

## Determinants of Audit Switching in Nigerian Healthcare Firms

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### Abstract

*The study looked at factors that affected audit switching in Nigerian healthcare firms that were reported between 2010 and 2019. Using longitudinal data gathered from the companies' financial records over a range of years, the study employed an ex-post facto research approach. The firm assets base, management changes, leverage financing, and audit fees were employed in the study as explanatory variables, while audit switching was used as an outcome variable. A regression approach was used to analyse the gathered data. Nevertheless, in order to determine whether the data used were normal and to look for multi-collinearity, some preliminary analysis was done using descriptive statistics, correlation, and variance inflator analysis. According to the research findings, 68.69 percent of audit switches in Nigerian healthcare organisations are positively impacted by the independent variables that were chosen for the study. The particular result indicates that among Nigerian healthcare organisations that transfer auditors, the firm's asset base, a change in management, and leverage financing all have a favourable and significant. In Nigerian healthcare organisations, audit switching is positively but marginally influenced by audit fees. This suggests that the main factors influencing audit switching among healthcare companies listed on the Nigerian Exchange Group are firm asset base, management changes, and leverage financing. While audit fees do influence audit switching, their influence is not as great. Among other recommendations made by the report, shareholders could use and take into account the unique skill required before hiring an auditor in order to avoid audit switching.*

**Keywords:** Audit Switching; Management Changes, Leverage Financing

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### 1.0 Introduction

According to Nigerian company laws, every company must have an independent public accountant audit its financial reports. These companies also have the duty of preparing and fairly presenting these financial reports to the board of directors, which consists of executive and non-executive directors and represents the interests of various stakeholders (Abubakar, 2016). The executive directors work as the principals' agent to oversee company operations and make sure that the company's aims and objectives are met using the resources at hand. The principals gave the agent operational authority and control. Using the yearly report, the agent

reports its operations to the owners within a given time frame. The owner uses this information to make decisions. But the principals hire the auditor because of the conflicting interests and to improve the accuracy of the financial report. As stated by Huson, Ali, and Shamsher (2000), one of the main drivers of demand for audit and auditing services is the auditors' critical role in mitigating the danger of information asymmetry resulting from the separation of ownership from control. The Board (acting as the agent and principal) has access to a variety of audit firm options, nevertheless.

The selection of the audit firm or firms to be engaged has become one of the most significant decisions made by any Board, primarily because of the changes in reporting standards, the need for specialised skill, and the particular nature of the organisation's operations. due to the significant advantages of having a specific class of auditors audit the financial accounts. A firm's decision to switch auditors may be influenced by a number of factors, such as disagreements regarding the content of financial reports (Addams & Davis, 1994), management changes (Oghenekaro, Nkechi & Ekene, 2022), auditor fees (Ismail & Aileahmed, 2008), audit firm reputation (Ugwu, 2020), and size of the audit firm. The desire to switch auditors may seem enticing to directors when they have access to a large selection of audit firms and are incentivized to select a certain auditor (Woo & Koh, 2001).

The decision was made by the boards of directors of the companies in an effort to lower agency costs that result from various information asymmetries that arise in a business setting. These additional agency charges are related to the selection of a particular auditor. The reliability of audited financial reports may be weakened by a change in the auditor's independence (Woo & Koh, 2001). It is anticipated that risks to independence, self-interest, and familiarity will lessen the concentration of the audit market when combined with the mandated switching. The board of directors has the authority to choose auditors based on the audit committee's recommendations. Empirical data, however, is still sparse regarding the variables influencing audit switching in Nigeria.

The findings of earlier researchers on audit switching and its causes were conflicting. The research conducted by Oghenekaro et al. (2022) revealed that audit switching was positively and significantly correlated with asset base and management changes. Additionally, Kolawole and Inneh (2016) discovered that the likelihood of switching auditors was positively and significantly correlated with audit fees, initial public offerings, audit service length (Abubakar 2016), leverage (Revier & Schroe 2010), direct solicitation (Arezo, Zakiah & Azam 2011), and top management changes (Hudaib & Cooke, 2002).

