

Auditor Switch Decisions and Corporate Performance of Listed Non-Finance Firms in Sub-Saharan Africa

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Abstract

This study examined the effect of auditor switch decisions on corporate performance of non-finance companies in sub-Saharan Africa. *Ex-post* facto research design was employed and secondary data of big-4 audit and non-big-4 audit, audit fee, return on assets, and return on equity were obtained from the annual reports and accounts during the period 2012-2019 for three sub-Saharan Africa countries – namely Nigeria (West), Kenya (East) and South Africa (Southern). Data obtained were analysed via descriptive results (mean, median, minimum and maximum values, standard deviation, kurtosis and skewness); pre-estimation test (correlation matrix); and post-estimation tests (Variance Inflation Factor (VIF), fixed and random effects regression). The VIF result showed that the empirical model of auditor switch decisions and corporate performance in sub-Saharan Africa is without bias and can be relied upon. Interestingly, the study found that return on equity and return on assets were insignificantly affected by auditor switch decisions. The study thus recommended among others that since auditor switch decisions do not impair return on equity and assets; hence, government and regulatory framework of accounting need to take necessary measures to restrain quoted companies' arbitrariness in auditor switch and its impairment to return on equity and assets.

Keywords: Auditors switch decisions, Corporate performance, Fixed and random effects, Non-finance firms, Return on asset; Return on equity, Sub-Saharan Africa

Introduction

In contemporary times, there have been several arguments on the choice of auditors and the reasons for switching auditors (Olowookere & Inneh, 2016). Auditor switching according to Hussein (2018) refers to choosing the next auditing firm that will handle the company's external auditing at the end of the term of the existing audit firm; although the switch can also occur for other reasons such as breach of contract. There is vast empirical evidence on factors which determine choice of a specific auditor and its link to corporate performance; although with conflicting findings (Sook, Seon, Dong & Seung, 2019; Okere, Ogundipe, Oyedeji, Eluyela & Ogundipe, 2018; Matoke & Omwenga, 2016; Gwizu, Waeni, Chimanga, Saidi & Karasa, 2017; and Tan, Ong, Chong & Samuel, 2016).

Sook *et al* (2019) in Korea for instance, found evidence that mandatorily switched audit firms have a negative association with the cost of equity capital. Tan *et al* (2016) in Malaysia found that auditor switching had positive non-significant effect on Tobin's Q, return on asset and return on equity. Al-Ani and Mohammed (2015) in Oman found a positive significant coefficient for Big-4 and non-Big-4 and return on equity and market value of shares. In sub-Saharan Africa, Okere *et al* (2018) in Nigeria found that auditor switching has a significant

positive effect on cost of equity; Matoke and Omwenga (2016) documented a positive effect of audit quality on financial performance in Kenya; and Gwizu *et al* (2017) documented a significant and negative effect of auditor switching on performance in Zimbabwe.

Several other studies related to auditor switch decision were carried out in different countries across the globe. Amongst them were Hamza, Wan, Norfadzilah, Razana, Nadiah and Zarinah (2018) in Malaysia; Choi, Lim and Mali (2017) in South Korea; Stakebrand (2017) in Europe; Gharibi and Geraeely (2016) in Iran; Kusrina and Yulivani (2016) in Indonesia, which found significant and negative effect on corporate performance. Notwithstanding the plethora of studies in this area, there exist cross-country studies in both Europe and Asia. However, we found limited attention of an African regional study on the subject matter.

