

## **Auditor Rotation and Financial Reporting: A Moderating Role of Corporate Governance in Nigeria**

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### **ABSTRACT**

The purpose of this research paper was to examine the moderating effect of corporate governance on the relationship between auditor change and financial reporting in Nigeria. The study sample six (6) listed health and pharmaceutical Companies in the Nigerian Exchange Group (NGX) for the period of 2012 to 2023. The data were analysed using descriptive statistics, correlation analysis and least square regression technique. The results show that auditor rotation exerted a positive and insignificant effect on financial reporting, audit fees exerted a negative and significant effect on financial reporting at 1% level of significance while the moderating effect between auditor rotation and corporate governance on financial reporting was positive and insignificant. The study recommended that relevant stakeholders of health and pharmaceutical companies should ensure that there is frequency of auditor rotation towards improving financial reporting overtime, and management should comply with the corporate governance code of conduct for ensuring quality financial reporting.

**Keywords:** Audit Fees, Auditor Rotation, Corporate Governance, Financial Reporting and Agency Theory.

### **INTRODUCTION**

The quality of financial reporting (FR) has been questioned due to the corporate failure witnessed as a result of poor corporate governance practice (Akrawah, et al., 2020). Recent financial international scandals around the world have led to a number of investigations into the effectiveness of corporate governance practices and financial reporting quality. There has been a considerable debate in recent times concerning the need for strong corporate governance, with countries around the world drawing up guidelines and codes of practice to

strengthen governance. The knowledge of quality of FR is not only the quantum of shareholders value being created, but also how the knowledge could be released to them to aid their decision-making. Khader (2023) argued that the quality of financial statements is the key to gaining market and investor interest through a well-informed process. Therefore, audit helps to create confidence in the quality of financial statements.

Corporate governance (CG) helps businesses go in the right direction for sustainable performance and business efficiency (Khatib, et al., 2022). The weakness of CG is perhaps the most important factor blamed for the corporate failure consequences from the economics and corporate crises. There is much that can be done to improve the integrity of financial reporting through greater accountability, the restoration of resources devoted to audit function, and better corporate governance policies. The presence of sound CG is a practice explore by management to reduce delay in relation to auditor rotation which is aimed at releasing financial statements increases uncertainty associated with investment decisions. FR is useful to users when it is readily available thereby improves information content and relevancy of the information (Edeh, et al., 2023). The need for timely corporate financial reporting has been exacerbated by rapid globalization of the world economy and increasing adoption of a set of unified system of International Financial Reporting Standards (IFRS). Meanwhile, the financial reporting frameworks in Nigeria such as the Code of Corporate Governance (2018), Financial Reporting Council of Nigeria (2021), Companies and Allied Matters Act 2020 (CAMA 2020), Securities and Exchange Commission Code of Corporate Governance in Nigeria (the SEC Code), and the Nigerian Code of Corporate Governance (NCCG) provides quantum of evidence that quality is the main stay of financial reporting, linking it to a sine-qua-non for the relevance and decision-usefulness of the financial information disclosure.

The area of moderating effect in accounting and management related research had not been given much attention in Nigeria. Prior researchers in Nigeria had mainly focused on the relationship between CG, financial reporting quality, performance and firm value (Bakare et al., 2018; Aifuwa & Embele, 2019; Okoyeuzu, et al., 2021; Adebayo, et al, 2022). Most recently, Akrawah and Orjinta (2023) examined the moderating effect of board governance on the relationship between auditor's switching behaviour and audit quality among listed Consumer Goods Companies in Nigeria. Therefore, the research gap filled in this study was sectorial gap (Health and Pharmaceutical Companies) and period gap (2012 to 2023). Hence, the research the gap of this study was to examine the moderating effect of corporate governance on the relationship between auditor rotation and financial reporting in Nigeria listed Health and Pharmaceutical Companies for the period of 2012 to 2023.

### **Research Objectives**

The aim of this study was to examine the moderating effect of corporate governance on the relationship between auditor rotation and financial reporting in Nigeria.

Hence, the specific aim was to:

1. examine the effect of auditor rotation on financial reporting in Nigeria.
2. assess the effect of audit fees on financial reporting in Nigeria.
3. examine the moderating effect of corporate governance on the relationship between auditor rotation and financial reporting in Nigeria.

