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Determinants of Auditor's Switching Behaviour of Firms in Nigeria

Ugwu Ikechukwu Virginus

Department of Accountancy Chukwuemeka Odumegwu Ojukwu University (COOU), Igbariam Anambra State, Nigeria
Email:virginusugwu418@gmail.com

ABSTRACT

This study investigated the determinant of auditor switching behaviour of firms listed in Nigeria Stock Exchange (NSE). The main objective of the study is the determinants of auditor switching in Nigeria listed firms, and to test if: Audit Firm Size AUDITFSZ, Audit Tenure AUDITN and Audit Fee AUDITF are the determinant of Auditor Switching AUDITSW. The research design was anchored on secondary data collected from consumer firms listed in the NSE from 2015-2019. The analysis applied descriptive statistics, correlation, binary Log-it, Pro-bit and Extreme Value regression model. The test applied included: cross sectional regression and the individual statistical significance test (Z-test), overall statistical significance test (LR-test) and the coefficient of determinant of (McFadden R-Squared) test. The result showed that (McFadden R2) has Logit (0.158525), probit (0.151597) and Extreme value (0.147148); and has 15% as the systematic overall value of the criterion variable that was explained by the explanatory variables of audit firm size, audit tenure and audit fees; while about 85% of the systematic values were not explained by the independent variables of the study. Further, overall significance of the model indicated that: the LR-statistics has logit (11.43427); probit has (10.84553) and extreme value (10.35686); while the related probability LR logit (0.008742), probit (0.003087), extreme (0.012615) were found in the criterion variable. The result concludes that among logit, probit and extreme value of the model: audit firm size (AUDITFZ) has a positive and insignificant determinant on auditor switching (AUDSW); Audit tenure (AUDITN) has a negative determinant value and significant determinant on auditor switching (AUDITSW) and (AUDITF) has positive and insignificant determinant on auditor switching (AUDITSW). Recommendations are that firms should consider the costs and risks involved in sudden audit switching as each wrong decision might hinder audit quality.
Keywords: Auditor Switching, Audit Firm Size, Audit Tenure, Audit Fee, Determinant.

INTRODUCTION

Audit switching did not start today as we witness it, but it has been an issue since early 1970s [1]. The effect of audit switching has narrowed auditor's independence and that has really become a crucial issue especially in developed countries [2]. For the companies to get easy access to the capital sources, they need to rely upon the independent audit service to enhance credibility to the external financial statements being prepared, as the auditors' opinion add justification and reliability to the presented financial statements [3]. Audit switching has been a major issue that should be addressed in order to improve audit quality and for decades this has been an issue and it affects external audit report which add to company worth, [4]. Audit quality is a basic ingredient in enhancing the credibility of financial statements to users of accounting information. Thus [5] added that audits add credibility to the financial information by providing an independent verification of management's financial reports. Further, the credibility of financial statements prepared by directors of companies which were audited by external auditors remains the authentic means of communicating the growth and financial performance of the entity and a surety to shareholders and other stakeholders interests, [6]. Most audits are performed in accordance with standards established by the auditing profession and regulatory circulars issue by the relevant regulatory agencies for financial quality reporting.

Different factors may affect auditor switch such as disagreement about content of financial reports [7], disagreement about auditor opinion (Haskins and William, 1990), change of management [8]; and auditor fees [9]; [10]; size of the audit firm, tenure of auditor, audit firm reputation, etc. These factors may cause auditor switch and they may reduce the auditor's independence as well. These factors can be categorized into two groups as follows: a. Factors related to auditors: consist auditors' fees, auditor opinion, and audit quality; b. Factors related to client: consist client size, changing management, and financial condition or stress.

Prior studies have identified many other reasons for switching auditors, such as business growth or requirements for new audit procedures. When companies require more complex audits, it may become necessary to choose different auditors. When faced with the decision to choose a new auditor, more often than not, a company will choose a big four firm [11].

The research question in this current study concerns whether audit firm size, audit tenure, audit fees influence auditor switching for companies in Nigeria contexts. Some literatures have argued that companies use auditor switching to avoid qualified reports. It is certain that a qualified report may signal to investors that managers are poor stewards of the companies' affairs, or that managers have attempted to present an over-favorable view of the company's performance to their own interests. Also, qualified reports cause share prices to fall – this reduces managerial utility if managers own shares or their compensation is related to market value [12]; [13]; [14]; [15]; [16]. Thus, there are strong reasons for believing that managers dislike receiving qualified reports. The obvious is that managers dislike qualified reports and have some influence over auditor appointment, they may try to use auditors switching to avoid receiving qualified reports. The opinion of [17] is that company managers actively use the auditor switch decision to avoid receiving qualified reports. Again, [18] stated that auditor change may have impact on auditor independence and may diminish the credibility of audited financial statements. External auditor's independence is viewed as one of the important principles covering auditor's work. Generally, the value of audited financial statements depends on the assumption that the auditor carried out his duty in independent of the client. Thus, auditors are expected to base their opinion on the true and fair view of the financial statements.

