

## **DETERMINANTS OF AUDIT SWITCHING: EVIDENCE FROM HEALTH CARE FIRMS LISTED ON THE NIGERIA EXCHANGE LIMITED**

Nwafor Ikechukwu C., Isaac M. Ikpör, Ede Lawrence S. and Ogbu Ignatius I.

Alex-Ekwueme Federal University, Ndufu Alike, Ikwo,

### **Abstract**

This study examines the determinants of audit switching among healthcare firms listed on the Nigerian Exchanged limited (NGX). Utilizing an ex-post facto and longitudinal research design, the study analyzes data from eleven healthcare firms for the period 2013 – 2023. The findings revealed that the chosen variables explain 5% of the audit switching phenomenon in these companies. The study investigated the influence of asset base, change in management, leverage, and audit fees on audit switching decisions. While all four factors exhibited positive relationships with switching, only the relationships with asset base, change in management, and leverage are not statistically significant. This suggests that the influence of these factors on audit switching decisions in Nigerian healthcare firms requires further investigation. Interestingly, audit fees display a negative, but statistically insignificant relationship with switching which indicated that higher fees might lead to less frequent switching, but the evidence is inconclusive. The study concluded by recommending the needs for further research on audit switching determinants in the Nigerian healthcare sector and recommended that stakeholders should consider factors like special skills required, leverage management, and audit firm pricing history during auditor engagement and potential switching decisions.

**Keyword:** Audit Switching, Asset Base, Shareholders, Auditor, principal

### **Introduction**

The Nigerian company laws require all companies to have their financial reports audited by an independent certified public accountant. Those companies are vested with the responsibility of the preparation and fair presentation of the financial reports to the board of directors (executive and non executive director) who represent the interest of various stakeholders such as shareholders (Odubuasi, Anene & Okeke, 2022; Abubakar, 2016). The executive (board of) directors are agents employed by the principals to manage the affairs of the business in such a way that its objectives and goals are achieved with the available resources. The principal, who is stakeholder

handed over the control and operational power to the agent. The agent in turns sends its report of activities within a specified period to the owners using the annual report, which the owner uses for decision making. However, due to the divergent interests and also to enhance the reliability of the financial report the principals engage the services of the auditors (Ofor, Uzoka & Odubuasi, 2017).

The auditors play independent vital roles in reducing the risk of information unevenness arising from the separation of ownership from control, which, accordingly, is one of the crucial reasons behind the demand for audit and auditing services (Okpara, Okotume & Odubuasi, 2023; Huson, Ali & Shamsher,

2000). Conversely, there are varied options of audit firms that can be engaged, available to the Board (representing the agent and principal). Most often, due to the modifications in reporting standards, specialized skills and uniqueness of the firms' operation determines the choice of an audit firm(s) to be engaged, and this has become one of the most significant decisions taken by the Board.

Nonetheless, due to the enormous benefits subsequent from having the financial statements audited by particular class of an auditor, there are overall benefits that can accrue from the use of auditor to the firm. These benefits of engaging the services of an auditor range from reducing information risk; reducing potential agency conflicts (Matonti, 2016); improving investor's confidence, improving internal processes, operational efficiency, and effectiveness since the auditor must assess the client's internal control reliability (Abuye, Odubuasi & Ofor, 2018). The mandatory limit for auditor tenure occasioned by the Company and Allied Matter Act (CAMA) 2020 (as amended) as a way of reducing the familiarity threat and market concentration may not have effectively impacted on the audit rotation as most firms switch from one audit firm to another. Besides the mandatory limit, there are other factors that can give rise to audit switching, but much empirical analysis has not been done to ascertain the extent they influence the decision of firms switching from one audit firm to another in Nigeria.

Results of previous studies on audit switching and their causes were interwoven. For instance, the study of Olowookere, (2016), as a matter of fact, found out that the propensity to change auditors was positive and significantly associated with audit fees, initial public offerings, length of the audit service (Abubakar 2016), leverage (Revier & Schroe 2010) direct solicitation (Arezoo, Zakiah & Azam 2011), top management change (Hudaib & Cooke, 2012) and receipt of adverse media publicity by the firm company (Williams, 1988 in Abubakar 2016). But then, some studies found significant negative association between auditors switching and industry specialisation (Woo & Koh, 2001) and size (Hudaib & Cooke, 2012). While some studies found no significant relationship

between audit switching and firm distress, growth, top tier auditor, industry specialization, size, leverage top management change, and audit fee change (Arezoo, Zakiah & Azam, 2018; Andreas, 2019; Abubakar; 2016).

