CORPORATE GOVERNANCE AND AUDITORS' SWITCHING BEHAVIOUR: EVIDENCE FROM QUOTED NON-FINANCIAL COMPANIES IN NIGERIA

Dennis Onutomaha AKRAWAH, M.Sc
Department of Accounting, Faculty of Management Sciences, Chukwuemeka Odumegwu Ojokwu University, Anambra State, Nigeria and Principal Consultant of Dennakra Associates, Benin City
E-mail: dennakra@yahoo.com

Andrew Ehiabhi TAFAMEL, Ph.D
Department of Business Administration, University of Benin, Benin City, Nigeria
E-mail: tafandrew@yahoo.com

Samuel Osarobo, OKUNROBO, M.Sc, ACA
Internal Audit Department, University of Benin, Benin, Edo State of Nigeria
E-mail: osarobo.okunrobo@uniben.edu

Abstract

Auditor switching has been a major issue in research to be addressed to improve audit quality for decades due to the corporate scandals experience in Enron and WorldCom. The main objective of this study was to examine the role of corporate governance in enhancing auditor switching behaviour in Nigeria. The population for the study consisted of all the one-hundred and seventy (170) non-financial quoted companies in the Nigerian Stock Exchange (NSE) as at 31st December 2018. The companies for the population have the responsibility to publish their financial statements for six consecutive years for the period 2012- 2018. Secondary data used for the study was collected from the sampled quoted non-financial companies in the Nigerian Stock Exchange from 2012 to 2018. The logistic regression technique was used to test the formulated hypotheses. The results showed that board size exerted a positive and insignificant effect in enhancing auditor's switching, board independence exerted a negative and insignificant effect in enhancing auditor's switching, board meetings exerted a negative and insignificant effect in enhancing auditor's switching and audit committee existence exerted a positive and insignificant effect in enhancing on auditor's switching. It was concluded that corporate governance is used to monitor whether outcomes are by plans and to motivate the organization to be fully informed to maintain organizational activity and curtain the issue of auditor's switching among quoted companies. The study recommended that the management of quoted non-financial companies in Nigeria should consider the presence of non-executive directors and the frequency of board meetings as it reduces the level of auditor's switching.

Keywords: Auditor's Switching, Board Independence, Board Meetings, Board Size, and Corporate Governance.

Introduction

Auditor switching has been a major issue in research to be addressed to improve audit quality for decades due to the corporate scandals experience in Enron and WorldCom. Corporate governance has gained more prominence due to its promotion of transparency, fairness and honesty in financial reporting, compliance with an ethical and regulatory standard, accountability to shareholders and the efficacy of the board of directors regarding its responsibilities for the oversight of the management operations (Ilaboya & Obaretin, 2015). Auditor switching occurs where the relationship that exists between auditor and client is no longer existing (Kasih & Puspitasari, 2017). Therefore, auditor switching is seen as the change of auditor by the client in carrying audit assignments. "The contractual arrangement between the auditor and auditee is based on audit engagement which proceeds with a risk assessment and formulation of an audit plan delineating the scope and objectives of the audit, (Byrnes, Al-Awadhi, Gullvist, Brown-Liburd, Teeter, Warren, Jr., & Vasarhelyi, 2012). Enofe, Mgbame, and Abadua (2013), stated that audit auditor switching is necessary to overcome the problem of familiarity of the audit firm with the management of the organization and also the doctrine of professionalism and independence of the auditor can be easily impaired. Meanwhile, the presence of auditor switching creates room for the company to engage fresh hands in examining the financial statement of the client company. Auditing is necessary to ensure that financial transparency gives investors, depositors, creditors, and shareholders with credible assurances that corporate managers do not engage in fraudulent activities or reporting (Akhor, Akrawah & Okunrobo, 2018). The audit is necessary for developing and enhancing the global economy and business environment (Husam, Rana & Abdulhadi, 2013). Auditors based their opinion on the true and fair view of the financial statements. Therefore, the presence of an audit committee in the company enables the auditors to improve on their skills to increase the probability to rely more on the auditor's report and audited financial statements which are more relevant, unbiased, and accurate for the decision-makers. Meanwhile, there is some argument from scholars and researchers that the quality of audit increases when a newly appointed auditor with fresh and skeptical minds evaluates the financial statements (Choi, Lim & Mali, 2017; Imegi & Oladutire, 2018). Furthermore, assigning the same personnel or audit firm on the same audit client over a long period is viewed to impair audit independence because of self-interest and familiarity threat (Eilifsen, Messsier, Glover & Prawit, 2010).

