

AUDITORS' INDEPENDENCE AND PROVISION OF NON-AUDIT TAX SERVICES IN NIGERIA: AN EMPIRICAL INVESTIGATION

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ABSTRACT

The study investigated the influence of auditors' independence on non-audit tax services in Nigeria. A descriptive survey research design was utilized in this study as it permits hypotheses testing and the analysis of association between variables. Primary data was obtained from respondents through the use of research questionnaire drawn on five (5) points likert scale. A total of 125 subjects consisting of 65 auditees and 60 external users were selected using purposive sampling technique. The responses collected were analyzed using descriptive and ordinary least square statistical tools. Findings from the data analyzed indicated that auditors' independence has a significant association with non-audit tax services. It is concluded from the result that provisions of non-audit tax services by audit firms to audit client could influence the auditors' independence significantly. This is due to the fact that there could be conflict of interest and compromises when an audit firm performs both statutory audits and non-audit services for a particular client. It is therefore recommended that there should be periodic rotation of auditors by companies which should be enforced by regulatory bodies. Besides, the Nigerian government and its regulatory agencies should discourage the practice where auditors provide other paid professional services to the same firms they audit by enforcing the provisions of the law which prohibits such in line with section 7 of Audit Regulations 2020 (Financial Reporting Council of Nigeria, 2020) and Section 202 of SOX Act 2002.

Keywords: Auditors' independence, non-audit services, tax services, accounting services

JEL Classification Code: M42, H25

1. INTRODUCTION

Non-audit and other professional services provided by auditors derive their value-relevance and credibility from the fundamental assumptions of independence of mind and appearance. Thus, auditors' independence is imperative not only in maintaining investors and other stakeholders' confidence, but to enhance the integrity and quality of corporate financial reporting. The subject of auditors' independence becomes more significant due to globally publicized accounting fraud involving Enron and WorldCom, which triggered concerns about impairment of auditors' independence. This perceived absence of independence and objectivity on the part of auditors have led regulators all over the globe to prohibit/regulate the provision of non-audit services by auditors to their clients (Audit Practices Board 2009, 2010). Various fraudulent financial affairs that involved auditors who also provided non-audit services such as tax and accounting services raised the level of these concerns and led to the passage of Sarbanes-Oxley Act (SOX) 2002, which is aimed at improving the accuracy, reliability and completeness of corporate financial reports. Specifically, Section 202 of SOX Act 2002 restricts the statutory auditors from providing non-audit services to their clients. It is believed that such prohibition or disqualification would strengthen auditors' independence and improve the quality of financial reporting.

Quick and Warming-Rasmussen (2009) propose that the provision of non-audit services increases quasi-rents, thereby posing a threat to auditor's independence. According to Fontaine and Pilote (2012), the impact of auditors' independence on non-audit advisory services such as tax and accounting services has been an area of interest to some researcher but little work has been performed in this area. In Nigeria, there is growing concern that auditors' independence may be compromised due to various factors, including long-term relationships between auditors and clients leading to familiarity threats, and the provision of non-audit services which might create potential conflicts of interest (Babatolu, 2016). While financial reporting quality is necessary for informed investment choices and stakeholders' trust, auditor's independence is a critical component in guaranteeing the dependability and credibility of financial statements (Watts & Zimmerman, 1983; Healy & Palepu, 2001).

Over the years, the value relevance and integrity of financial reports and professional services in Nigeria have been questioned, with instances of financial misstatements and fraudulent reporting eroding investors' confidence and raising doubts about the effectiveness of current auditing and professional services practices (Adeyemi & Okolie, 2017; Audu, 2019). Despite the establishment of the Financial Reporting Council of

Nigeria in 2011, strict regulations by regulatory agency such as ICAN and the adoption of International Financial Reporting Standards, concerns still persist about the level of compliance with these regulations among corporate entities and their auditors, (Owolabi & Oladipo, 2020). The competitive nature of the audit market and other challenges faced by auditors in Nigeria may create economic pressures on audit firms to retain clients, potentially influencing their willingness to maintain strict independence in the discharge of their assigned duties (Yakubu & Williams, 2020).

While there have been several studies on auditors' independence in Nigeria, there appears to be a lack of sector-specific research focusing on the influence of auditors' independence on quality of non-audit services especially as it relates to tax and accounting services. This gap in the literature limits our understanding of how these issues manifest in this crucial economic sector. Scanty published empirical and theoretical studies on auditors' independence and professional consultancy relied on the seminal work of Agacer (1987) and Patel and Psaros (2000) who considered only the cross-cultural and qualitative work on audit independence and professional services. There has been little consideration of issues relating to quantitative studies of the influence of auditors' independence on professional services within the management and corporate reporting field in Nigeria.

