JOURNAL OF GLOBAL ACCOUNTING
9 (2) July, 2023.
ISSN: 1118 – 6828
https://journals.unizik.edu.ng/joga

DETERMINANTS OF AUDIT QUALITY DISCLOSURES OF NON-FINANCIAL FIRMS LISTED ON THE NIGERIAN EXCHANGE GROUP

Paper Type: *Original Research Paper.*
Correspondence: *iyonasuen@yahoo.co.uk*
Key words: *Audit Quality Disclosures, Audit Size, Audit Tenure, Competence, Determinants.*

CITATION: Agbi, A. & Okoye, E.I. (2023). Determinants of audit quality disclosures of non-financial firms listed on the Nigerian Exchange Group, *Journal of Global Accounting*, 9(2), 267 – 284.

Available:https://journals.unizik.edu.ng/joga

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ABSTRACT:

This study evaluates the determinants of audit quality disclosures of non-financial firms listed on the Nigerian Exchange group. Specifically, it intends to investigate the relationship between competence, audit tenure, audit size and the audit quality disclosure of selected non-financial firms listed on the Nigerian Exchange group. Adopting the ex-post-facto research design, a population of 116 non-financial firms listed on the Nigerian Exchange group as at March 1, 2021 were framed for the sample selection for the years 2012 to 2021. Thus, the content analysis approach was deployed for the extract of data from the annual reports of the sampled firms even as the Pearson correlation and Panel Least Square Regression statistical tools were used to test the hypotheses formulated in the study. The findings of the study show that competence and audit tenure have a positive and significant relationship with audit quality disclosure while audit size portrayed a significant but negative relationship with audit quality disclosure. Based on these findings, the study concludes that relevant stakeholders such as Management, Shareholders, Auditors and Investors will place high premium on competence as core factor leading to high audit quality disclosure. Shareholders will become very willing and interested in retaining and extending the tenure of their external Auditors even as Investors and other stakeholders will have more confidence on the credibility of the audited reports. To this end, the size of an audit firm may no longer be relevant in the selection of an External Auditor by the client. The study therefore recommends that. the audit firms and the organizations that require the services of an Auditor should ensure that the requisite audit skills of their staff are up to date to match the contemporary dynamics in the corporate environment of interest. Also, the audit tenure of Auditors should at least be three years and at most ten years in line with corporate governance best practice. Finally, corporate organizations should as much as possible strive to engage External Auditors with the requisite state of the art competencies irrespective of whether the firm is small, medium and large in size.

1. INTRODUCTION

The global financial crisis has highlighted the critical importance of credible, high-quality financial reporting (Nwoye & Okoye, 2018; Nwoye, Abiahu, Obiorah, & Ekesiobi, 2017).and the need for effective interactions between the participants in the financial reporting supply chain. The external audit plays a major role in supporting the quality of financial reporting around the world, in the context of not just the capital markets, but also the public, private and not for-profit sectors. Audit quality is therefore a matter of significant public interest (IAASB, 2011). The international audit and assurance standard board (IAASB) is most directly involved in supporting audit quality through its International Standards on Auditing (ISAs) and International Standard on Quality Control (ISQC). These standards provide a foundation supporting high-quality audits. However, it is important to recognize that audit quality is a broader concept than quality at the audit engagement level. The concept of audit quality encompasses the broader environment, including the independence and competence of auditors, the actions of others in the financial reporting supply chain, and the legal, regulatory and business environments in which audits are performed (IAASB, 2011).

