AUDIT INDEPENDENCE AND AUDIT QUALITY LIKELIHOOD: EMPIRICAL EVIDENCE FROM LISTED COMMERCIAL BANKS IN NIGERIA

EGOLUM, PRISCILLA UCHENNA

DEPARTMENT OF ACCOUNTANCY, FACULTY OF MANAGEMENT SCIENCES,

NNAMDI AZIKIWE UNIVERSITY, P. M. B. 5025, AWKA,

ANAMBRA STATE,

NIGERIA

OKEKE, ONYEKACHI NATH

DEPARTMENT OF ACCOUNTANCY, FACULTY OF MANAGEMENT SCIENCES,

NNAMDI AZIKIWE UNIVERSITY, P. M. B. 5025, AWKA,

ANAMBRA STATE,

NIGERIA

&

OCHUKA, ESTHER

DEPARTMENT OF ACCOUNTANCY, FACULTY OF MANAGEMENT SCIENCES,

NNAMDI AZIKIWE UNIVERSITY, P. M. B. 5025, AWKA,

ANAMBRA STATE,

NIGERIA

Abstract

As Nigeria battles and surges towards breaking loose from the current excruciating economic downturn, the need to maintain investors' confidence in the capital market through high quality auditing and transparent financial reporting is unequivocally paramount. Based on the agency theory framework, this study examines the connection between audit independence and audit quality of listed commercial banks in Nigeria. The study explores a sample of twelve (12) listed commercial banks for the period between 2010 and 2019. Two measures of audit independence which include joint audit and audit fee were employed as independent variables while audit firm size and return on capital employed were employed as proxy for audit quality and control variable respectively. In this study, logistic regression analyses technique is been applied to evaluate the panel data set that were collated from annual financial reports of the sampled banks. The finding indicates that the practice of joint audit among listed commercial banks reduces the likelihood of obtaining higher audit quality but higher audit fee increases the likelihood of obtaining enhanced financial statement information quality. The study recommends that regulatory bodies such as the Institute of Chattered Accountants of Nigeria (ICAN) may need to reconsider the ongoing campaign for mandatory joint audit, since there are theoretical and empirical projections that it would not enhance audit quality. The study also recommends a careful managerial decision regarding increasing audit fee since it usually has economic implications on firms' earnings.

Keywords: Audit Quality Likelihood, Audit Independence, Logistic Regression, Joint Audit

Introduction

Following the 2008 financial crisis, the European Commission reformed the audit market and ever since, several measures have been implemented in an attempt to achieve financial stability, with greater attention being devoted to the importance of audits in stabilizing the financial system (Quick & Schmidt, 2018). This suggest that audit quality is critical to a company's performance and the objective is based on stakeholders' confidence, integrity, and credibility of financial reports (Ado, Rashid, Mustapha, & Ademola, 2020). It reduces earnings management and significantly eases the relationship between audit committees and financial reporting (Hasan, Kassim & Hamid, 2020). The company's annual report should not mislead stakeholders but should provide up-to-date information and provide support in footnotes for clarification purposes (Hasan, et, al. 2020).

However, audit quality depends on auditor's independence as proposed by Aren, Elder, Randal, Beasley, and Mark (2014) that the value of auditing depends heavily on the public's perception of the independence of auditors. Sadly, Audit quality in recent times has become a major concern locally, nationally, and globally as most auditors seem not to be discharging their duties independently. Clients appear to be deciding for the auditor the audit scope, approach, and opinion. This is evident in massive corporate failures like that of Xerox, Enron, and WorldCom, amongst others, who disclosed improprieties in their financial statements amounting to billions of dollars (Cullinan, 2004). The question of auditor independence is unavoidable when auditors are hired and paid by their clients (Baiman, Evans, & Noel, 1987). Audit firms, like other agents, have their own interests that differ from those of their clients, and they are motivated to maximize profits, even at the expense of their independence (Bazerman, Moore, Tetlock, & Tanlu, 2006).