For many years, audit switching has been a significant problem that needs to be resolved in order to improve audit quality. It also has an impact on external audit reports, which increase a company's value. Nonetheless, a few research discovered a strong inverse relationship between auditor switching and both size (Hudaib & Cooke, 2002) and industry specialism (Woo & Koh, 2001). Arezo, Zakiah, and Azam (2011), Andreas (2019), Abubakar (2016), Ugwu (2020), and Woo and Koh (2001), Hudaib and Cooke (2002), Arezo, Zakiah, and Azam (2011), asset base, change in management, and size were among the studies that found no significant correlation between audit switching and these factors.

To determine the primary factors influencing audit switching in the Nigerian environment, this study was conducted. Tests were conducted on the following research hypotheses:

- H<sub>01</sub>:** There is no meaningful correlation between audit switching and the firm's asset base.  
**H<sub>02</sub>:** There is no discernible connection between audit switching and management changes.  
**H<sub>03</sub>:** There is no meaningful connection between audit switching and leverage finance.  
**H<sub>04</sub>:** There is no discernible connection between audit switching and audit fees.

## 2.0 Review of Related Literature

### Firm Asset Base

According to Lev and Daum (2004), a company's assets might consist of both tangible and intangible assets that have the potential to yield significant returns in the future. These assets can also be traded or retained to some extent. Intellectual property (IP) comprises non-tangible assets like as R & D, patents, trademarks, human resources, organisational competences (such as technology and databases), and relationship capital. Imovable assets that are difficult to quickly turn into cash are referred to as physical assets. The bulk of the companies' total assets are made up of tangible assets. Assets are a factor that influences leverage, as demonstrated by empirical evidence. According to Oghenekaro et al. (2022) organisations possessing a higher level of tangible assets tend to have a higher debt ratio in comparison to those with fewer tangible assets. The quantity and impact of interconnections on a business's operations and activities can determine the amount of its asset base. The asset, operational, financial, and/or transactional complexity classifications are used to categorise the assets base.

### Change in Management

When there is a shift in the chief executive officer's office or in the upper administrative echelon, management changes (Oghenekaro et al, 2022). There are various reasons why there could be a change in management. A change in management can result in a change of auditor in a few different situations: if the current auditor has a close relationship with the previous management; if the new manager is looking for a new strategy; or if the new manager has had positive interactions with the new auditor in the past, during takeover (Andreas, 2019, Mordi, Samiat & Omaliko, 2022).

According to Andreas (2019), changing the auditor frequently occurs after replacing the managing director, particularly in cases where the company's finances are deteriorating. The newly appointed auditors always followed management changes, particularly when it came to the managing director's replacement. This satisfied the managing director's wish to build strong working relationships with the new auditors in the hopes of facilitating the choice and implementation of crucial accounting policies and providing assistance in resolving issues that arose (Khasharmeh, 2015).

### Leverage Financing

The combination of different financial sources that a company uses to fund its operations and assets is known as leverage financing. One of the most significant and intricate problems in corporate finance that has not yet been answered is whether or not an ideal leverage financing structure exists. It may be challenging for a company in financial trouble to obtain funding and fulfil its responsibilities. Lenders may be more confident in financial statements produced by a reputed audit company if they use debt. There are three different ways to quantify leverage

financing: (1) total debt to total assets; (2) total debt to total equity; and (3) short-term debt to total assets.

The ratio of total debt to total assets is used by most research, including this one, as a stand-in for leverage finance. Leverage in finances is not always viewed as a bad sign for a business. The company's owners may get wealthier as a result, and borrowing has tax benefits as well (Hudaib & Cooke, 2005). Kolawole et al (2016) states that when a firm's capital structure becomes more debt-ridden, the severity of the previous agency conflict will also get more intense. The shareholder-bondholder conflict of interest may be reduced by having an external auditor, particularly one of superior calibre, monitor the contracts.

Ikechukwu, Nnagbigu, and Innocent (2013) noted that the amount that a company uses debt and equity to finance its assets is measured by financial leverage. A business may use both debt and equity to finance its investments. Preference capital may also be used by the business. A corporation that uses leverage financing hopes to make more money from the fixed charges funds than it spends. Leverage in finance rises with debt levels. When the economy is doing well, a company's main goal when employing financial leverage is to increase the return to shareholders. The idea that fixed-charge funds (like debentures or loans from financial institutions and other sources) can be acquired for less than the company's rate of return on net assets (RONA or ROI) underlies the role of leverage financing in increasing the return to shareholders. Leverage ratios are one way to gauge how risky it is to use equity expenses (Damouri, Barzegari, & Kaffash, 2013). The most significant capital structure metrics, according to them, are those based on book value, market value, and semi-market value (adjusted market value). All other metrics are well known.