Consequently, this study seeks to tackle this gap by expanding the existing study to include other countries in sub-Saharan Africa. Again, prior studies have mainly used a single corporate performance variable; however, this study used multiple corporate performance variable (return on asset and return on equity) in assess its relationship with auditors choice, measured using Big-4 and non-Big4 audit firm, and Audit fee. In the light of the above, the present study sought to determine the effect of auditor switch decisions on corporate performance of listed non-finance firms in sub-Saharan Africa, mainly Nigeria (West Africa), South Africa (Southern Africa), and Kenya (East Africa)

Theoretical Framework

This study is anchored on the theory of inspired confidence (rational expectations), developed in the late 1920s by Dutch Professor, Theodore Limperg of University of Amsterdam. In his book titled, 'the social responsibility of the auditor, a basic theory on the auditor's function', Limperg espoused his general theory of inspired confidence (Limperg Institute, 1985). The theory is based on the principle that the continued relevance of the statutory audit function is derived from society's needs for independent examination of the financial statements prepared and presented by managers (Limperg, 1932).

In this context, the statutory audit function is expected to provide a level of assurance that fulfils all reasonable expectations of the society (Sikka, Filling & Liew, 2009; and Sharma, Boo & Sharma, 2008). Limperg's theory addresses both the demand for and the supply of audit services. The theory posits that the demand for audit services is a direct consequence of the participation of external stakeholders in the company. The theory connects the community's needs for reliable financial information to ability of audit techniques to meet such needs (Limperg Institute, 1985).

According to Hayes, Dassen Roger, Schilder and Wallage (2005) the demand for audit services is the direct consequence of the participation of outside stakeholders in the company. Because such information provided by management may be biased due to conflict of interest, an audit is required. In developing his theory, he described the auditor's function/responsibility as follows:

“The auditor-confidential agent derives his general function in society from the need for expert and independent examination and the need for an expert and independent opinion based on that examination. The function is rooted in the confidence that society places in the effectiveness of the audit and in the opinion of the accountant. This confidence is consequently a condition for the

existence of that function; if the confidence is betrayed, the function, too, is destroyed, since it becomes useless” (Limperg Institute, 1985)

Carmichael (2004) observed that the theory does not prescribe definite rules about the behavior of an auditor in each particular case. Thus, the theory expects from the accountant that in each special case he ascertains what expectations he arouses; that he realizes the tenor of the confidence that he inspires with the fulfillment of each specific function” (Limperg Institute, 1985). Thus, the theory posits that, changes in the needs of the community and audit techniques result in changes in the auditor's function (Limperg Institute, 1985).

Furtherance to this, Carmichael (2004) observed that the touchstone for the auditor is always to perform the work and obtain the evidence necessary to provide the assurance that society needs and reasonably expects. The implication of rational expectations theory for agents according to Ittonen (2010) is that; first, principal will expect agents' self-interests to diverge from the principals' interests; second, principal will be able to estimate the effect of such divergence and third principal will adjust prices (e.g. compensation offered) to reflect the related costs of the agents' expected activities.

Review of Related Literature

Auditor Switch Decisions

The concept of auditor switch decisions has occupied a central position in the accounting literature, given the nature, dynamics and intricacies of the audit market in Sub-Sahara Africa. Auditor switching has to do with choosing the next auditing firm that will handle the company's external auditing at the end of term of existing audit firm; although the switch can also occur for other reasons such as breach of contract. Auditor switch decision involves change of incumbent auditor resulting in the choice of quality differentiated audit firms to realign the characteristics of the audit firm with the growing needs of clients under changing circumstances (Huson *et al*, 2000).

Auditing has been defined by several researchers, auditing standards and pronouncements. According to Aguolu (2008), auditing refers to an independent examination of the financial statements of an entity with a view to expressing an opinion on whether these statements or opinions present a true and fair view and comply with relevant accounting and auditing statutes. On the other hand, auditor choice can simply be defined as the choice of the Big-4 as contrasted with the non-Big-4 audit firms.

The choice of a specific auditor according to Choi and Wong (2007) is a strategic and complex decision which varies across firms due to their differing motives/incentives. Stergiou (2013) believes that managers evaluate each auditor using different criteria and based on several factors. Thus, managers assess the marginal benefits and costs in hiring a particular auditor (Okere *et al* 2018). Alternatively, client-auditor coalition is viewed in the context of minimum cost match between client needs (demand side) and auditor services (supply side) (Datar, Feltham & Hughes, 1991).