For example, an auditor may use a low-balling strategy to win a new client. As the auditor continues to provide services and becomes more familiar with the client, the incumbent auditor gains access to a "quasi-rent", where the production cost of the audit decreases and audit fees usually increase (DeAngelo, 1981). Thus, a stronger economic bond is created between auditors and their clients, making auditors less likely to report material misstatements they find in order to accommodate their clients (Herath & Albarqi, 2017). Also, since the 1980's, the trend has been for large accounting firms to merge with each other, resulting in a more concentrated audit market. Currently, the number of big accounting firms has decreased by half, from the Big 8 to the Big 4. These mergers demonstrate firms' strategy to grow market share and generate profits (Ferguson, 2004). The profit-driven audit firm may put more pressure on auditors to keep current clients, bring in new clients, and sell non-audit services, which leads to impaired auditor independence. Hence, this too-close business relationship and the economic bond between auditors and clients may impair auditors' independence and reduce audit quality (Alwardat, 2019).

Regulators are concerned that an enhanced economic bond between auditors and their clients through the provision of non-audit services and long auditor-client tenure may impair auditor independence and lead to low audit quality. Little wonder why in November 2000, the United States (US) Security and Exchange Commission (SEC) issued auditor independence rules that require clients to disclose non-audit and audit related fees separately and also restrict particular types of non-audit services that auditors can provide (SEC, 2000). However, prior studies provide evidence supporting the direct relationship between auditor independence and audit quality. As the audit provision of joint audit, long auditor-client tenure, audit fee and audit opinion have been perceived as great threats to auditor independence. (Elliott, Fanning, & Peecher, 2020; Herath & Albarqi, 2017).

Statement of Problem

Inefficiencies on the part of management and the fact that structured financial statements do not show the true state of affairs and financial position of the organization have been jeopardizing the decisions of prospective investors. This has been one serious challenge facing organizations. This, imply that the sanctity of financial statement as well as the confidence of stakeholders, rest on the auditors, who are saddled with responsibilities of addressing these issues through efficient and effective execution of their audit assignment, to produce quality reports. Complaints about dishonest and deceptive audited financial statements are now common, causing unanticipated financial system distress such as the Enron Scandal in 2002, the collapse of Lehman Brothers in the United States, and the global financial crises of 2008. Many of these crises were blamed in part, if not entirely, on misleading audited financial statements issued by companies. In the Nigerian context, there is the case of Akintola William's Accounting Firm vs the Federal Republic of Nigeria on the Nigeria National Petroleum Corporation Probe (NNPC) and accounting failure labeled as Cadbury Nigeria Plc saga after been audited by the well-known audit firm 'Akintola Williams Delloite' (Okaro, Okafor & Ofoegbu, 2013). Accounting scandals and lack of audit quality in Nigeria make financial reports distrustful (Adeyemi & Akinniyi, 2011). The most worrying aspect of the narrative is that many failed companies have been audited by external auditors and received a clear report. This anomaly has led to the need to strengthen regulations, standards and modify corporate governance mechanisms (Umobong & Ibanichuka, 2017).

Extant related studies show mixed results while investigating the effect of auditors' independence on audit quality. Salehi and Kangarlouei (2010) document the existence of more accrual stability coefficient in audit firms with higher audit quality than those with lower audit quality. Similarly, Al-Khaddash, Nawas, and Ramadan (2013) revealed a positive significant association between audit quality (the reputation of auditing office, the size of audit firm and the proficiency of the auditor) and audit independence. Empirical evidence from the Nigerian context such as those of Okoh (2015), Okolie (2014), Ndubuisi and Ezechukwu (2017), and Mohammad, Wassiuzaman, and Salleh, (2016) document significant positive effect of auditor's independence on audit quality. However, Ajekwu and Abiamke (2017) found an insignificant positive effect, while other studies such as those of Okolie (2014); Okolie, Izedonmi and Enofe (2013); Umobong and Ibanichuka (2017) and Aliyu, Musa and Zachariah (2015), noted a significant negative effect of audit firm size on auditor's independence.

