UMYU Journal of Accounting and Finance Research. Vol.8 No.1 June 2025, pp 210-226.
https://doi.org/10.61143/umyu-jafr.8(1)2025.014
ISSN: 2795-3831
E-ISSN: 2795-3823

EXAMINING THE INFLUENCE OF AUDIT TENURE AND INDEPENDENCE ON FINANCIAL PERFORMANCE OF CEMENT COMPANIES IN NIGERIA

Aliyu A. Almustapha[1] and Umar Salim Ibrahim[2]
[1]Department of Accounting, Faculty of Management Sciences, Usmanu Danfodiyo University, Sokoto, Nigeria
[2]Department of Accounting, Faculty of Management Sciences, Federal university Dutse, Jigawa State-Nigeria

Corresponding Email Address: mustaphaa101@gmail.com

Abstract

The study examines the influence of audit tenure and independence on financial performance of cement companies in Nigeria, addressing a critical gap in the empirical literature. The study used quantitative research design, from 2013 and 2021. The data of the study was analysed using robust statistical techniques and panel least squares regression. The results reveal a significant positive relationship between auditor tenure and financial performance, auditor independence indicates a significant negative relationship with financial performance, indicating that compromised objectivity may detrimentally impact financial results. These findings stresses the complexities inherent in balancing audit tenure and independence to strength financial transparency and performance, particularly in sectors critical to Nigeria's economic growth, such as cement production. This research contributes valuable insights into the interplay between audit characteristics and financial performance, offering practical recommendations for stakeholders aiming to strengthen audit practices in the Nigerian context. Emphasis or focus on auditors' tenure and independence effectively, firms can improve their financial reporting integrity, thereby enhancing investor confidence and fostering sustainable economic development.

Keywords: *Audit quality, Audit tenure, Audit independence and financial performance.*

INTRODUCTION

The role of auditors within the financial reporting process is multifaceted and unequivocally critical for preserving the integrity and reliability of financial statements (Lin & Yen, 2022). These statements are essential for the decision-making processes of a broad range of stakeholders, including investors, creditors, regulators, and the public. In emerging economies, particularly in locales like Nigeria, the dynamics of corporate governance are still evolving, which lends an even greater significance to the concepts of auditor independence and tenure. Auditor independence encapsulates the ability of auditors to carry out their responsibilities devoid of biases, influences, or conflicts of interest, while audit tenure relates to the duration an auditor or audit firm remains in engagement with a specific client (Onwujekwe et al., 2019).

The complex relationship between auditor tenure, independence, and the quality of financial reporting has been the focus of much scholarly inquiry. Studies suggest that extended auditor tenure may engender a profound understanding of a client's operations, potentially enhancing the effectiveness of the audit process (Wan et al., 2022). According to Yang (2020) a decline in auditor independence can lead to questionable audit outcomes, ultimately compromising the transparency of financial information that is pivotal for maintaining investor confidence and market stability.

In the Nigerian context, the cement sector represents a significant segment of the economy, acting as a crucial catalyst for infrastructure development and broader economic growth. According to Olayinka et al. (2023) the financial performance of cement companies holds immense significance not only for the organizations themselves but also for the nation's economic resilience and development. Despite the acknowledged importance of audit characteristics within this realm, there exists a notable gap in the empirical literature exploring the nuanced interplay between auditor tenure, independence, and the financial performance of firms operating in this sector.

The outcomes of this investigation are anticipated to contribute significantly to the existing discourse on corporate governance and audit effectiveness in emerging markets. Furthermore, the findings will inform policy recommendations and best practices aimed at enhancing financial accountability and transparency within Nigeria's cement industry and other developing economies. By delving into these critical issues, this study seeks to provide meaningful insights that align with the complexities of contemporary financial reporting in a rapidly developing economic landscape. Ultimately, the hope is that this research will foster greater understanding and drive improvements in audit practices that will benefit not only the cement sector but also the wider economy.

Despite the recognized significance of auditing in improving the reliability and transparency of financial statements, the dynamics of auditor tenure and independence remain inadequately explored in the context of Nigeria's rapidly evolving corporate governance, especially within the cement sector (Emmanuel & Uzoka, 2022). The cement industry, a major contributor to Nigeria's infrastructure development and overall economic growth, faces unique challenges that necessitate transparent financial reporting practices (Bappayo & Mukhtar, 2024). However, the relationship between auditor tenure, independence, and financial performance in this sector has not been sufficiently analyzed, leading to a lack of empirical evidence and insights that could inform stakeholders' decisions. Investigations into the connection between audit and financial performance are critical in a country like Nigeria, where businesses strive to build trust among domestic and international investors. Prior research (Babangida et al. 2022; Amaha and Obi 2020; Ahmad et al. 2020; Monametsi 2020; Cheng 2018; Suraj, 2017 and Kwabena, 2017) has emphasized the link that exists between audit quality and financial performance in developed and developing countries. The direct impact of audit quality on a company's financial performance is a source of worry for researchers

The existing literature presents conflicting views on the implications of auditor tenure on audit quality; while some studies argue that longer relationships promote deeper insights and ultimately benefit the audit process, others highlight the risks of complacency and reduced objectivity. Simultaneously, the extent of auditor independence in Nigeria's corporate sector raises questions about the potential biases that may influence financial reporting outcomes. These uncertainties pose significant risks to stakeholders relying on financial statements for decision-making and can ultimately affect the economic stability of the cement industry (Okolie, 2021).

