Auditors Independence and Quality of Financial Report in the Public Sector

(A case study of Public Sectors in Abuja, Nigeria)

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Abstract

This study investigates auditor's independence and the quality of financial reports in the Nigerian public sectors. Auditors are expected to be independent while auditing the financial reports of various government organizations, however, some scholars have noted that this is not the case. Through the use of a survey, primary data was collected from those working in the different public sectors in Nigeria. The analysis of the data was done with the use of the Statistical Package of the Social Science (SPSS). The mean value and T-values of the coded responses were used to test the hypothesis. The result from the analysis indicates that audit committees are not properly functioning in the Nigerian public sectors, which by extension implies that the functions of auditors are not independently carried out. Longer audit tenure has a positive but insignificant relationship with auditor independence while audit fees and auditors' rotation have a positive and significant relationship with auditors' independence. The study recommends that government commissions such as the Security and Exchange Commission (SEC) should intensify their efforts towards ensuring that every public sector has a functioning audit committee. Furthermore, the Financial Reporting Council (FRC) should ensure that the amounts paid to auditors are substantial enough to avoid being induced by extra cash. Also, the FRC should ensure that auditors' rotation is done frequently to avoid developing unnecessary cordial friendships with the members of the government organization.

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List of Abbreviations

Financial Reporting Council (FRC)

Security and Exchange Commission (SEC)

The International Ethics Standard Board for Accountants (IESBA)

The System of National Accounts, (SNA)

Non-Audit Services (NAS)

Companies and Allied Matters Act (CAMA)

Ordinary Least Square (OLS)

Statistical Package of the Social Sciences (SPSS).

CHAPTER ONE: INTRODUCTION

1.1. Overview

The largest sector of every nation's economy is basically comprised of the public sector. This is because it employs the highest number of labour and controls to a large extent the country's resources (Chowdhury, 1996). The information and evidence from the public sector is mostly non-financial and requires auditor's subjective judgment. Through systematic audit practice procedures, public trust can be achieved when the resources presented to the auditors are managed effectively. The public demands that public officers should be responsible for managing the public fund with accountability, transparency and integrity. The need for probity and accountability in the public sector has captured the interest of many scholars in the 21st century. The high levels of resource mismanagement in the public sector can be attributed to slack internal control and weak auditing processes. DeAngelo (1981) and Otusanya and Lauwo, (2010) opined that auditors in the public sector are charged with responsibility of being objective in the discharge of their duty which ensures that government funds are disbursed adequately and financial accounts properly prepared. Some researchers opined that lack of consistency in audit exercise, in addition to impaired auditor's independence within the Nigerian public sector has resulted in loopholes and created avenues through which individuals fraudulently siphon the public treasure.

Adebayo (2011) notes that recent studies has provided considerable debate on the concept of auditors independence; the public oversight board, the leadership of the auditing standard board, the independence standard board and the independence laws instituted by the Securities and Exchange Commission (SEC) that is aimed at strengthening and clarifying the importance of auditor independence. Financial statements were not considered of high value in the medieval era and gave less consideration in using it for financial decision making. But as the unprecedented rate of mismanagement of funds increased both in the public and private sectors, every firm and government organisations are charged with the responsibility of preparing financial statements which will allow the stakeholders in knowing the financial position of the organization and in doing so promote prompt and effective decision making (Adebayo, 2011).

The quality of service provided by the auditor and the audit report issues are basically affected by the auditor's independence. Independence of the auditor is the backbone of auditing profession, it is an important prerequisite for value addition to the audited financial statement and a vital component of the statutory reporting process (Nwanyanwu, 2017). Agency theory explains the nature of the relationship between the owner (stakeholders or government) and the managers of company or government organization brings to light the importance of an auditor who has to present an unbiased report of the financial statement. They do so by providing an impartial view of the financial activities of the company (Jensen and Meckling, 1976).

The International Ethics Standard Board for Accountants (IESBA) (2014) noted that in order to certify an auditor as being independent, they are required to be independent both in mind and appearance. They further explain that independent in mind entails ability to reach conclusions freely in the absence of external forces or influence that is able of compromising their professional judgment. In the absence of this fundamental feature, the auditor won't be able to function with integrity and objectivity thereby leading to professional skepticism (IESBA, 2014).

Power and privilege are granted to the accounting profession by society. To gain this exclusive professional privilege, auditors are required to diligently discharge their duties for the public benefits. Traditional audit perspective adopt a moral view (Al-Khaddash, Al Nawas, and Ramadan, 2013), whereby auditors are seen as professionals that have a professional obligation to the public. They are bound not to engage in any act that will jeopardize their operations as professionals no matter the amount of incentive (Kaklar, Kangarlouei, and Motavassel, 2012). They have to professionally discharge their duties not because of their personal interest but because of the important nature of their profession. An auditor may function as an independent professional (external auditor) or an employee (internal auditor). Users of financial information such as government agencies, investors and the general public are heavily dependent on the external auditor to present an independent and unbiased result on such establishments. This is a general assumption, however, it can be argued that some auditors are more independent than others (Adebayo, 2011). In the present day global market, the government, lenders, creditors, regulators, institutional investors, stakeholders etc don't totally rely on the information provided by the auditors because of the financial scandals that have occurred in the past.

As was suggested by Ame (2014), the quality of an audit is comprised of two-parts, firstly, the ability to uncover misstatements, misreporting and wrongdoing, and the willingness to report them. The contents of monetary reports determine how useful the report will be to the interested groups. However, if a report is filled with intentional mistakes, errors, and window dressing that is not noticed, or even noticed but never investigated and reported by the auditor in charge, then the content and quality of the audited report are jeopardized and compromised.

Amahalu and Obi (2020) noted that independence is of the mind and characterized by integrity and objectivity of the auditor, hence auditor independence is fundamental to the reliability of the report. They went further to state that the audited report should be of a reputable quality, however, the audit quality is highly dependent on the relationship that exists between the client and the auditor. Judging from this perspective, the quality of the audit report measures the credible opinion of the auditor and the degree of confidence users of financial information place on the information provided by the auditor. This study is inspired by this backdrop to investigate the auditor's independence and quality of financial reports in the public sectors of Nigeria.

1.2. Statement of Problem

Igben (1999) noted that the financial report as a record of business activities is supposed to provide a comprehensive overview of the profitability and financial position of any organization to the users of the financial information such as the task analyst, shareholders, employees, the general public, managers, etc. both in the short and long term. However, in recent times, weak internal controls system, financial manipulations, manipulation by the reporting auditors, audit committee and board of director's ignorance, and other fraudulent activities that takes place in the public sectors and companies has created negative impression to the general public. A known instance of the malfunctioning of the financial statement is the Enron case. Apart from the private companies, the public sectors are seen as the citadel of financial report's irregularities (Adebayo, 2011).

Public sector auditing has experienced several challenges at international, national and state levels emanating from inadequacy in the information contained in the audited financial statement (Nikoloyuk, Marche, and McNiven, 2005). Government poor decision making in public sector is majorly caused by half-baked annual report (Odia, 2014). Several studies have revealed the untimely demise of firms as a result of financial scandals, which is associated with lack of accountability, independence, transparency and poor financial management. This is evident in some cases like that of Cadbury Nigeria Plc and its auditors Mr Akintola Williams Deloitte and Touche, who were culpable due to lack of due diligence and professional skepticism in discharging their professional services. They manipulated the annual report in order to deceive the public and shareholders.

In relation to what is obtainable in the private sector, the Nigeria public sector share similar characteristic of audit failure. Suspected audit failure in the public sector is most often concealed on the basis of the secret nature of government information or classified information which goes against the Freedom of Information Act 2011, which states that the citizens are entitled to public records and information. Many public sector audit practices that should have been exposed as a result of audit failure were hidden because of classified information. This raises questions on the independence and integrity of audited financial reports. The ability to report any perceived breach in the financial statement of any organization show how independent an auditor is. The financial statement is an essential communication tool in the hands of relevant stakeholders, the ability to independently prepare it determines the level of quality that it possess. Hence, it is therefore very important to determine whether the Nigeria public sectors are audited independently.

1.3. Significance of this Study

Firstly, this study will be highly beneficial to different organizational shareholder. Judging by the increasing rate of financial report irregularities in the public sector of Nigeria, different actors will be interested on the outcome of this study. Government is very concerned about how funds are managed in the public sector and only a proper presentation of the financial report can assure this. The public have lost confidence in the content of the financial reports presented by auditors, this research will either restore their confidence or increase their fear.

Judging by the arguments provided by different literature reviews, it is important to ascertain the level of independence of auditors. Some scholar have enumerated different factors that affect the independence of auditors, this study has equally identified four different factors (procedures of appointing auditors, length of tenure of an auditor, amount of fee earned by an auditor and auditor rotation). The result of this research will either support or reject already existing research.

This study is pertinent to the public sector domain, however, it can also be used to ascertain the level of independence and the quality of financial report in the private sector because the same auditors that audit the public sectors will certainly audit the private sectors. Hence providing managers with appropriate knowledge on the best way to appoint and treat auditors.

1.4. Structure of this Study

The first chapter gave a robust overview of the background of the study. It is the building block upon this study is built. It is also comprised of the statement of problems which is vital in every research because it introduces the problem to be investigated. The research questions, objectives and hypothesis were stated giver the readers various dimensions of the study. Lastly, the significance of the study makes us realize how important this study is and the major beneficiaries.

The second chapter is comprised of literature review. This is entailing empirical, conceptual and theoretical literature. The chapter three represents the research methodology. This is a very important aspect of every research because it contains the method of data collection and analysis to be adopted.

The chapter four will be used for the presentation and discussion of the results. In this chapter, the already gotten data will be analyzed using the method of data analysis already specified in the third chapter, and followed by the interpretation of the findings. The fifth chapter will comprise of summary, conclusion and recommendation of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Chapter Overview

This chapter provides an analysis and an assessment of auditors' independence and the quality of financial reports in the public sector of Nigeria. It is comprised of proper investigations into the past publications of researchers and scholars in this field. This following provides past studies to gain a better understanding of the research questions and how best to answer them. The literature review serves as a roadmap for the entire study. It shows the publication of other researchers and the areas that are yet to be explored. This chapter seeks to explore a vital aspect of auditor's independence and the quality of financial reports in the Nigerian public sector.

2.2. Definition of Terms

2.2.1. Auditor's Independence

As was suggested by Aliu, Okpanachi, and Mohammed (2018), auditor's independence can be defined as an unbiased mental attitude of an auditor in making decisions throughout the process of auditing a financial report. The objective aspect of an auditor ensures that an auditor is always seen to be independent. The independence of an auditor can be used to measure the integrity and reliability of a financial report.

Baker (2005) stated that the conception of the term auditor's independence originated primarily in Britain in the 19th century in which auditors are regarded as bookkeepers. Aderibigbe (2005), noted that independence is a sensitive word that serves as a banner of freedom, uprightness, and integrity. The Dictionary of International Accounting Terms (2001) described auditor independence as a state of impartiality demanded of an auditor by not having any form of financial or personal involvement with a client. Auditor independence is also seen as a physical appearance and mental attitude which presents an auditor as being free from other people's decisions or judgments. This is made possible by mitigating any financial connection that shows that an auditor's wealth comes from audit outcomes and connections to management and also avoids any circumstance that makes people think that he is involved in taking management decisions. Independence of auditor is also seen as those necessary positions required to take by an auditor to ensure an unbiased viewpoint in the discharge of its result analysis, audit tests, and attestation.

