

Impact of Auditor Independence on Audit Quality of Listed Insurance Companies in Nigeria

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Abstract:

In recent times, Nigeria has battled towards breaking loose from the recent excruciating economic recession; the need to maintain investors' confidence in the capital market through high-quality audit and transparent financial reporting is unequivocally paramount. Within this context, the study examines the impact of auditor independence on audit quality of listed insurance companies in Nigeria. The study espoused on Auditors' Theory of Inspired Confidence, as a theoretical background to develop an empirical framework to examined auditor independence and audit quality of listed insurance companies in Nigeria. Ex-post facto research design was adopted as well as the existing financial statement of listed insurance companies in Nigeria using secondary data. The population of this study comprised of all the 26 insurance companies listed in the Nigerian Stock Exchange (NSE) at 31st December, 2020 while 10 listed insurance companies constitute the sample size of the study. Spearman correlation coefficient was used in other to determine the relationship between audit quality and audit independence. Based on the findings, the study discovered that audit fee has significant impact on audit quality of listed insurance companies in Nigeria. Audit tenure has no significant impact on audit quality of listed insurance companies in Nigeria and audit rotation has significant impact on audit quality of listed insurance companies in Nigeria. The study concludes that audit quality was found to be significantly related to audit fee with a positive relationship. The positive relationship implies that the quality of audit dependent on the audit fee. The higher the audit fee, the higher qualitative and reliable the audit work will be. The study recommends that government through the various professional bodies should develop robust policies that will help improve audit quality in Nigeria through effective audit rotation so as to avoid familiarity.

Keywords:

Audit Quality, Auditor, Companies, Impact, Independence, and Insurance

I. Introduction

Theoretically, the auditor is expected to be independent of the management staff of the company being audited. However, a number of factors like familiarity, threat of replacement of an auditor and the provision of management advisory services appear to impair auditor's independence (Adeyemi, 2012). Concerns have been expressed about the conflict of interest between the statutory role of the auditor and the other services it may undertake for a client (UK House of Common Treasury Committee, 2008). The spate of audit failures in the world has brought a great deal of disappointment to investors and other corporate financial reporting stakeholders (Aondover, 2025).

It is also apparent in the literature that window dressed accounts raised concerns in the USA with the collapse of the energy corporation ENRON in 2001. The company filed for bankruptcy after adjusting its accounts. WorldCom, Global Crossing and Rank Xerox are

other companies in the USA with similar problem. In Italy, Parmalat failed in 2003 when it engaged in accounting scandals worth 8 billion Euros (Norwani, *et al.*, 2011). In New Zealand, Allied Nationwide Finance failed in September 2010 while NZF Money became bankrupt in January, 2011 (Lianne, 2011). Nigeria has had its own share of financial reporting failures with the problems of Cadbury Nigeria Plc. in 2006; Afribank Nigeria Plc faced problem of financial reporting in 2009; Intercontinental Bank Plc. in 2009.

Similarly, Ugochukwu and Esona (2020) investigate whether auditor's independence affects audit quality in deposit money banks in Nigeria. The study found that audit committee independence affects audit quality of quoted Nigerian deposit money banks. Also, that audit fees have affected audit quality of quoted Nigerian deposit money banks. Ilaboya & Ohiokha (2014) in their study examine the impact of audit firms' characteristics on audit quality. They found that there is a positive relationship between firm size, board independence and audit quality whereas there is a negative relationship between auditor's independence, audit firm size, audit tenure and audit quality. Therefore, countries all around the world have set codes of best practice as guidelines to address governance and financial reporting anomalies: Cadbury Report was produced in United Kingdom, Sarbanes Oxley in United States, The Dey Report in Canada, the Vienot Report in France, the Olivencia Report in Spain, the King's Report in South Africa, Principles and Guidelines on Corporate Governance in New Zealand and the Cromme Code in Germany. The goal of these regulations was to improve firms' corporate governance environments (Bhagat & Bolton, 2009).