Notwithstanding, none of these prior studies considered asset base as a variant to audit switching which is a gap in literature. Therefore, this study introduced asset base as a variable that can influence audit switching. Hence, this study is carried out to ascertain the key determinants of audit switching in Nigeria context.

The main objective of the study is to examine the determinants of audit switching in Nigeria. But the specific objectives of the study include; to: (1) Examine the relationship of firm asset base on audit switching in Nigeria. (2) Determine the extent to which change in management relate with audit switching in Nigeria. (3) Ascertain the extent to which leverage financing relate with audit switching in Nigeria (4) Evaluate the relationship of audit fees on audit switching in Nigeria.

The rest of the paper is organised as follows: 2. Literature review and hypotheses development, 3.data and methods 4 findings, 5 discussion and 6 conclusion and direction for future study.

## **Literature review and hypothesis development**

### **Audit Switching**

According to Turner (2015), audit switching implies the resignation and termination of the audit contract. According to Lu and Sivaramakrishnan (2019), audit switching is the process of changing from one auditing firm to another audit firm.

### **Asset base**

The assets base is a concept which shows the volume and number of productive assets firms maintain from time to time. It is a proxy for firms' size and complexity (Aroh, Odum & Odum 2017).

### **Change in Management**

Change in management can, and most likely, occur when there is change in the top administrative level or in the office of chief executive officer (Hudaib & Cooke, 2015). Change in management occurs as a result of

several reasons. Such a change of management may give rise to a change of auditor under several scenarios.

### **Leverage Financing**

According to Hudaib and Cooke (2015), financial leverage is a measure of how much a firm uses debt to finance its assets. As debt increases, financial leverage increases. Leverage is denoted by three alternative measures: (1) total debt to total assets ratio (2) total debt to total equity ratio and (3) short-term debt to total assets ratio. Majority of studies, besides this, use total debt to total assets ratio. Financial leverage is not often considered as negative indicator for the company.

### **Audit Fee**

Okpara, Okutume and Odubuasi (2023) hypothesised that audit fee is the total remuneration paid to the independent auditor who was engaged with the audit assignment of the enterprise. According to Gist (2012), the amount paid to an audit firm can be an antecedent to audit quality. Audit fees can be a factor in making or taking the decision on the audit firm to be engaged. Olowokere, and Inneh (2016) argued that the fees paid by clients have some implications on the level of independence and objectivity of auditors, *ceteris paribus*.

### **Theoretical Framework**

There are, however, some relevant theories that can be used in driving home the relationship between the dependent and independent variables, but this work can be anchored on the stakeholder's theory and agency theory.

### **Agency Theory**

The agency theory was set to discuss a conflict of interest between the agent and the principal. The theory was propounded by Jensen and Meckling in 1976). The agency relationship is a contract in which one or more people (principals) involve another person (agent) to perform some services on their behalf and then delegate some of the decision-making authority to the agent. Problems sometimes do occur in the relationship when there is disagreement on issues regarding interest and information asymmetry (Odubuasi, Ofor & Ugba, 2022).

### **Stakeholder Theory**

Stakeholder theory is a further advancement on the concept of stakeholder and its tie to any business corporation or outfit. Freeman (1984) defined a stakeholder as "any group or individual who can control or is controlled by the achievement of the organisation's objectives. The term stakeholder may, however, comprise a large group of players; in fact, anybody who has a direct or indirect stake in the business (Carroll 1993, cited in Schilling 2000).

### **Empirical Review**

Oghenekaro, Nkechi and Ekene (2022) studied asset base, change in management and audit switching in Nigeria. They adopted the ex-post facto research design and used data collected from the financial reports of the firms for the various years. Their study used asset base and change in management as explanatory variables, while audit switching was used as the response variable. Data collected were analysed using descriptive statistics, and correlation and regression analysis were conducted. The findings revealed that the variables selected for the study positively influence audit switching among health care firms in Nigeria.

Ugwu (2020) examined the determinants of auditor switching among quoted companies in Nigeria between 2015 and the 2019 financial year. The study used: Audit Firm Size, Audit Tenure and Audit Fee as determinant variables. The ex-post facto research design was adopted while the secondary data collected from consumer firms were analyzed using descriptive statistics, correlation, binary Log-it, Pro-bit and Extreme Value regression model. The study found out that audit firm size has a positive but insignificant determinant on auditor switching, Audit tenure has a negative but significant determinant on auditor switching and audit fee has positive and insignificant determinant on auditor switching.