The audit of any firm's financial statement enhances confidence of Investors, Analysts, Regulators, Rating Agencies, and other Stakeholders about the entity's financial position, financial performance and cash flows, all of which are reported in accordance with financial reporting standards. The auditor's objective, in accordance with auditing standards, is to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement (Nwoye, Ekesiobi, Obiorah & Abiahu, 2016). The audit helps directors and management assess the robustness of the financial information upon which they rely. It also provides insights into the company's financial controls and associated risks (International Federation of Accountants, 2019). However, recent corporate failures typically resulting in job losses and destruction of shareholder value, have raised questions about audit quality (IFAC, 2019). In addition, these have likely exacerbated a gap in the understanding that exists between the public's presumptions that audits attest an organization's viability versus the definition and practice of audits in legislation and standards. Liquidation of large corporations such as Enron and WorldCom heightened the audit quality debate in the United States of America. An article published in the journal of leadership and organizational studies in the summer of 2004 makes an interview with senator Paul Sarbanes, one of the co-creators of the Sarbanes Oxley (SOX) Act of 2002. The senator reflects on the hearings done in the United States Senate before the passage of SOX. The hearings pinpointed to a raft of problems in financial reporting that included, among other issues, impaired auditor independence and perceived conflict of interest. As a result, the United States Congress passed the Sarbanes Oxley Act in 2002 to increase the overall integrity of the financial statements of publicly held firms (Alireza & Ahmed, 2013).

Audited financial statements of an entity's financial position, performance and cash flow represent a moment in time and do not provide a forecast. These statements are however, frequently seen by the public to represent an assertion about future performance and are on a presumption that the entity is a going concern for the foreseeable future (that is at least 12 months from the date of the audit opinion) (IFAC, 2019). Further complicating the picture that audited financial statements represent future performance and going concern , much of the value of contemporary corporate entities may not be adequately reflected in the financial reports to shareholders – either because much value is represented by assets that may not be recorded on the statement of financial position (For example., brand, intellectual property, goodwill) or, conversely, because recorded intangibles are miss-valued considering the underlying trading weakness of the business(IFAC, 2019). Therefore, any changes to audit cannot be discussed in isolation from the information reported by the entity, upon which auditors may be called to express an opinion (IFAC, 2019). Audit activities of an organization are critical in shaping the assurance model of an entity. Audit procedures are the independent examination of records and activities that ensure compliance with established organizational controls, policies and operational procedures (Basu, 2009). These financial compliances and probity functions were conventionally assumed by internal and external audit functions of organizations (Bosi & Joy, 2017). Whilst internal auditing evaluates an organization's operations by personnel within the same organization (Almstrom & Kinnander,2011).

According to the Public Accountant Professional Standards 2001 section 220 PSA No.04 paragraph 2, independence means not easily influenced, because he performs his work for the public interest (differentiated in terms of practicing as an internal auditor). Thus, he is not justified in favor of any interest, because whatever perfect technical expertise he possesses, he will lose the impartiality that is most important to maintain freedom of opinion. Factors influencing the independence of auditors as cited in Alim et al (2007) are; Competition among key audit partners(KAPs), Provision of services other than audit services, duration of audit assignments, and large accounting firms. Besides, Kharismatuti and Hadiprajitno (2012) in their research revealed that there are four factors that influence the independence of government accountants, namely (1) Provision of consulting services to clients, (2) Competition between KAP, (3), and (4) The length of the audit relationship with the client. Cooperation with the client for too long can lead to vulnerability to the independence of the auditor. Not to mention the various facilities that clients provide during auditing assignments for auditors. It is not possible, the auditor becomes "easy to control" client because the auditor is in a dilemmatic position (St. Ramlah, 2018). Independent means public accountant is not easily influenced. A public Accountant is not justified in favor of anyone's interests. The public accountant is obliged to be honest not only to the management and owners of the company, but also to the creditors and other parties who put their trust in the work of the public accountant (Christiawan, 2002). Every Accountant shall maintain integrity and objectivity in his professional duties and each auditor shall be independent of all conflicting interests or improper influence (St. Ramlah, 2018). Based on the above understanding can be concluded that the independence is a person's attitude to act honestly, impartial, and report findings only based on existing evidence. The competence and independence of the auditor in its application will be related to ethics. Accountants have an obligation to maintain their highest ethical standards of conduct to organizations in which they are sheltering, their profession, society and themselves where accountants have the responsibility to be components and to maintain their integrity and objectivity (Nugrahaningsih, 2005). The quality of the audit as De Angelo (1981) in Aqmalia (2014) captured it readily refers to the probability that an auditor discovers and reports a violation in his client's accounting system. Audit quality variables will be measured using conformity assessment indicators with audit standards and quality indicators of audit reports. Although Aqmalia (2014) described audit quality as compliance with professional standards and on the terms of agreement to be considered, Elfarina (2007) on the other hand viewed competence as sufficient expertise that can explicitly be used to audit objectively. The likelihood that the auditor will find misstatements depends on the competence of the auditor, while the act of reporting misstatements depends on the independence of the auditor. A public accountant or an independent auditor in performing his duties must hold the principles of the profession.