However, despite the above studies on this subject in Nigeria there has been limited investigation on the effect of auditor's independence on audit quality as such studies have been conducted in developed nations. Therefore, this study is conducted to examine the effect of auditors' independence on audit quality of listed banks in Nigeria using audit independence proxy: joint audit, and audit fee as predictors of audit quality. To the best of the researchers' knowledge no extant related study in Nigeria has modeled all of the above-mentioned independent variables in a study of this nature. hence, the outcome of this study will expand relevant literature on this area. Against this backdrop, this study investigates the effect of auditors' independence on audit quality of listed banks in Nigeria.

Literature Review

Auditor's Independence

Following Okolie (2014), auditor independence is defined as the unbiased mental attitude of the auditor in providing decisions all through the audit and financial reporting process. However, independence connotes the quality of freedom from influence, persuasion, or bias, which will greatly impair the value of the audit service and consequently the audit report. Auditors' lack of independence increases the possibility of being perceived as not being objective (DeAngelo, 1981). Prior empirical studies reveal that high fees paid by clients to external auditor do significantly increase the economic relationship between the auditor and the management and this fee may impair auditors' independence (Li & Lin, 2005). Higher quality audit process implies higher information credibility and quality, resulting in higher quality of financial statements and by extension credibility of auditors is assumed in higher audit quality (Okolie, 2014). Also, Hayes, Dassen, Schilder, and Wallage (2005) noted that the unbiased mindset maintained by the auditors throughout the audit can be seen to mean independency in mind whereas independency in appearance is the outcome of other interpretations of the independence. The value of the independence in the auditors work according to PricewaterhouseCoopers (2012) is very well identified particularly during the financial crisis where the question of independence of an auditor has been brought up; because of that, extensive safeguards of the systems in place to protect and enhance this independence becomes paramount.

Audit Quality

Audit quality, according to Wallace (1980), is a measure of the auditor's ability to reduce noise and improve fitness in accounting data. In their opinion Lee, Leu, and Wang (1999), refer to audit quality as the likelihood that an auditor will not issue an unqualified report for statements containing errors, both intentional and unintentional. Audit quality, according to Titman and Trueman (1986), is the accuracy of the information reported by auditors. As a result, audit quality combines an auditor's ability to detect a breach (auditor competence) and willingness to report such a breach (auditor independence). Furthermore, if auditors appear to lack independence, the perception is that they are less objective and thus less likely to report a discovered misstatement. Quality audit is defined by Choi, Kim, Kim, and Zhang (2010) and Francis and Yu (2009) as a "complete commitment to making sound judgments." This means that all necessary steps in the audit procedure are followed consistently, and the financial statements are given a true and fair opinion.

Joint Auditor

There is no general agreement among researchers on the definition of joint audit. Previous research (Zerni, Kallunki, & Nilsson, 2010) defines joint audit as an audit in which two or more independent auditors from separate audit firms are appointed to audit financial statements of an audit client, involving: joint development of the audit plan; joint performance of the audit work. Joint audit should be distinguished from dual audit, in which two or more independent auditors from separate audit firms are appointed to audit the financial statements of an audit client in a manner that includes: developing the audit plan separately; performing the audit work separately; no periodic cross reviews and mutual quality controls; and issuing two or more audit reports. Furthermore, the concept of joint audit differs from the concept of 'Double Audit' in which a single auditor is required to complete all audit work twice. In a joint audit, two different audit firms collaborate to form an opinion on a client's financial statements, and they are also jointly liable for the audit opinion issued.

Audit Fee

Audit fee is the economic remuneration for auditors who provide audit services, which are an agency fee according to certain standards. Audit fee includes the total cost of audit through the overall audit work, the risk compensation and the profit demand. During the actual audit work, audit fee influences not only audit quality, but also the development of accounting firms and audit industry. In the views of Oladipupo and Emina (2016), audit fee may be abnormal which suggest the tendency of an auditor to charge either below or above the normal or average audit fee that would have been charged in the course of audit engagement. Audit fees has been noted to be one of the major elements that can affect and serve as a threat to audit independence, especially when the amount charged and paid is too high or too low to cover the risk and cost of the audit assignment. This is because, audit fees determine the extent of services provided by the auditor (Frino, Palumbo, & Rosati, 2013; Karimpour, 2013; Suseno, 2013).