The audit report is the end product of every audit assignment that the auditor issues to the members of a client company express his opinion on the truth and fair view regarding an enterprise's financial statements, [19]. Auditors based their opinion on the true and fair view of the financial statements. Therefore, auditors have to improve on their skills so as to increase the probability to rely more on the auditor's report and audited financial statements which are more relevant, unbiased and accurate for the decision makers. According to [20], corporate governance practice by quoted companies ensure that shareholders elect and appoint the auditor or retain the auditor when the company performs credibly. Shareholders have effectively handed over the control of auditor-related decisions (hiring, retention and compensation) to management.

[21] argue that sometimes, the auditors have to work to the wishes of the directors in order to retain their services in the company even if it means compromising their independence. Corporate organizations change the service of an audit firm as a result of poor audit quality. Auditor switching occurs where the relationship that exist between auditor and client no longer exist [22]. [23], stated that auditor switching involves management decision to change the services of an auditor for better until service or for reducing cost. Therefore, auditor switching is seen as the change of auditor by the client in carrying audit assignment. The contractual arrangement between the auditor and firms are based on audit engagement which proceeds with a risk assessment and formation of an audit plan delineating the scope and objectives of the audit [24].

Statement of the Problem

Auditor switching has continued as a problem as seen in the literatures. For instances, [25] observed that the change of management cause auditor switching, but the argument of [26] was that the size of the audit firm, tenure of auditor, audit firm reputation causes audit switch; while [27], were of the opinion that auditor switching is management decision to change the services of an auditor for better service, qualification or for reducing cost. From these authors there no agreed factors actually cause audit switch. Again, several studies in audit switching have been conducted outside i.e. other countries, but not in Nigerian setting, for instance: [28] was conducted in Malaysian; [29]; [30] were done in Indonesia; [31] was in Zimbabwe; [32] took place in Bahrain; while [33] was in China; and many more like [34]; [35]; [36]; [37] were conducted in other countries. But not much have done within Nigeria on this subject matter. Therefore, this current research work is carried out to see the determinant of auditor switching in Nigeria contexts, using listed companies in Nigeria Stock Exchange, NSE.

Objective of the Study

The main objective of the study is the determinants of auditor switching in Nigeria listed firms, and this requires to broadly testing if:

a. Audit Firm Size is the determinants of auditor switching in Nigeria;
b. Audit tenure is the determinant of auditor switching in Nigeria;
c. Audit fee is the determinant of auditor switching in Nigeria.

Research Questions

The research questions developed for this study are as follows:

(i) Is audit firm size the determinant of auditor switching in Nigeria;
(ii) Is audit tenure the determinant of auditor switching in Nigeria;
(iii) Is audit fee the determinant of auditor switching in Nigeria.

Hypotheses of the study

These research objectives and questions are tackled through these formulated null hypotheses that would be ultimately tested:

HO_1: Audit firm size is not a determinant of auditor switching in Nigeria.
HO_2: Audit tenure not is a determinant of auditor switching in Nigeria.
HO_3: Audit fee is not a determinant of auditor switching in Nigeria.

Significance of the Study

Those that will benefit from this current research are firms' management for deep understanding, for investors as a signal observe management intention on auditor switching, for external auditors to be aware that their independence may be at stake if they compromise in other to avoid to, or switch to, and finally to the potential researchers for research information.

Scope and Limitation of the Study

This current work covered 2015-2019 audited annual reports that were relevant and were regularly among the listed firms for the chosen periods in Nigeria stock exchange NSE. The study was limited to three explanatory variables of audit switching and carried out within Nigeria contexts.

REVIEW OF RELATED LITERATURE

Determinants of Auditor switching

Auditor switching concept has been an issue since early 1970s [38] and for companies to get access to capital sources, they need to rely upon the independent audit services to enhance credibility to the external financial statements being prepared, as the auditors opinion add justification to the financial statements, [39]. Auditor switching is an event of changing public accounting firms. It is also a change in the audit firm specified in the client firm's annual report when not necessary. Auditor switching was defined by [40] as the resignation and dismissal of audit firm from carrying audit assignment from the client. This auditor switching could be the movement of auditor from one firm to another client firm possibly by way of resignation or dismissal by the recommendation of the audit committees anchoring their actions in the 1999 Constitution provisions as in Nigeria contexts. Literatures have shown that auditor switching is mainly due to lack of audit independence and this is very keen in the determination of the audit engagement remuneration as well. Thus, mental attitude and physical appearance of the audit firm personnel can be uninfluenced by others in judgment and decision [41].

