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DETERMINANTS OF AUDIT QUALITY OF LISTED NON-FINANCIAL COMPANIES IN NIGERIA.

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Abstract

This study is driven by the motivation to examine the determinants of audit quality of listed non-financial companies in Nigeria. Specifically, the study examined the auditor industry specialization, audit tenure, audit engagement partner disclosure, and audit committee expertise as determinants of audit quality. The study employed longitudinal research design. The data were collected from published annual financial reports of the sampled non-financial companies in Nigeria. This study uses the Generalized Method of Moments (GMM) as an estimation model employing panel data analysis during the observed period from 2012 to 2021. The results from GMM indicate that auditor industry specialization, audit engagement partner disclosure, and audit committee are determinants of audit quality of listed non-financial firms in Nigeria. Based on this, the study recommended among others that regulatory bodies such as the Security and Exchange Commission (SEC) or Financial Reporting Council of Nigeria (FRCN) should encourage auditor industry specialization through regulation since it ensures audit quality.

Keywords: Audit Quality, auditor industry specialization, audit tenure, audit engagement partner disclosure, and audit committee expertise

Introduction

The global corporate scandals and the collapse of several major organizations which have affected most part of the world in the last decades including Nigeria have pushed up the demand for high audit quality. These turbulent events (failures or collapses of some of these firms) have dramatically highlighted the importance of credible, high-quality audits to investors and creditors in Nigeria as they enhance the degree of confidence and reliability to enable them to make investment decisions. However, the collapse of major firms on one hand was attributable to poor performance of the board of directors, indicating the inability of the boards to carry out effective and efficient monitoring of top management. While on the other hand, it was attributable to poor audit quality, showing that the auditors lack the courage to issue express qualified opinions when errors/misstatements are found in the financial statement prepared by the company management. As a result of financial scandals in major corporations, audit quality has gained increased concerns.

The aftermath of these scandals has led to the identification of a perceived expectation gap in audit quality as many users of audited financial statements have different expectations of the audit function culminating in a call for changes in the auditing profession to ensure improved audit quality.

Studies have been conducted on the determinants of audit quality with inconclusive results. Some of these studies include (Siregar, et al 2012, Ibrani et al 2020; Yang et al (2020); Abbasi, 2019; Widyaningsih, et al 2019). Whereas the study was debated in the light of other countries, hence it is uncertain if such evidence on audit quality can be generalized to developing countries like Nigeria that have different regulatory environments.

Studies have been conducted in Nigeria. For instance, Jayeola et al (2020) examined the factors that determine the audit quality of listed insurance companies in Nigeria. The study relied on three variables such as audit firm size, audit tenure, audit fee, and cash flow on audit quality. Further, Ndubuisi, (2017) studied the determinants of audit quality with a focus on selected Deposit Money Banks. Using variables of audit fees, audit tenure, and audit firm size on audit quality. Similarly, Enofe et al (2013) analyze the determinants of audit quality in the Nigerian business environment using audit tenure, audit firm size, board independence, and ownership structure as a determinant of audit quality. However, to the best of the researcher's knowledge, no study with a similar combination of variables (audit industry specialization, audit committee expertise, and engagement partner disclosure) has been conducted in the Nigerian non-financial sector. Owing to their indispensable contributions to the economy, filling this gap is paramount.

Review of Related Literature

Concept of Audit quality

There is no universally accepted definition of audit quality since different authors define it differently. However, the audit quality definition as put forward by DeAngelo (1981) is the most widely used definition which states that the quality of audit services is defined to be the market-assessed joint probability that a given auditor will both discover a breach in the client's accounting system, and report the breach. DeAngelo (1981) considers audit quality as a tool that is used by the stakeholders of the company to enhance the specific attributes of their Certified public Accountants (CPAs). Watts and Zimmerman (1986) simplified DeAngelis definition. They indicated that the first part refers to auditor's competence and the quantity of inputs devoted to the audit, while the second part refers to auditor's independence.

