

Audit Independence and Financial Reporting Quality: An Insight from Sub-Saharan African Stock Markets

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ABSTRACT: *This study examines the possible effects of audit independence on financial reporting quality in the Sub-Sahara African Stock Markets. Using quantitative data obtained from the annual financial reports of 106 listed firms in the 6 sub-Saharan African stock markets of ten-year period (2012 to 2021). The Ex-post factor research design was considerably suitable for the study. The result shows that audit tenure has a positive impact and is significant in explaining financial reporting quality. The results further show that audit firm size has a positive impact but is insignificant in explaining financial reporting quality. Audit fees were found to have a positive and significant impact on. It is recommended that listed firms should increase audit tenure and policies on audit tenure should be revised. It is also recommended that firms should carefully assess the audit report of previous auditors when determining whether to appoint a new auditor. Lastly, Firms should increase the amount of fees paid to auditors to enhance their work while adhering to ethical principles with regard to audit fees. The focus on only firms listed on Stock Market of Sub Saharan African*

KEYWORDS: audit independence, financial quality, audit fee

INTRODUCTION

The recent failure of major corporations as a result of fraud and dubious financial reporting practices have highlighted the critical importance of credible, high-quality financial reporting (Slyvia, 2021). They have also demonstrated the importance of considering the role of auditing in the broader context of financial quality. High-quality financial information is required not only to assess the financial and operational performance of the entity in the use of economic resources but also to serve the information needs of relevant stakeholders on their resources and obligations

(Herath & Albarqui, 2017) Auditing plays a vital role in financial quality (Ibrahim & Ali,2018). External auditing of financial statements helps serve the needs of diverse stakeholders by providing reasonable assurance that the financial statements are free from material misstatements (Alwardat, 2019). Velte and Loy (2018) posit that, in order to ensure financial quality, the auditor's independence is paramount. Jenkins and Stanly (2019) concluded in the same vein that audit independence is foundational to audit practice.

Notwithstanding, recent audit failures have raised questions about auditors and their role in achieving financial quality in recent times where companies that were issued unmodified audit reports had experienced financial fiasco shortly after the release of their audit report with shocking revelations about their financial (Patrick, Vitalis & Mdoom, 2020). Many of these failures were not unconnected with audit failure. A very useful example would be the relationship between Enron and their auditor, Arthur Andersen in the year 2000, where it was reported that the later received \$27million for non-audit services as against \$25million for audit services (Ferdinand & Fung, 2014). This accounting firm was deemed to have lost independence. Apart from the Enron, Worldcom and Xeron cases in the last two decade, there are more recent cases of accounting scandals and audit failures which have brought the issue to forefront. For instance, Wirecard, a Germany company faced its debacle in 2020. It was reported that €1.9 million which apparently never existed, were found missing. The CEO was arrested and the firm filed for insolvency. Carillion went into liquidation in 2018 having divested an investment worth 2 billion pounds. Of major concern to stakeholders was the role of KPMG as the auditor, for failing to spot the red flags that indicated that the going concern of the company was in doubt. Similar cases of such occurred in Nigeria; the likes of Cadbury Nigerian Plc, African Petroleum, among others are worthy of mention.

These have generated plethora research works in the area of audit independence and financial quality (Nam and Ronen, 2014). Some prior studies are: "Effect of Audit Independence on Financial Reporting Quality of Listed Deposit Money Banks in Nigeria, Ebhojiaye", Sylvia Osarugue (2021); "Auditors' Independence and Quality of Financial Reporting in Listed Nigerian Manufacturing Companies", Sunday Otuya (2019); "Auditor's Independence and Audit Quality: An Empirical Study", M. M. Aliu, J. Okpanachi, & N. A. Mohammed, (2018). Similarly, Osamuade Uhunwa (2022), studied on the same topic but focused on the public sector in Nigeria. Also, Abdelfatah M (2014) studied on audit quality and the reliability of audited financial statements in the Libyan banking sector. Furthermore, Salma Hisham and Maha Mohammed (2022), studied the effect of audit independence on financial reporting quality, taking evidence from 152 firms listed on the Egyptian Stock market from 2016 to 2020 excluding non-financial firms.

This research work seeks to contribute to the development of audit independence and financial quality, focusing on listed firms in the Sub-Saharan Africa. The rest of the research is organized as

follows: the next chapter reviews the relevant literature; chapter 3 presents the methodology used in the study. The rest of the chapters present the results, discuss and provide recommendations.

