



DETERMINANTS OF AUDITORS SWITCHING OF DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

This study examined the determinants of auditor switching in deposit money banks with a focus on the roles of audit fees, firm complexity, audit tenure and change in management on auditors switching. *Ex-post facto* research design was adopted. Data were extracted from the thirteen (13) deposit money banks annual reports and accounts listed on the Nigerian Exchange Group for the years 2013 to 2022. Data obtained were analyzed via descriptive statistics and Binary panel probit regression analysis. The results showed that audit tenure had a negative and significant relationship with auditors switching. The study also found that audit fee, firm complexity, and changes in management had a negative but insignificant relationship with auditors switching. The study concluded that audit tenure is a significant determinant of auditor switching in Nigerian deposit money banks, and that regulatory authorities should endeavour to monitor that the approved length of time for companies external auditors are adhered to.

Keywords: Auditor Switching, Audit Fees, Firm Complexity, Audit Tenure, Change in Management

1.0 Introduction

The need for auditing and assurance services has increased due to the rapid growth of the world economy, particularly since the distinction between ownership and management became clear. In order to uphold corporate accountability and monitor the resources entrusted to firm managers, auditors are essential. As a result, auditing and assurance are important parts of any financial statement. Both present and prospective investors in these businesses

benefit from this process, which verifies the accuracy and reliability of the financial data provided. Nigerian governmental organizations, such as the Central Bank of Nigeria (CBN), have mandated that banks rotate their external auditors every ten (10) years in response to recommendations made by the Sarbanes-Oxley Act of 2002 (Uthman, 2021). The frequency of auditor changes among different accounting sector organizations has significantly increased as a result of this law. Selecting an auditing firm is regarded as one of the most crucial choices

a business can make since, among its main benefits, having financial statements examined by a reputable auditor lowers information risk.

The discussion on auditor switching in Nigeria continues as the issue of switching auditors has remained controversial. Proponents such of auditor switching argue that lengthy audit tenures can lead to a deterioration in the quality of audits. They assert that regularly changing audit firms helps ensure auditors' independence and mitigates the risk of becoming overly familiar with clients (Gao et al., 2022). This perspective stems from the belief that extended auditor relationships may decrease audit quality. Notably, a series of corporate scandals, particularly in Nigeria such as in the case of Cadbury, Volkswagen and others have strengthened this viewpoint. Conversely, those against auditor rotation argue that a long-term relationship with an audit firm enables it to understand the intricacies and weaknesses of its clients, thereby allowing it to address these issues quickly during the auditing process. Consequently, they argue, this familiarity enhances the overall quality of the audit (Chen et al., 2020).

Ahmed et al. (2022) examined how choice of auditor affects stock prices in markets. Some works documented that hiring a highly

regarded auditor results in an increase in stock prices, whereas selecting an auditor with a poor reputation leads to a decrease in stock prices. This indicates that investors in emerging markets highly value the reputation and quality of auditors. Consequently, the process of selecting an external auditor is complex and involves numerous subjective and objective factors. Therefore, careful evaluation and thoroughness are essential since this choice will directly impact the company's operations. Several elements may influence the decision on which auditor to appoint. For example, an auditor might be chosen if a previous employee of that firm is part of the client's management; alternatively, a conflict between the auditor and client might prompt the appointment of a new auditor. Additionally, management might prefer to replace an auditor if they believe a new firm will align better with company policies. Other considerations include the auditor's fees, changes in the audited management team, or a preference for an audit firm due to its branches and subsidiaries, as well as compliance with regulations governing the tenure of auditors. This study intends to empirically explore the factors that drive auditor switching within Nigeria's deposit money banks.

Consequently, the following hypotheses are stated in null form:

H₀₁: There is no significant correlation between audit fee and auditor switching in Nigerian deposit money banks.

H₀₂: Firm complexity does not significantly affect auditor switching in Nigerian deposit money banks.

H₀₃: Audit tenure does not significantly impact auditor switching in Nigerian deposit money banks.

