# Effect of Compulsory Audit Circling on Audit Quality in Nigeria

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## Abstract

The study examined the effect of compulsory audit circling on audit quality. Due to a lot of financial crisis both in Nigeria and international, the independence of auditors affecting audit quality is questioned and the need to strengthen the confidence of users of financial information in the audited financial statement arises. The specific objective of this study is to investigate the effect of compulsory audit firm turning, board size, audit delay and audit fees on audit quality. Secondary data was used for the study and the time frame for the study was five (5) years ( 2018 to 2022). The analyses of data in this research were done by regressing the dependent variables through the ordinary least square (OLS) techniques. Using panel data of 25 financial sectors companies quoted on the Nigeria Exchange Group as at 31st December, 2022. The study revealed that compulsory audit firm turning does not have a significance effect on audit quality; audit delay and audit fee have a significant effect on the audit quality. We therefore recommend that compulsory audit firm turning should be well-structured and that board size be arrange in other to enhance audit quality while it was also suggest that audit delay should be harmonized and that audit fee should comply with the previous of the law so as not to undermine audit quality.

**Keywords:** Audit Delay, Audit Fee, Audit Quality, Board Size, Compulsory audit turning.

## Introduction

Mandatory audit rotation has been suggested as a means of strengthening independence, reducing the incidence of audit failure and improving the quality of audits work (Cameran, 2019). However, there are research evidences that show rotation increases audit costs and prices, reduces auditor incentives to invest in specific industries, destroys the knowledge of client companies that an audit firm usually accumulates over a period of years and distorts the competition in the market (Cameran, 2019). It has been argued by academic researchers that attempts to achieve increased independence through mandated rotation of audit firms was likely to have other unintended and undesirable consequences. The rationale for implementing mandatory audit firm rotation for all companies is to better audit quality directly and to enhance audit independence which subsequently leads to audit quality according to European Commission (2011).

Whenever there is a major financial fraud, critics of the auditing profession would suggest that compulsory audit circling is as a way to counter the impairment of auditor independence and lack of professional skepticism associated with long term auditor-client relationship. Compulsory

auditor circling takes two forms: one is audit partner turning, and the other is audit firm turning. Compulsory audit firm turning has been adopted in some countries, such as Italy (9 years), Brazil (5 years), South Korea (6 years), given the high cost of compulsory audit firm turning, many other countries, such as the U.S., Canada, Australia, and China adopt audit partner turning instead. Though the U.S. does not require compulsory audit firm turning, its use as a potential solution to enhance auditor independence and thus to improve audit quality has been debated for more than four decades (U.S. Congress 2002; PCAOB 2011).

Corporate failure is attributed to poor audit quality associated with a perceived lack of auditor independence. These alleged audit failures were deemed to have occurred because auditors failed to either detect or report material errors in the financial statements. Turning of audit firm's is equired by law where an audit form is not expected to spend more that the specified number of years in the course of auditing a client. They submitted that the idea of compulsory audit firm turning is not new. Professional and regulatory bodies have discussed this subject since Senator Metcalf in 1976 suggested auditor turning as a safeguard to prevent auditors to become too familiar with its clients, compulsory audit firm turning is an extension of audit partner while audit firm is being replaced after a fixed period of period of years. The replaced audit firm is then not allowed to take on the old client unit a fixed period of years has elapsed, the lack of empirical evidence on the issues of compulsory turning items mainly from limited number of settings in which compulsory turning is enforced. Cameran, Prencipe, and Trombetta, (2015) asserted that Italy is the only country where a compulsory audit turning has been effective for an extended period of time.

According to Olowookere, and Ebiyi, (2013), the main argument supporting mandatory auditor rotation is the issue of gradual decrease in the quality and competence of the auditors work overtime. They submitted that when the same time is audited year after year, the auditor tends to be too familiar with the client. Audited financial statement are used by management in order to increase the principal's faith in the functioning of the agent and to reduce the information asymmetry.

