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AN HISTORICAL APPROACH TO THE RELATIONSHIP BETWEEN EXCESS AUDITOR REMUNERATION AND AUDIT QUALITY: DO THE ROLES OF AUDITOR ATTRIBUTES MATTER?

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ABSTRACT

The expansion of business in the twelfth-century necessitated the need for engagement of the services of auditors to curtail the excesses of management. The objective of this study is to examine the moderating effects of auditor attributes on the relationship between excess auditor remuneration and audit quality. Precisely the study examines the moderating effects of auditor tenure, auditor independence, and audit firm size on the relationship between excess auditor remuneration and audit quality. This study employed simple random sampling techniques to select fifty-two quoted Nigerian companies and data were extracted from the financial reports of the selected companies for fifteen years (2006-2020). The study employed the least square regression technique. The results showed that there is no significant relationship between excess audit pricing and audit quality. The result also showed that auditor tenure and audit firm size have a negative moderating influence on the relationship between excess audit remuneration and audit quality while auditor independence has a positive influence on the relationship between excess audit remuneration and audit quality. This study recommended that elongated auditor tenure should be discouraged to enhance quality audit and audit firms should be discouraged from charging a fee that may impair auditor independence.

INTRODUCTION

Auditing started as far back as 1200 AD as a result of business expansion after the industrial revolution (DeAngelo, 1981). Auditors were needed as a monitoring mechanism to checkmate the excesses of managers (DeAngelo,

1981). Auditors as a monitoring mechanism implies, they act like a scrutinizing device that makes the financial statements prepared by managers to be more reliable. Despite the engagements of auditors for quality assurance there have been reported cases of audit failures (for example, Enron and Worldcom) globally in recent times. The audit failures that took place sporadically across the globe in recent times made it both compelling and imperative for accounting scholars to focus on the subject matter- audit quality (Ashbaugh, LaFond & Mayhew, 2003; Davis, Ricchiute, & Trompeter, 1993; Ezzamel, Gwilliam, and Holland, 2002). It was discovered (Craswell, Francis, & Taylor, 1995; Cullinan, 1998; Ferguson, Francis, & strokes, 2003) that one of the factors that led to audit failures in recent times especially in developed nations of the world was lack of auditor's credibility. Many scholars (Blankley, David, Hurtt & MacGregor, 2012; Chung & Kallapur, 2003; De Angelo, 1981; De Fond et al., 2002; Gupta et al., 2009) link the lack of credibility of financial reports to lack of auditor's independence.

Some studies (Choi, Kim & Zang, 2006; Dye 1991; Xie, Cai & Ye, 2010) also revealed that auditors compromise their independence on the altar of high audit pricing. DeAngelo (1981) argues that the inducements of auditors to give up their autonomous judgments are interconnected with the worth of the client. Other scholars (DeAngelo 1981; Simunic 1984; Chung & Kallapur 2003) argue that high audit pricing can deprive auditors of their independence by beclouding their objective reasoning. Previous studies show that any time an auditor collects excessively high or extremely low amount from the client for services rendered, the credibility of the audit becomes questionable (Choi, Kim & Zang, 2006; Dye 1991; Xie, Cai & Ye, 2010). Once an auditor charges an extremely low audit fee for audit services, it is out rightly unethical because it will certainly lead to equivalently low audit quality. In the same vein when an auditor charges an excessively high audit fee it is also considered unethical because he may permit the client to employ a lot of dubious accounting techniques to retain such client.

Blankley, David, Hurtt, and MacGregor (2012) believe that excessive auditor's remuneration can make the auditor economically rely on a particular client, thereby creating a financial tie between the auditor and his client. Kinney and Libby (2002) further explain that the actual audit fee paid by Enron in 2000 AD was 250% above the anticipated auditor remuneration for that year. They also pointed out that abnormal audit pricing is an extremely good measurement for predicting the degree of economic bonding of an auditor to a client.

In addition to economic bonding, auditor tenure is another factor that has become an issue for discourse by a lot of indigenous authors in the last two decades (Adeyemi & Fagbemi, 2010 Enofe, Mgbame, Aderin & Ehi-Oshio, 2013). Adeyemi and Fagbemi (2010) report that most blue-chip companies in Nigeria maintain long auditor-client relationships with BIG4 because they believe that audit quality is synonymous with audit firm size coupled with the fact that there is no section in Companies and Allied Matter Acts (CAMA) (2004 as amended) that stipulates the maximum number of years that an auditor should spend in office as an external auditor for a corporate entity.

