



Assessing the Impact of Non-Audit Services and Audit Tenure on Audit Quality: Evidence of Food Production Companies in Nigeria



Akanbi, Temitope Oluwaseun and *Shittu, Kazeem Adesina

Department of Cooperative Economics and Management, Nnamdi Azikiwe University, Akwa, Anambra State, Nigeria.

*Corresponding Author's email: shittuadesina81@gmail.com

ORCID ID: <https://orcid.org/0009-0003-6381-8926>

KEYWORDS

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ABSTRACT

This research assessed the impact of non-audit services and audit tenure on audit quality of sampled food production companies in Nigeria. Ex-post facto, correlation research design and longitudinal research design was employed and Panel Least Square (PLS) technique was used to collect from a sample of 10 firms for a period of ten years spanning (2011-2020). The secondary sources of data were collected from annual reports of the selected food production companies. Descriptive statistics, Pearson correlation analysis and variance inflation factor were analyzed using panel regression analysis. Empirical analysis using a total of 100 company-year observations, showed that client importance and auditor education level exert positive and significant effects on audit quality of sample food production companies in Nigeria which was statistically significant at 1% and 5% levels respectively while another positive but non-significant effect was documented for non-audit services. It was concluded that audit tenure had negative and significant effect on audit quality of sample food production companies in Nigeria which was statistically significant at 1% level of significant and probability-value of 0.001 while provision of audit and non-audit services had negative and insignificant effect on audit quality of quoted food production companies in Nigeria. The study recommended that long tenure of auditor should be discouraged and maximum three years audit firm tenure policy for auditors in Nigeria should be backed up by law while provision of non-audit services by same audit firm should be discouraged.

CITATION

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INTRODUCTION

Auditing has been acknowledged to influence financial reporting and provide robust impact on investors' confidence (Ekwueme, Anichebe & Orjinta; 2020). Essentially, external auditors typically perform significant and greatly challenging tasks in guaranteeing the credibility of financial reports (Okolie, 2024). The auditing and the audit process provide an evaluation of the probability of material misstatements and reduce the possibility of undetected misstatement to a reasonable or appropriate assurance level (Knechel, 2019). Essentially, external auditors typically perform significant and greatly

challenging tasks in guaranteeing the credibility of financial reports (Okolie, 2024). In recent times, research about the quality of audit report has increased tremendously and several factors have 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 (Babatolu, Aigienohuwa & Uniamikogbo, 2016). Many high profile corporate collapse, such as the case of world Com and Enron in the United States, 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's credibility in doubt (Otusanya & Lauwo, 2020). As we all know, auditors in Nigeria are saddled with the responsibility of examining the financial report of organizations for the purpose of ascertaining whether it represents that which they purport (Gaver, 2017). Aliu and Okpanachi (2017) argued that the primary purpose of an audit is to provide company shareholders with an expert and independent opinion as to whether the annual financial statement of the company reflects a true and fair view of the financial position of such company, and whether it can be relied upon for investment decision purposes. There has been a growing emphasis on the perceived independence of external auditors (Vanstraelen, 2020). These recent corporate financial failures pose a great challenge to the authenticity, integrity, effectiveness and significance of the audit function. In view of the onerous challenges that face the audit function, some studies (Palmrose et al., 2021) have attempted to ascertain noticeable relationship between auditor tenure, fees, size and auditor independence and have tried to demonstrate the impact of this relationship on the quality of the earnings reported by quoted companies in many countries. Numerous studies have attempted to examine the nexus between audit independence and audit quality in the Nigerian audit market. Majority of the existing studies, such as Enofe et al., (2023); Babatolu et al., (2016), are of the view that the length of the audit tenure is among the major factors that impair auditor's independence, with the former as well as the latter adopting the tenure of an auditor as proxy for auditor independence (Enofe, Mgbame et al., 2023) and Babatolu et al., (2016). Ilaboya and Ohiokha (2024) revealed that there is a negative relationship between auditor's independence, audit firm size, audit tenure and audit quality. Kabiru and Abdullahi (2022) found that independence of an auditor does significantly improve the quality of audited financial statements of money deposit banks in Nigeria.

