesis 2: Audit tenure has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

Joint Audit and Financial Statement Quality

In a joint audit, two independent audit firms collaborate to provide a company with a single audit opinion. The term "joint audit" was also used by Anil (2016) to describe "an audit on a legal entity (the auditee) by two or more auditors to produce a single audit report, thereby sharing responsibility for the audit." In general, a joint audit is when many audit firms collaborate to examine the financial statements of a certain legal entity with the aim of producing a single audit report. The above-described collaborative act in professional audit practice exemplifies the idea of "Joint Audits" (Gatawa, 2015). Therefore, in a joint audit, both audit firms bear shared liability in the event that the audit is unsuccessful as well as joint responsibility for carrying out the complete audit assignment and sharing the associated rewards in an agreed-upon proportion (Abdollahiebli, 2018). As it is sometimes remarked, "two heads are better than one," proponents of joint audit, like the European Commission (2010; 2014), believe it would increase the likelihood of finding errors and enhance audit quality by improving audit evidence precision. As it would be challenging for the client to jointly create economic ties with two distinct audit companies, they also feel it would increase auditor independence (Lobo, Paugam, Zhang, & Casta, 2017). Others, including Okaro (2018), agree that it would lessen the dominance of the Big 4 audit firms in the audit market while also reducing biases that could skew auditor judgement (Marnet, Barone, & Gwillian, 2019). The opposition, however, claims that joint audit would result in exorbitant audit cost increases without appreciable audit quality improvements and could also lead to a free-riding issue amongst the audit firms.

Mercilina and Gina (2020) looked at how joint audits affected the audit delay, auditor independence, and audit fees—three different proxies for audit quality. The study used secondary data that was taken from the annual reports of 63 firms over a 5-year period (2014-2018) that were listed on the Nigerian Stock Exchange (NSE). To account for the three audit quality proxies, three panel regression models were created. Firm size, complexity, and risk were also added as control variables to each equation. Only firm size and firm complexity significantly influenced audit delay (negatively) and audit fees (positively) in relation to the three control variables, while firm risk was negligible in both of the models. In order to balance the audit market concentration between the Big4 and the smaller audit firms in Nigeria, the research makes several recommendations, including that businesses rethink their position on hiring joint auditors.

From 2010 to 2016, Tom and Ying (2018) investigated the impact of audit quality on a firm's financial performance in China. The study employed Return on Investment as a dependent variable and audit size, audit fee, and leverage as independent factors. Multiple regression was used to analyse the secondary data used in the study. It was discovered that leverage is negatively and insignificantly connected to ROI while audit size and audit fees are positively correlated with ROI, however the association is not significant at typical firms.

Hypothesis 3: Joint audit has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

Theoretical Framework and Model Specification

There are many theories (phileman theory, Agency theory Stephen Ross and Barry Mitnick in 1973, Signaling theory Micheal Spence (1973), Game theory John Von Neumann and Oskar morgensern in the 1940', that are relevant to this study. But this study is hinged on the game theory because the auditors who are the players within the game that is joint, and arrangement thinks rightly but ensure that they got their maximum benefits in their audit engagement.

The secondary source of data collection was used for this study where data was gathered from audited annual reports of selected non-financial firms listed on the Nigeria Exchange Group (NGX). However, for the purpose of this study, 10 years (2011 – 2020) annual reports of the 75 selected non-financial firms were adopted. The basic criteria of selecting these firms are the capitalization prowess and their specialization on industrial sector. In selecting the sample, purposive sample technique was used to derive the sample size. The purposive sampling was used to ensure that the sample represents a diversity of perspectives.

Model Specification

The study employed multiple regression technique of analysis using Least Squares regression estimation. This method was adopted because it enhances easy presentation and interpretation of data.

The empirical model of the study is mathematically expressed as follows;

$TMLN_{it} = \beta_0 + \beta_1 AUDF_{it} + \beta_2 JOTA_{it} + \beta_3 AUDT_{it} + \varepsilon_{it}$

Where;

B_0	=	Constant
B_1- β_3	=	Coefficient of parameters estimated
TMLN	=	Timeliness (Proxy for financial statement quality)
AUDF	=	Audit fee
JOTA	=	Joint Audit
AUDT	=	Audit tenure
ε_{it}	=	Error term