However, the financial crises that took place in banking led to the pronouncement of a maximum of ten-year auditor tenure by the apex bank in 2010. Dabor and Ibadin (2013) opine that change of auditors should be done only where there is professional misconduct. The authors further emphasize that a ten-year maximum tenure promulgated by Central Bank of Nigeria (2010) prudential guidelines is not a guarantee for quality audit but rather, frequent changes in auditors will lower audit quality. Some other authors (Ashbaugh et al., 2003; Chung & Kallapur, 2003; Reynolds, Deis, and Francis, 2004) also argue that most firms that engage the services of Big4 change from one Big4 to another Big4 which is practically not a worthwhile change because all multinational audit firms have similar practices and structure.

Blankley, David, Hurtt, and MacGregor (2012) argue that auditor attributes only have a latent effect on audit quality, they stress that firm characteristics are majorly responsible for the dwindling audit quality that led to audit failure in the last few decades globally. However, the unparalleled attention on auditor credibility issue has been more intensive after Enron's saga and results of the relationship between quality of audit and excess audit remuneration remain mixed. Anecdotal evidence further shows that current audit reforms made many audit firms to merge and transform themselves into multi-specialty organizations that render a variety of non-audit services to their audit clients. This development has posed a lot of concern on how audit pricing impacts audit quality. Some stakeholders believe that these reforms will make the auditor build some mechanisms that will influence the audit quality/ audit pricing relationship (Rubin, 1988; Baber, Brooks, and Ricks, 1987; Ward, Elder, and Kattelus, 1994; Basioudis and Ellwood, 2005; Clatworthy, Mellett, and Peel, 2002).

Conversely, the reforms that came into existence, as a result, numerous audit failures gave an insight to fact that other exogenous factors determine the extent to which abnormal audit fee influences audit quality. Some studies (Buijink, Maijoor, Meuwissen, & Van Witteloostuijn, 1996; Geiger & Raghunandan, 2002, Khurana, and Raman, 2004) show that investor protection and corporate governance are major externalities that influence the direction of the relationship between audit quality and excess auditor remuneration.

This study majorly focuses on the moderating of factors that emanate from the auditor's ecosystem on excess audit pricing and audit quality relationship. These factors were not mentioned in most prior studies. Even though prior studies looked at moderating effects of factors that emanate from the legal system (investor protection law) and moderating effects of factors that emanate from statutory bodies (corporate governance) on excess audit pricing and quality relationship. No study to the best of the author's knowledge examined the factors that emanate from the auditor ecosystem. The factors that emanate from the auditor's ecosystem are known as auditor attributes and they include auditor independence, audit firm size, auditor tenure, and rendering of non-audit services. The argument brought to the fore is that since an audit is done within an ecosystem is very likely that factors within the ecosystem will influence the outcome of the work, holding other variables constant. The

objective of this study is to ascertain the moderating effects of the auditor attributes on the relationship between audit quality and excess audit pricing. The remaining part of this study is structured into four sections. First, literature where hypotheses were formulated based on extant literature. Second, Method- this section explains the data collection method, sampling technique, and data analysis technique. The third section is the discussion section. In this section results got from the study are compared with those gotten from prior studies. Finally, the last section is the conclusion. In this section limitation and implication of the study are duly explained.

LITERATURE

Theoretical framework

Literature and Hypotheses Development

Audit Tenure, Audit Quality, and Excess Auditor Remuneration

Logical reason alludes that long auditor tenure will moderate the relationship between excess audit fee and audit quality and the learning curve theory also lend a voice to the aforementioned. Nevertheless several scholars (like Agrote & Eppele 1990; Dutton & Thomas, 1984) have criticized the learning curve theory. They argue that various studies done in the field showed that there is a wide variation in learning rates of employees when examining separately, this made these scholars to fault the explanatory power of experience. Argote and Eppele (1990) further propose four hypotheses to explain factors that lead to proficiency other than learning: the scale of economies, spillover knowledge, and two contrasting variables, turnover of employees and organizational forgetting. Johnson et al. (2002) further use a quadratic formulated model to buttress the assertion that when audit tenure is prolonged, a bonding effect arises from the close relationship between the auditor and the client. Arguably, bonding impairs the auditor's independence and their ability to detect and report errors and biased financial reporting. The critic of this theory (Maggin 1989; Corona & Randhawa 2010) further argues that that long auditor tenure negatively affects audit quality for several reasons. First, the financial incentives to keep a client might make the auditor compromise independence thus tolerating misleading financial statements prepared by management. Second, a long-term auditor-client relationship creates an inverse relationship because managers could strategically increase misstatements over time knowing that auditors are less likely to report the misstatement in later years to protect their job. Third, a long-term auditor-client relationship reduces audit market competition and hence lowers audit quality.