### **Audit Fee**

The sum of money required to hire an auditor is regarded as an operational expense that lowers a company's operational performance. The sum might amount to millions of naira, therefore it could be taken into account while selecting an auditor. According to Hayward (2007), audit fees are an important factor to take into account when selecting an external audit firm. The costs of auditors can be decreased if a company is thinking about cutting costs, particularly during a recession due to increased competition and shrinking margins. This can be done by moving from expensive firms to more affordable auditors. Gist (2002) asserts that audit quality may be predicted by the sum paid to the audit company. When choosing an audit firm to work with, audit fees may come into play. Olowokere and Inneh (2016) contended that the amount of fees received from clients has an effect on the auditors' degree of objectivity and independence. The price paid to hire an auditor is known as the audit fee.

Numerous studies have used audit fee as a significant indicator of audit quality, particularly when analyzing the relationship between audit quality and size (Francis, 2004). According to Hay and Davis (2004), selecting certified auditors can be linked to higher audit fees. Some clients are more interested in working with large audit companies despite the higher audit charge. According to Hay and Davis (2004), clients have faith that large audit companies possess stronger monitoring and bonding mechanisms to achieve improved audit quality.

Olowokere and Inneh (2016) made the case that the amount of money clients pay has an impact on the auditors' degree of objectivity and independence. The expense incurred to hire an auditor

is known as the audit fee. Numerous studies have utilized audit fee as a significant determinant of audit quality, particularly when analyzing the relationship between audit quality and size (Francis, 2004).

### **Audit Switching**

The process of moving from one auditing company to another is known as audit switching. The decision involves replacing the current auditor, which leads to the selection of high-caliber, distinctive audit companies to realign the audit firm's attributes with the expanding requirements of businesses in dynamic environments (Oghenekaro et al. 2022).

When clients choose to conceal the reality about the firm's performance and spend additional expenses, the auditor, desiring to retain its clientele, must let go of them. The decision to replace an auditor can result in both direct and indirect costs for the company, therefore it is natural for people to wonder why they would want to do so given the potential expenditures. The content of financial reports, changes in management and asset base, audit firm size, audit duration, audit fees, and audit firm visibility are some of the variables that may influence the decision to switch auditors (Addams & Davis, 1994; Oghenekaro et al., 2022).

### **Theoretical Framework**

#### **Stakeholder Theory**

The idea of a stakeholder and its relationship to any business company are further developed by stakeholder theory. Stakeholders are "any group or individual who can control or is controlled by the achievement of the organization's objectives," according to Freeman (1984, cited in Schilling 2000). Thus, a broad range of participants, or indeed anyone with a direct or indirect interest in the company, may be included under the term "stakeholder" (Carroll 1993, cited in Schilling 2000). Shareholders, investors, staff members, suppliers, and clients whose interests coincide with the company's are considered direct stakeholders. According to Kiel and Nicholson (2003), one example of an indirect stakeholder that is impacted by a company's operations is the government.

Stakeholder theory, as defined by Clarke (2004), defines an organization as a multilateral agreement between a business and its various stakeholders. Formal and informal policies that have grown throughout the course of the relationship bind the organization to its internal stakeholders (workers, managers, and owners). Even while management may take money from investors, they still depend on staff to meet the organization's productivity targets. Customers, suppliers, and the community are examples of external stakeholders that businesses must consider. They are also significant and subject to both statutory and informal regulations. The agency view, which assumes that the board of directors looks out for the interests of shareholders, is expanded upon by the stakeholder theory. However, this limiting focus on shareholders has expanded to include the interests of a wide range of stakeholder groups, such as those with ties to the social, ethical, and environmental spheres (Freeman, 1984; Donaldson & Preston, 1995; Freeman, Wicks & Parmar, 2004). Increases in shareholder value, according to Sundaram and Inkpen (2004), are significant because they are the only objectives that influence choices that benefit all parties involved. They argue that managers are unable to identify a wide range of stakeholders and their underlying beliefs.