Research Problem

The existence of good corporate governance, including proactive oversight at all levels of the organization is critical to the initial and continued success of any risk management program. The inefficiency of corporate governance experience by quoted in Nigeria may result in auditor switching. Issues and challenges of good governance in business have become matters of great public and academic debate during the past 15 years, prompted by major scandals such as the frauds at Enron and WorldCom in the US, and the collapse of Vivendi in France and Marconi and Equitable Life in the UK, to name a few (Kilgore, 2007). More importantly, auditor switching guarantees the company freshness and pinpointing internal control problems that may have been overlooked by previous auditors maybe look upon by engaging a new audit firm. The inherent of the problem of auditor's switching is buttressed by Adams and Davis (1994) that disagreement about the content of financial reports, auditor opinion, and audit fees influence the tendency of auditors to switch. Prior studies conducted in developing and developed countries on the area of auditor switching were the work of Hussein (2015); Mazri, Smith, and Ismail (2012), Suyono, Feng, and Riswan (2013); Nyakuwanika (2014); Kasih and Puspitasari (2017). However, little or no studies have undertaken in Nigeria on the role of corporate governance in enhancing auditors switching (knowledge gap). This study also serves as a comprehensive reference for developing countries like Nigeria and added to the body of knowledge on the relationship between corporate governance and auditor switching.

Research Objectives

The broad objective of the study is to examine corporate governance and auditors' switching behaviour in Nigeria. Therefore, the specific objectives are to:

(i) Examine the role of board size in enhancing auditor switching behaviour in Nigeria;
(ii) Determine the role of board independence in enhancing auditor switching behaviour in Nigeria;
(iii) Investigate the role of board meeting in enhancing auditor switching behaviour in Nigeria;
(iii) Evaluate the role of audit committee existence in enhancing auditor switching behaviour in Nigeria.

Research Hypotheses

Based on t he research objectives and questions, the hypotheses were formulated in a null form:

H_{O1}: Board size has no significant effect in enhancing auditor switching behaviour in Nigeria;

H_{O2}: Board independence has no significant effect in enhancing auditor switching behaviour in Nigeria;

H_{O3}: Board meeting has no significant effect in enhancing auditor switching behaviour in Nigeria;

H_{O4}: Audit committee existence has no significant effect in enhancing auditor switching behaviour in Nigeria.

Literature Review

Concept of Auditor Switching Behaviour

Auditor switching is defined as the resignation and dismissal of an audit firm from carrying an audit assignment from the client firm (Turner, Williams & Weirich, 2005). Also, auditor switching is the movement of the auditor from one client firm to another either by resignation or dismissal by the recommendation of the audit committees. The rate of auditor switching is mainly due to the lack of audit independence. The independence of the auditor is very keen on the determination of the amount of money paid in the audit engagement. However, the mental attitude and physical appearance of the auditor can be uninfluenced by others in judgment and decision (Louwers, Ramsay, Sinason & Strawser (2007). Mazri Smith and Ismail (2012:222), "argued that auditor switching has been negatively impacted by the client firm as well as the audit firm". Meanwhile, auditors' switching makes auditor lose their clients while the clients may incur more costs based on the recruitment of auditors. Binti, Zaki, and Bambang (2016:539), "stated that auditors who are considered to have a low performance by his supervisor witness a high level of audit firm turnover due to auditor's switching behaviour". Akhor, Akrawah, and Okunrobo (2018) were of the view that auditors based their opinion on the true and fair view of the financial statements.

Auditor switching is normally caused by the dissatisfaction of audit opinion by the management of a company. Also, auditor switching may affect the market share price of the company receiving the audit opinion and decrease management compensation (Chow & Rice, 1982). Teck-Heang and Ali (2008:1), “added that auditors are expected not only to enhance the credibility of the financial statement but also to provide value-added services". In other words, "given the behaviour of the auditor, many stakeholders expect that auditors guarantee that audited financial statements were completely accurate and that the auditor has performed one hundred percent check for auditees whose financial statements received an unqualified audit report" (Asher, 2011:84). Auditor switching can be upward switching, which is moving from non-big four auditors to big four auditors and downward switching which means moving from non-big four auditors to big four auditors) (Lin & Liu, 2009; Cassell, Giroux, Myers & Omer, 2012). Onwuchekwa, Erah, and Izedonmi (2012:70), "added that audit firm is mandated to switch after several years irrespective of the objectivity, independence, efficiency, and quality of the auditor, the willingness of the shareholders and the management to keep the auditor". Based on this study, auditor switching is seen as the movement of the auditor from one client company to another either by the process of resignation or remover at the Annual General Meeting (AGM) by shareholders. Therefore, downward switching and upward switching was employed for the measurement of auditor switching.