In China, Chen Jieping, Su Xijia, and Wu Xi (2005) investigate the influence of the audit rotation on quality audit- auditor remuneration employing the general least square statistical technique. The result shows that in the case of long auditor tenure, excess auditor remuneration positively impacts audit quality. However, when auditor tenure is a short abnormal increase in auditor remuneration does have an impact on the quality of audit Choi et al. (2010) use the US-listed companies using correlation analysis to find out the

relationship between auditor tenure, audit quality, and excess auditor remuneration. The result shows that when auditor remuneration was extremely low, excess audit remuneration has no significant relationship with audit quality in the short run; and when auditor remuneration was excessively high, audit quality is negatively correlated with excess audit remuneration in the short run. Jeff et.al, (2012) instigate the relationship impact of audit fees on audit quality employing the OLS statistical technique. Their results reveal that audit quality is negatively impacted by annual excess auditor remuneration in the short run while on the contrary when the auditor-client relationship is extended excess audit fee positively impacts audit quality.

This study aligns with the argument of Lennox (2014) which argues that long auditor tenure results in increased ability to detect fraud. This he called the "learning curve" effect. The study also incorporates the experience model formulated by Schaeffer et al (2004). The experience curve model assumes that there is no depreciation and discontinuities in learning. This assumption suggests that the auditor will not lose grip of the knowledge acquired in previous audit exercises.

This study makes a prediction based on learning curve theory that long auditor tenure leads to proficiency which in turn commands higher audit fees based on the reliability hypothesis.

H₁: Auditor tenure has no significant moderating influence on the relationship between audit quality and excess auditor remuneration.

Audit firm size, Audit Quality, and Excess Audit Pricing

Audit firm size means the capacity of an audit firm to handle an audit exercise. Arens et. al (2014) define the audit firm size based on total revenues, number of partners, number of professional staff, and number of offices. These categorizations are based on four key factors namely: small local firms, multinational firms, regional and large local firms, and national firms.

Extent literature reveals that the quality of audit produced by big audit firms with an international network is superior to the quality of audit produced by small audit firms. Some scholars (Eichenseher, Hagigi & Shields, 1989; Nichols & Smith, 1983) believe that the stock market reacts positively when a company switches to a large auditor rather than to a small auditor. Lennox (1999) stressed that big audit firms are more likely to express precise signals for a pending financial crisis in their audit judgments.

Shapiro's (1983) model proposes that sellers can create brand names for themselves by selling superior quality at a lower rate at the beginning acknowledging the fact that buyers are yet to be familiar with their products. At the point where the product has conveniently proven itself and its brand name is now well-known in the market, sell can then raise the price.

Inconsistent with the assertion DeAngelo's (1981) which states since is very expensive to ascertain quality audit because audit quality is not observable, the

buyers are likely to use first-class brand name gotten from the size of audit as derived from large auditors, as an indicator for qualitative audit.

Two elucidations for the existence of a direct relationship between audit firm size and quality of audit have been proven empirically by researchers – these have to do with the credibility of auditors and "deep pocket". It is germane to note that although findings from previous researches show that there is a positive relationship between audit firm size and quality of the audit, the extant literature is yet to take a stand on whether audit firm has a causal effect on audit quality. Another elucidation is endogenous nature. "Blue-chip" firms often than not engage the services of high-rated (Big-four) audit firm, because they believe that these firms have their brand name to protect. There is very little researches on the causal effect of audit firm size on audit quality and the findings of the researches show that the causal relationship between audit quality and audit size is positive (Hogan, 1997).

In the US, Yu (2007) examines the relationship between quality of audit and large audit firm when abnormal audit fee is charged employing the data gotten from 6,568 firms for three years for firms that are audited by 285 branches of large accounting firms in the US. The finding corroborates the assertion that there is a direct relationship between quality of audit and audit firm size when an abnormal audit fee is charged.