The claim made by proponents of the stakeholder perspective is that increasing shareholder wealth will result in the transfer of value from non-shareholders to shareholders. The different stakeholders should receive information as soon as it is appropriate in order to compensate them. Therefore, timeliness is essential in this context. This is why the study adopts the stakeholder paradigm to ensure value addition.

### **Agency Theory**

A conflict of interest arises between the principal and the agent, according to the agency theory. Jensen and Meckling (1976) first proposed the theory. A contract known as an agency relationship occurs when one or more principals hire an agent to handle specific tasks on their behalf and then give the agent some degree of decision-making authority. Disagreement over matters pertaining to asymmetry of information and interest can lead to relationship problems. According to Harayanto (2014), this dispute may increase the rate of managerial turnover. The majority of issues resulting from conflicts of interest are mostly caused by information asymmetry. The unequal distribution of information between the agent and principal, which results in imbalanced information, is known as information asymmetry (Arifah, 2012, Mordi, Samiat & Omaliko, 2022). Because the management of the organization is better knowledgeable or more experienced than other stakeholders (such as owners or shareholders), information asymmetry may arise. A knowledge asymmetry between the management (the agent) and the owner (the principal) may present a chance for the manager to behave opportunistically, that is, for personal gain (Lisa, 2012). According to Robbitasari and Wiratmaja (2013), the independent auditor can lower agency costs resulting from the manager's self-interest by acting as a middleman between the two parties with divergent interests.

An auditor who can both confirm and reassure the information provided by management is needed by the principal. Because they are impartial and act as a mediator, the auditors are able to ensure the accuracy of financial accounts without taking sides (Robbitasari & Wiratmaja, 2013). The economic theory first presented by Alchian and Demsetz in 1972 and then expanded upon by Jensen and Meckling in 1976 is the foundation of agency theory. Wallis and Klein (2015) state that because ownership and control are separated, the agency theory presupposes a conflict of interest between major firm management and shareholders. The owners' goal of maximizing profits may clash with the managers' occasionally driven desire for self-interest. In summary, disagreement impedes the agency connection between managers, who are agents, and shareholders, who are principals, according to the prevalent paradigm. The principals' aim to maximize shareholder wealth and the self-interested agents' drive to expropriate cash are the main causes of the agency dilemma. This imbalance of interests is somewhat resolved by contracts.

The agency theory has been associated with the model that consists of independent variables (audit switching) and dependent variables (firm asset base, change in management, leverage, and audit fee).

### **Empirical Review**

Research on asset base, change in management and audit switching in Nigeria was conducted by Oghenekaro, Nkechi, and Ekene in 2022. Using long-term data gathered from the companies' financial reports over a number of years, the study employed an ex post facto research methodology. Audit switching was the response variable in the study, whereas the assets base (complexity) and management transition were the explanatory factors. Regression analysis was performed on the collected data. The results indicate that audit switch in Nigerian healthcare organizations is positively impacted by the study's selected variables.

In Nigerian quoted firms, Ugwu (2020) investigated the factors that led to auditor change between the 2015 and 2019 fiscal years. The determining factors were the size of the audit firm, the audit tenure, and the audit fee. Ex-post facto research strategy was used, and correlation analysis, binary log-it, pro-bit, extreme value regression model, and descriptive statistics were used to assess the secondary data that was obtained from consumer firms. According to the study, audit fee has a positive and insignificant influence on auditor switching, audit tenure has a negative but large influence, and audit firm size has a positive and insignificant influence.

Among companies quoted on the Indonesia Stock Exchange between 2012 and 2015, Meryka and Evita (2017) investigated the factors that influence the decision to switch auditors. A variety of explanatory and response variables were employed in the study, including audit switching, customer size, audit committee changes, and audit delay. To analyze the panel data gathered from 156 organizations chosen through purposive sampling, the binary logistic regression technique was utilized. Audit switching decisions are significantly impacted by all independent variables, including audit delay, client size, and audit committee changes, according to the study's analysis results. On the other hand, the individual variable result indicated that, although audit delay and audit committee changes had a positive but small impact on the auditor switching choice, client size had a negative substantial effect.