Andreas, (2019) examined the auditor switching behavior of quoted companies in Indonesia Stock Exchange. The study used: audit opinions, the size of public accounting firms and changes in management. The study was conducted on companies that meet 45 index criteria. Data was collected from the sample of 33 companies. The data collected from the sample size was

analysed using logistic regression analysis. The results of the study indicated that audit opinions and management changes had no effect on auditor switching, but the size of the public accounting firm has positive effect on the decisions of the public companies to switch auditor.

Yunawati and Zulkarnain, (2019) examined the determinants of auditor switching among quoted companies on Indonesian Stock Exchange. The study used change of management, firm size, Public Accountant Office Branch Size, and fees as determinants variables. The study adopted the binary logit regression wald test. The study found out that; change of management, firm size, Public Accountant Office Branch Size, and audit fees have insignificant impact on the auditor switching among manufacturing companies quoted in Indonesian Stock Exchange.

Maharani, Wahyudi and Azwardi (2018), examined the moderating role of audit fees on the determinants of voluntary auditor switching among companies under property and real estate sector from 2009 to 2014. The study made use of a sample of 30 firms determined by purposive sampling technique. The data used were collected from published annual report. The data collected were analysed using logistic regression and interaction test. Based on the result analysis, the study found out that the percentage change in audit opinion and change of management did not affect the ability of companies to perform auditor switching, while financial distress and audit fees had significant influence on the company. The findings indicated that audit fees boosted the effect financial distress of auditor switching.

long-term relationship has positive significant relationship with auditor choice. Audit opinion and audit fees also have positive significant relationship with auditor choice.

Senny and Celline (2018) examined family firms, audit fees, and auditor choice: evidence from Indonesia. One of the issues with family firms is the agency problems which might happen inside family firms where it will lead to conflict of interest and information asymmetry. The study made use of sample of 305 firms in Indonesia to show that agency problems and the management entrenchment effect has no effect

on the family firms in Indonesia as reflected from the firm decision making in the amount of audit fees and auditor choice. The study makes contribution by providing an empirical evidence of the effect of family control on the audit fee and auditor choice in a developing country. The study finds that the type of firms has no relationship with audit fee and audit quality.

Eniola, and Ajayi (2018) examined the key determinants of external auditor choice among auditor by manufacturing firms in Nigeria. The study selected variables representing the audit firm and the client. The study used corporate governance mechanism, audit fees, assets base as independent variables. The longitudinal research design was adopted for the study. The study used simple random sampling technique in determining the sample size of 35 manufacturing firms, the study covers the period between 2010 and 2016 financial years. The binary regression technique was used in analyzing the data collected for the study. The study found out that corporate governance mechanism and assets base are significant in determining the external auditor's choice. They recommended among others the need to regulate audit pricing so as not to take the big 4 auditors above the reach of most firms as a result of their high fees. Firm must consider the cost and benefit of engaging the type of auditor (big four and non-big four).

Aroh, Odum, and Odum, (2017) examined the determinants of auditor switch using quoted firms in Nigeria. The study used financial distress, industry type, audit firm size and ownership concentration as independent variables while auditor switching was used as dependent variable. The study covered the period of five years (2011 - 2015) and analyse the data collected using descriptive statistics, Pearson correlation and ordinal least squares regression, however some preliminary analysis were carried out, like - normality test. The study found out that the industry type has positive significant impact on auditor switch. The study recommended among others that board of directors should ensures quality audits, maintain good reputation, as well as be accessible to clients for any consultations.

Joseph, Augustine and Chinwe (2017), examined the determinants of auditor switch among quoted companies in Nigeria. The study adopted the descriptive design and used panel data collected from the annual reports of companies between 2011 and 2015. The study used variables like financial distress, industry type, audit firm size and ownership concentration as the determinants variables (independent variables) and auditor switching (dependent variable). The data collected were analysed using descriptive statistics, Ordinary Least Squares Regression, Pearson Correlation Coefficient, Jarque-Bera (JB) Statistics. The study found out that Industry Type significantly impact auditor switch. Financial distress, audit firm size and ownership concentration has no significant impact on audit switching among firms in Nigeria. Thus financial distress, audit firm size and ownership concentration are not key determinants of audit switching among firms in Nigeria.