Based on the reputation hypothesis this study argues that audit firm reputation is a factor that determines the direction of abnormal audit fee/audit quality relationship. This study also argues that reputation is synonymous with firm size. The study predicts that the audit firm size will positively influence the audit quality-audit fee relationship.

H₂: Audit firm size has no significant moderating influence on the relationship between audit quality and excess auditor remuneration

Auditor Independence, Audit Quality and Excess Audit Pricing

Krishnamurthy et al. (2006) postulate when anticipated income from a prospective clientele relationship exceeds reputation cost then it is probable that auditor independence is impaired. These authors further stress that when an audit firm is not willing to bear the risk of losing a client then the possibility of auditor independence being impaired is high. The argument put forward in this study is that audit fee, in general, creates bonding between auditor and client and this bonding will not have any significant influence on audit independence except it exceeds the economic bonding threshold. Beyond the threshold, auditor independence is drastically impaired hence audit quality is compromised. The point at which an audit fee culminates into economic bonding is regarded as an abnormal audit fee. To locate the threshold of economic bonding has been the bone of contention among scholars. Hansen (1999) proposed a model that can be used to locate the threshold beyond which auditors will jeopardize their reputations for greater economic bonding. The model helps to explain the structural shift when there is a nonlinear relationship between audit quality and abnormal audit fees. DeFond and

Francis (2005) argue that the wealth of researches that used linear models reveal that fee dependence may occur only when audit fee reaches its threshold.

Based on this the study predicts that when the auditor is independent the relationship between abnormal audit fee and audit quality will be negative. In Indonesia Suseno (2013) investigate the influence of auditor independence on audit fees/audit quality relationships employing descriptive statistics technique. The result of the study shows that when the auditor is independent the relationship between audit quality and abnormal audit is positive.

Some researchers also got similar results on the impact of auditor's independence on audit quality, among others: Enofe al et (2013) empirically evaluates the relationship between audit quality and auditors' independence of Nigerian firms employing the ordinary least square (OLS) regression analysis. The results show that auditors' independence has a positive relationship with audit quality. Suyono (2012) also find the same result, that is- independence of auditor and accountability have a positive effect on audit quality. Similarly, Novie Susanti and Suseno (2013) assert that-auditor independence significantly influences audit quality. Saputra (2015) reports that audit quality is affected by auditor independence. The more independent an auditor is, the better the quality of the audit.

Fitriany, Veronica, and Anggraita (2016) examine the influence of auditor independence on the abnormal audit fee –audit quality relationship of Indonesian firms employing the OLS regression technique. The result reveals that excess auditor remuneration is negatively related to audit quality when auditor independence is impaired. Zhao (2021) carries out a study to establish the effect of abnormal audit fee on stock price crash risk. His result shows that abnormal audit fee significantly influences stock price and can be used a stock price risk mechanism

H₃: Auditor Independence has no significant moderating influence on the relationship between audit quality and excess auditor remuneration

METHOD

Data

The study gathered data from a secondary source. Data kept in the archive was employed for this study. Data were extracted from the annual financial statement of the firm selected for the period under review, 2006-2020. The least-squares regression technique is employed for data analysis. A multivariate regression technique was also employed using panel data

Model Specification Analytical framework

The study formulated its model based on bonding theory and learning curve theory. Economic bonding theory explains the ties between the client and auditor. The theory explains that an audit fee creates a bond between the

auditor and the client. The theory further explains that when the audit fee collected from a specific client forms the bulk of the auditor's revenue then economic bonding is imminent. The theory is championed in modern times by Hasen (1999), Frankel et al. (2002), and Gul Gul, Jaggi, and Krishnan (2007). Gul, Gul, Jaggi, and Krishnan (2007) opine that economic bonding can be recognized as ‘familiarity and personal connections between the auditor and the client. Frankel et al. (2002) see economic bond as an inducement for the auditor to consent to the client's pressure thereby compromising audit quality via earnings management.