The auditing profession performs a role in giving reasonable assurance to the various users of financial statements as it relates to the reliability and credibility of the figures presented by management in the financial statements. However, this seems futile as several cases of corporate financial scandals in Nigerian companies, which have posed a great challenge on the credibility of audit reports, since these cases resulted from audited financial statements where the auditors failed to detect and report financial misstatements and manipulations. This has brought a great deal of disappointment to investors and other corporate financial reporting stakeholders consequently, impacting negatively on investors' economic decisions.

Studies like Haboya and Ohiokha (2014) are of the view that such perceived audit quality failure can be traced to over familiarity due to longevity of audit firm tenure. The high or low fees as observed by some researchers can influence audit quality. According to Taqi (2013), the auditors that obtain higher fees send signals to the stakeholders that they will provide a high-quality audit. In contrast, Zunaidah, John, Amariah, Zuraidah and Carl (2013) are of the opinion that higher audit fees can impair audit independence consequently marring the quality of audit. Nasution (2013) also believes that these scandals took place because of the auditors' lack of independence. Another possible cause of perceived reduction in audit quality can be traced to a threat of replacement that might instill fear of losing the reputation that the audit firm has built over the years in form of size and market gain.

Ogbeide *et al.* (2018) investigates the impact of auditor's independence on audit quality of the insurance companies listed on the Nigerian Stock Exchange (NSE) from 2013 to 2016. The study utilised a sample size of 24 insurance companies which was determined using the Yamane formula. The study made use of secondary data which were sourced from the audited annual financial statements of the sampled companies. The data were analysed using descriptive statistics, correlation matrix and the panel regression technique. The findings show that there is a significant negative relationship between audit firm tenure and audit quality,

while the relationship between audit firm rotation and audit quality was positive and statistically insignificant. Company size showed a strong positive relationship with audit quality.

Aliu, Okpanachi, and Mohammed (2018) examined the effect of auditor's independence on audit quality of listed oil and gas companies in Nigeria over a period of ten (10) years (from 2007 to 2016). The sample size comprises of nine (9) companies of the Nigeria Stock Exchange selected using purposive sampling technique. The study uses secondary data which were sourced from the audited annual financial statements of the sampled companies. The panel data were analyzed using descriptive statistics, correlation matrix and binary logit regression technique. The findings show that there is a significant positive relationship between auditor's independence and audit quality.

Ndubuisi, Okeke and Chinyere (2017) study the determinants of audit quality with a focus on health firms listed on the floor of Nigeria Stock Exchange from 2010-2016. The study made use of secondary data obtained from books, annual reports and account of selected healthcare firms under study. The relevant data were subjected to statistical analysis using Pearson Coefficient Correlation, Ordinary Least Square (OLS) and Granger causality test with the aid of E-view 9.0. The result of the study revealed that there is a positive and statistically significant relationship between audit independence and audit quality of healthcare firms listed on the floor of Nigeria Stock Exchange.

Based on the existing literature, it is apparent that majority of these studies investigated factors that affect auditor independence in financial statement auditing in other continent and those conducted in Nigeria is on banking sector. However, this current study is going to be conducted in insurance industry, considering its importance as auditor independence and audit quality lend credibility to accounting information and enhance its integrity in order to achieve increased credibility of financial statements. In terms of technique of analysis, majority of the studies used a common technique of analysis like OLS regression, but this study will consider Descriptive Statistics, Correlation Matrix, Hausman Tests, and Regression Outputs, which was presented in tables in order to address the research objectives and the hypotheses as well as their superiority in terms of accuracy and clarity.

Similarly, most of the existing studies (Haboya & Ohiokha, 2014) are time bound and hardly go beyond 2012-2016, which the current study is going to cover beyond that. Additionally, most of the studies (Adeyemi, 2012) reviewed used variables like audit opinion, auditor industry specialization; audit experience, among others to proxy auditor independence and audit quality. However, this study considered audit tenure, audit fees and audit firm rotation. Within this context, therefore, this study intends to examine auditor independence and audit quality of listed insurance companies in Nigeria.