Meryka and Evita (2017), examined the factors that determine auditor switching's decision among firms quoted in Indonesia Stock Exchange between 2012 and 2015. The study used variables like; audit delay, client size, and audit committee changes as explanatory variables and audit switching as response variable. Binary logistic regression technique was employed in analysing the panel data collected from 156 companies selected using purposive sampling. The study found from the analysis result that all the independent variables (audit delay, client size, and audit committee changes) have significant effect on audit switching decision. However, the result of the individual variable showed that client size has negative significant effect on auditor switching decision, while audit delay and audit committee changes have positive insignificant effect the auditor switching decision.

### **Summary and Gap in literature**

From the available empirical review so far, the study observed that scant empirical studies have been carried out on the determinants of audit switching in emerging economies such as Nigeria.

The methodology adopted by most studies in this area is a mixture of survey and descriptive. Most of the studies viewed the determinants from the audit firm's perspective and used a questionnaire. This study takes it from the perspective of the firm (hirer). Most previous studies were carried out using firms in the financial sector and those in the manufacturing sector, but this study used firms found in the health care sector, which is a standing gap in knowledge. This study, therefore, was carried out to ascertain the key determinants of Audit switching among health care firms in Nigeria.

## **METHODOLOGY**

### **Research Design**

The study adopted ex-post facto and longitudinal research design. The study adopted the ex post facto because the researcher wanted to examine the causal effect/relationship that exist between the dependent and the independent variables using the data that already existed and which the researchers would make no attempt to change its nature and values.

### **Area of the Study**

The study focused on health care firms quoted in the Nigeria Stock Exchange Limited. The health care sector is one among the eleven sectors in which all firms were classified (financial sector and non financial sector) in the Nigeria Exchange Limited.

### **Sources of Data**

The study used secondary data that were collected from all the quoted health care firms in the Nigeria Exchange Limited from 2013 to 2023 financial years. The data used were collected in the published financial statement of the quoted firms.

### **Population of the Study**

The population of the study is made up of all the eleven (11) firms listed under health care sector of the Nigeria Exchange Limited as at 31<sup>st</sup> December 2023.

### **Sample Size of the Study**

The sample size of this study is just all the eleven (11) health care firms that have the relevant data (complete data of all the variables

for the period under study). Hence, data availability was used as a basis for the selection of the firms to be used in the study.

### Method of Data Analysis

The study considered the use of panel data, bearing in mind the cross sectional and time series nature of the sample data used. Since the panel

accommodates the time series and heterogeneity relationship of the quoted companies. The estimation result was evaluated based on individual statistical significance test (t-test) and the overall statistical significance test R. squared (adjusted) while the validity of fit of the models was tested using the LR chi

**Table 1: Variable Description**

Variables	Measures/Proxy	Authority
Audit switching (AUDSWIT)	Binary: change in auditor (within the period of study) (1) no change in auditor (0).	Hay et al., (2006).
Assets base (ASSB)	Measured as the natural logarithm of total assets.	Shammari, Yaquot and Hussain(2008).
Change in management (MANCH)	Binary: retirement/ sack of MD/CEO (1) None (0)	Azhar, (2015).
Leverage (LEV)	Total Debt/ Total Asset	Berger, Ofek and Yermack (2012)
Audit Fee (AUDFE)	Audit fee/ operating expenses	Gist (2002) Azhar, (2015)

### Model Specification

The model used was adopted from the work of Yulius (2018) although was changed to logistic regression from OLS regression. The Yulius (2018) model is as follows: SWITCH = PM, OPINI, AUDLY, DAR. Variables used are SWITCH-audit switching; OPINI- audit opinion, AUDLY- audit delay, DAR- financial distress PM-management turnover. This model is modified to suite the variables used in the study.

The model for the study is anchored on the objective.

$$\text{AUDSWIT} = f(\text{ASSB}, \text{MANCH}, \text{LEV}, \text{AUDFE},)$$

$$\text{Logit}(\text{AUDSWIT}_{it} = 1 | \text{X}_{it}) = \alpha_0 + d_1\text{ASSB}_{it} + \alpha_2\text{MANCH}_{it} + \alpha_3\text{LEV}_{it} + \alpha_4\text{AUDFE}_{it} + \mu_{it}$$

Equation 1 is the linear regression model used in testing the null hypotheses.

Where:

AUDSWIT	=	Audit switching
MANCH	=	Change in management
ASSB	=	Assets base
LEV	=	leverage

AUDFE = Audit fee  
 $d_0$  = Constant;  $d_1 \dots d_4$  = are the coefficient of the regression equation;  $\mu$  = Error term;  $i$  = is the cross section of firms used.