Detailed perusal of Section 401 of the Nigerian Companies and Allied Matters Act (CAMA) 2020, requires companies operating in Nigeria to have their financial statements comprehensively examined by an independent auditor for any accounting year; and the responsibility to prepare the financial statements rest squarely on the shoulders of the management or directors. They are also expected to design and implement a sound system of internal controls for the organization. Firms in Nigeria can engage their external auditors to render non-audit services by adhering to the provision of Audit Regulations 2020. Section 7 of Audit Regulations (Financial Reporting Council of Nigeria, 2020) states:

An external Auditor shall provide to the client such other services as approved by the Board of Directors on the recommendation of Audit Committee subject to the provisions of International Ethical Standards Board for Accountants (IESBA)'s Code of Ethics for Professional Accountants including International Independence Standards as Amended /reviewed.

It however prohibits the auditors from performing non-audit services as may be proscribed by relevant regulators. It further regulates non-audit services by placing a limit on permissible Non-Audit Services of not more than 80% of the annual audit fees paid for the

statutory audits of the audited entity. The goal is to ensure that an auditor is independent (in appearance) of the entity on whose accounts he/she reports and ensures there is objectivity and integrity in financial reporting.

Though auditors' independence has long been an issue of concern to the auditing profession (Mautz & Sharaf, 1961), in recent years, there has been increased interest on it especially professional consultancy services in the areas of tax and accounting services. The motivation and a deep rethinking in this area, according to Cropanzano and Mitchell (2005), is connected to the changing and expanding empirical literature of auditors' independence as an important corporate governance mechanism. In this regard, external auditors are in unique situations as providers of both assurance and professional services within a corporate entity. This dual role of providing both assurance and professional non-audit services has generated significant debate as it is argued that it has the potential to place the auditors' independence in a situation of conflict which ought to be strengthened.

Studies undertaken recently in the advanced countries have confirmed positive relationship between the two paradigms (Defond, *et al*; 2002; Defond & Francis, 2005; Cloyd, 2007). However, little research has been performed on the subject matter in less advanced countries especially in Nigeria. Some recent theoretical studies notwithstanding, DeAngel (2001), Fontaine & Pilote (2011) found negative influence on auditors' independence and professional services. Given these identified problems and in order to fill the missing gap, this study thus seeks to empirically investigate the relationship between auditors' independence and provision of non-audit services such as tax and accounting services in Nigeria. In addition, the dearth of empirical agreement on the auditors' independence and professional non-audit services is a manifest justification for further investigation of the association between auditors' independence and tax and accounting services in Nigeria.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 Conceptual Review

The key concepts in this study are auditor's independence and tax and accounting services which are regarded under the provisions of Sarbanes-Oxley Act (SOX) 2002 and audit literature (see for example, Svanstrom & Sundgren, 2012) as non-audit services or professional services.

Auditor's independence

International Standards on Auditing and other auditing standards require the auditor to perform the audit assignment with integrity, due care and an objective state of mind, with no undue influence and this is what auditors; independence typifies (International Federation of Accountants, 2005). Independence is considered an abstract concept and it is difficult to really define with precision. Nevertheless, accounting and auditing literature emphasize objectivity and integrity as key points to be noted in defining auditors' independence (DeAngelo, 1981). Accounting and auditing literature selects objectivity, the ability to avoid biases; and integrity, willingness to report a truthful opinion that reflects the matters discovered during the audit. Susanti and Leny (2018) described an auditor's independence as the ability to surmount unfairness and desire. It could also be seen as auditors' unprejudiced mental frame of mind that enables him/her to make unbiased judgment in the performance of his/her duties. Auditor independence is simply the absence of relationships that might introduce bias and subjectivity in the auditor's judgment. Such independence may guarantee the issuance of an objective and impartial opinion on the financial statements and the provision of professional services.

Auditor independence is the building block of the accounting and auditing profession. It simply refers to the auditor's ability and capacity to maintain objectivity and impartiality in performing the audit and assurance engagements and reporting findings to stakeholders in a straight forward manner with no corner cutting and window dressing. The autonomy of the auditor which represents his independence is imperative as it guarantees the faithful representation, transparency, value relevance and credibility of financial statements and the reports that emanates from them. However, various factors can undermine the auditors' autonomy, including but not limited to provision of non-audit services, long-term relationships with clients (auditor tenure), audit fees, and economic dependence on specific clients, rotation of audit partners, and lots more.