1.1 Objectives of the Study

The main aim of this study is to examine the impact of auditor independence on audit quality of listed insurance companies in Nigeria. To achieve this broad aim, the following specific objectives are set:

1. To determine the impact of audit tenure on audit quality of listed insurance companies in Nigeria.
2. To examine the relationship that exists between audit firm rotation and audit quality of listed insurance companies in Nigeria.
3. To examine the possible relationship that exists between audit fees and audit quality of listed insurance companies in Nigeria.

1.2 Research Hypotheses

In line with the objectives above, the following null hypothesis would be tested in the course of the study:

H0₁: There is no significant relationship between audit tenure and audit quality of listed insurance companies in Nigeria.

H0₂: There is no significant relationship between audit firm rotation and audit quality of listed insurance companies in Nigeria.

H0₃: There is no significant relationship between audit fees and audit quality of listed insurance companies in Nigeria.

II. Review of Literature

2.1 Empirical Review

Bassey *et al.*, (2020) examined the possible connections between audit independence and quality of auditing in Nigeria. The objectives were centered on assessing possible effect of audit fees, audit workers rotation and audit tenure on quality of audit in Nigeria. The study employed ex-post-facto research design based on data sourced from selected firm's yearly reports for time period that ranged from 2010 to 2019. The research used panel least square procedure based on fixed and random effect framework and houseman test was equally employed to select best model to estimate the parameters contained in the model. Findings from research analyses revealed that audit fees negatively and significantly affected audit quality in these selected Nigeria based banks, and that audit workers rotation negatively and insignificantly affects audit quality in these selected Nigeria based banks. Lastly, the research revealed that audit tenure negatively and insignificantly affects audit quality in these selected Nigeria based banks.

Mgbam, Eragbhe and Osazuwa (2012) study provides evidence on the existence or otherwise of a relationship between the tenure of auditor and audit quality in Nigeria. Cross sectional data gathered from annual reports of selected quoted companies in Nigeria was used for this study. The data were from audits completed in 2010. Sample sizes of fifty (50) companies of the 199 listed firms in Nigeria were selected using the simple random sampling technique. The Binary Logit Model estimation technique was use to analyze the relationship between the tenure of an auditor and audit quality. Findings reveal that there is a negative relationship between auditor tenure and audit quality though the variable was not significant. The other explanatory variables (ROA, Board Independence, and Director Ownership and Board size) considered alongside auditor tenure were found to be inversely related to audit quality aside from Returns on Assets which exhibited a positive effect.

Duc, Yen, Thuy, Hung and Thanh (2020) employed a subject-based framework to explore the factors that affect auditor independence in financial statement auditing in Vietnam. The data collected using one-on-one interview and group discussion techniques were qualitatively analyzed through open coding, axial coding, and selective coding. Thereafter, 100 experienced practicing auditors were interviewed to confirm the results of the research. The research findings showed that the main factors affecting auditor independence are personal characteristics of the auditor, the audit firm's environment, and legal environment in audit. At the same time, the research uncovered several new factors affecting auditors' independence in Vietnam, namely, ethical awareness of auditors, learning and training, industry-specific skills, findings can serve to guide the management of the process of auditing financial statements while adhering to the ethical framework of auditing in Vietnam.

Ugochukwu and Esona (2020) investigate whether auditor's independence affects audit quality in deposit money banks in Nigeria. Specifically, the study sought to ascertain the effect of audit tenure and, audit fees on audit quality of deposit money banks in Nigeria. Ex-post facto research design was adopted for the study. All the quoted deposit money banks were used as sample for the study. Data were extracted from annual reports and accounts of the sampled banks. Simple regression analysis was used to test the formulated hypotheses with aid of SPSS version 20.0. Based on the analysis, the study found that audit committee independence affects audit quality of quoted Nigerian deposit money banks. Also, that audit fees have affected audit quality of quoted Nigerian deposit money banks.