Auditor switching might be favourable or unfavourable. In some cases, the auditor loose better clients and the clients end in incurring more costs based on the auditor switching. In the views of [42], firm auditors who are considered to have low performance by his supervisor witness a high level of audit firm turnover as a result of auditor switching behavour. Therefore, auditors have to improve on their skills so as to increase the probability to rely more on the auditor report and audited financial statements which are more relevant, unbiased and accurate for the decision makers. [43], argue that auditor's decision making process on ethical basis is very paramount in carrying out audit assignment. The decision taken by the auditor is legally and morally bound by the auditing ethics and profession.

Literatures have suggested several determinant of auditor switching. [44] stated that companies operating structure, reputation management and audit fees are the determinant; [45], was of the view that it is financial condition of client, size of public audit firm, change in management, audit fees, level of competition and qualified audit opinion that are the determinant. But, [46], suggested that auditor switching are financial condition of the client, level of competition among audit firms and tenure.

Several reasons might be responsible for audit switching with a different consequent. For instance, auditor switching could be necessitated by the dissatisfaction of audit opinion by the management of a firm and this may affect the member share price of the company receiving the audit opinion and decrease management compensation [47]. Within the argument of [48], auditors' opinions are expected not only to enhance the credibility of the financial statement, but also to provide value-added to the company status. Unqualified audit report is a sign of a guarantee that audited financial statements were completely accurate and that the auditor has performed one hundred percent check for the financial statements, [49]. Again, other literatures like [50]; [51] were of the view that auditor switching can be upward switching: moving from non-big four auditor to big four auditor and downward switching: moving from big four auditor to non big auditor. Thus auditor switching is the movement of auditor from one client to another regardless of the motivation.

Concept of Audit Firm Size In the Determinant of Audit Switching

[52] said that in the developed markets Audit Firm Size is considered the most important determinants of audit choice. The impact is that auditing large clients requires more resources (human and technical), which are usually provided by large audit firms. Another literature pointed out that auditing theories suggest that audit-fee premiums charged by large audit firms can be attributed to their brand name or stronger reputations due to providing distinguished quality services to their clients, [53].

The size of the audit firm is an important factor related to auditor's independence. [54] found that firms who are going public switched from small to large nationally known audit firms. Audit firm size may give a competitive advantage to big and nationally known audit firms, seeking new clients. Also, a big audit firm is expected to have resources and ability to give audit service to the large companies listed on the stock exchange [55]. But, a small audit firm is believed to be unable to meet the requirements of the large companies. In other words, [56] pointed out that a small audit firm size dependent more on the client compared with a large audit firm and for small audit firm one client makes a significant contribution to the firm's total income on one side, and further, small audit firm tends to engages in close relationship with client, and this will tend to mar auditors' independence.

A research was carried out by [57] to find out companies' decisions to retain or switch auditors based on corporate fraud. The findings were that in many cases the company decided to switch to one of the big four audit firm. The research further indicated that there is a tendency that when the client becomes larger, it will switch to the more qualified audit firms among the big audit firm. [58] argued in the literature that audit reports and fees are found to increase with the size and complexity of the clients. But, [3], suggested that large firms will be forced to hire or switch to large auditing firms as large firms are more complicated in operations and may likely need to hire auditors with more expertise and such could only be found in large audit firms.

There are opinions that many firms in other to avoid large audit fees, due to the complexity of their operations and the increased gap in the separation between management and ownership, switch to highly independent audit firm to reduce agency costs and auditors self interest threat, [23]; [24]. While some opinions were that the size of the companies increase is the likelihood that the number of agency conflicts increases as well and this might lead to increase in the demand for quality and differentiated auditors [3]. Finally, [24]; [25], were of the view that smaller companies are more likely to receive qualified audit opinions than larger audit who might switch auditor.

Concept of Audit Tenure as a Determinant of Auditor Switching

Section 357 (1) of the Company and Allied Matters Acts CAMA requires that every company appoint an auditor at each Annual General Meeting AGM. Other Sections of CAMA 362, 363 and 364 stated the removal of the auditor at the AGM with a simply proposing of the appointment of a different auditor. The auditors could also resign on their own at any time giving notice to the effect to the client company, Section 365. Both the auditor and the client firm utilize the loopholes of the law to switch over to their advantages and to the detriment of the other. [7] explained audit firm tenure as the length of time it has been filling the audit needs of a given client, and as having an influence on the risk of losing an auditor's independence. Given a long association between a company and audit firm can lead to such close identification of the auditing firm with the interests of its client's management and lack that required independent action by the audit firm against the client becomes difficult and as thus complacency, lack of innovation, results to less rigorous audit procedures and a learned confidence in the client may arise after a long association. Too long auditor tenure and client relationship would significantly lead to development of personal relationship that may result to the bonds of loyalty, trust or emotive relationships having developed between the client and the auditor, [17]. Longer audit tenure could encroach in the independent auditor's opinion and increase the likelihood of the auditor yielding to the client's pressure in relation to their choice and application of accounting policies which might ultimately mars the true and fair audit opinion required of the independent auditor.