Learning curve theory is built on the premise that learning can lead to proficiency when the learning process is repeated over and over again. Dwelling on the hypothesis of learning psychology, the learning curve theory has to establish the fact that mechanical change is directly proportional to learning gained from the accumulation of experiences on a given job over time. Arrow (2002) formulated the "learning-by-doing" model which clarifies that continuous learning on the job leads to the reduction of cost and improved quality Based on the review of theories, the models were formulated as follows:

$$AQ=f(\text{excess audit pricing})$$

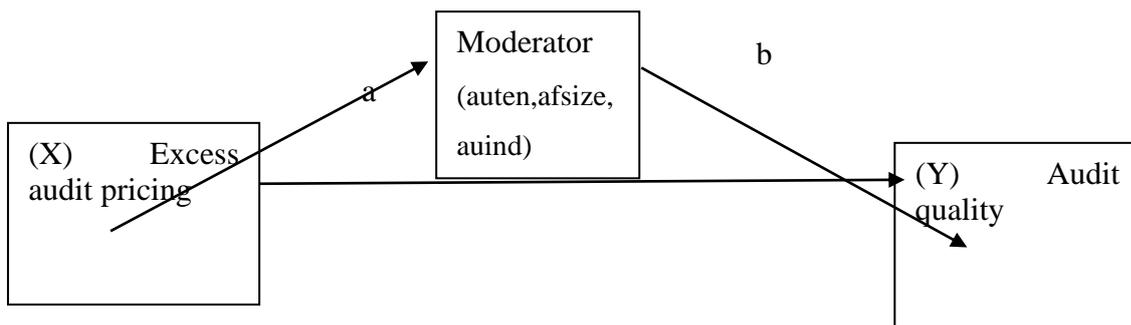
(1)

Corona and Randhawa (2010) assert that economic bonding theory explains the moderating influence of auditor independence on the relationship between abnormal audit fee and audit quality

$$AQ= f(\text{Excess audit pricing in presence of auditor attributes })$$

(2)

Figure 1



Moderation Regression Model (MRA)

Arrows indicate hypothesized effects

Moderating effect of X on Y = a*b, direct effect of X on Y = c

Learning curve theory proposes that auditor tenure influence the relationship between audit quality and normal audit fee (Arrow, 2002)

$$AQ=f(\text{Abnormal audit fee in the long run})$$

(3)

Reputation theory explains that in the long large audit firm prove their mettle and charge a higher fee and predict a direct relationship between excess audit pricing and audit quality. (Moizer, 1992)

$$AQ=f(\text{Abnormal audit fee in presence of audit firm size})$$

(4)

The above is mathematically expressed as follows

Model auditor attributes

AQ=f (Abnormal audit fee* (auditor independence, audit firm size, auditor tenure)

$$AQ= \beta_0 + \beta_1 (EAP*AUTEN) + \beta_2 (EAP*AUTEN) + \beta_3 (EAP*AUTEN) + \beta_4 AUIND + \beta_5 AUDTE + \beta_6 AUFSIZE + \alpha \dots (5)$$

Where:

EAP: Excess audit remuneration

AQ: audit quality)

AUTEN: Auditor tenure

AUIND: Auditor independence

AUFSIZE: Audit firm size

EAP*AUTEN: interactive term, excess audit pricing, and auditor tenure

EAP*AUIND: interactive term, excess audit pricing and independence

EAP*AUFSIZE: interactive term, excess audit pricing, and audit firm size

ê: error term

Dependent Variable AQ

Discretionary accruals have been extensively used as a proxy for audit quality Dechow, Sloan, and Sweeney (1995) argue that the modified Jones model is the most powerful model for estimating discretionary accruals.

Discretionary accruals are obtained as follows:

$$DAC = TACC - NDA$$

(1)

$$TACC=NDA+ DA$$

(2)

Where

TACC = Total accruals

NDA = Non-Discretionary Accruals

$$DAC = \text{Discretionary accruals } TACC_{it} = a_0 (1/ASSETS_{it} - 1) + a_1 (\Delta REV_{it} - \Delta REC_{it}) + a_2 PPE_{it} + E_{it}$$

(3)

Where TACC_{it} = total accruals in year t for firm i

Δ Rev_{it} = revenues in year t fewer revenues in year t -1 for firm i

Δ REC_{it} = receivables in year t fewer receivables in year t -1 for firm i

PPE = gross property, plant, and equipment in year t for firm i

Eit = error term (residuals) in year t for firm i.