The Relation between audit tenure and audit quality from previous studies resulted in two opposing views on the effects of audit tenure on audit quality. One states that as the auditor–client relationship lengthens, the auditor may develop a close relationship with the client and become more likely to act in favour of management, thus reducing audit quality. This view supports mandatory audit partner rotation. The other view is that as audit tenure lengthens, auditors increase their understanding of their clients’ business and develop their expertise during the audit, resulting in higher audit quality. The literature on audit tenure has generally concluded that long auditor tenure does not impair audit quality (Bing, 2020). According to DeAngelo (1981), when users of financial statements cannot differentiate between the real qualities of financial statements, they tend to rely on other obvious factors that serve as an indication of quality; auditor size can fulfil this function. The association between audit quality and the size of the external auditor has been examined in the literature (Naser

& Hassan, 2016). Larger audit firms are expected to provide higher-quality services compared to smaller ones. DeAngelo (1981) argues that the larger the audit firm, the less likely that it will behave opportunistically, given that it has more to lose if a lower quality audit is discovered. Therefore, it is expected to provide better audit

1.1 Objectives of the Study

The broad objective of the study is to ascertain the determinants of audit quality disclosures of selected non-financial firms listed on Nigerian Exchange group. The specific objectives of the study are as follows:

a. To investigate the relationship between competence and audit quality disclosures of selected non-financial firms listed on Nigerian Exchange group.
b. To ascertain the relationship between audit tenure and audit quality disclosures of selected non-financial firms listed on Nigerian Exchange group.
c. To determine the relationship between audit size and audit quality disclosures of selected non-financial firms listed on Nigerian Exchange group.

1.2 Hypotheses

In order to achieve the above objectives, the following hypotheses, stated in their null forms, were formulated;

H_1: Competence has no significant relationship with audit quality disclosures.

H_2: Audit tenure has no significant relationship with audit quality disclosures.

H_3: There is no significant relationship between audit size and audit quality disclosures.

2. LITERATURE REVIEW

2.1 Conceptual review

2.1.1 Audit Quality

Although there is no universally agreed definition of audit quality, a useful starting point is DeAngelo's definition (1981), in which audit quality is viewed as a combination of the probability that the auditor will discover a material misstatement in the client's financial statements and the probability that they will report it. Audit quality viewed from this perspective is seen as a function of both Auditor competence (in material misstatements) and auditor independence in reporting them (Alan & Nonna, 2014). Audit quality is no longer a new concept under the scope of auditing. However, up till now, there still does not exist a universal definition that people can agree upon unanimously. By reviewing contemporary audit quality research journals and documents issued by regulatory bodies, we classify various defining terms of audit quality into two broad categories – direct definition and indirect definition. Definitions fall into the 'direct' category if the authors define audit quality without relying on any proxies such as auditor's quality, reputation et cetera; the rest of the definition is treated as 'indirect' especially when proxies are used and the theory is built on some research results and findings, or the definition implicitly implied from the contents.

2.1.2 Competence and Audit Quality Disclosures

According to Kharismatuti et al (2012), competencies is defined as the personal aspects of a worker that enable the worker to achieve superior performance. These personal aspects include the nature, motives, value systems, attitudes, knowledge and skills in which competence will guide behavior just as behaviour produces performance. Elfarina et al (2007) defines competence as sufficient expertise that can explicitly be used to audit objectively. To Dreyfus and Dreyfus (1986) in Aprianti (2010) defines competence as a person skill in a sustainable role which moves through the learning process, from "knowing something" to "knowing how". Such as from a knowledge dependent rule to an intuitive statement (St. Ramlah et al, 2018).