Audits provide an independent view of the financial statements of an entity. A statutory audit is an audit that must be conducted in accordance with relevant legislation. A non-statutory audit is generally an audit that is conducted at the request of the directors, Trustees or shareholders – although not required by legislation. For most larger entities, an audit is a legal requirement that must be undertaken annually (see thresholds below). Smaller entities are generally exempt from the requirement to have an audit conducted but non-statutory audits are frequently conducted and can provide third parties such as lenders with financial statements that have been independently reviewed. Certain companies, irrespective of size, must have a statutory audit

undertaken and these include: PLCs, Certain entities regulated by the FCA (Financial Conduct Authority), Certain entities involved in insurance, banking and certain other financial activities. The majority of small private companies are exempt from undergoing statutory audits of their annual accounts. To be exempt, a company must meet at least two of the following criteria if its period commences on or after 6 April 2025: annual turnover of less than £15 million, gross assets worth less than £7.5 million, 50 or fewer employees on average. For a period commencing before 6 April 2025, the thresholds are: annual turnover of less than £10.2 million, gross assets worth less than £5.1 million, 50 or fewer employees on average. Circumstances can dictate that these limits are subject to adjustment or additional factors. Examples include: first period of accounts, first period where limits are exceeded, companies which are part of a group and periods which are not exactly 12 months. There are different criteria in respect of audits for charities and other not-for-profit organisations. In addition, certain entities regulated by the FCA are subject to statutory audit irrespective of the criteria above. At Perrys Chartered Accountants, we work with our clients to ensure that they are able to fulfil their statutory obligations and file their audited accounts in an accurate and timely manner. The purpose of a statutory audit for public companies, they are not only a legal requirement, but are also a valuable asset for the management of the business. The main advantages are that audits: give authority of the company's financial statements, provide shareholders and managers with a focussed view of the business highlight compliance issues on tax and other legislation, highlight any risks to the business, validate procedures for financial reporting help the business to obtain loans and credit help to win the confidence of investors. A non-statutory audit can be of great value when selling a private business, by giving prospective buyers an independent view of its financial position. As authoritative financial reports, signed off audits can be instrumental in obtaining additional finance from banks and lenders, as well as providing reassurance to creditors and suppliers. The key difference between a statutory and non statutory audit is that the former is a legal requirement under the Companies Act 2006, and the latter is not. However, whether statutory or not, audits cover the same ground including the examination of: Balance sheet, Income statement, Changes to equity in the business and Cash flow statement. Audits are used to challenge the accounts statements in order to make sure that they have been compiled and calculated with full transparency. Once completed, an auditor will write an audit report which will include an opinion about the financial statements they have examined. The opinion will be either unqualified or qualified, depending on whether the auditor considers whether the accounts show a true and fair view (unqualified opinion) or whether the auditor

consider that matters pertaining to the financial statements need to be highlighted in the audit report (qualified opinion). Auditors must be professionally qualified, usually through the ICAEW (Institute of Chartered Accountants in England and Wales) or ACCA (Association of Chartered Certified Accountants) Ugwunta *et, al.*, (2018). As qualified auditors, the Perrys team is authorised to review and verify the accuracy of financial statements, as well as compliance with tax legislation. Statutory audits are the responsibility of professionals from outside the business, but they often work closely with internal auditors. When internal auditors are involved, there must always be due consideration of the independence of the audit process while Internal auditors are employed by entities to ensure the veracity and accuracy of company accounts and other financial statements, as well as the procedures used to record and report figures in the financial statements. The scope of their work usually covers compliance concerns, risks, fraud, and data inaccuracies. They will also usually investigate any issues they find, and operate to in an unbiased and objective way. Internal auditors sometimes begin their careers in accountancy practices and sometimes come from an audit background. Internal auditors can therefore have the knowledge and experience of external statutory auditors, as well as having experience and knowledge of internal accounting systems, controls and the entity and industry in which they are engaged. Internal auditors have their own professional body, the Chartered Institute of Internal Auditors. Non-audit services (NAS) are professional services provided by an accounting firm to an audit client that do not involve an audit of financial statements. These services can include a wide range of areas such as tax planning, management consulting, bookkeeping, and information technology consulting. The provision of NAS can sometimes create a conflict of interest, potentially impairing the auditor's independence because they may have an economic dependence on the client for these additional services. Examples of non-audit services

Tax services: Corporate and individual tax planning and preparation.

