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EFFECT OF AUDITOR'S INDEPENDENCE ON THE FINANCIAL PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

This work is on auditor's independence on financial performance on money deposit banks in Nigeria, The objective of this study is to examine the Evaluation of auditor's independence on financial performance of selected deposit money banks in Nigeria. The population of this study comprised of fifteen (15) listed Deposit money banks in Nigeria. Purposive sampling technique was used to select sample size of seven (7) banks. Secondary Data was used and analyzed in Multivariate regression analysis with the aids of Stata 12. The study revealed that there is a positive relationship between audit tenure, audit fee and profitability, but audit rotation is having no relationship and is not statistically insignificant. The regression between auditor's independence and leverage is negative and statistically insignificant. The study recommends that Auditor's independence should be strengthened by taking different measures to address the issues which could create threats for auditors. The measures will include, but not limited to regular rotation of auditors, reduction in the tenure of auditors and appropriate audit fees.

Keywords: *Financial Performance, Auditors Independence, Audit Fee, Audit Rotation, Audit Firm Tenure*

INTRODUCTION

In Nigeria the spate of corporate failures witnessed in the financial sector in the early 1990s brought auditors into sharp focus and caused the Nigerian public to question the role of accountants and auditors (Okike, 2004; Bakre, 2007; Ajibolade, 2008). Furthermore, the investigations launched by the regulators and other stakeholders into the cases of distress and disclosure revealed that accountants and auditors were implicated (NDIC, 1995). With the recent banking crisis in Nigeria members of the auditing profession in Nigeria are once again in the limelight, as the banking crisis and the revelation of unethical practices by bank executives and board members has raised many questions about the ethical standards of the accounting profession and about the integrity of financial reports issued by professional accountants (This Day, 9 December 2009). The question has been raised as a result of the failure on the part of accountants and auditors to alert regulators when they have discovered fraud and other irregularities in company records (Bakre, 2007; Ajibolade, 2008; Okike, 2009; Neu, 2010). In respect of the banking crisis, attention has focused on the role of accountants and auditors who have been involved. Accountants and auditors may be expected to report financial irregularities in company accounts by enhancing transparency and accountability and by developing techniques for fraud detection. However, an emerging body of literature argues that accounting professionals have increasingly used their expertise to conceal and promote antisocial practices (Sikka, 2008a; US Senate Permanent Sub-Committee on Investigations, 2005; Bakre 2007). For example, Akintola Williams and Deloitte (AWD) was indicted for facilitating the falsification of the accounts of Afribank Plc and for deliberately overstating the profits of Cadbury Nigeria Plc. It has been reported that between 1990 and 1994 the Nigerian economy lost more than N6 billion ($42.9 million) to fraud within the banking sector alone (Bakre, 2007). The social cost of the banking crisis is difficult to estimate, but huge amounts of public money are being used to bail out distressed banks (Sikka, 2009). In 2008, almost every Reserve Bank across the globe, in collaboration with finance ministries, was forced to adopt extraordinary measures to stave off the collapse of the financial institutions and to restore confidence in the banking system. Some countries, such as the UK, took direct stakes in their banks as a temporary measure in order to ensure that they kept lending. The German and French governments offered to guarantee inter-bank deposits to achieve the same purpose, while the US government rolled out the Emergency Economic Stabilization Act authorizing the US Treasury Department to spend up to $700 billion to purchase distressed assets from sick banks and to make a direct capital injection into those institutions (The Guardian, 30 August 2009).