Agency Theory

According to agency theory, principal's lack reasons to trust their agents due to information asymmetries and self-interest and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals, thereby reducing the scope for information asymmetries and opportunistic behavior. Audit, according to agency theory, is a monitoring mechanism that provides reasonable assurance that financial statements prepared by managers are free of material misstatement and thus protects stakeholders' interests. Furthermore, in cases where management's interests' conflict with stockholders' interests, and because management compensation is frequently based on reported earnings, managers have incentives to manage reported earnings and they often have the ability to do so in order to maximize their wealth (Dang, 2004). In the light of the agency problem between stockholders and managers, a corporate auditor is hired to provide independent assurance to corporate stakeholders. As a result, auditing plays an important role in enforcing and protecting stakeholders' rights by detecting misstatements and management expropriation. Auditors must be independent that is objective and just, in order to successfully discharge this responsibility. As a result, the higher the audit quality, the more they detect management manipulations in the financial statements. Hence, the essence of agency theory (Ross, 1973) is the divergence/information asymmetry in the relationship between the principal (stakeholders) and agents (managers). The auditor's monitoring role is critical in this relationship, which this research work seeks to investigate.

Joint Auditors and Audit Quality

Several studies have shown that joint auditing can improve financial reporting's integrity and consistency in two respects. To begin with, joint auditing ensures secure rotation by keeping the person with the most experience and understanding of the client business. This secure rotation ensures greater autonomy and competence (Deng, Lu, Simunic & Ye, 2014; Lobo, Paugam, Zhang & Casta, 2017). Second, by sharing audit and consultancy fees between the two auditors, joint audit eliminates the financial challenge of auditor independence, implying that the two auditors will be better in the face of management pressure and will do their best to monitor management and report their views equally (Zerni et al., 2010; Lesage, Ratzinger-Sakel & Kettunen, 2017). Furthermore, Francis et al. (2013) went on to say that the big4 pair of joint audits is the strongest pair of joint audits because it has the greatest impact on the accuracy of financial statements. A large body of literature, on the other hand, refutes the notion that joint auditing will improve financial statement quality for two reasons. First, joint auditing triggers the free-rider issue, which arises when one auditor completely relies on the other during the auditing process. Second, the competitive environment among auditors can stifle collaboration between joint audit parties, preventing information sharing (Deng et al., 2014; Audousset-Coulier, 2015; Andre et al., 2016; Kermiche & Piot, 2018). In summary, the relationship between joint audit pairs and financial reporting quality has become more contentious among academics; while some believe that joint audits can improve financial statement quality, others believe that there is no connection between joint audits and audit quality (Andre et al., 2016).

Audit Fee and Audit Quality

In the views of one established audit scholar (Simunic, 1980), audit fee is a complex issue and connected to auditor independence and quality concerns. Economic theory indicates that when an auditor derives a high proportion of revenue from a particular client this will create economic bond on the auditor and causes the auditor to be financially reliant on the client, which can cause the auditor to lose objectivity (DeAngelo 1981). It was reported that a series of accounting scandals in the West were associated with higher audit and non-audit fees. This corroborates the position of Andre, Broye, Pong and Schatt (2016) who document that relatively larger audit fees might lead the auditor to become economically dependent on the client, thereby eroding independence. In such cases, the auditor might be willing to acquiesce to the client’s desire to misrepresent or manage earnings through discretionary accruals. Contrarily, Andre et, al., (2015) notes that if higher audit fees are associated with greater auditor effort or a fee premium for auditor specialization, it could be expected that the quality of the audit would be higher.