LITERATURE REVIEW

Theoretical framework

The study is anchored on the agency theory. Pioneered by Jensen and Meckling, (1976), the theory deals with owners of the firm and those interested in it. A company is viewed as a nexus of contract. Sealy and Hooley (2009), posit that the theory was birthed from the law of agency which deals with a contractual arrangement between an agent and a principal where agents (managers) are contracted to manage the firm on the principal (shareholders) behalf (Shapiro, 2005). There is said to be a legally binding contractual relationship between these parties. The contention of the theory is that the interest of the obvious party (principal) may not be maximized because the goals of managers are different from those of shareholders (Wiseman & Gomez, 1998). Another argument of the theory is that there is information asymmetry between managers and shareholders.

Watts and Zimmerman (1978) postulates that auditors are appointed in the interest of both third parties and management. External auditing ensures the independent examination of the financial statements presented by management to owners of the business. Auditors determine whether managements' choices of accounting policies are appropriate and whether there have been material misstatements due to fraud or errors and therefore conclude by forming an opinion whether the financial statements show a true and fair view (ISA 200). External auditors are expected to be independent from management in order to produce an independent and unbiased audit report. A perceived lack of independence makes the auditor's report not reliable to users (Van Liempd *et al.*, 2019). It is therefore important to determine whether external auditor's independence helps produce financial reporting quality required by users. The proxies used to measure audit independence are audit tenure, audit firm size and audit fees which form the basis for three thematic areas for the development of hypotheses.

Hypotheses development

Audit tenure and financial quality

Priyanti and Dewi (2019) examined the impact of audit tenure, audit firm size and client's company size on financial reporting quality. The population of the study comprised public firms listed on the Indonesia Stock Exchange from 2012 to 2017. A sample of 30 out of 73 companies were selected. The multiple linear regression and the analysis showed that audit tenure and public accounting firm size do not have effect on financial reporting quality. The study did not find any significant relationship between audit tenure and financial quality. Perhaps, this is due to the fact that the period covered by this study; thus 5 years is too narrow to provide any reliable findings. Also, the sample taken was less than 50% of the population hence the results can't be generalized.

According to Azizkhani, Daghani and Shailer (2018), there is lower misstatement during the first two years of audit-client relationship than subsequent years. They could not, however, find evidence of misstatement in the years after audit firm rotation. Using panel data obtained from the Nigerian Stock Exchange, Onyabe *et al.*, (2018) found that audit committee tenure has a negative and insignificant relationship with financial reporting quality. The implications of the findings are that the tenure of audit committee members is irrelevant in determining financial reporting quality. In the same vein, Purnamasani and Negara (2019) studied the impact of auditor tenure, audit firm size and auditor reputation on financial reporting quality of manufacturing firms listed on the Indonesia Stock Exchange for the period 2013 to 2017. The regression results concluded that audit tenure does not have any impact on reporting quality

Bratten, Causholi and Osmer (2019), studied the relationship between auditor tenure and financial reporting quality. The Authors found that there is a positive relationship between audit firm tenure and financial reporting quality, and this relationship is particularly strong in more complex firms. Furthermore, Oladejo (2022) studied the impact of audit tenure on financial reporting quality of listed Nigeria deposit money banks. The population of the study comprised all 20 listed deposit money banks on the Nigerian Stock Exchange. The purposive sampling technique was deployed to select 13 firms whose data were available (from 2008 to 2018) and were actively trading on the stock market. The results of the analysis showed that audit tenure had a significant relationship with financial quality. Even though the study is limited in scope by the fact that it focused on only listed deposit money banks in Nigeria, the results are consistent with the findings of Bratten, Causholi and Osmer (2019). Similarly, Lu Yinuam (2020) examined the relationship between auditor tenure and financial reporting quality, taking evidence from Chinese listed firms from 1999 to 2016 as a sample. The results confirmed those of Bratten, Caushoi and Osmer (2019) and Oladejo (2022) that long-tenured auditor is more likely to have high quality audit report. The findings from these studies provide evidence that, lengthy auditor tenure enables the auditor to gained valuable knowledge and experience about the audit client's business which in turn enhance financial reporting quality (Salehie *et al.*, 2017).