Ogbeide *et al.* (2018) investigates the impact of auditor's independence on audit quality of the insurance companies listed on the Nigerian Stock Exchange (NSE) from 2013 to 2016. The study utilised a sample size of 24 insurance companies which was determined using the Yamane formula. The study made use of secondary data which were sourced from the audited annual financial statements of the sampled companies. The data were analysed using descriptive statistics, correlation matrix and the panel regression technique. The findings show that there is a significant negative relationship between audit firm tenure and audit quality, while the relationship between audit firm rotation and audit quality was positive and statistically insignificant. Company size showed a strong positive relationship with audit quality.

Aliu, Okpanachi and Mohammed (2018) examined the effect of auditor's independence on audit quality of listed oil and gas companies in Nigeria over a period of ten (10) years (from 2007 to 2016). The sample size comprises of nine (9) companies of the Nigeria Stock Exchange selected using purposive sampling technique. The study uses secondary data which were sourced from the audited annual financial statements of the sampled companies. The panel data were analyzed using descriptive statistics, correlation matrix and binary logit regression technique. The findings show that there is a significant positive relationship between auditor's independence and audit quality.

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Babatolu *et al.*, (2016) examine the effect of auditor's independence on audit quality among seven (7) purposively selected deposit money banks in Nigeria from 2009 to 2013. Adopting descriptive statistics, correlation and ordinary least square (OLS) regression technique, their findings revealed that there is a positive relationship between audit fee, audit firm rotation and audit quality, while a negative relationship exists between audit firm tenure and audit quality. Okolie (2014) examines the relationship and effects of auditor tenure and auditor independence on the earnings management (discretionary accruals) of companies in Nigeria. The study employed the use of secondary data derived from the Nigerian Stock Exchange, fact book on a total of 342 company year observations. The empirical analysis shows that audit tenure and auditor independence exert significant effects and exhibit

significant relationship with the number of discretionary accruals of quoted companies in Nigeria.

Ali and Nesrin (2015) explore the perceptions of Tunisian financial analysts regarding factors influencing auditor independence. The study examines the impact of 49 independence enhancing and threatening factors on the perceptions of 54 financial analysts using a questionnaire instrument. The research method employed in this study is the quantitative questionnaire. A questionnaire was developed and directly distributed in February and March 2014 to 105 Tunisian financial analysts working on behalf stock brokers. The survey focused on 49 audit-related issues drawn from audit literature and Tunisian accounting and audit regulation. The results indicate that the principal threat factors relate to non-audit services provision by the incumbent auditor and the existence of personal and financial relationships. The principal enhancement factor is the positive reputation. Exploratory factor analysis reduces the factors to a small number of dimensions. The most important dimension identified is the economic dependence and existence of personal and financial relationships.

Ilaboya and Ohiokha (2014) in their study empirically examine the impact of audit firms' characteristics on audit quality. They adopted multivariate regression technique in analyzing their data for the study. They proxy the dependent variable (audit quality) using the usual dichotomous variable of 1 if big 4 audit firm and 0 if otherwise. Data for the study were sourced from the financial statements of 18 food and beverage companies listed on the Nigerian Stock Exchange market within the period studied (2007-2012). Their study revealed there is a positive relationship between firm size, board independence and audit quality whereas there is a negative relationship between auditor's independence, audit firm size, audit tenure and audit quality.

Adeniyi and Mieseigha (2013) examined the effect of audit tenure (as proxy for independence) on audit quality in Nigeria. For audit quality, they used a dummy value of 1 if a firm employs the services of any of the big 4 auditors and 0 if otherwise. They measured tenure in terms of number of years spent by the auditor of a sampled company. If greater than 3, they assign 1, else 0. Their study revealed that the relationship between tenure and audit quality was observed to be inverse and this could stimulate the discourse on the sensibleness of changing auditors after a period of time as it may be effective at increasing the level of audit quality. For the other variables examined alongside tenure such as board size, board independence and director ownership which are all proxy of the corporate governance were found to be inversely related with audit quality.