Table 1. Operationalization of variables

Variable	Variable Label	Measurement	Source	Expected sign
Dependent				
Audit quality	AQ	Discretionary Accruals	Vourc'h, and Morand (2011), Soedaryono(2017)	
Independent				
Excess audit Pricing	EAP	Is measured as the difference between industrial average and actual audit fee	Choi, Kim, and Zang(2009) and Zang(2013)	-
Moderating variables				
Auditors' Tenure	AUTEN	Number of years spent by the auditor in the current audit engagement	Thinggaard and Kiertzner (2008),	+
Auditors' Independence	AUINP	Log of audit fee	Ferguson, Pinnuck, and Skinner, (2013),	+
Audit Firm Size	AUfSIZE	Number of Clients for the year	Caneghem (2009).	+

Source: Researcher's computation (2021)

RESULT

Test of regression Assumptions

Table 2: Regression Assumptions Test

Multicollinearity test		
Variable	Coefficient Variance	Centered VIF
AQ	0.004368	NA
EAP	1.04E-13	1.08
AUTEN	9.03E-05	1.09
AUIND	5.42E-12	1.21
AUfSIZE	5.74	3.7

Heteroskedasticity Test: ARCH		
F-statistic = 0.64	Prob. F(1,769)	0.72
Breusch-Godfrey Serial Correlation LM Test:		
F-statistic = 388.8	Prob. F(2,768)	0.09
Ramsey model test		
F-statistic = 67.45	Prob. F(1,769)	0.30

Source: Researcher’s Computation (2021)

To further strengthen the result of the absence of multicollinearity, we carried out a residual diagnostic test of variance inflation factor. From table 4.3, it is observed that the variance inflation factor (VIF) which measures the level of collinearity between the variables shows how much of the variance of a variable most likely the coefficient estimate of a regressor has been inflated due to collinearity with the other variables or likely regressors. They can be calculated by simply dividing the variance of a coefficient estimated by the variance of that coefficient had other regressors not been included in the equation. The VIFs are inversely related to tolerance with larger values indicating involvement in more severe relationships. VIFs above 10 is seen as a cause of concern (Landau & Everit, 2003). VIF of AUIND (1.21); AUTEN (1.09); AUFSIZE (3.70); EAP(2.6). In inclusion, the VIFs of the variables are all less than 10 indicating the unlikelihood of multicollinearity amongst the variables and hence the variables satisfy a very important condition in the multivariate regression analysis.

The ARCH test for heteroskedasticity was performed on the residuals as a precaution. The results showed probabilities above 0.05 which led us to reject the presence of heteroskedasticity in the residuals. The Lagrange Multiplier (LM) test for higher-order autocorrelation reveals that the hypotheses of zero autocorrelation in the residuals were not rejected. This was because the probabilities (Prob. F, Prob. Chi-Square) were greater than 0.05. The LM test did not, therefore, reveal serial correlation problems for the model. The performance of the Ramsey RESET test showed high probability values that were greater than 0.05, meaning that there was no significant evidence of miss-specification.

Regress result

Table 3 Regression Result

Table 3				
Variables	Coefficient	t-statistics	p-value	VIF
C	0.0002	0.007	0.872	
AUTEN	0.781*	{0.026}	0.000	1.403
Compromising	0.4281*	0.400	0.726	1.359
Competitive	-0.002	-3.002	0.0016	1.112
Avoidance	0.012	3.219	0.000	1.183
Collaborating	0.011	-0.029	0.273	1.121

R ²		0.923
Adj R ²		0.857
F-Stat		2460.791
P(f-stat)		0.000
D.W		2.000

Source: Researcher’s compilation (2021) using SPSS 23

Analysis for the influence of auditor attributes on audit Fixed Effect Result

The fixed effect least-squares multivariate regression result presented in Table 3 shows that auditor tenure (AUTEN) is negatively related to audit quality. This relationship is emblematic at % (p=0.003). This implies that elongated auditor tenure will lower audit. The result further shows Auditor independence (AUIND) is positively related to audit quality. This relationship is emblematic at 5% (p=0.00). This infers that the independence of the auditor will lead to low audit quality.