2.1.3 Audit Tenure and Audit Quality Disclosures

Audit tenure is the length of the auditor-client relationship. Thus tenure includes the period that the predecessor audit firms (where there has been mergers/de-mergers or other combinations in the audit firm) issued audit reports on the entity (Bing, 2020). There are two opposing views on the effects of auditor tenure on audit quality. One states that as the auditor–client relationship lengthens, the auditor may develop a close relation-ship with the client and become more likely to act in favor of management, thus reducing audit quality. This view supports mandatory audit partner rotation. The other view is that as auditor tenure lengthens, auditors increase their understanding of their clients' business and develop their expertise during the audit, resulting in higher audit quality. The literature on auditor tenure has generally concluded that long auditor tenure does not impair audit quality (Bing, 2020)

In considering the relationship between Auditor Tenure and Audit Quality, earlier studies stressed the negative impact of short tenure on audit quality in initial years of the auditor-client relationship (Geiger & Raghunandan 2002; Jackson et al. 2008). However, the majority of the literature emphasizes the positive impact of long tenure on audit quality (Myers et al. 2003; Ghosh & Moon 2005). This is consistent with the learning effect explanation that audit quality is low in the initial years as it takes time for the auditor to acquire the client-specific knowledge and audit quality increases as the auditor gets familiar with the client's business and information system. However, few recent studies provide evidence that long tenure has a negative impact on audit quality as well (Carey & Simnett 2006; Davis et al 2009; Chi & Huang 2005).

2.1.4 Audit Size and Audit Quality Disclosures

According to DeAngelo (1981), when users of financial statements cannot differentiate between the real qualities of financial statements, they tend to rely on other obvious factors that serve as an indication of quality; and auditor size tend to fulfil this function.

The association between audit quality and the size of the external auditor has been examined in the literature (Naser & Hassan, 2016). Larger audit firms are expected to provide higher-quality services compared to smaller ones. DeAngelo (1981) argues that the larger the audit firm, the less likely that it will behave opportunistically especially as it has more to lose if a lower quality audit is discovered. Therefore, it is expected to provide better audit quality. Moreover, while auditors may benefit from a lower quality audit report by retaining the client, they will lose more if such a report is discovered, such as potential future clients. Hence, large accounting firms with more reach and more clients have more to lose compared to small or medium-sized firms.

2.2 Theoretical Review

2.2.1 The Policeman Theory

This study is anchored on the policeman theory. This theory was developed in the late 1920s by the Dutch professor Theodore Limperg (Bing, 2021). Its asserts that the auditor is responsible for searching, discovering and preventing any fraudulent activity. The policeman theory processes of searching, discovering and preventing any fraudulent activities will enhance the determinants of audit quality disclosure.

2.2.2 The Credibility Theory

The birth of credibility theory dates back to the beginning of the century with a paper by Mowbray (1914). It suggests that adding credibility to financial statements is an integral part of auditing, making it fundamental service auditors provide to clients.. The credibility gained by financial statements would affect decisions by stakeholders (e.g. Credit limits provided by suppliers) and also helps shareholders put trust in management; reducing the 'information asymmetry' between stakeholders and management. (MBA Knowledge base, 2017). The essence of the study is to come up with determinants that can improve audit quality disclosures of financial statements. An improved audit quality disclosure will definitely add credibility to financial statements which is what credibility theory suggests.

2.2.3 The Agency Theory

The agency theory was first introduced by Stephen Ross & Barry Mitnick (Mitnick, 2013) and is characterized through the conflict of interest between principal (owners) and agents (managers), known as agency problem. It emphasizes that audit services are employed in both the interests of third parties and management.

2.3 Empirical Review

Enofe *et al* (2013) studied determinants of audit quality in the Nigerian business environment. The objective of the study was to analyze the determinants of audit quality in the Nigerian business environment. The research empirically examined the relationship between audit quality, engagement and firm related characteristics such as audit tenure, audit firm size, board independence and ownership structure. A regression model was used to analyze the existence of significant relationship with audit quality. Audit tenure exhibited a negative relationship with audit quality which was also not significant. The study recommends the sustenance and possible improvements on the non-executive board composition of organizations.