A study conducted in 2016 by Tan, Tze, Chong, and Adedeji investigated the relationship between financial performance of listed companies in Malaysia, auditor switching, and corporate governance. The used panel data was gathered between 2009 and 2013 from 100 listed companies. Factors such as board size, auditor flipping, firm performance, board independence, and chief executive duality were considered. Regression analysis and descriptive statistics were employed in the data analysis process. According to the research, chief executive duality has a beneficial impact on auditor switching, whereas board independence has no discernible influence on performance. The study's conclusions gave the government insight into how auditors might improve the relationship between company governance and financial performance by acting as guaranteeing agents.

The factors influencing an auditor's decision among Nigerian quoted industrial firms were studied by Kolawole and Godwin (2016). The research made use of both primary and secondary data. The sample size was determined by the study using the purposeful sampling technique. The primary data were gathered using a structured questionnaire, and the secondary data were taken from the yearly financial statements of the companies that were the subject of the study. The data was analyzed using binary logistics regression analysis and descriptive statistics. The analysis discovered that the two most important factors influencing auditor change are global coverage and a long-term relationship with present auditors.

In emerging economies such as Nigeria, where the sustainability of manufacturing enterprises is critical to overall economic development and government, the study's conclusions can have significant implications for audit markets.

Among Nigeria's quoted manufacturing enterprises, Kolawole et al (2016) investigate the elements that influence an auditor's selection. Data from primary and secondary sources—the annual financial reports of the selected companies—were gathered for this study. The questionnaire was distributed in 500 copies in total, of which 308 were properly gathered and examined. In order to examine the data, binary logistic regression and descriptive and inferential statistics were applied to the acquired information.

The findings indicated that the two main factors influencing auditor choice are global coverage and a long-term working relationship with current auditors. In their 2015 study, Cameran, Francis, Marra, and Pettinichio assessed the relationship between obligatory audit firm rotations and the audit quality of Italian public companies. The study's empirical conclusion showed that during the first three years of audit rotation, earnings management is rather prevalent. This suggested a negative correlation between the audit quality and the required audit firm turnover, particularly during the early term. However, a parallel study conducted by Korea in 2004 on the effect of a forced audit rotation system on the quality of reporting by enterprises reveals that mandated audit rotation results in a drop in the degree of discretionary accruals.

The relationship between audit market concentration and audit switching was investigated by Sanja and Mateja (2015). Regression analysis and the ex-post-facto research design were employed in the study, which also incorporated audit concentration variables such as audit quality and audit switching. High audit market concentration restricts big businesses' options for auditors and poses a high entrance barrier for mid-tier audit firms; the impact on audit quality and audit switching is yet unknown, according to the study. Croatia's audit market demonstrates that, over a five-year period, the audit market for listed businesses is becoming less diversified and is moderately to highly concentrated.

Nyakuwanika (2014) looked at the factors that influence auditor switching among Zimbabwean quoted corporations. Qualified audit opinion, non-audit services, audit fees, audit quality, management changes, and firm size were all employed as predictors in this study. Data from primary and secondary sources were gathered and examined. The findings suggested that a variety of factors, including audit fees, non-audit services, audit quality, management changes, and firm size, influence a company's decision to switch auditors.

### **3.0 Methodology**

Research designs that were longitudinal and ex post facto were used in the study. Our data is secondary data that already exists and cannot be controlled or changed, which is why this was adopted. The study's population consists of the 11 healthcare companies that were listed on the NGX as of December 31, 2019, with 110 observations spanning the years 2010–2019. They are: Glaxo-Smith Kline (GKS) Nig Plc, May & Baker Nig Plc, Ekocorp Pharm, Neimeth International Pharmaceutical Plc, Juli Pharm, Pharmdeko Plc, Evans Medicals Plc, Afrik Pharmaceutical Plc, Fidson Health Plc, May & Baker Nig Plc, and Nigeria-German Pharm. Utilising secondary sources, the NGX Factbook, annual reports, and accounts of Nigerian

health enterprises provided the data for the study. This study employed OLS regression analysis as its data analysis method. Asset base, change management, leverage finance, and audit fee were assessed as independent variables, and audit switching was used as the dependent variable (AUDS) in this study to determine the factors that influence audit switching in Nigeria. Once the appropriate tests had been completed, the data was processed using e-view V8 and the results were utilised to assess the hypotheses developed for this study. The validity of the results was increased by performing a number of robustness tests, such as the test of multicollinearity between the independent variables.

