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IMPACT OF AUDIT QUALITY ON ORGANISATIONAL SURVIVAL OF FINANCIAL FIRMS IN NIGERIA

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ABSTRACT

This study examined the impact of audit quality on organizational survival of financial firms in Nigeria. The reason for this study was that, investors are now unable to make informed financial decisions that will have a positive impact on businesses as a whole due to the apparent lack of audit quality. The specifics objectives of the study are to evaluate the relationship between audit quality, to examine the influence of audit independence and to ascertain the effect of audit firm size all on financial performance of banking sector in Nigeria. Secondary data was used in this study and Ordinary Least Square (OLS) multiple regression was used to analyzed the data with the aid of Statav13 2024 output statistical software. The study employed an ex post factor research design because the data for the study was extracted from annual report and account of the Nigerian financial firms. A purposive sampling technique was employed to select 10 financial firms listed on the Nigerian Exchange Group as at 31st December, 2023. The study covered a time frame of five (5) years, starting from 2019 – 2023. The study found out that audit independence, and audit firms size has negative effect on the organizational survival, while audit quality has positive effect on financial performance. From our analyses and findings, the study therefore recommends that Invest should engaging reputable audit firms with proven track records of quality and independence, implement stricter guidelines to ensure audit independence and transparency across the banking sector and audit firms should provide continuous training and development programs to their staff to enhance audit quality in their work.

***Key words:** Audit Quality, Audit Firm Size, Auditor Independence, Organizational Survival, Financial Performance.*

1. INTRODUCTION

Audit quality is essential in every organisation for managing their resources and improving financial performance. During the course of many years, the changing business environment requires the management to play a big role in maintaining financial stability. Failure to maintain stability can lead to frauds, big financial scandals, losses, and embezzlement in the company. Good audit quality plays a role in supporting the management, by providing reasonable assurance of financial stability and performance of the whole organisation. Audit, along with internal controls, ensures the maintenance and preparation of financial statements in terms of the compliances, rules, and regulations applicable to the company (Karima & Gerayli, 2014).

The concept of audit has been in existence for several decades, and its importance in ensuring the efficiency and effectiveness of an organization's financial management has been widely recognized. Audit is an essential tool for ensuring that an organization's internal controls are adequate, effective, and operating as intended (Alam, 2017). It is a proactive approach in identifying and mitigating risks, ensuring compliance with laws and regulations, and providing assurance on the accuracy and reliability of financial statements. The major role of audit, which is maintain the stability of financial records, is done through identification of critical errors, frauds, issues and applying corrective actions before the circumstances leads to negative impacts on the financials of the business. It is important to note that audit function improves governance and implementation of internal controls framework, which raises awareness in the management regarding the advancement or delay in achieving the company`s objectives and goals (Adekola, & Adewale, 2018).

In Nigeria, the importance of audit has been emphasized by various regulatory bodies, including the Independent Corrupt Practices Commission (ICPC) and the Financial Reporting Council of Nigeria (FRCN). The ICPC has identified audit as a critical component of an organization's risk management framework, while the FRCN has emphasized the need for organizations to maintain effective audit functions to ensure transparency and accountability in financial reporting (ICPC, 2015; FRCN, 2018). One of the significant aspects of audit is its quality, which plays an important role in verifying financial transactions, law, and compliances, along with cross-checking budgeting decisions, decisions regarding management of finances, operational control and expenses, administrative expenses, and short and long investment decisions and growth plans with respect to expansion or dissolution. It also plays a vital role in each business organisation for efficient use of its resources, leading to an improvement in performance (Hassan & Farouk, 2014).

There have been many debates in the modern era over the selection of auditors and the justifications for changing auditors. When an audit firm's contract expires, the company must choose a new auditing firm to undertake its external audits. However, the transfer may also take place for other reasons, such as contract violations. Auditor switch decisions entail the replacement of the current auditor, which leads to the selection of high-caliber, distinctive audit firms in order to realign the features of the audit company with expanding client needs under shifting conditions.