## **LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

### **Financial Reporting**

Financial reporting (FR) is an important qualitative attribute and a vital component of financial accounting literature which is paramount to scholars, researchers and regulatory bodies (Salehi, et al., 2020). Financial reporting is the process that creates stewardship assertions in the form of financial and non- financial business information statements reflecting the results of activities and transactions of an entity for a period of time. FR is the economic performance and financial position of an entity caused by issuing exact, accurate, and fair information (Herath & Albarqi, 2017). Imade (2021) defined FR as the systematic process of examining the quality system of internal control by an internal or external auditor of an organisation. FR is also explored to compare the performance of a reporting entity over time and against another entity in the same industry and also help to determine the qualitative characteristics of good accounting information. FR is an important element necessary for corporate governance system to function effectively, that is, it provides quality information about a business entity that is useful to a wide range of users (i.e., Creditors, Shareholders, Financial Institutions, etc) to make economic decisions about their resources (Appah & Emeh, 2013). Alsmady (2018) affirmed that analysts are often concerned about the ability to generate business income, so reliable information from financial statements and audits is very important and has an impact on business operations.

### **Auditor Rotation and Financial Reporting**

Auditor rotation is also regarded as auditor switching. According to Salehi, et al. (2022), auditor rotation is the given time limit for the auditor to move from one client firm to another. Auditor rotation is mandatory as it will enable the work for longer audit hours to assess existing risks better and gain sufficient knowledge of their new client's work environment, which in turn can increase the fees charged by independent auditors. Bulucea (2022) argued that auditor rotation is the process of limiting the risk of over-familiarity in retaining an auditor for a particular client. This indicates that the rotation of an auditor is a signal of timely financial reporting in relation to FR. Auditor change is considered as the change of audit engagement from one client firm to another which is a vital attributes of the auditor. Suhayati and Dilyard (2024) conducted a study on the impact of auditor rotation on auditor independence and its consequences on auditor performance and timeliness in Indonesia. The study used descriptive research design to sample 14 public accounting firms while questionnaire was administered to 105 respondents and analysed using path analysis and ordinary least square regression. The results showed that auditor change and auditor performance has a significant positive impact on financial reporting at 1% level of significance. Lamido, et al. (2022) used a sample of 12 consumers' goods firms quoted in the NGX covering 2006 to 2020 to examine the relationship between boards attributes and determine the quality of FR. The findings showed that audit change has a significant relationship with FRQ. Martani, et al. (2021) studied the relationship between audit tenure, auditor rotation and FR in Indonesia. The OLS result showed that auditor rotation had a significant positive relationship with FR. Based on the literature, the hypothesis is: *Auditor rotation has a significant effect on financial reporting.*

### **Audit Fees and Financial Reporting**

Audit fee is usually regarded as audit fee has become very critical after the corporate audit failure experienced in Enron and Cadbury Plc in Nigeria (Abubakar, 2016). Chersan (2019)

maintained that amount paid for audit is questioned as a of audit quality provided by the financial auditors has become a growing issue over the last few years, especially due to the financial scandals, where the role of auditors has sometimes been direct. Akosu, et al. (2024) maintained that when there are several auditors vying for an audit assignment might be associated with lower the audit fee in accordance with the laws of demand and supply. Urhoghide and Izedonmi (2015) defined audit fee as the payments made directly to the auditor based on the audit function. Alves (2021) affirmed that increase in audit fees may decrease the restatements and accruals and efficient at detecting earnings manipulations with improved work performance thereby leading to high level of FR quality.

Yahaya, et al. (2022) examined the relationship between audit fee, independence and audit quality in Nigeria and documented that there is a significant relationship between audit independence, audit fees and financial reporting quality. Akrawah and Orjinta (2023) used a sample of listed Consumer Goods Companies for the period of 2012 to 2021 to examine the moderating effect of board governance on the relationship between auditor's switching behaviour and audit quality in Nigeria. They established that auditor switching behaviour exerted a positive but insignificant relationship with audit quality, audit fees exerted a positive and significant relationship with audit quality at 1% level of significance and board governance exerted a positive and insignificant relationship with audit quality while the moderating effect between auditor switching behaviour and board governance on audit quality was negative but insignificant at p-value >0.05. Based on the literature, the hypothesis is: *Audit fees have a significant effect on financial reporting.*