2.2.2. The Public Sector

The System of National Accounts, (SNA) (1968) noted that the public sector is comprised of the general government, public financial institutions, and public non-financial corporate enterprises. The term government reoccurs in virtually all the national account systems and there is a general consensus on its components. Definition of public financial institutions faces a relatively small problem, however, the system of national account noted that the difference between public and private enterprise is embedded in whether the control and/or ownership of an enterprise is by the private parties or public authorities. It further opined that the government must own and control the public sector must, it also emphasized key areas that government control should cover (investment policies and employment) and that the control exercised by the government should be on regular basis. The aim of this guideline is to ensure that all companies acquired accidentally or as a result of war are excluded from the public sector. The system of national account noted that the public sector only includes enterprises that the government acquired through a deliberate act of long-term policy, are under the ownership and control of the government for a reasonable period of time, and are used by the government in implementing its economic and social policies.

2.2.3. Financial Report and Quality of Financial Reports

A financial report/statement is the record of all the business/company's/ organizational activities and its financial performances. An accountant and government agencies normally audit this record, and in some cases, firms are equally charged with such responsibility to ensure accuracy and trustworthiness. The financial report of every organization is majorly comprised of a balance sheet, income statement, cash flow statement, etc. The financial statement is very important because financial analysts and investors depend on the financial data to determine the financial position of the company and in forecasting the future movement of the company's stock. The annual report is regarded as an essential resource of reliability and important data. The financial report is used by the government, investors, creditors, and even market analysts in evaluating the potential earnings and financial health of the company (Nwanyanwu, 2013)

Otuya, (2019) described the quality of a financial report as the ability of an auditor to detect and document any form of misstatement in the corporate financial report. The competent characteristic of an auditor is seen in his ability to detect abnormalities while the ability to disclose such abnormality reflects the auditor's integrity and ethics which is an integral part of an auditor's independence (Arens, Elder, and Beasley, 2014). Hence, the quality of financial reporting entails the reliability of the statements made by the auditor with regard to the financial report.

2.3. Theoretical Literature

2.3.1. The Agency Theory

Agency theory historically originated from human civilization that occurred while performing business transactions with the aim of satisfying personal interests (Panda and Leepsa, 2017). This theory is rooted in the study conducted by Berle and Means (1932), as cited by Adelopo (2010) on the mechanism of separating firms' ownership from management functions. Smith (2011) and Kivisto (2007) noted that the general recognition of this theory is due to the work done by Jensen and Meckling (1976) and Fama and Jensen (1983), in which they noted that there are bound to be an agency problem in organizations where the principal employs the service of an agent to perform some duties on his behalf. This theory is adopted in the public sector because it presents a broader and wider picture of the principal-agent relationship. This means that at different levels of government, various degrees of agency relationships are established and accommodated in the public sector.

Auditing in the public sector supports the hypothesis of the principal-agent in which elected and appointed office holders (agents) are supposed regularly report to the public (public) on the resources and funds entrusted under their care if they have been properly used for a good purpose (DeSimone, 2017). Taking a general overview of the Nigerian public sector, there is a reoccurring notion that government business is nobody's business (Uzuh, 2006); this statement promotes nonchalance and non-accountability from those given the responsibilities of managing government resources. Furthermore, a principal-agency problem emanates where government officials (agents) are interested in their personal interests at the expense of the general public (principal). The perceived multiple occurrences of principal-agency problems in the public sector are due to the complex relationship between the principle and agents, in which the voters or citizens are the principals and multiple agents such as the house of assembly, the senate, the governors, the president, auditor general, ministers, public account committee, accountant general, just to mention a few.

2.3.2. Theory of Inspired Confidence

This theory was developed by the Limperg Institute in the Netherlands in 1985. The theory of inspired confidence offers a connection between the requirements for a properly and credibly audited financial report and the ability of the process of auditing o meet those demands. Furthermore, this theory noted that an auditor is known as a confidential agent that drives his function by an independent and expert assessment and the need to present independent judgments that are supported by evidence. According to the Limperg Institue, (1985) noted that reducing the occurrence of undetected misstatement of materials means that the accountant is charged with the responsibility of conducting his duties in a manner that doesn't tarnish his image and betray the already established confidence before a right-thinking individual even if the accountant produces what is less than the expectation of the public. The introduction of the theory of inspired confidence implies that the duties of auditors are derived from the confidence that the public bestows on them in relation to the success of the process of audit and the assurance that the accountant's opinion conveys. Hence this confidence is an important part of the process, any form of confidence betrayal implies termination of the function or process. Carmichael (2004) gave an assessment of the social significance of audit and concluded that if by any means the stakeholder's confidence in the effectiveness of the process of audit and report is misplaced, the value placed on the audit is damaged.

2.3.3. The Comfort Theory

The origin of this theory is connected to the medical profession. As was suggested by Orlando (1961), one of the primary duties of nurses is to establish a cordial and good relationship with her patience to create a comfortable atmosphere. The comfort theory was applied for the first time in the auditing profession by Collins (1981) who noted that the conduct and conclusion of an audit process are involved an emotional procedure and an orderly approach which creates a sense of social order that leads to conform. Pentland (1993) opined that financial information that is deceitful is changed to capture its fair and true position by conducting a diligent appraisal of the financial statement, there producing comfort for the users. This implies that the application of professional skill and care by an auditor helps to correctly diagnose the ability to apply professional skill and care to the auditor which is aimed at correctly diagnosing and the provision of appropriate solutions hence providing comfort for the users of the financial statement of the public sector (Okunola, 2021).

2.3.4. Performance Theory of Public Sector Auditing

Oluwagbemiga, Zaccheaus, Olugbenga, and Oluwaseyi, (2014), opined that after the market-based economy begun, Eastern Europe and Central countries instituted a functioning auditing practice that is suited for a democratic institutional system. The new institutional theoretical framework was based on the opinion of the majority of countries concerned and on the experience and legislation of western democracies. The introduction of performance auditing in the public sector is a value-added to the already existing traditional auditing role. In the aspect of financial audit, the auditor has the right to express the manner in which the financial statement is prepared, and whether it conforms to the financial reporting framework. Furthermore, the performing audit mandates the auditor to note whether in all aspects a program's administrative role or function has been economically, effectively, and efficiently carried out. The performance audit is a newly introduced type of audit. According to the INTOSAI international audit standard, the performance audit represents an independent examination or assessment of the extent to which a program or activities of public institutions efficiently and effectively operate with due consideration to the economy.

Adriana (2007), noted that it's pertinent to comprehend that these days, sufficient condition doesn't necessarily imply that public funds are spent in accordance with the provision of the law, but they must maintain effective, efficient, and economic conditions. This type of auditing system has developed to satisfy the quest for greater information by the parliaments, taxpayers, and its representatives regarding the economy and efficient use of resources by the public managers that represent the executives. These requirements made the audit offices develop standard institutional capabilities and apply them in the techniques and procedures of auditing, this ensures that decision-makers can be certain about the effective and economic use of the assets and resources entrusted into their care. Furthermore, Demirag and Khadagoo, (2012) noted that a strong performance appraisal system and objective setting are highly needed for a functioning performance management system to achieve the core objective of performance audit.

2.4. General Environmental Factors Impinging on Auditor's Independence

The following are some of the factors that tend to negatively affect the independent nature of an auditor and hence reduce the anticipated quality of the audit.

2.4.1. Size of Audit Firm

The size of the firm is one of the factors that affect the independence of an auditor. According to the outcome of several studies, as compiled by Abu Bakar and Ahmad (2009) noted that big audit firms have a lesser possibility of succumbing to management pressure when compared to smaller auditing firms, this is attributed to the fact that big auditing firms have accumulated a large volume of income and customer base and they are unwilling to succumb and destroy the good reputation that they have built while small auditing firms are majorly concerned with means to adopt in order to ensure that they don't lose their clients. In an attempt to ensure that customer loyalty is maintained, such firms tend to give personalized services in order to develop cordial relationships with clients. This act in most cases affects the independent nature of the firm (Bassey, Ubi, Olatunbosun, Asi, and Archibong, 2020).

2.4.2. Shortage of Audit Client

Bassey *et al*. (2020) noted that when there are a limited number of audit clients, it normally results in competition in the market of audit services which negatively impacts the auditing independence of under-developed nations like Nigeria. Abu Bakar and Ahmad (2009) noted that based on already reviewed studies, competition might impair or hinder independence while in some nations competition limits the level of independence of auditors because clients have varieties of auditors to engage in auditing services. However, making reference to Shockley, (1981) opined that competition is a major environmental change that negatively impacts the independence of an auditor.

2.4.3. Auditor's Tenure/work Frequency

Some studies noted that the number of times an audit firm is reappointed has a negative impact on its independence. In a study conducted by Ikharo (2015), he noted that auditors' longer tenure or years in service could increase the level of knowledge in the occupation which might improve their ability to determine when holders of public offices engage in fraud lent activities. This implies that the possibilities or tendencies of managers to be involved in fraudulent activities will be minimized. When auditors are retained for many years, they develop cordial relationships with the client thereby increasing familiarity between them. On the other hand, this familiarity creates a sense of sympathy for the audit which might negatively affect their duties in terms of creating a qualified report. This might increase the incentives of fraud for the clients. Effiok, Tapangand and Eton (2012; 2013) noted that the impact of long tenure on auditors' independence is determined by their level and ability to be independent. The auditor’s tenure has a strong implications for the independence of an auditor. Scholars noted that the longer the tenure of an auditor the more relationships and familiarities are built which makes their connections to wax stronger. Abu Bakar and Ahmad (2009) opined that limiting the tenure of the audit will minimize closer association and prevent any form of relationship that will alter the effective functioning of the auditor.

2.4.4. Audit Fees

The Nigerian chartered account’s professional code of conduct states that the audit fees from a single client should be 25% of the entire audit revenue. The outcome of the research conducted by Abu-Bakar and Ahmad (2009) shows that when a large number of firms' entire cost of the audit comes from one client, the firm is usually worried about losing such customers, hence promoting the possibility of compromising or jeopardizing their independence. When a client pays a large percentage of the audit fees, the independence of the auditor will likely be weakened. The proportion or percentage of the entire firm’s audit fee that is greater than 25% is seen as undue and is believed will impair or alter the independent nature of such a firm. The code states that such occurrence will amount to or constitute a self-interest threat. Furthermore, Abu-Bakar and Ahmad (2009) opined that 15% is the universally acceptable level that is used by Australia and ICAEW which affirms the independent position of an auditor.

2.4.5. Non-Audit Services (NAS)

The advice given to management is one of the non-audit services (NAS) performed by an auditor. As suggested by Abu-Bakar and Ahmad (2009), it has been proved by other researchers that NAS creates a cordial working environment between the auditor and clients which invariably creates an atmosphere of friendship thereby limiting the depth of investigation that could expose irregularities in the examined financial report.

However, they equally uncovered other studies that antagonize this perception by stating that NAS enhances auditor’s knowledge with regards to their client which in turn improves their level of objectivity. Other studies that have similar perceptions noted that NAS is not a routine service and since they directly gain from customers, replacing the incumbent auditor with another auditor implies a loss of advice from the incumbent auditor who has over the years gathered useful data about the firm under review. Conversely, Bakar and Ahmad

(2009) stressed that some studies maintained that the independence perception of the auditors is not affected by the provision of NAS such as the work of McKinley, Pany, and Reckers, (1985); Coreless and Parker (1987).

Idigbe (2007) opined that the outcome of CAMA (2004) on auditor's appointment noted that some auditors are engulfed in the provision of NAS (such as tax matters, management consulting, and human resources) which makes them lose their professionalism and independence in preparing the audit report.

2.4.6. Client's Interest in Auditor

The level of importance that an auditor places on a client impacts on the audit quality. Clients that contribute a larger percentage of the earnings of an audit firm and have awarded a contract or extended facility to the audit in order to assist him to perform auditing duties will be highly regarded. In a study by Lin and Tepalagul, (2014) titled "auditors independence and audit quality" literature review drew a conclusion from Choi, Kim, and Zang, (2010) who noted that the importance attached to clients possess a threat to the auditor's independence and that abnormal high cost of the audit is perceived or seen as a red flag or bad indicator. They further opined that a proper investigation should be done on abnormal low fees as it implies better bargaining power of the clients which could negatively affect the auditor's independence and invariably affect the quality of audit ((Asthana and Boone, 2012) in Lin and Tepalagul, (2014)).