Shareholders and other users of accounting information use financial statements to make economic and business decisions (Saddam, Mosab, Saleh, Jinyu & Ahmed, 2020). Information is used to evaluate financial conditions, related company performance, and management performance. In general, external auditors support the quality of financial reporting of companies listed on the Nigerian Exchange Group. The purpose of a financial statement audit is to reduce information asymmetry and protect shareholders' interests by ensuring that management's financial statements are accurate. Inayah and Prasetyo (2021) claim that most companies and their managers lack accounting knowledge and public-use financial statement materials. Companies rely on the auditor's advice before making accounting decisions. This suggests auditors affect financial statements before they audit. Companies rely heavily on auditors when making accounting decisions or financial statements.

A high level of reliance on the auditor means the auditor affects the financial statements (Baatwah, Salleh, & Ahmad, 2018). Adenle, Anyanwu, Okafor, and Oyaleke (2022) stated that the goal of audit is to obtain sufficient audit evidence to support the auditor's opinion. This means the auditing process ends with the auditor's signed audit report containing his or her opinion. In this report, auditors describe audit findings and give their opinion on the company's published financial statements. The importance investors place on these reports and their contents is questionable and needs more study. The demand for audit services is triggered by many factors, including the remoteness gap between financial statement users and preparers, user conflict of interest, complexity of economic transactions, and expected effect of financial statements on decision making. Also, financial performance in banks is affected by auditing and management factors. Due to the increasing importance of audit quality and the limited evidence on its impact on financial stability, the study intends to explore the of impact audit quality on organizational survival in financial firms in Nigeria.

1.1 Objectives

The main objective of this study is to assess the impact of audit quality on organization survival of financial firms in Nigeria. While the specific objectives are to:

1. evaluate the relationship between audit quality and financial performance of banks in Nigeria.
2. examine the influence of audit independence on the organizational survival of banks in Nigeria.
3. ascertain the effect of audit firm size on banking sector in Nigeria.

1.2 Hypotheses

H_{o1}: There is no a significant relationship between audit quality and financial performance in Nigerian.

H_{o2}: Audit independence is not positively influences the organization survival of financial firms in Nigeria.

H_{o3}: Larger audit firms do not charge higher audit fee on banking sector in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Audit Quality

According to International Auditing and Assurance Standards Board (IAASB) (2011), there has been a number of attempts to conceptualize audit quality in the past. However, none has resulted in a definition that has achieved universal recognition and acceptance. Audit quality is in essence, a complex and multi-faceted concept. The classic definition of audit quality that is cited by most researchers is that of De Angelo (1981) which states that audit quality is the market-assessed joint probability that a given auditor will both discover a breach in the client‘s accounting system and Report the breach. Schauer (2022) also posit that a higher quality audit increases the probability that the financial statements more accurately reflect the financial position and results of operations of the entity being audited‖. Schauer (2022) asserts that a higher quality audit increases the probability that the financial statements more accurately reflect the financial position and results of operations of the entity being audited‖. In other words, audit quality is part of the quality of accounting information disclosed (Clinch, 2020). The research by Ahmad (2015) addressed the negative conditions of the quality of audit in Oman compared to other nations. The government is looking forward to bringing change and improving the quality of audit. On the other hand, as per Choi and Lee (2014), research conducted on the companies which are being audited by the Big4 suggested that these audit firms are providing high quality audits so that investors get fair financial statements at a reduced cost. In addition, large audit firms presented better quality audits with respect to the smaller firms.

Omid (2015), in his paper, representing the audit effectiveness with the organisational process and relationship perspective, have performed the structural equation modelling technique, which has helped test the effectiveness of audit and the firm's process. The paper has contributed in making clear the understanding of support for the profession and the institutional theories that will help in the consideration of different components of organisation to be related with the audit. It supports the structural equation model, which is individually considered the one model to study the different components of organisation, the process, and the relationship with the work process.

2.1.2 Organizational Survival

This study is an integration of the value added performance, governance outcomes, and outperforming market position, in attempting to understand the relationship between management audit effectiveness and organizational survival. 98 respondents from Thai-Listed firms in The Stock Exchange of Thailand (SET) participated in this study that representing approximately 20 percent of response rate. OLS regression was used to analyze data and hypotheses testing in conceptual model. Results show that (1) management audit effectiveness, especially excellent operational efficiency is positively associated with (i) value added performance, (ii) governance outcomes, and (ii) outperforming market position. Then, (2) value added performance, governance outcomes and outperforming market position play important partial mediating role of the link between excellent operational management audit effectiveness and organizational survival. And (3) long-term executive vision is significant positively associated with all of dimensions of management audit effectiveness, namely excellent operational efficiency, valuable administrative effectiveness, and best practical economy. Lastly, learning culture is positively moderate the link between organizational transparency awareness and excellent operational efficiency. Moreover, the results show that inverse the hypotheses of interaction effect of learning culture on the link among regulatory compliance and excellent operational efficiency and valuable administrative effectiveness. Theoretical and managerial contributions are provided. Conclusion, limitation and future research are also discussed, (Badara & Saidin, 2023)