### **Moderating Effect of Corporate Governance between Auditor Rotation and Financial Reporting**

Corporate governance (CG) is an attribute that create the principle of “accountability for both shareholders and directors within the best interest of the company. Good CG should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring (Sanusi, 2010). CG is proxied by board independence. Farooq, et al. (2018) argued that board independence is refers to as non-executive directors sitting in the corporate board which is entrusted with monitoring function in order to protect shareholders interest against the managerial opportunistic behaviour by top management. Board independence enhance corporate performance that connotes the ability of a business to efficiently utilize the available resources to achieve targets in line with the set plans of the company, keeping in mind their relevance to the users. Sanyaolu, et al. (2021) maintained the independent director is responsible to check and balance management’s action towards wealth maximization for the shareholders rather than managerial interest. Aifuwa and Embele (2019) conducted a study on the relationship between board attributes and FRQ in Nigeria. The Generalized Linear Model result showed board independence has no significant relationship with FR. Based on the literature, the hypothesis is: *Corporate governance has a moderating and significant effect on the relationship between auditor rotation and financial reporting.*

### **Theoretical Review**

The issue of auditor rotation and financial reporting is the focus point of agency theory. The theory was developed by Jensen and Meckling (1976). Agency theory identifies the agency

relationship where one party, the principal, delegates work to another party, the agent. The agency relationship can have a number of disadvantages relating to the opportunism or self-interest of the agent: for example, the agent may not act in the best interest of the principal, or the agent may act only partially in the best interest of the principal. In the opinion of Isaac (2019) cited in Salma and Maha (2022), the agency theory in relation to costs has had a significant effect on the value of the firm. Bhagat and Bolton (2019) noted that when there is weak CG system in a firm potential and concentrated investors use monitoring mechanism to reduce agency costs and increase overall performance through quality FR. Hence, the agency theory is the foundation by which this study has its relevance on the moderating effect of corporate governance on the relationship between auditor rotation and financial reporting in Nigeria.

## METHODOLOGY

The research design adopted for this study is expo-facto research design which helps to examine the moderating effect of corporate governance on the relationship between auditor change and financial reporting in Nigeria for the period of 2012 to 2023. The population of the study consisted of eight (8) Health and Pharmaceutical Firms listed in the Nigeria Exchange Group (Fidson Healthcare Nigeria Plc, Glaxosmikline Nigeria Plc, May and Baker Nigeria Plc, Morison Industries, Neimeth International Pharmaceutical, Pharma Deko Nigeria Plc while Evans Medical Nigeria Plc and Union Diagnostic Plc). The simple random sampling technique and filtering method was used to sample six (6) firms which include: Fidson Healthcare Nigeria Plc, Glaxosmikline Nigeria Plc, May and Baker Nigeria Plc, Morison Industries, Neimeth International Pharmaceutical, Pharma Deko Nigeria Plc that had the responsibility to publish their financial statements for twelve (12) consecutive years for the period of 2012 to 2023. The data collected were analysed using descriptive statistics, correlation analysis and least square regression technique with EViews 9.0 econometric software. The justification for using least square regression technique was because it might accommodate data set without complete annual reports and accounts for the sample period.

### Model Specification and Measurement of Variables

The least square regression technique was specified in equation in this study to empirically test the moderating effect of corporate governance on the relationship between auditor change and financial reporting in Nigeria. The functional regression model of Lamido et al. (2022) was specified in eqa (3.1) below:

$$\text{FRT} = f(\text{AUDI}, \text{AUDR}, \text{AUDO}, \text{AUDQ}, \text{AUDT}) \dots\dots\dots (3.1)$$

FRT = Financial timeliness,  
 AUDI = auditors' independence  
 AUDR = Audit rotation  
 AUDO = Auditor opinion  
 AUDQ = Audit quality  
 AUDT = Audit tenure