2.4.7. Audit Committee

The suggestion of the impact of an audit committee on the independence of an auditor and the extent to which audit quality is affected is inconclusive because many studies have divergent conclusions about the subject matter. A study conducted by Ezugwu and Negedu (2014) titled "Auditors reputation' impact on obedience to global accounting standard by quoted firms within Nigeria". The study revealed that related studies discovered that firms in which audit committee are independent of the stakeholders tends to deliver high and quality audit report, quoting Carcello and Neal, (2000); Manry, Mock and Turner, (2005); etc. they, however, noted that the effectiveness of the audit committee massively depends on their level of independence. Ezegwu and Negedu (2014) concluded that the entire members of the audit committee must be independent. Audit quality is bound to improve where the audit committee is entirely independent.

Abu-Bakar and Ahmad (2009) opined that audit committee ensures that the independence of auditors is preserved from management because the members of the audit committee are directors that are not involved with the preparation of the monetary reports, hence giving more room for them to effectively perform their duties. With this reason, the audit committee is supposed to have a positive relationship with auditor's independence. Many studies that were reviewed by Abu-Bakar and Ahmad (2009) conformed to this perception. However, a contradicting finding from Gul (1989) noted that the audit committee did not significantly impact the independence of the auditors.

2.5. Types of Auditor's Independence

There are three ways to manifest the independence of an Auditor, they are programming independence, investigative independence, and reporting independence.

Programming independence: this type of independence helps to protect the ability of the auditor to select the most appropriate strategy when conducting the audit function. Auditors should have the needed freedom to approach work in the best manner. As the organization grows and new activities are introduced, the auditor should freely do the necessary adjustments to accommodate such changes. Furthermore, a profession of this nature is always dynamic, this implies that new method is developed constantly and auditors need to follow the trend of upgrades. The new techniques that an auditor intends to introduce should not be inhibited in any way. It can be summarized that the programming independence gives the auditor leverage to select the best strategies.

Investigative independence: this independence helps the auditor to implement the strategy in the ways he dim necessary. This invariably means that auditors must have access the all the information available in the organization. Organizations must be ready to answer questions regarding account treatments and the company's business. The collection of auditing investigative material is very useful in the process of auditing and should not be interfered with in any way.

Reporting independence: this aspect of auditor's independence gives the auditor the right and support to reveal useful information about an organization to the public. If the managers and directors are presenting false information to the shareholders, they will do everything within their power to ensure that such falsified accounting information is concealed by the auditor. This scenario of this nature, the reporting independence of the auditor plays its role.

2.6. Financial Reporting

Nwanyanwu, (2013) noted that financial reporting is associated with the representation of the financial statement in a comprehensive form for the users of the financial information. It is an essential means of communicating the content of the financial report and instrument of identifiable stewardship (Obazee, 2005). In other words, financial reporting is a means of communicating information with respect to the financial activities of different organizations (profit and non-profit) and it is comprised of a vital service which the accounting profession offers to society of social and economic systems. It is the main avenue that the managers of firms and organizations use to give an account of their stewardship to the stakeholders and owners (Adebayo, 2005).

The already established definitions irrespective of their various dimensions of origin are identical as they always make reference to the financial reports as an important document that presents information about the financial activities of the organization for use by the users of financial information. In this regard, auditors are required to be diligent in the discharge of their duties in order to ensure that quality and reliable information is always contained in their reports. Kaklar *et al.* (2012) suggest that a high quality audit is expected to result in a high quality of financial report which serves as an instrument for financial crisis aversion. According to Palmrose (1988), since the aim of the audit is to guarantee the authenticity of the financial report, the audit quality should represent the reliability of the financial statement.

As was suggested by Nwanyanwu (2013), the objectives of financial reports vary from one firm to another depending on their objectives. He further opined that whereas in the private sector, the goal might determine how the owners' resources were used to generate income and to determine whether the firm's activities have increased or decreased the owner's wealth, the public sector might be to identify how the resources generated from the payment of taxes were utilized in carrying out infrastructural activities. A study by Adebayo (2005) listed some core objectives of the financial report which includes the provision of vital data for making economic and resource allocation decision; providing information that will be used to evaluate the liquidity and stability of firms and their overall performance; providing information for a non-profit organization and government which will be used to analyze how resources have been managed in achieving the societal goals (Nwanyanwu, 2017). Apart from providing information that helps in making key economic decisions, it is also needed to convey reliable, understandable, complete, and relevant information required to provide a full picture of financial events (Alexander and Britton, 1999).

2.7. Empirical Review

Studies have been carried out by other researchers on the auditor's independence and quality of financial reports in Nigeria and other countries. However, some of these studies are pertinent to the private sector or firms, they could give an insight into what is obtainable in the public sector.

The study by Nwayanwu (2017) examined the influence of audit quality practices on financial reporting in Nigeria making references to audit firms. Questionnaires were used as the data collection tools. Bivariate, Univariate, and multivariate analyses were performed using Pearson Product Moment Coefficient of Correlation, multiple regression, and descriptive statistics. The outcome of the analysis indicates a positive and statistically significant relationship between audit quality measures (technical training, auditor's independence, and proficiency, and engagement performance) and financial reporting (used reliability of financial report to measure it). Auditor independence has the highest explanatory power of variations in reliability of financial reports of 47.9%. Additionally, the highest variability of the report was produced by the regression model with only auditor's independence. Considering the presence of engagement performance, training, and proficiency, the independence of the audit is a prime quality of audit in the financial report. Hence, it is advised that people in the accounting profession should give priority to their independence which will help them to achieve a reliable and credible financial report.

The study conducted by Oladele (2010) examined the determinant of auditor independence in the public enterprises of Nigeria. The study adopted the use of primary data that was collected via questionnaires from the Nigeria Ports Authority Headquarter in Lagos State. Using the Chi-square and percentage method to test for hypothesis, the study noted that auditor's independence has a significant effect on the accountability of Nigerian public enterprises. The study went further and noted that non-rotation of auditors and performance of other functions by the auditor are some significant factors that may impact negatively on the independence of the auditor and their level of objectivity in the Nigeria audit market.

Babatolu, Aigienohuwa, and Uniamikogbo (2016) conducted a study on the effect of the auditor's independence on audit quality among seven (7) purposively selected deposit money banks in Nigeria from 2009 to 2013. Twenty listed deposit money banks were used as the sample population of the study. The study adopted the use of the ordinary least square (OLS) regression technique, correlation, and descriptive statistics. The outcome of the analysis is that there is a positive relationship between audit firm rotation, audit fees, and quality of audit while the tenure of audit firm has a negative relationship with audit quality. The correlation matrix indicates a strong, negative, and statistically significant association between the quality of audit and leverage, while the association between company size and audit quality is positively strong and statistically significant.

Bassey *et al.* (2020) conducted an analysis to ascertain the connection between the independence of auditors and auditing qualities in Nigeria. The objectives were centered on the impact of audit cost, audit tenure, and rotation of auditors on the quality of audits in Nigeria. The sample period was from 2010 to 2019 and the data were gotten from the yearly reports of the selected companies. Panel least-square research method was used in addition to hauseman test which was used to determine the best procedure to be adopted between fixed and random effects. The outcome of the analysis indicates that audit cost significantly and negatively affects audit quality in Nigerian banks. Also, rotation of auditors negatively but insignificantly affects the quality of audit whiles the tenure of audit negatively and insignificantly affects the quality of audit in the observed bank. The recommendation based on the findings suggests that audit firms should ensure that cost of the audit is guided based on the benchmark prescribed by their professional bodies, this will ensure that their independence is assured and in return improves the audit quality. The audit firms should prioritize the rotation of their staff, this will prevent over-familiarity with the firm they are auditing.

The study by Oluwagbemiga *et al.* (2014) is aimed at investigating the extent to which audit independence in the public sector is achieved and the mechanism used in Nigeria. Emphasis was given to three aspects of auditor independence (reporting independence, financial independence, and investigative independence) and they were used to formulate the study hypothesis. Survey design was used to obtain primary data using a well structures questionnaire that was randomly administered to 96 respondents that were selected out of the entire sample population. By the use of both inferential and descriptive statistics for analysis, the outcome indicates that a high level of independence was maintained by the Nigerian public sectors. It is pertinent that legislatures put in place laws that will promote the independence of auditors at all levels of governance which will help them to be transparent in their function.

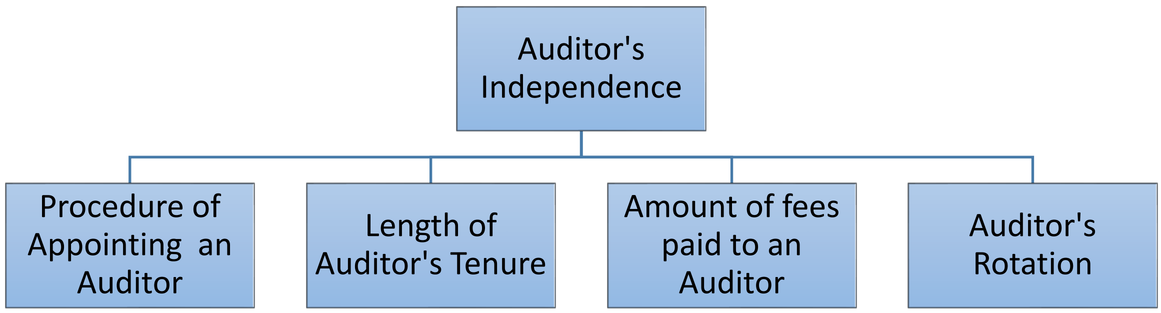
Okunola, (2021) investigated the effect of the independence of auditors on the quality of financial reports of Lagos State parastatals. The data was gotten by with the aid of a questionnaire. Binary logistic regression was used to analyse the data. The outcome of the analysis indicates that a quality financial report is achieved when auditors are able to shift their personal interest and pursue the public interest. This implies that the more personal interest of an auditor beclouds his judgment, the lower the EQC and FQC of the financial report. An inconclusive result was obtained when the use of audit rotation and reliance on internal audition was used. The recommendation was based on the findings and it states that parastatals must do everything within their reach to ensure that auditor's independence is promoted in order to reduce the occurrence of audit failures and promote the credibility of financial report.

2.8. Conceptual Framework

It is relatively challenging to conduct a study of this nature without a conceptual framework. Hence, this sub-section will present a core analysis of the framework to be adopted in this study. As suggested by Miles and Huberman, (1994) the conceptual framework is a written, visual or graphic representation of the major issues under investigation, which in most cases are major variables, perceptions, and features, and the perceived connection that exist among them. The conceptual framework gives further clarification about the study objectives and research questions. It creates a relationship between the already reviewed literatures and the objectives of the study which helps closing the gaps in the literature. The conceptual framework is primarily focused on the key factors, variable of interest, and the relationship that exist among them.

The conceptual framework for this study is the combination of different factors that can affect the independence of an auditor. The kind of literature analyzed in this study provides insight into the various factors that affect the independence of an auditor which will invariably affect the quality of the audited financial report. In line with the four objectives of the study, the conceptual framework was designed to show the level of connection between the independence of an auditor which serves as the dependent variable, and the four independent variables such as procedure of appointing an auditor, length of an auditors tenure, amount of fees paid to an auditor, and auditor' rotation. The diagram below indicates the conceptual framework of the researcher.

Figure 2.1: Conceptual Framework



Source: Author's Conceptualization

2.9. Research Questions and Objectives

The proposed study seeks to provide answers to the following research questions.

i) Does the independence of the audit committees in the Nigerian public sectors affect the auditor's independence and quality of financial reports?