There have been concerns about audit quality in the present environment, where severe failures have come to light, for example; Enron scandal of 2002. Low-quality financial reporting has also been a contributing factor in many high-profile corporate scandals, leading stakeholders in many countries to demand higher quality corporate governance (Amahalu, Egolum & Obi, 2019). The acknowledged failure of audit process to capture financial misstatements has provoked the ostensible outburst of interest and attention in general financial reporting. The perceived failure of audit to fully alert equity and other claimants concerning misrepresentations has made investors helpless and inept to undertake rational financial decisions affecting entities generally. This is so because the quality of reported earnings and the capability of auditing to efficiently contain management earnings machinations have become highly doubtful. Thus, there is a worry about the truthfulness of reported income and its relationship with the audit process given the pockets of corporate failures. Thus, questions whether these corporate failures and by extension stock price fluctuations are not the result of poor audit process and the incapability of the audit function to cushion earnings misstatements. It is against these background this study is been carried out to examined the effect of compulsory audit turning on the audit quality in Nigeria quoted companies.

## Literature Review

### Audit Quality

An audit is a systematic study of an organization's financial records and accounts by an independent individual known as an Auditor in order to provide an opinion on the accuracy and fairness of the information supplied in the financial statement for a specific accounting period. An external auditor is appointed, according to the Hua, Hla, and Isa (2016), to provide an independent opinion on the true and fair perspective of the company's financial statements in order to provide confidence to stakeholders on the financial statements' dependability. The failure of auditors to discover serious misstatements in financial statements, which raises issues about trustworthiness (Abdullahi, Norfadzilah, Umar, and Lateef, (2020), is one of the primary threats facing investors, necessitating a focus on audit quality. The entire quality of the audit exercise is represented by audit quality. The concept of audit quality has many definitions, but this study looks at it from the perspective of the stakeholders. As a result, audit quality is defined as the market-estimated joint likelihood that a specific auditor would both detect and disclose a violation in the client's accounting system. From a conceptual standpoint, there are numerous criteria and elements that influence audit quality. Audit fees, audit firm rotation, audit committee oversight, audit firm size, and the Auditor's personal attributes, such as competence, independence, qualification, and experience, are all revealed.

There is no generally accepted definition of audit quality globally, but the most popular definition is by DeAngelo. According to DeAngelo (1981), definition, audit quality services can be seen as "the market assessed joint probability that a given auditor will both (a) discover a breach in the client's accounting system and (b) report that breach." This probability is thought to be influenced by many characteristics such as the personal capabilities of the auditor himself, the audit procedures that have been chosen in order the audit to be conducted, and how extensive the sampling tests are. Furthermore, Francis in his study described audit quality as a theoretical continuum ranging from very low to very high audit quality (Francis 2004). As stated before, a material misstatement is the difference between a reported amount in the Financial Statements of a company and the actual number that should have been reported under the applicable Financial Reporting Framework which its omission can influence the perception of the stakeholders of a company about its financial performance. Moreover, as has been indicated before, the role of the auditors is to obtain reasonable assurance that the financial statements are free from material misstatement due to error or fraud. As it is clear for someone to conclude, the quality of audit provided by an audit firm relies heavily on the right detection of material misstatements in a company's Financial Statements and their report.

### Concept of Compulsory Audit Circling

The compulsory audit circling is very essential in an organization because we need to assess how quality information we can get to make economic decision. In many countries around the world and also in the United States of America (Section 203 of the Sarbanes-Oxley Act) there have been regulations prohibiting audit partners to perform audits for the same company for more than five consecutive years. As a result, a compulsory audit partner turning exists (Firth et al. 2011). On the other hand, though, when we introduce the term of compulsory audit firm turning we mean the imposition of a limit on the period of years during which an accounting firm may be the auditor of a company as defined in the Sarbanes-Oxley (SOX) Act 1 (Harris et al. 2012). Both the Sarbanes

Oxley-Act in the USA and the European Commission in Europe have proposed the consideration of a compulsory audit firm turning as a measure to ensure the objectivity and dynamism of the audit market.