Thus, the problem this study seeks to address is the underexplored interplay between auditor tenure, independence, and the financial performance of publicly quoted cement firms in Nigeria. By identifying and analyzing these interrelationships, this research aims to provide a clearer understanding of how audit characteristics can impact crucial financial indicators, which in turn influence broader economic stability and growth. Ultimately, addressing this problem is essential for enhancing corporate governance and financial accountability in Nigeria's cement sector and for supporting informed decision-making among stakeholders. The study focus on audit independece and tenure.

LITERATURE REVIEW

Audit quality comprises two words audit and quality, auditing means ensuring that the financial statements are true and fair in all material respects. It was prepared by generally accepted accounting principles (Egan & Yanxi 2020). Quality denotes an absolute obligation to make sound judgments. It entails ensuring that all of the necessary steps are taken consistently throughout the audit. Audit quality means recognizing misstatements and inaccuracies in financial statements.

Internal audit quality represents a fundamental element of the corporate governance framework, encompassing key factors such as the audit committee, senior executives, external auditors, and the board of directors. High-quality internal auditing necessitates that auditors perform their duties with objectivity and adhere to established professional standards (Pred et al., 2024). Through structured and recognized methodologies, internal audit functions contribute significantly to the evaluation and enhancement of internal controls, risk management, and overall governance processes

External audit quality is attained when all relevant stakeholders actively collaborate in the auditing process, recognizing that each participant be it management, regulatory authorities, or members of the governance structure plays a pivotal role in ensuring the integrity and effectiveness of the audit. A high-quality audit is not merely a procedural exercise but involves a thorough and critical examination of financial statements to form a well-substantiated opinion on whether they present a true and fair view of the company's financial position (Ems & Young, 2013). This professional judgment is essential, as it directly influences the level of trust shareholders place in the financial information disclosed by management. In turn, this trust affects investors' decisions and the company's perceived financial credibility in the market. According to Neri and Russo (2014), audit quality is not only a measure of technical compliance but also a cornerstone of investor confidence and a key driver of stability in an efficient and transparent market environment

Audit Tenure

Auditor tenure is conceptualized as the duration of the professional relationship between the auditor and the client. Extended periods of engagement may lead to the development of close personal relationships and increased familiarity between the parties involved. While such familiarity might foster smoother communication, it can also reduce the auditor's objectivity and professional skepticism, potentially leading to leniency or undue deference toward the company's senior management. Kwabena (2017) this erosion of independence poses a significant risk to audit quality.

This perspective aligns with the *familiarity threat* argument, which posits that a prolonged auditor-client relationship can compromise the auditor's impartiality and threaten the integrity of the audit opinion (Vanstraelen, 2000; Carey & Simnett, 2006). However, an alternative viewpoint the *expertise hypothesis* suggests that increased auditor tenure can be beneficial.

According to this view, extended engagement enables auditors to develop deeper insights into the client's operations and industry context, thereby enhancing audit efficiency and effectiveness through accumulated experience and learning

Audit Independence

Auditor independence is a fundamental ethical expectation that guides the behavior of auditors, ensuring they perform their duties without any form of self-interest that could compromise the principles of integrity, objectivity, and professional skepticism. Neri and Russo (2014) The credibility of the audit opinion hinges on the auditor's ability to remain impartial and free from any undue influence by the client. Since the audit opinion serves to enhance the reliability of financial statements essentially a representation of management's assertions any dependence on the client by a certified public accountant undermines the value and trustworthiness of that opinion. In such cases, the audit report loses its relevance and fails to serve its intended purpose of instilling confidence among stakeholders.

The integrity of the audit process is therefore closely linked to the degree of independence maintained by the auditor. This study posits that auditor independence is significantly associated with the financial performance of listed Nigerian cement companies. When auditors maintain professional distance and uphold independence, the resulting audit reports are more credible, which in turn can positively influence investor confidence, market valuation, and the broad er financial health of the firm

Financial Performance

Performance comprises various elements, each contributing to the overall effectiveness of an organization. Anil (2016) numerous benchmarks and evaluation techniques are available, a clear and consistent definition of performance can still be difficult to establish. Okolie and Izedonmi (2014) the banking industry strives for high performance, but few banks are concerned with what that entails.

Return on Asset (ROA)

Return on Assets (ROA) as a financial ratio derived by dividing the net income attributable to common shareholders by the total assets of a firm (Brigham and Houston 2001). This metric serves as an indicator of how efficiently a company utilizes its assets to generate earnings. A higher ROA signifies enhanced corporate performance, as it reflects a greater return on the firm's investmentss

Return on Equity

This profitability ratio o profitability that can be awarded to investors, which motivate potential investors to purchase shares. As is well known, shareholders have a residual right on earnings. The company's profit will first be utilized to pay any debt interest, followed by preference shares, and last (if any) common investors/shareholders.

Net Profit Margin (NPM)

This is an important ratio for operational managers to understand because it can reflect the company's sales pricing strategy. This ratio can also be used to keep operating costs under

ISSN: 2795-3831
E-ISSN: 2795-3823

control. Divide your net profit margin by your entire revenue from sales. The outcome is your margin of net profit.

Empirical Review

Adewumi et al. (2024) analyzed the impact of auditor independence on earnings management among Nigerian listed deposit money banks. The study assessed auditor independence using proxies such as audit fee, audit tenure, and audit firm size, while earnings management was measured using discretionary accruals. Data were sourced from financial reports of 12 banks for the period 2013–2022. Findings indicated a positive relationship between audit tenure and earnings management, although not statistically significant.