Consulting: Management advisory, internal audit outsourcing, and advice on mergers and acquisitions.

Information systems: Designing and implementing information technology systems.

Human resources: Assisting with HR functions, such as headhunting.

Accounting services: Bookkeeping and compiling financial statements.

Auditor independence is a primary concern with NAS is the potential for it to affect auditor independence. Auditors may be less willing to challenge a client if they risk losing out on lucrative non-audit fees.

Audit quality: Some studies suggest that a high volume of NAS can lead to lower audit quality.

Regulation: Regulatory bodies often have rules in place to limit or prohibit certain non-audit services that auditors can provide to their audit clients to protect the integrity of the audit.

Client benefit: When provided appropriately, these services can leverage the auditor's expertise and provide value to the client beyond the audit itself.

It is therefore evident from the above studies that the extant literature has created more need for further studies to substantiate the direction of the relationship between non audit services and audit quality. Wakil *et, al.*, (2019) has summarized the client risk strategies which is one of the demand drivers of audit quality, that high-quality information is signaled by the companies by demanding auditors with highly-acclaimed brand-name. But this may not be the case for risky clients, for whom both the demand and the ability of signaling high-quality information is being mitigated by the pricing of the brand name audits. Hussein *et, al.*, (2020) analyzed audit team characteristics that were perceived to be affected on audit quality. Specifically, it focuses principally on whether audit team characteristics, i.e., independence, continuous education and training, experience and professional conduct enhances audit quality. This study examines the moderating effect of the external environment audit i.e., professional bodies, laws and regulations, and recognized standards in the relationship between audit team characteristics and audit quality.

Review of Related Literature

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. The requirement for audit quality is high, in the context of the above statements. Inas (2019) reports a list of companies involved in cases of accounting scandals related to poor audit quality and earnings manipulations in the past decade. Graver (2017) documented that auditor independence, audit tenure and audit fee have a positive influence on audit quality. It means that the higher the auditor independence, the higher the audit quality. One of the most common definitions of quality audit was that given by DeAngelo (1981) as cited by Aliu, Okpanach and Mohammed (2018), which suggests that audit quality is the market assessment of the likelihood that the auditor (i) detect significant distortions of the financial statements or employers accounting system and (ii) report significant distortions. Arens *et, al.*, (2021) also saw the quality of the audit are as how well an audit detects and report material misstatements in financial statements, the detection aspects are a reflection of auditor competence, while

reporting is a reflection of ethics or auditor integrity, particularly independence. Audit quality is the identification and reporting of substantial misrepresentation of facts in financial statements by an auditor (De Angelo, 1981), which represents the competence of the auditor. In the meantime, reporting represents the ethics or honesty of auditors, in particular, independence (Ajekwe & Ibiame, 2017; Ghosh & Moon, 2018).

Enofe *et al.*, (2024) emphasized that audit quality relates to an auditor's ability to safeguard the interests of financial statement users by identifying and disclosing misstatements and information asymmetry among financial statements users and management. This suggests that audit quality is evident when a financial statement is without any asymmetry of details. In the same way, real quality is seen as the possibility of minimizing the associated risk of disclosing material misstatement in financial statements, and perceived quality is linked to what users of a financial statement feel about the auditor's ability to minimize material misstatement (Wakil *et al.*, 2020). Non-audit services are defined as all services provided by an auditor that are not considered as an audit. Such services may be Management Advisory Services (MAS) and compliance related services (tax and accounting services). These services can be provided by the incumbent audit firm or another audit firm. Non-audit services constitute the source of non-audit income. It may be described as any other services rendered to an audit client different from the examination of financial statements and expression of a professional opinion thereof. This is a scenario where one auditor provides auditing work, audit services and other management consultancy services to the client. The regulators concern over the increase in the provision of management consultancy services impair audit firm independence is based on the premise that the provision of non-audit services increases the fees paid to the audit firm thereby increasing the economic dependence of the audit firm on the client.