In the context of auditor switch decisions, several scholars (De Ketelaere and De Beelde, 2007; and Wallace, 1981) have explained the demand for external monitoring by auditors in (unregulated) environment using three hypotheses: the *stewardship*, *information* and *insurance* hypotheses. First, the stewardship hypothesis explains that managers are willing

to provide a transparency in their actions towards their stakeholders (DeFond, 1992; and Jensen & Meckling, 1976); second, the information hypothesis explains that auditors enhance the quality of information provided in financial statement to users (Revier and Schro , 2010).

Okpala (2015) observed that three major benefits of the information hypothesis include: reduction of risk, improved decision-making and earnings quality. Third, the insurance hypothesis explains that auditor acts as an insurer with respect to financial statement users which base their decisions upon such financial statements. The mistakes based on such financial statements incur a liability on the part of the auditor.

Interestingly, owners of wealth are fascinated in the choice of a specific auditor due to the potential effect on maximizing their wealth (Jubb, 2000). In theory, such switch may be either switching to a smaller audit firm (non-Big-4) or a larger audit firm (Big-4) (Lin & Liu, 2009). Prior studies have shown that switching to smaller audit firm leads to a negative response from investors and other market participants (Gharibi & Geraeely, 2016; Olowookere & Inneh, 2016; Kusrina & Yulivani, 2016; Stergiou, 2013; Revier & Schro , 2010; Lin & Liu, 2009; Knechel, Niemi & Sundgren, 2008). This is opposed to the latter, which result in improved audit quality and decreasing likelihood of earnings management or ‘tunneling’ behaviors (Kusrina & Yulivani, 2016; Olowookere & Inneh, 2016; Lin & Liu, 2009).

Several justifications have been given for auditor switch decision. Gray and Ratzinger (2010) proffered two explanations for the hypothesized positive relation between auditor size and audit quality. First, large auditors have more incentives to deliver higher-quality audit so as to avoid loss of client specific rents from inaccurate reports (DeAngelo, 1981); this may be referred to as the ‘reputation hypothesis’. Second, larger audit firms deliver better and accurate audit because of their wealth of experience (Dye, 1993); this is the so-called ‘deep pockets hypothesis’.

Cassell, Giroux, Myers and Omer (2012) investigated the effects of corporate governance on auditor-client realignments by developing a corporate governance index which comprised of governance characteristics. The results showed that Big-4 auditors considered client corporate governance mechanisms in making client portfolio decisions. Besides, they found a tendency for switching to a non-Big-4 auditor for clients that scored lower on corporate governance index.

Corporate Performance

Generally, the performance of an entity is ascertained via the use of financial ratios which express links between variables disclosed in the financial statements. Financial ratios are useful and can meaningfully be employed as corporate performance measures when compared with other related meaningful information, either at present or a past similar measure(s) for the same entity or similar ones in same industry (Kabayah, Nu’aimat & Dahmash, 2012). In accounting, the importance of corporate performance is vivid through the many prescriptions provided for financial performance enhancement. There are some studies that either adopted accounting-based or market-based measurements of corporate performance.

Accounting-based measurement is generally considered as an effective dynamic of an entity’s performance when compared to benchmark rate of return equal to the risk adjusted weighted average cost of capital. The accounting-based measurement indicates the performance of an entity on a short-term in prior years (Matoke & Omwenga, 2016). It is worthy to note that

corporate performance ratios are good indicators of the entity's overall efficiency and as an indicator of growth, success and control. For instance, creditors are interested in financial performance ratios as they indicate the entity's capability to meet interest obligations. The accounting-based measures employed in this study include return on asset and return on equity.