## DATA AND METHODS

### Data Presentation

The details of the data used for the study is presented in appendix 1.

### Descriptive Statistics

The descriptive statistics result showed the mean (average) for each of the variables, their maximum values, minimum values, standard deviation and the Jarque-Bera (JB) statistics (it reveals the presence of outlier and the extent normality of the data). Table 4.1 below provides the summary of the descriptive statistics of the sampled quoted companies. The detailed result of the descriptive statistics is presented in table 1 under the appendix. Table 4.1 provides a summary of the descriptive statistics of the data covering the period of ten years (2012 – 2021).

**Table 2** Descriptive Statistics

	AUDSWIT	ASSB	LEV	AUDFE	MANCH
Mean	0.350000	24.07889	0.795857	0.144386	0.344444
Median	0.000000	21.24500	0.550000	0.090000	0.000000
Maximum	1.000000	44.95000	0.250000	0.213471	1.000000
Minimum	0.000000	21.00000	0.090000	0.050000	0.000000
Std. Dev.	0.480995	12.74604	3.899427	0.707008	0.492513
Skewness	0.628971	0.607864	0.742898	0.595836	0.383323
Kurtosis	1.395604	2.520561	2.680613	2.792519	1.146936
Jarque-Bera	10.39126	12.09732	97520.28	10.36383	28.48626
Probability	0.005541	0.002361	0.000000	0.005617	0.000001
Sum	21.00000	5469.190	381.3870	763.0000	69.00000
Sum Sq. Dev.	13.65000	12927.35	6051.801	84.47647	40.99412
Observations	110	110	110	110	110

Source: Researcher's Computation (2023)

The study observed from the descriptive statistics that health care firms on the average switched their auditors for about 35 percent of the time covered by the study. It was also observed from the result that not all the firms

switched their auditor. The result revealed that assets base (measure of firm complexity) has average of 24.09, with a maximum value of 44.95 and minimum value of 21.00

**Table 3:** Normality test: Shapiro-Wilk Test

Variable	Obs	W	V	z	Prob>z
AUDSWIT	110	0.03141	11.0483	6.2547	0.03010
ASSB	110	0.30159	211.161	11.086	0.00000
LEVPO	110	0.39878	103.901	13.118	0.00000
AUDFE	110	0.21711	451.051	16.004	0.00000
MANCH	110	0.43981	38.1248	10.113	0.00830

Source: Researcher's Computation (2023)

### Correlation Analysis

The study used the correlation analysis to examine the relationship among the variables.

**Table 4.** Correlation Analysis

	AUDSWIT	ASSB	LEVPO	AUDFE	MANCH
AUDSWIT	1.000000				
ASSB	0.344955	1.000000			
LEVPO	0.119027	0.015548	1.000000		
AUDFE	0.018069	0.122571	0.044540	1.000000	
MANCH	0.049866	0.086786	0.013603	0.011695	1.000000

Source: Researchers Computation (2023)

Lastly, the Shapiro-Wilk normality test shows that change in management, assets base, leverage, and audit fee, are normally distributed at one percent significance level. While audit

switching, is normally distributed at 5 percent significant level. The normality test reveals that all the variables used are normally distributed. This indicates that the result of the analysis can

be relied upon in making generalization and policy formulation. The Shapiro-Wilk normality test is similar to that produce by the Jarque-Bera statistics probability under e-view 8. The findings from the correlation analysis as contained in the table 4.3.1 show that audit switching have positive association with leverage policy (0.12), audit fees (0.02), Change in management (0.05) and assets base (0.345). The positive relationship reveals that assets base, leverage, audit fees, and change in management are positively associated with audit switching.

**Table 5: Variance Inflation Factor Test:**

Variable	VIF	1/VIF
AUDSWIT	1.01	0.99009
ASSB	1.10	0.90909
LEVPO	1.00	0.99999
AUDFE	1.01	0.99009
MANCH	1.30	0.76923
Mean VIF	1.084	

Source: Researcher's Computation (2023)

### Hypotheses Testing

The study used Logistic regression analysis to analyse the data.