Corporate Governance

Corporate governance is used to monitor whether outcomes are by plans and to motivate the organization to be fully informed to maintain organizational activity and curtain the issue of auditor's switching among quoted companies. Corporate governance is regarded as a mechanism by which individuals are motivated to reconcile their actual behaviours with the overall objectives of the organization. Shleifer and Vishny (1997) argued that corporate governance deals with the ways suppliers of finance to corporations assure themselves of getting a return on their investments. Sudhir (2017) added that corporate governance is a simple practice of just doing things fairly and rightly. Effective corporate governance reduces "control rights" shareholders and creditors confer on managers, increasing the probability that managers invest in positive net present value projects (Shleifer & Vishny, 1997).

Board Size

Board size is an element of corporate governance. Tafamel, Dania, and Akrawah (2016) defined board size as the total number of directors sitting on the board of any corporate organization (Tafamel, Dania & Akrawah, 2016). Board size is very paramount in the area of corporate governance being the source for creating experience and expertise information through the process of effective management monitoring for improving the performance of the firm (Coles Daniel & Naveen, 2008). Corporate boards have to do more to ensure the effectiveness of their oversight function and as such have to be concerned with more than organizational and management performance; they also need to review their performance (Johl, Kaur & Cooper, 2015). Due to these reasons, board size is deemed to have a crucial part and component on the board's functioning. Meanwhile, Bennett, Bettis, Gopalan & Milbourn,(2016:33), stated that the presence of "poor corporate governance and information asymmetries allow executive directors and managers to influence sustainability reporting and compensation practices to their benefit, even if compensation practices are formally the remit of the board and must be approved by shareholders". Again, OECD (2004) asserted that proactive governance policies, codes and guidelines, the functioning of the board of directors and relations with management, strengthening of shareholder rights, improving the control environment, transparency, disclosure, and sustainability are some of the corporate governance practices in a corporate organization. Therefore, the effective functioning of the board of directors may help reduce the incidence of auditor's switching among quoted firms in Nigeria.

Board Independence

The active performance of board independence has the responsibility for providing direction, strategic oversight to address risk obligations that may arise from the activities of management. Nuhu (2014) defined board independence as the number of independence of outside officers in the board of directors. Independent non- executive directors with the right skill sets, who have no business and other relationships which could interfere with the exercise of independent judgment or the ability to act in the best interest of the shareholders, are viewed to be in a better position to monitor management than inside directors. Fama and Jensen (1983:301), posited that the "advisory role entails the setting up of expert recommendation to the top management and access to resources and important information and also taking note of non-executive directors, with specialized knowledge that is of immense value and potential vital influences". More importantly, independent director is made up of 'non-interest', 'outside', 'non-executive', 'non-management' and 'non-employee' elements (Clarke, 2006). However, the proactive nature of board independence may also help reduce the incidence of auditor's switching among quoted firms in Nigeria.

Board Meetings

Corporate governance has been variously defined by different researchers, and these several definitions have evolved over the years. The frequency of board meetings is an important resource in improving the effectiveness of the board and the performance of the company (Lawler & Conger, 2001). Vafeas (1999) posited that board activity of an organization is an essential dimension of board operations and suggests that the meeting frequency is related to ownership structure and firm valuation. Meanwhile, "directors on board that meet frequently are more likely to discharge their duties by shareholders' interest because more time can be devoted to monitoring issues such as performance, conflict of interest and monitoring management" (Aliyu, 2017:162). Tan, Ong, Chong, and Samuel (2016:53), maintained that auditors as the mediator play a "significant role between corporate governance and financial performance with creditability and greater assurance to investors". However, the frequency of board meetings may also help reduce the incidence of auditor switching among quoted firms in Nigeria.

Audit committee Existence

The Audit Committee is considered as an additional internal governance mechanism whose impact is to improve the financial reporting quality, management of a company and hence its performance. The audit committee is important in monitoring the board of director's oversight functions to enhance the transparency and integrity of financial reporting (Dogan, Coskun & Celik, 2007). In Nigeria, the audit committee was created by the Companies and Allied Matters Act, (CAMA 2004) as one of the corporate governance attributes that would help monitor the oversight functions of the board of directors. According to section 359 (4) of CAMA (2004), the audit committee shall consist of an equal number of directors and representatives of the shareholders of the company which is subject to a maximum number of six members. Audit committees are responsible for numerous duties that require a high degree of accounting sophistication such as understanding auditing issues and risks as well as the audit procedures proposed to address them, comprehending audits judgments, understanding the substance of disagreement between management and external auditor and evaluating judgmental accounting areas like auditor's switching (Mohamad-Nor, Shafie & Wan-Hussin, 2010). The audit committee is responsible for the review of the financial reporting system, overseeing the independence and objectivity of the external auditors in a company, and help to reduce the incidence of auditor's switching among quoted firms in Nigeria.