Contrary to the findings from these studies and consistent with that of Onyabe *et al.*, (2018) is Wisdom K. and Muhammad S. (2019), who examined the relationship between audit tenure and financial reporting quality in a developing country (Pakistani). The study selected a sample data from 280 non-financial firms listed in the Pakistan stock exchange from 2008 to 2017, comprising 2,800 firm-year observations. The findings of the study shows that there is a negative relationship between auditor tenure and financial reporting quality. Similarly, Sylvia O. (2021) studied the effect of audit independence on financial reporting quality of listed money banks in Nigeria from the period 2010 to 2019. Audit tenure was used as one of the proxies for audit independence, in line with this dissertation. Data was obtained from the financial statements of the listed deposit money banks covering a ten-year period (2010-2019). Results from the analysis showed that, audit tenure has a negative relationship with financial reporting quality. While the research covered the

lengthy period of ten years that could produce a reliable finding in support of existing findings, the study covered only deposit money banks in Nigeria, just like Wisdom K. and Muhammed S. (2019). Moreover, Salma H. M., and Moha M. R. (2022) studied the effect of audit quality on financial reporting quality of listed firms on the Egyptian stock exchange. Secondary data were obtained from the financial statements of 152 listed firms on the Egyptian stock markets from 2016 to 2020 representing 608 firm-year observation. Audit firm fees and audit tenure were used as proxies for audit quality. The results showed a negative relationship between audit tenure and financial reporting quality. Even though the findings confirm those of Onyabe *et al.*, (2018), Wisdom K. and Muhammed S. (2019) and Sylvia O., (2021) the period covered by the study is too narrow to provide a reliable finding in support of the results of the existing empirical studies. Oyedokum (2020) studied the impact of audit qualities on financial reporting quality of selected firms in Nigeria from 2009 to 2019. The ex-post facto research design was used in the study. The population of the study comprised all listed firms in Nigeria that deal in consumer goods. There were 21 firms in total as at 2019. Nonetheless, only firms that had up to date information on the variables of interest were selected as the sample of the study. Descriptive statistics and the Ordinary Least Square (OLS) were some of the empirical analysis tools that were used for analysis of the variables. The study uncovers that audit tenure has a significant negative impact on financial reporting quality of the selected firms. These studies lead to the first hypothesis.

H1: There is a significant relationship between audit tenure and financial quality of listed firms in the Sub-Saharan African stock markets

Audit firm size and financial quality

By adopting a census approach, and thus all 62 firms used for the analysis, Kariuki and Oluoch (2020) examined the relationship between audit size and financial reporting quality of listed firms on the Nairobi Stock Exchange. Data was derived from the financial statements for period 2010-2019. It was found that there was a positive effect of audit size on financial reporting quality at the Nairobi Stock Exchange. Also, there was a positive relationship between audit committee independence and financial reporting quality. In line with this, Oyedokum (2020) found that listed firms dealing in consumer goods in Nigeria have a significant positive relationship between audit firm size and financial reporting quality. It was recommended that listed consumer goods pay particular attention to the type of audit firm that they engage to audit their financial statements which will in turn strengthen their financial reporting quality. Moreover, Mutiat Oladuni (2020) researched on the effect of audit independence on the quality of financial reporting of listed manufacturing firms in Nigeria. Just like this study, audit fee, audit firm size and non-audit service were used as proxies for audit independence. The ex-post factor research design was employed with a sample of 39 firms selected out of a population of 43 firms. The secondary data were obtained from the annual reports and accounts of the selected firms for the period of 6 years (2013-2018). The findings from the study are consistent with Oyedokum (2020), thus audit firm size and audit fee had a significant and positive relationship with financial reporting quality. The results are

the same, perhaps because the studies were conducted in the same year and in the same country, nevertheless they were conducted in different industries. These studies also confirm the results of Kariuki and Oluoch (2020), perhaps because of the same period covered by these studies.

On the contrary, a similar study was conducted by Majiyabo (2018) to determine the impact of audit independence on financial reporting quality of deposit money banks in Nigeria. Secondary data was obtained from the Nigerian Stock Exchange and the financial reports of the selected banks over a ten-year period (2007-2016). The modified Jones (1991) was used as a proxy for financial reporting quality and audit firm size as a proxy for audit independence. The STATA version 13 was used to estimate the regression results. It was determined that audit firm size has a negative but significant impact on financial reporting quality. This study used data that were too old which may not mirror the current financial and economic state of the selected firms, given that a lot of things might have change. This perhaps explains why the results are negative, though significant but inconsistent with the findings of studies like Oyedokun (2020), Kariuki and Oluoch (2020), and Mutiat Oladuni (2020). These studies form the basis for the second hypothesis.