Marsellia, *et al* (2012) studied the influence of competence and independence on audit quality with auditor ethics as a moderator variable using the survey method. It was found that Competence has a significant effect on audit quality. Meanwhile, the interaction of competency and auditor ethics has no significant effect on audit quality. The study also found empirical evidence that independence has a significant effect on audit quality.

In a study (Yuniarti, 2011) on audit firm size, audit fee and audit quality carried out using the survey method. The result was CPA firm size does not significantly affect the audit quality in public accounting firm in Bandung, whereas the amount of audits significantly affect the quality of audit and simultaneously CPA firm size and audit fees do not significantly affect the quality of audit in public accounting firm in Bandung.

Dewi, *et al* (2021) studied the effect of auditor professional skepticism, competence and independence on audit quality using survey and pearson product moment correlation coefficient. it was found .professional skepticism has a positive and significant effect on audit quality at the West

Sulawesi Provincial inspectorate office.2. Competence has a positive and significant effect on audit quality at the West Sulawesi Provincial inspectorate office.3. Competence has a positive and significant effect on Independence at the West Sulawesi Provincial inspectorate office 4. Competence has a positive and significant.

Chijoke,.*et al (2012*) also studied audit tenure and audit quality: an empirical analysis. The researchers used the cross sectional method and binary logit model estimation techniques. Results revealed negative relationship between audit tenure and audit quality though not significant.

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Olabisi et al (2020) studied, Determinants of audit quality: evidence from Nigerian listed insurance companies examined the factors that determine audit quality among listed insurance companies in Nigeria.The study employed the survey method using Pearson correlation analysis, Ordinary Least Square (OLS) and Regression. The results of the study revealed a significant relationship between the audit firm size, audit tenure, audit fee, cash flow and audit quality ($p < 0.05$). However, there is no significant relationship between auditors' independence, joint audit and audit quality ($p > 0.05$).

Awardat Houset (2019) examined disclosure quality and its impact on financial quality, audit quality and investors' perceptions of the quality of financial reporting: a literature review. the study revealed seventy – eight empirical studies and found that Sarbanes Oxley Act (2002) has significantly increased management awareness of the importance of accounting disclosures. The result also highlights the impact of the Audit committee on Audit and disclosure quality and therefore recommended more research to find out the impact of some independent variables related to audit committee characteristics such as size and the qualifications and experiences of the committee members.

In a study carried out by Alireza and Ahmed (2013) on Audit Quality post Sarbanes Oxley Act using the Research insights database (COMPUSTAT) to collect financial data for all active companies listed in the COMPUSTAT database for the period of 1998 – 2001 and 2006 – 2009. It was found that Auditor size has a mitigating effect on the level of discretional accruals reported by clients of large audit firms.

Goratha and Percy (2018) in disclosure of audit activities in annual reports: a comparative study of selected listed companies in Botswana and south Africa derived if mandatory or voluntary audit disclosures areas that were used to conduct text analysis and to determine disclosures made for a cross-country study of three companies, each from the areas of retail, banking and insurance selected form the Botswana Stock Exchange and Johannesburg Stock Exchange (JSE). The study found that Audit committees and internal audit functions dominated the disclosures of the audit-related variables and that external auditors tend to confine their disclosures to areas concerned with presentation and qualification of financial statements. The study also found that companies listed in the JSE made more disclosures that their BSE counterparts and that the retail sector made fewer disclosures as compared to the other two sectors.

Furthermore, disclosures related to assessment and management risk as well as aspects of internal audit functions were the two most frequently disclosed variables in both geographic locations. The study goes on to recommended that future studies make more comparative studies by sector, geographic location and to explore the use of a broader range of auditing variables.