Empirical Studies

The empirical studies were carried out by the objectives and hypotheses of the study under investigation and this discussion below: Yaman, Wen, and Jinzheng (2013:230), "investigated the reason for auditor switching in China". The study made use of some selected listed companies in China and employed a logistic regression technique for the data analysis. The logistic regression results revealed that the largest proportion of shareholding, the proportion of independent directors, and board meetings had a significant and negative correlation with auditor switching. Ishaya (2015) examined the impact of corporate governance and the provision of non-audit service on auditor change decisions in Malaysia. Secondary data was collected from quoted companies in Bursa Malaysia for the period covering 2009 to 2011 with a sample size of 712 non-financial auditor change companies. The logistic regression model was used in the analysis of data. The results showed that board independence, non-audit service, changes in management, size, and big 4 exerted a significant effect on auditor's change. Budisantoso, Rahmawati Bandi and Probohudono (2017:530), "examined the moderating effect of audit opinion accuracy on the relationship between corporate governance and downward auditor switching in five countries of Association of Southeast Asian Nations region". The sample population was made up of manufacturing companies listed in the stock exchange of Indonesia, Malaysia, Singapore, Thailand, and the Philippine. Secondary data was sourced from the audited annual financial report of the sampled population and Logistic regression technique for the data analysis. "It would be revealed from the logistic regression results that audit committee, audit independent and financial deepening hurt downward auditor switching and thereby leading to a high level of audit tenure". The suggested that monitoring the role of the audit committee has the tendency of increasing audit quality and also prevent high auditor switching. Atu, Atu, Atu, and Abusomwan (2013), examined the role of the audit committee in enhancing financial reporting in Nigeria. The research or study used a sample size of 50 respondents. The data was analyzed using the computer software known as SPSS. The regression results showed that the audit committee report has a significant positive impact on financial reporting quality and subsequently result in auditor switching. Tan, Ong, Chong, and Samuel (2016) studied the relationship between auditors switching, corporate governance, and financial performances in Malaysia. Secondary data was drawn from 100 public quoted companies from 2009 to 2013 and the regression technique was adopted in testing the stated hypotheses. The results reveal that the presence of board members and independent directors has the likelihood of impacting on auditor switching decision.

Theoretical Framework

The theory of signaling theory was used to buttress the issue of corporate governance and auditor's switching behaviour.

Signaling Theory

The signaling theory acts as a signal to management teams about auditor switching behaviour for higher quality reporting. Ong and Ng (2016:45), "argued that the signaling theory provides a better signal of promising expectations from the emerging market information". However, there is a good indication for shareholders' interests which have to be properly monitored. The theory also creates a platform for better audit reporting useful to improve the performance of the company. Sun, Salama, and Hussainey (2010:679), "argued that the signal theory used to reduce the level of information asymmetry in the capital market". Therefore, "the adoption of International Financial Reporting Standard (IFRS) would help to enhance transparency and timeliness of audited financial reports to users of accounting information" (Moon, 2008:1102). Meanwhile, the application of IFRS is a good signal to the stakeholders as information disclosed under international standards is of high quality and enhance the disclosure of critical audit matters. The absence of asymmetry information might help cushion the effect of auditor switching.

Methodology

The study adopted a longitudinal research design. The research design enabled the researcher to examine the role of corporate governance in enhancing auditors' switching in Nigeria quoted non-financial companies on the floor of the Stock Exchange. The population for the study consisted of all the one-hundred and seventy (170) quoted companies in the Nigerian Stock Exchange (NSE). The companies for the population have the responsibility to publish their financial statements for seven consecutive years for the period 2012- 2018. The random sampling technique was adopted and our sampling technique is adjusted to ensure a fair representation from each company of the sector in the sample size. In considering sample size, Saunders and

Thornhill (2003) suggested that a minimum number of thirty (30) statistical observations provided a useful rule of thumb for regression analysis. Therefore, the sample size was based on the one-hundred and seventy (170) quoted companies as on 31 December 2018 in the Nigerian Stock Exchange (NSE, 2018 Fact Sheet).