The main goal of compulsory audit firm circling is to improve audit quality by ensuring that audit services will remain objective, by enhancing the auditor's independence. The reasoning behind the idea that auditor turning will improve audit quality is based on the assumption that by rotating auditors, excessive familiarity between the auditor and its clients will be reduced, and it will reinforce the auditor's professional skepticism **(**Regulation (EU) No 537/2014). A distinction has to be made between the two different variants of auditor turning, either at the partner or at the firm level (Chen, Lin & Lin, 2008). In order to further explain the differences between both levels of auditor circling.

**Compulsory Audit Circling and Audit Quality**

Onwuchekwa, Erahand Izedonmi, (2012) used a regression statistical model to test the relationship between the dependent audit quality. Won, Lim and Simnett (2010) reinforced the prior argument when they argued that, in a setting were audit firm turning is voluntary, audit quality is more likely to diminish for two reasons. The First is that, a client is more likely to engage an auditor with audit quality not higher than that of the incumbent auditor. In the case of resignation, a client will face difficulties in getting an auditor that can provide the same level of audit quality. In the event of dismissal, a client may engage in opinion shopping since there is an incentive to the client to hire an auditor who will issue a desired opinion on an accounting matter or on the financial statements as a whole. Second, the incoming auditor under the voluntary auditor change setting will not be familiar with the new engagement and faces a high learning curve. Furthermore, Said and Khasharmeh (2014) highlighted that periodically rotating audit firms will allow new auditors to bring a fresh look to the public entities' financial reporting and help the auditor to properly deal with issues of financial reporting, since auditor's tenure will be limited under MAFR.

According to Said and Khasharmeh, (2014), the view of opponents of MAFR is reinforced by a study carried in Italy, the research concluded that MAFR was hurtful to audit quality since it increased start-up costs and caused disruptions in the appointment phase. Ruiz-Barbadillo et al (2009) examined the impact of mandatory audit firm rotation (MAFR) on auditor behaviour in the Spanish context and found no proof that a compulsory turning requisite is allied with a higher probability of issuing going-concern opinions. DeAngelo (1981) believed that audit quality is the combination between auditor's independence and competence. Therefore, Said and Khasharmeh (2014) predicted that there is a positive relationship between the auditor's competency and tenure. Thus, the longer the tenure, the higher the auditor's competency since the auditor gets a better understanding of the firm's specific risks, accounting information system and internal controls.

**Variables**

**Board Size**

The board size is a crucial internal mechanism of corporate governance play a major role in firm's management. For this reason, board size and its impact on firm financial performance is one of the most argued issues in corporate governance. The board size on performance man be expected to differ not just according to firm specific characteristics but also be country, since the role and function of boards may differ by country. The potential problems of large boards will depend on

the specific functions and effectiveness of boards and this will differ according t the institution and legal environment (Mak, & Kusnadi, 2015).

**Audit Delay**

The term audit delay has been used to denote the elapsed time between the close of a fiscal year and the end of audit fieldwork. The latter is normally the date on which substantive audit tests are completed and the auditor leaves the client's premises. It is typically documented by the dating of the auditor's published report. Factors that have been investigated include: presence of accounting or disclosure issues such as extraordinary items, loss contingencies, uncertainty audit qualifications and accounting changes, nature, size and complexity of client operations and controls and proportion of audit work after year end (Ashton et al., 2017) and whether the audit firm tends to follow a structured audit approach.

**Audit Fee**

Goncharov, Riedl and Sellhorn (2022), on the determinants of audit fees, opine that, in a competitive audit market these determinants may be broadly classified as: client attributes, auditor attributes, and characteristics specific to the audit engagement. Audit fees are to a large extent a function of audit team labour hours, audit team labour costs per hour, and a risk component. According to Francis (2022) motivation concerning the shift from firm-level analysis to office-level analysis, it may be warranted to go one level further and consider how the characteristics of individual audit partners can affect the audit investment component and the risk component of the audit fees.

**Theoretical Framework.**

Different theories are reviewed and empirical evidence on the effect of compulsory audit circling on audit quality in Nigeria but for the purpose of this article, two theories were reviewed which are; the agency and leading credibility theories.