H₀₄: Changes in management does not have significant effect on auditor switching in Nigerian deposit money banks.

2.0 Conceptual Discussion and Review of Relevant Literatures

Auditing

The International Auditing and Assurance Standards Board (IAASB, 2020) defines auditing as "the process of obtaining assurance on the accuracy and reliability of financial information, and expressing an opinion on whether the financial statements are presented fairly and in accordance with the applicable financial reporting framework. Khan et al. (2022) explained auditing as an investigation or search for evidence to enable an opinion to be formed on the truth and fairness of a financial statement by a person or persons independent of the preparer, who

may have a vested interest in the information and aim to issue a report that increases its credibility and, consequently, its usefulness."

Auditor Switch

Auditor switch is a concept in the auditing branch of the accounting field of study. It is used to denote the resignation, appointment of a new auditor so as to replace the company's existing auditor. (Lennox, 2020). This change of auditor can be mandatory as required by various laws and statutes of different authorities or voluntary as the company wishes. In some of these countries where auditor switch is compulsory; it is only applicable to some sectors of the economy like in Nigeria where it is only applicable to the banking sector of the economy. (Adelaja, 2020). While in some countries it is applicable to all the companies of the different sectors of the economy (Chadegani et al., 2020). Auditor switch is mandatory when a firm changes its auditor not as it so wishes but to fulfill one of its statutory requirements. Some of the countries that have made it compulsory for the companies located in its economy to switch auditors at a particular time include the following; Italy, USA, France, Spain, Brazil and among others. It is voluntary when the company switches its' auditor at its' own wish and not as a result of obeying any legal requirement

but to accomplish its' own interest. The idea behind auditor switching as evidenced is on the intention of ensuring that one of the primary principles of auditing "independence and objectivity of the auditor" is achieved which in turn enhances audit report quality (Chadegani et al., 2020).

Audit Fee

Audit fee refers to the amount charged by an auditor for conducting an audit of a company's financial statements. This is one of the significant factor that can influence auditor switching decisions (Lennox et al., 2021). The literature suggests that audit fees are positively correlated with auditor switching, as firms that pay higher audit fees are more likely to switch auditors in search of better value (Graham et al., 2022). In particular, studies have found that firms that pay audit fees above the industry average are more likely to switch auditors than firms that pay below-average fees (Mian et al., 2022). However, the literature also suggests that the relationship between audit fees and auditor switching is complex. For example, firms may be willing to pay higher audit fees for high-quality audit services, and may switch auditors to secure better quality rather than lower fees (Clayton et al., 2022).

Firm Complexity

Complexity refers to a system comprising numerous entities with high non-linear interactivity (Holmdahi, 2005). In a corporate context, complexity describes the size and scope of a company, encompassing factors such as the number of branches, subsidiaries, product lines, and geographical coverage (Agha, 2019). Companies with diverse operations and multiple subsidiaries exhibit higher complexity, necessitating comprehensive audits and resulting in higher audit fees (Hay et al., 2006). Auditor expertise and time required increase with company complexity, leading to higher fees (Joshi & Bastake, 2000; Gonther-Basacier & Schatt, 2007; Ahmed & Goyal, 2005). Complexity assessment considers operational and balance sheet composition factors, including subsidiary expansion and intricate transactions (Hay et al., 2006). Research supports a positive correlation between audit fees and auditee complexity (Agha, 2019; Hay et al., 2006; Joshi & Bastake, 2000; Gonther-Basacier & Schatt, 2007; Ahmed & Goyal, 2005)

Audit Tenure

Audit tenure, defined as the length of time an auditor has been engaged by a client, has been a topic of interest in recent literature, particularly in the context of auditor switching (Lennox et al., 2021). Longer audit

tenure has been associated with increased auditor independence and financial reporting quality (Graham et al., 2022), as auditors become more familiar with the client's operations and are better able to detect material weaknesses. However, excessive audit tenure can also lead to auditor complacency and decreased audit quality (Kaplan et al., 2022). Furthermore, longer audit tenure can make it more difficult for clients to switch auditors, as they may be reluctant to lose the auditor's institutional knowledge (Mian et al., 2022). Research has shown that auditor switching can be an effective way to address concerns about audit tenure, as it allows clients to bring in fresh perspectives and expertise (Clayton et al., 2022). However, auditor switching can also be costly and disruptive, particularly if the new auditor is not familiar with the client's operations (Gentry et al., 2021).