First, an entity's operating performance is indisputably influenced by the level of auditor switch decision and one fundamental operating performance dynamic produced by auditor switch is return on asset (ROA). Usually, ROA is computed on the basis of net income divided by total assets or the ratio of operating income to total assets. Okere *et al* (2018) found a significant positive relationship between auditor switch decision and operating performance (ROA). To Stergiou (2013), a switch to the Big-4 audit may result to superior operating performance and a neutral application of accounting and auditing conventions.

Besides, prior researchers (see Gharibi & Geraeely, 2016; Stergiou, 2013; Revier & Schroé, 2010; Knechel, Niemi & Sundgren, 2008; Kusrina & Yulivani, 2016; Olowookere & Inneh, 2016; Lin & Liu, 2009) have all included operating performance dynamic like ROA in estimating auditor switch decisions and corporate performance. Thus, this current study included ROA as a corporate performance measure in order to resolve the puzzle in the accounting literature where some prior studies find either negative or positive relationship between auditor switch decisions and ROA. Hence, we hypothesized that auditor switch decision has no significant effect on return on assets of listed non-finance firms in sub-Saharan Africa.

Second, shareholders place a demand on higher return on equity (ROE) than on debt. From the viewpoint of shareholders (insiders), retained earnings are a better source of funds than outside financing. The rationale for this is premised on the fact that if retained earnings are insufficient, debt financing will be employed by corporate entities. ROE is a measure of an entity's performance and it is the value of net income returned as a percentage of shareholder equity. ROE reveals how much profit an entity generates with money invested by shareholder and hence computed as a ratio of profit after tax to equity.

Prior studies find a positive relationship between auditor switch decisions and ROE (Gharibi & Geraeely, 2016; Revier & Schroé, 2010; Kusrina & Yulivani, 2016). Contrarily, Knechel, Niemi and Sundgren (2008), Olowookere and Inneh (2016) find a negative association between auditor switch decisions and ROE accruals. The contrary findings of prior researchers have informed the inclusion of performance measure of ROE in the study. Hence, we hypothesized that auditor switch decisions exert no significant effect on return on equity of listed non-finance firms in sub-Saharan Africa.

Materials and Methods

This study adopts the *ex-post facto* research design. The design is suitable because the researcher is interested in establishing the causal and effect relationship between variables. According to Asiriwua, Aronmwan, Uwuigbe, and Uwuigbe (2018) *ex-post-facto* design observes activities of companies as reduced to figures after the reporting year. In *ex-post facto* studies, investigation starts after the fact has occurred without interference from the researcher, i.e., events that have already taken place in the past (Onwumere, 2009).

The study population comprised of listed non-finance firms in the selected sub-Saharan Africa countries. In light of this, the study population is made up of one hundred and sixteen (116) companies in Nigeria; three hundred and forty (340) in South Africa, and forty (40) in Kenya, totalling four hundred and ninety-six (496) companies in non-finance sector of sub-Saharan Africa. The purposive sampling technique was used in selecting the sample size, given that the researchers do not have access to relevant data on some companies quoted on the capital market of the selected countries of sub-Saharan Africa.

Consequently, any company whose required data are incomplete or unavailable were eliminated from the sample. Hence, seventy-five (75) companies was selected in Nigeria, one hundred and twenty-seven (127) in South Africa and twenty-nine (29) in Kenya, amounting to a total of two hundred and thirty-one (231) non-finance companies in the selected countries of sub-Saharan Africa. Data obtained encompassed auditor switch decisions (Big-4 and non-Big-4 audit firms and audit fees), and corporate performance (return on asset and return on equity).

Data were sourced from the annual reports and accounts of the selected firms of sub-Saharan Africa during the period 2012-2019. The choice of this period is the year of mandatory adoption of IFRS for the respective countries: Nigeria (2012); Kenya (1998); and South Africa (2005). Besides, studies have shown that IFRS improves disclosure regimes in countries that adopt the standard. Hence, the decision to select 2012 year which is based on the most recent year of adoption as evidenced in Nigeria. The study employed several techniques to analyse the data.