**Table 6:** Logistic regression

	Number of obs	=	110
LR chi2(4)	=	5.08	
Prob > chi2	=	0.0279	
Pseudo R2	=	0.0518	

Log likelihood = 46.481407

audswit	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
assb	.0820059	.0610799	1.34	0.179	-.0377085 .2017203
manch	.7363783	.6267871	1.17	0.240	-.4921018 1.964858
lev	.3339531	2.290741	0.15	0.884	-4.155817 4.823723
audfe	-4.334888	4.534375	-0.96	0.339	-13.2221 4.552324
_cons	-3.059956	1.506369	-2.03	0.042	-6.012386 -.1075264

Source: Researchers Computation (2023)

In table 5 above, the study observed from the audit switching model result, that Psuedo R<sup>2</sup> has coefficient of 0.051. This value indicates that the selected determinant variables jointly have about 5 percent impact on the audit switching of health care firms used in the study. The LR chi2(4) value of 5.08 and its probability value of 0.02 shows that the regression model is well specified and the specification is statistically significant at 5% levels. Hence the variables used in the model can be relied upon as

The variance inflation factor test above shows the overall mean value of 1.084; this value is less than the 10 rejection benchmark. The mean value indicates the absence of multicollinearity in our model. This result (Variance inflation factor test result) confirms the finding from the correlation analysis, which shows the absence of multicollinearity using 75 percent acceptance region in determining the level of association among the variables used

determinants variables in driving audit switching.

**Hypothesis 1:** Assets base has no significant relationship on audit switching

The result showed a coefficient value of 0.08 and a P-value of 0.179. The coefficient value shows that assets base has a positive influence on audit switching. This reveals that increase in assets base of health care firms can increase the possibility of audit switching. The probability



value of 0.179 reveals that assets base does not have significant influences on audit switching among health care firms. Based on the result, the study rejects the alternate hypothesis and accepts the null hypothesis. It therefore concludes that, assets base has positive and no significant influence on audit switching among quoted companies in the Nigeria Exchange Limited.

**Hypotheses 2:** Change in management has no significant relationship on Audit switching.

The result showed a coefficient value of 0.7363 and a P-value of 0.240. The coefficient value which reveals the degree of influence the independent variable (change in management) has on audit switching shows a positive value. This reveals that change in management positively influences the level of audit switching among firms in the health care sector. This reveals that the frequent change in management can lead to reduction in audit switching among firms. The P-value of 0.24 shows that the influence between change in management and audit switching of companies in Nigeria is not significant. Based on the analysis result, the study accept the null hypothesis and rejects the alternate hypothesis and therefore concludes that, change in management has positive and no significant influence on audit switching of firms in Nigeria.

**Hypothesis 3:** Leverage has no significant relationship on audit switching

The result showed a coefficient value of 0.334 and a P-value of 0.884. The coefficient value reveals that leverage positively influences the level of audit switching. This indicates that the higher the level of leverage used by a firm, the higher the tendency to switch its auditor. The probability value shows that the relationship between leverage and audit switching of healthcare companies is not statistically significant. Based on the result, the study rejects the alternate hypothesis and accepts the null hypothesis. The study concludes that leverage has positive and insignificant influence on audit switching among these firms.

**Hypotheses 4:** Audit fees has no significant relationship on audit switching

The result showed a coefficient value of -4.33 and a P-value of 0.339. The coefficient value which reveals the degree and direction of influence that the Audit fees has on audit switching shows a negative value. This reveals that Audit Fees inversely influences the level of audit switching among healthcare firms quoted in Nigeria Exchange Limited. This shows that higher audit fees can reduce the possibility of switching of audit firms. The P-value of 0.534 shows that the influence which audit fees have on audit switching among quoted healthcare companies in Nigeria Exchange Limited is insignificant. Based on the analysis result, the study rejects the alternate hypothesis and accepts the null hypothesis. It therefore concludes that audit fees have inverse but no significant relationship with the audit switching among healthcare firms.

### Discussion of Finding

The study examines the key determinants of audit switching of healthcare companies quoted in the Nigerian Exchange Limited. The findings reveal that the variables used have a positive influence on audit switching of healthcare companies. The result according to the specific objective reveals that The asset base has a positive influence on auditors switching among healthcare companies listed on the Nigeria Exchange Limited. This suggests that an increase in the size of organizations will lead to an improvement in the audit switching for auditors. This finding is in line with the findings of Eniola, and Ajayi (2018), and Akinpelu, Omojola, Ogunseye and Bada (2013), but contrary to the findings from the study of Gatumia (2012).