The adapted model of Lamido et al. (2022) was specified in the functional form represented below:

$$FRP = f (AUDR, AUDF, CG) \dots\dots\dots (3.2)$$

The regressions with error term ( $e_t$ ) is expressed in the econometric equation below;

$$FRP = \beta_0 + \beta_1 AUDR + \beta_2 AUDF + e_t \dots\dots\dots (3.3)$$

Moderating effect of corporate governance on the relationship between auditor change and financial reporting in Nigeria is expressed in the econometric equation below;

$$FRP = \beta_0 + \beta_1 AUDR * CG + \beta_2 AUDF * CG + e_t \dots\dots\dots (3.4)$$

Where;

- FRP = Financial reporting. Financial reporting was measured by discretionary accruals (Bala, et al., 2018).
- AUDR = Auditor rotation. It was measured by a dummy variable: "1" if auditor has been switched/changed and "0", if auditors have not been changed (Akrawah, et al, 2020).
- AUDF = Audit fees. Audit fees were measured by the sum of money paid to the audit firm for the audit assignment (Akrawah & Akhor, 2016).
- CG = Corporate governance. Corporate governance was proxied by board independence. This was measured by the ratio of non-executive directors to total board size (Adeyemi, et al. 2021).

### Method of Data Analysis

The least square regression technique was adopted to test the formulated hypotheses. In this study, descriptive statistics and correlation analysis will be used to properly describe the nature of our data. The study also conducted descriptive statistics and correlation analysis. The analyses in this study were conducted using E-views 9.0 econometric software. The justification for using least square regression technique was because it might accommodate data set without complete annual reports and accounts for the sample period (e.g Glaxosmikline Consumer, Morrison Industries, Pharma Decko).

## FINDINGS AND DISCUSSION OF RESULTS

### Descriptive Statistics

The descriptive statistics result was presented in the Table 4.1 below;

**Table 4.1: Descriptive Statistics**

	FRP	AUDR	AUDF	CG
Mean	0.114270	0.089552	10314.15	68.67582
Median	0.059100	0.000000	8894.000	66.67000
Maximum	0.941000	1.000000	28500.00	88.89000
Minimum	0.000000	0.000000	2000.000	44.44000
Std. Dev.	0.162723	0.287694	7053.567	12.24305
Skewness	3.153324	2.874896	0.926996	-0.178437
Kurtosis	14.50386	9.265027	3.106467	2.075715
Jarque-Bera	480.4809	201.8673	9.627400	2.740472
Probability	0.000000	0.000000	0.008118	0.254047

Sum	7.656100	6.000000	691048.0	4601.280
Sum Sq. Dev.	1.747602	5.462687	3.28E+09	9892.891
Observations	67	67	67	67

Source: EViews 9.0 Output (2024)

It was observed from the Table 4.1 above that financial reporting (FRP) proxied by discretionary accruals on the average was 0.11 with a corresponding standard deviation of 0.16. This indicates that there is high level of financial reporting since the mean value of 0.11 > median value of 0.05. Auditor rotation (AUDR) has an average of 9% with a corresponding standard deviation of 0.29. This therefore means that the rate of auditor change was very low among the sampled companies. Audit fees (AUDF) had an average value of N10314.15 million with a corresponding standard deviation of 7053.56. Corporate governance (CG) proxied by board independence has an average value of 68.67 and a standard deviation value of 12.24. This implies the level of corporate governance was extremely high based on the average value of 69%. Based on the Jargue-Bera statistic values all the variables were normally distributed except corporate governance.

### Correlation Analysis

The correlation analysis measured the strength of relationship between the variables. The result was presented in Table 4.2 below.

**Table 4.2: Correlation Analysis**

	FRP	AUDR	AUDF	CG
FRP	1.000000	0.115407	-0.346640	0.362466
AUDR	0.115407	1.000000	0.026910	-0.045232
AUDF	-0.346640	0.026910	1.000000	-0.095494
CG	0.362466	-0.045232	-0.095494	1.000000

Source: EViews 9.0 Output (2024)

It was observed from correlation coefficient results in Table 4.2 above that auditor rotation (AUDR) was moderately and positively correlated with financial reporting (FRP=0.1154). In the case of audit fees (AUDF), the variable was moderately and negatively correlated with financial reporting (FRP=-0.3466). The moderating variable, corporate governance (CG) was positively and moderately correlated with financial reporting (FRP=0.3624). A careful examination of the correlation coefficients, none of the independent variable was perfectly correlated. This indicates that there is none likely possibility of having multicollinearity problem among the variables.