Change in Management

Changes in management, particularly at the top executive level, have been linked to audit switching, with significant implications for firms' financial reporting quality and auditor independence (Lennox et al., 2021). The departure or appointment of a Chief Executive Officer (CEO) or Chief Financial Officer (CFO) can trigger a change in auditors, as new management may seek to

establish their own relationships with audit firms (Graham et al., 2022). Research has shown that CEO changes are associated with a higher likelihood of audit switching, especially when the new CEO has prior experience with a different audit firm (Kaplan et al., 2022). Similarly, CFO changes can also lead to audit switching, as new CFOs may prefer to work with auditors they have previously worked with (Mian et al., 2022). However, audit switching following management changes can also raise concerns about auditor independence and financial reporting quality (Clayton et al., 2022). For instance, a new auditor may be more likely to miss material weaknesses in internal controls or fail to detect fraud, especially if they are unfamiliar with the firm's operations (Gentry et al., 2021).

2.2 Theoretical Review

This research is governed by the Signaling theory of 1973 and Stewardship theory of 199, even though there are other theories.

Signaling theory, introduced by Spence (1973), explains how managers communicate information to stakeholders through their actions. In the context of auditor switching, signaling theory suggests that companies convey messages to market participants about their financial statement reliability and governance quality (Dijkema, 2016). The

type of auditor engaged, whether Big Four or non-Big Four, sends distinct signals to investors and other stakeholders (Bagherpour et al., 2010). Prior research has shown that switching to a lower-quality auditor can elicit negative reactions from stakeholders (Lin & Liu, 2010), while engaging a reputable auditor (Big Four) signals proper governance and reduced agency problems (Datar et al., 1991; Defond, 1992; Simoey & Tanewski, 2000; Fan & Wong, 2005; Cheng & Leung, 2011; Farooq & Tabine, 2015). The choice of auditor serves as a credibility signal in information economies, conveying management's honesty (Dopuch & Simunic, 1982). Furthermore, the type of audit report issued sends different messages to various users, influencing market participants' reactions (Farooq & Tabine, 2015). This study employs signaling theory to investigate whether auditor switching in Nigeria is driven by market reactions and stakeholder responses.

While, stewardship theory, introduced by Donaldson and Davis (1991), posits that management acts as responsible stewards, prioritizing the interests of principal owners. This theory assumes that managers seek to engage auditors to enhance shareholder confidence, ensuring their investments are safeguarded (Arora & Sharma, 2016).

Despite mandatory audit requirements and potentially high audit fees, shareholders prefer to appoint high-quality auditors to effectively monitor management's stewardship (Khan et al., 2019). Shareholders expect auditors to conduct audits in accordance with best practices, such as Generally Accepted Accounting Standards (GAAS) and Generally Accepted Accounting Principles (GAAP) (Sultana et al., 2017). Stewardship Theory suggests that managers will select auditing firms that align with both management and shareholder interests. This theory is relevant to this project as it explains the benefits of switching to a higher-quality audit firm from management's perspective. The combined use of Signaling Theory and Stewardship Theory enables researchers to examine the relationships between audit report quality, market participant reactions, and company-specific variables.

Literature Review

Obi, Ndubuisi, and Ozobialu (2023) looked into how certain characteristics affected the choices made about transferring auditors by a subset of Nigerian manufacturing enterprises in the industrial goods industry. In Nigeria's industrial products sector, they looked at the effects of ownership concentration, audit fees, and audit report timeliness on auditor switching. The data for the study comes from

the annual reports of the sampled companies for the fiscal years 2015–2020, and it employed an ex post facto research design. Ownership concentration, audit fees, and the promptness of the audit report were found to have no appreciable effect on auditors' decisions to change auditors after binary logistic regression analysis of the data. It was proposed that the independence and professionalism of auditors should be the main requirements for their continued engagement.