This research question seeks to determine if the independence of the audit committees in the Nigerian public sector affects the auditor's independence and the quality of the financial report. Different researchers have mixed opinions on the impact of the presence of an audit committee on the independence of auditors. While some researchers such as (Ezugwu and Negedu, 2014) noted that audit committees increase auditors' independence others like (Ame, 2014) indicated that audit committee has no effect on the independence of the auditor. This study will help to settle the argument of the different schools of thought.

ii) To what extent does the length of an auditor’s tenure in the Nigerian public sector affect its level of independence in preparing the financial report?

This research question seeks to ascertain the extent to which the length of tenure of auditors in the Nigerian public sector affects their level of independence in preparing the financial statement. Different researchers have different opinions based on the study that they have carried out, while some (Ikharo, 2015) believe that longer-term office increases auditor’s knowledge about clients and improve their capability to detect fraud, other such as Abu Bakar and Ahmad, (2009) noted that a long auditors tenure creates a cordial environment for auditors and clients thereby creating an avenue for sympathy considerations. This study will fill the gap that has emanated from these different studies.

iii) Do the amount of fees received by an auditor impact on their attitude toward rendering quality financial reports?

This research question seeks to determine whether the amount of fees received by an auditor impacts on their attitude towards rendering a quality financial report. Researchers such Abu-Bakar and Ahmad (2009) noted that when a large amount of audit fee is coming from a client it tends to create a biased mind on the part of the auditor. This study will investigate the validity of such a statement.

iv) To what extent does auditors' rotation in the public sector affect their ability to produce an independent and quality audit report?

This research question seeks to ascertain whether auditor’s rotation in the public sector affects their ability to produce an independent and quality audit report. This research question tends to fill the gap that emanates from previous studies

2.10. Hypotheses

The following hypotheses shall be tested in this study:

H_{01}: The audit committee in the Nigeria public sector does not affect auditor's independence and quality of financial report?

There are gaps in already existing literatures, while some scholars as such (Ezugwu and Negedu, 2014) noted that audit committees increase auditors' independence others like (Ame, 2014) indicated that audit committee has to effect on the independence of the auditor. This study intends to fill this ascertaining the real impact of audit committee on the independence of auditors.

H_{02}: the length of auditor's tenure in the Nigeria public sector does not affect the level of independence in preparing the financial report?

Based on the already reviewed literatures, gaps have been identified in the form of lack of uniformity in findings. While some scholars such as (Ikharo, 2015) believe that longer-term office increases auditor's knowledge about clients and improve their capability to detect fraud, other such as Abu Bakar and Ahmad, (2009) noted that a long auditor's tenure creates a cordial environment for auditors and clients thereby creating an avenue for sympathy considerations.

H_{03}: the amount of fees received by auditors does not impact on their attitude towards rendering quality financial report.

Many scholars such as Otuya, S. (2019); Enofe *et al.* (2013); and Ali *et al.* (2010) opined that concluded in their studies that higher audit fees will encourage auditors to resist external influence thereby promoting the quality of audit. These studies were all conducted in the private sectors hence promoting the need for similar study to be conducted in the public sector.

H_{04}: the auditor's rotation in the public sector does not affect their ability to produce an independent and quality audit report?

Studies by Bassey*et al.* (2020); Adebayo (2011) all noted that that audit firms should prioritise the rotation of their auditors to prevent over-familiarity which is a threat to the independence of auditors. However, they were all channelled to the private sector. This study identified that limited research has been conducted in the public sector.

2.11. Conclusion

This chapter is comprised of an extensive literature review on the subject under review. The chapter commenced with an elaborate definition of core terminologies, this helps to give a clear definition of some of the key aspects of the study. The theoretical literature is an important aspect of every research work, hence, this study reviewed four important theories that are connected to the independence of an auditor. Different researchers have diverse opinions on the factors that affect the independence of an auditor both in the public and private sector of the Nigeria economy, however, some of the most reoccurring factors according to the literatures reviewed are the size of the audit firm, shortage of audit client, audit fees, auditor's tenure, non-audit services (NAS), clients interest in auditor, and audit committee. This chapter also provided a detailed review of previous studies conducted by other researchers. The outcome of the empirical review shows that there is mixed opinion on the factors that promote or hinders the independence of an auditor. Lastly, the conceptual framework provided the link that connects the research objectives and the research questions.

CHAPTER THREE: METHODOLOGY

3.1. Introduction

Research methodology is described as a systematic, formal, rigorous, and precise process that is used to gain knowledge about a phenomenon, discover facts, or establish relationships that exist among a group of variables. The research methodology design is a blueprint of the study that connects the method of data collection to the analysis of the research question which helps in the actualization of the research aims and objectives. In this regard, this study considers some of the well-known research designs and models such as the Nested Model or Research Onion (Saunders, Lewis, and Thornhill, 2009).

The different aspects of the research process for this study will be guided by the Research Onion which is composed of different layers that represent a particular aspect of the research methodology (Saunders *et al.*, 2009). These layers help the researcher to develop and design pathways and structures to be used in the entire research methodology. The Onion is comprised of different layers, the more the layers move to the center the closer the study to the objectives as illustrated in Figure 3.1. The Nested Model and Research Onion share similarities, however, the Research Onion which was propounded by (Saunders *et al.*, 2009) has three additional layers when compared to the Nested research model. This study will be guided by the research onion.

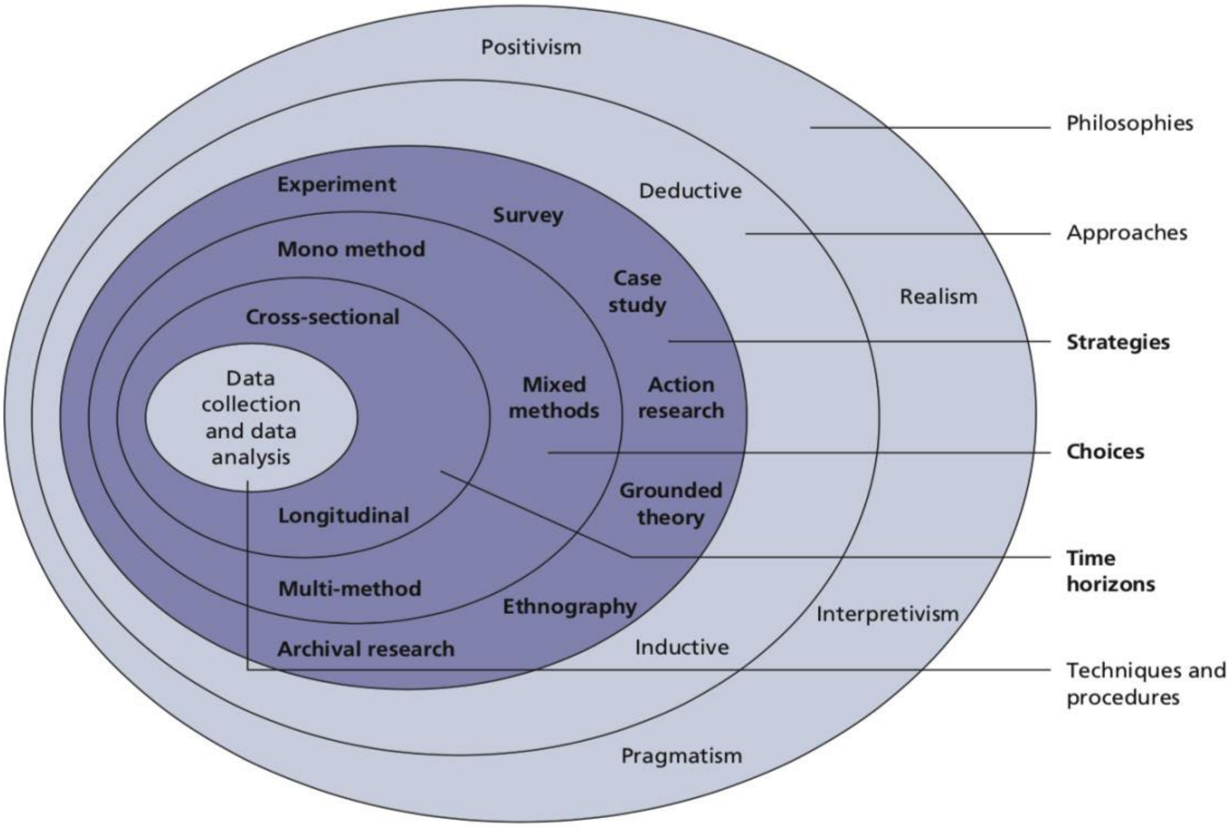


Figure 3.1: Research Onion (Saunders *et al*., 2009, p. 138).

3.2: Research Philosophy

The research philosophy is captured in the first layer of the research Onion. Many researchers have investigated the philosophical undertones associated with the design of a research procedure. Saunders *et al.* (2009) noted that the choice of a philosophical research approach is judged by the nature of the relationship between the concept under investigation and its developmental process. Philosophical choices are guided by the belief and preposition of how knowledge is derived from those fields of study. In the positivism philosophy domain, interpretation and conclusions are made based on the observed data, method of data collection, and the research analysis method (Patton, 2002). The positivism philosophy is guided by precision and thought clarification.

Chen and Hirschheim (2004) opined that the positivist philosophical approach is built on model formulation, casual relationship, hypothesis, and the use of quantitative research methods to address the research objectives and value-free interpretation. At this juncture, it can safely be concluded that the positivism philosophical criteria are supported by this study.

Having consented to the use of a quantitative research method, an argument can be established in terms of adopting a positivist view that measures variables and statistical results. The use of positivist research philosophy is affirmed by the fact that the hypothesis is tested through the available data and conclusions are reached based on the output of the analysis.

3.3. Research Approach

The research approach is represented in the second layer of the research Onion. The research Onion provided two distinct approaches that can be applied in every study, they are the deductive and inductive approaches to research (Saunders *et al.*, 2009). This study will be adopting the deductive approach to research. This entails an examination of already existing literature and the use of collected data to test hypotheses or answer research questions (Saunders *et al.*, 2009).

The deductive approach shares similar characteristics with this current study, unlike the inductive approach which has to deal with the creation of new theories through the information gathered from the collected data (Saunders *et al*., 2009). The researcher in this study is not interested in the creation of new theories but intends to answer the research questions which was stated in the first chapter of this research work.

3.4. Research Strategy

Saunders, Lewis and Thornhill (2007) noted that the choice of the research strategy is an essential aspect of every research because of its usefulness in addressing the research objectives and answering the research questions. Yin (2003) posited that in order to determine the research strategy, the researcher has to consider the situation of the research. As evident in any literature, there are different types of research strategies used in the primary data collections, they include case study, ground theory, survey, ethnography, action plan, and experiment. Surveys and experiments are basically used in quantitative research while the rest are used in qualitative research.

The survey method will be adopted in this study as it represents one of the quantitative aspects of research. A survey is a tool used in obtaining valuable data about personal values, experiences, opinions, behavior, and attitudes from the respondents (Gilberth, 2008). Surveys are normally used on a large sample population by collecting useful data by the use of questionnaires. Gilbert (2008) notes that survey data can be collected through an online survey, questionnaire, face-to-face interaction, and telephone interview. Additionally, surveys can also be presented in the form of a structured questionnaire or unstructured interview. However, emphasis must be given to the importance of explaining the use of any of the methods to the respondents before seeking their opinion (Fellows and Liu, 2008).

3.5. Method of Data Collection

The method of data collection is an outstanding part of every research work. It is comprised of mono, mixed and multi means of data collection. This study is quantitative research and as such adopts the mono means of data collection. The quantitative research approach was adopted because it measures inquiries into a problem that already exists by the use of statistical techniques to test theories and conduct a research analysis. Creswell (1994) notes that the quantitative research method helps to determine whether the predictive generalization of a theory is in existence. The quantitative research method is connected to positivist philosophical principles and is targeted toward gathering data and studying relationships. The quantitative method of research helps to obtain measurements through the use of scientific techniques. Data analysis is subject to a quantifiable outcome and conclusions are reached through the evaluated results.