Singh and Singh (2019) opined that for an auditor to be independent, the auditor must not be under any form of control or coercion that will substantially weaken the quality of the audit report. Elliott *et al.* (2018) took a different view, asserting that an auditor's independence involves the ability of the auditor to ensure that the financial statement is free from material misstatement, making it more reliable. Tobi *et al.* (2016) noted two major qualities of an independent auditor. First, an auditor must be independent "in fact," implying that the auditor should not be swayed during the conduct of an audit assignment and should make decisions without influence or bias. Second, independence "in appearance" implies that the auditor must avoid associations and gifts from the client.

These attributes notwithstanding, users of financial statements have always questioned auditor's independence, resulting in doubts about the reliability and value relevance of audited financial statements. Ebo (2016) alludes that auditor's independence is all about public trust and confidence. The auditor should ensure the audit is conducted in an atmosphere free from any threat to independence, and auditors should be seen as independent in deeds, appearance and daily actions.

Provision of non-audit services and/or professional services

Knechel and Sharma (2008) allude that auditor-provided non-audit services - in form of tax consultancy services - have been a controversial topic in the auditing profession for many years and are one of the key issues in debates between regulators and the accounting profession regarding potential threats to auditor's independence.

The provision of non-audit services in form of tax and accounting services could influence the auditors' independence greatly. This is due to the obvious belief that when there is an inclusion by the auditor, both audits and non-audit services for a particular client, this can lead to a conflict of interest, undermine and compromise the independence of the auditor, which in turns affects the quality of reporting and the reliability of stakeholders on those reports. Therefore, the above fact led to the fact that auditors cannot give an impartial and professional opinion on the audited work, which does not allow the public to trust the correctness of the results and the honesty of the accounting profession.

Non-audit services may be described as all services rendered by an auditor that are considered as non-audit functions. It also refers to any other services provided to an audit client different from the core audit function of examining books of accounts and financial statements and expressing a professional opinion on them. Such non-audit services may include tax preparation and filling of tax returns services, tax planning and strategy services, tax compliance services, tax advisory and dispute resolution services, tax audit representation services, book keeping and financial record keeping services, financial analysis and reporting services, budgeting and forecasting services, management advisory services and compliance related services, etc.

Ye et al. (2011) assert that the economic dependence of auditors on non-audit services, lengthy audit tenure and personal relationships built through alumni employees have contributed to the erosion of auditor independence. According to Okaro and Okafor (2009), the auditor is not independent if he is auditing his own work. As observed by U.S congress, Securities and Exchange Commission and other researchers, providing non-audit

services to an audit client may impair or be perceived to impair auditor independence (Shockley, 1981; Knapp, 1985). However, Jenkins and Krawczyk (2002); Lennox, (1999) argued that provision of non-audit services could enhance auditors' knowledge of the client and thus objectivity and independence should increase.

Auditors' Rotation

Auditors' rotation and audit fees has been used as proxies for audit independence (DeAngelo, 1981). To prevent familiarity and bias in a view to promoting auditors; independence, there should be regular change or rotation of audit partners. By maintaining auditors' independence through the instrument of audit partners rotation, audit firms can ensure the integrity, reliability and credibility of their audit services. For best global practices, there should be regular rotation of audit partners, regular supervision of auditor independence by audit firm and client-company, provision of training and education to auditors on independence requirements and best practices and adequate and sincere disclosure of any potential conflict of interest or relationship that may influence auditors' autonomy. There have been arguments on the need for mandatory auditor rotation. The proponents are of the opinion that audit partner should be rotated while those against this idea called for audit firm rotation. There are assertions that auditor rotation will increase auditor independence and audit quality (Yakubu & Williams, 2020).

Tax and Accounting Services

Tax and accounting services as non-audit services covers wide range of activities, services and consultancy that help individuals and businesses manage their financial commitments and rational business decision to improve operational and financial performance. Tax services include:

Tax preparation and filing services: It encompasses the preparation and submission of tax returns for individuals and organizations. Tax remittance or filing is to be done timely and correctly to avoid penalties (Osirim, *et al.*, 2024).

Tax compliance and tax audit representation services: to ensure compliance with laws, regulations and guidelines as well as to represent client in tax audit matters. To ensure maximum compliance and reduce tax cost, experienced tax consultants may be contracted and tax matters outsourced to them especially where qualified resources are not available (Osirim, *et al.*, 2024).