In other words, according to Watts and Zimmerman, any factors that are associated with a lack of auditor competence or a lack of auditor independence can compromise the quality of audit. Given DeAngelo's definition and the additional explanation offered by Watts and Zimmerman, (1986) audit quality may be described as the competence of the auditors to detect errors and the objectivity (in fact and appearance) of the auditors in reporting such errors. Palmrose (1988) describes audit quality in terms of levels of assurances. Higher levels of assurances (possibility that financial statements contain fewer errors or misstatements) are associated with a higher audit quality and vice-versa. Benzouai and Tiar (2020) suggested that audit quality is made up of both technical quality and service quality (the levels of clients" satisfaction and expectations). Technical quality consists of reputation, capital, capability, expertise, experience and independence scales. Service quality is defined by responsiveness, empathy and the provision of non-audit services and audit services. Chan and Wong (2002) noted that audit quality, though unobservable, impacts the probability of successful detection of discrepancies between the firms' favorable report and the true quality of the project. The implicit common link in all these statements is the auditor's ability to satisfy their professional obligation to find material misstatements through the execution of the audit process. According to Furiady and Kurnia (2015) Audit quality is a joint probability where an auditor finds and reports violations of his client's accounting system.

Auditor Industry Specialization

Auditor industry specialization is one of the factors that can affect audit quality. Auditors of Industry Specialization can play an effective role in corporate governance and can improve the quality of audits. Krishnan (2003) states that auditor specialists are better able to detect fraudulent financial reporting because they have better expertise, both on the audit team. For auditors who are known as industry experts, they must recognize and understand certain issues from related industries, identify key organizations operating in the industry, and know how certain industrial issues can affect various sectors throughout the industry (Kend, 2008). so industry-specific auditors have a superior performance which in turn increases audit quality (Hegazy et al., 2015) In addition, industry specialist auditors are incentivized to protect the reputation they have developed as an industry specialists. To protect their reputations, auditors will provide audits of higher quality by not acquiescing to client pressures or demands.

Audit Tenure

Audit tenure is defined as the number of years that an auditor is retained by a firm. One more factor that can influence audit quality is audit tenure. This is because the prolonged association between an audit firm and company-client could lead to the closeness of the auditing firm with its company client's management which in turn makes it difficult for the auditor to freely express his professional opinion. Bamber and Bamber, (2009) show that lengthy audit firm tenure leads to a reduced propensity to issuing a qualified audit report. Rickett et al. (2016) also expressed concerns that the length of audit client relationships may impair audit quality. Proponents of auditor tenure argue that the rotation will provide a 'fresh look' at the company's financial information (Siregar et al. 2012). They claim that the longer an audit firm maintains a client, the less that audit firm can maintain its objectivity when examining a client statement, and the more likely there will be no mistakes that are detected in the financial statements. Long auditor tenure can improve the competence of auditors as they can base their decisions on the extensive knowledge that they have developed over time, or it can damage the independence of the auditors because the long-standing relationship fosters closeness between management and auditors.

Audit Engagement Partner Disclosure

Paragraph 7(a) of the International Standard on Auditing (ISA 220) defines the engagement partner as the partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. Public Company Accounting Oversight Board (PCAOB) argues that the disclosure of engagement partner identity could promote audit quality by increasing the accountability of engagement partners and the transparency of audits, and this disclosure could help investors to identify the quality of an audit.

Audit Committee Expertise

CAMA (2020) defines an audit committee as "a committee established by and amongst the board of directors of an issuer to oversee the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer. In general, the expertise of audit committee plays an important role in the audit function.

Accounting experts are likely to possess specialist accounting knowledge, which is vital in the context of audit committees because they are responsible for reviewing the complex accounting areas where judgments are involved, overviewing the response of the management to the auditor's adjustments and monitoring the acceptability and quality audit (Dhaliwal et al., 2010). Krishnan and Visvanathan (2009) find evidence of a positive association between the accounting expertise of audit committees and audit quality. DeZoort and Salterio (2001) evidence that greater auditing knowledge of audit committees leads to higher audit quality. Another argument in support of accounting experts on audit committees having a positive influence on audit quality involves high monitoring intensity. Given their higher accounting knowledge, accounting experts on audit committees are motivated to enhance the monitoring extent to meet the greater job expectations and safeguard their exposure to an enhanced reputation and litigation risk (Khanh, et al 2018).