Table 2: Sample Selection of Quoted Companies

Sectors	**Service Companies/Mergers**	**Non-Service Companies**
Agric		5
ICT	7	
Services	25	
Conglomerates	6	
Constructions/Real Estate		9
Healthcare		10
Industrial Goods		14
Financial Services	57	
Natural Resources		4
Oil and Gas		12
Consumer Goods		21
TOTAL	95	75

Source: Author's Compilation (2020)

Companies from ICT, conglomerates, services, and financial services were excluded from the sample population. The justification for excluding these companies is based on the fact that these companies are service rendering companies as well as conglomerate companies. Therefore, we use the statistical formulae of Ewododhe (2011) to arrive at the sampled size of the remaining total population of 75 quoted companies. This was mathematically expressed as n=1/3N; 1/3 x 75 = 25

Model Specification and Measurement of Variables

A binary regression econometric model was specified in the equation in this study. The model below is adapted from McFadden Logistic Regression Model (1974) as measured in recent prior studies (Francis & Wang, 2005; Krishnan, Sami & Zhang, 2005). The logistic regression was functionally represented below:

AUDSW = F (BS, BID, BM, ACE) ……………………………………………………… (1)

The binary regressions with the error term (e_t) are expressed in the econometric equation below;

$AUDSW = \beta_0 + \beta_1 BS + \beta_2 BID + \beta_3 BM + \beta_4 ACE + e_t$ .... (2)

Where;

Dependent Variable

AUDSW =Audit switching was measured by a dummy variable: "1" if the auditor has been switched and "0", if auditors have not been switched (Chadegani, Mohamed & Jari, 2011; Nazri, Smith, & Ismail, 2012).

Independent Variables

BS= Board size, board size was measured by the number of directors sitting on the board; BID = Board independence, board independence was measured by the number of independent directors sitting on the board; BM = Board meeting, a board meeting was measured by the frequency of board meetings held in one financial year; ACE = Audit committee existence; ACM = Audit committee existence, audit committee existence was measured by the frequency of audit committee meetings held in one financial year.

Method of Data Analysis

The econometric technique adopted in this study was Logistic regression techniques. The use of Logistic regression methodology in this study is based on the fact that the dependent variable is a dummy. The study also conducted descriptive statistics and correlation analysis. The analyses in this study were conducted using E-views 9.0 econometric software.

Presentation and Discussion of Results

The presentation of results began with descriptive statistics. The descriptive statistics result was presented in table 2 below;

Table 2: Descriptive Statistics

	AUDSW	BS	BID	BM	ACE
Mean	0.116279	10.02326	6.449612	4.984496	4.100775
Median	0.000000	10.00000	6.000000	5.000000	4.000000
Maximum	1.000000	19.00000	14.00000	10.00000	6.000000
Minimum	0.000000	5.000000	2.000000	4.000000	2.000000
Std. Dev.	0.321809	2.914042	2.338406	1.096760	0.597455
Skewness	2.394072	0.777534	0.877233	1.671481	0.406549
Kurtosis	6.731579	3.242016	3.700133	7.200346	5.422237

Jarque-Bera	198.0741	13.31284	19.17980	154.8983	35.08993
Probability	0.000000	0.001286	0.000068	0.000000	0.000000
Sum	15.00000	1293.000	832.0000	643.0000	529.0000
Sum Sq. Dev.	13.25581	1086.930	699.9225	153.9690	45.68992
Observations	129	129	129	129	129

Source: Authors' Computation (2020)

It was observed from table 2 above that auditor's switching (AUDSW) has a mean of 12% with a corresponding standard deviation of 32%. This indicates that most companies prefer to retain auditors against switching. This might be as a result of the professional cost associated with a switch in audit firms. Also, board size has an average value of 10.02. This indicates the average board size was 10; board independence has an average value of 6.44. This indicates the average board independence was 6; board meeting has an average value of 4.98. This indicates the average board meeting was 5 and audit committee existence on the average was 4.10. More so, the Jargue-Bera statistic values revealed that all the variables were normally distributed at a 1% level.

The correlation analysis measured the strength of the relationship between corporate governance and auditor switching. The result was presented below;

Table 3: Correlation Analysis

	AUDSW	BS	BID	BM	ACE
AUDSW	1.000000	0.197037	0.158383	-0.016987	0.060478
BS	0.197037	1.000000	0.776927	0.132114	0.034542
BID	0.158383	0.776927	1.000000	0.060617	0.140666
BM	-0.016987	0.132114	0.060617	1.000000	-0.081056
ACE	0.060478	0.034542	0.140666	-0.081056	1.000000

Source: Authors' Computation (2020)

It was observed from table 2 above that board size (BS=0.1970), board independence (BID=0.1583) and audit committee existence (ACE=0.0604) were positively associated with auditor's switching (AUDSW). This indicates that role of corporate governance might enhance frequency of auditor's switching. Also, board meeting (BM=-0.0169) was negatively associated with auditor's switching.