Hadiza and Abba (2024) examined the effect of audit fees and audit tenure on earnings management of listed deposit money banks in Nigeria. The study employed panel regression analysis on secondary data from twelve purposively selected banks covering the period 2011 to 2021. Audit fees and tenure served as audit quality proxies, while discretionary accruals (via the modified Jones model) were used to measure earnings management

Kaoje and Haruna (2023) investigated the impact of firm performance indicators on real earnings management among listed cement firms in Nigeria. The study utilized panel data from 2014 to 2021 across cement firms listed on the Nigerian Exchange. Profitability (measured by return on assets) and leverage (measured by debt-to-asset ratio) served as the key independent variables, while real earnings management was the dependent variable, proxied by real discretionary accruals. The study adopted multiple regression techniques. The findings revealed that profitability has a significant negative effect on earnings management, indicating that more profitable cement firms are less likely to manipulate earnings. However, leverage exhibited a positive but statistically insignificant effect on earnings management.

Mohammed, Yahaya, and Zakariya (2022) investigated the impact of audit quality, audit tenure, and Big-4 audit firm affiliation on real earnings management in Nigerian listed non-financial firms. The study analyzed panel data from 76 non-financial firms over a 10-year period (2010–2019), using real activities manipulation (REM) as a proxy for earnings management. Regression results indicated that Big-4 auditors significantly reduce REM, while audit tenure showed an insignificant negative effect. The study recommended that companies prioritize Big-4 audit firms and monitor tenure duration to minimize manipulation through operational activities.

Eneiski and Micah (2021) examined the relationship between audit quality indicators and the market price per share of listed Nigerian deposit money banks. Audit quality was represented by audit fees, audit tenure, and the size of the audit firm, while Tobin's Q served as a proxy for market price per share. The research focused on fourteen deposit money banks listed on the Nigerian Stock Exchange, from which twelve were purposively selected using a judgmental sampling technique. Data were obtained from the audited annual financial statements of these banks covering the period from 2006 to 2019. Using E-Views 10 econometric software, the study employed panel least squares regression to test its hypotheses through pooled, fixed, and random effects models. The Hausman test favored the fixed effects model. The analysis revealed that audit fees exert a negative but statistically insignificant influence on Tobin's Q, while audit tenure has a significant negative effect on Tobin's Q, as supported by the empirical result.

ISSN: 2795-3831
E-ISSN: 2795-3823

Babatunde, Adedeji, and Adegbite (2021) investigated the impact of audit quality on the performance of Nigerian Deposit Money Banks (DMBs), utilizing both market-based and accounting-based performance indicators. The analysis was conducted using panel data from nine selected banks out of the sixteen listed on the Nigerian Stock Exchange (NSE), spanning eight fiscal years from 2012 to 2019. The results showed that audit quality, measured by audit fees and audit firm size, has a positive but statistically insignificant influence on Tobin's Q, which serves as a market-based proxy for firm performance. The study recommends that bank management engage reputable and trustworthy audit firms to enhance the overall performance of deposit money banks in Nigeria.

Monametsi and Agasha (2020) carried out a comparative study on the relationship between audit quality and firm performance across two African countries, Uganda and Botswana. In evaluating performance, the researchers employed both accounting-based and market-based metrics, specifically Return on Assets (ROA) and Tobin's Q. These two indicators were chosen to provide a more holistic view of corporate performance from both internal efficiency and market valuation perspectives. The key audit quality variable examined was audit fees, which are often considered a proxy for the level of audit effort and expertise invested in the assurance process. However, the findings of the study revealed that audit fees did not have a significant predictive power on firm performance in either country, irrespective of whether ROA or Tobin's Q was used as the performance measure. This suggests that higher audit costs do not necessarily translate into improved financial or market performance, possibly due to inefficiencies in audit processes or differences in regulatory enforcement across both jurisdictions.

Ogbonna, Christopher, and Iniobong (2020) investigated the impact of audit quality on the financial performance of publicly listed firms in Nigeria. Their research spanned an 18-year period from 2000 to 2017, allowing for a longitudinal analysis of trends and causal relationships. Unlike the previous study, they adopted a more comprehensive set of variables. Audit quality was measured using earnings per share (EPS) and return on assets (ROA), both of which are considered reflective of a firm's ability to generate value and returns for shareholders. Financial performance, on the other hand, was assessed using proxies such as auditor independence, audit firm size, and the presence of an audit committee factors that typically influence the integrity and thoroughness of the audit process. The study focused on three major Nigerian firms: Unilever Nigeria Plc., Oando Plc., and C & I Leasing Company. Data were extracted from audited annual financial statements of these companies, and the Ordinary Least Squares (OLS) regression technique was employed using E-Views 7.0 software. The results highlighted mixed outcomes, with some audit quality indicators showing a positive relationship with financial performance, while others did not yield statistically significant results. The authors concluded that enhancing audit mechanisms, such as ensuring auditor independence and increasing audit firm capabilities, could potentially improve financial performance outcomes among quoted firms in Nigeria

Chukwuma, Lilian, and Sonia (2020) explored how audit quality influences the financial performance of Nigeria's fifteen listed Deposit Money Banks (DMBs) over the period from 2011 to 2017. The study considered audit quality indicators such as audit firm size, joint audit arrangements, and audit fees as independent variables, with Return on Assets (ROA) serving as the proxy for financial performance. Data were obtained from the audited financial statements of the listed banks. The researchers adopted both correlation analysis and an ex-post facto research design, alongside the application of multiple regression techniques for data analysis. Their findings indicated that the size of the audit firm has a significant and positive impact on

ISSN: 2795-3831
E-ISSN: 2795-3823

ROA. In contrast, joint audits were found to have a negative and statistically significant influence on ROA. Audit fees also showed a statistically significant effect, but its impact on ROA was minimal.