Empirical Literature Review

Stella and Uchenna (2019) studied the effect of audit independence on audit quality. Ex-post facto research design was employed and data from four (4) banks listed on the Nigerian Stock exchange and also operates within the African region. The data spanning across 5years from 2014-2018, were analyzed using multivariate linear regression. Findings revealed that audit independence had a significant effect on audit quality of commercial banks in the sample. This was reflected in how the amount spent on audit fee had no significant effect on the reported earnings per share (proxy for reliance on financial reports by investors). Further findings reveal that audit independence has an insignificant effect on the timeliness of financial reports. It was recommended that banks and other firms alike should negotiate for reasonable audit fees that would ensure engagement of an independent audit firm; in order to enhance the degree of confidence in the reported financial statement and thus create a high level of reliability on the financial reports.

Shakhatreh, Alsmadi, Alkhataybeh (2020) examines the effect of audit fees, audit firm size and audit opinion on the quality of financial statement. It focuses on a sample of low-quality financial statements in Jordan that have been reported as breaches by the Jordanian Securities Commission (JSC). Data were collected from financial statements of manufacturing and services companies listed on the Amman Stock Exchange (ASE) for 2009 to 2016 fiscal year. Logistic regression results suggest that audit fees have a positive significant effect, while audit opinion has a negative significant effect on financial statement quality.

Amahalu, Okeke and Chinyere (2018) sought to know the determinants of audit quality with a focus on healthcare firms listed on the floor of Nigerian Stock Exchange from 2010-2016. This study made use of secondary data obtained from fact books, annual reports and account of selected healthcare firms under study. The data were subjected to statistical analysis using Pearson coefficient of correlation, Ordinary Least Square (OLS) and Granger causality test with the aid of E-view 9.0. The result of this study revealed that there is a positive and statistically significant relationship between audit independence, audit tenure, audit firm size and audit quality of healthcare firms listed on the floor of Nigerian Stock Exchange at 5% level of significance. The study recommended among others that audit firms should ensure that their staff are independent as this is likely to enhance audit quality.

Quick Schmidt (2018) investigated whether perceptions of auditor independence and audit quality are influence by audit firm rotation, auditor retention and joint audits by conducting an experiment with bank directors and institutional investors in Germany. The result indicates a negative main effect for joint audit on perceived auditor independence. Also, beside the main effects, planned contrast tests suggest a negative interaction between rotation and joint audit on participant perceptions of auditor independence. Furthermore, the study could not identify a positive impact of the regulatory measures taken or supported by the European Commission on perceptions of auditor independence and audit quality.

Kyriakou and Dimitras (2018), studied impact of auditor tenure on audit quality in four European countries which includes; Germany, France, Italy and Spain, using generalized method of movements (GMM) model during the period from 2005 to 2013. Two GMM methods are used with two alternative definitions of crises-the main and the robustness method. The findings show that the impact of Spanish auditors' long-tenure on discretionary accruals, affecting auditors' quality and independence indirectly.

Tepalagul and Lin (2015), carried out a comprehensive review of academic research pertaining to auditor's independence and audit quality. Based on their review, it was found that only a few studies have examined the client affiliation threat and the evidence is mixed.

However, it was concluded that, there is limited evidence that auditor's independence is compromised in the presence of client importance. Financial statement users generally perceive non-audit services as a threat to auditor independence. They also concluded that auditor tenure does not impair independence.

Methodology

This study used *ex post facto* research design. The *ex post facto* method of research seeks to establish causal relationships between events and circumstances. The population of the study consists of all listed deposit money banks on the floor of the Nigerian Stock Exchange (NSE) as of 31st December 2019. The sampling technique employed is purposive since banks were included in the sample on certain selection criteria. These criteria were based on: (a) the banks must be listed on the Nigerian Stock Exchange market for 2010-2019; (b) access to their annual financial reports within the period. Newly listed banks were excluded from the study. Thus, only banks that had all relevant data due to continuous existence were included in the sample. 120 firm year observations which consists of 12 banks for 10 years is employed in this study. The sampling method is convenience non-probability that is based on availability of data for ten years for all the study variables. To test the hypothesis, we employed logistic regression which is a specialized form of regression that is formulated to predict and explain a binary categorical variable rather than a metric dependent measure. It has a unique relationship between dependent and independent variables; however, it requires a different approach in estimating the variate, assessing goodness-of-fit, and interpreting the coefficients when compared to multiple regression (Hair Jr et al. 2014). The model for this study is adopted from the study of Mohammad, Wassiuzaman, and Salleh, (2016) and expressed in econometric equation as:

Model Specification

$$AUDI_{it} = \beta_0 + \beta_1 JOTA_{it} + \beta_2 AUDF_{it} + \beta_3 ROCE_{it} + e_{it}$$

Where:

AUDQ represent audit quality as the dependent variable of the study. We measured audit quality in terms of Big4 auditors. Big4 auditors is measured as an indicator variable of "1" for big 4 auditors and "0" for otherwise. JOTA represent joint auditor and is measured as an indicator variable of "1" for Companies that use more than one external auditor in a particular year and "0" otherwise (Mohammad, Wassiuzaman, and Salleh, 2016); AUDF represent auditor's fees and proxied as audit fee or amount paid to auditors divided by revenue (Mohammad, Wassiuzaman, and Salleh, 2016). In this study, we employed the variable of Return on Capital Employed (ROCE) proxied as the ratio of profit after tax to capital employed. "{i}" is the cross section (Sample Banks); "t" represents the time frame (2010 to 2019) and e_{it} is the stochastic error term.

Results and Discussion

The study evaluates the effect of audit independence on audit quality in Nigeria drawing samples from deposit money banks listed on the Nigerian stock exchange market. The independent variables that are employed for this study includes: joint audit and audit fees. Furthermore, in line with related extant literature, we employed the variable of return on capital employed to control the model. The data set span through a 10year period (2010 – 2019). However, in examining the effect of audit independence and audit quality in Nigeria, the researcher conducted summary statistics and Logistic Regression technique. The results from Table 4.1 below describes the nature of the data by revealing the mean (average), median, maximum, minimum, standard deviation and count for each of the variables.

Descriptive Statistics

The table below shows the summary statistics for this study.

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
big4	**120**	**.833**	**.374**	**0**	**1**
jota	**120**	**.1**	**.301**	**0**	**1**
audf	**120**	**5.386**	**.312**	**4.856**	**6.004**
roce	**120**	**1.666**	**2.319**	**-9.53**	**9.54**

From the table above, it is observed that on the average, 83% of the firms in our sample had their accounts audited by big4 auditors. On average, the table also shows that 4% of the firms in our sample had their accounts jointly audited. On average, audit fee is 5.39 with a standard deviation of 0.312. The table also shows that the control variable of return on capital employed is 1.67 on average with a standard deviation of 2.32.

Logistic Regression

According to Ciampi (2015), over the last 30 years, most academic literature (Platt & Platt 1990; Wang & Deng 2006; Altman & Sabato 2007) use the logit analysis in predicting default even though multiple discriminant analysis has for many years been the prevalent statistical technique applied to company default prediction models. Therefore, in line with existing literature on dichotomous measurement of Big4 Auditors, logistic regression is used in this study and the results is shown below

Table 4.2 Logistic Regression Estimates

Variables	**Joint Audit**	**Audit Fees**	**Return on Capital Employed**
Big4 Auditors Model			
Coefficient **z_ Statistics** **Probability_z**	-7.706 (-3.43) {0.001} **	10.235 (3.23) {0.001) **	0.036 (0.27) {0.785)
No. of Obs. = 120 **Prob. > chi2 = 0.0000** **Pseudo R-Square = 0.6471**			

Note: Z-statistics and respective probabilities are represented in () and {}
Where: ** represents 5% level of significance
Source: Authors' Computations (2021)