Statement of the Problem

In corporate world, Nigeria in particular, audit failure has brought a great deal of disappointment to investors and other corporate financial reporting stakeholders. For some time now audit firm tenure has also been linked with fraudulent financial reporting. Auditor independence which is the pivot of audit quality in recent times seems compromised as most corporations whose financial statements were audited and issued unqualified reports collapsed shortly after audit with the news that the financial statements are grossly misstated (Deirdre, 2013). Auditor independence which determines audit quality was one of the fundamental causes of corporate failures that led to the collapse of hitherto strong firms whose fallout caused the global economic meltdown of the middle 2000. This led to user's apathy and confusion about the role auditors ought to play to safeguard not only their profession but also build and restore investors' confidence with a view to reducing the audit expectancy gap that existed after the collapse of these firms. Investigations into their collapse revealed that their failures were not unconnected with auditors‟ inability to exhibit their professional competence and independence. The collapse of these firms caused the erosion of shareholders‟ fund, and further widened the gap between shareholders and management. In the same vein, creditors and other fund providers lost their fate in what would be their compensation for their lost investments. The questions raised by various users of financial statements are whether auditors have compromised with the management of firms or are grossly incompetent to perform their statutory duties? Recent studies have uncovered four threats to auditor independence, which are client importance, non-audit services (NAS), auditor tenure, and client's affiliation with CPA firms. It is on this note that the researcher deems it plausible to review relevant literature to find out if the unveiled threats have any effect on auditor independence which has a strong bond with audit quality. Empirical studies on auditor independence and audit quality were centered on one or two of the threats and majorly done outside Nigeria. This may be perceived as a research gap for domestic work; however, the section on empirical review will determine the position of the researcher

Objectives of the Study

The main objective of the study is to examine the relationship between auditor's independence and financial performance of selected Deposit Money Banks in Nigeria. The study outlines the following specific objectives

i. To investigate the relationship that exists between audit fee and financial performance

ii. To examine the relationship that exist between audit rotation and financial performance

iii. To find out the relationship that exists between audit tenure and financial performance

Statement of hypotheses

Based on the literature, the following hypotheses were developed. The null hypothesis (Ho):

H_{o1}: There is no significant influence of audit fee on financial performance.

H_{o2}: Audit rotation has no significant influence on financial performance

H_{03}: There is no significant influence of audit tenure on financial performance

LITERATURE REVIEW

Auditor Independence

Auditor's independence may be defined as an auditor's unbiased metal attitude in making decisions throughout the audit and financial reporting process. An auditor's lack of independence increases the possibility of being perceived as not being objective. This means that the auditor will not likely report a discovered breach (Deangelo, 2012). The major threats to auditor independence are the fees perceived by the auditor for audit and non-audit services and the length of the auditor client relationship. The impaired independence of an auditor result in poor audit quality and allows for greater earnings management and lower earnings quality (Okolie, 2014). Auditor's independence may be impaired by auditor tenure. As the auditor client relationship lengthens, the auditor may develop close relationship with the client and become more likely to act in favour of management, resulting in reduced objectivity and audit quality. Audit quality is an important issue that is considered by various interest groups in the company, audit scope and capital market. Because audit quality is barely visible in practice, research in this area has always been faced with many problems of definition. One of the most common definitions of quality audit, which is defined by De Angelo (2000), is the market assessment of the likelihood that the auditor (i) detect significant distortions of the financial statements or employers accounting system and (ii) report significant distortions. The major threats to auditor independence are the fees perceived by the auditor for audit and non -audit services and the length of the auditor–client relationship. The impaired independence of an auditor result in poor audit quality and allows for greater earnings management and lower earnings quality (Okolie, 2014). Auditor independence may be impaired by auditor tenure. As the auditor client relationship lengthens, the auditor may develop close relationship with the client and become more likely to act in favour of management, resulting in reduced objectivity and audit financial statement. Auditor's Independence Bahram Soltani (2007: 196) describes the notion of auditor‘s Independence is as follows: auditor independence refers to the auditor‘s ability to maintain an objective and impartial mental attitude throughout the audit . Furthermore Rick Hayes, (2004: 85) defines the independence of the auditor is as follows: Independence is described as having a position to take an unbiased viewpoint in the performance of audit tests, analysis of results, and attestation in the audit report. Next Arens, et.al (2012: 131) explains that: Independence requires an attitude of responsibility separate from the client‘s interest. The auditor must maintain an attitude of healthy professional skepticism. Based on the above understanding can be concluded that the independence of the auditor is the auditor's ability to maintain mental attitude objectively and impartially in the interests of the client in conducting the audit, analyzing the results, and attestation in the audit report. Arens et.al (2012: 34) explains that the independence of the auditor is divided into two parts as follows: Independence as consisting of two components: independence in mind and independence in appearance. Independence of mind reflects the auditor‘s state of mind that permit the audit to be performed with an unbiased attitude. Independence of mind reflects a long-standing requirement that members be independent in fact. Independence in appearance is the result of others ‘interpretation of this independence. If auditors are independent in fact but users believe them to be advocates for client, most of the value of audit function is lost Furthermore Mautz and Sharaf (1993: 249) explains that the independence of auditors is composed of three dimensions with the following statement:

We have advocated recognition of three dimensions of independence as follows:

i. Programming independence: freedom from control or undue influence in the selection of audit techniques and procedures and in the extent of their application. This requires that the auditor have freedom to develop his own program, both as to steps to be included and the amount of work to be performed, within the overall bounds of the engagement.

ii. Investigative independence: freedom from control or undue influence in the selections of areas, activities, personal relationships, and managerial policies to be examined. This requires that no legitimate source of information to be closed to the auditor.

iii. Reporting independence: freedom from control or undue influence in the statement of facts revealed by the examination or in the expression of recommendations or opinions as a result of the examination

Mautz and Sharaf (1993: 249) states that the independence of auditors is composed of three dimensions: the independence of the audit program, the investigative independence, and the independence of the audit reporting.Mautz and Sharaf (1993: 249) adds indicators to assess the independence of auditors as follows: Programming independence indicators:

a. Freedom from managerial interference or friction intended to eliminate, specify, or modify any portion of the audit.

b. Freedom from interference with or an uncooperative attitude respecting the application selected procedures.

c. Freedom from any outside attempts to subject the audit work to review other than that provided for in the audit process.

Investigative independence indicators:

a. Direct and free access to all company books, records, officers and employee, and other source of information with respect to business activities, obligations, and resources.

b. Active cooperation from managerial personnel during the course of the auditor's examination.

c. Freedom from any managerial attempt to assign or specify the activities to be examined or to establish the acceptability of evidential matter.

d. Freedom from personal interests or relationships leading to exclusion from or limitation of the examination of any activity, record, or person that otherwise would have been included in the audit.

Reporting independence indicators:

a. Freedom from any feeling of loyalty or obligation to modify the impact of reported facts on any party

b. Avoidance of the practice of excluding significant matters from the formal report on favor of their inclusion in an informal report of any kind.

c. Avoidance of intentional or unintentional use of ambiguous language in the statement off acts, opinions, and recommendations and in their interpretation.

d. Freedom from any attempt to overrule the auditor‘s judgment as to appropriate content of the audit report either factual matter or his opinion. Furthermore Rick Hayes, et.al (2004: 85) states that the independence of auditors consists of two dimensions as follows: ―Independence is described as: independent in fact: accountant‘s ability to maintain an unbiased attitude throughout the audit, so being objective and impartial; independent in appearance: the result of others ‘interpretations of this independence

Auditor Independence and Financial Performance

In Nigeria, every incorporated company is required to appoint an external auditor, who is required to render an independent opinion on the financial statements; whether or not they show a true and fair view. The Companies and Allied Matters Act (1990) states that every auditor of a company shall have a right of access, at all times, to the books, accounts and vouchers of the company and to such information and explanations as may be necessary in the course of an audit. The auditor shall make a report to the members of the company on the accounts examined by them. The auditor in performing his duties is expected to exercise all care, diligence and skills as is reasonably necessary in each particular circumstance. Audit report is the medium through which the auditor expresses his opinion on the financial statement examined by him. Due to familiarity, threat of replacement of an auditor, provision of book-keeping services by the auditor and many other factors, the auditor may want to issue an unqualified audit report even when the situation on ground proved otherwise. This situation raises doubt about the independence of an auditor. Independence is the cornerstone of accountability. The challenge is that corporate management hires, fires, and pays both their internal and external auditors. Auditors, therefore, develop good relationships with management to keep the job of the client. They may not, therefore, be independent of the corporate management. In the United States of America, the Sarbanes-Oxley Act (2002) prevents auditors from providing non-audit services to their clients. Nevertheless, auditors will understandably, want to keep their clients for as long as possible (George, 2003). Woodland and Reynolds (2003), examined the association between indirect measures of audit quality and financial statement analysis using multivariate regression analysis. They found that audit fees is positively associated with financial statements but do not find evidence that auditor size, tenure or industry specialization are associated with audit quality in the directions predicted. Their results provide new evidence as to the current usefulness of these indirect measures in predicting audit quality. Zureigat (2010), examined the effect of financial structure among Jordanian listed firms on audit quality. Using a sample of 198 companies, his analysis of logistic regression shows a significant positive relationship between audit quality and financial structure. Nam (2011), examined the relationship between audit fees as a proxy for auditor independence and audit quality of firms in New Zealand. Employing three multiple regression models for a sample of New Zealand companies, his study discovered that the provision of non-audit services by the auditors of a firm comprises the auditor’s independence, abnormal audit fee change rate is negatively associated with audit quality and auditor's independence of the previous year impacts on the audit fee that is negotiated in the current year. Jeff et.al, (2012), examined the links between audit fees and measures of audit quality. Their results show that higher annual excess fees and abnormal audit fees are generally associated with lower audit quality while a multi-period measure that reflects consistently high audit fees is associated with a positive long-run relationship between audit quality and audit fees. Choi (2010), examined whether the association between audit fees and audit quality is asymmetric and thus non linearin the sense that the association is conditioned upon the sign of abnormal audit fees for their total sample of client firms with both positive and negative audit fees.