### Model Specification

The primary goal and the sub-goal serve as the foundation for the study's model. The model utilised to determine the factors influencing audit switching was modified and adapted from the research of Oghenekaro et al. (2022). The model is as follows thus: SWITCH = f(ASSB, MANCH).

Where: SWITCH = Audit Switching, ASSB = Asset Base, MANCH = Change in Management

The above model is modified for this study as thus:

#### Model 1:

$$AUDS = f(FASB, CHIM, LEVF, AUDF) \dots\dots\dots 1$$

$$AUDS_{it} = \alpha_0 + \alpha_1 FASB_{it} + \alpha_2 CHIM_{it} + \alpha_3 LEVF_{it} + \alpha_4 AUDF_{it} + \mu_{it} \dots\dots\dots Eqn 1$$

Were:

AUDS = Audit switching, FASB = Assets base, CHIM = Change in management, LEVF = leverage financing, AUDF = Audit fee,  $\alpha_0$  = Constant;  $\alpha_1 \dots \alpha_4$  = are the coefficient of the regression equation;  $\mu$  = Error term;  $i$  = is the cross section of firms used,  $t$  = Time.

## 4.0 Data Analysis and Interpretation

### Descriptive Statistics

The Jarque-Bera (JB) statistics, which indicate the existence of outliers and the degree of data normality, are displayed along with the mean (average) for each variable, as well as the maximum and minimum values for each, standard deviation, and mean. Descriptive statistics for the data collected during a ten-year period (2010–2019) are summarised in Table 4.1.

**Table 4.1 Descriptive Statistics**

	AUDS	FASB	CHIM	LEVF	AUDF
Mean	0.350000	24.07889	0.344444	0.795857	0.144386
Median	0.000000	21.24500	0.000000	0.550000	0.090000

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

Source: Researcher's Computation (2024)

Based on descriptive statistics, the study found that during the 35 percent of the study period that it covered, healthcare organisations changed auditors on average. The results also showed that not every corporation changed auditors. According to the results, the firm's assets base has a mean of 24.07889, a maximum value of 44.95000, and a minimum value of 21.00000. These figures demonstrated that certain companies have stronger asset bases than others. Conversely, the gap between the minimum and mean values indicated that the majority of the firms operate in a reasonably modest manner, while the difference between the mean and maximum demonstrated that a small number of enterprises have a stronger asset base than others.

A mean of 0.344444, a maximum value of 1.000000, and a minimum value of 0.000000 are displayed by the change in management. This demonstrates that, during the course of the previous ten years, the management of healthcare companies in Nigeria has changed on average by 34.4%. The discrepancy between the average value of 0.344444, the highest value of 1.000000, and the lowest value of 0.000000 indicates that very few companies did not undergo a management change during the time under examination.

At a minimum of 0.090000, a maximum of 0.250000, and a mean of 0.79587, leverage finance is measured. It was evident from the significant variation in the mean, maximum, and minimum values that some businesses have high levels of leverage while others have moderate levels of leverage. This suggests that certain healthcare companies use a lot of leverage to finance their operations. Large leverage financing servicing can be costly for businesses, particularly in a down economy like Nigeria. It also raises operating costs and increases the danger of default, which could force the business into liquidation.

The auditors' fee ranged from a minimum of 0.050000 to a maximum of 0.213471, with a mean value of 0.144386). As per the findings, Nigerian healthcare firms spend, on average, 14.4% of their operating costs on accounting services (audit and assurance services). However, the smallest amount indicates that a number of the firms studied during the study time frame spent as little as 5% (0.05) of their operating costs on accounting services (audit and assurance services), and some firms spent as much as 21.3%. By using the accounting service, investors' confidence is increased and the financial report becomes more credible.

Additionally, all of the variables are shown to be normally distributed at the 1% level of significance by the normality test conducted using the Jarque-Bera (JB) under the e-view 8 software.

**Table 4.2 Normality Test: Shapiro-Wilk Test**

Variable	Obs	W	V	z	Prob>z
AUDS	110	0.03141	11.0483	6.2547	0.03010
FASB	110	0.30159	211.161	11.086	0.00000
CHIM	110	0.43981	38.1248	10.113	0.00830
LEVf	110	0.39878	103.901	13.118	0.00000
AUDF	110	0.21711	451.051	16.004	0.00000

Source: Researcher's Computation (2024)

Finally, at a 1% significance level, the Shapiro-Wilk normality test reveals that the firm's asset base, management changes, leverage financing, and audit fees are all normally distributed. During audit changeover, a 5% significant level is often distributed. Every variable employed has a normal distribution, according to the results of the normality test. This suggests that the analysis's findings can be trusted when forming generalisations and policies. Under e-view 8, the Jarque-Bera statistics probability and the Shapiro-Wilk normalcy test yield similar results.