Ahmed and Mubarakatu (2020) examined the relationship between audit quality and firm value among listed insurance companies in Nigeria. The study covered a five-year period from 2015 to 2019, utilizing data sourced from annual financial statements of the selected firms. Employing an ex-post facto research approach and multiple regression analysis, the study assessed how audit quality indicators relate to corporate value. The results demonstrated that audit firm size is inversely related to firm value, and this relationship was found to be statistically significant, suggesting that larger audit firms may not necessarily enhance firm valuation within the insurance sector in Nigeria

Enekwe, Chike, and Sergius (2020) analyzed how audit quality influences the financial outcomes of publicly listed manufacturing companies in Nigeria, covering a period from 2006 to 2016. The study explored the effects of audit committee structure, auditor independence, and audit fees on Return on Assets (ROA). Employing an ex-post facto research approach, the researchers selected 24 manufacturing firms from the 80 listed on the Nigerian Stock Exchange through stratified purposive sampling. Data were obtained from the firms' published annual reports, and the analysis was conducted using the Ordinary Least Squares (OLS) regression technique. The study concluded that auditor independence had a positive and statistically significant impact on the financial performance of the manufacturing companies under review.

Ogbodo, Okenwa, Akabuogu, and Nzube (2019) investigated the influence of audit quality on the corporate performance of selected Nigerian banks. The study was motivated by the continued occurrence of fraud and material misstatements in the financial reports of banks, despite external audits. It specifically assessed the impact of audit firm size on banks' ROA, examined how audit committee independence affects return on equity (ROE), and evaluated the influence of the audit committee on profit margins. The study aimed to uncover the extent to which audit quality dimensions contribute to financial performance in the Nigerian banking sector.

Ezejiofor, Raymond, and Erhirhie (2018) studied the effect of audit quality on the financial performance of listed Nigerian deposit money banks. Secondary data were sourced from audited financial statements of these banks, and the study utilized an ex-post facto design. Regression analysis and correlation coefficients were employed to test the proposed hypotheses. The results revealed a significant relationship between audit quality and financial performance. The authors recommended that Nigerian banks increase the presence of skilled and reputable foreign directors on their boards, emphasizing their role in upholding professional standards, integrity, and long-term firm value.

Tom and Ying (2018) conducted a study in China to assess how audit quality affects a company's financial performance. They considered audit fee, audit firm size, and financial leverage as independent variables, while Return on Investment (ROI) was used as the dependent measure. The analysis utilized secondary data and applied multiple regression techniques. The results indicated that audit firm size and audit fees had a positive, though statistically insignificant, relationship with ROI, whereas leverage showed a negative but also insignificant association with ROI.

Mustafa and Abdulwahab (2018) investigated the relationship between audit quality and the

https://doi.org/10.61143/umyu-jafr.8(1)2025.014
ISSN: 2795-3831
E-ISSN: 2795-3823

performance of listed oil and gas firms in Nigeria. Using secondary data primarily sourced from annual financial reports, their study found that audit quality indicators—such as audit fees, audit firm size, audit tenure, and audit timeliness—did not significantly influence firm value. Interestingly, while most audit quality proxies were positively and significantly correlated with company value, audit firm tenure exhibited a significant negative relationship with Tobin's Q.

Kwabena (2017) examined how internal audit quality impacts the financial performance of 65 companies listed on the Nairobi Securities Exchange. The study revealed that several elements of internal audit quality, including the professional expertise of auditors, their independence, the thoroughness of audit work, and the level of support from senior management, positively influenced the financial success of these firms.

Theoretical Review

Stakeholder Theory

The auditor's expressed judgment provides the foundation for "trust" and "confidence" in the financial statements (Freeman, 1984). The stakeholder theory follows from the agency theory. According to the notion, every entity is made up of interactions between more than only the principals and their agents. Everyone with a stake in the entity's operations, including the host community, creditors, bankers, the government, and others, will interact in such relationships. This means that the entity is under more pressure to provide information; as a result, the auditor is under more pressure to guarantee that the financial statements are representative.

Lending Credibility Theory

The theory was introduced by Watts and Zimmerman (1983), the lending credibility theory, the primary aim of the audit is to increase the reliability of the accounting records. According to the theory, the increased credibility conveyed by the auditor is the primary benefit of an auditor's service that attracts clients and boosts the confidence of financial statement users. According to the theory, audited accounting records can boost stakeholders' trust in management's stewardship.

METHODOLOGY

Research Design

The study used quantitative research design, longitudinal research design is most appropriate because the data is panel. The study focused on cement companies for nine (9) years. The population of the study is made up of three (3) quoted cement companies in Nigeria, these companies include Bua Cement Plc, Dangote Cement Plc and Lafarge Cement Plc between 2013 to 2021 (NGX Website, 2022). The study utilized data from the financial statements of the companies. The method of data analysis was the Panel Least Squares. Descriptive statistics were used to compute the minimum, maximum, mean, median, and standard deviation, values of sample data. A correlation matrix was also employed in determining the relationship between dependent and independent variables, while a panel regression model was used to test the hypotheses. STATA version 14.0 was also used in estimating the regression results. The data generated for this study, which is panel and longitudinal, employed the use of descriptive and inferential statistics. The Panel Least Squares Model was used as the method of data analysis. Descriptive statistics were used to compute the minimum, maximum, mean, and standard

https://doi.org/10.61143/umyu-jafr.8(1)2025.014
ISSN: 2795-3831
E-ISSN: 2795-3823

deviation value of both the dependent variable and the independent variable of interest. Inferential statistics included both correlation and regression, multicollinearity test, fixed effect test, random effect test, Hausman test to select between fixed and random effect for the basis of hypotheses testing, and heteroskedasticity test.