An observation of statutory pronouncements like Section 357 of the Nigerian Companies and Allied Matters Act (CAMA) 1990, as amended, requires companies to have their financial statements audited by an independent auditor for any financial year. It can be perceived that managers are responsible for the preparation of annual account, designing and implementing internal controls, and above all ensuring the smooth running of the business. CAMA (1990) Section 358 (2a) disqualifies a person or firms who or which offers to the company professional advice in a consultancy capacity in respect of secretarial, tax action or financial management from acting as auditor of that same company. This ensures that an auditor is independent (in appearance) of the organization on whose accounts he reports. One of the major public concerns

which have emerged from the Enron collapse has been the extent to which audit firms are providing non-audit services (NAS) to their audit clients. Concerns about impairment of auditor independence have been raised by regulators all over the world and have led to restriction on auditor's provision of Non-Audit Services (NAS) to audit clients (Auditing Practices Board, 2010). Various accounting scandals that involved auditors who also provided NAS raised the level of these concerns and led to the passage of Sarbanes-Oxley Act (SOX) 2002. The purpose of SOX is to improve the accuracy and reliability of corporate financial reports. Specifically, Section 202 of SOX Act 2002 prohibits the rendering of non-audit services by statutory auditors to their clients. By implication, the American Congress is of the opinion that these restrictions strengthen auditors' independence and improve the quality of financial reporting. Based on the assumption that non-audit fees compromise auditor's independence and result in lower quality services, the Sarbanes-Oxley Act of 2002 bans certain non-audit services for audit clients. The link between non-audit services and required auditor's independence has been heavily debated by accounting scholars. The lack of clear definition of auditor independence contributes to the resilience of this debate. The Sarbanes-Oxley Act (2002) prescribed a list of non-audit services essentially to help restore investor confidence in the reliability of financial information. On the contrary, an investigation of stakeholders' perception of non-audit services provision vis-à-vis auditor independence in Nigeria by Jubril and Semiu (2022) reveals that non-audit services do not impair auditor independence. However, his findings reveal that there are a number of threats to auditor independence and one of which is familiarity, which comes as a results of long-term audit firm-client relationship

Research Hypotheses

The following research hypotheses were proposed:

Ho₁: Provision of non-audit service has no significant effect on audit quality of quoted food production companies in Nigeria.

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

THEORETICAL FRAMEWORK

Audit Quality Theory

Audit quality theory is an audit theory made popular through the work of Watkil *et al.*, 2020. Audit quality and perceptions of audit quality have been considered as two different concepts by Wakil *et al.*, (2020). In order to keep the distinction between these two concepts Watkil *et al.*, (2020) uses factors like monitoring strength and reputation to refer to the actual and perceived audit quality. The monitoring strength helps in influencing and maintaining the quality of information in the financial statements,

whereas the reputation of auditors can influence the credibility perceived by the stakeholders regarding the auditors. The auditors monitoring strength can be measured via the components of audit quality which are auditors' degree of competence and independence. The same degree of competence and independence of auditors measured as components of audit quality from the perception of market then it would refer to auditor reputation. Auditor reputation is difficult to observe or measure due to the fact that they are based on the users' beliefs. The audit quality framework presented by Wakil *et al.*, (2020) captures the relationship between audit quality components, audit quality products and the influences over the information in financial statements. The two products of audit quality which are influenced by the components of audit quality are information credibility and information quality. Variations in the auditor monitoring strength can be reflected in the financial reports in the form of trueness in the economic circumstances of the client firm. Thus, auditor monitoring strength in a way reduces the differences between the economic circumstances reported by the client and the true but unobservable economic circumstances of the client firm. The credibility of information or the reliability of information is impacted by the perceived reputation of the auditor. Auditor reputation is considered to be consistent over the period of audit engagement while audit monitoring strength may vary over the period of audit engagement.

METHODOLOGY

Area of Study

The study covered all the selected quoted food production companies in Nigeria. Food production companies were chosen because of their uniqueness in financial reporting disclosure requirements as non-financial firms. This study was based on ex-post facto research design because the data used for this study have already been documented by selected food companies.