Result and Discussion

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max	Pr(Skewness)	Pr(Kurtosis)	Prob>chi2
TMLN	743	112.2083	81.50734	28	934	0.0000	0.0000	0.0000
AUDF	743	4.100661	.5867175	2.301	5.842	0.0142	0.0285	0.0062
JOTA	743	.0291777	.1684161	0	1	0.0000	0.0000	0.0000
AUDT	743	.7729084	.4192308	0	1	0.0000	0.0585	0.0000

Source: Researcher's Computation Using STATA

Table 1 presents the summary of the descriptive statistics for the dependent and independent variables for seven hundred and forty-seven (743) observations. It shows that timeliness measure has a mean value of about 112.2 and a standard deviation of about 81.507. The maximum value of the variable is 934 while the minimum is 28. The maximum values for all other variables are 5.842, 1 and 1 the minimum for all the variables are 2.301, 0 and 0 respectively.

For audit fee, mean value was 4.1006 and standard deviation of 0.5867. The corresponding values for the others are: Audit tenure, 0.7727 and 0.4192 respectively; joint audit, 0.0292 and 0.1684 respectively. The p-values of the skewness and kurtosis statistics show that nearly in all the cases the data are judged to be normally distributed at 5% level of significance.

Table 2: Correlation Matrix

	TMLN	AUDF	JOTA	AUDT
TMLN	1.0000			
AUDF	-0.1324	1.0000		
JOTA	-0.0529	0.1822	1.0000	
AUDT	0.0438	-0.0171	0.0006	1.0000

Source: Researcher's Computation Using STATA

Table 2 shows that there are mixed correlations between the various variables used in the study. The table shows positive correlation between timeliness measure and audit tenure while the measure and the other variables are negatively correlated. The table shows that no two of the explanatory variables are perfectly correlated or nearly so. Thus, the problem of multicolinearity is absent in this model.

Table 3: Regression result

Variable	OLS Regression	ROBUST Regression
AUDF	-17.57(0.001)	-1.7510(0.001)
JOTA	-14.41(0.418)	-0.6251(0.009)
AUDT	8.0835(0.253)	-0.8437(0.074)
_cons	178.49(0.000)	94.0526(0.000)
F-Stat	5.06(0.0018)	1.02(0.0042)
N	743	743
VIF	1.08	
Heteroscedasticity	149.64(0.0000)	
R-Squared	0.0201	
Adj R-Squared	0.0161	

Source: Researcher's Computation Using STATA

Table 3 shows that the explanatory variable does not account for much of the systematic variations in the dependent variable. The table shows very moderate value of R-squared of 0.0201. This moderate value of the R-squared statistic suggests that there are many other variables in explaining changes in the dependent variable. For the model, the p-value of the F statistic (0.0018) shows that the model overall is suitable for estimating the stated model. The VIF test (1.08) shows that there is the absence on multi-colinearity and so there is no need to drop any variable. Also, the heteroscedasticity is 149.64 with p-value of 0.0000, showing that there, significant heteroscedasticity problem and so the need for a robust regression.

Hypothesis One

H_o: Audit fee has no significant effect on financial statement quality of listed non-financial firms in Nigeria

Computation

The test statistic is computed by STATA software and the results are as shown in Table 4.

Table 4: Regression Results on Audit fee and financial statement quality

Variable	Coefficient	p-value
AUDF	-1.7510	0.001

Source: Extracted from STATA Computations

Decision

With a coefficient of -1.7510 the results indicate that Audit fee negatively impacts return on assets, while the probability value of 0.001 indicates that the negative impact is significant. This leads to the rejection of the null hypothesis, thus acceptance of the alternate hypothesis that Audit fee has a significant impact on financial statement quality of listed non-financial firms in Nigeria, and the impact is negative.

Hypothesis Two

H_o: Audit tenure has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

Computation

The test statistic is computed by STATA software and the results are as shown in Table 5

Table 5: Regression Results on Audit tenure and financial statement quality

Variable	Coefficient	p-value
AUDT	-0.6251	0.009

Source: Extracted from STATA Computations

Decision

With a coefficient of -0.6251 the results indicate that Audit tenure negatively impacts financial statement quality of listed non-financial firms in Nigeria, while the probability value of 0.009 indicates that the negative impact is significant. This leads to the acceptance of the alternate hypothesis, thus the rejection of the null hypothesis. The researcher accepts that Audit tenure significantly impacts firm financial performance of listed non-financial firms in Nigeria.

Hypothesis III

H_o: Joint audit has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

Computation

The test statistic is computed by STATA software and the results are as shown in Table 6.