Measurement of Variables

The dependent variable, financial performance, is calculated as net income by the total value of assets, based on the assumption that cement businesses invest heavily in fixed or non-current assets.

Auditor's Duration is also an Independent Variable, and AUDTEN was calculated by counting the number of years the Cement Companies were audited by the same audit firm. When a corporation is audited by a single auditing company for 5 years, it is marked as 1, and when it is not audited by the same auditor, it is coded as 0.

Audit Independence is also an independent variable, which was calculated by the Ratio of audit fee to the company's revenue. The basic is to ensure the auditor express his independent opinion.

Model Specification

FP = α0+ β1AUDTENit + β2AUDINDit + --1

Where FP = Firm Financial Performance (Dependent Variable)

AUDTEN = Auditor's Tenure (Independent Variable)

AUDIND= Audit Independence (Independent Variable)

α = is constant

β1- β1 = are the coefficient of the independent variables

i= number of firms under observation

t= time

ε = Error term

ROA = α0+ + β1AUDTENit + β2AUDINDit ++ εit-----------------------------------2

Where ROA = Return on Assets (Dependent Variable)

AUDTEN = Auditor's Tenure (Independent Variable)

AUDIND= Audit Independence (Independent Variable)

α = is constant

β1- β1 = are the coefficient of the independent variables

https://doi.org/10.61143/umyu-jafr.8(1)2025.014
ISSN: 2795-3831
E-ISSN: 2795-3823

i= number of firms under observation

t= time

ε = Error term

DATA PRESENTATION AND ANALYSIS

Table 4.1: Descriptive Statistics of Dependent and Independent Variables

Variables	Mean	Std Deviation	MIN	Skewness	Kurtosis
ROA	0.1146	0.0759	-0.0214	0.3820	2.6576
AUDTEN	0.5555	0.5063	0.0000	-0.2236	1.0500
AUDIND	0.0006	0.0009	0.0003	4.7795	24.261

Source: STATA Output 14.0

Table 4.1 depict the descriptive statistics of the dependent and explanatory variables of the study. It shows the nature and characteristics of variables, which are made up of ROA as the dependent variable and independent variables (AUDTEN and AUDIND).

The results of the mean of the ROA show a value of 0.1146846, which represents that the mean of the quoted cement companies in Nigeria is centered around 0.1146846. the mean value for AUDTEN reveals a figure of 0.5555556 and AUDIND shows a value of 0.0006977Also, from the table, it shows that the standard deviation of the dependent variable (ROA) reveals a value of 0.0759266, while the values in respect of standard deviation for independent variables (AUDTEN, and AUDIND) reveal a value of 0.5063697, 0.000932, respectively.

Th Skewness figures for both the dependent and independent variables ROA and AUDTEN and AUDIND respectively. The values are 0.382003, -0.2236068 and 4.779592, respectively. The ROA is fairly skewed. While AUDTEN is skewed to the left indicating that it is moderately skewed. AUDIND is skewed to the right indicating that it is highly skewed.

Table 4.2: Correlation Results of Dependent and Independent Variables

Variables	ROA	AUDTEN	AUDIND
ROA	1.0000		
AUDTEN	0.5123	1.0000	
AUDIND	-0.0931	-0.2000	1.0000

Source: STATA Version 14.0

Kurtosis is a test for normality, which reveals whether used for the study is normally distributed. The results displayed in respect of Kurtosis show a value of 2.657625 in respect of ROA and for all the independent variables (AUDTEN, AUDIND) show a value of 1.05 and 24.26173 respectively. From the displayed values, it is evident that the study data used is distributed normaly because data is said to be normally distributed when it is above and greater than 0.30 (Koop, 2009).

The correlation results in respect of the dependent variable (ROA) and the independent variables used for the study (AUDTEN and AUDIND), it can be seen that both positive and negative relationships exist amongst the variables used for this study. ROA has a positive relationship with AUDTEN, which is evident from the values of 0.5123. Audit tenure has a

ISSN: 2795-3831
E-ISSN: 2795-3823

negative relationship with AUDIND with values of -0.2000.

Audit independence shows a mixture of positive and negative relationships amongst the variables, a positive relationship with AUDAGE and AUDFEES as shown from the coefficient values of 0.1654 and 0.8276 respectively. Audit firm type revealed a positive relationship with AUDAGE and AUDFEES with values of 0.6318, and 0.0267 respectively. While audit firm age has a positive relationship with AUDFEE with a value of 0.4433. From the values displayed therein in respect of the correlation, it is evident that the correlation is not highly correlated as displayed from the values ranging from 0.1 and 0.7. The result is therefore in line with the acceptable benchmark of 0.90.

Table 4.3: Multicollinearity Test of Independent Variables

Variables	VIF	1/VIF
AUDTEN	1.1715	0.0004
AUDIND	2.1652	228.0681
MEAN VIF	2.40	

Source: STATA Version 14.0

The test for multicollinearity in respect of the independent variables (AUDTEN and AUDIND). From the above outcome in the Table, it justified that the mean of the Variance Inflation Factor (VIF) displayed a value of 2.40 which is less than the acceptable benchmark of ranging between 1 and 10. The results, therefore, revealed the absence of multicollinearity rejected while the random effect should be accepted as the best model for the study.

Table 4.4: Hausman Test Results of Fixed and Random Effect of Dependent and Independent Variables.