Abarika and Okolie (2023) study examined the connection between financial performance and auditor switching choices in Nigerian publicly traded non-financial firms. By examining the effect of auditor switching on financial performance in several Nigerian economic sectors, such as natural resources, ICT, healthcare, agriculture, and construction/real estate, this study adds to the body of literature already available on the subject. Contrary to earlier research that established a favorable correlation between auditor switching and financial success, the results of this study showed a significant and negative influence of auditor switching decisions on financial performance (Oyewumi et al., 2022). Nonetheless, the study suggestion that businesses reevaluate auditor review fees and promote audit tenure

aligns with earlier studies (Appah et al., 2022). Previous research supports the study's claim that hiring Big-4 audit firms can improve financial performance (Obi et al., 2022). Panel data and three-stage least squares regression analysis offer strong proof of the connection between financial success and auditor switching choices.

Okerekeoti and Ezejiofor (2022) looked into how Nigerian companies' financial performance was affected by auditor transfer decisions. Between 2012 and 2020, they examined data from 75 Nigerian businesses using an Ex-Post Facto research approach. Tobin's Q and auditor switch decisions were shown to be significantly correlated, indicating that auditor switch decisions may have an impact on business performance. The study did discover, however, that auditor switching might not significantly change Tobin's Q, suggesting that the effect of auditor switching on financial performance might be minimal. This result is in line with earlier studies that indicate moving auditors may have both favorable and unfavorable effects on financial performance (Ugwu, 2020). Previous research also supports the study's recommendation that Nigerian businesses evaluate the auditor's quality before transferring. For example, Oyewumi et al. (2022) discovered that when the new

auditor is a Big Four firm, the quality of financial reporting improves. In a similar vein, Okafor et al. (2019) discovered that transferring auditors results in better audit quality when the new auditor is an industry expert.

The relationship between audit firm rotation, auditor tenure, and audit quality was examined by Qawqzeh et al. (2018). To collect secondary data for the analysis, the study used a longitudinal research approach. The results showed that mandatory audit firm rotation and longer client-auditor intervals negatively impact audit independence, audit quality, and auditor switching. Since longer auditor tenure decreased audit independence and quality, they encouraged management to carefully weigh the effects. This suggests that required audit firm rotation increases the client firm's expenses. Savitri (2019) studied the switching behaviour of auditors in Indonesian LQ45 firms. The study used logistic regression for data analysis and secondary data, surveying 33 businesses between 2014 and 2016. The size of the public accounting firm had a substantial impact on auditor switching, according to the results of the logistic regression analysis, although audit opinions and management changes had no significant effect. Therefore, the management of the companies may

decide to use audit switching for high-quality financial reporting.

Eniola and Ajayi (2018) examined the effects of audit fee, complexity, board size, board independence, and audit firm selection on auditor choice in 35 manufacturing enterprises. The study made use of secondary data. Using the binary regression method, the models were calculated. The results demonstrated that a firm's corporate governance structure and firm complexity had a major impact on its inclination to choose a specific type of auditor. Maharani et al. (2018) investigated audit fees, financial difficulty, management changes, and the percentage change in audit opinions as possible factors influencing voluntary auditor switching in real estate firms. An interaction test and logistic regression were employed to examine secondary data from the chosen companies' annual reports. Findings indicated that audit fees and financial hardship had a major impact on auditor switching, but percentage changes in audit opinions and management changes had no effect.

Nawalin and Syukurillah (2017) investigated the effects of abnormal fees and auditor shifts toward opinion shopping on non-financial businesses listed on the Indonesian Stock Exchange between 2011 and 2015. They

analyzed the data using Ordinal Logistic Regression. The results of the study showed that the atypical audit price (charge) had a beneficial impact on opinion shopping, but audit firm rotation had no effect. The study's independent variables also included the size of public accounting firms (PAFs), changes in leverage, growth, and loss. However, corporate size, growth, loss, and the size of public accounting firms (PAFs) were the only variables linked to opinion shopping.