Tax planning and management services: It covers the provision of strategic advice to reduce tax liabilities and optimize tax savings. According to Osirim, *et al.* (2024), tax

planning involves the management of tax risks and tax cost within the framework of the law. They go further to describe tax planning as strategic and legitimate use of available tax concessions and structuring of transactions with a view to reducing a taxpayer's tax burden.

Tax advisory and tax dispute resolution services: it embraces rendering professional advice to the taxpayer as regards tax matters and offering to help them resolve any pending tax issues. It also extends to representing clients in tax audits, appeals, disputes and similar matters.

Accounting services: Accounting services generally include financial statement preparation, financial record-keeping services, financial analysis and reporting services, budgeting and forecasting services, auditing and assurance services: Other additional accounting services include: payroll processing, financial planning, business advisory, compliance services, financial consulting, among others.

2.2. Theoretical Review

Stakeholders Theory

This study is anchored on the foundation of the stakeholder theory which was developed by Freeman (1984). The theory which amplified the restricted focus and definition of stakeholders from shareholders to include other parties who are interested in the operation of the organization, asserts that the going concern and sustainability of an entity depends on its ability to manage relationships with a diverse set of interested parties, including community members, staff, customers, suppliers, and equity holders, regulators and other stakeholders not mentioned. Theory is built on the assumption that organization's success and sustainable performance depend on its ability to manage and balance the interests of various interested parties who are interconnected through the entity's operations (Freeman, 1984). In this vein, stakeholders include any group or individual who can affect or is affected by the achievement of the entity's goals and objectives. This includes not only shareholders but also employees, customers, suppliers, communities, and regulatory bodies (Freeman, 1984). The theory further asserts that focusing on the interests of all stakeholders leads to long-term value creation and sustainability of the firm, thus contrasting the short-term profit maximization objective of traditional shareholder theory (Freeman et al., 2004). However, critics argue that stakeholder theory is vague and lacks a clear definition of who qualifies as a stakeholder and how to prioritize their interests. This ambiguity can make practical applications challenging (Jensen, 2002). It is also argued that there may be a potential conflict and tradeoffs while managing the interests of

different stakeholders such as the stockholders, employees and other stakeholders, as the interests and objectives of diverse stakeholders may vary over time. Critics argue that the theory does not provide clear guidance on how to resolve these conflicts. The stakeholders' theory is relevant to this work as independent auditors play a critical role in assuring a wide range of stakeholders that the financial statements are accurate, complete, reliable, value-relevant and credible. Such independence of the auditor is important in ensuring the protection of the interests of all stakeholders.

2.3. Empirical Review; There are few empirical scanty studies on the subject matter of auditors' independence and tax accounting services especially in developed country like Nigeria. According to Barkess and Simnett (1994), non-audit services –like tax consultancy services- is not proven to have an effect on auditors' independence. Frankel, *et al;* (2002) observe that auditor independence is compromised when clients pay high non-audit fees relative to total fees. Anichebe (2010) observes that in Nigeria auditors accept all services (except those for which the auditor has no expertise) as long as there are engagement letters. He argued that the existing independence rules are clearly breached. The same auditor is allowed to prepare and audit the financial statements due to a lack of qualified accountants (Anichebe, 2010). Hay, *et al;* (2006) suggest that there exists a potential for the impairment of auditor independence in appearance when they provide non-audit services.

Arthur (1978) and Firth (2000) reported a positive nexus between auditors' independence and professional services in their research work while Watts and Zimmerman (1986) documented a negative correlation. Other researchers reported a mixed and significant association between auditors' independence and professional services (Nwoko, 1987). Similarly, Adeyemi and Okpala (2011) investigated the impact of audit independence on financial reporting in Nigeria. Their study, which included companies from various sectors including FMCG, found a significant positive relationship between auditor independence and the quality of financial audit. The study of Tobi *et al.* (2016) was on seven (7) banks in Nigeria, the study was done to determine how auditor's independence will enhance the quality of audit report. The sampling technique was purposive, while the data analysis techniques used was OLS regression. The result showed that as the duration an audit firm audits a client increases, the quality of audit reports decreases.

Awa (2015) carried out a study on auditor independence and the provision of non-audit services-investors' perspective in Nigeria. The purpose of the study was to determine the threats to auditors' independence and non-audit services. The study used a survey design

and the findings indicate that the provision of non-audit services significantly affects investors' perception of auditor independence and there is a high correlation between auditors' independence and non-audit services in Nigeria. The study recommended that to build public confidence, auditors should continually assess their standing in the community. Any reduction in confidence in the auditing profession will immediately reflect a lack of confidence in audited financial statements, leading to an overall decline of trust in the country's capital market.