The change in management has a positive and no significant influence on the audit switching among health care firms quoted in the Nigeria Exchange Limited. This demonstrates that the frequent change of management can increase the tendency of health care firms to switch from one audit firm to another. The findings are in line with the findings of the study of Hussein (2015) and Nyakuwanika (2014), but contrary to the findings from the study of Yunawati and Zulkarnain, (2019), Maharani, Wahyudi and Azwardi (2018) and Andreas (2019). Leverage

has a positive and no significant influence on audit switching of companies in healthcare sector of the Nigeria Exchange Limited. This has revealed that highly levered firms have the tendency of changing its auditors frequently. Thus leverage policy of health care firm positively drives the level of audit switching. This finding is in line with the finding from the study of El-Gammal (2012). Audit fees have a negative and no significant influence on audit switching among quoted company in the health care sector of the Nigeria Exchange Limited within the period of the study. This shows that increasing the fees charge by audit firm though can influence the choice of changing the audit firm, but the extent is insignificant. This finding is in line with the finding from the study of Ugwu (2020), Yunawati and Zulkarnain, (2019), El-Gammal (2012) and Maharani, Wahyudi and Azwardi (2018) but contrary to the Nyakuwanika (2014) and Eko, Feng and Riswan (2013).

### Summary

This study was set and examined the key determinants of audit switching among healthcare companies quoted in Nigeria Exchange Limited. The findings revealed that the selected variables have positive relationship of about 5% (Pseudo. R-squared) on the audit switching of health care companies in Nigeria Exchange Limited. The study found out that:

1. Assets base has positive and no significant relationship on audit switching of firms in Nigeria.
2. Change in management has positive and no significant relationship on audit switching of Health care firms on the Nigerian Exchange Group.
3. Leverage policy has positive and no significant relationship on the audit switching of firms in Nigeria.
4. Audit fees have negative and non-significant relationship on audit switching of firms in Nigeria.

### Conclusion

The auditors genuinely play vital role in reducing the risk of information asymmetry

arising from the separation of ownership from control. The shareholders (or the principal) through the Board appoint the auditor from varied options of audit firm that can be engaged. However, owing to the enormous benefits resulting from having the financial statements audited by particular class of an auditor, the choice of an audit firm(s) to be engaged has become one of the most important decisions taken by the Board.

Several factors might influence the shareholders decision to switch auditor, and this may be as a result of the disagreement about content of financial reports, disagreement about auditor opinion, change of management and the high audit fees charged by the auditor, the complexity of the firm's operation which requires special skill, quality of the audit, tenure of auditor, audit firm reputation

### Recommendations

1. The study found out that assets base has a positive relationship on audit switching among health care firms quoted in the Nigerian Exchange Limited Group. The study therefore recommends that to reduce the audit switching, shareholders should consider the special skill requirement before engaging an auditor.
2. The study recommends that shareholders should only consider changing management when no alternative action could be possible.
3. Leverage has a positive relationship on audit switching. This indicates that leverage policy can positively drive the audit switching. Since high level of leverage can positively drive audit switch and frequent audit switching is welcome with suspicion by stakeholder. The study therefore recommends that the Corporate Board should formulate or implement policies that can moderate the use of leverage financing as high leverage can influence auditors switch. Regular auditors switch can, as well, give negative impressions to other stakeholders.
4. The study therefore recommends that stakeholders should consider the pricing history of an audit firm before engaging their services, as their future price may follow the pricing history.