Audit tenure and financial performance

A long association between a company and an accounting firm may lead to such close identification of the accounting firm with the interests of its client's management that truly independent action by the accounting firm becomes difficult pointed out that complacency, lack of innovation, less rigorous audit procedures and a learned confidence in the client may arise after a long association. "The audit firm's (auditors‟) total duration to hold their client or number of consecutive years that the audit firm (auditor) has audited the client" (Johnson, Khurana and Reynold, 2002).Auditor tenure has two aspects: the tenure of individuals engaged in the audit, particularly the engagement partner, and the tenure of the audit firm.

Empirical evidence regarding the effect of auditor tenure on audit quality supports both arguments, with studies finding that audit quality both increases and decreases as audit firm tenure increases (Johnson, et al, 2002, Myers, Rigsby and Boone, 2003, Mansi, Maxwell and Miller, 2004, Ghosh and Moon, 2005). Some studies on audit partner tenure find a positive association between audit partner tenure and audit quality measured by discretionary accruals (Chi, Huang, Liao and Xie, 2009, Chen, Huang, Liao, and Xie,2010). Hence, the imposed mandatory partner rotation, which limits auditor partner tenure, can result in decreased audit quality. On the other hand, other studies find a negative association between audit quality and long audit partner tenure (Carey and Simnett, 2006, Hamilton, Ruddock, Stokes and Taylor, 2005). Hence, the effects of audit partner rotation on audit quality are still inconclusive.

Audit fee and financial performance

The amount of audit fee can vary depending on the assignment risk, the services complexity, the level of expertise required, the cost structure of Public Accountants Firm, and other professional considerations. Public Accountant Firm members are not allowed to get clients by offering fee that could damage the image of the profession. Members must be able to show the work done professionally and meet the specified quality requirements and meet the needs of the client. Iskak (1999 in Suharli and Nurlaelah, 2008) defines audit fee as the fee charged by a public accountant to the client for the financial audit services. This is in accordance with the opinion of The Securities and Exchange Commission, Final

Rule (in Yuniarti, 2011) that the audit fee is the fees paid for annual audits and reviews of financial statements for the most recent fiscal year. Large size of audit fees is normally associated with a higher risk of losing the auditor's independence. The IFAC's Code of ethics for professional Accountants suggests that client size (measured from size of fees) could raise doubts as to independence. In Malaysia, the MIS By Law (Section B-1.98 on Professional Independence) has emphasized that:

"if the total fees (arising from assurance and non-assurance services) generated by one assurance client or its related entities exceed 15% of the firm's total fees in each year over two consecutive financial periods, financial dependency shall be considered to exist, in which case, a self-interest threat to independence is created. In such event, the only course of action is to refuse to perform or withdraw from the assurance engagement."

Most empirical studies conducted on size of audit fees do not look at the factor above, instead they inter-relate it with other factors. For example, Shockley, 1981 suggests that the adverse effects of Management Advisory Services, the size of the audit firm and competitive on a third party's audit independence actually arise because of the link of these variables to audit fees. Nevertheless, there is a study that proves otherwise. Gul, 1989 proved that each independence related variable namely Management Advisory Services, competition and audit firm size, after audit independence in its own right. He also found size of audit fees to be an important determinant of audit fee (measured as a percentage of office revenues to the audit firm), though do not show any significant impact on audit independence, have influenced respondents to feel less confidence in the auditor's independence.