Khairil et al (2019) in disclosure quality of goodwill Impairment Testing: A disclosure index. The weighted index was developed by constructing disclosure scoring sheet, obtaining annual reports of 20 sampled Singapore firms for particular year, completing scoring sheet for each firms by assigned weighted for the disclosure items and calculating disclosure weighted index. The results of this study revealed that 18 out of 20 (90%) firms in Singapore failed to comply with the most basic elements of the FRS 36 pertaining to Goodwill Impairment Testing especially in allocating goodwill into the CGUs and key assumptions used in determining the recoverable amount of CGU assets.

3. MATERIAL AND METHOD

The study adopted the ex post facto research design. It is a category of research design in which the investigation starts after the fact has occurred without interferences from the researcher. It is a method in which groups with qualities that already exist are compared on some dependent variables (Alleydog, 2023). Content analysis was used to extract relevant data pertaining to the variables of the study. The population of the study is made up of one hundred and sixteen (116) listed non-financial companies on the Nigerian Exchange group. The study used listed firms because information related to these entities can be easily accessed online. This non- financial firms falls under the following sectors namely; Industrial goods, consumer goods, consumer services, health care sector, ICT, services, construction/real estate, conglomerates, natural resources, Agriculture and oil and gas sectors. The sample size for the study is selected from the consumer goods, industrial goods and oil and gas sectors. The choice of these sectors is informed by the fact that they both involve the production of goods and assuch, would facilitate ease of comparison and relative uniformity. Nine companies from these sectors had issues with incomplete annual reports for the ten year under review (2012-2021), and some others were delisted by the Nigerian exchange group. Hence, thirty-five (35) firms in these sectors purposively formed the sample size. Purposive sampling enables researchers to squeeze a lot of information out of the data that are accessible and collated. The Pearson Correlation analysis was used to test the three hypotheses. Decision rule applied in this study was: if the probability of the p-value is less than the significant levels which is 0.05, the null hypothesis is rejected, while the alternate is accepted. On the other hand, if the probability of the p-value is higher than 0.05 the null hypothesis is accepted and the alternate is rejected.

Table 1: Variables Measurement

	Variables	**Measurements**	**Sources**	**Remark/Decision rule**
Dependent Variable	Audit Quality Disclosures (AQD)	Proportion of non-audit fee to audit fee plus 1	(Rajgopal *et al*, 2015)	< **1**=High audit quality,>2=Poor audit quality.
	Competence	Market share. Calculation is based on total client sales audited within each industry, based on two-digit code. It is also measured on the percentage of clients assets audited within an industry.	(Bing,*et al*, 2014)	
	Audit tenure	Measure in terms of number of years spent as auditor for the sample listed non-financial firms.	.(Ndubuisi & Ezechukwu, 2017).	Number of tenure (years) spent as firm auditor assigned to each year in the period under review
	Audit size	Measure as dummy variable 3 if the company is audited by one of the Big 4 audit firms and 1 if otherwise.	(Ndubuisi & Ezechukwu, 2017).	3=Big audit firms, 1=otherwise

Source: Researchers' Compilation (2023)

3.1 Decision Rule

As a decision rule, reject null hypothesis and accept alternate if the P-value of the test is less than α-value (level of significance) at 5% or 0.05; otherwise accept the null hypothesis and reject the alternate hypothesis.

4. RESULT AND DISCUSSIONS

4.1 Descriptive Analysis of Data

The mean data of the selected firm as computed by E-views 12.0 software via the criteria of *Mean Plus SD Bound* are detailed in this sub-section. The annual reports of the selected firms spanning from 2012 to 2021 provided the data used in the analysis. The average data of audit quality disclosure, competence, audit tenure, and audit size are presented in Table 2 below.