Yakubu and Williams (2020) carried out a study on the theoretical approach to auditor independence and audit quality. The study finds out that mandatory audit firm rotation will improve auditor's independence. The main conclusion of this research is that when an auditor is fully independent in performing the audit assignment with strong resistance to fees pressure, it will improve audit quality and also audit committee with non-executive independence will promote a high audit quality.

Table 1: Summary of selected empirical and theoretical studies on association between auditors' independence and professional service

RESEARCHERS	EMPIRICAL OUTCOMES
DeAngelo (2001)	Significant curvilinear influence of auditors' independence on tax consultancy services
Defond et al. (2002)	Positive but insignificant effect of auditors' independence on tax corporate sectoral consultancy.
Koop & O'Donnell (2003)	No significant association between auditors' independence and professional services.
Brocher, <i>et al.</i> ; (2004)	Auditors' independence has significant negative effect on tax management consultancy
Cropanzano & Mitchell (2005)	Linear positive association between auditors' independence and profession services.
Cloyd (2007)	Negative association between auditors' independence and professional services.
Alim, <i>et al.</i> (2007)	Integrity affects tax management consultancy
Fontaine & Pilote (2011)	Linear negative association between auditors' independence and professional services.
Hennes <i>et al.</i> (2012)	Auditors' independence does not predict professional services but professional service is a positive predictor of auditors' independence

Gliner & Morgan (2000)	Negative association between auditors' independence and professional services
Tan & Kao (2005)	Negative association between auditors' independence and professional services
Millichamp (2004)	Negative association between auditors' independence and professional services
Awa (2015)	Auditor Independence and the provision of non-audit services-investors' perspective in Nigeria
Nwaiwu & Ibanichuka (2015)	Positive significant influence of auditors' independence on financial management and corporate secretarial consultancy but a negative and insignificant influence on professional services.

As could be gleaned from the above discussion and the accompanied table, it is noticeable that there is scanty empirical work on the nexus between auditors' independence and non-audit tax services in Africa particularly in Nigeria. Besides, the few available studies have mixed and contradicting results of positive, negative, significant and insignificant correlations. This paper sets to contribute to this body of knowledge. Given that the general objectives of the paper is to evaluate the association between auditors' independence and non- audit tax services in Nigeria, the literature thus sets the tone for the following specific research objectives and the accompanied questions:

- i. To investigate the influence of rotation of audit partners on tax preparation and filing services in Nigeria?
- ii. To investigate the influence of rotation of audit partners on tax compliance and tax dispute representation services in Nigeria
- iii. To investigate the influence of rotation of audit partners on tax planning and management services in Nigeria?
- iv. To investigate the influence of rotation of audit partners on tax advisory and dispute resolution services in Nigeria.

The following research questions were devised in order to achieve the set specific objectives:

- i. To what extent does rotation of audit partners affect tax preparation and filing services in Nigeria?
- ii. To what extent does rotation of audit partners affect tax compliance and tax dispute representation services in Nigeria?
- iii. To what extent does rotation of audit partners affect tax planning and management services in Nigeria?

- iv. To what extent does rotation of audit partners affect tax advisory and dispute resolution services in Nigeria?

Based on the above research questions, the forgoing discussions provides the context for four key hypotheses that track the association between auditors' independence and professional services of firms in Nigeria, formulated in the null form, as follows:

- Ho₁: There is no significant relationship between auditors' rotation and the preparation and filing of tax returns in Nigeria.
- Ho₂: There is no significant relationship between auditors' rotation and tax compliance and tax dispute representation services in Nigeria.
- Ho₃: There is no significant relationship between auditors' rotation and tax planning and management services in Nigeria.
- Ho₄: There is no significant relationship between auditors' rotation and tax advisory and dispute resolution services in Nigeria.