First, descriptive statistics (mean, median, standard deviation, minimum, maximum values, skewness, kurtosis and correlation matrix) was used to describe the nature of the data in terms of their averages, variations, highest scores, distribution and signs of relationship between the dependent and independent variables; and *second*, inferential statistics (variance inflation factor, fixed and random effects, and Hausman specification test) were done. In view of the variables of the study, the following empirical models were estimated:

$$roa = f(big4, audfee) \quad eq. 1$$

$$roe = f(big4, audfee) \quad eq. 2$$

Equations 1-2 can be written econometrically as presented in equations 3-4 as follows:

$$roa_{it} = \eta_0 + \eta_1 big4_{it} + \eta_2 audfee_{it} + \sum_t \quad eq. 3$$

$$roe_{it} = \eta_0 + \eta_1 big4_{it} + \eta_2 audfee_{it} + \sum_t \quad eq. 4$$

Where: *roa* = Return on assets; *roe* = Return on equity; *big4* = Big-4 and non-Big4 audit firm; *audfee* = Audit fee; *t* = Time dimension of variables; η_0 = Constant or intercept; η_{1-2} = Coefficients to be estimated or the coefficients of slope parameters. The expected signs of the coefficients (a-priori expectations) are such that $\eta_1 \eta_2 > 0$.

Table 1: Description of Variables

Variables	Description
<i>big4</i>	A dummy variable indicated as 1 if a firm chooses a Big-4 otherwise 0. Big-4 refers to the following auditor companies: Deloitte; Ernst & Young (E&Y); Klynveld, Peat, Marwick & Goerdeler (KPMG) and PricewaterhouseCoopers (PwC).
<i>Roa</i>	Earnings before interest and tax (EBIT)/total assets
<i>roe</i>	Profit after tax (PAT)/total equity
<i>audfee</i>	Amount paid to auditors divided by revenue

Source: Researcher's Compilation, 2021

Result of the Findings

Table 2a: Summary of Descriptive Statistics (Idiosyncratic)

Variables	Mean	Median	Std. Dev.	Min Value	Max. Value	Kurtosis	Skewness	Sum
Roe(N)	15.2	9.6	445.5	-1964.3	10264.7	471.4	20.2	9072.6
Roa(N)	1.7	3.1	17.6	-179.9	176.3	44.2	-1.6	985.4
Audfee(N)	0.6	0.1	3.5	0	54.8	186.4	13.3	346.4
Big4(N)	0.6	1	0.5	0	1	1.07	-0.28	340
Roe(S)	-1165.6	12.4	38782.3	-1234256.0	27107.7	1005.5	-31.7	-1176073
Roa(S)	-86.1	5.1	3270.8	-103534.6	7295.1	993.7	-31.4	-86835.3
Audfee(S)	3.8	0.1	55.70	0	1441.4	494.1	21.1	3716.6
Big4(S)	0.8	1	0.5	0	1	99.4	4.8	766
Roe(K)	2.3	10.3	127.5	-1536.6	431.7	99.9	-8.7	563.7
Roa(K)	3.9	4.4	15.8	-122.1	41.2	26.8	-3.4	932.5
Audfee(K)	0.2	0.1	0.5	0.5	6.6	95.8	8.8	49.4
Big4(K)	0.8	1	0.4	0.4	1	3.3	-1.5	167.0

Source: Researchers' Computation via STATA 13.0; N-Nigeria; S-South Africa; K-Kenya 2021

The descriptive analysis revealed that the mean (average) of return on equity (*roe*), return on asset (*roa*), audit fee (*audfee*), and Big-4 audit firm (*big4*) in sub-Saharan Africa are such that Kenya recorded the most intriguing mean value, followed by Nigeria and South Africa, the least. In fact, the standard deviation values of *roe*, *roa*, *audfee*, and *big4* indicated that the sampled firms in sub-Saharan Africa are not too dispersed from each other, particularly for Nigeria and Kenya and that most likely the study variables are not constant over time.