Table 2: Audit Quality Disclosure (AQD), Competence (C), Audit Tenure (AUDTEN), and Audit Size (AUDFSZ) from 2012 to 2021

Year	AQD	Competence	AUDTEN	AUDFSZ
2012	0.97	0.492	1.89	1.51
2013	1.01	0.426	2.23	2.11
2014	1.15	0.444	2.60	2.66
2015	1.18	0.445	2.80	2.66
2016	1.04	0.435	2.97	3.20
2017	1.14	0.424	2.80	3.40
2018	1.04	0.425	2.91	3.37
2019	1.05	0.426	3.31	3.97
2020	1.32	0.427	3.29	3.74
2021	1.41	0.427	3.26	4.34

Source: *Authors Computation (2022)*

4.2 Test of Hypotheses

The results of the Pearson correlation analysis between the dependent variable (audit quality disclosure) and the independent variables (competence, audit tenure and audit size) is presented in table 3 below;

Table 3: Pearson correlation analysis

		ADQ	CP	AUDTEN	AUDFSZ
ADQ	Pearson Correlation	1	.108*	.109*	-.112*
	Sig. (2-tailed)		.043	.041	.036
	N	350	350	350	350
CP	Pearson Correlation	.108*	1	.037	-.106*
	Sig. (2-tailed)	.043		.491	.047
	N	350	350	350	350
AUDTEN	Pearson Correlation	.109*	.037	1	-.175**
	Sig. (2-tailed)	.041	.491		.001
	N	350	350	350	350
AUDFSZ	Pearson Correlation	-.112*	-.106*	-.175**	1
	Sig. (2-tailed)	.036	.047	.001	
	N	350	350	350	350

Source: SPSS version 23

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

4.2.1 Hypothesis One

Ho: competence has no significant relationship with Audit quality disclosure.

The output from Table 3 above shows a positive correlation of 0.108 between competence and audit quality disclosure at 5% significant level. Output also revealed a p-value of 0.043 which is less than 0.05.Therefore,the null hypothesis was rejected and the alternate hypothesis, which states that competence has no significant relationship with audit quality disclosure, was accepted. Consequently, audit quality disclosure has significant and positive relationship with competence.

4.2.2 Hypothesis Two

Ho: Audit tenure has no significant relationship` with audit quality disclosure.

In Table 3 above, there is a positive relationship of 0.109 between audit tenure and audit quality disclosure at 5% level of significance. This is more as the p-value showed an output of 0.041 which is less than the significant level of 0.05. As a result, the null hypothesis was rejected and the alternate hypothesis which states that audit tenure has significant relationship with audit quality disclosure was accepted.

4.2.3 Hypothesis Three

Ho: There is no significant relationship between audit size and audit quality disclosure.

Table 3 above revealed a negative correlation of -0.112 at 5% significant level between audit size and audit quality disclosure. Moreso, the p-value in Table 3 indicated an output of 0.036 and this is less than 0.05.Therefore, the null hypothesis was rejected and the alternate hypothesis, which states that there is significant relationship between audit size and audit quality disclosure was accepted.

CONCLUSION AND RECOMMENDATIONS

The study ascertained the determinants of audit quality disclosures of selected non-financial firms listed on the Nigeria Exchange group. Also, the study ascertained and determined the relationships between the dependent variables (audit quality disclosures) and the independent variables competence, audit tenure and audit size. The study revealed that Audit quality disclosure have a positive significant relationship with Competence (0.108; 0.043<0.05), Audit tenure has a positive significant relationship with audit quality disclosure (0.109:0.041<0.05) and There is statistically significant negative relationship between audit Size and audit quality disclosure (-0.112:0.036<0.05) in a selected non-financial firms listed on the Nigerian Exchange group.

Based on the findings of this study we carefully recommend the following;

i. The audit firms and the organizations that require the services of an auditor should ensure that their staff are properly trained in terms of education and skills on the job. This will go a long way in increasing the quality of audit reports or disclosures. They should also ensure that qualified, that is professional accountant with the requisite skills are engaged in the core audit assignments and preparations of the annual reports.

ii. The audit tenure of auditors should be at least three years and at most ten years in line with the corporate governance practice. This will help to optimize or maximize audit quality disclosure.

iii. Corporate organizations should as much as possible strive to engage external auditors irrespective of whether there are small, medium and large size firms. In other words, audit size should not be a criteria for the selection of an auditor. Small audit firms can produce higher audit quality disclosures than big size firms and vice versa. The relevant stake holders such as management, shareholders and regulators should also ensure strict compliance to this policy.

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