This study made use of the primary data collection method. A questionnaire is an objective tool for data collection, this is characterized by its ability to collect a large size of sample data and produce a generalized outcome. In other words, this means that conclusions can be given from specific data to a more generalized form. By the use of the questionnaire, respondents are chosen from different public sectors in Nigeria. It is important that the researcher politely engage the respondents in order to elicit correct responses. A total number of 100 respondents will be sampled with the use of the questionnaire.

The primary data was directly from the samples respondent from the different public sectors through the administered questionnaire. The Nigerian public sector is large and comprised of different ministries, agencies, and parastatals such as the Federal Inland Revenue Service, Central Bank of Nigeria, Independent National Electoral Commission, Nigerian Television Authorities and more. 100 questionnaires were administered to these public sectors in Abuja. The participants in the survey are financial accountants, managers, auditors, director general, and others. The survey instrument used in this study was adapted from ones used in similar studies (Coyle, 2010; Mihret, 2010;Sori and Karbhari, 2006). The questions were adopted based on the pertinent characteristics of Nigeria's public sector.

Guided by the proposition of Blumberg, Cooper, and Schindler (2014), the researcher must take rational steps and approach the responses from the respondents with caution, this implies that they do not have to totally depend on the responses from the respondents because they might present bias opinion and this to a great extent will have a meaningful impact on the validity of the research. The questionnaire will be distributed with a Google form.

3.6. Data Analysis Techniques

The approach to the analysis of data is dependent on the goals and the intentions of the researcher. In this situation, the researcher intends to determine how auditors' independence affects the quality of financial report in the Nigerian public sector. In order to achieve this, the study will be adopting the use of the Statistical Package of the Social Sciences (SPSS). The data gotten from the questionnaire will be entered into SPSS. The questionnaire helps us to present data in a quantifiable form. The design of the questionnaire is comprised of a 5 Likert scale of strongly disagree, disagree, neutral, agree, and strongly disagreed. The responses from the respondents will be entered into the software. The mean values of the responses will be used in addition to the values of the t-test which helps to test if the mean values are statistically significant.

3.7. Ethical issues and limitations

Ethical issues are always encountered in the research work especially when it comes to data collection and respecting the right of the respondents. This is majorly seen when it comes to the anonymity, informed consent of the respondents, and also the confidentiality of the respondent. When considering the respondent's voluntary disclosure, it should be noted that the respondents have the full right to accept or decline the request of participating in the survey. Furthermore, he/she can decide to withdraw from the session without rendering an apology of any type.

Prior to the commencement of the survey, the participants were all given a brief overview of procedures associated with the study, they are also informed to give anonymous responses to the statements. The topic under study was carefully explained to the respondents and the aims and objectives of the study. The study gave high consideration to the secret nature of the information provided by the respondents. Hence the information will be treated with utmost care which implies that the respondents are free to air their views. The researcher's truthfulness and honesty are seen as essential aspects of the ethical issues while computing and interpreting the data. It explains the ability to replicate the same outcome by another researcher when presented with the same set of data.

Other than the ethical consideration, this study will best be captured while using both the quantitative and qualitative methods for research analysis but due to time constraints, the researcher decided to only use the quantitative method.

3.8. Conclusion

The design of the methodology was guided by the Research Onion (Saunders *et al*., 2009). It provided a structure to this chapter. This structure ranged from the use of a positivist research philosophy to a deductive research approach to the use of survey methods for the collection of data. The data were gotten from different public sectors in Abuja, Nigeria. SPSS software will be used for the analysis of the data. The next chapter looks at the analysis of data, this is comprised of both the demographic analysis of the respondents data and the quantitative analysis.

CHAPTER FOUR: PRESENTATION AND INTERPRETATION OF RESULTS

4.1. Overview

Guided by the research question and the objectives of the research, this chapter will focus on the presentation of the outcome of the analysis and interpretation of results. This chapter is basically divided into two parts. The first is the tabular and pictorial representation of the demographic information of the respondents. The demographic information tends to give a clear picture of the respondents and in most cases shapes the quality of the responses that they give.

The second part of this chapter is the research analysis proper. This entails the use of the quantitative method of analysis to ascertain the impact of auditor's independence on the quality of financial reports in the Nigerian public sectors. Applying the principles of ethical guidance, the research will strictly present and analyse the responses gotten from the questionnaire without any alteration. The four research questions and objectives will be independently analysed and interpreted.

Furthermore, the last part of this chapter is devoted to the overall interpretation of the outcome of the qualitative analysis. This entails the collective discussion of the four research questions and how they affect one another. Comparison of the results will equally be made to the outcome of already existing studies.

4.2. Response Rate of Respondents

The responses from the survey indicate that 74% response rate was achieved. This rate of responses represents 74 responses from a total of 100 questionnaires that were administered. This implies that 36 questionnaires were not returned due to one reason or another. Golland (2002) opined that a survey response rate is considered to be excellent when 50% of the questionnaires are properly answered and good when 30-40% of the survey questions are answered. However, Archer (2008) in his study argued that the variation in the response rate gotten from different studies is dependent on the nature of the research. Mugenda and Mugenda (1999) have a different opinion by stating that 50% of responses are considered to be average for any analysis while 70% is excellent. Judging by the different arguments presented by the scholars, we can conclude that a 74% response rate for this study is excellent.

Table 4.1 Response Rate

Questionnaire	Frequency	Percentage
Filled and returned	74	74
Unreturned	26	26
Total issued	100	100

Source: Authors tabulation

4.3. Demographic Information

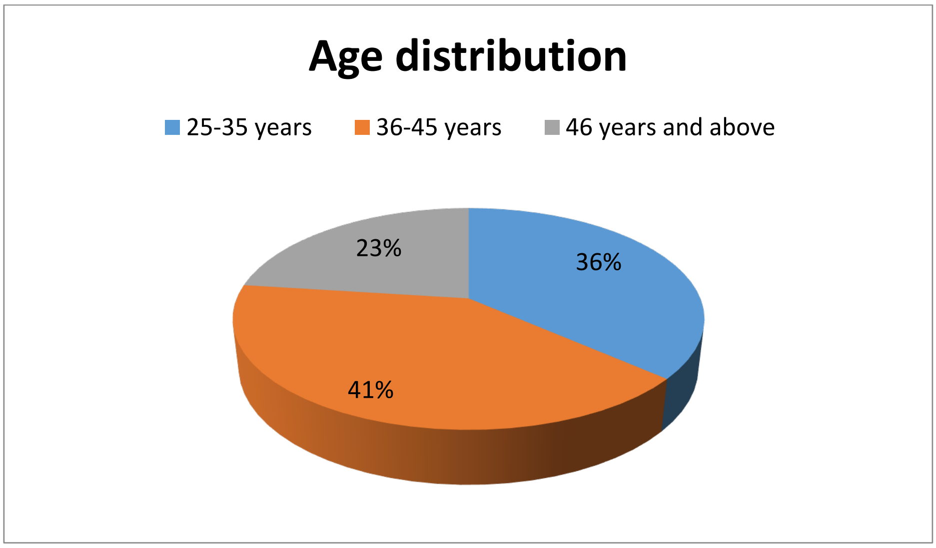
The following demographic information is possessed by the respondents that were sampled in this survey. They includes age, gender, years of experience, educational background, and the total number of employees employed.

Table 4.2: Demographic information of Respondents

Demographic Variable	Freq	Percent
Age		
25-35	27	36.6
36-46	30	40.5
46 and above	17	22.9
Gender		
Male	52	70.2
Female	22	29.7
Job Description		
Auditor	12	16.2
Financial accountant	18	24.3
Manager	24	32.4
Director general	8	10.8
Others	14	18.9
Years of Experience		
Under 5	10	13.5
Between 6-10 years	19	25.6
Between 10-15 years	21	28.3
Between 16-25 years	14	18.9
25 years and above	10	13.5
Total Number of Staff		
Less than 200 employees	18	24.3
210 -300 employees	22	29.7
301-400 employees	14	18.9
401-500 employees	12	16.2
Above 500 employees	8	10.8

4.3.1. Pictorial Representation of Respondent's Information

Chart 4.1: Age Distribution of Respondent



The chart above represents the age distribution of the respondents. The majority of the respondents fall within the age bracket of 36-45 years representing 41% of the entire sample size. This is not surprising because the Nigerian public sector is characterised by people who are relatively mature in age. They are followed by those within the age bracket of 25-35 years representing 36% of the sample size under investigation. This group is mainly comprised of young graduates. The last group is the minority group representing 23% of the sample size. This group is comprised of individuals that are 46 years and above, also, because of their years of experience, they are always consulted when taking important decisions.

Chart 4.2: Gender of the Respondent

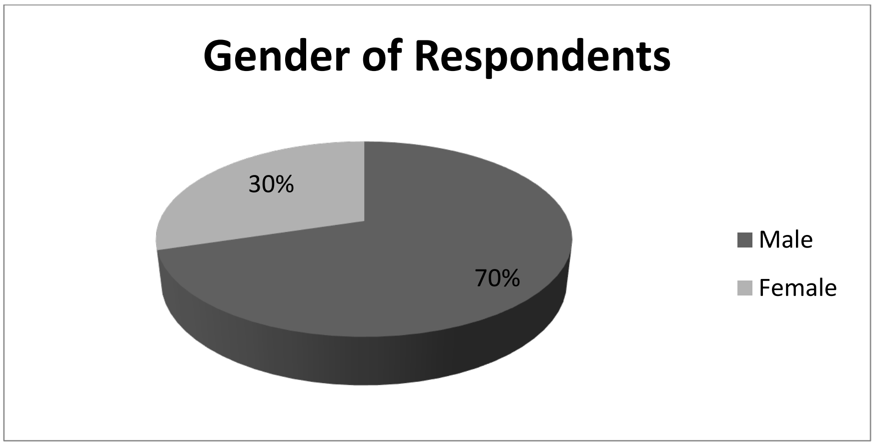


Chart 4.2 represents the gender distribution of the respondents. The male gender represents the dominant gender with an estimate of 52 respondents representing 70% of the entire sample population. Guided by the concept of gender equality, the females represent 30% of the entire sample size which means that both gender were interviewed. This implies that most public sectors in Nigeria is a combination of both gender, this also supports the claim that the public sector is a sector that is open to all gender and is less stressful.

Chart 4.3: Job Description of Respondents

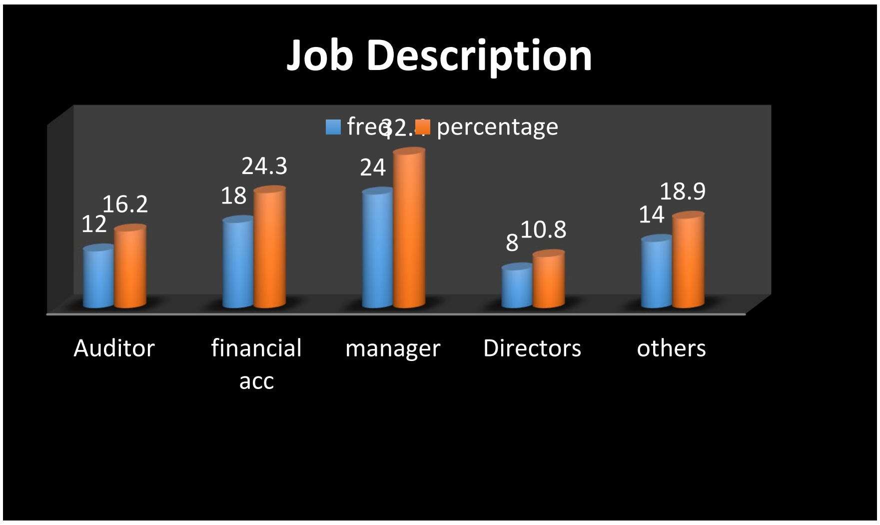


Chart 4.3 above represents the job description of the respondents that were surveyed. The majority of the respondents that were surveyed were managers of the different department in the different public sector representing 32.4% of the sample population. They are followed by the financial accountant that captures 24.3% of the sample size. These categories of respondents are very important judging by the nature of the research. Due to the vast nature of the Nigeria public sector, 18.9% of respondents that their job description was unknown also responded to the survey. Auditors working in the different public sectors responded to the survey, they represent 16.2% of the entire sample population. The minor group was the director, this is justified by the fact that few directors exist in the public sector.