**Agency Theory**

Panda and Leepsa (2017) explained that the theory focuses on agent-principal relationship widely used in the audit, which states that the stakeholders act as the principal, and management, the agent that holds the authority to make decisions. The management is responsible for maximising the wealth of shareholders; according to the author, there has been no particular theory that acts in the interest of maximising the firm's wealth. For the best interest of the company, agents and principals look at achieving utility with minimum resources. Therefore, to make the role of audit significant, the top management is required to work independently, as much like stakeholders, and avoid conflicts in the relationship. For ensuring that interests are being protected, the principal is required to employ external or internal auditors to check whether management is acting in the company's interests (ICAEW, 2015).

**Leading Credibility Theory**

The leading credibility theory states that the audited financial statements are used by management to enhance the stakeholder's faith in management's stewardship (Hayes, Dassen, Schilder, & Wallage 2005). This theory regards the primary function of auditing to be the addition of credibility to the financial statements. Audited financial statements are used by management (agents) in order

to increase the principal's faith in the functioning of the agent and to reduce the information asymmetry. Audited financial statements are seen to have elements that increase the financial statement users' confidence in the figures presented by the management. The users are perceived to gain benefits from the increased credibility, these benefits are typically considered to be that that quality of investment decisions improve when they are based on reliable information. The theory upon which this study rests in Lending Credibility Theory. The theory is suitable for the study given that it can explain a manager's incentive to change to a higher quality audit firm. The company's owners are always seeking the services of better quality auditors, so that the monitoring of management's stewardship will be more effective. It provides the main theoretical underpinning of the study and determines to a great extent the approach to be used in the study.

**Empirical Review**

Johnson, Khurana, and Reynolds, (2022), investigate the relationship between audit quality and compulsory audit turning were generally discussed based on the findings obtained through tenure of the audit firm and the auditing markets of the countries where the compulsory turning application is not virtually applied in. Thus, commenting such research results in analogy to the compulsory audit firm turning results creates a limit for the studies within the framework.

Carey, and Simnett, (2021), study examine whether there is a relationship between evidence of reduced audit quality, measured by estimated discretionary accruals, and audit partner tenure with a specific client. Using data obtained from actual audits by multiple Taiwanese offices of large international audit firms. The study finds that estimated discretionary accruals are significantly and negatively associated with the lead audit partner's tenure with a specific client. They concluded that audit quality appears to increase with increased partner tenure.

Kwon, Lim and Simnett (2020) using a unique database consisting of 12,463 firm-year mandatory in Korea between 2000 and 2007, examines the effect of compulsory audit firm rotation on audit hours, audit fees, and audit quality. The results find that compulsory audit firm rotation increases the cost for audit firms and clients while having no discernable positive effect on audit quality.

Ruiz-Barbadillo, Gómez-Aguilar and Carrera (2019) examine mandatory audit rotation and auditor independence by analysing its effects on both auditor incentives to maintain the economic dependence from clients and to protect firm reputation during one period (1991- 1994) with the rotation requirement and another period (1995-2000) without. They find no evidence that auditors would issue more qualified opinions to maintain the economic dependence during compulsory turning. However, they find that auditor independence not only fails to enhance under compulsory rotation requirements, but may also be negatively affected. Protecting reputation is an incentive for independence, but such incentives seem to have greater impact on behaviour without the rotation requirement.

Trombetta (2016) examines mandatory audit firm rotation and audit quality under conditions of possible future re-appointments, i.e. audit firm periods could be renewed every three years up to a maximum of nine years. By studying the three different periods, he could analyse changes in incentives and behaviours from auditors and eventually conclude an improvement in audit quality in the last period, i.e. prior to the rotation. owever, Cameran et al. (2015) find a decline in audit quality for the following three years after a compulsory rotation relative to later years, i.e. longer audit tenure improves audit quality. They also find other negative consequences, e.g. that

compulsory turning s are costly for clients with higher fees for both outgoing and incoming auditors.