To examine the role of corporate governance in enhancing auditor's switching in Nigeria, we employed binary logistic regression techniques to examine the relationship between the dependent variable and independent variables and to test the formulated hypotheses. The regression results obtained were presented in table 3 below;

Table 4: Logistic Regression

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-4.696663	2.049880	-2.291189	0.0220
BS	0.212367	0.139915	1.517825	0.1291
BID	-0.015113	0.167506	-0.090220	0.9281
BM	-0.146119	0.215155	-0.679133	0.4971
ACE	0.296812	0.324450	0.914815	0.3603

McFadden R-squared	0.057737	Mean dependent var	0.116279
S.D. dependent var	0.321809	S.E. of regression	0.316469
Akaike info criterion	0.754903	Sum squared resid	12.41893
Schwarz criterion	0.865748	Log-likelihood	-43.69124
Hannan-Quinn criteria.	0.799942	Deviance	87.38248
Restr. Deviance	92.73685	Restr. log-likelihood	-46.36842
LR statistic	5.354365	Avg. log-likelihood	-0.338692
Prob(LR statistic)	0.252831		

Decision Rule: Hypotheses are tested at 5% (0.05) at a level of significance. The null hypothesis ($H_{o)}$ was accepted if the probability value (P-value) was greater than 5% (0.05) otherwise rejected.

It was observed from table 3 above that the coefficient of determination (McFadden R^2) value of 0.057737 which revealed that about 16% of the variation in auditor's switching were jointly explained by the independent variables, board size, board independence, board meeting, and audit committee existence leaving about 94% unexplained by factors not captured in the model. On account of the overall significance of the model, the LR statistic, and its associated probability of 0.25 indicated that all the independent variables taken holistically insignificantly explain the dependent variable. Hence, the explanatory power of the model was weak.

Based on the individual relationship of the independent variables, the signs of the z-statistics showed that board size (BS) exerted a positive (0.2123) and insignificant (0.1291) and audit committee existence (ACE) exerted a positive (0.2968) and insignificant (0.3603) effect in enhancing on auditor's switching (AUDSW). This implied that the presence of corporate governance would lead to a high level of auditor switching but it was statistically insignificant. Also, board independence (BID) exerted a negative (-0.0151) and insignificant (0.9281) and board meetings exerted a negative (-0.1461) and insignificant (0.4971) effect in enhancing on auditor's switching (AUDSW). This implied that the presence of corporate governance would also lead to a low level of auditor switching but it was statistically insignificant. Holistically, corporate governance did not significantly enhance auditor's switching among quoted non-financial companies in Nigeria.

Discussion of Findings

The results showed that board size exerted a positive and insignificant effect in enhancing auditor's switching. The result was inconsistent with the findings of Tan, Ong, Chong, and Samuel (2016) in Malaysia that board members and independent directors had the likelihood of impacting on auditor switching decision. The study, therefore, suggested that we should accept the hypothesis that board size has no significant effect in enhancing auditor's switching. Board independence exerted a negative and insignificant effect on enhancing auditor's switching behaviour in Nigeria. The result was inconsistent with the findings of Yaman, Wen, and Jinzheng (2013) in China that the proportion of independent directors had a significant and negative correlation with auditor switching. The finding of Ishaya (2015) in Malaysia also inconsistent with the result that board independence exerted a significant effect on auditor's change. The study, therefore, suggested that we should accept the hypothesis that board independence has no significant effect in enhancing auditor's switching behaviour in Nigeria. Board meetings exerted a negative and insignificant effect in enhancing auditor's switching. The result was inconsistent with the findings of Yaman, Wen, and Jinzheng (2013) in China that board meetings had a significant and negative correlation with auditor switching. The study, therefore, suggested that we should accept the hypothesis that board meeting has no significant effect in enhancing auditor's switching behaviour in Nigeria. Audit committee existence exerted a positive and insignificant effect in enhancing auditor's switching. The result was inconsistent with the findings of Budisantoso, Rahmawati Bandi, and Probohudono (2017) in Southeast Asian Nations audit committee, audit independent and financial deepening had a negative effect on downward auditor switching. The findings of Atu, Atu, Atu, and Abusomwan (2013) were also inconsistent with the results. The study, therefore, suggested that we should accept the hypothesis that audit committee existence has no significant effect in enhancing auditor's switching behaviour in Nigeria.