Chijoke, Emmanuel and Nosakhare (2012) examine the relationship between audit partner tenure and audit quality. They used Binary Logit Model estimation technique in analyzing 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 was not significant. The other explanatory variables (ROA, Board Independence, and Director Ownership and Board size) considered alongside auditor tenure were found to be inversely related to audit quality aside from returns on assets which exhibited a positive effect.

Adeyemi, Okpala and Dabor (2012) carried out a study to investigate the factors affecting audit quality in Nigeria. The secondary data were generated from the financial statements of forty annual reports of companies quoted on the Nigerian Stock Exchange. The test of hypotheses and other analysis of data were done using SPSS, version 17. The primary data were supplied by 430 respondents across several stakeholders in the fields of financial

reporting and auditing. The tests revealed that among others, multiple directorships are the most significant in affecting audit quality in Nigeria. In addition, the study found that provision of non-audit service would likely have a significant effect on the audit quality in Nigeria. However, the study did not find audit firm rotation to be a significant factor for enhancing audit quality in Nigeria.

Shafie, Hussin and Yusof (2009) examine the relationship between audit firm tenure and auditor reporting quality in Malaysia. The sample comprises all listed non-finance distressed companies identified using a list of financial indicators under ISA 570 (revised) Going Concern. The data is primarily from annual reports of public listed companies in Bursa Malaysia. The year of 2002 is selected since the ISA 570 (revised) came into force from 1 January 2002. This study employs well-established going concern model of logistic regression. The findings show that audit firm tenure is positively significant relationship with auditor reporting quality.

2.2 Theoretical Framework

This study adopts the Auditors' Theory of Inspired Confidence as a theoretical background to develop an empirical framework to examine auditor independence and audit quality of listed insurance companies in Nigeria. The auditors' theory of inspired confidence offers a linkage between the users' requirement for credibly audited financial reports and the capacity of the audit processes to meet those needs. It was developed by the Limperg Institute in Netherlands in 1985. The theory of inspired confidence posits that the auditor, as a confidential agent, derives his or her broad function from the need for expert and independent assessment plus the need for an expert and independent judgment supported by evidence.

Minimizing the risk of undetected material misstatements implies that an accountant is under a duty to conduct his or her work in a manner that does not betray the confidence which he or she commands before the rational person even if the accountant may not produce anything beyond the expectation of the public (Netherlands, 1985). The import of the theory of inspired confidence is that the duties of the auditors derive from the confidence that are bestowed by the public on the success of the audit process and the assurance which the opinion of the accountant conveys. Since this confidence determines the existence of the process, a betrayal of the confidence logically means a termination of the process or function.

Carmichael (2004) discusses the social significance of the audit and asserts that when the confidence that stakeholders have in the effectiveness of the audit process and the audit report is misplaced, the value relevance of that audit is destroyed. Audit provides assurance to the owners, management, investors and all stakeholders of a company as well as provides confidence in audited financial reporting in the insurance companies.

III. Research Methods

This study adopts ex-post facto research (looking at what already exist). Ex-post facto research is research that is undertaken after the event has taken place and the data is already in existence. It is therefore, a systematic empirical study in which the researcher does not in any way control or manipulates independent variables because the situation for the study already exists or has already taken place. The study used the existing financial statement of listed insurance companies in Nigeria. The population of this study comprised of all the 26 insurance companies listed in the Nigerian Stock Exchange (NSE) at 31st December, 2020.

Therefore, using purposive sampling technique in determining the actual sample size that was selected, the study adopts Yaro Yamane (1968) formula as show below:

The formula is given as:

$$n = N / 1 + N (e)^2$$

Where:

n = sample size

N = population size (26)

1 = Constant

e = Allowable error margin.