**Methodology**

The cross-sectional survey design was adopted as the blue-print survey design for data collection. This is because the data was collected at a particular point in time. The population of the study relates to companies listed on the Nigerian Exchange Group as at 3st December, 2022. The purposive sample size techniques was applied to selecte 25 companies (including Banking and Insurance sectors) which is representative of the population. Secondary data source was used for this study and the time frame for this study is five (5) years (2018 to 2022). The method of data analyses employed in this study was the use of the ordinary least square (OLS) technique of data analysis to analyzed the data collected. The regression analysis helps one understand how the typical value of dependent variable changes when any one of the independent variable is held constant. And the OLS technique of data analysis is used for estimating the unknown parameters in linear regression model. This is so because it minimizes the sum of square vertical distance between the observed response in the data set

**Model Specification**

The model made of used of panel data. $AUDQ = F(MAR, BSize, AUDLAY, AUDFEE)$

With the linear expression

$$AUDQ = \beta_0 + \beta_1 MAR + \beta_2 B_{SIZE} + \beta_3 AUDLAY + \beta_4 AUDFEE, + \mu \dots \dots \dots (i)$$

Where,

AUDQ = Audit Quality

MAR = Compulsoryaudit firm

BSIZE = Board Size

AUDLAY = Audit Delay

AUDFEE = Audit Fees

μ = Error term.

$\beta_0$ = Constant

$\beta_1$ = Parameter Estimate

In the model specified above, Auditor Independent is the dependent variables while Compulsory audit firm turning Board size, Audit delay and audit fees are independent variables

The apriori expectation is $\beta_0 \beta_1 \beta_2 \beta_3 > 0$

**Operationalization of Variables and Measurement**

Audit quality = Audit type (Dummy variable using Big 4 and non-Big 4).

Compulsory Audit Circling = Dummy Variable (using change in audit firm)

| | | |
|---|---|---|
| Board Size | = | Number of Directors |
| Audit Delay | = | Date of Financial Statement preparation minus the date of audit report. |
| Audit Fee | = | Auditor's Remuneration. |

**Authors Computation**

**Data Analyses and Interpretation of Result**

This section contains the analysis of data and interpretation of results. The statistical technique of descriptive statistics, correlation and binary logit regression technique was adopted for this study descriptive statistics are used to described the initial characteristics of data set and provide background information on the data used in the study. Correlationon the other hand involves the investigation of the relationship that exist between the dependent and independent variables. Binary Logit regression determines the specific function relating the dependent variable to the independent variables.

**Descriptive Statistics**

The result of the descriptive statistics is presented in table 1.1. Audit independence (Using audit type as proxy0 that is big 4 and non – big 4 as dummy variables constitute the main variable of interest it is the dependent variable. From the table, the mean value of auditor independence (Audit type) is 0.423729, while the median is 0.000000, it has a maximum value of 1.000.000 and a minimum value of 0.000.000. it has a Jarque – Bera value of 19.71131 and a standard deviation value of 0.496256. Audit Fee had the highest mean value of 36551295 while the highest Jacque-Bera also belonged to Audit Fee with a value of 381.0148.

All variables exhibited positive skewness

**Table 1.1**

**Descriptive Statistics**

| | AUDTYPE | BSIZE | AD | AUDR | AUDFEE |
|---|---|---|---|---|---|
| Mean | 0.423729 | 10.78814 | 152.8814 | 0.093220 | 36551295 |
| Median | 0.000000 | 10.00000 | 149.5000 | 0.000000 | 10341000 |
| Maximum | 1.000000 | 17.00000 | 347.0000 | 1.000000 | 3.17E+08 |
| Minimum | 0.000000 | 6.000000 | 17.00000 | 0.000000 | 1000000. |
| Std. Dev. | 0.496256 | 2.872956 | 71.62368 | 0.291981 | 59721443 |
| Skewness | 0.308697 | 0.558855 | 0.565331 | 2.798227 | 2.548148 |
| Kurtosis | 1.095294 | 2.373592 | 2.913925 | 8.830076 | 10.17790 |

| | | | | | |
|---|---|---|---|---|---|
| Jarque-Bera | 19.71131 | 8.071509 | 6.321886 | 321.1080 | 381.0148 |
| Probability | 0.000052 | 0.017672 | 0.042386 | 0.000000 | 0.000000 |
| | | | | | |
| Sum | 50.00000 | 1273.000 | 18040.00 | 11.00000 | 4.31E+09 |
| Sum Sq. Dev. | 28.81356 | 965.7034 | 600204.3 | 9.974576 | 4.17E+17 |
| | | | | | |
| Observations | 118 | 118 | 118 | 118 | 118 |