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2.1.3 Financial Performance

According to Enekwe, Nwoha, and Udeh, (2020), the concept of financial performance is based upon the idea that a financial performance is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose. Those providing the assets will only commit them to the so long a financial performance as they are satisfied with the value they receive in exchange, relative to alternative uses of the assets. As a consequence, the essence of performance is the creation of value. So long as the value created by the use of the contributed assets is equal to or greater than the value expected by those contributing the assets, the assets will continue to be made available to the financial performance will continue to exist. Therefore, value creation, as defined by the resource provider, is the essential overall performance criteria for any organization. How that value is created is the essence of most empirical research in management. Conversely, how that value is measured is the essence of this research (Carton,2014). Over the last decade, substantial attention has been given to the regimes of performance management and performance measurement in relation to financial and non-financial measures, especially with regard to linking the budget to output specifications. This paper provides a historical overview of the development of performance management and measurement issues in the public sector, and offers a conceptual framework for this topic, taking the process of public value creation and the evolution of public accrual accounting and budgeting regimes into consideration.

2.1.4 Auditor Independence

Okolie and Izedonmi (2014) defined audit independence as an auditor’s unbiased-ness in taking decisions during an audit. Independence implies being free from inspiration, stimulus or guidance of which in the absence of independence, the value of the audit function will be greatly compromised. Prior studies suggest that high audit paid by a company to its external auditor enhances the economic ties between them and as such may compromise the independence of the auditor. 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. Prior studies contend that high fees paid by a company to its external auditors increase the economic bond between the auditor and the client and thus the fees may impair the auditor‘s independence (Li and Lin, 2015). The impaired independence results in poor audit quality and allows for greater EPS manipulation.

2.1.5 Audit Firm Size

Audit Firm Size is defined by De Angelo (1981) as a natural logarithm of the total revenue of the audit firm, the educational level of the auditors, work experience of the auditors and professionalism. Audit size denotes the size of an audit firm. It is continuously measured under three dimension; the total value of assets of all listed firms audited by the auditor; the total value of sales of all listed firms audited by the auditor and the total amount of audit fees collected by the auditors in auditing listed firms. Several studies such as (De Angelo, 1981; (Lawrence, Minutti-Meza, Zhang, 2021) has agreed that larger firms provide higher quality-audit service than small ones. De Angelo (1981) therefore, theorizes that larger firms perform better audits because they have a greater reputation at stake. Since larger firms have more resources at their disposal, they can attract more highly skilled employees. Others have theorized that large auditors attract a fee premium because their greater wealth reduces clients' exposures in litigation. Others have theorized that there is no real audit quality difference, but the perception exists because large firms are well known and have gained a reputation for high quality.

2.2 Theoretical Review

Different theories are reviewed and empirical evidence on the impact of audit quality on financial stability is presented.

2.2.1 Agency Theory

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

2.2.2 Theory of Inspired Confidence

Theory of inspired confidence was developed by the Limperg Institute in Netherlands in 1985. The theory states that the auditor, as a confidential agent, derives his broad function in society from the need for expert and independent examination as well as the need for an expert and independent judgment supported by the examinations. Thus, auditors are expected to know and realize that the public continues to expect a low rate of audit failures. This requires that the auditors must plan and perform their audit in a manner that will minimize the risk of undetected material misstatements. The accountant is under a duty to conduct his work in a manner that does not betray the confidence which he commands. The significance of the theory is that the duties and responsibilities of the auditors are a derivation 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 (2014) in discussing the social significance of the audit stated that when the confidence that society has in the effectiveness and quality of the audit process and audit report is misplaced, the value relevance of that audit is destroyed. Therefore, auditors are expected to maintain reasonable quality assurance to the owners and management of companies and to investors and stakeholders and along with financial reporting, corporate governance and regulations, support confidence in the capital markets.