Empirical Review

Auditor Industry Specialization and Audit Quality

Bergen (2013) investigated the association between auditor industry specialization and audit quality in the period 2004-2007. Industry specialization is measured using the market share approach with total assets as the base. For determining the audit quality, abnormal accruals are used based on the abnormal working capital accruals model. The regression results show that there is no significant longitudinal effect of auditor industry specialization on audit quality.

Ali and Aulia (2015) determined whether audit firm size and auditor industry specialization have a significant influence on audit quality in Indonesian State-Owned Enterprises (SOEs). The research was conducted on 36 SOEs by using 108 financial statements from the years 2010-2012. Regression was employed to analyze the data the study found that both audit firm size and auditor industry specialization have insignificant influence on audit quality.

Garcia-Blandon and Argiles-Bosch (2018) investigated the impact of the industry specialization on audit quality of Spanish-listed companies for the research period between 2005 and 2013. Logistic regression was employed to test the hypothesis. The result shows insignificant impact of the industry specialization on audit quality. Only a sector of the market was considered in the study and the measurement variable for audit quality was not stated.

Fanani, et al (2021) studied the relation between Specialist audit partner and audit quality in ASA for the period of 2019.using the Ordinary Least Square (OLS) regression method. This study shows that the audit quality provided by a specialist partner auditor is higher than the non-specialist.

Audit Tenure and Audit quality

Mgbame, et al (2012) examined the relationship between audit partner tenure and audit quality. They used Binary Logit Model estimation technique in analysing the relationship between the tenure of an auditor and audit quality. Their findings reveal that there is a negative relationship between auditor tenure and audit quality, though the variable they used was not significant.

Tobi et al (2016) examined the effect of auditor independence on audit quality of selected deposit money banks in Nigeria. Purposive sampling technique was used to select sample size of seven (7) listed deposit money banks from a population of twenty (20). Secondary data were sourced from the audited annual report of the sampled banks. Descriptive statistics, correlation and ordinary least square (OLS) regression were used to analyse the data. Findings revealed that there is a positive relationship between audit fee, audit firm rotation and audit quality. There exists negative relationship between audit firm tenure and audit quality.

Amahalu, (2017) researched "Determinants of Audit Quality: Evidence from Deposit Money Bank Listed on the Nigerian Stock Exchange".11 deposit banks were used for the study. The period of study was from 2010-2015. Audit fees, Audit Tenure and Audit Firm size were used as the independent variables whereas dependent variable includes audit quality. The methods used in the analysis of data were Pearson Coefficient Correlation, OLS, and Granger Causality Test. The result of the analysis revealed that positive and statistically significant relationship exists between audit tenure and audit quality.

Imegi and Elijah (2018) studied the relationship between mandatory auditor rotation and audit quality in Nigeria firms. Ordinary least square (OLS) econometric technique was use to analyze the relationship between mandatory auditor rotation and audit quality. Findings reveal that there is a significant relationship between mandatory auditor rotation and audit quality.

Buntara and Adhariani (2019) examined the effect of audit firm tenure on the audit quality of listed deposit money banks in Nigeria. A binary logistic regression estimation technique was used to analyse the effect of audit firm tenure on the audit quality of listed deposit money banks in Nigeria. The finding of the study reveals that the tenure of audit firms does not affect the audit quality of listed deposit money banks in Nigeria.

Audit Engagement Partner Disclosure and Audit Quality

Aobdia, (2018) examined the impact of the Public Company Accounting Oversight Board's requirement of disclosing engagement partners' names on Form AP on the quality of audit engagements. From 2013 to 2016. The study used 36,049 firm-year observations. Regression results provide evidence that disclosure of engagement name leads to higher audit quality.