Conclusion and Recommendations

The study focused on the role of corporate governance in enhancing auditor switching in Nigeria. Corporate governance is used to monitor whether outcomes are by plans and to motivate the organization to be fully informed to maintain organizational activity and curtain the issue of auditor's switching among quoted companies. The presence of accounting quality increases with an increase in auditor's switching as a result of increased auditor independence. However, quoted companies in Nigeria might change the service of an audit firm due to poor audit quality. Auditor's switching is seen as the movement of the auditor from one client firm to another either by resignation or dismissal by the recommendation of the audit committees. The rate of auditor switching is mainly due to the lack of audit independence. The logistic regression results showed that board size exerted a positive and insignificant effect in enhancing auditor's switching, board independence exerted a negative and insignificant effect in enhancing auditor's switching, board meetings exerted a negative and insignificant effect in enhancing auditor's switching and audit committee existence exerted a positive and insignificant effect in enhancing on auditor's switching. The study recommended that the management of quoted non-financial companies in Nigeria should consider the presence of non-executive directors and frequency of board meetings as it helps to reduce the level of auditor's switching. The study also suggested that future studies should be conducted by including other corporate governance variables like board expertise, audit committee independence, management ownership, board gender, and ownership concentration.

References

Adam, R.B., & Mehran, H. (2012). Bank board structure and performance. Evidence for large bank holding companies. *Journal of financial intermediation*, *21*, 243-267.

Akhor, S.O, Akrawah, O.D., & Okunrobe, S.O. (2018). An empirical investigation of audit litigation: evidence from non-financial quoted companies in Nigeria. *Uniport Journal of Business, Accounting and Finance Management, 8* (2), 242-252.

Aliyu, A.G (2017). Board characteristics and performance of foods and beverage companies in Nigeria. International *Journal of Advanced Research in Public Policy, Social Development, and Enterprise Studies, 2* (2), 158- 235.

Atu, O.G., Atu, O.O.K., Atu, O.V., & Abusomwan, R.E. (2013). The role of the audit committee in enhancing financial reporting in Nigeria. *IOSR Journal of Business and Management (IOSR-JBM), 13* (1), 27-34.

Baranchuk, N., & Dybvig, (2012). The consensus in diverse corporate boards. Review of financial studies, 22, 715-747.

Bennett, B., Bettis, J., Gopalan, R., & Milbourn, T. (2016). Compensation goals and firm performance. *Working paper, forthcoming in Journal of Financial Economics*, 33-41.

Binti, S.J., Zaki, B., & Bambang, H. (2016). The determinant of auditors' turnover intention from a public accounting firm. *Imperial Journal of Interdisciplinary Research (IJIR), 2* (2), 537-547.

Byrnes, P.E., Al-Awadhi, A, Gullvist, B., Brown-Liburd, H., Teeter, R., Warren, Jr., J.D., & Vasarhelyi, M (2012). Evolution of auditing: From the traditional approach to the future audit, 1-9.

Cassell, C.A., Giroux, G.A., Myers, L.A., & Omer, T.C. (2012). The effect of corporate governance on auditor-client realignments. Auditing: *A Journal of Practice and Theory, 31* (2), 167-188.

Chadegani, A. A., Mohamed, Z. M., & Jari, A. (2011). The Determinant factors of auditor switch among companies listed on the Tehran Stock Exchange. *International Research Journal of Finance and Economics,* 80.

Choi, J, Lim, H., & Mali, D. (2017). Mandatory audit firm rotation and big4 effect on audit quality: Evidence from South Korea. *Asian Academy of Management Journal of Accounting and Finance, 13* (1), 1-40.

Clarke, D.C. (2006). *The independent director in Chinese corporate governance*. GW Law Faculty Publications & Other Works.

Coles, J.L., Daniel, N.D., & Naveen, L. (2008). Boards: does one size fit all? *Journal of Financial Economics, 87*(2), 329-356.

Dogan, C., Coskun, M., & Celik, J. (2007). An examination of the corporate social and environmental disclosures of BHP from 1983–1997: A test of legitimacy theory. *Accounting, Auditing, and Accountability Journal, 15* (3) 312 – 343.

Enofe, O.A, Mgbame, O. C., & Abadua, S.H. (2013). Audit firm rotation and audit report lag in Nigeria. *IOSR Journal of Business and Management (IOSR-JBM), 12* (4), 13-19.

Ewododhe, C. A. (2011). *Selecting sample sizes and the tools;* Ozoro: Jiroke publishers.