In this regard, [23], indicated that audit client contract based on relationship outcome might greatly impact on auditor client agreement or disagreement as the case may be. But, in other cases, the disagreement might strengthen or weakened the auditor-client relationship on the area of auditor professional judgment. Finally, the auditors who are concerned that a client may be lost, might possibly choose yielding to the client's style and keep succumbing to pressure to accept the client's position only because they fear to lose audit client relationship [26]. So audit firms are expected to maintain audit ethics and professional standards in their work on whether loosing or maintaining their audit tenure with the client.

Concept of Audit Fee Determinant of auditor Switching

Audit fee is regarded as the remuneration of the auditors for their professional audit work. The Company and Allied Matters Act CAMA Section (361) stated that the persons appointing the auditor (members, directors) have the power under the section 361 to fix the auditors remuneration on the recommendation of the audit committee. Thus the audit fees/remuneration is the amount payable to the auditor, for carrying out audit services rendered to the client company [8].

Audit fee is the amounts of fees received by an auditor for carrying out an audit assignment on the accounts of the client firm [12], while [7] defines audit fee as the cost associated with companies that perceived to experience weak internal control process. The audit fees is the sums payable/paid to the auditor, for carrying out audit services offered to the auditing company (client).

Audit fees are payments made to the auditor during the 'course of the carrying out the audit function and non-audit fee is the payments for other non audit services carried out by the auditor which may not be part of the audit engagement negotiation, audit committees may be primarily interested in negotiating a lower audit fee for their clients instead of going for higher audit quality that attract a higher audit fee [18].

Literatures have the opinions that the size of audit fee is a major explanatory factor or the ability of the auditor to resist the pressure of management and this matter leads to a misleading report, regardless of the provision of advisory services [20]. The issue of the determination of audit fee has become very critical worldwide since the corporate and audit failure saga in Enron and Cadbury PIc and others even in Nigeria [29]. Other literature has it that Large fees paid to auditors, particularly those that are related to NAS (Non audit services) make auditors more economically dependent on their clients [16]. Therefore the financial reliance may induce a relationship such that the auditor becomes reluctant to make appropriate inquires during the audit process for fear of losing comfortable audit fees, [24], Some audit firms may base their fees on the perceived risk of audit failure [39]. Some opinions view companies' risk as an important factor that determines audit fees and possibly a high corporate audit risk would result in higher audit fees.

Further Audit fees reduction has been identified by prior literature as a primary reason for auditor switching. [23] observed that audit fees and good working relationships are the two most important determinants affecting auditor selection decision. Thus, when managers are not comfortable with audit fees they try to switch auditors in an effort to find a better offer.

In conclusion, the foregoing statement is in line with [34], [35], [36], [37], [38], [39], [40] [41] who also concluded that the rise of audit fees will make the client change the auditor. [9] argued that higher audit fee increases are for riskier clients, therefore, the increase of audit fees triggers downward auditor switch from big four to non-big four.

THEORETICAL FRAMEWORK

This current research was anchored on Signaling Theory. One of the main ideas of the theory is that firms change their auditors to ensure a desired quality of audit service. Decision to switch auditors by client firm was due to the principle-agent problem in separation of ownership and control of a firm [3], and the separation of risk bearing, decision-making and control function in firms [8]. The focused on signaling theory or the information role of auditor choice is to explain why a client switches auditors. The Signaling theory states that clients switch auditors, when they want to convey or signal to the public the quality or reliability of their financial statements and they do this through the type of auditor they engage [11]. From literatures, both analytical and archival studies [23]; [24] support the information or signaling role of auditor choice.

Empirical Framework

Signaling theory states that clients switch auditors when they want to convey or signal to the public the quality or reliability of their financial statements and they do this through the type of auditor they engage [7]. Auditing can reduce agency risks created by conflict of interests between managers and shareholders and debt holders [9], small and large shareholders [11]. The literature examines the association of one factor with auditor switch. [13] verified the association between qualified audit opinion and auditor switch but their research did not find significant relationship between qualified audit report and auditor switch.

[18] found that leverage, growth turnover, financing activities, longevity of audit engagement and audit fee are significant determinants of auditor switch in Malaysian second board companies. Firms change their auditors to ensure desired quality of audit service. Decision to switch auditors by client firm was due to the principle-agent problem in separation of ownership and control of a firm [9], and the separation of risk bearing, decision - making and control function in firms [27].