Auditor Rotation and financial performance

Auditor rotation includes audit-firm and audit partner rotation. The logic behind partner rotation is to bring in fresh perspective to the audit and encourage a "fresh viewpoint" which enhances the technical rigour of an audit (AICPA, 1978, 1992; ICAEW 2002; Dopuch et al 2001; ICC 2005). Seidman (1939: 424) describes rotation as: "a new auditor, like a new broom, will make a clean sweep and can pick up things not caught by the predecessor. "Basically, the researches of the effects of audit partner rotation on audit quality are mixed. For instance, Monroe and Hossain (2013) conclude that the implementation of mandatory audit partner rotation has improved audit quality because audit firms were more likely to issue qualified going-concern opinions for financially distressed companies following mandatory partner rotation. Hamilton (2005) and Fargher (2008) also report a positive association between audit partner changes and audit quality.Firth (2012) find mandatory audit partner rotation are associated with higher modified audit opinion proxy for audit quality especially for less developed regions. But Carey and Simnett (2006) report a significant negative association between mandatory audit partner rotation and audit quality when the tenure is more than seven years. Again, Chen (2008) and Chi (2009) find that audit quality deteriorates after partner rotation using discretionary accruals as a measure of earnings quality in Taiwan Bae, Kallapur and Rho

(2013) argued that auditor rotation could affect audit quality in the following ways: (1) Long tenure might induce complacency among auditors and make them identify with the client, reducing their independence and could result in stock option backdating (Ouyang and Wan, 2013) (2) Mandatory rotation could keep auditors on their toes since they know that their work will be reviewed by a fresh pair of eyes.(3) Mandatory rotation might create a misalignment-if there is a single auditor best suited for a client, then the client has to forego that auditor's services and settle for another less-well-suited auditor when subjected to mandatory rotation (Pitt 2012:20). (uniquely-well-suitedauditor argument) and (4) Rotation could affect audit market concentration and competition, which in turn might affect audit quality Mandatory rotation could also affect audit quality through its effect on the audit market structure and theincrease or decrease in the choice of qualified auditors for clients (Baeet,2013). It was argued by the Metcalfe commission (1977) that rotation will allow more audit firms to enter the market thereby expanding the choice available to clients. However, excessive competition may be bad and mandatory rotation may worsen the problem (Cohen Commission,1978).Mandatory rotation eliminates the expectation of a continued stream of revenues and thereby liberates auditors from the pressure to bend to clients' will to prevent the loss of the revenue stream (Bazerman, Morgan and Loewenstein 1997, PCAOB 2011), Dopuch, King, and Schwartz (2001) said that auditor rotation leads to less biasing audit reports.Lu and Sivaramakrish nan (2009) said that auditor rotation reduces overstatements and increases understatements insinuating increased reporting conservatism. Olowookere and Adebiyi (2013) Auditor rotation prevents the audit firm from developing a close relationship with the client and also provides an incentives for the audit firm to carry out its work to a high standard because they are aware that the quality of their work will be observable to some extent when a new firm of auditors take over the audit Catanach and Walker (1999) they mentioned that the said rotation would increase the quality of services provided by the auditor because the audit firm would attempt to differentiate themselves from other firms through the quality of their work. When the same client (management) is audited too frequently by a particular auditor, the auditor tends to be too familiar with the client. This over familiarity between the auditor and client is likely to restrict the value added service of the auditor. For example, the audit programme may become stale as the auditor begins to anticipate the condition of the client's system. As such, the quality of the audit work becomes compromised. The beauty of mandatory auditor rotation is that it will limit the formulation of audit –client relationships that can most times lead to compromising independence.