Variable	Fixed	Random	Var(Diff.)	Prob.
AUDTEN	0.0600	0.0748	0.00013	0.1986
AUDINDE	-37.8102	-30.7777	62.01805	0.3719

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	2.44566	5	0.7847

Table 4.4 displays the Hausman regression results in connection with the fixed and random effect of the study dependent variable (ROA) and the study explanatory variables (AUDIND and AUDFTY). The results show the coefficients of the fixed effect and random effect the differences between random effects and the fixed. The basis for this Hausman test is to enable the study to choose the best model as means of establishing the association between audit tenure and independence and the firm financial performance of the listed Cement companies in Nigeria. From the test results of the probability chi2 of 0.7847, it indicates that the result was not significant and it is greater than 0.05 (5%) level of significance. Where this occurs, it is an accepted standard that the fixed effect should be.

The regression results concerning the random effect of the dependent and independent variables. This reveals the coefficients and p-values of the variables. The random effect was carried out to test for the best model between fixed and random effects. The R-squared value

 ISSN: 2795-3831
E-ISSN: 2795-3823

revealed a value of 0.747937, and the Probability Chi-Square shows a value of 0.000011. The adjusted R-Squared indicates that the model explains about 68.79% of the variation in the financial performance (ROA) as explained by the independent variables (AUDTEN and AUDIND,

Table 4.5: Random Effect Regression results of the Dependent and Independent Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AUDTEN	0.0748	0.0194	3.8527	0.0009
AUDINDE	-30.7777	15.052	-2.0447	0.0536
C	-0.58949	0.2197	-2.6828	0.0139

R-squared	0.7479	Mean dependent var	0.0685
Adjusted R-squared	0.6879	S.D. dependent var	0.0720
S.E. of regression	0.0402	Sum squared resid	0.0340
F-statistic	12.462	Durbin-Watson stat	1.8849
Prob(F-statistic)	0.000011		

Source: STATA Version 14.0

Table 4.6: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.2787	Prob. F(5,21)	0.9196
Obs*R-squared	1.6804	Prob. Chi-Square(5)	0.8914
Scaled explained SS	0.6435	Prob. Chi-Square(5)	0.9859

Source: STATA Output 14.0

Table 4.7: Regression Results of Audit Tenure and Financial Performance (ROA)

Variables	Coefficient	P-value
AUDTEN	0.0749	0.0009

Source: STATA Version 14.0

The outcome of the Heteroscedasticity test, which was conducted to find out if there is the presence of Heteroscedasticity in the model. From the prob>barchi2 results of 0.9196, 08914, and 0.9859 reveal that there is the absence of heteroscedasticity because the results reveal that it was not significant at a 5% level of significance. This, therefore, reveal that the deviation of the dependent and independent variables investigated over time is constant.

Table 4.7 displays the regression results as it relates to the relationship between audit tenure and the financial performance of quoted Cement Companies in Nigeria. The coefficient value of the relationship revealed a figure of 0.07491, which is a positive relationship and the p-value revealed a value of 0.0009, which was found significant. The result of the hypothesis shows that there is a significant relationship between the tenure of the auditors and the financial performance of quoted Cement Companies and their performance. The result gave rise to the

https://doi.org/10.61143/umyu-jafr.8(1)2025.014
ISSN: 2795-3831
E-ISSN: 2795-3823

rejection of the null hypothesis, which states that there is no significant relationship between audit tenure and financial performance quoted by Cement Companies in Nigeria. The findings of this study support the findings of Eneisik and Micah, 2021; Ogbeifun and Olorunsola, 2018, whose findings revealed a significant relationship between audit tenure and financial performance.

Table 4.8: Regression Results of Audit Independence and Financial Performance (ROA)

Variables	Coefficient	P-value
AUDIND	-30.7777	0.0536

Source: STATA Version 14.0

The regression results as it relate to the relationship between audit independence and the firm financial performance of listed Nigerian Cement Companies. The coefficient value of the relationship revealed a figure of -30.77774, which is a negative relationship and the p-value revealed a value of 0.0536 which was found significant. The result of the hypothesis indicate there is a significant association between the audit independence exercised by these auditors while carrying out their audit functions and the firm financial performance of listed Cement Companies. The result gave rise to the rejection of the null hypothesis which states that there is no significant asscociation between audit independence and firm financial performance quoted Cement Companies in Nigeria.

CONCLUSIONS AND RECOMMENDATIONS

After investigating the association between audit tenure and independence and financial performance of listed Nigerian Cement Companies, the following conclusions and recommendations have been reached:

i. The results arising from the investigation of the association between audit tenure and firm financial performance could be linked to the reason that when auditors are changed and new audit firms are consulted for audit assignments, it will affect the financial performance of these quoted Cement Companies in Nigeria because the new audit firm will have to take some time before getting used to the internal mechanism or control systems of the Cement Companies.

ii. The study also concluded from the results of the association between audit independence and firm financial performance, that results therein could be linked to the fact that when these auditors are given the chance to carry out their audit assignment without any interference from the management of these listed Nigerian Cement Companies in Nigeria, it will have effect in their financial performance.

i. The management of the quoted Cement Companies is advised to comply with the regulations of the Company and Allied Matter Act (CAMA) as it relates to the tenure of auditors so that there will be no breach of law or regulations, which might subject them to penalty by the Financial Reporting Council of Nigeria (FRCN) and the Nigeria Exchange Group (NGX).

ii. Management is strongly encouraged to consistently uphold and protect the independence of auditors throughout the audit process. This includes providing auditors

https://doi.org/10.61143/umyu-jafr.8(1)2025.014
ISSN: 2795-3831
E-ISSN: 2795-3823

with all the necessary resources, access, and cooperation required to enable them to perform their duties effectively and without obstruction. It is crucial that management refrains entirely from any attempts to sway or influence the auditors whether through financial incentives, pressure, or any other means that could compromise their objectivity or professional judgment while carrying out their audit responsibilities. Maintaining a clear boundary that safeguards auditor independence will enhance the credibility and reliability of the audit outcomes.