Muia, (2019) examined whether specific audit partner characteristics such as gender, experience, industry specialization, partner busyness, education, and social connection influenced audit outcomes within the US market from 2017 to 2018. Using a unique sample of 600 audit partner names disclosed. Regression was employed to test the hypotheses. The study evidence that engagement partner disclosure affects audit quality.

Dao, et al (2019) examined the impact of the disclosure of audit engagement partners on audit quality in USA companies for the period of 2018. Using two measures of audit quality (abnormal accruals and the probability of detecting material weaknesses in internal control), we find that disclosing engagement partners' names is associated with a lower level of abnormal accruals and a higher probability of accounting firms detecting material weaknesses in internal control.

Liu, (2020) studied the effects of audit engagement partner on audit quality and information asymmetry in UK quoted companies for the period of 2008 to 2010 . multiple regression was employed as a technique of data analysis. Panel regression was employed. Findings shows that audit engagement partner identity has a positive significant effect on audit quality.

Lee et al (2020) studied the effects of disclosing the audit engagement partner's identity on audit quality for the period of 2019. Multiple regression was employed. The results shows that disclosure increases individual partners' incentives to provide high-quality audits. Demonstrating that the level of external audit oversight is critical in determining whether Form audit partner disclosure enhances audit quality.

Audit Committee Expertise and Audit Quality

Yadirichukwu and Ebimobowei (2013) carry out a study on the effects of audit committee expertise and timeliness of financial reports that reflects audit quality of external auditors. The study was conducted in Nigeria using 35 listed firms from 2007 to 2011. The study uses multiple regression analysis and concludes that audit committee expertise was significantly related to external auditors' audit quality.

Salawu, et al (2017) examined the effects of audit committee expertise and meeting on audit quality of listed consumer-goods companies in Nigeria covering a period of eleven years (2006

– 2016). Longitudinal panel research design was adopted for the study. The population of the study consists of the twenty-three (23) listed consumer-goods companies on the floor of Nigerian Stock Exchange as at 31st December, 2016. The census sample size consists of fifteen (15) companies. Secondary data from published annual financial statements of the sampled companies in Nigeria were used. Descriptive statistics and inferential statistics (correlation and multiple regression) were used for the study. The results show that audit committee expertise and meeting have positive and non-significant effects on audit quality of listed consumer goods companies in Nigeria.

Cheung, (2019) assessed the relationships between effective audit committee characteristics (size, independence, financial expertise, meeting frequency, directorship, tenure and age of audit committees) and perceived audit quality. Data obtained from the Hong Kong Hang Seng Composite Index between 2010 and 2015. Fixed effect panel data regression was adopted. The study shows that audit committee expertise positively and significantly affects audit quality.

Alhababsah and Yekini (2021) examined the effect of audit committee industry expertise on audit quality in a developing country (Jordan). By utilizing 1,035 firm-year observations, using regression methods, this study revealed that audit committee expertise has no significant effect on audit quality.

Theoritical Review

Agency theory provides a natural backdrop upon which this research is based. Agency theory was propounded by Jenson and Mecklin (1976). The theory states that the separation of ownership from control of the modern day business has turned the relationship between the owners (shareholders) and controllers (managers) to that of an agent and a principal. As such the managers are supposed to treat this fiduciary relationship with utmost sense of transparency and accountability. This means that they are expected to act in such a manner that benefits the shareholders rather than pursuing their own selfish interest. However, in practice, the existence of information asymetry that gives the managers a privilege information may lead to the breach of the agency arrangement as the managers are tempted to use their positions for self enhancement, hence the agency problem. The demand for audit of companies' accounts is created by the agency problems which are related to the separation of corporate ownership from control (Gerayli, et al, 2011).

Therefore, it can be argued that agency theory is essential to the present study since it recognizes the monitoring role of an external audit as mechanism to control management behaviours.

Methodology

The study employed the longitudinal research design. This is preferred when the goal is to establish cause and effect relationship usually using quantitative method. It is also useful in modelling positivist research paradigm where hypotheses formulated are subjected to testing and confirmation which further led to the development of a theory.