3.0 Methodology

Research Design

The research design used in the study was ex post facto. This is premised on the fact that the necessary data were obtained from secondary sources rather than being altered in order to achieve a better understanding of the study. Ex-post facto research design, according to Asika (2006), is a methodical

empirical investigation in which the researcher does not alter or control the independent variable because the study's circumstances already exist. The study focuses on Nigerian Deposit Money Banks (DMBs) that are listed on the Nigeria Exchange group. The population of the study is the entirety of the 13 deposit money banks listed on the Nigeria exchange group between 2015 and 2024, giving us a ten-year term. In order to represent the complete population of all the companies included in the study, the sample size was set at 13. There is agreement on the population and sample size. A bank must have a comprehensive annual report covering the periods of our interest in order to be chosen for the sample. Data came from the banks' public, audited annual financial reports for the years 2013 through 2022.

Measurement of Variables

Table 1: Dependent Variables

VARIABLE	MEASUREMENT
Auditor Switch	It is a dummy variable as such will be measured by assigning 1 where switch existed but if there is no switch 0 will be assign to it.

Table 2: Independent Variable

VARIABLES	MEASUREMENT
Audit fees	This is calculated using the natural log of the actual audit fee paid at the end of a given financial year.
Firm Complexity	Firm complexity is measured by adding the number of subsidiaries it has.
Audit tenure	This is measured using the log of the number of years the audit firm served and was engaged for.
Change in management	This is measured in terms of changes of the CEO or the CFO. It is a dummy variable as such if changes occur, 1 will be assigned, but if not 0 will be scored.

Model Specification

Five variables were considered relevant in the building of the model for examining the relationship between auditor switching and the independent variables. Consequently, we built the model in its equation form as specified below;

$$AUDS = B_0 + AUDFEES_{B1} + FIRMCOMP_{B2} + AUDT_{B3} + CM_{B4} + et$$

WHERE;

B_0 = EQUATION CONSTANT

$B_{1AUDFEES}$ = AUDIT FEES

$B_{2AUDTYPE}$ = FIRM COMPLEXITY

B_{3AUDT} = AUDIT TENURE

B_{4CM} = CHANGE IN MANAGEMENT

et = ERROR TERM

DATA ANALYSIS AND DISCUSSION OF FINDINGS

Data Analysis

The data was analyzed using both descriptive and inferential analysis was used to interpret the stated hypotheses.

Table 4.1: Descriptive Analysis

	AUDSWIT	AUDFEES	FIRMCOP	AUDT	CM
Mean	0.123077	415396.7	11.26154	5.069231	0.207692
Median	0.000000	295500.0	8.000000	5.000000	0.000000
Maximum	1.000000	1688678.	43.00000	14.00000	1.000000
Minimum	0.000000	13000.00	1.000000	1.000000	0.000000
Std. Dev.	0.329796	342785.7	9.913231	2.923279	0.407225
Skewness	2.294635	1.354090	1.786219	0.462286	1.441163
Kurtosis	6.265351	4.365111	5.243112	2.561023	3.076951
Jarque-Bera	171.8379	49.82124	96.38341	5.674147	45.03267
Probability	0.000000	0.000000	0.000000	0.058597	0.000000
Sum	16.00000	54001568	1464.000	659.0000	27.00000
Sum Sq. Dev.	14.03077	1.52E+13	12677.11	1102.377	21.39231
Observations	130	130	130	130	130

Source: E-views Version 10

The minimum audit fee incurred by the deposit money banks in Nigeria during the period under review was N415396.7, with a maximum value of N1688678 and a minimum value of N13000.00. Firm complexity has an average value of 11.91453 with a maximum value of 43.00000 and a minimum value of 1.0. Audit switching have a mean value of 0.123077 with a standard deviation of 0.329796 and a minimum and maximum value of 0 and 1 respectively. The average value of audit tenure is (AUT) is 5.069231 with a minimum and maximum value of 1 and 14 respectively. Change in management (CM) have a mean value of 0.207692 and a minimum and maximum value of 0 and 1 respectively.