REFERENCES

Adewumi, A. D., Fakunle, I. O., Bamidele, M. M., & Akomolehin, I. A. (2024). Impact of auditor’s independence on earnings management of listed deposit money banks in Nigeria. *Journal of Contemporary Accounting and Finance, 6*(2), 1658–1670.

Ahmad, I., Farida, M., & Mubarakatu, G. (2020). Audit quality and firm value of listed insurance companies in Nigeria. *Asian Journal of Economics, Business and Accounting, 15*(3), 1–12. [Crossref]

Ahmed, A. I., & Mubarakatu, M. A. (2020). Audit quality and firm value of listed insurance companies in Nigeria. *Journal of Accounting and Financial Management*, 6(4), 12–25.

Amaha, H. Y., & Obi, P. C. (2020). The effect of audit quality on financial performance of manufacturing firms in Sub-Saharan Africa. *African Journal of Economic and Management Studies*, 11(4), 667–682.

Anil, G. (2016). Relationship between audit quality and corporate governance: An empirical research in Borsa Istanbul. *Journal of Business and Management, 18*(11), 84–88.

Babangida, S. A., Yusuf, M., & Adamu, M. (2022). Audit quality and firm financial performance: Evidence from listed companies in Nigeria. *Journal of Accounting and Taxation*, 14(3), 98–108.

Babatunde, M. A., Adedeji, L. O., & Adegbite, I. O. (2021). Audit quality and financial performance of banks in Nigeria. *Journal of Accounting Information and Innovation, 7*(2), 45–60.

Bappayo Masu Gombe, & Mukhtar, M. (2024). Corporate governance and challenges of financial leverage of privatised cement industry in Nigeria. *Journal of Scientific Research and Reports, 30*(6), 95–106. [Crossref]

Brigham, E. F., & Houston, J. F. (2001). *Fundamentals of financial management* (9th ed.). Harcourt College Publishers.

Carey, P., & Simnett, R. (2006). Audit partner tenure and audit quality. *The Accounting Review*, 81(3), 653–676. [Crossref]

Cheng, Y. S., Chen, Y. S., & Chen, Y. C. (2018). Direct and mediating effects of auditor quality on auditor size and performance. *International Business Research, 11*(6), 134–148. [Crossref]

Chukwuma, R. E., Lilian, O. N., & Sonia, U. O. (2020). Audit quality and financial performance of listed deposit money banks in Nigeria. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 10(3), 145–156.

Egan, M., & Yanxi, W. (2020). The true and fair view: Exploring how managers, directors and auditors define it. *Accounting and Business Research, 50*(6), 621–645. [Crossref]

Emmanuel, I. O., & Uzoka, P. (2022). Effect of auditor tenure on audit quality in Nigeria. *International Journal of Social Sciences and Management Review, 5*(2), 88–100. [Crossref]

Ems, L., & Young, J. J. (2013). Governance, audit quality, and the public interest: Reassessing roles and responsibilities. *Accounting, Organizations and Society*, 38(2), 145–163.

ISSN: 2795-3831
E-ISSN: 2795-3823

Eneiksi, G. D., & Micah, L. C. (2021). Audit quality indicators and market price per share of listed deposit money banks in Nigeria. *Asian Journal of Economics, Business and Accounting*, 21(9), 33–42.

Eneisik, G. O., Erasmus, L., & Micah, L. C. (2021). Audit quality and market price per share of listed deposit money banks in Nigeria. *International Journal of Business and Law Research, 9*(4), 1–22.

Enekwe, C., Chike, N., & Sergius, N. (2020). Effect of audit quality on financial performance of listed manufacturing firms in Nigeria. *Advance Journal of Management, Accounting and Finance, 5*(3), 1–15.

Ezejiofor, R. A., Raymond, E. A., & Erhirhie, F. E. (2018). Effect of audit quality on the financial performance of listed deposit money banks in Nigeria. *International Journal of Trend in Scientific Research and Development*, 2(6), 1121–1129. [Crossref]

Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman.

Hadiza, S. A., & Abba, B. (2024). Effect of audit fees and audit tenure on earnings management of listed deposit money banks in Nigeria. *Asian Journal of Economics, Business and Accounting, 24*(7), 588–597. [Crossref]

Kaoje, A. N., & Haruna, H. A. (2023). An analysis of firm performance and real earnings management of listed cement firms in Nigeria. *International Journal of Intellectual Discourse, 6*(3), 212–224.

Koop, G. (2009). *Bayesian econometrics*. Wiley.

Kwabena, K. A. (2017). The effects of internal audit quality on financial performance of firms listed at the Nairobi Securities Exchange. uonbi.ac.ke

Lin, H. L., & Yen, A. R. (2022). Auditor and audit engagement characteristics. *Accounting Forum, 44*(4), 398–420. [Crossref]

Mohammed, A., Yahaya, A., & Zakariya, M. (2022). Audit quality, tenure and real earnings management of listed non financial firms in Nigeria. *Gusau Journal of Accounting and Finance, 3*(1), 18. [Crossref]

Monametsi, G. L., & Agasha, E. (2020). Audit quality and firm performance: Evidence from Botswana and Uganda. *Journal of Accounting, Finance and Auditing Studies, 6*(4), 79–95. [Crossref]

Mustafa, M. K., & Abdulwahab, N. A. (2018). Audit quality and firm value of listed oil and gas firms in Nigeria. *Journal of Accounting and Taxation*, 10(5), 55–65.