THEORETICAL FRAMEWORK

Auditing plays a vital role in reducing both: information asymmetry by empirically confirming the validity of financial statements and agency problems. The principal-agent conflict illustrated in agency theory, where principal (owner) lack reasons to believe their agents (managers) because of information asymmetries and contradictory motives. Information asymmetry deals with the study of decisions in transactions where one party has more or superior information than other(s). The contradictory motives such as financial rewards, labor market opportunities, and associations with other parties that are not directly related to principals can, for example, consequence for agents to be more optimistic about the economic performance of an entity rather than a performance of whole company. Differing motivations and information asymmetries decrease reliability of information, which cause breach of trust that principals will have on their agents. Therefore auditors as a third party used to try to align the interests of agents with principals and to let principals to gauge and manage the behavior of their agents and strengthen trust on agents. This, however, brings new concept of auditors as agents, which leads to breach of trust, threats to objectivity and independence. When auditors perform an audit they are acting as agents for principals and this liaison therefore arising similar issues of trust and confidence as the director-shareholder relationship, prompting questions about who is auditing the auditor. Agents (either directors or auditors) may be trustworthy without further incentives to align interest or monitoring strategies such as audit or increased regulation. However, the simple agency model would recommend that agents are untrustworthy because managers, auditors will have their own interests and motives. Independent auditor from the board of directors is of huge importance to shareholders and key factor to deliver high audit quality. However, an audit obliges a close working relationship with the board of directors of a company. The fostering of this close relationship has led question mark on the independence of auditors and ultimately question mark on audit quality (The Institute of Chartered Accountants in England and Wales, 2002).

Sarens and Abdolmohammadi (2007), states that according to the agency theory, a company consists of a set of linked contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling these resources. Jensen and Meckling (1976), states that in agency theory, agents have more information than principals and this information asymmetry adversely affects the principals' ability to monitor whether or not their interests are being properly served by the agents.

Sarens and Abdolmohhamadi (2007), opines that an assumption of agency theory is that principals and agents act rationally and use contracting to maximize their wealth. A consequence of this is the moral hazard issue. Jensen and Meckling (1976), opine that moral hazard constitutes a situation where to maximize their own wealth, agents may face the dilemma of acting against the interests of their principals. Since principals do not have access to all available information at the time a decision is being made by an agent, they are unable to determine whether the agent's actions are in the best interest of the firm. To reduce the likelihood of the moral hazard, principals and agents engage in contracting to achieve optimality, including the establishment of monitoring processes such as auditing.

Watts (1998), observes that auditing is considered as a bonding cost paid by agents to a third party to satisfy the principals' demand for accountability. Like any other cost of running the business, the cost of auditing is borne by principals to protect their economic interests.

METHODOLOGY

This study adopts the Ex-post facto method of research. This is because data needed for analysis already exist. The population of the study is comprised of fifteen (15) banks listed on the floor of Nigeria Stock Exchange (NSE), A sample size of seven (7) audited financial Report of these banks for the period ending 2017 was selected using the Purposive sampling technique. The multivariate regression analysis was used with the aids of Stata 12.

Model Specification and Measurement of Variables

$FINPER_{it}=\alpha_0+\alpha_1AUDFEE_{it}+\alpha_2AUDROTA_{it}+\alpha_3AUDTNOR_{it}+\alpha_4LEV_{it}+\alpha_5PROFIT_{it}+e_{it}$ Where;

FINPER = Financial Performance

AUDFEE = Audit Fee

AUDROTA = Audit Firm Rotation

AUDTNOR = Audit Tenure

Control variables

LEV = Leverage

PROFIT = Profitability (profit after tax)

e_t= Error Term α_0 = Intercept

DATA ANALYSIS AND DISCUSSION OF FINDINGS

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. mvreg PROFIT LEV = AUDTNOR AUDROTA AUDFEE
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Equation	Obs	Parms	RMSE	"R-sq"	F	P
PROFIT	42	4	30156.84	0.2663	4.597816	0.0077
LEV	42	4	11222.39	0.0514	.6860352	0.5661

	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
PROFIT						
AUDTNOR	8.41328	3.536884	2.38	0.023	1.253232	15.57333
AUDROTA	-8.277008	33.22312	-0.25	0.805	-75.5337	58.97968
AUDFEE	3.569552	1.349371	2.65	0.012	.837893	6.301211
_cons	-277.7404	10529.68	-0.03	0.979	-21593.95	21038.47
LEV						
AUDTNOR	-.8065096	1.316196	-0.61	0.544	-3.471009	1.85799
AUDROTA	-9.858906	12.36346	-0.80	0.430	-34.88743	15.16962
AUDFEE	.5844826	.5021472	1.16	0.252	-.4320613	1.601026
_cons	965.21	3918.453	0.25	0.807	-6967.284	8897.704