The kurtosis shows that AUDSWIT, AUDFEES, FIRMCOMP, CM are greater than 3 that is. 6.265351, 4.365111, 5.243112, and 3.076951 respectively, this shows that the variables are leptokurtic, leptokurtic distribution is distribution with positive kurtosis greater than that of normal distribution. A normal distribution has a distribution of 3. While Platykurtic distribution are distribution with excess distribution value being negative.

For data to be normally distributed, the probability value of the Jarque-Bera statistics showed to be greater than 0.05 level of significance, the descriptive analysis above shows that AUDSWIT, AUDFEES, FIRMCOMP, and CM are not normally

distributed having a probability value of 0.0000 which is less than 0.05 respective.

Correlation Analysis

The correlation analysis helps to determine the relationships between the independent

variables and the dependent variables. The result of the correlation analysis is shown in table 4.3 below

Table 4.2: Correlation Analysis

Covariance Analysis: Ordinary

Sample: 2013 2022

Included observations: 130

Covariance						
Correlation	AUDSWIT	AUDFEES	AUDTYPE	FIRMCOMP	FSIZE	AUDT
AUDSWIT	0.107929 1.000000					
AUDFEES	-1873.691 -0.016703	1.17E+11 1.000000				
FIRMCOMP	0.190888 0.058840	317452.8 0.094144	0.154556 0.065128	97.51621 1.000000		
AUDT	-0.431598 -0.451145	182688.6 0.183727	0.035030 0.050056	4.274201 0.148636	0.367125 0.133053	8.479822 1.000000
CM	-0.010178 -0.076369	-14218.36 -0.102647	-0.010296 -0.105615	0.353373 0.088214	-0.008492 -0.022093	-0.006686 -0.005660

Source: E-views 10.

The correlation matrix gives a preliminary result of the outcome of the regression analysis. The correlation between auditor switching and its determinants such as audit fee, audit type, firm complexity, firm size, audit tenure, audit effectiveness, changes in management and leverage are shown in the table above.

The above table revealed that Audit fee (AUDFEES) is negatively and weakly correlated with auditor's switching (AUDSWIT = -0.016703). This implies that the low amount of Audit fees might lead to low level of auditor's switching. Firm Complexity (FIRMCOMP) is positively and moderately associated with auditor's

switching (AUDSWIT= 0.058840). This indicates that changes in firm complexity might lead to frequency of auditor's switching. Audit tenure (AUDT) has a negative correlation with Audit switching with a coefficient value of -0.451145. This shows that an increase in audit tenure will lead to decrease in audit switching. Changes in management (CM) also has a negative relationship with audit switching, with a

coefficient value of -0.076369. This shows that constant change in management will lead to decrease in audit switching

4.3 Unit Root Test

Unit root test is performed to test for stationary of the data set. It helps to know if the data are stationary or not. This helps to prevent spurious regression. The result of the unit root test is presented in table 4.3 below.

Table 4.3: Summary of Panel Unit Root Test

	Levin, Lin & Chu t*	Im, Pesaran and Shin W-stat	ADF – Fisher Chi- square	PP – Fisher Chi- square	Order of integration	RESULT
AUDSWIT	0.0241	0.1907	0.0914	0.0089	I(0)	Non-Stationary
D(AUDSWIT)	0.0000	0.0000	0.0000	0.0000	I(1)	Stationary
LOGAUDFEES	0.0000	0.0244	0.0181	0.0358	I(0)	Stationary
LOGFIRMCOMP	0.0000	0.0000	0.0000	0.0001	I(0)	Stationary
LOGAUDT	0.0000	0.0001	0.0023	0.0021	I(0)	Stationary
CM	0.0001	0.0210	0.0245	0.0002	I(0)	Stationary

Source: E-views Version 10

The panel unit root test above shows that the variables of interest are I (0) and I (1). The result shows that AUDSWIT became stationary after first difference i.e. I (1), while AUDFEE, LOGFIRMCOMP, LOGAUDT, and CM were stationary at the level form i.e. I (0). Flowing the p-value of the Levin, Lin,

chu Im, pesaran and shin and AFD fishers test results.