H2: There is a relationship between audit firm size and financial quality of listed firms in the Sub-Saharan African stock markets

Audit fees and financial quality

Asthra, Kharana and Raman (2019) examined audit fees and financial reporting quality in the United States. The study show that audit fee is crucial for enhancing audit quality in highly concentrated US audit market. Al-Dhaman, Al-Gamrh and Ismail (2018) looked at the relationship between audit fee and related party transactions in Malaysia. They conclude that audit fees are higher for entities that engage in related party transactions such as purchases and sales of assets, goods and services. The study further confirmed the findings of Al-Rassas and Kamardin (2015) who examined the relationship between audit committee characteristics and audit quality in Malaysia. Th results of the study show significant negative relationship with financial reporting quality. This insinuates that higher audit fees lead to lower discretionary accruals or higher financial reporting quality in Malaysia. Furthermore, Benjamin and Olayinka (2017) studied the relationship between audit fees and audit quality. The results show that audit fee has a significant positive relationship with audit quality. In the same vein, Bala, Amtan and Shaari (2018) examined the effect of audit fee on financial reporting quality of listed firms in Nigeria. Using a sample of 88 out of 175 listed firms from 2012 to 2016, the regression results confirm those of earlier researchers that audit fees have a significant positive relationship with financial reporting quality. In their conference paper, “Does audit fees and non-audit fees matters in audit quality?”, Yuvaraj G., Ranjani N., Hasnah H., and Anwah A. P., (2019), examined the impact of audit fees and non-audit fees on audit quality of public listed firms in Malaysia. Adopting the quantitative research approach, the study employed the cross-sectional data collected from 201 listed firm in Bursa Malaysia for the financial year ending 2017. The results showed that non-audit fees and audit fees

have significant positive influence on audit quality. They concluded that, non-audit fee is able to influence audit quality as the auditor obtained the knowledge spillover when providing non-audit services and utilized the knowledge when rendering auditing service. These studies lead to the third hypothesis.

H3: There is a significant relationship between audit fee and financial quality of listed firms in the Sub-Saharan African Stock Markets.

METHODS

Research deign

Sample and data sources

This study uses quantitative data obtained from the annual financial reports of 106 listed firms in the 6 sub-Sahara African stock markets. Listed firms are selected as the scope of the study with particular focus on the ten-year period, from 2012 to 2021. The Ex-post factor research design has been considered suitable for the study. A post factor research design is a type of research design that considers how an independent variable (group with certain characteristics that already exist prior to the study) affect a dependent variable (Sylvia, 2021).

Model specification

The model indicates that the dependent variable, financial reporting quality can be affected by a set of independent variables. Financial reporting quality is measured by discretionary accruals, while audit independence is measured as proxies of audit firm size, auditor tenure and audit fees. The regression equation below shows the functional relationship between the variables:

$$DACC_{it} = \beta_0 + \beta_1 AuDT_{it} + \beta_2 AuDFS_{it} + \beta_3 AuDF_{it} + \beta_4 FSiz_{it} + \beta_5 LEV_{it} + \beta_6 ROA_{it} + \varepsilon_{it} \dots \dots 1$$

When the dependent and independent variables are incorporated into the equation, the study provides the model as shown below:

- $DACC_{it} = FRQ_{it}$ = Financial Reporting Quality
- AuDT = Audit Tenure
- AuDFS = Audit firm size
- AuDF = Audit Fees
- FSiz = Firm Size
- LEV = Leverage
- ROA = Return on Assets
- ε = Error term

The dependent variable (FRQ) is represented by discretionary accruals (DACC). The independent variables are Audit Tenure (AuDT), Audit Firm Size (AuDFS) And Audit Fees (AuDF). Firm Size (FSiz), Leverage (Lev) and Return on Assets (ROA) are control variables that cater to other factors affecting FRQ. Some literature suggests based on prior expectation that β_1 , β_2 , β_3 , β_4 and β_5 would be positive. The results of the regression analysis will explain the impact of audit independence on financial reporting quality of listed firms in the sub-Sahara Africa.