### 4.3 Correlation Analysis

The correlation analysis was employed in the study to look at the relationship between the variables.

**Table 4.3 Correlation analysis**

	AUDS	FASB	LEVf	AUDF	CHIM
AUDS	1.000000				
FASB	0.344955	1.000000			
LEVf	0.119027	0.015548	1.000000		
AUDF	0.018069	0.122571	0.044540	1.000000	
CHIM	0.04986	0.086786	0.013603	0.011695	1.000000

Source: Researcher's Computation (2024)

According to table 4.3 correlation analysis results, audit switching is positively correlated with the firm's asset base (0.344955), management change (0.049866), leverage financing (0.119027), and audit fees (0.018069). The positive correlation between audit switching and the assets base, leverage policy, audit fees, and management change was found.

The study found that no two explanatory variables were fully associated when using correlation analysis to test for multi-colinearity among the variables employed. This supports the choice of the panel ordinary least square and shows that the model employed for the analysis does not exhibit multi-colinearity. The Variance Inflation Factor (VIF) finding validated this position. The outcome of the VIF is shown below.

**Table 4.4 Variance Inflation Factor Test:**

Variable	VIF	1/VIF
AUDS	1.01	0.99009

FASB		1.10	0.90909
CHIM		1.30	0.76923
LEV		1.00	0.99999
AUDF		1.01	0.99009

-----+-----  
 Mean VIF | 1.084

**Source:** Researcher's Computation (2024)

The aforementioned VIF test yields an overall mean result of 1.084, which is below the rejection threshold of 10. The average value shows that multi-colinearity is not present in our model. The variance inflation factor test result, which indicates the lack of multi-colinearity using a 75% acceptance zone to determine the degree of link among the variables, supports the correlation analysis's findings.

Hausmann Effect Test: To choose between fixed and random effects, the study employed the Hausman Effect Test. The outcome is shown below.

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	11.4342	6	0.0032

Source: Researcher's Computation (2024)

A chi-square probability value of less than 10% is shown by the Hausman effect test result, which has a chi-square value of 11.4342 and a probability value of 0.0032." We utilised the fixed effect to address the issue of heterogeneity in the study's data since the results of the analysis indicate that the fixed effect was accepted and the random effect was rejected. This table, which has been adjusted for fixed effects, shows the regression result.

**Table 4.4: Fixed effect Regression Tables**

Cross-section fixed effects test equation:

Dependent Variable: AUDES

Method: Panel Least Squares

Date: 06/10/24 Time: 19:15

Sample: 2010 2019

Periods included: 10

Cross-sections included: 11

Total panel (balanced) observations: 110

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.71579	2.546013	5.387164	0.0000
FASB	3.543003	1.343670	2.659437	0.0162
CHIM	0.195388	0.091948	2.124984	0.0167

LEV	4.565215	0.929530	4.911317	0.0000
AUDF	1.361401	2.188265	0.622137	0.5347
R-squared	0.706773	Mean dependent var	0.890335	
Adjusted R-squared	0.686912	S.D. dependent var	3.489996	
S.E. of regression	24.30988	Akaike info criterion	4.843317	
Sum squared resid	1603.389	Schwarz criterion	5.288589	
Log likelihood	411.2551	Hannan-Quinn criter.	5.023512	
F-statistic	11.35021	Durbin-Watson stat	1.852470	
Prob(F-statistic)	0.000000			

Source: Researchers Computation (2024)

The study found that the audit switching model resulted in an R-sq of 0.706773 and an R-sq (adj) of 0.686912, respectively, as shown in table 4.4 above. These results show that the combined influence of the chosen determinants variables on the audit switching of the healthcare companies included in this study is around 68.69 percent. The probability value of 0.000000 and the F-statistics value of 11.35021 indicate that the regression model is statistically significant at the 1% level and that the model is well-specified. Durbin Watson's score of 1.852470 indicates that our model does not contain autocorrelation. Therefore, the model's dependent variables may be trusted to be the ones that determine audit switching.