*Source SPSS Author's computation (2024)*

To test the relationship amongst variables, correlation technique was employed. From the correlation result in Table 1.2, Boardsize, Audit rotation and audit fee showed a positive relationship with auditor independence (Audit type), while Audit delay showed a negative relationship with auditor independence. In term of co-efficient, the highest coefficient was noticed between audit delay and auditor independence of all the independent variable, only audit rotation had a significant relationship with auditor independence (Audit type) while other had insignificant relationship with auditor independence.

**Table 1.2**

**Correlations**

| | | AUDTYPE | BSIZE | AD | AUDR | AUDFEE |
|---|---|---|---|---|---|---|
| AUDTYPE | Pearson Correlation | 1 | .206* | -.232** | .000 | .326** |
| | Sig. (2-tailed) | | .011 | .005 | .991 | .000 |
| | N | 150 | 150 | 144 | 150 | 150 |
| BSIZE | Pearson Correlation | .206* | 1 | -.348** | -.088 | .495** |
| | Sig. (2-tailed) | .011 | | .000 | .282 | .000 |
| | N | 150 | 150 | 144 | 150 | 150 |
| AD | Pearson Correlation | -.232** | -.348** | 1 | -.013 | -.246** |
| | Sig. (2-tailed) | .005 | .000 | | .872 | .003 |
| | N | 144 | 144 | 144 | 144 | 144 |
| AUDR | Pearson Correlation | .000 | -.088 | -.013 | 1 | .013 |
| | Sig. (2-tailed) | .991 | .282 | .872 | | .873 |
| | N | 150 | 150 | 144 | 150 | 150 |
| AUDFEE | Pearson Correlation | .326** | .495** | -.246** | .013 | 1 |
| | Sig. (2-tailed) | .000 | .000 | .003 | .873 | |
| | N | 150 | 150 | 144 | 150 | 150 |

*. Correlation is significant at the 0.05 level (2-tailed).

*Source: Authors computation (2024)*

**Regression Analysis (Panel Least Square)**

The result is presented in table 1.3 from the table, audit delay, audit rotation, and audit fee showed a positive relationship with auditor independent while board size showed a negative relationship with auditor independence. The Macfadden R – Square value is 0.14 indicating that 14 percent of systematic variabtions in auditor independence have been explained by the explanatory variable leaving 86 percent unaccounted for. This shows that the model does not have a good predictive value. In terms of significance, non of the variable had a significant relationship with firm performance. The Hannan Quin Criteri is 1.2. The presence of auto correlation is noticed in this

model and a significant relationship do not exist between auditor independence and all the independent variable combined.

**Table 1.3**

Dependent Variable: AUDTYPE

Method: ML - Binary Probit (Quadratic hill climbing)

Sample: 2018 2022

Included observations: 118

Convergence achieved after 4 iterations

Covariance matrix computed using second derivatives

| Variable | Coefficient | Std. Error | z-Statistic | Prob. |
|---|---|---|---|---|
| C | -8.499478 | 2.056991 | -4.131995 | 0.0000 |
| BSIZE | -0.108067 | 0.065051 | -1.661262 | 0.0967 |
| AD | 0.324730 | 0.131849 | 2.462893 | 0.0029 |
| AUDR | 0.375405 | 0.426660 | 0.879870 | 0.3789 |
| AUDFEE | 1.308061 | 0.335118 | 3.903289 | 0.0001 |