In order to estimate the discretionary accruals of the selected firms using the modified Jones Model, it is necessary to first calculate total accruals.

$$TACC_{it} = NI_{it} - CFO_{it}$$

Where:

$TACC_{it}$ = Total accrual for firm i in year t

NI_{it} = net income for firm i in year t

CFO_{it} = Cash Flow from Operating activities for firm i in year t

It is also necessary to estimate the parameters using Ordinary Least Square (regression) as indicated below:

$$TACC_{it}/A_{it-1} = \alpha_1 (1/A_{it-1}) + \alpha_2 ((\Delta REV_{it} - \Delta AR_{it})/A_{it-1}) + \alpha_3 (PPE_{it}/A_{it-1}) + e_{it}$$

Where:

$TACC_{it}$ = Total accrual for firm i in year t

A_{it-1} = Total assets for firm i in year t-1

ΔREV_{it} = Changes in net revenue for firm i in year t

ΔAR_{it} = Changes in accounts receivables for firm i in year t

PPE_{it} = Total Property, Plant and Equipment (PPE) for firm i in year t

e_{it} = error term (discretionary accruals for firm i in year t)

α_1 , α_2 and α_3 = are firm specific parameters

By rearranging the variables in equation two above, we can quickly formulate the third equation to show the discretionary accrual equation below:

$$DAC_{it} = TACC_{it}/A_{it-1} - \alpha_1 1/A_{it-1} + \alpha_2 (\Delta REV_{it} - \Delta AR_{it})/A_{it-1} + \alpha_3 PPE_{it}/A_{it-1}$$

While the other variables were explained earlier, DAC_{it} is the discretionary accruals

Correlation matrix

The lowest correlation is shown at -0.068, whilst the highest correlation is shown at 0.345 between firm size and audit fee. Even though this is the highest correlation, such a value is too small to amount to any multicollinearity, given 0.80 point of confidence (Rule of thumb)

Variable description and measurement

Table 1 shows variable measurement. The main dependent variable in the model is financial reporting quality which is the proxy of discretionary accruals. Discretionary accruals are measured

by the difference between total accrual and normal accrual as determined by Jones (1991) modified model (Sylvia, 2021 & Oyebamiji, 2020). The dummy variable is used to measure audit firm size with 0 representing a small audit firm and 1 for a big 4 audit firm (Otuya,2019). This is measured by the total number of years that the auditor has spent, providing audit services to the audit client, as seen from the company's annual reports. (Lesteri & Aeni, 2019). Audit fee is measured by the natural logarithm of total audit fees paid by an audit client to the auditor for the provision of audit services (Onulaka, Shubita & Combs, 2019).

Diagnostic test results.

Descriptive statistics

Table 2 presents summary statistics. Discretionary accruals document a standard deviation of 1.262, a mean value of 0.306 with minimum and maximum values of 0.00 and 11.759 respectively. It follows that listed firms in the sub-Sahara Africa can have as high, a discretionary accrual of 11.759 and as low as 0.00. A mean of 5.019 for audit tenure was recorded (with the natural log as 1.404) between 1 and 14 being the minimum and maximum values respectively. This suggests that approximately the sampled firms retain auditors for five years on average, while others retain as low as one year and yet some retain as high as 14 years. 2.899 (with the natural log as 0.701) standard deviation was recorded for audit tenure which clearly shows that there were considerable variations in auditor retention rate among the sampled firms. Audit firm size has a mean of 0.725 signifying that averagely about 72.5% of the sampled firms were audited by a big 4 auditor and 27.5% audited by a smaller audit firm. A standard deviation of 0.447 was recorded showing that there were quite some variations in auditor preferences among the sampled firms for the period under study. It obviously has minimum and maximum values of 0 and 1 respectively, clearly indicating that the firm is either audited by the big 4 or a smaller audit firm. From the table, audit fees have a mean value of 14.061 and a standard deviation of 3.110 showing that there have been wide variations in the amount of audit fees that the sampled firms pay to their independent auditors for auditing their financial statements. Minimum and maximum values of 8.599 and 21.871 respectively were documented for audit fee, showing that, the sample firms could pay as low as 8.599 and as high as 21.871.

Autocorrelation

Table 3 presents the correlation results among the variables. Serial correlation test applies to macro panels with long time series (over 20-30 years). Not a problem in micro panels (with very few years). Serial correlation causes the standard errors of the coefficient to be small than they actually are and higher R-square.

Multicollinearity

The table shows a highest absolute correlation coefficient among the independent variables to be 0.345 indicating the problem of multicollinearity doesn't exist since they are all below the

threshold of 0.8 (Kennedy, 2008). Also, the variance inflation factor (VIF) and the tolerance values (1/VIF), which indicate that the model does not suffer from severe multicollinearity. The values are also below the 5 thresholds. This suggest that the independent variables can be included in the regression analysis without a major concern about multicollinearity affecting the results.