### Regression Techniques

The least square regression technique was employed to test the formulated hypotheses. The regression results obtained was presented in Table 4.3 below;

**Table 4.3: Least Square Regression Result**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.191228	0.033812	5.655571	0.0000
AUDR	0.070603	0.065752	1.073768	0.2870
AUDF	-8.07E-06	2.68E-06	-3.010754	0.0037

R-squared	0.135730	Mean dependent var	0.114270
Adjusted R-squared	0.108721	S.D. dependent var	0.162723
S.E. of regression	0.153623	Akaike info criterion	-0.864889
Sum squared resid	1.510400	Schwarz criterion	-0.766171
Log likelihood	31.97377	Hannan-Quinn criter.	-0.825826
F-statistic	5.025453	Durbin-Watson stat	1.231891
Prob(F-statistic)	0.009393		

Source: EViews 9.0 Output (2024)

**Decision Rule:** Hypotheses is tested at 5% (0.05) at level of significance. The null hypothesis ( $H_0$ ) was accepted, if the probability value (p-value) was greater than 5% (0.05) otherwise rejected.

Table 4.3 above shows that  $R^2$  value of 0.135730 account for about 14% of the variation in financial reporting which were jointly explained by auditor rotation, audit fees and corporate governance leaving about 86% unexplained by factors not captured in the model. On account of the overall significance of the model, the F-statistic value of 5.02 and its associated probability of 0.009393 indicated that all the independent variables taken holistically significantly captured the model.

Based on the individual relationship of the variables, the signs of the t-statistics showed that auditor rotation (AUDR) exerted a positive (1.0737) and insignificant (0.2870) effect on financial reporting (FRP). The positive coefficient indicates that frequently of auditor rotation would strongly affect financial reporting but it was statistically insignificant. The insignificant of the variable was because it failed the test of significance at p-value >0.05. Audit fees (AUDF) exerted a negative (-3.0107) and significant (0.0037) effect on financial reporting (FRP) at 1% level of significance. The negative coefficient indicates that there is 99% confidence level that increase in audit fees would significantly and adversely affects financial reporting. The significant of the variable was because it passed the test of significance at p-value <0.05. More importantly, the result of the moderating effect of corporate governance on financial reporting was presented in Table 4.4 below.

**Table 4.4: Moderating Regression Result**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.167394	0.032047	5.223306	0.0000
AUDR*CG	0.001255	0.000995	1.261187	0.2118
AUDF*CG	-8.66E-08	3.60E-08	-2.407885	0.0189
R-squared	0.101250	Mean dependent var	0.114270	
Adjusted R-squared	0.073164	S.D. dependent var	0.162723	
S.E. of regression	0.156657	Akaike info criterion	-0.825770	
Sum squared resid	1.570656	Schwarz criterion	-0.727052	
Log likelihood	30.66328	Hannan-Quinn criter.	-0.786707	
F-statistic	3.605018	Durbin-Watson stat	1.181733	
Prob(F-statistic)	0.032843			

Source: EViews 9.0 Output (2024)



**Decision Rule:** Hypotheses is tested at 5% (0.05) at level of significance. The null hypothesis ( $H_0$ ) was accepted, if the probability value (p-value) was greater than 5% (0.05) otherwise rejected.

It was observed from table 4.4 above that the coefficient of determination ( $R^2$ ) value of 0.101250 which revealed that about 10% of the variation in financial reporting which were jointly explained by moderating variable of corporate governance leaving about 90% unexplained by factors not captured in the model. On account of the overall significance of the model, the F-statistic value of 3.60 and its associated probability of 0.03 indicated that all the independent variables taken holistically significantly captured the model.

The moderating effect between auditor rotation and corporate governance (AUDR\*CG) on financial reporting (FRP) was positive with a t-value of 1.2611 and a p-value of 0.2118. This implies that there was no moderating effect of corporate governance on the relationship between financial reporting and auditor rotation. The no moderating effect was because the variable failed the test of significance at p-value  $>0.05$ . However, the moderating effect between audit fees and corporate governance (AUDF\*CG) on financial reporting (FRP) was negative with a t-value of -2.4078 with a p-value of 0.0189. This implies that there was a moderating effect of corporate governance on the relationship between financial reporting and audit fees. The moderating effect was because the variable passed the test of significance at p-value  $< 0.05$ .