Here, the study considers the 5% level (0.05).

Thus the sample size to be used in this study is given below:

$$26 / 1 + 26(0.0025)$$

$$26 / 1 + 0.065$$

$$26 / 1.065$$

$$= 24.4$$

Sample size n = 24 listed insurance companies. Thus, a total of twenty-four (24) insurance companies will be purposively selected based on data availability and serial numbering. The descriptive statistics shows the mean and standard deviation of each independent variables from the mean and standard deviation of the dependent variable.

IV. Results and Discussion

Table 1. Descriptive Statistics of the Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
AQ	50	0.46	0.503	0	1
AF	50	7.411	0.774	6.439	9.740
AT	50	0.22	0.418	0	1
AR	50	0.6	0.494	0	1
LEV	50	0.540	0.229	0.144	1.076
SIZE	50	7.588	0.855	6.71	10.140

Source: Computed using Stata version 14.

Table 1 shows the descriptive statistics result of the dependent and independent variables. A total of 50 observations were recorded. The table shows the mean and standard deviation with minimum and maximum range of the dependent and independent variables. The Audit Quality (AQ) has a mean of 0.46 at a minimum point of 0 and a maximum point of 1 with standard deviation 0.503 showing that there is no much difference among the Audit Quality of the sampled companies. The Audit Fee (AF) scaled down with log has a mean of 7.411 at a minimum point of 6.439 and a maximum point of 9.740 with standard deviation of 0.774. The Auditor Tenure (AT) has a mean of 0.22 at a minimum point of 0 and a maximum point of 1 with standard deviation of 0.418. The Audit Rotation (AR) has a mean of .60 at a minimum point of 0 and a maximum point of 1 with standard deviation of 0.495. The LEV has a mean of 0.540 at a minimum point of 0.144 and a maximum point of 0.540 with standard deviation 0.229. The SIZE has a mean of 7.588 at a minimum point of 6.71 and a maximum point of 10.141 with standard deviation of 0.855.

4.1 Correlation Result

The correlation result shows the relationship between each independent variables and the dependent variable. The values of the correlation coefficient range from -1 to 1. The sign of the correlation coefficient indicates the direction of the relationship (positive or negative) the absolute value of the correlation coefficient indicates the strength, with larger values indicating stronger relationships and lower values indicating weak relationships. The correlation coefficients on the main diagonal are 1.0, because each variable has a perfect positive linear relationship with itself.

Table 2. Correlation Matrix

	AQ	AF	AT	AR	LEV	SIZE
AQ	1.000					
AF	-0.186	1.000				
AT	0.575	-0.055	1.000			
AR	-0.884	0.165	-0.650	1.000		
LEV	-0.082	0.020	0.006	-0.022	1.000	
SIZE	-0.261	0.959	-0.083	0.185	0.059	1.000

Source: Computed using Stata version 14

Table 2 shows the correlation result of the dependent variable AQ and the independent variables, AF, AT, AR, LEV and SIZE. The relationship between AQ and independent variable AF is negative with coefficient of -0.186representing 18.6this means that, all things being equal the higher the AF the lower the AQ. The relationship between AQ and independent variable AT is positive with coefficient of 0.575representing 57.5 percent, this means that, all things being equal the higher the AT the higher the AQ. The relationship between AQ and independent variable AR is negative with coefficient of 0.885representing 88.5this means that, all things being equal the higher the AF the lower the AQ. The relationship between AQ and independent variable LEV is negative with coefficient of -0.082representing 8.2 percent this means that, all things being equal the higher the LEV the lower the AQ. The relationship between AQ and independent variable SIZE is negative with coefficient of 0.261representing 26.1this means that, all things being equal the higher the AF the lower the AQ.

4.2 Regression Result

The regression result shows the impact of each independent variable to the dependent variable. The regression coefficient values indicate the extent of the impact which range from 0% to 100%. This section also presents the F statistics, R^2 and adjusted R^2 of the model.