Heteroscedasticity test

Heteroscedasticity test assesses whether the variability of the errors in a regression model is not constant across all levels of the independent variable(s). In other words, the spread of the residual changes as the values of the independent variable(s) increase or decrease. The null hypothesis (Ho) assumes that the variance of the errors is constant. The alternative hypothesis (Ha) assumes that the variance of the errors is not constant. The Ho hypothesis is accepted when the p-value is insignificant (p-value>0.05) and we reject the Ho and accept the Ha when the p-value is significant (p-value<0.05). The Breusch-Pagan test or White test were significant for model 1, model 3 and model 4 so we reject the null hypothesis and conclude heteroscedasticity. The p-value for model 2 was insignificant so the study failed to reject the null hypothesis and conclude homoscedastic.

Hausman Test

The Hausman Test helped in choosing between the fixed effects and random effects models in panel data analysis. The fixed effect model assumes unique intercepts for each identity, while the random effect models assume uncorrelated entity-specific effects with the independent variables. The null hypothesis (Ho) is that the ransom effect is consistent and efficient and the alternative hypothesis (Ha) is that the random effect is inconsistent and inefficient, the Ho is accepted when the p-value is insignificant (p-value>0.05) and the Ha is accepted when the p-value is significant (p-value<0.05). The p-value for model 1, model 2 and model 4 are 0.0601, 0.0952 and 0.6409 respectively so the study failed to reject the null hypothesis that the random effect is consistent and efficient and the null hypothesis is rejected for model 3 since the p-value of 0.0012 is significant (p-value<0.05).

Table 1

Variable	Measurement	Citation
Discretionary Accruals	Difference between total accrual and abnormal accrual	Slyvia, O. (2021)
Audit tenure	Total successive number of years	Lesteri & Aeni,(2019)
Audit firm size	Big 4 firm = 1, Small firm = 0	Otuya, (2019)
Audit fees	Log of audit fees	Onulaka, Shubita & Combs, (2019).

Table 2: Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Accruals	1060	0.306	1.262	0.000	11.759
Audittenture	1060	5.019	2.899	1.000	14.000
lnTEN	1060	1.404	0.701	0.000	2.639
Big4NONBIG4	1060	0.725	0.447	0.000	1.000
LNfees	1060	14.061	3.110	8.594	21.871
FIRMSIZE	1060	17.662	3.077	5.987	23.845
LEV	1060	0.563	0.297	0.001	2.684
ROA	1060	0.056	0.314	-2.166	6.701

1,060 5.018868 2.899256 1 14

Note: Accrual = discretionary accruals, Audittenture = audit tenure, lnTEN = log of audit tenure, Big4NONBIG4= audit firm size, LNfees = audit fee, FIRMSIZE = firm size, LEV = leverage and ROA= return on assets

Source: Author's computation.

Table 3. Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	VIF	1/VIF
(1) accruals	1.000								
(2) lnTEN	0.024	1.000						1.007	.993
(3) Big4NONBIG4	0.096*	0.032	1.000					1.110	.901
(4) LNfees	0.238*	-0.063*	0.215*	1.000				1.162	.861
(5) FIRMSIZE	0.015	-0.022	0.273*	0.345*	1.000			1.245	.803
(6) LEVERAGE	-0.006	-0.018	0.132*	0.073*	0.236*	1.000		1.067	.937
(7) ROA	0.068*	0.025	0.018	-0.004	-0.034	-0.044	1.000	1.004	.996

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 4. Regression results

	Model 1 accruals	Model 2 accruals	Model 3 accruals	Model 4 accruals
lnTEN	.052* (.028)	.053* (.028)		
Big4NONBIG4	.056 (.104)		.036 (.113)	
LNfees	.053** (.026)			.055** (.026)
FIRMSIZE	-.042** (.02)	-.034* (.019)	-.052** (.023)	-.043** (.02)
LEVERAGE	.316*** (.107)	.334*** (.107)	.342*** (.111)	.316*** (.107)
ROA	.462*** (.064)	.458*** (.064)	.465*** (.064)	.463*** (.064)
_cons	-.007 (.471)	.616* (.373)	.974** (.418)	.092 (.467)
Observations	1060	1060	1060	1060
Prob > F	0.0000	0.0000	0.0000	0.0000
Hausman Test	0.0601	0.0952	0.0012	0.6409
Heteroscedasticity	0.0000	0.6736	0.0000	0.0000