Chart 4.4: Respondent's Years of Experience

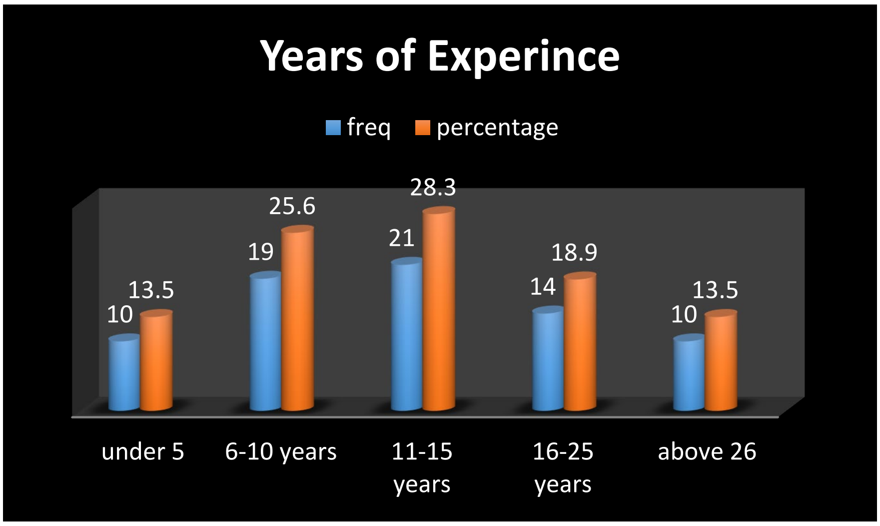


Chart 4.4 present the years of experience of the respondent. The majority of the respondents have been in the public sector for more than 10 years. However, 13.5% of the respondents have been in the system for less than 5 years which is a small percentage when compared to the whole sample population. Taking a general overview of the respondents, one can conclude that majority of the respondents are well experienced and will translate to an effective representation of the required result.

Chart 4.5: The Total Number of Employees in a Public Sector

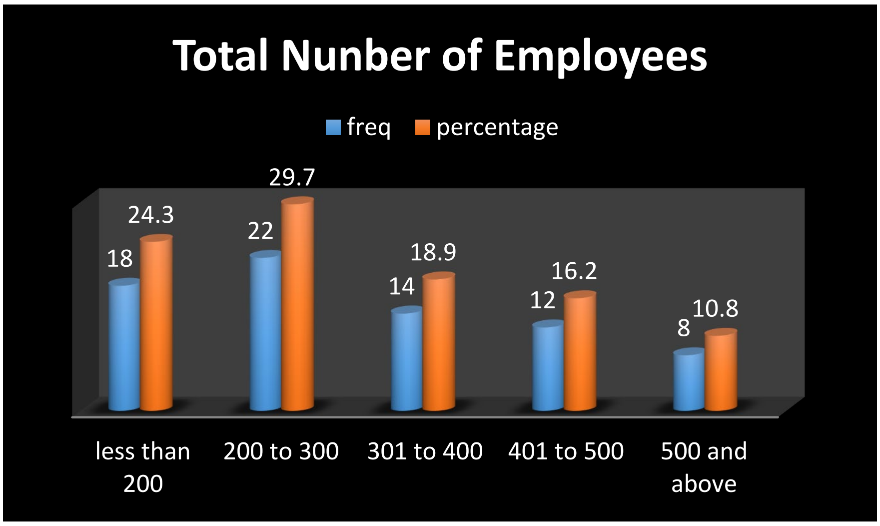


Chart 4.5 represents the total number of staff in a particular public sector. The reasons for getting this information are to enable the researcher to determine the size of the public sector and to know whether valid conclusions can be reached based on their responses. It can be deduced from the chart that most of the respondents are from large government entities and this implies that their responses can represent other government organizations.

4.4. Quantitative Analysis

The path for the analysis of the data has already been established in the research methodology. The previous chapter noted that the study will be adopting a quantitative method to research analysis by using a statistical package known as the Statistical Package of the Social Sciences (SPSS). Based on the research questions and objectives of the study that was established in the first chapter of this study, responses were gotten from respondents and coded into the SPSS. The respondent responded by showing the different degrees of acceptance or rejection of some statements. A Likert scale of strongly disagree (SD), disagree (D), neutral (N), agree (A), and strongly agree (SA) was used.

The average response from the respondents was gotten by computing the descriptive statistic which gave the mean responses of the respondents. A mean value of 3 is an indication that on average greater percentage of the respondents agreed with that statement. The T-test is a test of statistical significance, meaning that once the T-value of a question is greater than 3 in absolute terms, the responses from the respondents are statistically significant, hence affirming that the responses from the respondents are valid and vice versa.

Guided by the research questions which seek to determine the impact of auditors' independence on the quality of financial reports in the Nigerian public sector, the response analysis of the survey is presented below.

Table 4.3: The means values and T-test result on the statements about the impact of the audit committee on the independence of auditors and quality of financial reports in Nigeria's public sector.

Variables	No of Obs	Mean	DF	T-test Values
Statement 1	74	2.43	73	-4.25
Statement 2	74	2.14	73	-6.03
Statement 3	74	1.94	73	-9.27
Statement 4	74	2.97	73	-0.47
Statement 5	74	2.62	73	-2.50
Statement 6	74	2.50	73	-3.16
Statement 7	74	3.81	73	5.50
Statement 8	74	2.06	73	-7.11

Source: SPSS 2020

The outcome from the first statement indicates that many respondents disagree that members of the audit committee are selected based on competence and credibility. The level of rejection of this statement was affirmed by a low mean of 2.43 and a statistically significant T-value of -/4. 25/. The outcome from the second statement indicates that most of the respondents disagree that the audit committee has the power to question the audited financial statement. The level of rejection of the statement is affirmed by a low mean value of 2.14 and a statistically significant T-value of /-6.03/.

The response from the third statement indicates that majority of the respondents disagree that audit committees has an upper hand in appointing an auditor in a public sector. The level of rejection of this statement was affirmed by a low mean value of 1.94 and a statistically significant T-value of /-9.2/. The outcome from the fourth statement indicates that most of the respondents disagree that the audit committee has the capacity to terminate the contract of an auditor. This statement is affirmed by a low mean value of 2.97 but a statistically insignificant T-value of /-0.17/.

The outcome of the fifth statement indicates that many of the respondents disagree that the audit committee has the capacity to approve the audit fees. This level of rejection is affirmed by a low mean value of 2.62 and a statistically insignificant T-value /-2.05/. The outcome the sixth statement shows that many of the respondents disagree that the audit committee is comprised of experts who are not members of the audit committee. This statement is affirmed by a low mean value of 2.50 and a statistically significant T-value /-3.16/.

The outcome of the seventh statement indicates that many of the respondents agree that the internal auditor periodically presents the report to the audit committee. This level of agreement is affirmed by a high means value of 3.81 and a statistically significant T-value /5.50/. The eight statements from the respondents indicate that many of the respondents disagree that the financial statement must be reviewed by the audit committee before being reported. This level of rejection is affirmed by a low mean value of 2.06 and a statistically significant T-value /-7.11/.

Table 4.4: The means values and T-test result on the statements about the impact of length of audit tenure on the independence of auditors and quality of financial statements in Nigeria's public sector.

Variables	No of Obs	Mean	DF	T-test Values
Statement 1	74	2.77	73	-1.45
Statement 2	74	3.36	73	3.53
Statement 3	74	3.03	73	0.43
Statement 4	74	2.91	73	-0.52
Statement 5	74	2.81	73	-1.16
Statement 6	74	3.20	73	1.36
Statement 7	74	3.12	73	0.79
Statement 8	74	3.10	73	0.68

Source: SPSS 2020

The outcome of the responses as presented in table 4.4 indicates that most of the respondents disagree that an auditor that stays a longer period in a particular public sector tends to be biased with time. This level of rejection of this statement was affirmed by a low mean value of 2.77, however, the statement is statistically insignificant because of a T-value of /1.45/. The outcome of the second statement indicates that most of the respondents agree that auditors tend to be friendlier to a public sector that he has audited for a long. This statement is affirmed by a high mean value of 3.36 and a statistically significant T-value of /3.53/.

The result from the third statement indicates that most of the respondents agree that an auditor’s tenure in a public sector should be at most three years. This statement is supported by a mean value that is greater than 3 but an insignificant T-value of /0.43/. The fourth statement indicates that the majority of the respondents disagree that the risk of audit failure is likely to increase as audit tenure increases. This level of rejection is supported by a mean value that is below 3 and a statistically insignificant T-value of /0.52/.

The result from the fifth statement shows that most of the respondents disagree that the risk of audit failure is higher in the early stages of auditing a government agency due to their over-dependence on the information provided by the public sector. This level of rejection is supported by a mean value that is below 3 and a statistically insignificant T-value of /1.16/. The sixth statement indicates that most of the respondents agree that short audit tenure increases failure because a constant change of auditors requires the new auditors to start learning the sector's method of presenting reports. The level of acceptance of this statement is supported by a mean value that is greater than 3 but an insignificant T-value.

The result from the seventh statement indicates that the majority of the respondents agreed that new auditors are not able to detect abnormalities in the financial reports. This statement is supported by a means value that is greater than 3 but an insignificant T-value of /0.79/. The outcome of the eight statement shows that the majority of the respondents agree that once an auditor keeps giving a positive review about a government organization, it is important to change the auditor to ascertain the authenticity level of his report. This statement is supported by a mean value that is greater than 3 but an insignificant T-value of /0.68/.

Table 4.5: The means values and T-test result on the statements about the impact of audit fees on the independence of auditors and the quality of financial reports in the Nigerian public sector.

Variables	No of Obs	Mean	DF	T-test Values
Statement 1	74	3.47	73	3.80
Statement 2	74	3.08	73	0.52
Statement 3	74	3.24	73	4.52
Statement 4	74	2.91	73	-0.50
Statement 5	74	3.20	73	3.23
Statement 6	74	3.02	73	3.16
Statement 7	74	3.56	73	3.90

Source SPSS 2020

The result from the first statement as depicted in table 4.5 indicates that most of the respondents agree that audit fees affect the independence of auditors in the Nigerian public sector. The level of acceptance of this statement is supported by a mean value that is greater than 3 and a statistically significant T-value of /3.81/. The result from the second statement indicates that the majority of the respondents agree that in the first year of auditing, the cost of auditing by an auditing firm is greater than the received auditing fee. This statement is supported by a mean value that is greater than 3 but an insignificant T-value of /0.50/.

The outcome of the third statement indicates that most of the respondents agree that auditors should not accept to audit government agencies that pay low audit fees. This level of acceptance is supported by a mean value that is greater than 3 and a statistically significant T-value of /4.52/. The fourth statement shows that majority of the respondents disagree that the Nigerian audit act should specify the minimum and maximum amount of fee to be paid to an auditor. This level of rejection is supported by a mean value that is less than 3 and a statistically insignificant T-value of /0.50/.

The outcome from the fifth statement indicates that most of the respondents agree that government agencies secretly pay auditors money to conceal abnormalities in their financial reports. This statement is supported by a mean value that is greater than 3 and a statistically significant T-value of /3.23/. The fifth statement shows that most of the respondents accept that government agencies pay auditing firms in order to ensure that their favourite auditor is sent to audit them. This level of acceptance is supported by a mean value that is greater than 3 and a statistically significant T-value of /3.16/. The result of the seventh statement indicates that the majority of the respondents agree that young auditors are easily influenced by paying them a big amounts of audit fees. This statement is supported by a mean value that is greater than 3 and a statistically significant T-value of /3.90/.