[25] conducted a study at American Accounting Association Annual meeting and Conference titled "Auditor switch between different audit markets: A case study" to examine the characteristics of H-share firms that switch from HK auditors to Chinese auditors, and the market reaction to the auditor switch. The study found that the firms that switch to Chinese auditors have less foreign sales as percentage of total sales, are less likely, to cross-list overseas, less likely to be audited by the Big Four, and have longer listing age. The study also found that the market reacted negatively to

firms switching from small HK auditors to pure Chinese auditors, but no negative reaction to firms switching from Big Four HK to Big Four China.

[23] conducted a study upon Malaysia's public listed T & S companies. The findings of the study proves that the level of risk; ownership concentration; changes in audit fees; and going concern issue, have all a significant association with the auditor switching. The study also reveals that the level of complexity have no significant association with the auditor switching.

[34] investigated the underlying factors that cause companies to change auditors or switch from one auditor to another in Zimbabwe. The study examined the relationship that may exist between auditor switch and variables such as qualified opinion, non-audit services, audit fees, audit quality, change in C.E. O and company size. The researcher used questionnaires as primary data collection tool and several publications to get secondary data. The results of the study indicated that audit fees, non-audit services, audit quality, change of management and company size among other factors play a role in companies switching from one auditor to another.

[12], "investigated the competing views on the relation between fee competition among Big 4 auditors and audit quality in US local audit markets". They found out from the empirical findings that audit fee competition has a positive relation with the incumbent auditor's switching risk. "The study suggested that fee competition is a useful mechanism for enhancing the quality of the audit report.

[15] investigated in their study the determinants factors affecting auditor switching. The study used the survey method by developing questionnaire. The study applies agency theory [6] analysis. The findings show the financial condition of the client, level of competition among audit firms and tenure affect significantly auditor switching. However, audit fees and size of audit firm do not affect auditor switching.

[31] conducted their study to examine two factors which influence auditor change: audit and client firms' characteristics, for Malaysian listed companies. This study evaluates the effects of various independent variables on auditor change behavior and the sensitivity of results to alternative period measurement by using logistic regression analysis. The results reveals that auditor change to be significantly influenced by client firm's characteristics, notably changes in management, size of the client firm, complexity, and client's firm growth, lending support to the findings of previous survey studies.

[38] conducted a study to examine auditor switching using discriminate and logistic regression. Using logistic analysis, auditor switching can be forecasted with prediction accuracy of more than 92%. The results show that the proposed financial ratios (Working capital/Total assets, return on assets, market value of equity /book value of total debt, sales/total assets) help explain the discrimination between companies that switch auditors and those that do not switch auditors.

[19] concluded in their study that financial restatements have significant implications for auditor-client relationships. They found that a restatement dramatically increases the odds of an auditor resignation. Restatements involving fraud, reversing profit to loss and those disclosed in press releases appear to drive the increased resignation likelihood. Furthermore, they found that companies with relatively severe restatements are more likely to hire smaller auditors following a resignation.

[27] conducted a study to examine the motivations for failing firms to change auditors. They concluded that some of the factors that could influence auditor switching include audit qualifications, reporting disputes, management changes, audit fees, and insurance needs. The investigation's findings strongly supported prior expectations that failing firms have a greater tendency to switch auditors than do healthier firms. Other findings revealed that neither audit qualifications nor management changes were statistically associated with auditor displacement in failing firms. Failing firms that changed auditors did display a preference to move to a different class of CPA firms. Also, size did not appear to matter with respect to the observed auditor switching among the failing firms, although it appeared to have some effect among control firms. Overall, the major findings of the study suggest a definite

need to control for the presence of financial distress in studies on auditor switching.

[35], investigated the determinants for auditor switch among listed companies in Bahrain Bourse. The study used primary source of data where Cronbach's alpha was used to test the reliability level of the construct items and T-test and multiple logistic regression techniques were used in the analysis. The t-test results showed that there are significant mean differences between auditor switching financial conditions .of the client, audit fees, change in management and "qualified audit opinion. Also, the multiple logistic regression analysis revealed that financial condition of client, size of public audit firm and change in management have negative relationships with auditor switch while audit fees, competition among PAF and qualified audit had positive relationships with auditor switching.

[43], "examined the factors influencing auditor change in Malaysian listed companies". "The study made use of logistic regression for the data analysis. The empirical evidence showed that client firm's characteristics such as the size of the client firm, complexity, and client's ·firm growth significantly influence auditor, change".

[48] "carried out a study on stakeholders' perception of the independence of statutory auditors in Nigeria". They used a cross-sectional survey for data analysis. It would be revealed form the empirical studies that the size of audit fee is the most influencing factor capable of deterring auditors' independence as well as 'auditor tenure.

[54], "carried out an empirical investigation of the determinants auditor switching in Indonesian". The study used a survey research through the administration of structure questionnaire for the collection of data. The study was anchored on agency theory. The results showed that financial condition of the client, level of competition, audit firms and audit tenure significantly affect auditor switching. Also, the results showed that audit fees and size of audit firm had an insignificant effect on auditor's switching.