Population and Sampling of the Study

The population of the study comprises of all the quoted food production companies listed on the Nigerian Exchange Ltd (NE) as of 31st December 2020. The companies are; Dangote Flour Mills Plc., Union Dicon salt, Nascon Plc., Dangote Sugar Plc, Unilever Nigeria, UTC limited, Flour Mills Nigeria Plc., Nestle Foods Nigeria Plc., Mchnichols limited, Honeywell flour Plc, Cadbury Nigeria Plc and Nigeria Breweries. Data was collected from only secondary sources from the companies listed above. The sample for the study was purposively drawn from the total of twelve (12) companies quoted under food production sub-sector. The decision was premised on the classification of the firms as food products companies (based on the nature and description of activities) as shown on the Nigerian Exchange Limited (NEL). The focus

on part of food production sub-sector of consumer goods firms was to ensure uniformity and avoid the risk of bias from different levels of regulations associated with different sectors of the stock market. The study employed a variant of non-probability sampling, namely the purposive sampling technique and included all the firms in the food production sub sector into the sample. In addition, the sample excluded newly quoted companies that did not exist as at beginning of 2011 i.e. newly quoted companies with missing data points were left out as this will result in missing data for the period being studied. Old companies that have gone into extinction were also left behind. Finally, after much filtration, we were left with only 10 firms with adequate availability of data points. The data analysis technique for this study includes Descriptive and Inferential analysis. Descriptive statistics such as mean, median, mode, variance, standard deviation was used to analysed the data. Inferential statistics like regression analysis ordinary least square matrix correlation was adopted to analyzed the data.

Model Specification

In an attempt to assess the impact of non-audit services and audit tenure on audit quality on food production companies in Nigeria, this study shall adopt the model of Ekwueme, Anichebe and Orjinta (2020) and Aliu *et al.*, (2018).

Model is stated functionally as follows:

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

$$Y = F(X_1, X_2, X_3, X_4, X_5, X_6) \quad (2)$$

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

$$AUDQTY_{it} = \beta_0 + \beta_1 AUDTEN_{it} + \beta_2 AUDFE_{it} + \beta_3 AUDQTY_{it} \quad (3)$$

Where,

AUDQTY stands for Audit Quality

AUDTEN stands for Audit Tenure,

AUDFE stands for Audit fee,

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

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

Method of Data Analysis

The information relating to the features of auditors independence (non-audit services, audit tenure) were used as independent variables and audit quality was used as dependent variable while firm size was used as control variable. Panel data multiple regressions (fixed and random effect regression) was used to analyze the causal relationship between auditors' independence and audit quality. All the variables were analyzed using Panel data multiple regression. Durbin Watson (DW) was employed to

test the degree of correlation. A value of DW close to 2 indicates absence of auto-correlation in disturbance.

Decision Rule

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

RESULTS AND DISCUSSION

The descriptive statistics result in table 1, showed the mean values for each of the variables, their maximum values, minimum values, standard deviation and Jarque-Bera values which show the normality and nature of the data. The result provides some insight into the nature of the selected quoted food production firms from chosen Nigeria limited companies that were used in the study. The researcher sought to establish the central tendency and distribution of auditors' independence features and audit quality among the selected listed food production firms in Nigeria. Audit quality which was the dependent variable was measured using audit firm size which was captured using a dichotomous 1 if the firm is being audited by any of the BIG4 auditing firm or 0 if otherwise. It was observed that over the period under review that auditor firm size (BIG4) has an average value of 0.6200 with standard deviation of 0.487. While the minimum and maximum values which are dichotomous are 0 and 1 respectively. Within the period under review, it was discovered that about 62% of the firms selected are being audited by BIG 4

auditing firm while about 38% are being audited by other auditing firms not classified under BIG4. This implies that BIG4 auditors' service was about 62% during the period of the study and the deviation from the mean is 48.7%. The skewness for audit quality was -0.494 implying that data on audit quality were skewed to the left and therefore does not conform to the symmetrical distribution requirement hence most values were bunched to the right of the distribution. The kurtosis for audit quality was 1.244 that is less than 3 showed that the data on audit quality was normal hence, the data is said to be platykurtic having very few outliers. Moreover, the coefficient of Kurtosis 1.244 also indicates that audit firm size variable does not meet the Gaussian distribution criterion. Generally, the JB Probability values of 0.0000 shows that all the variables are normally distributed at 1% level of significance except the control variable firm size that was normally distributed at 5% level of significance. It is an indication that all variables are approximately normally distributed. This means that there are no variables with outlier, even if there are, they are not likely to distort the conclusion and are therefore reliable for drawing generalization. This also justifies the use of panel least square estimation techniques. Hence, any recommendations made to a very large extent would represent the characteristics of the true population of study.