After review and explaining the various theories, this study anchored on the credibility theory because the credibility theory relies on the premise that shareholder's faith in financial statement is enhanced if they are audited by an independent person hence belief in management's stewardship role. Adding credibility to the financial statements as the primary function of auditor as stressed by the theory. So since the main objective of the study is to have reliability and credibility on the financial statement so that it can increase the audit quality, is therefore related to our topic. This is the reason the study anchored on the credibility theory.

2.3 Empirical Review

Olabisi, Agbatogun and Akinrinola (2017) examined the relationship between Audit Quality and Earnings Management in deposit money banks in Nigeria over the period 2005-2014. The study adopted a longitudinal research design and panel data regression model. The population of the study comprised of fifteen deposit money banks listed on Nigerian Stock Exchange as at 2016, out of which six banks were randomly selected resulting in 60 observations. Panel data technique was employed, while fixed and random effects model were used for estimation. The results of the study showed that a significant positive relationship existed between audit specialization and earnings management. Furthermore, a significant positive relationship existed between audit independence and earnings management. However, there was an insignificant negative relationship between audit tenure and earnings management (Das, & Zhang, 2023).. The study concluded that lengthy audit tenures were mechanisms adopted by banks‘ managers to influence auditors‘ objectivity in the course of audit assignment. The study recommended that lengthy audit tenure should be discouraged.

Ajekwe and Ibiamke, (2017) examined the association between audit quality and earnings management of listed real sector firms in Nigeria for the period from 2009-2014. Using a sample of 48 firms from among 79 real sector firms, an ex-post –facto research design adopted in the methodology, and a multivariate regression model specified to test the effect of audit quality (measured using audit firm size and audit independence) on earnings management (measured using absolute value of discretionary accruals in the modified Jones model) following the methodology of Peasnell, Ayora, and Ogeto, (2022). The study documents that audit firm size has a restrained earnings management, however the restrain was insignificant.

Donatella, Haraldsson, and Tagesson, (2019), examined the determinants of earnings management of listed oil and gas firms in Nigeria over the period from 2010-2015. Correctional research design was adopted in order to ascertain the relationship between the identified determinants of earnings management and earnings management. Samples of seven oil and gas firms were selected from a population of fifteen firms using random sampling techniques. Data generated were analyzed using multiple regression analysis with the aid of STATA statistical software. The study found that external sector specialization has positive and significant effect on earnings management of listed oil and gas firms while external audit tenure and audit committee gender have negative and significant relationship with earnings management of listed oil and gas firms in Nigeria. The study recommended that oil and gas firms should make periodic changes on the services of auditors that specialize in auditing the oil and gas sector and that the oil and gas firms in Nigeria should be encouraged to continue to engage the services of more independent audit firms.

Donatella, Haraldsson, and Tagesson, (2019), investigated the effect of audit quality on earnings management of listed oil marketing companies in Nigeria for the period from 2004-2013. The dependent variable earnings management represented by discretionary accruals

(DA) was estimated using the modified Jones model while the independent variable audit quality was represented by audit firm size, auditor industry specialization and auditor tenure. The findings of the study indicated that both audit firm size and auditor industry specialization have insignificant negative effect on DA of the sampled listed oil marketing companies in Nigeria during the period of study. In contrast, auditor tenure had a significant negative effect on DA of the companies.

Aliyu, Musa and Zachariah (2016) examined the effect of audit quality on earnings management of listed deposit money banks in Nigeria. The specific objectives were to examine the effect of audit firm size, joint audit and auditor financial dependence on earnings management. The study used a sample of seven deposit money banks for the period from 2006-2013. Data analysis was done using ordinary least square (OLS) regression technique. The study found that both audit firm size and joint audit have significant negative effect on earnings management of listed deposit money banks in Nigeria. Auditor financial dependence had a significant positive effect on earnings management of listed deposit money banks in Nigeria during the study period. Empirical reviews on the impact of audit quality on organizational survival in financial firms in Nigeria underscore the critical role that high-quality audits play in ensuring financial stability and fostering long-term success. Research suggests that audit quality directly influences the accuracy and reliability of financial reporting, which is essential for maintaining investor confidence and ensuring regulatory compliance in the highly regulated financial sector. In the context of Nigerian financial firms, where the industry has faced challenges such as poor corporate governance, weak enforcement of regulations, and frequent financial scandals, the role of audit quality becomes even more pronounced.