## References

- Abdel-Khalik, A. (1993). Why do private companies demand auditing? A case for organizational loss of control, *Journal of Accounting, Auditing and Finance*, 8(1), 31-52.
- Abubakar, U (2016). Determinants of audit fees in listed food and beverages firms in Nigeria. A dissertation submitted to the school of postgraduate studies, Ahmadu Bello university, Zaria in partial fulfillment for the award of master of science (m.sc.) Degree in accounting and finance
- Abuye, S.E., Odubuasi, A.C., & Ofor, N. (2018). Appraisal of auditors' effectiveness in fraud prevention in corporate organisation: A study of Nigeria oil industry. *International Journal of Commerce and Management Research*, 4 (6), 5 - 10.
- Addams, H. L. & Davis, B. (2014). Privately held companies report reasons for selecting and switching auditors. *The CPA Journal*, 38-41.
- Andreas, E(2019). Auditor switching behavior in LQ45 companies in Indonesia. *international journal of scientific & technology research* 8(5), may 2019 issn 2277-8616 53 ijstr©2019 www.ijstr.org
- Arezoo, A., Zakiah, M. & Azam, J. (2018). The determinant factors of auditor switch among companies listed on Tehran Stock Exchange. *International Research Journal of Finance and Economics*, Euro Journals Publishing, Inc.
- Arifah, S. (2012). Audit fees, auditor choice and stakeholder influence: evidence from a family-firm dominated economy. *The Business and Management Review*, 9(3) april 2018
- Aroh, J., Odum, A. & Odum, C. (2017) determinants of auditor switch: evidence from quoted companies in Nigeria. *International journal Management, Research & Business Strategy* 6 (4) 2017
- Beasley, M. & Petroni, K. (2001). Board independence and audit-firm type, *Auditing: A Journal of Practice and Theory*, 20(1), 97-114.
- Beattie V. & Fearnley S. (1998). The importance of audit firm characteristics and the drivers of auditor change in UK listed companies. *Accounting and Business Research*,. 63: 605-622.
- Beattie, V. & Fearnley, S. (2015). The importance of audit firm characteristics and the drivers of auditor change in UK Listed Companies. *Accounting and Business Research*, 25(100), 227-239.
- Broye, G. & Weill, L. (2008). Does leverage Influence Auditor Choice? A Cross-country Analysis. *Applied Financial Economics*, 18(9), 715-730.
- Carey, P. & Simnett, R. (2006). Audit partner tenure and audit quality. *Accounting Review*. 81, (3) 653 – 676.
- Choi, J.H., Kim, J., Liu, X. & Simunic, D. (2008). Audit Pricing, Legal Liability Regimes, and Big 4 Premiums: Theory and Cross-country Evidence. *Contemporary Accounting Research*, 25,(1) 55-99
- Clarke, D. C. (2004). The independent director in chinese corporate governance. gw law faculty publications & other works.
- Dijeh, C.T., Ofor, T.N., & Odubuasi, A.C. (2022). Effect of audit attributes on financial reporting quality of Nigerian insurance companies. *Journal of Accounting and Financial Management*, 8(5), 1-17.
- Donaldson L & Preston J (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, 16: 49-64.
- El-Gamma, S. (2012). Ownership structure, agency problems, and auditor choice: evidence from Western European firms, *working paper*, University of Alberta, Edmonton, August.
- Eniola, O. & Ajayi, C. (2018) Determinants of auditor choice in manufacturing firms in Nigeria. *International accounting and taxation research group, faculty of management sciences*, 2 (2) 156 - 167
- Fadaly, D. (2018). Determinants of auditor choice in emerging markets: evidence from Saudi Arabia. *7th international conference on business and economic*

- development (icbed)*, 9-10 April 2018, New York, USA 65
- Francis, J. (2014). What do we know about audit quality? *British Accounting Review*, 36(4), 345-368.
- Freeman, E. (1984). The politics of stakeholder theory: Some future directions. *Business ethics Quarterly*, 4(4), 409-422.
- Freeman, R., Wicks, A. & Parmar, B. (2004). Stakeholder theory and the corporate objective revisited. *Organization Science*, 15(3) 364-369.
- Gatumia C (2012). Determinants of choice of external auditors: the case of commercial banks in Kenya. *A research project report submitted in partial Fulfillment of the requirement for the award of the degree of master of business administration of The university of Nairobi october 2012*
- Gatumia, G. (2012). Determinants of choice of external auditors: the case of commercial banks in Kenya. Retrieved from <http://erepository.uonbi.ac.ue:8080/xmlui/handle/123456789/9209>.
- Gist, E., (2002). Explaining variability in external audit fees. *Accounting and Business Research*, 23(89), 79-
- Hassan, Y. M. & Nasor, K. (2013). Determinants of audit fees: evidence from an emerging economy. *International Business Research*, 6(8).
- Hay, D. & Davis, D. (2014). The voluntary choice of an audit of any level of quality, *Auditing: A Journal of Practice and Theory*, 23(2) 37-53.
- Hudaib, M. & Cooke, T. (2015). The impact of managing director changes and financial distress on audit qualification and auditor switching, *Journal of Business Finance and Accounting*, 32(9-10), 1703-1739.
- Huson, J., Shamsheer M., Mohd, A. & Annur, M. (2020). Audit switch decisions of Malaysian listed firms: Test of determinants of wealth effect. *Capital Market Review*, 8(1) 1-24.
- Hussein A. (2017). Determinants of auditor switching in Bahraini's listed companies - an empirical study. *International Journal of Academic Research in Accounting, Finance and Management Sciences* 7(2) 117-130
- Jensen, M.C. & Meckling W. H. (1976). Theory of the firm: managerial behavior, agency costs and Ownership Structure." *Journal of Financial Economics*, 3 (4): 305-360.