### Discussion of Findings

The results showed that auditor rotation exerted a positive and insignificant effect on financial reporting. This indicates that frequently of auditor rotation would strongly affect financial reporting but it was statistically insignificant. The result is in agreement with the findings of Akrawah and Orjinta (2023) that auditor rotation/switching exerted a positive but insignificant relationship with audit quality while in disagreement with the findings of Suhayati and Dilyard (2024), Lamido, et al. (2022) that auditor rotation and auditor performance has a significant positive impact on financial reporting at 1% level of significance. Audit fees exerted a negative and significant effect on financial reporting at 1% level of significance. This indicates that increase in audit fees would significantly and adversely affects financial reporting. The result is in agreement with the findings of Yahaya, et al. (2022) and Akrawah and Orjinta (2023) that there is a significant relationship between audit fees and financial reporting quality. Corporate governance exerted a positive and significant effect on financial reporting at 1% level of significance. The result is in disagreement with the findings of Aifuwa and Embele (2019) that CG proxied by board independence has no significant relationship with FR. The moderating effect between auditor rotation and corporate governance on financial reporting was positive and insignificant. The result is in agreement with the findings of Akrawah and Orjinta (2023) that the moderating effect between auditor switching/rotation and board governance on audit quality was negative but insignificant at p-value  $>0.05$ .

### CONCLUSION

Financial reporting is not only the quantum of shareholders value being created, but also how the knowledge could be released to them to aid their decision-making. The aim of this research is to examine the moderating effect of corporate governance on the relationship between auditor change and financial reporting in Nigeria. Corporate governance drives business

organisations in the right direction for sustainable performance as well as and ultimately achieve high business efficiency (Khatib et al., 2022).

The research outcome reveals that auditor rotation exerted a positive and insignificant effect on financial reporting, audit fees exerted a negative and significant effect on financial reporting at 1% level of significance while the moderating effect between auditor rotation and corporate governance on financial reporting was positive and insignificant.

## Recommendations

The study recommended that relevant stakeholders of health and pharmaceutical companies should ensure that there is frequency of auditor rotation towards improving financial reporting overtime. It is also recommended that management should comply with the corporate governance code of conduct for ensuring quality financial reporting.

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## APPENDIX 1: RESULTS

### Descriptive statistics

	FRP	AUDR	AUDF	CG
Mean	0.114270	0.089552	10314.15	68.67582
Median	0.059100	0.000000	8894.000	66.67000
Maximum	0.941000	1.000000	28500.00	88.89000
Minimum	0.000000	0.000000	2000.000	44.44000
Std. Dev.	0.162723	0.287694	7053.567	12.24305
Skewness	3.153324	2.874896	0.926996	-0.178437
Kurtosis	14.50386	9.265027	3.106467	2.075715
Jarque-Bera	480.4809	201.8673	9.627400	2.740472
Probability	0.000000	0.000000	0.008118	0.254047
Sum	7.656100	6.000000	691048.0	4601.280
Sum Sq. Dev.	1.747602	5.462687	3.28E+09	9892.891
Observations	67	67	67	67

### Correlation

	FRP	AUDR	AUDF	CG
FRP	1.000000	0.115407	-0.346640	0.362466
AUDR	0.115407	1.000000	0.026910	-0.045232
AUDF	-0.346640	0.026910	1.000000	-0.095494
CG	0.362466	-0.045232	-0.095494	1.000000

### Regression result

Dependent Variable: FRP				
Method: Least Squares				
Date: 10/17/24 Time: 11:17				
Sample: 1 67				
Included observations: 67				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.191228	0.033812	5.655571	0.0000
AUDR	0.070603	0.065752	1.073768	0.2870
AUDF	-8.07E-06	2.68E-06	-3.010754	0.0037
R-squared	0.135730	Mean dependent var		0.114270
Adjusted R-squared	0.108721	S.D. dependent var		0.162723
S.E. of regression	0.153623	Akaike info criterion		-0.864889

Sum squared resid	1.510400	Schwarz criterion	-0.766171
Log likelihood	31.97377	Hannan-Quinn criter.	-0.825826
F-statistic	5.025453	Durbin-Watson stat	1.231891
Prob(F-statistic)	0.009393		