Descriptive Statistics Analysis

Summary of the aspect needed for the interpretation is presented in a tabular form below.

Table 1: Descriptive Statistics

	AUDQTY	AUDTEN	PNAS	FSIZE
Mean	0.620000	0.720000	0.030000	7.324400
Median	1.000000	1.000000	0.000000	7.560000
Maximum	1.000000	1.000000	1.000000	8.680000
Minimum	0.000000	0.000000	0.000000	5.580000
Std. Dev.	0.487832	0.451261	0.171447	0.950617
Skewness	-0.494451	-0.979958	5.510378	-0.419184
Kurtosis	1.244482	1.960317	31.36426	1.822883
Jarque-Bera	16.91571	20.50921	3858.285	8.701933
Probability	0.000212	0.000035	0.000000	0.012894
Sum	62.00000	72.00000	3.000000	732.4400
Sum Sq. Dev.	23.56000	20.16000	2.910000	89.46366
Observations	100	100	100	100

Source (Researcher's Computation, 2025)

The table 2 above showed the panel regression analysis of quoted food production firms in Nigeria. From the result above, the study observed that the R-square value was 0.9455 (94.6%) approximately and adjusted R-squared value was 0.9358 (93.6%). The value of R- square which is the coefficient of determination stood at 94.6% which implied that 94.6% of the systematic variations in

individual dependent variables were explained in the model while about 5.4% were unexplained thereby captured by the stochastic error term. Again, the adjusted R-squared stood at 93.6%. This indicated that all the independent variables jointly explain about 93.6% of the system variation in auditor's independence of our sampled companies over the 10 years period while about 6.4% of

the total variations were unaccounted for, hence captured by the stochastic error term. Moreover, the F-statistics value of 97.29 and its probability value of 0.000 showed that the overall auditor’s independence model used for the analysis were statistically significant at 1% level. This confirmed the appropriateness of our model used for the

analysis. Moreover, the Durbin Watson statistic of 2.2718 showed that the model is well spread since the value is approximately 2.3 and that there have not been self or auto correlation problem and that error are independent of each other.

Table 2: Regression Result
Cross-section random effects test equation:

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.349703	0.951591	3.520108	0.0007
AUDTEN	-0.143228	0.035142	-4.075697	0.0001
PNAS	-0.035251	0.086657	-0.406792	0.6852
FSIZE	-0.361964	0.130279	-2.778372	0.0067

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

Source: (Researcher’s Computation, 2025)

Hypothesis One

H₀₁: There is no significant effect between provision of non-audit services and audit quality of quoted food production companies in Nigeria.

Based on the regression result above, it was found that provision of both audit and non-audit services had negative sign and statistically had no significant effect on audit quality having recorded a negative coefficient value of -0.0352 and probability value of 0.6852 ($\beta_4 = 0.0352$, $p = 0.6852$). The value β_4 was negative showing that provision of both audit and non-audit services had a negative effect on audit quality of listed food production companies in Nigeria hence, when provision of both audit and non-audit services increases by one bit, auditors independence is affected thereby reducing audit quality by 0.0352%. This suggested that, 1% increase in total provision of both audit and non-audit services decreases audit quality by 0.0352% and, this implied poor quality of earnings, and also an evidence of compromise of independence through fees charged by this joint services, which is the main assumption of economic bonding theory. Even though, the provision of both audit and non-audit services is attractive to the auditor and the client company through cost savings that arise through joint production but it affects audit quality negatively. If these cost savings are retained in whole or in part by the auditor, then benefits accrue to the auditor, increasing the auditor’s economic dependence. For this reason the pricing of joint audit and non-audit services provision have been proved as a catalyst to

checkmate audit quality and thus a direct means of assessing auditor independence. Our findings agreed with the findings of Adeyemi and Kehinde (2019), that documented negative but significant effect between joint provision of audit and non-audit services on audit quality. Furthermore, Jibril (2024) opined that non-audit services impaired auditors’ independence because of the presence of client’s future quasi-rents (non-audit fee) provided to the auditors. However, a more conclusive test for cost interdependence would require explicit separation of the price and quantity components of fees, which would require data on the internal costing of audit firms. These findings do not suggest the existence of auditor independence problems, but rather concluded that provision of both audit and non audit services had negative effect on audit quality of food production companies in Nigeria and statistically insignificant.