### Hypotheses Testing

**Hypothesis 1:** *There is no discernible correlation between audit switching and the firm's asset base.*

A P-value of 0.0162 and a coefficient value of 3.543003 were displayed in the outcome. The coefficient value demonstrates that audit switching is positively impacted by assets base. This indicates that a rise in the firm assets base of healthcare companies may lead to a higher likelihood of audit switching. The company assets base of healthcare firms traded on the Nigeria Exchange Group considerably influences audit switching, as indicated by the P-value of 0.0162. The study supports the alternative hypothesis and rejects the null hypothesis in light of the findings. Thus, it can be concluded that among quoted firms in the Nigeria Exchange Group, company assets base had a positive and significant influence on audit switching.

**Hypothesis 2:** *There is no discernible correlation between audit switching and a change in management.*

The outcome revealed a P-value of 0.0167 and a coefficient value of 0.195388, respectively. The coefficient value, which indicates how much management change affected audit switching, is positive. This indicates that among quoted healthcare enterprises on the Nigerian Exchange Group, the level of audit switching is positively influenced by changes in management. This indicates that among healthcare companies listed on the Nigerian Exchange group, frequent management changes may result in a decrease in audit switching.

The P-value of 0.0167 indicates a strong relationship between audit switching and management changes in Nigerian healthcare companies that are listed. Changes in management have a

favourable and significant impact on the audit switching of listed healthcare enterprises in Nigeria, as the study indicates, based on the analysis results that support the alternate hypothesis and reject the null hypothesis.

**Hypothesis 3:** *There is no meaningful correlation between audit switching and leverage financing.*

In the end, the P-value was 0.0000 and the coefficient value was 4.565215. Leverage policy had a beneficial impact on audit switching level, as indicated by the coefficient value. The implication is that a company's propensity to change auditors increases with the amount of leverage financing it uses. P-value of 0.0000 indicates statistical significance in the association between audit switching and leverage financing of healthcare companies listed on Nigeria Exchange Group. The study chooses to accept the alternative hypothesis and reject the null hypothesis based on the outcome. The study finds that among quoted firms in Nigeria Exchange Group's healthcare sector, leverage finance significantly and favourably influences audit switching.

**Hypothesis 4:** *There is no discernible correlation between audit fees and audit switching.*

The outcome revealed a P-value of 0.5347 and a coefficient value of 1.361401. The degree and direction of the impact that audit fees have on audit switching are shown by the coefficient value, which is positive. This shown that audit fees have a favourable impact on the degree of audit switching in healthcare companies listed on the Nigeria Exchange Group. This demonstrates how a greater audit fee may raise the likelihood of an audit firm switch. The P-value of 0.5347 indicates that there is no statistically significant relationship between audit fees and audit switching among listed healthcare firms in the Nigeria Exchange Group.

The research embraces the null hypothesis and rejects the alternative hypothesis in light of the analysis's findings. It follows that among healthcare companies listed on the Nigeria Exchange Group, audit fees have a favourable but insignificant impact on audit switching.

### **Implication of finding**

The study's conclusion suggests that the three main factors influencing audit switching among healthcare companies listed on the Nigerian Exchange Group are firm asset base, management changes, and leverage financing. Although audit fees are a major factor in audit switching, their influence is not very great.

## **5.0 Conclusion and Recommendations**

Finally, frequent audit switching can indicate a degree of opaqueness in the report that could erode the trustworthiness of audited financial reports. It is crucial to look at the main cause of audit switching at a time when reporting transparency is being criticised. The study's conclusions and results led to the following suggestions being made:

1. In order to minimise audit switching, the report advises shareholders to think about the unique skill set needed before hiring an auditor. A specialist auditor would be needed due to the assets base.

2. The corporate board ought to develop and enforce regulations that restrict the use of leverage finance, since excessive leverage might lead to auditors switching (even though this can lessen the risk of familiarity), and frequent auditor switching can leave a bad image on other stakeholders.
3. When hiring an audit firm, shareholders should take into account the pricing history of the company because it may influence the future price.
4. Lastly, since there will be less audit switching if the big four audit firms are used, shareholders should think about doing so (it has been empirically proved that there is minimal degree of audit switch among large four).

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