Table 4.6: The means values and T-test result on the statements about the impact of auditor's rotation on the independence of auditors and quality of financial reports in Nigeria's public sector

Variables	No of Obs	Mean	DF	T-test Values
Statement 1	74	3.43	73	2.92
Statement 2	74	3.93	73	7.19
Statement 3	74	3.12	73	0.74
Statement 4	74	3.78	73	5.74
Statement 5	74	3.93	73	7.44
Statement 6	74	3.36	73	2.59

Source: SPSS 2020

The result from the first statement as depicted in table 4.6 shows that the majority of the respondents agree that auditors in the public sector should be rotated within a period of two years. This degree of acceptance was supported by a mean value that is greater than 3 but a statistically insignificant T-value of /2.92/. The outcome of the second statement indicates that most of the respondents agree that rotation of the firm should be carried out by the audit firm. This statement is supported by a mean value that is greater than 3 and a statistically significant T-value of /7.19/.

The outcome of the third statement shows that most of the respondents agree that audit firms are always under pressure when rotating auditors. This statement is supported by a mean value that is greater than 3 and a statistically significant T-value of /4.74/. The responses from the fourth statement indicate that respondents agree that public sectors are usually against the notion of audit rotation. This statement is supported by a mean value that is greater than 3 and a statistically significant T-value of /5.74/.

The response from the fifth statement shows that the majority of the respondents agree that constant change of auditors helps to reveal abnormalities in the reported financial reports. This statement is supported by a mean value that is greater than 3 and a statistically significant T-value of /7.44/. The response from the sixth statement indicates that most of the respondents agree that once auditors are rotated, the following year is accompanied by the discovery of financial irregularities. This statement is supported by a mean value that is greater than 3 but an insignificant T-value.

4.5: Conclusion

This chapter presented the analysis of the result. It started with the demographic and pictorial representation of respondent's information. The quantitative analysis was done by individually analysing the different research questions. The next chapter presents an in-depth discussion of the result and how it connects to already existing studies. Based on the research questions, the survey was conducted to capture the different research questions and provide answers.

CHAPTER FIVE: SUMMARY, CONCLUSION, LIMITATIONS, AND RECOMMENDATIONS

5.1: Discussion of Findings in Relation to the Literature Review

5.1.1: Auditors Independence and the Audit Committee

The first question seeks to determine whether the audit committee in the Nigerian public sector affects the auditor's independence and quality of financial reporting. To answer this question, many statements were made in order to determine the level of effectiveness of the audit committee in the different public sectors. The results from the responses show that the audit committee has not been effectively performing its duties. Some of the responses indicate that the audit committee doesn't have the power to appoint an external auditor, this simply means that when they are given the chance to execute their functions that it will improve the independence of auditors viz a viz the quality of the audited financial report. Some other studies such as Ezegwu and Negedu (2014) noted that firms where audit committees are independent of stakeholders always have a quality financial report. Carcello and Neal, (2000); Manry, Mock and Turner, (2005) also concluded in their different studies that the effectiveness of the audit committee is massively dependent on their level of independence.

5.1.2: Auditors Independence and Length of Audit Tenure

The second research question is to determine the impact of audit tenure on the level of the independence of auditors. Different statements were made in an attempt to elicit responses from the respondents. The respondent presented mixed opinions with respect to this research question. While some believe that audit tenure negatively affects the independence of auditors others believe that it has a positive impact on auditors' independence. However, based on the general responses, auditors' longer tenure positively but insignificantly affect the auditor's independence and quality of the financial report. Though the positive impact of a longer auditor's tenure is insignificant, it still aligns with the study of Ikharo (2015) who noted that a longer auditor's tenure could improve an auditor's knowledge of a client's business which could improve his ability to detect fraud.

5.1.3: Auditors Independence and Audit fees

The third research question seeks to determine whether the amount of fees received by auditors affects their ability to render a quality financial report. The result from this question indicates that the respondents agree that audit fee affects the independence of auditors and their ability to render a credible financial report. This answer is justified by the mean values which were all greater than 3 and a test of statistical significance that indicates that 5 of the statements are statistically significant. This result is in tandem with the findings of Abu-Bakar and Ahmad (2009) that noted that once a good percentage of audit fees is coming from one client, there are high possibilities that the auditing firm will go the extra mile to keep such client thereby compromising their independence. Furthermore, Ali et al. (2010) concluded in their study that higher audit fees will encourage auditors to resist external influence thereby promoting the quality of audit.

5.1.4: Auditors Independence and Auditors Rotation

The fourth research question seeks to determine the impact of audit rotation on auditors' independence and the quality of financial reports in Nigeria. The outcome of the analysis clearly shows that frequent audit rotation positively and significantly affects the independence of auditors and improves the quality of the financial report. A closer look at the result of the analysis shows that most of the respondent strongly believe that the audit rotation impact the audit quality. A study by Bassey *et al.* (2020) produced a similar result by noting that audit firms should prioritise the rotation of their auditors to prevent over-familiarity which is a threat to the independence of auditors.

5.2: The implication of the Findings of the Research Questions

This chapter presents the summary of the findings in relation to the research questions and objectives of the study. It ensures that the research questions are properly answered. The first chapter of this study proposed four research objectives, hence the implication of the study findings will be discussed based on the research objective. The first is to determine whether the Nigerian public sector audit committee affects the auditor's independence and quality of financial reporting. Based on the result of the survey, the following conclusions were reached;

- Most of the Nigerian public sectors undermine the functions of the audit committee. This possesses a great danger to the functions and existence of an auditor because the audit committee serves as the foundation of the auditor's independence.
- It could be drawn based on the analysis that although the internal auditors periodically present reports to the audit committee but the key issues remain the poor manner in which the committee tackles the issues presented before them.

- One of the statutory duties of the audit committee is to ensure a proper review of the financial report before being published to the general public, however, based on the findings; most public sectors publish their financial report without a review by the audit committee.
- The Nigeria Security and Exchange Commission (SEC) established standards for the effective operation of the audit committee, however, the findings of this study show that those standards are not strictly obeyed.

The second research objective aims at determining the impact of the length of audit tenure on the independence of auditors and the quality of financial reports in the Nigerian public sector. Based on the result of the analysis, longer auditors' tenure positively but insignificantly affects auditors' independence and quality of financial reporting. The insignificant nature of this research objective implies that no policy conclusion could be derived.

The third research objective seeks to determine the impact of audit fees on the independence of auditors and the quality of the financial reports. Based on this objective, the study presents the following conclusions;

- It can be concluded that most of the public sectors in Nigeria pay extra money to auditors to conceal some anomalies in their financial reports. Furthermore, they ensure that their favourite auditors are assigned to audit their sector which will make the lobbying to be easy.
- The Audit Act of 2007 should be reviewed stating clearly the minimum and maximum fees to be paid to auditors that audit the public sector. Serious sanctions should be imposed on auditors that fail to abide by the act. And public sectors that fail to abide by this law should not be audited.
- On a general note, young auditors are easily influenced by high audit fees, hence young auditors should be properly monitored to ensure that they are not induced by money.

The fourth objective is to determine the impact of auditor rotation on the independence of auditors and the quality of the financial reports. Based on this objective, the study presents the following conclusions;

- Most Nigerian public sectors are against the notion of auditor rotation. This is due to the fact that they usually develop close friendships with auditors and an attempt to rotate them affects their friendship.
- Audit firms are usually under pressure while rotating auditors. This could be attributed to the fact that most government agencies prefer to retain the auditors that are auditing them.

- Audit rotation in the Nigerian public sector helps to reveal abnormalities in their financial report. This implies that once an auditor is changed, the possibility of detecting material misstatement in the financial report is high.

5.3: Contribution and Limitation of the Study

This study in different ways has added more depth to the already existing works of literature. This can be seen in much research that has been carried out in order to determine the impact of auditors' independence on the quality of financial reporting in Nigeria such as (Carcello and Neal, 2000; Abu-Bakar and Ahmad 2009; Ali et al., 2010; Ezegwu and Negedu, 2014) and many others.

While most of the previous studies were focused on the impact of auditor's independence and quality of financial reports in the private sector, this study focused on the public sector. The result from this study can be compared with the results gotten from the private sector. Furthermore, while other sources used secondary data which was gotten from secondary sources this study employed the use of primary data which was gotten from the administered questionnaire. Unlike most other works of literature this study investigated the core functions of the audit committee. Knowing very well the importance of the audit committee the study tries to establish a relationship between the audit committee and auditors' independence which will help to determine how free the auditors are in discharging their functions.

One important limitation of this study is the availability and accessibility of respondents. Based on the already existing Covid-19 protocol, it is very difficult for the survey to be administered physically to the respondents, however, the study resorted to the use of an online survey such as the Google form to get responses. Judging by the rate of responses gotten from the online survey, it can be concluded that the physical presentation of the survey would have yielded more responses. Additionally, this study was affected by time limitations. This study will be best captured by the use of both qualitative and quantitative research methods but based on time constraints, the study adopted only the quantitative research method. Furthermore, the use of the Google form didn't yield 100% percent return as expected. This can be attributed to the fact that some of the respondents are not conversant with the interface of the Google form thereby limiting their ability to respond.

5.4: Recommendation for Practice

The study recommendation for practice will mostly be channeled to the government and apex financial bodies.

- The government should through its enforcement agencies ensure that the functions of the audit committee are properly given the freedom to operate in the public sector. This implies that the Security and Exchange Commission should monitor the level of freedom granted to the audit committee while discharging their duties.
- Members of the audit committee should be properly selected, this includes an independent individual that is not a member of the board and has proper knowledge of finance or accounting.
- The Financial Reporting Council (FRC) of Nigeria should properly investigate and establish standards for auditor’s fees. This standard should specify the minimum and maximum fees to be paid to an auditor by the public sector.
- The FRC should also establish substantial fines and penalties for auditors that are found guilty of crimes such as bribery, concealing abnormalities in the financial report, etc.
- The FRC should equally ensure that auditors are rotated at most every three years. This will help to reduce the level of familiarity between the members of the audited public sector and the auditors.

5.5: Recommendation for Future Studies

In order to get a very reliable result, this study recommends that future studies should adopt both the qualitative and quantitative methods of research. This will help the research outcome to look more robust and credible by comparing the outcomes from the two methods.

Furthermore, I recommend that future studies if possible should use a physical survey instead of an online survey, this ensures that the researcher is present to give elaborate explanations to confusing statements. Additionally, while collecting data in qualitative research, it is always better to conduct a physical interview because the researcher can get responses from the body language of respondents.

Future studies of this nature can increase the number of observations. When the numbers of respondents are increased it ensures that the information gotten is a true representation of the entire population of interest.

This study equally recommends that studies of this nature should be conducted in other developing countries in Africa using similar techniques to data analysis. This is because many of the African public sectors share similar characteristics, hence, will produce a similar outcome.

Further studies can increase the number of variables that are used to capture the independence and function of an auditor such as non-audit services, size of the audit firm, etc.

5.6: Final Conclusion and Reflection

The independence of auditors in the Nigerian public sector is affected by many factors which have been identified in other works of literature. The conduct of this research was guided by four research questions which serve as a guide in order to determine the impact of auditor's independence on the quality of financial reports in Nigeria. Many helpful works of literature were used and gaps in already existing literature were identified, the literatures were also helpful in forming the conceptual basis upon which the study is built. The Research Onion was used to form a path for the research methodology. A survey was used to collect primary data from different respondents in different governments, ministries, agencies, and parastatals, in the Federal Capital Territory of Nigeria, Abuja.

The result from the analysis indicates that most public sectors in the Nigerian public sector don't have a functioning audit committee. It was also gathered that audit tenure positively but insignificantly affect auditors' independence, while audit fees and auditors' rotation positively and significantly affect auditor's independence and the quality of financial report in Nigeria. Study recommendations for practice and for future studies were given. The government through its agencies and the Financial Reporting Council (FRC) has a big role to play in order to establish and maintain the independence of auditors viz a viz improving the quality of financial reporting.