The table above shows the result obtained from the logistic regression model employed to test the effect of audit independence on audit quality likelihood in Nigeria. The result above reveals a **Pseudo** R^2 value of 0.65 which indicates that about 65%

of the variation in dependent variable has been explained by all the independent and control variables in the model. This also means that about 35% of the variation in the dependent variable has been left unexplained by all the independent and control variables in the model but have been captured in the error term. The model goodness of fit as captured by the Likelihood Ratio with the corresponding probability value 0.0000 which shows a 1% statistically significant level reveals that the entire model is fit and can be employed for discussion and policy recommendation. The model goodness of fit is justified by the result obtained from the Pearson goodness of fit value of 62.98 with probability value of 1.0000 also indicate that the logistic model of audit quality likelihood is fit. Particularly, the classification table show that out of 104 cases that fell into the group of firms that employed big4 auditors, 97 cases were predicted correctly with 97% sensitivity accuracy while 13 out of 16 cases that fell into the group of firms that employed non-big4 auditors were predicted correctly but with 65% specificity accuracy. However, we find that the overall accuracy rate is seen to be roughly 92% which suggest that the model is free from any significant bias hence can be employed for interpretation and policy recommendation.

In view of the result obtained from the logistic regression for the model, it is observed that joint auditor has a significant likelihood to decrease audit quality during the period under consideration. This is evident from the variable of joint auditor with coefficient = -7.06, z_statistics = -3.43 and Probability z = 0.001. Clearly, this result indicates that on the average and all things being equal, there is a significant likelihood that joint auditor of listed banks in Nigeria will decrease audit quality. We contradict the position of Baldauf & Steckel, 2012; Zerni et al., 2012; Lobo et al., 2013 who advocate that the practice of joint audit could increase audit quality thereby lowering income smoothing because the type of audit report issued by two auditors seems to be more precise than the type of audit report issued by a single auditor because having four eyes to obtain audit evidence could increase the precision of audit opinion that will be issued based on this evidence. However, we agree with the studies of Marmousez, 2009; Alsadoun & Aljaber, 2014; Deng et al., 2014 who concluded that the practice of Joint Audit could reduce audit quality resulting in a free riding problem because small audit firm has fewer resources than the big audit firm, so it will have an incentive to withhold its limited resources and free ride the big audit firm's effort.

However, it is observed that auditor's fees have a significant likelihood to increase audit quality during the period under consideration. This is evident from the variable of auditor's fees with coefficient = 10.235, z_statistics = 3.23 and Probability z = 0.001. Clearly, this result indicates that on the average and all things being equal, there is a significant likelihood that auditor's fees of listed banks in Nigeria will increase audit quality. This corroborates with the findings of Al-Khaddash, Al Nawas, & Ramadan, (2013), Suseno (2013) and Babatolu et al (2016). Specifically, we negate the studies of Karsemeijer (2012) who argue that "the higher the audit fees, the more important a client is to the firm and so, independence and therefore the quality of the audit could be compromised". Similarly, Ettredge et al. (2007) opined that when a client (auditee) pays lower audit fees comparable with what other companies in the same industry are paying, there is every likelihood that the client becomes loyal to the audit firm which might lead to the auditor overlooking material misstatement and or allowing management to engage in aggressive income smoothing. On the other hand, Ettredge et al. (2007) equally argue that financial satisfaction (because of high audit fees paid an auditor) "may increase the professionalism and the effort exerted by the auditor which will enhance the audit quality".

Conclusion and Recommendation

As Nigeria battles and surges towards breaking loose from the current excruciating economic downturn, 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 ten (10) 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. Based on the findings of the study, the researcher concludes that the joint auditors and auditor's fees significantly determine audit quality of listed deposit money banks in Nigeria. Specifically, we find that while joint audit decreases audit quality, higher audit fees is an indicator of audit quality. Succinctly, we recommend that regulatory bodies like ICAN may need to reconsider the existing campaign for a mandatory joint audit, since there are theoretical projections that it would not enhance audit quality. We also recommend a careful managerial decision regarding increasing audit fees since it usually has economic implications on firms' earnings. However, regulatory bodies should ensure strict compliance with the relevant requirements of corporate governance structures in fostering audit quality. The study examines a limited number of factors, and there may be other factors that affect audit quality that have not been examined in this study. For example, the engagement between the audit committee and external auditors can be an important factor that affects audit quality. Future studies could usefully explore this avenue.

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