Table 3. Regression Results

Dependent Variable: AQ				
Variable	Coefficient	Std. error	t-statistic	prob.t
(Constant)	1.168	0.310	3.76	0.001
AF	0.419	0.144	2.90	0.006
AT	-0.015	0.097	-0.16	0.875
AR	-0.883	0.083	-10.55	0.001
LEV	-0.160	0.136	-1.17	0.248
SIZE	-0.420	0.131	-3.21	0.003
R- squared	0.833			
Adj. R- squared	0.814			
F-statistics	44.03			

Prob. (R- squared) 0.001

Source: Computed using Stata version14

Table 3 shows regression results of the model. The model consists of dependent variables AQ and independent variables (AF, AT, AR, SIZE and LEV). In the model the multiple coefficients of determination R^2 is 0.833. This means that 83.3 percent of change in AQ was caused by changes in independent variable AF, AT and AR, while the 16.7 percent change in AQ was caused by other factors not included in the model. The f-statistic from the table is 44.03 which mean that a model with a larger f statistic indicates that the model account for the variation in the dependent variable and is statistically significant because the p-value is 0.001.

The impact of independent variable AQ on dependent variable AF is positive with coefficient value of 0.419, meaning that an increase in AF by one unit while other variable remains constant lead to an increase in AQ by 41.9 percent. The impact of independent variable AT on dependent variable AQ is negative with coefficient value of -0.015, meaning that an increase in AT by one unit while other variable remains constant lead to a decrease in AQ by 1.5 percent. The impact of independent variable AR on dependent variable AQ is negative with coefficient value of -0.883, meaning that an increase in AR by one unit while other variable remains constant lead to a decrease in AQ by 83.3 percent. The impact of control variable LEV on dependent variable AQ is negative with coefficient value of -0.160, meaning that an increase in LEV by one unit while other variable remains constant will lead to a decrease in AQ by 16 percent. The impact of control variable SIZE on dependent variable AQ is negative with coefficient value of -0.420, meaning that an increase in SIZE by one unit while other variable remains constant lead to a decrease in AQ by 42 percent.

4.3 Test of Hypotheses

In order to decide whether to reject or accept the null hypothesis at 0.05 (5%) level of significant, the rejection point is use which states that. (1) If the p value is equal to or less than 5%, the null hypotheses is rejected and the alternate hypotheses is accepted which means that hypothesis generated is true that the variable do have significant impact on each other; (2) If the p value is more than 5%, the null hypotheses is accepted and the alternate hypotheses is rejected.

a. Audit Fee and Audit Quality

The t-cal of AF is 2.90 with p value of 0.006 which is less than 0.05, therefore; the null hypothesis one is rejected which states audit fee has no significant impact on audit quality of listed insurance companies in Nigeria.

b. Audit Tenure and Audit Quality

The t-cal of AT is -0.16 with p value of 0.875 which is greater than 0.05, therefore; the null hypothesis two is accepted which states that states audit tenure has no significant impact on audit quality of listed insurance companies in Nigeria.

c. Audit Rotation and Audit Quality

The t-cal of AR is -10.55 with p value of 0.001 which is less than 0.05, therefore; the null hypothesis three is rejected which states that states audit rotation has no significant impact on audit quality of listed insurance companies in Nigeria.

V. Conclusion

Based on the findings the following conclusions were drawn: Audit quality was found to be significantly related to audit fee with a positive relationship. The positive relationship implies that the quality of audit dependent on the audit fee. The higher the audit fee, the higher qualitative and reliable the audit work will be. Audit tenure was found to exhibit negative and significant relationship with audit quality. To this end, this study concludes that the length of auditor-client relationship does not improves the audit qualitative. Audit rotation was also found to exhibit negative and significant relationship with audit quality. In other audit rotation does not improve audit quality of insurance company reporting in Nigeria.

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