Hypothesis Two

H₀₂: Audit tenure has no significant effect on audit quality of quoted food production companies in Nigeria.

The regression result in table 3 above revealed that audit tenure has negative effect on audit quality of quoted food production companies in Nigeria with a negative coefficient value of 0.1432% and t-statistics value of 4.075 and a probability value of 0.0001 which is statistically significant at 1% level of significant. The study established that audit tenure has a statistically significant effect on audit quality ($\beta_1 = -0.1432$, $p = 0.0001 < \alpha = 0.05$). The value

β_1 was negative showing that audit tenure has a negative effect with audit quality of listed food production firms in Nigeria hence when auditor length of service is elongated by one year, audit quality diminishes by 14.32%, indicating that the more time an audit firm spends with the client, the more auditor independence decreases, and the greater the possibilities of not maintaining audit quality. Thus suggesting that tenure and/or familiarity between audit firm and the client did impair auditor independence in the food production companies in Nigeria during the period of the study. This implies that, the more audit firm stays with a client the lesser the quality of the audit report as familiarity will step in to disrupt the auditors' independence thereby resulting to biased audit reports. That is to say that long-tenured auditors are more likely to issue a modified audit opinion because they are less independent in a long-term relationship. This relationship supports the view of regulators of mandatory audit rotation. The findings provide evidence that auditor tenure and auditor independence impact significantly on the level of discretionary accruals of a company. Hence, the null hypothesis of a no significant relationship between auditor tenure and audit firm size or audit quality is rejected. The alternative hypothesis of significant negative relationship between audit tenure and audit quality of quoted food production companies in Nigeria is upheld at 1% level of significance. Our result disagrees with the findings of Aliu, Okpanachi, and Mohammed (2018); Knechel and vanstraelen (2017) who found that auditor tenure exert positive influence on audit quality but agrees with the findings of Ogbeide, Okaiwele and Ken-Otokiti that found negative and significant effect on audit tenure. This finding also contradicts the finding of Carcello and Nagy (2019) who found no evidence of impaired audit quality when auditor tenure is longer, and conclude that, auditors with longer tenure actually impairs audit independence in the issuance of audit report. As a result of this significant effect we documented, we rejected our first null hypothesis and accept our alternate hypothesis and therefore conclude that audit tenure has negative and significant effect on audit quality of quoted food production firms in Nigeria which was statistically significant at 1% level of significance.

Control Variable

Firm size and audit quality of food production companies in Nigeria

The regression result in table 3, revealed that firm size has negative and significant effect on audit quality of food production companies in Nigeria having recorded a negative coefficient value of -0.3619 and t-statistics value of -2.778 and a probability value of 0.0067 which is statistically significant at 5% level of significance. The study established that firm size has a negative statistically significant effect on audit quality. The value of coefficient

was negative showing that firm size has a negative causal effect relationship with audit quality of listed food production companies in Nigeria hence when firm size is decreased by one unit, audit quality increases by 0.361%.

CONCLUSION

Findings reviewed that audit tenure has negative and significant effect on audit quality of quoted food production companies in Nigeria which was statistically significant at 1% level of significant having recorded a negative coefficient value of -0.1432% and a probability-value of 0.0001; while provision of audit and non-audit services has negative and insignificant effect on audit quality of quoted food production companies in Nigeria. In conclusion, emanating from the review of relevant literature and theories on auditor's independence and audit quality and based on the data collected, analyzed and the hypotheses tested the study concludes that auditor independence in the food production companies in Nigeria is compromised via provision of audit and non-audit services and audit firm tenure during the period covered by the study.

RECOMMENDATIONS

Based on findings of the study, the following recommendations were made as follows:

1. In line with global trends, professional accounting bodies, Financial Reporting Council of Nigeria, and the National Assembly should issue a codified and authoritative framework, guideline or standard for auditors' tenure in Nigeria.
2. Again, long tenure of auditor should be discouraged while the maximum three years audit firm tenure policy for auditors in Nigeria should be backed up by law and strictly enforced.
3. Provision of non-audit services by the same audit firm should be discouraged.

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