4.4 Regression Analysis (Binary Panel Probit)

To examine the determinants of auditor's switching, Binary panel probit regression technique was used to examine the effect of the independent variable; audit fees

(AUDFEE), firm complexity (FIRMCOMP), audit tenure (LOGAUDT) and change in management (CM) on the dependent variable; audit switching (AUDSWIT) and to

test the formulated hypotheses. The regression results obtained are presented in table 4.6 below

Table 4.4: Binary Panel Probit Regression Analysis

Dependent Variable: AUDSWIT

Method: ML - Binary Panel Probit (Newton-Raphson / Marquardt steps)

Sample: 2013 2022

Included observations: 130

Convergence achieved after 7 iterations

Coefficient covariance computed using observed Hessian

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-5.137968	8.546966	-0.601145	0.5477
LOGAUDFEES	-0.920677	0.628752	-1.464293	0.1431
LOGFIRMCOMP	0.582188	0.374545	1.554388	0.1201
LOGAUDT	-2.313925	0.506958	-4.564331	0.0000
CM	-0.608254	0.626076	-0.971533	0.3313
McFadden R-squared	0.620541	Mean dependent var		0.123077
S.D. dependent var	0.329796	S.E. of regression		0.200229
Akaike info criterion	0.421547	Sum squared resid		4.851084
Schwarz criterion	0.620068	Log likelihood		-18.40053
Hannan-Quinn criter.	0.502213	Deviance		36.80106
Restr. Deviance	96.98287	Restr. log likelihood		-48.49144
LR statistic	60.18181	Avg. log likelihood		-0.141543
Prob(LR statistic)	0.000000			
Obs with Dep=0	114	Total obs		130
Obs with Dep=1	16			

Source: E-views Version 10

Decision Rule: Hypotheses is tested at 5% (0.05) at level of significance. The null hypothesis (H₀) is accepted if the probability value (P-value) is greater than 5% (0.05) otherwise rejected

The analysis shows that Audit Fees have a negative coefficient value of -0.920677. The negative coefficient value implies that audit fee has a negative effect on audit switching. This implies that increase in audit fees will

lead to decrease in audit switching. The p-value of 0.1431 shows that audit fee however has no significant effect on audit switching. This implies that the null hypothesis will be accepted which states that audit fee has a negative insignificant effect on audit switching.

The analysis shows that firm complexity (LOGFIRMCOMP) has a positive coefficient value of 0.582188. The positive coefficient value implies that firm complexity has a positive effect on audit switching. This implies that increase in firm complexity will lead to increase in audit switching. The p-value of 0.1201 shows that firm complexity however has no significant effect on audit switching. This implies that the null hypotheses will be accepted which states that firm complexity has a positive but insignificant effect on audit switching.

The analysis shows that audit tenure (AUDT) has a negative coefficient value of -2.313925. The negative coefficient value implies that audit tenure has a negative effect on audit switching. This implies that increase in audit tenure will lead to decrease in audit switching. The p-value of 0.0000 shows that audit tenure has a significant effect on audit switching. This implies that the null hypotheses will be rejected and the alternative hypothesis will be accepted which

states that audit tenure have a negative significant effect on audit switching.

The analysis shows that change in management (CM) has a negative coefficient value of -0.608254. The negative coefficient value implies that change in management will lead to decrease in audit switching. The p-value of 0.3313 shows that change in management have no significant effect on audit switching. This implies that the null hypotheses will be accepted which states that change in management have a negative insignificant effect on audit switching.