2.4 Gap in the Literature

The study examines impact of audit quality on organizational survival of financial firms in Nigeria. However, few studies have examined the relationship between measures of audit quality and those of organizational survival in developing economies such as Nigeria. The study was filled the existing gap in knowledge by examining the relationship between audit quality and organizational survival of the listed financial firms in Nigeria. Particularly with introduction of new auditor's report in 2016 in Nigeria, not many studies documented the problem associated with audit quality and organizational survival and some researched works relatively used few sample size, while others restrict the sampled respondents to only a section of the population. Most importantly, many of the available studies in the country were conducted before 2012 and 2016, when the auditor's report had not been introduced. This study, therefore, attempts to add knowledge by filling these gaps in the literature.

Some of the studies indicates and made use of surveys, case studies, experiments, in their methodology, some studies use a qualitative method of semi-structured data collection interviews, semi-structured interviews were conducted with internal and external auditors. Some studies used questionnaire methods for data collection in their works, rating questions most frequently adopt a likert-scale rating in which the respondent is questioned about how strongly He or She agrees or disagrees with a statement or series of the statements. But in this study we used ex-post facto as our research design and use secondary data collection against other researcher that made used of primary data (questionnaire) in their work. We examine different companies for different years against other researchers that made used of one particular company. This is the gap we filled in this study.

3. MATERIALS AND METHOD

The study adopted the *ex post facto* research design. The population of this study consist of all the 22 financial firms listed on the Nigeria Exchange Group as at 31st December 2023. Secondary data was used for the study. And we also made used of other secondary sources of data in this study which were based on lengthily on documented sources such as financial reports and accounts of sample population. Secondary Data covering a period of ten (5) years (2019-2023). The reason for chosen 2019 as the preparatory year was because all the financial statement of those financial firms are ready. A purposive sample techniques was used to select 10 companies from the population. Data collected were analyzed using multiple regressions of ordinary least square (OLS) method of estimation.

The study considered Audit Quality as dependent variable, Audit independence (AI). Audit fee (AF). Audit committee gender (ACG) and, Audit committee size (ACS) will use as the independent variables for the study. Each individual performance variables will be regress against the control variables, Onaolapa, Ajulo and Onifade (2017).

Econometric specfication:

AUDQ= a+*B1 AF +B2 ACG+B3 ACS+ U…………………Eqn 1.*

Where;

AUDQ= Audit Quality

AF= Audit fee

AI= Audit independence

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ACG= Audit committee Gender

ACS= Audit committee size

a = intercept coefficient

B = Coefficient for each of the independent and control variables

U= Error term

Table 1; Descriptions of variables.

S/N	Variables	Definition	Types	Measrement
1	*AUDQ*	*Audit Quality*	Dependent	Dummy Variable 1 if is among the big 4 otherwise 0
2	AF	Audit Fee	Independent	Natural log of audit fee paid to the firms .
3	ACG	Audit Committee Gender	Independent	Number of Female members of the audit Committee.
4	ACS	Audit committee size	Independent	Natural log of the total members of the audit Committee.

Source; Researcher 2025

The study accepted the alternative hypothesis (H1) when the T- calculated is greater than the T- critical value, otherwise we reject and accept the null hypothesis (H0). The T-critical value is at 5% (0.05) significant level and at 10 degree of freedom.

4. RESULT AND DISCUSSIONS

4.1 Data Analysis

4.1 Descriptive Statistics

The summary of the descriptive statistics of the variables are presented in table 2.

Table 2 Descriptive Statistic

Variable	Obs	Mean	Std. Dev.	Min	Max	SKEW
ROA	50	0.041166	0.0748	-0.02138	0.325404	0.0000
TDTA	50	0.814589	0.418523	0.033794	1.951558	0.3332
AF	50	8.145486	0.521612	6.193959	8.845098	0.0017
ACGD	50	0.216333	0.145267	0.00000	0.5	0.0409
ACS	50	5.7	0.886405	4.0000	8	0.0036

Source: Extract from STATA output, 2025

Table 2 presents the descriptive statistics for the dependent and explanatory variables. From the table, return on assets proxied for financial performance of firm has minimum and maximum values of -0.02138 and 0.325404 respectively and the mean value of 0.041166 as well as the standard deviation value of 0.0748 The standard deviation of 0.0748 is higher than the mean value indicates that data spread out from the mean value. Also, the result of skewness from normality test for return on assets with prob>chi^2 of 0.0000 indicates that the data is not normally distributed.<<<<

The table also shows that the mean of total debt to total assets proxied for organization survival of the sampled firms is 0.814589 with standard deviation of 0.418523, and minimum and maximum values of 0.033794 and 1.951558 respectively. This implies that the organization survival of the firms is on average 0.814589, and the standard deviation value indicates that the survival of the sampled firms lower than the mean value from both sides by 0.418523, implying that data do not spread out from the mean. Also, the result of skewness from normality test for organization survival with prob>chi^2 of 0.3332, indicates that the data is normally distributed.