Remarkably, the panel data series (*roe*, *roa*, *audfee*) for Nigerian non-finance firms displayed non-zero skewness except *big4*. In the case of South Africa, the panel data series (*roe*, *roa*, *audfee*, *big4*) showed non-zero skewness while for Kenya (*roe*, *roa*, *audfee*, *big4*) displayed non-zero skewness. More so, variables of *roa* (-1.6), *big4* (-0.28) were skewed to the left as shown by the negative values for Nigeria, *roe* (-31.7), *roa* (-31.4) for South Africa and *roe* (-8.7), *roa* (-3.4), *big4* (-1.5) for Kenya while the other variables for each countries of sub-Saharan Africa were positively skewed.

In addition, all the variables have a normal distribution as indicated by the kurtosis values, which are above three (3) as suggested by Gujarati (2003), except *big4* (Nigeria); impliedly, the study variables are normally distributed. Noteworthy is the fact that most quoted non-finance firms studied received more of unmodified opinion in the current year (as indicated in the minimum values – zero), while non-finance firms in sub-Saharan Africa switch around big-4 audit firms as shown in the maximum values – one).

Table 2b: Summary of Descriptive Statistics (Aggregate)

Variables	Mean	Median	Std. Dev.	Min Value	Max. Value	Kurtosis	Skewness	Sum
Roe	-641.0	11.2	28944.1	-1234256	27107.7	1815.0	-42.6	-1166663
Roa	-46.7	4.3	2435.3	-103534.6	7295.1	1793.9	-42.2	-85044.3
Audfee	2.3	0.1	41.4	0	1441.4	895.8	28.4	4112.4
Big4	0.7	1	0.5	0	10	62.8	2.7	1273

Source: Researchers' Computation via STATA 13.0

The descriptive analysis showed that the lowest score is 1234256 (*roe*). The standard deviation values of corporate performance variables (*roe*, *roa*) showed that firms' corporate performance variables in sub-Saharan Africa are dispersed from each other; an indication that most likely some firms in sub-Saharan Africa performed superior than others in the investigated period. Notably, all the panel data series (*roe*: -42.6, *roa*: -42.2, *audfee*: 28.4, *big4*: 7.8) for the non-finance firms in sub-Saharan Africa displayed non-zero skewness; this position is quite similar to those obtained in the idiosyncratic descriptive statistics in Table 2a.

More so, variables of *roe* (-42.6), *roa* (-42.2) were skewed to the left as shown by the negative values for the aggregate sub-Saharan Africa countries while the other variables (*audfee*: 28.4; *big4*: 2.7) were positively skewed. Besides, all the variables have a normal distribution as indicated by the kurtosis values, which are greater than three (3) as suggested by Gujarati (2003).

Table 3: Pearson Correlation Matrix

Variables	Roe	Roa	Audfee	Big4
Roe	1.0000			
Roa	0.8696	1.0000		
Audfee	-0.0031	-0.0031	1.0000	
Big4	0.0296	0.0296	0.0270	1.0000

Source: Researchers' Computation via STATA 13.0

Table 3 revealed that the correlation between auditors switching decision and corporate performance is positive. More importantly, the Pearson coefficient did not exceed the maximum threshold of 0.8, as recommended by Gujarati (2003), suggesting absence of multi-collinearity among pairs of independent variables of the study. The above result is further confirmed by the variance inflation factor (VIF) result.

Table 4: Variance Inflation Factor (VIF)

Variables	VIF	1/VIF
Big4	1.00	0.998571
Audfee	1.00	0.999221
Mean VIF	1.00	

Source: Researchers' Computation via STATA 13.0

Table 4 showed the VIF result; the mean VIF = 1.00, which is less than the accepted VIF value of 10.0, suggests the absence of multi-collinearity problem in the model of auditors switching decision and corporate performance in sub-Saharan Africa. Impliedly, the VIF result provides evidence that the estimated models of auditors switching decision and corporate performance are without bias and can be relied upon.