4.7 Discussion of Findings

This study investigated the determinants of auditors switching among deposit banks in Nigeria. The study used binary regression analysis to find out the effect of audit fee, audit type, firm complexity, firm size, audit tenure, audit effectiveness, changes in management and leverage on audit switching among deposit money banks in Nigeria. Audit fee has a negative insignificant effect on audit switching. This is in agreement with the study of James and Lasisi (2021) who examined the determinants of auditor switching by deposit money banks in Nigeria. The results of the study indicated an inverse but a significant relationship between audit fees and auditor switching. A study conducted by Gregory and Collier (1996)

sought to determine whether there was any proof of a decrease in audit fees after auditors switched. The results demonstrated that the level of the audit fee charged had been significantly and negatively impacted by the change in auditors over the previous three years switching. Obi, Ndubuisi, and Ozobialu (2023) investigated the impact of specific factors on the decisions made by a subset of Nigerian manufacturing companies. It was determined that ownership concentration, audit fees, and the timeliness of the audit report had no discernible impact on the decisions of auditors to switch auditors.

Firm complexity has a positive but insignificant effect on audit switching. This result correlate with the findings of Eniola and Ajayi (2018) who investigated the impact of audit fee, complexity, board size, board independence, and audit firm choice on auditor choice. The findings showed that a firm's propensity to select a particular type of auditor is significantly influenced by its corporate governance structure and firm complexity. Qawqzeh, et al., (2018) who investigated the connection between audit quality, audit firm rotation, and auditor tenure. The findings indicated that audit independence, audit quality, and auditor switching are all adversely affected by

required audit firm rotation and extended client-auditor intervals.

Audit tenure have a negative significant effect on audit switching. Also, change in management was found to have a negative insignificant effect on audit switching. Eniola and Ajayi (2018) investigated the impact of audit fee, complexity, board size, board independence, and audit firm choice on auditor choice. For the study, secondary data were employed. The study shows that percentage changes in audit opinions and management changes had no effect on audit choice.

The results of the logistic regression analysis indicated that audit opinions and management changes had no significant impact on auditor switching. Ultimately, the study found that a shift in the MD has a greater impact on auditor rotation than financial hardship, suggesting that there may be a risk of termination.

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The issue of determinants of auditor switch has become an essential issue in the accounting literature. An attempt has been made in this study to examine the effect of four determinants (audit fee, firm complexity, audit tenure, and changes in management) on

audit switching of listed deposit money banks in Nigeria. Based on the result, audit fee has a negative insignificant effect on audit switching, it shows that an increase in audit fee does not have a significant effect on audit switching, however this will lead to a decrease in audit switching. The study concludes that audit fees has a negative insignificant effect on audit switching. However, directors of banks should not be discouraged from paying the required audit fees, as higher audit fees enable the auditors to engage and deploy versatile and experienced auditors during the audit of the annual reports and accounts of the banks while at the same time ensuring that sufficient time be spent in producing top quality audit services.

The study further shows that firm complexity has a negative and insignificant effect on audit switching. This implies that increase in firm complexity will lead to decrease in audit switching. The study concludes that a firm's complexity due to IFRS adoption in the banking sector has decreased audit switching. A better understanding of the complexity of the firm by the auditors is a huge benefit to the banks being audited. Audit tenure results shows that the duration of engagement of an auditor has a negative but significant effect on auditor switching. This explains that an

increase in the tenure of an auditor will lead to a decrease in auditor switching. However, an increase in the tenure of an auditor may lead to the auditor being inclined with the shortcomings of the firm. Changes in management from the results shows to have a negative and insignificant effect on auditor switching. This explains that constant change in management will lead to decrease in audit switching. This effect is likely to happen due to chance rather than a genuine association.

5.2 Recommendations

Based on the findings, the study made the following recommendations; The Nigerian banking industry should establish a framework for monitoring and evaluating the determinant of auditor switching; Banks of all categories should pay audit fees commensurate to the quality of professional service provided by their auditors; Regulatory authorities should endeavour to monitor that the approved length of time for the external auditor is adhered to; Bank should consider the complexity of their operations and size when selecting auditors, when there are complex operations.

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