[52] "studied the determinants of auditor switching in Bahraini's listed companies". The study made use of multiple logistic regression analysis to measure the association between the dependent variable and the independent variables. The empirical results revealed that financial condition of client, size of public audit firm and change in management have negative relationships with auditor switch while audit fees, competition and qualified audit opinion respectively have positive relationships with auditor switching.

Further, [35], "investigated the reason of auditor switching in China". The study made use of some selected listed companies in China and employed logistic regression technique for the data analysis. The logistic regression results revealed that the largest proportion of shareholding, the proportion of independent directors, and board meetings had a significant and negative correlation with auditor switching while full disclosure, litigation, and arbitration had a significant positive correlation with auditor switching.

[18] examined the determinants of auditor switching in Indonesia. The objective of the study was to examine the effect of financial condition of the client, audit fee, competition intensity among audit firms, audit tenure and size of audit firm on auditor switching. Primary sources of data were employed by distribution of 136 questionnaires to the Chairmen of manufacturing companies listed in Indonesian Stock Exchange for the periods of February to July 2012. It would be revealed from the results that financial condition of the client, competition intensity among audit firms, and audit tenure had a significant positive effect on auditor switching while audit fee and the size of audit firm had an insignificant effect on auditor switching.

[25] conducted a study to examine the motivations for failing firms to change auditors. They concluded that some of the factors that could influence auditor switching include audit qualifications, reporting disputes, management changes, audit fees, and insurance needs. The investigation's findings strongly supported prior expectations that failing firms have a greater tendency to switch auditors than do healthier firms. Other findings revealed that neither audit qualifications nor management changes were statistically associated with auditor displacement in failing firms. Failing

firms that changed auditors did display a preference to move to a different class of CPA firms. Also, size did not appear to matter with respect to the observed auditor switching among the failing firms, although it appeared to have some effect among control firms. Overall, the major findings of the study suggest a definite need to control for the presence of financial distress in studies on auditor switching.

[11] conducted a study on the determinants affecting auditor switching in Malaysia's public listed T & S companies. The results showed that that the level of risk, ownership concentration, changes in audit fees, and going concern issue had a significant association with the auditor switching while that the level of complexity had an insignificant association with the auditor switching.

[43] carried out research on the relationship between auditor tenure, audit firm rotation and audit firm quality in Malasia, the research used longitudinal design, secondary data and regression analysis and the result was that the long time between the auditor and his client was negatively impacted on audit independence, audit quality and audit switching.

[49] studied on the effect of audit delay, client size and audit committee changes on audit switching in all companies listed on Indonesia Stock Exchange for the period 2012 to 2015, applying secondary data, descriptive statistics and regression analysis techniques, the result revealed that the mandatory audit firm rotation and audit firm size were significantly related and audit tenure, audit switching to big four audit firm and quality was positive and significantly related.

[10] studied auditor switching behavior in LQ45 companies in Indonesia using secondary data and logistic regression technique and the study found that both the public accounting firm had a significant effect on auditor switching, while audit opinions and management changes had no significant effect on auditor switching.

METHODOLOGY

The current research design was anchored on secondary data and the population comprised 186 quoted firms in the Nigerian Stock Exchange NSE from 2015-2019. Simple statistical sampling techniques were adapted to select 20 consumer firms for this study. A five-year financial summary was extracted from the annual reports of the chosen firms from the Nigeria Stock Exchange NSE Fact Book Published 2020

Method of Model Specification, Measurement and Analyses

Binary logistic regression model was used for the study and the specification of the model adopted were the works of McFadden Logistic Regression Model (1974) and applied in (Francis & Wang, 2005; Krishnan, Sami & Zhang, 2005). The models are modified as logistic regressions having the following functional representation:

F(AUDITFSZ,AUDITN, AUDITFE)..............(1)

Expressed in the following terms

$AUDITSW = \beta_0 + \beta_1 AUDITFSZ + \beta_2 AUDITN + \beta_3 AUDITFE + e$ ....(2)

Where:

The Criterion Variable is Auditor Switching:

AUDITSW =Audit switching which was measured by a dummy variable: "1" if auditor has been switched and "0", if auditors have not been switched as in [7]; [8].

Big 4 auditors in Dummy (0,1) is computed as “1” for companies that use PWC, Deloitt and KPMG as external auditors otherwise “0”

AUDITN = Audit Tenure. Audit tenure is measured as the length of auditor-client relationship "1" if audit firm audit the company for a period of 5 years consecutively otherwise "0"**.**

AUDITF = Audit Fee. Audit fee was measured by the amount paid to the audit firm for carrying out their audit engagement (De Fond, 1992).