| | | | |
|---|---|---|---|
| McFadden R-squared | 0.145801 | Mean dependent var | 0.423729 |
| S.D. dependent var | 0.496256 | S.E. of regression | 0.458121 |
| Akaike info criterion | 1.248963 | Sum squared resid | 23.71589 |
| Schwarz criterion | 1.366365 | Log likelihood | -68.68882 |
| Hannan-Quinn criter. | 1.296632 | Deviance | 137.3776 |
| Restr. deviance | 160.8262 | Restr. log likelihood | -80.41311 |
| LR statistic | 23.44859 | Avg. log likelihood | -0.582109 |
| Prob(LR statistic) | 0.000103 | | |

| | | | |
|---|---|---|---|
| Obs with Dep=0 | 68 | Total obs | 118 |
| Obs with Dep=1 | 50 | | |

*Source: Authors Computation (2024)*

**Discussion of Results**

From the result of our analysis in table 4.3 above, it can be observed that the calculated Z – value of 0.87 is less than the critical Z- value of 0.87 is less than the critical Z-value of 2.0 at 5% level of significance under the two tailed test. Hence we do not reject the null hypothesis which states that mandatory audit firm rotation does not have a significant effect on auditor's independence.

Based on our findings in our panel least square, it can be observed that Z-value of -1.66 is less than Z-value of 2.0 at 5% level of significance under the two tailed test. Hence we do not reject the null hypothesis which states that Board size does not have a significant effect on auditor independence. Again from our PLS result in table 1.3, it can be observed that audit delay has a Z-calculated value of 2.4 which is greater than the Z – value of 2.0 at 5% level of significance under the two tailed test. We therefore reject the null hypothesis and accept the alternate hypothesis which states that Audit delay has a significant effect on auditor's independence. It can be deduced from our analyses of 3.9 is greater than 2.0 at 5% level of significance, we therefore accept the alternative hypothesis of which states that Audit Fee has a significant effect on auditor's independence and reject null hypothesis.

**Conclusion and Recommendations**

This research work empirically investigates the effect of compulsory audit firm turning on auditor's independence in Nigeria using 25 quoted companies (Comprising Banks and Insurance Sectors). We find out that audit quality is not negatively affected by audit firm turning. Compulsory audit turning is perceived as an unnecessary procedure without any actual evidence of fulfillment of intended purposes. Compulsory audit firm turning would have an adverse effect on the quality of audits and on the long-term sustainability of the auditing profession. Based on the findings of this study, one can conclude that there is no evidence to support the compulsory audit firm turning since the disadvantages outweigh the advantages. Moreover, the policy would reduce not improve audit quality. The author supports the dialogue to explore other ways to improve audit quality, by enhancing auditor independence, objectivity and professional skepticism this conclusion is in line with the work of Johnson, Khurana, and Reynolds, (2022),

In this study, we have considered a critical review of some of the empirical and theoretical researchers on auditor's turning, auditor's independent and the quality of the financial reporting. Although there is conflicting evidences on the association between auditor's turning and the audit quality, shorter auditor tenure tends to be associated with low audit quality whereas longer tenure results in high audit quality. Similarly, there is no general support for turning of audit firm or partner. In fact, from researches reviewed, long-term auditors tend to be better than new auditors and hence they provide no support for turning because of the conclusion that auditor turning will lead to lower audit quality. From our empirical analysis, it can be concluded that auditor's independence depends on a lot of factors and in other to secured the confidence of the users of financial statements, the independence of the auditor should be guaranteed.

We therefore recommend that:

Regulators, professional bodies and academics should continue to learn from the experiences of those countries that have attempted the implementation of compulsory audit turning.

Compulsory audit firm circlingg should be well-structured and that board size be arranged in other to enhance the audit quality.

Audit delay should be harmonized and that audit fee should comply with the provision of the law so as not to undermine the audit quality.

Compulsory audit firm circling should be structure in such a way as to enhance the independence of the auditor thus guaranteeing the hope of users of audited financial statements;

Board size should also be arranged in such a way that auditor's independence and autonomy is guaranteed.

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