Table 5: Fixed and Random Effects Results (Auditor Switching Decision and ROA)

Variables	Big4 Audit Firms (Big4)	Audit Fee (Audfee)
FIXED EFFECT(FE) MODEL		
Coefficient	13.2781	-0.0382
t_Statistics	(-0.90)	(-0.26)
Probability_t	{0.368}	{0.796}
No. of Obs.=1072; F(2, 1061)=0.41; Prob.>F(0.7470); R ² (within)=0.0012; R ² (between)=0.1598; R ² (overall)=0.0013		
RANDOM EFFECT (RE) MODEL		
Coefficient	14.5888	-0.01939
t_Statistics	(0.99)	(-0.13)
Probability_t	{0.322}	{0.895}
No. of Obs.=1072; Wald chi2(2)=1.38; Prob.>F(0.7101); R ² (within)=0.0011; R ² (between)=0.2658; R ² (overall)=0.0013		

Hausman: = 0.2652; Note: *t* & *z* -statistics and their respective probabilities are represented in () and { } *** represents 1% & ** represent 5% level of significance; Source: Researchers' Computation via STATA 13.0

Table 5 provides the summary result obtained from both fixed and random effect models for auditors switching decision (*big4*), return on assets (*roa*), controlled by audit fee (*audfee*). The model of auditor switching decision and return on assets has higher beta coefficient when RE is used; the RE beta coefficient are *big4* (14.5888), and *audifee* (-0.01939), which is higher than FE. A careful examination of the result in the Hausman test showed that the random effect model was appropriate for use. However, the study confirmed the result by taking a look at the p-value (0.2652); this implies acceptance of the null hypothesis since p-value was insignificant at 5% level.

The t-test results (RE) confirm that auditors switching decision (*big4*) is insignificant in explaining the variation in return on assets (*roa*). Nevertheless, R² is 0.0013 for RE; impliedly, auditor switching decision explained about 1.3% variation in return on assets (*roa*). Furthermore, results of Wald statistic is 1.38 with Prob. value of 0.7101, suggesting that there is no significant effect of auditor switch decisions on return on assets of listed non-finance firms in sub-Saharan Africa.

Table 6: Fixed and Random Effects Results (Auditor Switching Decision & ROE)

Variables	Big4 Audit Firms (Big4)	Audit Fee (Audfee)
FIXED EFFECT(FE) MODEL		
Coefficient	55.7535	-0.1030
t_Statistics	(0.91)	(-0.17)
Probability_t	{0.363}	{0.867}
No. of Obs.=1072; F(2, 1061)=2.13; Prob.>F(0.0949); R ² (within)=0.0060; R ² (between)=0.1106; R ² (overall)=0.0062		
RANDOM EFFECT (RE) MODEL		
Coefficient	59.4667	-0.5197
t_Statistics	(0.97)	(-0.08)
Probability_t	{0.330}	{0.932}
No. of Obs.=1070; Wald chi2(2)=6.67; Prob.>F(0.0831); R ² (within)=0.0060; R ² (between)=0.1222; R ² (overall)=0.0062		

Hausman: = 0.7099; Note: *t* & *z* -statistics and their respective probabilities are represented in () and { } *** represents 1% & ** represent 5% level of significance; Source: Researchers' Computation via STATA 13.0

Table 6 provides the summary result obtained from both fixed and random effect models for auditors switching decision (*big4*), return on equity (*roe*), controlled by audit fee (*audfee*). The model of auditors switching decision and return on equity has higher beta coefficient

when RE is used; the RE beta coefficient are *big4* (59.4667), *audiffee* (-0.5197), which is higher than FE.