Table 6: Regression Results on Joint audit and Financial Statement Quality

Variable	Coefficient	p-value
JOTA	-0.8436	0.074

Source: Extracted from STATA Computations

Decision

With a coefficient of -0.8436 the results indicate that Joint audit positively impacts financial statement quality of listed non-financial firms in Nigeria while the probability value of 0.074 indicates that the positive impact is not significant because it is more than 0.05. This leads to the acceptance of the null hypothesis, thus rejecting the alternate hypothesis. The researcher accepts that Joint audit does not significantly affect financial statement quality of listed non-financial firms in Nigeria. The results indicate that almost all the variables are significantly normally distributed at 5% level of significance. The correlation matrix indicates the variables have mixed relationships. The results also indicate the absence of multi-colinearity.

Essentially, the findings of the study are with a coefficient of -1.7510 the results indicate that Audit fee negatively impacts return on assets, while the probability value of 0.001 indicates that the negative impact is significant. This leads to the rejection of the null hypothesis, thus acceptance of the alternate hypothesis that Audit fee has a significant impact on financial statement quality of listed non-financial firms in Nigeria, and the impact is negative. The result agrees with consistent with the findings of Ugwu *et al.* (2020) and Hussain *et al*. (2018) but was not consistent with the findings of Abdul-Rahman *et al.* (2017). This inconclusiveness may have resulted from the existence of varying degrees of institutional backdrops.

Similarly, with a coefficient of -0.6251 the results indicate that Audit tenure negatively impacts financial statement quality of listed non-financial firms in Nigeria, while the probability value of 0.009 indicates that the negative impact is significant. This leads to the acceptance of the alternate hypothesis, thus the rejection of the null hypothesis. The researcher accepts that Audit tenure significantly impacts performance of listed deposit banks in Nigeria, and that such effect is negative. The result agrees with the findings of Camillus and Celestine (2021), Wakil *et al*. (2019) but not consistent with the findings of Olaoye *et al*. (2019).

And, with a coefficient of -0.8436 the results indicate that Joint audit positively impacts financial statement quality of listed non-financial firms in Nigeria while the probability value of 0.074 indicates that the positive impact is not significant because it is more than 0.05. This leads to the acceptance of the null hypothesis, thus rejecting the alternate hypothesis. The researcher accepts that Joint audit does not significantly affect financial statement quality of listed non-financial firms in Nigeria. The result agrees with the findings of Tom and Ying (2018) but not consistent with the finding of Sylvester and Eyesan (2017). This might have been as a result of using different industrial sectors.

Conclusion and Recommendations

It is clear that auditors' independence is fundamental to the credibility of the financial statement. The opinion of the auditor is what the users of financial statement use in making their decisions. For appropriate decision to be made the auditor's report has to be one that is void of bias or manipulation. In order to be able to do this efficiently the auditor should be discouraged from providing non audit services.

An auditor does not have primary responsibility for the prevention of fraud but provides an approach that an auditor should follow when conducting an audit. It states that when planning and performing an audit procedures, reporting and evaluating the procedure thereon, the auditor must consider the risk of material misstatement in the financial statement resulting from error and fraud. As for a moral perspective, auditors are professionals, with professional obligations to the public. They should not engage in any activity that appears to impair their effectiveness as professionals, regardless of the totality of their incentives. Professionals are presumed to do things because of their professional duties, not because of their best interests. In incentives right or wrong is concentrated. Morally, some seem to believe that it is wrong for an auditor if "appear" not to be independent. Intrinsic ethical concentration is an influencing factor to consider on a moral view the nature of the moralistic analysis that support the enhancement of the audit independence and have significant to the auditor's role to play auditors' primary duty to protect the public interest and the necessity to use judgment in fulfilling this duty.

The following recommendations are hereby made:

i. Firms in Nigeria should endeavour to pay the right audit fee required in other to enable the engagement of audit firm that is independent from influence. This will enhance the degree of confidence in the reported financial statement and in turn create a high level of reliability on the financial reports by investors.
ii. A well-defined standard sanctioned by law should be put in place to regulate auditors' tenure in Nigeria. This will further strengthen mandatory audit rotation in Nigerian firms.
iii. Managers should be corporate with auditors in an independent manner so as to ensure the publication of financial reports of the firm on time which will enhance and facilitate prompt investment decision as these investors look at timely reports to be reliable.

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