Audit firm size (AUfSIZE) on contrary appears to be negatively related to audit quality. This relationship is emblematic at 5% (p=0.00) thus it implies that the bigger the audit firm the better the audit quality. Excess audit pricing also (EAP) was observed to be positively related to audit quality. This relationship is not emblematic at 5% (p= 0.09). This implies audit quality has no significant impact on audit quality. The results reveal that auditor tenure has a positive moderating effect on the relationship between excess pricing and audit quality. This influence is significant at 5% (p=0.03). This implies that charging abnormal audit fees in the long leads to poor audit quality. It was further observed that auditor independence as a moderator (AUIND*ABAFEE) has a positive moderating effect (-1.39, p=0.04) on the relationship between excess audit pricing and audit quality.

Finally, the results show that audit firm size as a moderator (AUFZ*ABFE) has a negative moderating influence on the relationship between excess audit pricing and audit quality (p=0.04). The model parameters are as follows; coefficient of determination (R²) = 71%, ADJ R² = 68%. These values suggest that about 68% of systematic variations in audit quality is explained by independent variables. The F-stat=29.8, P (f-stat) = 0.00 and D. W=1.6. The F-values confirm that the hypothesis of a significant linear relationship between the variables (moderators, dependent and independent) cannot be rejected at 5% level while the D.W statistic indicates that a serial correlation presence in the residuals is unlikely

DISCUSSION OF THE FINDGS

This study is aimed at ascertaining the moderating effect of auditor attributes on the relationship between audit quality and excess audit pricing. The study was anchored on three fundamental theories namely. Economic bonding theory, reputation theory, and learning curve theory. The hypotheses emanated from these theories. The results show that auditor tenure has a negative moderating influence on the relationship between excess audit

pricing and audit quality. This connotes that excess audit pricing in the long will run will lead to low audit quality. This is at variance with a priori. This is the result is also at variance with Chen, Jieping, Su Xijia, and Wu Xi (2005) which shows auditor tenure has a positive moderating effect on excess audit pricing /audit quality relationship. This result is in line with Brooks, Cheng, and Riechelt (2012) which reveals that elongated auditor tenure has a negative moderating influence on abnormal audit fee/audit quality relationship. Consequently, the null hypothesis that there is audit tenure has no significant mediating influence on the relationship between abnormal audit fee and audit fee is not retained

Furthermore, the results show that audit firm size has a negative moderating influence on the relationship between excess audit pricing and audit quality. This result is at variance with reputation theory which asserts that large audit firms charge abnormally high about and exert effort more audit efforts to protect their reputation. This is also at variance with Dopouch et al (1987) which reveals that audit firm size has no significant influence on the relationship between abnormal audit fee and audit quality. Consequently, the null hypothesis that audit firm size does have a significant mediating influence on the relationship between abnormal audit fees and audit quality is not retained.

Finally, the results show that auditor independence has a positive moderating influence on the relationship between excess audit pricing and audit quality. This result is aligned with economic bonding theory which asserts that bonding to the client will lead to high economic gain but by extension reduction in audit quality

CONCLUSION

This study is aimed at ascertaining the moderating effect of auditor attributes on the relationship between audit quality and excess audit pricing. The study was anchored on three fundamental theories namely. Economic bonding theory, reputation theory, and learning curve theory. The hypotheses emanated from these theories. The results show that auditor tenure has a negative moderating influence on the relationship between excess audit pricing and audit quality. This connotes that excess audit pricing in the long will run will lead to low audit quality. This is at variance with a priori. Consequently, the null hypothesis that there is audit tenure has no significant mediating influence on the relationship between abnormal audit fee and audit fee is not retained

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Finally, the results show that auditor independence has a positive moderating influence on the relationship between excess audit pricing and audit quality. This result is aligned with economic bonding theory which asserts that bonding to the client will lead to high economic gain but by extension reduction in audit quality. Consequently, the null hypothesis that auditor independence does not have a significant mediating influence on the relationship between excess audit pricing and audit quality is not retained

LIMITATION

This study has some limitations. First, the study assumes that discretionary accrual is an appropriate measure of audit quality and is also inversely related to audit quality. Despite the widely accepted use in prior accounting research, discretionary accrual is often criticized as a noisy proxy for the quality of the audit conducted. Second, though excess audit pricing was computed using an audit fee estimation model that appears to be well specified and in line with the results of prior audit fee studies, we cannot rule out the possibility of an unknown degree of model misstatement; due to endogeneity and correlated omitted variables. Finally, our sample composition is based on quoted non-financial firms. Therefore, the results cannot be used for generalization for the financial sector.

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