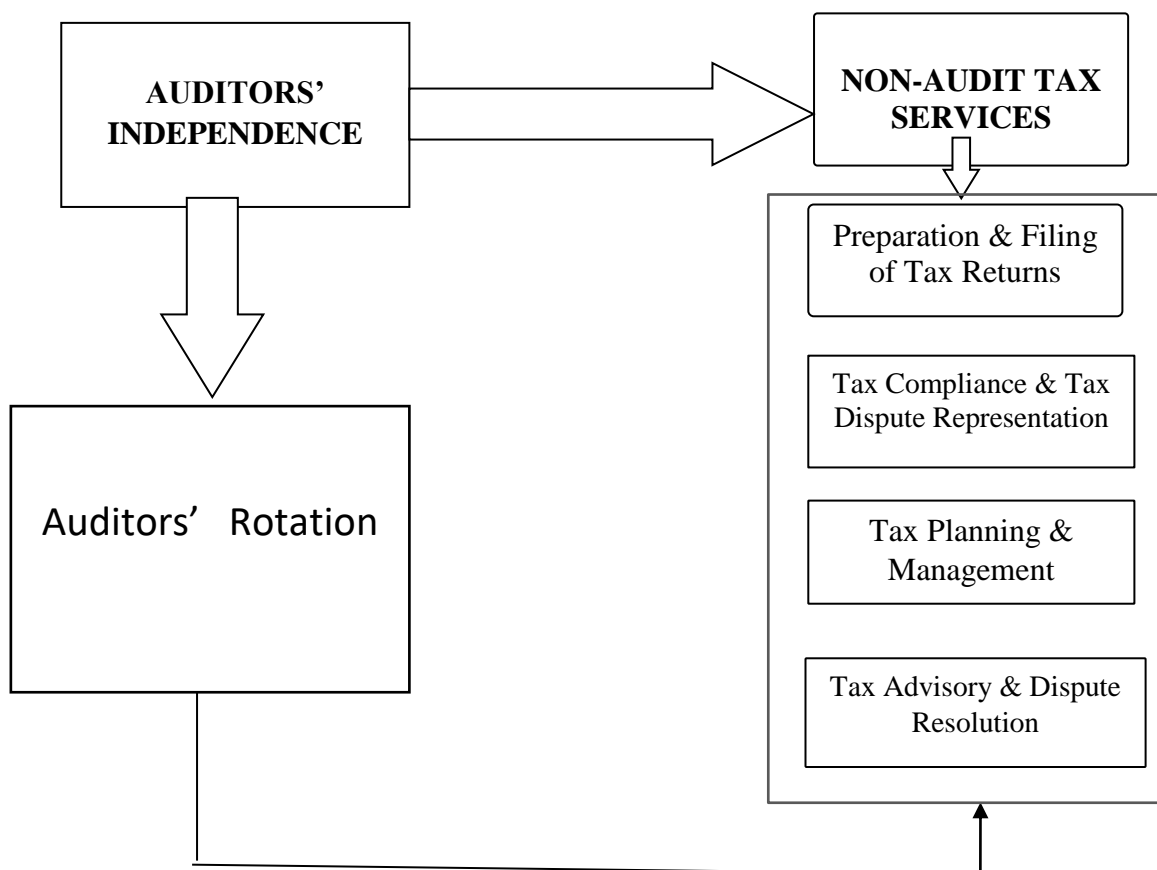


Figure 1: Conceptualization of auditors' independence and non-audit tax services.

Auditors' independence represents the predictor variable measured using auditors' rotation while non-audit tax services represent the criterion variable proxy by preparation and filing of tax returns, tax compliance and tax dispute representation, tax planning and management, tax advisory and dispute resolution

3. METHODOLOGY

descriptive survey research design is utilized in this study as it permits hypotheses testing and the analysis of association between variables. The population of the study comprises of auditees (company accountants and management) and external users of audit report (financial analysts, shareholders and brokers) in Nigeria. Four (4) companies quoted on the Nigerian Stock Exchange were randomly selected from the consumer goods and manufacturing sectors. Primary data was obtained from respondents through the use of research questionnaire drawn on five (5) points likert scale. A total of 125 subjects consisting of 65 auditees and, 60 external users were selected using purposive sampling technique. The responses collected were analyzed using descriptive statistics and simple regressions.

Model specification: The following regression model was adopted for this study:

$$PFTR_{it} = \beta_0 + \beta_1 AuR_{it} + \mu_{it} \dots (i)$$

$$TCTDR_{it} = \beta_0 + \beta_1 AuR_{it} + \mu_{it} \dots (ii)$$

$$TPM_{it} = \beta_0 + \beta_1 AuR_{it} + \mu_{it} \dots (iii)$$

$$TADRS_{it} = \beta_0 + \beta_1 AuR_{it} + \mu_{it} \dots (iv)$$

Where: AuR = auditors' rotation; PFTR = preparation and filing of tax returns; TCTDR = tax compliance and tax dispute representation; TPM = tax planning and management; TADRS = tax advisory and dispute resolution β_0 = constant/intercept; β_1 = regression coefficient of the independent variables; μ = error terms

4. EMPIRICAL RESULTS AND FINDINGS

Table 1: Distribution and Retrieval of Questionnaire

S/No.	Respondents	Number Distributed	(%)	Number Retrieved	(%)
1	Auditees	65	52	65	52
2	External Users	60	48	60	48
	Total	125	100		100

Source: Field Survey, 2025

Table 1 shows the distribution and retrieved 125 questionnaires. The study retrieved all the questionnaires which is 100% response rate. All the questionnaires well found validly filled.