## Moderating Regression

Dependent Variable: FRP				
Method: Least Squares				
Date: 10/17/24 Time: 11:18				
Sample: 1 67				
Included observations: 67				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.167394	0.032047	5.223306	0.0000
AUDR*CG	0.001255	0.000995	1.261187	0.2118
AUDF*CG	-8.66E-08	3.60E-08	-2.407885	0.0189
R-squared	0.101250	Mean dependent var		0.114270
Adjusted R-squared	0.073164	S.D. dependent var		0.162723
S.E. of regression	0.156657	Akaike info criterion		-0.825770
Sum squared resid	1.570656	Schwarz criterion		-0.727052
Log likelihood	30.66328	Hannan-Quinn criter.		-0.786707
F-statistic	3.605018	Durbin-Watson stat		1.181733
Prob(F-statistic)	0.032843			

## APPENDIX 2: DATA REGRESSION

SN	COMPANY	YEAR	FRP	AUDC	AUDF	CG
1	FIDSON HEATHCARE	2012	0.0591	0	7500	44.44
		2013	0.0202	0	10500	44.44
		2014	0.0966	0	10500	44.44
		2015	0.1324	0	11500	50.00
		2016	0.1496	0	12000	50.00
		2017	0.0027	0	13000	66.67
		2018	0.0318	1	11500	62.50
		2019	0.0271	0	11500	62.50
		2020	0.0463	0	14000	57.14
		2021	0.0416	0	14000	60.00
		2022	0.0597	0	17500	60.00
		2023	0.0284	0	22500	50.00
2	GLAXOSMIKLINE CONSUMER	2012	0.0470	0	21295	85.71
		2013	0.0442	0	25019	84.62
		2014	0.0326	0	27721	85.71
		2015	0.0034	1	24000	66.67
		2016	0.1733	0	10588	62.50
		2017	0.0880	0	17000	66.67
		2018	0.0766	0	19200	75.00
		2019	0.0687	0	23500	72.73
		2020	0.0520	0	23500	57.14
		2021	0.0816	0	25000	80.00
		2022	0.0537	0	28500	80.00

3	MAY AND BAKER	2012	0.0174	0	12600	57.14
		2013	0.0319	1	8000	57.14
		2014	0.0060	0	9000	57.14
		2015	0.0020	0	10000	63.64
		2016	0.0021	0	10000	77.78
		2017	0.0025	0	10000	55.56
		2018	0.0119	0	10700	60.00
		2019	0.0327	0	12000	55.56
		2020	0.0677	0	13326	55.56
		2021	0.0774	0	13969	71.43
		2022	0.0399	0	13355	66.67
		2023	0.0341	1	10989	80.00
4	MORISSON INDUSTRIES	2012	0.0517	0	3000	62.50
		2013	0.0000	1	3000	62.50
		2014	0.1123	0	3000	62.50
		2015	0.1378	0	2000	77.78
		2016	0.3146	0	2000	77.78
		2017	0.7579	0	2000	87.50
		2018	0.2643	0	2000	83.33
		2019	0.3750	0	2000	80.00
		2020	0.2320	0	2000	80.00
		2021	0.2661	0	2000	80.00
		2022	0.3270	0	2000	80.00
5	NEIMETH	2012	0.0449	0	7000	50.00
		2013	0.0385	0	7000	50.00
		2014	0.0807	0	7000	72.73
		2015	0.0262	0	7700	66.67
		2016	0.0206	0	7700	66.67
		2017	0.0127	0	7700	80.00
		2018	0.0254	0	8085	80.00
		2019	0.0699	0	8085	80.00
		2020	0.1458	0	8894	72.73
		2021	0.1267	0	8894	72.73
		2022	0.2569	0	7378	72.73
		2023	0.9410	1	8000	72.73
6	PHARMA DEKO	2012	0.1084	0	3000	66.67
		2013	0.0848	0	3500	66.67
		2014	0.0426	0	3500	70.00
		2015	0.0863	0	3500	70.00
		2016	0.0682	0	4725	77.78
		2017	0.0433	0	4725	87.50
		2018	0.1213	0	4725	88.89
		2019	0.3124	0	4725	88.89
		2020	0.4186	0	4950	87.50