Then other in the equation are: a priori sign; $\beta 2 > 0$; β_0 = Consonant Coefficient; β_1- β_3 Explained as the coefficients of the explanatory variables.

This study applied Log-it, Pro-bit and Extreme Value in binary regression model as required in a dummy variable. Further the tests analyses applied the cross sectional regression and the individual statistical significance test (Z-test) and used overall statistical significance test (LR-test) and the tested of coefficient of determinant of (McFadden R-Squared) to determine the goodness of the fit of the applied model. There was also a test descriptive statistics and correlation matrix on the variables using statistical E-

Views software analyses.

DATA ANALYSES, PRESENTATION AND RESULTS

Descriptive Statistics

Below is the table of the descriptive statistics depicting the mean, the standard deviation and the normality test.

Table 1

Variables	Mean	Standard Dev.	Jargue-Bera	Probability
AUDITSW	0.150	0.350	115.350	0.000
AUDITFSZ	0.070	0.250	803.190	0.000
AUDITN	0.490	0.500	16.670	0.000
AUDITF	38455.430	48548.750	205.86	0.000

Source: Authors Computation (2020)

The above table depicted that auditor switching (AUDITSW) has a mean of 0.150 with a standard deviation of 0.350. It shows that companies may prefer to retain auditors instead of audit switching. Their choice could be the cost involved in auditor switching of firms. Then, (AUDITFSZ) recorded a mean of 0.070 with a corresponding standard deviation of 0.250. The small mean score is showing that none of the firms are actually going for the big audit firms. Possibly switching over to large firms seems not to be ventured into as small firms. Audit tenure (AUDITN) scored a total mean of 0.490 approximately (1) and with a standard deviation of 0.500. This could mean that since some of the firms are consumer firms, they might not be able to afford losing their auditors so soon based on cost. Audit fee (AUDITF) recorded the value of 38455.430 with a corresponding standard deviation 48548.750. The overall probability of the Jarque Bera statistic was (0.000) which is less than (0.05). The smallness of the variable factors probability indicates normal distribution of the explanatory and criterion variables of the study.

Analysis of the Correlation Matrix

Below is the table of correlation matrix of the study

Table 2

Variables	AUDITSW	AUDITFSZ	AUDITN	AUDITF
AUDITSW	1.0000	0.0285	-0.2987	0.1528
AUDITFSZ	0.0285	1.0000	0.1957	-0.0847
AUDITN	-0.2987	0.1957	1.0000	-0.4678
AUDITF	0.1528	-0.0847	-0.4678	1.0000

Source Author's Computation, (2020)

Observing the correlation matrix above shows that none of the explanatory variables had a perfectly correlation. In other words, the table shows an absence of multi-co linearity among the variables. Thus there is no wrong sign and implausible magnitudes in the estimated model coefficient and the bias of the standard errors of the coefficients shown in the above result. Audit firm size is positively associated with the audit switching, with a figure of (0.0285), and has a positive figure of (0.1957) with audit tenure, but from the result, it has a negative relationship of (-0.0847) with audit fees. Further audit tenure has a positive relationship of (0.1957) with audit firm size and a negative figure of (-0.4678) relationship with audit fees. Finally, audit fees has negative figures of (-0.0847) for audit firm size and negative figure of (-0.4678) with audit tenure. The positive relationships are insignificant. Therefore the variables are not correlated to mar the study.

Table 3: Regression Results

Factors	Expected Sign	Logit	Probit	Extreme Value
c		-1.43 (-3.16)* [0.00]	-0.85 (-3.32)* [0.00]	-0.47 (-2.14)** [0.03]
AUDITFZ	-	1.77 **1.20** [0.22]	0.75 **0.97** [0.33]	0.42 **0.69** [0.48]
AUDITN	-	-2.80 **-2.31** [0.02]**	-1.29 **-2.60** [0.00]*	-0.91 **-2.78** [0.00]*
AUDITF	-	2.14 **0.39** [0.69]	1.07 **0.34** [0.73]	8.01 **0.28** [0.76]
McFADDEN R^2		0.158525	0.151597	0.147148
LR Statistics		11.43427	10.84553	10.35686
Prob(LRStatistics)		0.008742	0.003087	0.012615

Remarks: Figures in bold are z statistic while bracket [ ] are p-value; while those having *and ** are 1% and 5% level of significance respectively.