The population of the study comprises all listed non-financial companies on the floor of Nigerian stock exchange Group (NGX), there were 116 non-financial companies listed on the floor of the Nigerian stock exchange market and the distribution is shown below as:

Table 1 : **Population of the Study**

S/N	Sector	Number of firms
1	Agriculture	5
2	Conglomerate	6
3	Consumer goods	23
4	Industrial goods	13
5	Healthcare	10
6	Technology	9
7	real estate and construction	9
8	Oil and Gas	12
9	Services	25
10	Natural resources	4
Total		116

Source: Nigerian Exchange (NGX) Website 2022

The sample size is determined by Yamane (1967) sample selection formula as stated below:

According to Yamane (1967), $n = N / [1 + (Ne^2)]$,

Where: "n" is the sample size,

"N" is the population,

"e" is the error limit (5% precision level was used for the purpose of this study)

Therefore, $n = 116 / [1 + 116 (0.05^2)]$

$n = 116/1.29$

$n = 90$

The study employed Stratified and simple random sampling techniques to select the sample.

Table 2 Sample size of the study

S/N	Sector	Number of firms	Computation	Number of firms selected
1	Agriculture	5	5/116*90	4
2	Conglomerate	6	6/116*90	5
3	Consumer goods	23	23/116*90	18
4	Industrial goods	13	13/116*90	10
5	Healthcare	10	10/116*90	8
6	Technology	9	9/116*90	7
7	real estate and construction	9	9/116*90	7
8	Oil and Gas	12	12/116*90	9
9	Services	25	25/116*90	19
10	Natural resources	4	4/116*90	3
Total		116		90

Source: Researcher's computation, 2022

Data collected for this study was solely from secondary source. Data was extracted from the Published Audited Annual Reports and Accounts of the listed non-financial firms in Nigeria from 2012-2021.

Generalized Method of Moments (GMM) was employed in testing the determinants of audit quality. This method provides the panel data with an efficient econometric estimator. GMM is an efficient test and tool that can reduce and ease endogeneity problem. It also considers both dimensions of time-series and cross-sectional data. The model for this study was adopted from the studies of Ndubuisi, et al (2017), but was modify to suit the hypotheses of this study which centres on the factors affecting audit quality of listed non-financial companies in Nigeria. The basic panel econometric form of the model is therefore given by:

$AQ= \beta0_{it} + \beta0+\gamma AQ_{it}+ \beta_1 AIS_{it} + \beta_2 AT_{it} + \beta_3 AEPD_{it} + B4ACE_{it} +e_{it}$

Where:

AQ =Audit Quality

B0 =Constant

γAQ= one lag of the dependent variable AQ (previous year AQ),

AIS= Auditor Industry Specialization

AT= Audit Tenure

AEPD = Audit Engagement Partner Disclosure

ACE= Audit Committee Expertise

e = Error Terms

β1-β4= are the parameters estimate or coefficients in equation it= cross-sectional and time series

Diagnostics Test for GMM validity

The Sargan test was performed to explore the over identifying restrictions. The serial correlations AR (M) was determine the absence or existence of first and second order serial correlations. First and Second Order

Table 3 Measurement of variables

s/n	Variables	Variables measurement
1	**AQ**	Measured as a natural logarithm of the amount of audit fees paid to the auditor by the company. (Effiok, & Eton, 2013; Hegazy et al., 2015)
2	**AIS**	Dichotomize as (‘1’ if they audit 1/3 and above of the firms, and 0 if otherwise) (Umar 2013; Bergen, 2013)
3	**AT**	Auditors Tenure is computed as "1" for companies that hired external auditor that stayed for 10 years and "0" for auditors with less than 3 years engagement(Foroghi & Shahshahani 2012; Mgbame, et al 2012)
4	**AEPD**	1 if the firm’s auditor signed their name to the audit opinion in that year and 0 otherwise (Aobdia, 2018; Dao, et al 2019)
5	**ACE**	Proportion of audit committee members with accounting experience to the total number of audit committee members (Kibiya, et al 2016; Yadirichukwu & Ebimobowei 2013)

Researcher’s computation, 2022.