Moreover, the table shows that the mean of the auditor's fees proxied for audit quality of the firms is 8.145486 with standard deviation of 0.5216118. The minimum and maximum values are 6.193959 and 8.845098 respectively. This implies that audit fees of the sampled firms are on average 8.145486, and the standard deviation value indicates that the auditor's fees of the sampled firms lower than the mean value from both sides by 0.5216118, implying that data do not spread out from the mean. And also, the result of skewness from normality test for auditor's fees with prob>chi^2 of 0.0017, indicates that the data is not normally distributed.
Furthermore, the table portrays that the audit committee gender diversity has an average value of 0.2163333 with standard deviation of 0.145267. The minimum and maximum values are 0.000 and 0.5 respectively. The standard deviation value indicates that the audit committee gender diversity of the sampled firms lower than the mean value from both sides by 0.145267, implying that data do not disperse from the mean. And, the result of skewness from normality test for audit committee gender diversity with prob>chi^2 of 0.0409, indicates that the data is not normally distributed.

Finally, the table portrays that audit committee Size has an average value of 5.7 with standard deviation of 0.8864053. The minimum and maximum values are 4 and 8 respectively. The standard deviation value indicates that the firm size of the sampled firms lower than the mean

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value from both sides by 0.8864, implying that data do not disperse from the mean. And, the result of skewness from normality test for audit committee size with prob>chi^2 of 0.0036, indicates that the data is not normally distributed.

4.2 Hypothesis Testing

4.2.1 Hypothesis One

The impact of audit quality and financial performance of banking sector in Nigeria

Table 3 Regression Result

TDTA	**Coef.**	**T**	**P>t**
AF	-0.06818	-0.59	0.557
_CONS	1.369914	1.45	0.152
R^2 = 0.0072			
Prob>chi^2= 0.5574			

Source: Extract from STATAV13 2025

Table 3 shows that the functional relationship between the dependent and independent variables is: Audit quality has significant impact on financial performance of banking sector in Nigeria. The table showed that audit quality have a positive and significant impact on financial performance of listed financial firms in Nigeria. This can be observed from the value of beta the coefficient of -0.06818 with p-value of 0.557 indicating that the p-value is statistically significant at 5%. The researcher accept the alternative hypothesis which states that there is a significant relationship between audit quality and financial performance in Nigerian.

4.2.2 Hypothesis Two

Audit independence is positively influences the organization survival of financial firms in Nigeria

Table 4

ROA	**Coef.**	**T**	**P>t**
AF	-0.01462	-0.71	0.481
_CONS	0.160284	0.95	0.345
R2= 0.0104			
Prob>chi2= 0.4810			

Source: Extract from STATAV13 2025

Table 4. shows that the functional relationship between the dependent and independent variables is: Table 4. presents the summary of hypothesis testing which states that audit independent has no significant on organization survival of listed banks in Nigeria. This can be observed from the value of beta the coefficient of -0.01462 with p-value of 0.481 indicating that the p-value is not statistically significant at 5%. The researcher therefore reject the alternative hypothesis which states that audit independence is positively influences the organization survival of financial firms in Nigeria and accept the null hypothesis.

4.2.3 Hypothesis Three

Audit Firm Size on Banking Sector in Nigeria

Table 6 Regression results

ROA	Coef.	t	P>t
ACS	-0.01787	-1.5	0.14
_CONS	0.143037	2.08	0.043
R^2= 0.0449			
Prob>p= 0.1398			

Source: Extract from STATAV13 2025

Table 5 shows that the functional relationship between the dependent and independent variables is: The table 5, showed that audit committee size has negative and insignificant impact on return on assets of listed financial firms in Nigeria. This can be observed from the value of beta the coefficient of -0.01787 with p-value of 0.14 indicating that the p-value is not statistically significant at 5%. The result could not provide sufficient evidence to reject the first hypothesis, which states that audit committee size has no significant impact on return on assets of listed banks in Nigeria.