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Appendix A: Questionnaire

Questionnaire: Auditor’s independence and quality of financial report in the Nigeria public sector.

Section A – Demography and Educational qualifications

What is your age?

◯ 25 – 35 years

◯ 36 -46 years

◯ >46

What is your gender?

◯ Male

◯ Female

Educational Background Categories of survey respondents

◯ Auditors

◯ Financial accountants

◯ Line managers

◯ Director general

◯ Others

Years of Experience

◯ Under 5 year

◯ between 6 to 10 years

◯ between 11 to 15 years

◯ between 16 to 25 years

◯ 25 years and above

Total number of employees

◯ less than 200 employees

◯ 201 to 300 employees

◯ 301 to 400 employees

◯ 401 to 500 employees

◯ 500 above employees

Section B – the impact of the audit committee on the independence of auditors and quality of the financial report.

What is your level of agreement to the following statements with respect to the impact of the audit committee on the independence of auditors and quality of the financial report in the Nigeria public sector?

The audit committee and independence of an auditor		SD	D	N	A	SA
		1	2	3	4	5
A	The audit members of the audit committee are selected based on competence and credibility					
B	The audit committee has the power to question the audited financial statement					
C	The audit committee has the upper hand in appointing an auditor					
D	The audit committee has the capacity to terminate the contract of an auditor					
E	The audit committee has the capacity to approve the auditors fees					
F	The audit committee is comprised of an independent individuals who is not a member of the organisation and is an expert in analysing financial statement					
G	The internal auditors periodically present reports to the audit committee					
H	The financial statement must be reviewed by the audit committee before being reported.					

Section C – To what extent does the length of an auditor's tenure in the Nigerian public sector affect its level of independence in preparing the financial report?

What is your level of agreement to the following statements with respect to the extent that the length of an auditor's tenure in the Nigerian public sector affect its level of independence in preparing the financial report?

The length of audit service and auditors independence		SD	D	N	A	SA
		1	2	3	4	5
A	An auditor that stays for a long period of time in a particular public sector tends to be bias as time goes on.					
B	An auditor tends to be friendlier to members of a particular public sector that he/she has audited for long.					
C	An auditor's tenure in a particular public service should be at most three years.					
D	The risk of audit failure is likely to increase as audit tenure increases.					
E	The risk of audit failure is higher in the early years of the auditing tenure because the new accounting firm primarily depends on the information provided by the sector, ministries or agency.					
F	Short audit tenure leads to audit failure because constant change of auditors implies that the new accounting firm is likely not to develop and apply an in depth understanding of the sectors financial reporting practices.					
g	New auditors are not always able to detect financial reporting issues that may materially affect the company's financial statement.					
H	Once an auditor audits a government organisation and they keep getting a positive review, it is importance to change the auditor in order to ascertain the authenticity of their report					

Section D – Does the amount of fees received by an auditor impact on their attitude toward rendering quality financial reports?

What is your level of agreement to the following statements on whether the amount of fees received by an auditor impact on their attitude toward rendering quality financial reports?

The audit fees and auditors independence		SD	D	N	A	SA
		1	2	3	4	5
A	Audit fees affect the independence of auditors in the Nigeria public sector					
B	In the first year of an auditing a by an auditing firm, the firm's cost of auditing is significantly greater than the amount of fees gotten from auditing government agencies					
C	Auditors should not accept to audit government agencies that pay low auditing fees.					
D	The Nigerian auditing act should specify the maximum and minimum amount that should be paid to an auditor					
E	Government agencies secretly pay auditors extra money for them to conceal abnormalities in their financial report					
F Q	Government agencies pay auditing firms in order to ensure that their favourite auditors are sent to audit their financial report					
G	Young auditors are easily influenced by paying them big amount of audit fees					

Section E – To what extent does auditors' rotation in the public sector affect their ability to produce an independent and quality audit report?

What is your level of agreement to the following statements on whether auditors' rotation in the public sector affects their ability to produce an independent and quality audit report?

Auditors rotation and auditors independence		SD	D	N	A	SA
		1	2	3	4	5
A	Auditors should be rotated within a period of two years					
B	The rotation of the auditors should be carried out by the audit firm.					
C	Audit firms are always under pressure when rotating auditors.					
D	Public sectors are usually against the notion of audit rotation.					
E	Constant change of auditors helps to revel abnormalities in financial reports					
F	Once auditors rotation takes place, the following financial auditing period is accompanied with the discovery of financial irregularities in many of the public sectors					

Appendix B: Audit Committee Output

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Descriptives

Notes

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	Cases Used	All non-missing data are used.
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Descriptive Statistics

	N	Mean
the member of the audit committee are selected based on competence and credibility	74	2.4324
the audit committee has the power to question the audited financial statement	74	2.1486
the audit committee has the upper hand in appointing the auditor	74	1.9459
the audit committee has the capacity to terminate the contract of an auditor	74	2.9730
the audit committee has the capacity to approve the audit fee	74	2.6216
the audit committee is comprised of an individual who is not a member of the organisation and is an expert in analysing the financial statement	74	2.5000
the internal auditor periodically presents reports to the audit committee	74	3.8108
the financial statement must be reviewed by the audit committee before being reported	74	2.0676
Valid N (listwise)	74	

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T-Test

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	Cases Used	Statistics for each analysis are based on the cases with no missing or out-of-range data for any variable in the analysis.
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One-Sample Test

	Test Value = 3

	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference
					Lower
the member of the audit committee are selected based on competence and credibility	-4.254	73	.000	-.56757	-.8335
the audit committee has the power to question the audited financial statement	-6.039	73	.000	-.85135	-1.1323
the audit committee has the upper hand in appointing the auditor	-9.274	73	.000	-1.05405	-1.2806
the audit committee has the capacity to terminate the contract of an auditor	-.478	73	.859	-.02703	-.3289
the audit committee has the capacity to approve the audit fee	-2.503	73	.015	-.37838	-.6796
the audit committee is comprised of an individual who is not a member of the organisation and is an expert in analysing the financial statement	-3.169	73	.002	-.50000	-.8145
the internal auditor periodically presents reports to the audit committee	5.501	73	.000	.81081	.5171
the financial statement must be reviewed by the audit committee before being reported	-7.119	73	.000	-.93243	-1.1935

Appendix C: Auditor’s Tenure Output

```
DESCRIPTIVES VARIABLES=Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8
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Descriptives

Descriptive Statistics

	N	Mean
An auditor that stays for a long period of time in a particular public sector teds to be bias as time goes on	74	2.7703
An auditor tends to be friendlier to members of a particular public sector the he has audited for long	74	3.3649
An auditors tenure in a particular public service should be at most three years	74	3.0676
the risk of audit failure is likely to increase as audit tenure increases	74	2.9189
The risk of audit failure is higher in the early years of the auditing tenure because the new accounting firm primarily depend on the information provided by the sector, ministries or agencies	74	2.8108
Short audit tenure leads to audit failure because constant change of auditors implies that new accounting firm is likely not to develop and apply an in depth understanding of the sectors financial reporting practices	74	3.2027

Descriptive Statistics

	N	Mean
new auditor are not always able to detect financial reporting issues that may materially affect the financial statement of the public service	74	3.1216
once an auditor keeps giving a positive review about any government organisation, it is important to change the auditor to know how authentic the review are	74	3.1081
Valid N (listwise)	74	

One-Sample Test

	Test Value = 3				
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference
					Lower
An auditor that stays for a long period of time in a particular public sector teds to be bias as time goes on	-1.453	73	.151	-.22973	-.5449
An auditor tends to be friendlier to members of a particular public sector the he has audited for long	3.521	73	.014	.36486	.0764
An auditors tenure in a particular public service should be at most three years	.434	73	.665	.06757	-.2424

the risk of audit failure is likely to increase as audit tenure increases	-.520	73	.605	-.08108	-.3920
the risk of audit failure is higher in the early years of the auditing tenure because the new accounting firm primarily depend on the information provided by the sector, ministries or agencies	-1.161	73	.249	-.18919	-.5139

	Test Value = 3				
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference
					Lower
short audit tenure leads to audit failure because constant change of auditors implies that new accounting firm is likely not to develop and apply an in depth understanding of the sectors financial reporting practices	1.360	73	.178	.20270	-.0943
new auditor are not always able to detect financial reporting issues that may materially affect the financial statement of the public service	.797	73	.428	.12162	-.1826
once an auditor keeps giving a positive review about any government organisation, it is important to change the auditor to know how authentic the review are	.684	73	.496	.10811	-.2071

Appendix D: Audit Fees Output

DESCRIPTIVES VARIABLES=Q1 Q2 Q3 Q4 Q5 Q6 Q7

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Descriptives

Descriptive Statistics

	N	Mean
Audit fees affect the independence of auditors in the Nigerian public sector	74	3.4730
In the first year of an auditing by an auditing firm, the firms cost of auditing is significantly greater than the amount of fees gotten from auditing government agencies	74	3.0811
Auditors should not accept to audit government agencies the pay low auditing fees	74	3.2432
the Nigerian auditing act should specify the maximum and minimum amount that should be paid to an auditor	74	2.9189
government agencies secretly pay auditors extra money for them to conceal abnormalities in their financial report	74	3.2027
government agencies pay auditing firms in order to ensure that their favourite auditors are sent to audit their financial report	74	3.0270
young auditors are easily influenced by paying them big amount of audit fees	74	3.5676

Valid N (listwise)	74	

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One-Sample Test

	Test Value = 3				
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference
					Lower
Audit fees affect the independence of auditors in the Nigerian public sector	3.801	73	.006	.47297	.1382
In the first year of an auditing by an auditing firm, the firms cost of auditing is significantly greater than the amount of fees gotten from auditing government agencies	.520	73	.605	.08108	-.2299
Auditors should not accept to audit government agencies the pay low auditing fees	4.524	73	.132	.24324	-.0749
the Nigerian auditing act should specify the maximum and minimum amount that should be paid to an auditor	-.508	73	.613	-.08108	-.3991
government agencies secretly pay auditors extra money for them to conceal abnormalities in their financial report	3.233	73	.221	.20270	-.1249

government agencies pay auditing firms in order to ensure that their favourite auditors are sent to audit their financial report	3.169	73	.866	.02703	-.2915
young auditors are easily influenced by paying them big amount of audit fees	3.904	73	.000	.56757	.2778

Appendix E: Auditors Rotation Output

```
DESCRIPTIVES VARIABLES=Q1 Q2 Q3 Q4 Q5 Q6 Q7
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Descriptives

Descriptive Statistics

	N	Mean
Auditors should be rotated with a period of two years	74	3.4324
The rotation of auditors should be carried out by the audit firm	74	3.9324
The audit firm are always under pressure when rotating auditors	74	3.1216
The public sector are usually against the notion of rotation	74	3.7838
Constant change of auditors helps to revel abnormalities in the financial report	74	3.9324
Once auditors rotation takes place, the following financial auditing period is accompanied with the discovery of financial irregularities in many of the public sectors	74	3.3649
Q7	0	
Valid N (listwise)	0	

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One-Sample Test

	Test Value = 3				
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference
					Lower
Auditors should be rotated with a period of two years	2.924	73	.005	.43243	.1377
The rotation of auditors should be carried out by the audit firm	7.197	73	.000	.93243	.6742
The audit firm are always under pressure when rotating auditors	0.740	73	.462	.12162	-.2059
The public sector are usually against the notion of rotation	5.745	73	.000	.78378	.5119
Constant change of auditors helps to revel abnormalities in the financial report	7.448	73	.000	.93243	.6829
Once auditors rotation takes place, the following financial auditing period is accompanied with the discovery of financial irregularities in many of the public sectors	2.591	73	.012	.36486	.0842