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Discussions of Findings

The multivariate regression result above shows that about 75% of auditor independence result to quality financial performance of the banks, traceably to auditor independence and profitability of the banks as a result of having auditors tenure very significant and also have positive relationship with the profitability of the banks and also The model has also shows that Audit fee has a positive association with quality financial performance, which mean, Auditors must be able to show the work done professionally and meet the specified quality requirements and meet the needs of the client. Large size of audit fees is normally associated with a higher risk of losing the auditor's independence, as a result of its significant attached to it. Auditor doing their work well because they have been paid well, therefore, we can say that audit fee is very significant to financial performance, even at our p>/t/ is less than our 5% (0.05) significant level. According to our result above, prosper and regular payment of audit fee will result to 84% of auditor independence on preparing quality financial statement, and when is well prepared, fraud and others criminality will be pointed out, which will help the profitability of the company (Banks). This study agreed along with a research taken out by Babatolu, Aigienohuwa and Uniamikogbo (2016) examined the effect of auditor independence on financial statement 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 analyze 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. The correlation between audit quality and leverage was strong, negative and statistically significant. The correlation between audit quality and company size was strong, positive and statistically significant. The use of purposive sampling technique which is unscientific to determine sample size limit validity of the findings.

In conclusion, audit rotation is not significant to financial performance of the banks, it also has weak relationship with the financial performance

In addition, the three independence variables jointly explained the dependence variable well with 0.0007, which is less than 0.05 of significant level.

Audit fee has a good relationship with leverage but is not significant, in order word, all the variables has no significant with leverage as well as relationship with audit fee. Therefore, the explanatory variables do not jointly explain the dependence variable.

CONCLUSION

The relationship between financial performance and audit tenure is strong, positive and statistically significant at 5% level of significance($r = 8.413$, $p \leq .023$). The positive relationship means that the longer the tenure of the auditor, the more qualitative the audit is likely to be.

Audit rotation is weak in term of relationship with financial performance, and is also not statistically significant at 5% level of significance ($r = -8.277$, $p \leq .805$). The negative relationship means that the regular rotation of auditors will not help checkmate some of the threats to the independence of auditors which could not adversely affect or jeopardize the quality of financial performance.

The regression between financial performance and audit rotation is negative and not statistically significant at 5% level of significance ($r = -827$, $p \leq .805$). The negative relationship means that the rotation of audit does not lead to financial performance, because regular rotation of auditors will not help checkmate some of the threats to the independence of auditors which could not adversely affect or jeopardize the financial performance

The regression between auditor independence and company leverage are all weak except audit fee, negative and statistically insignificant at 5% level of significance. The negative relationship means that the higher the leverage level of the firm, the lower is the financial performance likely to be. But audit fee has a strong relationship but not statistically significant at 5% level of significance ($r = 3.562$, $p \leq .252$).

This means, audit fee is associated with financial performance but not statistically significant at 5% significance level to leverage of the firm.

Therefore, the explanatory variables jointly explained profitability at .007 while same variables do not jointly explained the leverage at .566.

Recommendations

In order to make auditors independence more effective in their activities, so that they can continue to play their appropriate roles in the growth and development of deposit money banks and the economy at large, the following measures are recommended for adoption and practice:

i. It is also recommended that the auditor should be remunerated on the basis of work experience, qualification, duration of the audit assignment, and background profile. The payment of the adequate fee will encourage the auditor to do the assurance engagement assignment according to the high degree of standardization expected.

ii. Auditors of deposit money banks in Nigeria should live up to the expectations of their clients, their professional bodies, the laws of the land and the general public. These can be achieved by upholding the ethics of their profession as they observe ethical codes such as integrity, objectivity and confidentiality. iii. The professional bodies should always watch governmental actions and raise alarm on policies which could hinder smooth discharge of Auditors’ responsibility, especially in the audit of deposit money banks in Nigeria.

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