4.3 Discussion of Findings

Ho_1: Audit committee size has no significant impact on return on assets of listed banks in Nigeria. Result of the regression reveal the beta coefficient of -0.01787 and p- value of 0.14 >0.05 researcher their for fail to reject the null hypothesis

The result support the findings of Ajekwe and Ibiamke (2017) and Olbaisi, et al (2017) who found negative insignificant impact of audit committee size on return on assets of the firm.

The effect of the predictor variables on the explained variable showed the coefficient of determination R^2 of 0.0449 indicates the proportion of the total variation in dependent variable

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that is explained by the independent variables. This signifies that 95.51% of the total variation in dependent variable can be explained by other factors not captured in the model.

Ho2: Auditor's fees have no significant impact on survival of listed banks in Nigeria. The researcher fails to reject this hypothesis. The result support the findings of Zayol et al (2017), Tyokoso and Tsegba (2017) who found negative insignificant impact of auditor's fees on organization survival. The effect of the predictor variables on the explained variable showed the coefficient of determination R2 of 0.0072 indicates the proportion of the total variation in dependent variable that is explained by the independent variables. This signifies that 99.28% of the total variation in dependent variable can be explained by other factors not captured in the model.

Ho3: auditor's fees have no significant impact on return on assets of listed banks in Nigeria. The research fails to reject this hypothesis. The result support the findings of Aliyu et al (2016) who found that larger audit firms charge higher audit fee on banking sector in Nigeria. The effect of the predictor variables on the explained variable showed the coefficient of determination R2 of 0.0104 indicates the proportion of the total variation in dependent variable that is explained by the independent variables. This signifies that 98.96% of the total variation in dependent variable can be explained by other factors not captured in the model.

CONCLUSION AND RECOMMENDATIONS

Audit committee size and diversity do not significantly influence the financial performance of financial firms. The study reveals that the size and diversity of audit committees, though important for ensuring proper governance, do not have a direct or measurable impact on the financial performance of financial firms. This means that while a well-structured audit committee with diverse membership may enhance discussions and offer varied perspectives, it does not guarantee an improvement in financial outcomes such as profitability or efficiency. The finding suggests that other operational, market, or strategic factors play a larger role in driving the financial success of organizations. Audit committees should therefore complement their work with broader organizational efforts to strengthen performance.

Audit fees have a minimal and insignificant impact on organizational survival. The findings show that the amount of money spent on audit fees by financial firms does not significantly contribute to their ability to survive in the competitive market. This means that paying higher fees for auditing services does not automatically translate into stronger financial stability or operational success. Organizations may be overestimating the benefits of high audit fees, as the study indicates that these fees do not directly enhance an organization's ability to withstand challenges or adapt to changes in the environment. Financial firms must focus on other survival factors, such as risk management, effective leadership, and innovation, rather than relying heavily on audit-related expenditures.

Auditor fees have a negative and insignificant impact on financial performance. The study finds that spending more on audit services, as reflected in higher audit fees, does not lead to better financial results for the organization. In fact, there is a slight negative relationship, indicating that firms paying higher audit fees may not see a corresponding improvement in profitability or financial efficiency. This suggests that the perceived quality of auditing tied to higher fees may not always provide the expected value in terms of financial performance. Organizations should, therefore, carefully assess the cost-effectiveness of their auditing processes and prioritize other measures that have a more direct impact on financial outcomes, such as improving operational efficiency and implementing strong internal controls.

Based on the findings, the following recommendations are proposed:

a. For Banks: Invest should engaging reputable audit firms with proven track records of quality and independence. Establish internal mechanisms to support the independence of both internal and external auditors.
b. For Regulatory Bodies: Implement stricter guidelines to ensure audit independence and transparency across the banking sector. Encourage partnerships between smaller audit firms and larger firms to improve overall audit quality
c. For Audit Firms: Provide continuous training and development programs to enhance audit quality. Avoid conflicts of interest that may compromise audit independence. In summary, enhancing audit quality, independence, and leveraging the advantages of larger audit firms are key to driving financial performance and organizational survival in the Nigerian banking sector. Let me know if you'd like further refinements or additional content!

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