As we have observed earlier that the analyses apply (MCFadden R2) coefficient of determination. The outcome of the result as seen in the table above shows that (McFadden R2) has figures of Logit (0.158525), probit value of (0.151597) and Extreme value of (0.147148). These figures shows that 15% of the systematic overall value of the criterion variables which is auditor switching is somehow explained by the explanatory variables of audit firm size, audit tenure and audit fees. On the other hand, the result deduced that about 85% of the systematic values were not explained by the chosen variables of the study and possibly they could be readdressed by other factors or variables. The table also shows an overall significance of the model, where the LR-statistics for logit is (11.43427); probit value is (10.84553) and extreme is (10.35686). Then. the related probability of the binary models are (0.008742), (0.003087), (0.012615) respectively for logit, probit and extreme value as a proof that all the study explanatory variables aggregated are in the criterion variable. Then the figures of the z-statistics indicated that audit firm size (AUDITFZ) has a positive and insignificant determinant on auditor switching (AUDSW) among the three binary models of logit, probit and extreme value analyzed. The z-test value i.e. z-test value >0.05 level of significance, it is greater than the 0.05 significance level. Thus, the positive determinant value signifies that an increase in AUDITFZ would lead to an increase in auditor switching even though it is statistically insignificant. But Audit tenure (AUDITN) has a negative determinant value and significant determinant on auditor switching (AUDITSW) among the three binary models of logit, probit and extreme value tested at 1 % and 5% level of significance value and this shows that it does not greatly propel audit switching.

Finally, the z-test was >0.05 level of significance in the test table. (AUDITF) from the logit, probit and extreme value figures show positive and insignificant determinant on auditor switching (AUDITSW) within the three binary models. Even-though, the positive outcome signifies that audit fee is a determinant of auditor switching, but the determinant is statistically insignificant in the result.

DISCUSSION OF THE FINDINGS

The figures of the z-statistics indicated that audit firm size (AUDITFZ) has a positive and insignificant determinant on auditor switching (AUDITSW) among the three binary models of logit, probit and extreme value analyzed. This finding though indicating positive and insignificant, partially agrees in indicating positive audit switching with the findings of the following authors who found positive association of AUDITFZ with AUDITSW [51]; [52] [53]; [54]; [55]; [56]; [57]. But, these following authors' work found that AUDITFZ is negatively related to AUDITSW, [6]; [7]; [8] [9].

From the findings, Audit tenure (AUDITN) has a negative determinant value and significant determinant on auditor switching (AUDITSW) among the three binary models of logit, probit and extreme value tested at 1 % and 5% level of significance value and this shows that it does not greatly propel audit switching. This result agrees on significant that AUDITN is a determinant of audit switching AUDITSW in agreement with the finding of [21]; [22] [23]; [24]; [25]; while it has a negative determinant on AUDITSW in agreement with the work of [33].

Further, the findings show that (AUDITF) from the logit, probit and extreme value figures show positive and insignificant determinant on auditor switching (AUDITSW) within the three binary models. Even-though, the positive outcome signifies that audit fee is a determinant of auditor switching yet, it is statistically insignificant in the current research result findings. This research findings that AUDITF is positive and has insignificant determinant on AUDITSW agrees only on being positive with the works of the followings: [14]; [15]; [16]; [17]; [18]; [19]; [20] [21], but the works of these authors did not agree with this research finding on being statistically insignificant.

CONCLUSION

Audit firm size AUDITFSZ indicated positive and insignificant determinant on auditor switching within the logit, probit and extreme value models. Therefore, Audit tenure (AUDITN) has a negative determinant value and significant determinant on auditor switching. Audit Tenure (AUDITN) has a negative determinant value and significant determinant on auditor switching (AUDITSW) among the three binary models of logit, probit and extreme value. Finally, (AUDITF) from the logit, probit and extreme value figures in the result, indicated a positive and insignificant determinant on auditor switching (AUDITSW) within the three binary models.

Study Recommendations

From the findings of the study, the recommendations are that firms should consider the costs and risks involved in sudden audit switching as a result of firm size, audit tenure and audit fees. Further, there should be a proper evaluation of short or long term audit tenure and audit fees before selection and engagement of auditor because each wrong decision might hinder audit quality

Further Study

The study found that only 15% of the explanatory variables are found in the criterion variable, indication that about 85% of the systematic are yet to be explained. We suggest that further study be carried out with other variables to see whether they would give reasons for the large balance.

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DESCRIPTIVE STATISTICS

	AUDSW	AUDLGT	AUDT	AUDF
Mean	0.130000	0.060000	0.450000	37344.33
Median	0.000000	0.000000	0.000000	21897.50
Maximum	1.000000	1.000000	1.000000	228931.0
Minimum	0.000000	0.000000	0.000000	2000.000
Std. Dev.	0.337998	0.238683	0.500000	47437.73
Skewness	2.200394	3.705468	0.201008	2.399538
Kurtosis	5.841733	14.73050	1.040404	8.085597
J arque- Bera	114.3432	802.1939	16.67347	203.7268
Probability	0.000000	0.000000	0.000240	0.000000
Sum	13.00000	6.000000	45.00000	3734433.
Sum Sq. Dev.	11.31000	5.640000	24.75000	2.23E+11
Observations	100	100	100	100