Neri, L., & Russo, A. (2014). A framework for audit quality: Critical analysis. *Business and Management Review, 3*(9), 25–30. gre.ac.uk

Nigerian Exchange Group. (2022). *Homepage*. Nigerian Exchange Group. https://www.ngxgroup.com/

Ogbodo, S. O., Okenwa, O. C., Akabuogu, J. A., & Nzube, N. U. (2019). Audit quality and corporate performance: Evidence from selected Nigerian banks. *International Journal of Finance and Accounting*, 8(5), 213–221.

Ogbonna, G. N., Onuaha, T. E., & Christopher, I. S. (2020). Audit quality and financial performance of quoted firms in Nigeria. *West African Journal of Business and Management Sciences, 9*(1), 14–43.

Okolie, A. O. (2021). Auditor tenure, independence, and audit quality: Evidence from listed firms in Nigeria. *Journal of Accounting and Taxation, 13*(2), 56–67. [Crossref]

Okolie, A. O., & Izedonmi, F. I. O. (2014). The impact of audit quality on the share prices of quoted companies in Nigeria. *Research Journal of Finance and Accounting, 5*(18), 150–166.

Olayinka, M. U., Bello, A. M., & Oladele, T. T. (2023). Audit characteristics and financial performance of cement manufacturing firms in Nigeria. *International Journal of Accounting and Finance Research*, 11(2), 25–39.

Onwujekwe, O. C., Akinyemi, O. O., & Nwankwo, O. C. (2019). Audit tenure, audit independence and quality of financial reporting in Nigerian quoted companies. *International Journal of Accounting and Finance*, 8(1), 45–60.

Pred, R., Silva, M., & Knudsen, L. (2024). Enhancing internal audit quality: Professional standards, objectivity, and best practices. *International Journal of Auditing*, 28(1), 45–62.

Santos, C., Cerqueira, A., & Brandao, E. (2015). Audit fees, non-audit fees and corporate performance 562. *University of Porto*.

Suraj, I. A. (2017). The effect of internal audit on financial performance of microfinance institutions in Kenya. uonbi.ac.ke

Tom, L., & Ying, C. (2018). Audit quality and financial performance of companies in China. *Asian Journal of Accounting Research*, 3(2), 98–110.

Ugwu, C. C., Aikpitanyi, L. N., & Idemudia, S. (2020). The effect of audit quality on financial performance of deposit money banks (evidence from Nigeria). *Journal of Economics and Business, 3*(1), 1–15. [Crossref]

Vanstraelen, A. (2000). Impact of renewable long-term audit mandates on audit quality. *European Accounting Review*, 9(3), 419–442. [Crossref]

Wan, Y., Liu, J., & Zhang, X. (2022). Auditor tenure and audit quality: Evidence from emerging markets. *Journal of International Accounting, Auditing and Taxation*, 47, 100493. [Crossref]

Watts, R. L., & Zimmerman, J. L. (1983). Agency problems, auditing, and the theory of the firm: Some evidence. *Journal of Law and Economics*, 26(3), 613–633. [Crossref]

Yang, J. (2020). Auditor independence and financial transparency: Implications for investor confidence and market stability. *Journal of Accounting and Auditing Studies, 12*(3), 45–60.

https://doi.org/10.61143/umyu-jafr.8(1)2025.014
ISSN: 2795-3831
E-ISSN: 2795-3823

APPENDIX

Data Collection Sheet in respect Quoted Cement Companies in Nigeria

FIRMS	YEAR	NPAT	TOTAL ASSETS	SALES	ROA	AUDTEN	AUDINDE
DANGOTE	2013	210262000000	820477000000	371551000000	0.256268	1	0.000431
	2014	185814000000	963441000000	371534000000	0.192865	1	0.000474
	2015	213171000000	1124475000000	389215000000	0.189574	1	0.000491
	2016	368205000000	1502564000000	426129000000	0.245051	1	0.000505
	2017	254630000000	1611087000000	552364000000	0.158049	1	0.000552
	2018	481456000000	1721974000000	618301000000	0.279595	1	0.000474
	2019	261349000000	1823984000000	610247000000	0.143285	1	0.000523
	2020	352609000000	2116060000000	719945000000	0.166635	1	0.000583
	2021	381100000000	2582298000000	993399000000	0.147582	1	0.000391
LAFARGE	2013	31177048000	227290453000	118869162000	0.137168	0	0.000436
	2014	28360146000	343627558000	105848657000	0.082532	0	0.000406
	2015	26998273000	381272953000	114558245000	0.070811	0	0.000358
	2016	20778348000	537598212000	87198416000	0.03865	0	0.000773
	2017	-13223626000	616169940000	177170362000	-0.02146	0	0.00048
	2018	4141764000	577692296000	187043475000	0.007169	0	0.000527
	2019	22721616000	500081653000	188407004000	0.045436	0	0.000571
	2020	28714884000	505332716000	202530359000	0.056824	0	0.00042
	2021	53455912000	534054123000	262299071000	0.100095	0	0.000348
BUA	2013	1423635000	15780012156	15787111000	0.090218	1	0.00057
	2014	1918361854	17146883159	15119050874	0.111878	1	0.000595
	2015	1201108049	20030222016	13037847294	0.059965	1	0.00069
	2016	1253805355	24648675929	14087553499	0.050867	1	0.000639
	2017	3223853347	347746456000	19588260886	0.009271	1	0.000766
	2018	64072002000	487974291000	119012572000	0.131302	1	0.000329
	2019	60610286000	470566595000	175518326000	0.128803	0	0.000651
	2020	72344336000	766302578000	209443487000	0.094407	0	0.005324
	2021	90079011000	728507473000	257327091000	0.123649	0	0.000534