4.0 Results and Discussion

In this section, results are presented and discussed in the light of the research findings. First, a set of descriptive statistics are presented, then followed by the GMM results.

Table 4. Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
AQ	4.012944	.3765507	2.44	4.95
AIS	.5247934	.4996431	0	1
AT	.8966942	.3045152	0	1
AEPD	.6735537	.4691551	0	1
ACE	.3912879	.1489454	.1666667	.8333333

Source: Output of data analysis using Stata 13

Table 4.1 presents the results for the descriptive statistics for the variables. As observed, audit quality proxy as audit fees (AQ) has a mean value of 4.012944 while it has maximum and minimum values of 4.95 and 2.44 respectively.

The standard deviation reported relatively small values .3765507 shows that AQ is clustered around the mean. AIS is found to have a mean value of .5247934 meaning that about 53 percent of companies under study were audited by auditors who are said to be industry specialist. The standard deviation of about .50 percent is an indication that few of the companies in this study were audited by non-AIS. Furthermore Auditor tenure(AT) has a mean value of .8966942 while it has maximum and minimum values of 1 and 0. It implies that auditors tenure spend a maximum of 10years. The standard deviation reported relatively small values .3045152 shows that AT is clustered around the mean The mean of ACE is .3912879, which means that on average, non-financial companies in Nigeria have about 39 % of the members in their audit committee as financial experts. The minimum number of ACE is .17%. However, the maximum value is .83% respectively.

Table 5 Correlation Matrix Table

Variable	AQ	AIS	AT	AEPD	ACE
AQ	1.0000				
AIS	0.0846	1.0000			
AT	-0.0083	-0.0443	1.0000		
AEPD	0.0950	0.1890	-0.0191	1.0000	
ACE	0.0270	0.0013	0.0037	-0.0136	1.0000

Source: Output of data analysis using Stata 13

Table 5 above is a correlation matrix table, which shows the relationship between all pairs of variables in the regression model. The result reveals a positive correlation between audit industry specialization (0.08), audit engagement disclosure (0.0950)and audit committee expertise (0.0270). While audit tenure (-0.0083)negatively correlated with audit quality

Table 6 Summary of GMM Result

	Coef.	Std. Err	z	P>|z|
AQ L1.	.2601909	.0199377	13.05	0.000
AIS	.0908056	.0241689	3.76	0.000
AT	.0067507	.0196303	0.34	0.731
AEPD	.0279621	.0135664	2.06	0.039
ACE	.0683163	.0289764	2.36	0.018
Wald chi2(5)				218.03
Prob > chi2				0.0000
AR (1) in first differences: Pr	0.01			0.160
AR (2) in first differences:	0.85			0.150
Sargan test of overid. restrictions: chi2(15)	0.03			0.963

Source: Output of data analysis using Stata 13

A good model should fulfil the validity of the instrumental variables as proposed by Arellano and Bond (1991). First, test the non-existence of the serial correlation of the error terms using the first and second order serial correlation test. The serial correlations (AR) determines the absence or existence of first and second order serial correlations. (AR 10.01 Pr > z = 0.160, AR(2) in first differences: z = 0.85 Pr > z = 0.150). The results of the p value of the Sargan test for the total sample is 0.963. This non-significant P value emphasizes the overall validity of the instruments and the tested determinants of audit quality.

From the results, it can be seen that the Wald chi-square statistic is 218.03 with a p-value of 0.000. This indicates that the model is well fitted. Thus, the Model seems to be an appropriate model as the model acts in accordance with the GMM's rule of thumb, and produces a significant result between current and past audit quality.

This result indicates audit quality has a trend over time by which past audit quality significantly influences the current one. According to the results in Table 4. 3, the ρ value of lagged dependent variable (audit quality) with the other independent variables is significant in most of the cases (0.0001)

From the table, auditor industry specialization (AIS) has a coefficient of .0908056 t- value of 13.05 and p- value of 0.000. The result indicates that an increase in AIS will significantly increase AQ by 9 percent. It means that if all other factors are held constant, and AIA is increased by a level, it will significantly increase AQ with about 9 percent. This result supports the agency theory. This finding also supports the studies by Ali and Aulia (2015); Fanani, et al (2021); but contradicted those of Bergen (2013).