Table 2: Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
Preparation/filing of returns	125	3.6421	1.0678	1	4
Tax compliance/tax dispute rep	125	3.8140	1.0772	1	5
Tax planning/mgt.services	125	4.1035	1.1332	1	4
Tax advisory/dispute resolution	125	4.0132	1.2131	1	5
Auditors' rotation	65	3.8806	1.1602	1	5

Source: Authors' Computation, 2025

The mean value of the predictor variable (preparation/filing of tax returns) and the criterion variables (auditors' rotation) under the descriptive statistics is 3.6421 and 3.8806 respectively while the absolute dispersion about the mean, as measured by the standard deviation for the respective predictor and criterion variables are and 1.0678 and 1.1602. In respect of Tax compliance/tax dispute rep, the mean value is 3.8140 and 3.5517 while the absolute dispersion about the mean, as measured by the standard deviation is 1.0772. Table 2 shows Tax planning/mgt.services has a mean value of 4.1035 and a standard deviation of 1.1332 respectively. The mean value of the last predictor (Tax advisory/dispute resolution)

is 4.0132 while the absolute dispersion about the mean, as measured by the standard deviation is 1.2131.

4.1. Test of Hypotheses

We tested our hypotheses using the regression analysis and the results are summarized below.

Hypothesis 1: There is no significant relationship between auditors’ rotation and preparation and filing of tax returns services in Nigeria.

Table 3a Model Summary

Model	R	R Square	Adj R Square	Std. Error of the Estimate	DW
1	0.586	0.343	0.34	0.511	1.878

a. Predictors: (Constant), Auditors Rotation

b. Criterion variable: preparing & filing of tax returns services

Table 3b Coefficients

Model		Unstandardized	Std.	Standardized	T	F	Sig.
		Coefficients	Error	coefficients			
		B	S.E.	Beta			
1	(Constant)	1.461	0.0396		4.026		.000
	AuR	0.607	0.0138	0.627	13.12	14.64	.00
					1	3	0

a. Criterion variable: preparation & filing of tax returns services

Source: Authors’ Computation, 2025

The test hypothesis predicts that provision of non-audit tax services in the form of preparation and filing of tax return services has influence on auditors’ independence measured using auditors’ rotation. The coefficient of determination (r^2) measures the percentage of variance in the criterion variable that is predicted from the predictor variable. In Table 3a, R^2 is 0.343. This indicates that 34% of the variance in preparation and filing of tax returns services by the incumbent auditor is explained by the predictor variable (Auditor rotation). The remaining 66% is unexplained and may be due to other factors (variables) not captured in the model. The results in Table 3b indicates the coefficient of auditor rotation (AuR) is positive and statistically significant ($p=0.000 <$

0.05). Thus, the null hypothesis is rejected. This leads to the conclusion that auditors' rotation has a significant relationship with the preparation and filing of tax returns in Nigeria. This finding agrees perfectly with the reported findings by Defond *et al* (2002); Alim, *et al*; (2007) and Awa (2015).

Hypothesis 2: There is no significant relationship between auditors' rotation and tax compliance and tax dispute representation services in Nigeria.

Table 4a Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	DW
1	0.602	0.362	0.358	0.630	1.985

a. Predictors: (Constant) , Auditors Rotation

b. Criterion variable: Tax compliance/tax dispute representation services

Table 4b Coefficients

Model		Unstandardized Coefficients B	Std. Error S.E.	Standardized coefficients Beta	T	F	Sig.
1	(Constant)	1.589	0.0344		5.142		.000
	AuR	0.648	0.0141	0.656	15.179	16.224	.000

a. Criterion variable: Tax compliance/tax dispute rep. services

Hypothesis states that provision of non-audit services in the form of tax compliance and tax dispute representative services has no influence on auditors' independence measured using auditors' rotation. The result in of regression analysis in Table 4a reveals a coefficient of determination (R^2) of 0.362 (36%) suggesting that 36% of the variance in the criterion variable (Tax compliance/tax dispute rep. services) is explained by the predictor variable (AuR). The remaining 64% is unexplained and may be due to other factors (variables) not captured in the model. AuR in Table 4b has a positive coefficient (0.648) that is statistically significant ($p=0.000 < 0.05$). Thus, the null hypothesis is rejected. This leads to the conclusion that auditors' rotation has a significant relationship with tax compliance and tax dispute representation services in Nigeria This finding agrees perfectly with the reported findings by Defond *et al* (2002); Alim, *et al*; (2007) and Awa (2015).