The Hausman specification revealed that the random effect model was appropriate for use. However, the study confirmed the result by taking a look at the p-value (0.7099); this implies acceptance of the null hypothesis since p-value was not significant at 5% level. Furthermore, the t-test results (RE) confirm that auditors switching decision (*big4*) is insignificant in explaining the variation in return on equity (*roe*). Nevertheless, R^2 is 0.0062 for RE; impliedly, auditors switching decision explained about 0.62% variation in return on equity (*roe*). The results of Wald statistic is 6.67 with Prob. value of 0.831, indicating that there is no significant effect of auditor switch decisions on return on equity of listed non-finance firms in sub-Saharan Africa.

In recent times, there has been renowned interest on the effects of auditor switch decision on corporate performance in sub-Saharan Africa and the world over. This interest stems from the fact that management, and the accountancy professionals are keen on knowing how auditors switch decisions affect corporate performance. In fact, the debate in accounting literature is whether certain dynamics such as big-4 and non-big-4 audit and audit fee contribute significantly to corporate performance; more so, there is mixed results in literature (Hamza *et al*, 2018; Gwizu *et al*, 2017; Choi *et al*, 2017; Stakebrand, 2017; Gharibi & Geraeely, 2016; and Kusrina & Yulivani, 2016).

The mixed findings could be attributable to the fact that prior studies failed to assess the effects of auditor switch decision on corporate performance idiosyncratically. Notably, there have been no studies in this area, particularly among companies in sub-Saharan Africa in a single study. Given the lacuna in accounting literature, this study assessed the effects of auditor switch decisions on corporate performance of quoted companies in sub-Saharan Africa from 2012-2019.

First, the study found that all panel data series of corporate performance (*roe*, *roa*) and *audfee*, and *big4* for non-finance firms in sub-Saharan Africa displayed non-zero skewness; this position is quite similar to those obtained in the idiosyncratic descriptive statistics (see Table 2a & 2b). Second, The R^2 revealed that auditors' switch decisions explained about 0.62% variation in *roe*, and 1.03% variation in *roa*. Third, the fixed and random effect results showed that there is no significant effect of auditor switch decisions on return on assets of listed non-finance firms in sub-Saharan Africa; this result agrees with the findings of Kusrina and Yulivani (2016); Tan *et al* (2016); Boon *et al* (2016); and Al-Ani and Mohamed (2015).

Additionally, it was found that there is insignificant effect of auditor switch decisions on return on equity of listed non-finance firms in sub-Saharan Africa; this result agrees with the outcomes of Kusrina and Yulivani (2016); Tan *et al* (2016); Boon *et al* (2016); and Al-Ani and Mohamed (2015). Overall, it was established that auditor switching decisions do not contribute to corporate performance of firms in Nigeria (West Africa), South Africa (Southern Africa) and Kenya (East Africa).

Conclusion

This study investigated how certain dynamics influences corporate performance of quoted non-finance companies in sub-Saharan Africa from 2012-2019. As auditors are the direct users of accounting information, the questions of whether and how these dynamics (big-4 and

nonbig-4 audit firms, and audit fee) affect non-finance companies' performance in sub-Saharan Africa has become a common concern for academic, business practitioners and management alike.

The results suggest that return on equity and assets did not increase significantly as a result of the switch to big-4 audit firms, or perhaps due to the audit fee paid by management. Impliedly, the level of companies' performance in sub-Saharan Africa did not change due to the amount of audit fee, and choice of Big4 audit firm. Globally speaking, our findings provided differentiated evidence, instead of mixed results stated by prior studies on the effects of auditor switch decision on corporate performance.

Recommendations

On the basis of the findings, the following recommendations were proffered:

- i. The results indicated that auditor switch decisions do not impair return on equity and assets; hence, government and regulatory framework of accounting need to take necessary measures to restrain quoted companies' arbitrariness in auditor switch and its impairment to return on equity and assets.
- ii. The study provides support that auditor switch decisions do not relate to return on capital employed of companies in sub-Saharan Africa; thus, companies should ensure that changed auditors should be made to carry out supervisory activities and special attentions on measures to improve profits.

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