Audit tenure as a determinant of audit quality , the result reveals that audit tenure has insignificant positive impact on audit quality with coefficient of .0067507 and p- value of 0.731 and it is not statistically significant. The positive effect, implies that when audit firm spend additional year with a firm audit quality increases by 1% holding other factors constant, It also suggests that tenure and/or familiarity between audit firm and the client did not impair auditor independence in the non-financial companies in Nigeria during the period of the study. This result confirms the study of Tobi et al (2016); Amahalu, (2017 who found positive significant effect on audit tenure on quality, but contradicted the finding of Mgbame, et al (2012), Therefore, the study has enough evidence to fail reject the null hypothesis; audit tenure has no significant effect on audit quality.

The auditor engagement disclosure (AEPD) coefficient shows a positive significant influence on audit quality since the coefficient is .0279621 and p- value of 0.039. This implies that for every 1% increase in engagement disclosure, there is resulting 3% increase in audit quality and significant at 5% holding all other variables constant. The study therefore, has enough evidence to reject the null hypothesis that states auditor engagement disclosure has no significant effect on audit quality of listed non financial firms in Nigeria. This finding consists with prior studies of Aobdia, (2018); Muia, (2019) and agency theory.

The audit committee expertise (ACE) coefficient shows a positive significant impact on audit quality since the coefficient is .0683163 and p- value of 0.018 This means that a 1% increase in audit committee financial expertise will lead to an increase in audit quality of non-financial firms by 7%. This implies that financial expertise of audit committee is a determinants of audit quality. The result supported the agency theory. Also inline with the findings of Yadirichukwu and Ebimobowei (2013); Salawu, et al (2017).

The study therefore, has enough evidence to reject the null hypothesis that states audit committee is not a significant determinants of audit quality.

Conclusion and Recommendation

This study examine the determinants of audit quality of listed non-financial companies in Nigeria from 2012 to 2021, based on the findings the study concludes that:

Auditor industry specialization is a determinant of audit quality of listed non-financial firms in Nigeria. This impliedly means that an audit by industry specialist (AIS) affects the quality of audit of such firms audited by them. Industry specialist auditors are believed to be better auditors because they easily identify the problem areas in the specific industry and plan better audit towards such areas since they are used to and understand better the accounting information system in that specific industry.

The study also concludes that audit tenure is not a determinants of audit quality for the period under review.

The study further concludes audit engagement partner disclosure is a determinant of audit quality of listed non-financial firms in Nigeria. This means partner disclosure enhance a sense of accountability and increase the transparency of the audit process, which, in turn, affects engagement partners' behaviours to improve the quality of audit.

Lastly, the concludes that audit committee expertise is a determinants of audit quality of listed non-financial firms in Nigeria. This means that audit committee accounting and finance knowledge matters when it comes the issues of audit quality.

Based on the findings from this study and the conclusions reached, the study proffers the following recommendations;

i. Regulatory bodies such as the Security and Exchange Commission (SEC) should encourage auditor industry specialization through laws since it ensures audit quality.

ii. The regulatory authority responsible for oversight of auditing standards in Nigeria should consider revising the current policy on mandatory audit rotation for non-financial listed firms. This policy may not be necessary if audit tenure is not a determinant of audit quality. The regulatory authority could consider alternative measures to promote audit quality, such as enhanced auditor independence and stricter monitoring of audit processes.

iii. The regulators such as SEC should encourage the mandatory disclosure of engagement partner identity: This policy would require audit firms to disclose the identity of the engagement partner responsible for the audit in their audit reports.

This would increase transparency and allow stakeholders to assess the engagement partner's experience, qualifications, and reputation. It would also create a sense of accountability for the engagement partner, which could motivate them to perform high-quality audits.

iv. Lastly, there is the need for regulators like SEC to enforce compliance of CAMA 2020 that mandated all members of the audit committee to financially literate, this is because audit committee expertise is proven to be a determinant of audit quality.

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