Fama, E.F., & Jensen, M.C. (1983). Separation of ownership and control. *Journal of Law & Economics, 26* (2), 301-326.

Hillman, A.J., Canella, A.A., & Paetzold, R.L. (2000). The resource dependency role of corporate directors: Strategic adaptation of board composition in response to environmental change. *Journal of Management Studies, 37* (2), 235–255.

Husam, A., Rana, A.N., & Abdulhadi, R. (2013). Factors affecting the quality of auditing: The case of Jordanian commercial banks. *International Journal of Business and Social Science, 4* (11), 206-221.

Imegi, J.C., & Oladutire, E.O. (2018). Mandatory auditor rotation and audit quality in the Nigerian financial sector. *European Journal of Accounting, Auditing, and Finance Research, 6* (1), 67-75.

Ilaboya, O.J., & Obaretin, O. (2015). *Board characteristics and firm performance: Evidence from Nigerian quoted companies. Academic Journal of Interdisciplinary Studies, 4 (1), 283-290.*

Ishaka, V.I. (2015). The impact of corporate governance and the provision of non-audit services on auditor change decisions. Master of Science (International Accounting) University Utara Malaysia, 1-99.

Johl, S. K., Kaur, S., & Cooper, B.J. (2015). Board characteristics and firm performance. Evidence from Malaysian public listed firms. *Journal of Economics, Business, and Management, 3* (2), 239-243.

Kasih, M., & Puspitasari, E. (2017). Auditor switching factors: The analysis of audit delay, client size, and audit committee changes. *Parahyangan International 3rd Accounting and Business Conference,* 589-607.

Kilgore, A. (2007). Corporate governance, professional regulation, and audit quality. *Malaysian Accounting Review, 6* (1), 56-70.

Mohamad-Nor, M.N., Shafie, R., & Wan-Hussin, W.N. (2010). Corporate governance and audit report lag in Malaysia. *Asian Academy of Management Journal of Accounting and Finance, 6* (2), 51-84.

Nazri, S.N., Smith, M., & Ismail, Z. (2012). Factors influencing auditor change: Evidence from Malaysia. *Asian Review of Accounting, 20* (3), 222 - 240.

Nuhu, M. (2014). The impact of board composition on the accounting profitability of the firm. *Journal of Educational and Social Research, 4* (5),125-138.

Nyakuwanika, M. (2014). Why companies change auditors in Zimbabwe (2003-2013). *Research Journal of Finance and Accounting,* 5 (5), 171–181.

OECD (2004). *Principles of corporate governance*. Paris: OECD.

Onwuchekwu, A., Erah, D., & Izedonmi, F. (2012). Mandatory audit rotation and audit independence: Survey of Southern Nigeria.

Randal, J. E., Mark., S.B, Alvin, A.A., & Amir, A.J. (2009). Auditing and assurance services: an integrated approach. An Indonesian adaptation, Prentice-Hall, Singapore, 61.

Saunders, N.K., Lewis, P., & Thornhill, A. (2003). *Research methods for business students.* England: Pearson Education Limited.

Shleifer, A., & Vishny, R.W. (1997). A survey of corporate governance. *Journal of Financial Economics, 52* (2), 737-783.

Sudhir, C.A (2017). Corporate governance in cooperative societies and banks' director, Janata Sahakari Bank Ltd. Pune. Available (Accessed 26th May 2018): https://www.wirc- icai.org/material/Corporate-Governance-Final.pdf, 1.

Suyono, E.K.O, Feng, Y., & Riswan, M.M.A. (2013). Determinant factors affecting the auditor switching: An Indonesian case. *Global Review of Accounting and Finance, 4* (2), 103- 116.

Tafamel, A.E., Dania, O.R., & Akrawah, O.D. (2016). Board gender diversity: Evidence from the Nigerian banking industry. *International Journal of Gender Studies and Research UNIBEN, 4* (1/2), 184-196.

Tan, I.K., Ong, T.S., Chong, L.L., & Samuel, A.B. (2016). Auditors switching in the relationship between corporate governance and financial performances - Evidence from Malaysian Public Listed Companies (PLCs). *International Journal of Economics and Management, 10*(1), 53-68**.**

Teh, B.H., Ong, T.S., & Ng, S.H. (2016). An empirical study of auditors switching, corporate governance, and financial performances of Malaysian Public Listed Companies (PLCs). *Jurnal Pengurusan 47,* 43 – 53.

Vafeas, N. (2000). Board structure and the informativeness of earnings. *Journal of Accounting and Public Policy,* 19 (2), 139-160.