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Audit Tenure and Financial Reporting Quality

The first specific objective of the study is to assess the impact of audit tenure on financial reporting quality of listed firms in the Sub-Saharan Africa. Model 2 in table 4.2 seeks to achieve this specific objective. The result is consistent with what was obtained in the general objective. The result show that audit tenure has a positive and significant relationship with financial reporting quality, reaffirming the earlier discussion that as the length of audit tenure increases, financial reporting quality increases, since auditors gain valuable knowledge about the client's business which is useful identifying material misstatements during an audit and consequently increase financial reporting quality (Salahi *et al.*, 2020).

Audit Firm Size and Financial Reporting Quality

The result shows that audit firm size has a positive and significant relationship with financial reporting quality. This implies that the size of an audit firm is important in explaining financial

reporting quality of listed firms in the Sub-Sahara Africa. This supports the assertion that differences exist among between small and large audit firms with respect to the caliber of staff and the amount of responsibility (Purnamari & Negara, 2019). It is generally believed that large audit firms provide superior audit services to audit clients than small audit firms (Nzewi, 2020). This is based on the premise that large audit firms have the ability to withstand management pressure because of their large client's base. The result confirms that of Oyedokum (2020) but opposes that of Majiyebo (2018) who found a negative and significant relationship between audit firm size and financial reporting quality in money deposit banks in Nigeria.

Audit Fee and Financial Reporting Quality

The results show that, specifically, audit fee has a positive and significant impact when considering financial reporting quality. This is in consonance with what was obtained in the general objective. As asserted earlier, this implies that the higher the audit fee the higher the listed firms in the Sub-Sahara Africa would experience financial reporting quality or lower accruals. The result is in line with those of earlier researchers such as Asthara, Kharna and Rama (2019) and Al-Rassas and Karmin (2019), emphasizing the importance of audit fee in achieving higher financial reporting quality. There are currently no prior studies that oppose this finding

CONCLUSION

This study examined the impact of audit independence on financial reporting quality of listed firms in the Sub-Sahara Africa and found sufficient evidence supporting the argument that audit independence is pertinent to achieving financial reporting quality. The result shows that audit tenure has a positive effect and is significant in explaining financial reporting quality. In addition, audit tenure plays an important role in explaining financial reporting quality. The study concludes that for listed firms to experience financial report quality, they have to increase the length of audit tenure. Furthermore, the results show that audit firm size has a positive impact and is significant in explaining financial reporting quality of listed firms in the Sub-Sahara Africa. The study concludes that audit firm size is important in determining financial reporting quality. Lastly, it was found that audit fee has a positive effect and is significant in explaining financial reporting quality. The study concludes that the higher the audit fee the higher the financial reporting quality of listed firms in Sub-Sahara Africa. In general, the results of the study conclude that longer audit tenure with big audit firms who charge high audit fee promote audit independence which by extension enhance financial reporting quality. The conclusion drawn in this study support the findings myriad prior studies which are consistent with this topic.

Recommendations

There has been advocacy among policy makes and even policies are in place requiring mandatory auditor rotation which often result in a very short audit tenure with the perception that lengthy audit tenure impairs audit independence. However, the finding from this study suggests the

contrary. Given the positive effect of audit tenure on financial reporting quality, regulators such as professional accounting bodies should issue a formalized framework, policies and standards that ensures lengthy audit tenure. The existing policies on mandatory auditor rotation should be revised, particularly for firms that are listed in the Sub-Sahara Africa.

The result in model 1 show that audit firm size has statistically posit impact and is insignificant in explaining financial reporting quality, Consequently, it is recommended that firms should evaluate audit firms based on the quality of their previous work and not only consider the size of the audit firm as this has nothing to do with improving financial reporting quality. Furthermore, users of audited financial statements, irrespective of whether the financial statements were audited by a big 4 accounting firm or a small accounting, should scrutinize all audited financial statements equally. Lastly, the result show that audit fee has statistically positive effect and is significant in determining financial reporting quality. Listed firms in the Sub-Sahara Africa should consider firms with high audit fee when evaluating tenders for audit engagements. Conversely, auditors should be guided by ethical standards when tendering for audit work as too much audit fee can lead to ethical dilemma.

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