Hypothesis 3: There is no significant relationship between auditors’ rotation and tax planning and management services in Nigeria

Table 5a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	DW
1	0.546	0.298	0.290	0.731	1.897

a. Predictors: (Constant), Auditors Rotation

b. Criterion variable: Tax planning and management services

Table 5b Coefficients

Model		Unstandardized Coefficients B	Std. Error S.E.	Standardized coefficients Beta	T	F	Sig.
1	(Constant)	1.359	0.221		5.096		.000
	AuR	0.746	0.050	0.752	14.910	22.301	.000

a. Criterion variable: Tax planning & management services

The results of test hypothesis 4 are shown in Table 5a and 5b. The Model Summary shows an R^2 of 0.298 (30%) indicating that 30% (approximately) of the variance in the criterion variable (Tax planning & management services) is explained by the predictor variable (AuR). The remaining 70% is unexplained and may be due to other factors (variables) not captured in the model. In Table 5b, it was discovered that AuR has a positive coefficient (0.746) and this is statistically significant ($p=0.000 < 0.05$). Thus, the null hypothesis is rejected. This leads to the conclusion that auditors’ rotation has a significant relationship with tax planning and management services in Nigeria. This finding agrees perfectly with the reported findings by Defond *et al;* (2002), Alim, *et al;* (2007) and Awa (2015).

Hypothesis 4: There is no significant relationship between auditors’ rotation and tax advisory and dispute resolution services in Nigeria.

Table 6a Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	DW
1	0.521	0.271	0.269	0.811	1.942

a. Predictors: (Constant) , Auditors Rotation

b. Criterion variable: Tax advisory and dispute resolution services

Table 6b Coefficients

Model		Unstandardized Coefficients B	Std. Error S.E.	Standardized coefficients Beta	T	F	Sig.
1	(Constant)	1.497	0.234		4.977		.000
	AuR	0.821	0.051	0.839	15.219	18.210	.000

a. Criterion variable: Tax advisory/dispute resolution services

The fourth and last hypothesis test states that provision of non-audit services in the form of tax advisory and tax dispute resolution services has no influence on auditors' independence measured using auditors; rotation. The results are in Table 6a and 6b. In Table 5b, the coefficient of determination (r^2) measures the percentage of variance in the criterion variable (AuR) that is predicted from the predictor variable (Tax advisory/dispute resolution services). Table 6a shows an R^2 of 0.271 which suggests that 27% of the variance in AuR is explained by the predictor variable (Tax advisory/dispute resolution services). The remaining 73% is unexplained and may be due to other factors (variables) not captured in the model. The regression results in Table 6b indicate that the coefficient of Tax advisory/dispute resolution services is positive and statistically significant ($p=0.000 < 0.05$). Thus, the null hypothesis is rejected. This leads to the conclusion that auditors' rotation has a significant relationship with tax advisory and dispute resolution services in Nigeria. This finding agrees perfectly with the reported findings by Defond *et al* (2002); Alim, *et al*; (2007) and Awa (2015).

5. CONCLUSION AND RECOMMENDATIONS

The study investigated the relationship between auditors' independence and the provision of non-audit tax services in Nigeria. The specific objectives of the study were to determine the extent to which auditors' rotation influences tax preparation and filing, compliance and tax dispute representation, tax planning and management, tax advisory and dispute resolution services in Nigeria. In line with the objectives of the study, four hypotheses

were formulated. Guided by the stakeholders' theory, the study adopted survey research design and primary data was sourced from respondents using a well-structured questionnaire. Findings from the analyzed data indicated that auditors' independence has a significant association with non-audit tax services. It is concluded from the result that provisions of non-audit tax services by audit firms to audit client could influence the auditors' independence significantly. This is due to the fact that when audit firms perform both statutory audits and non-audit services for a particular client, this can lead to a conflict of interest and such is capable of undermining the independence of the auditor and the quality of financial reporting.

On this basis, it is therefore recommended that:

- I. Periodic rotation of auditors by businesses should be enforced and regulatory agencies should see to it that it is well enforced by ensuring that non-compliance is duly punished.
- II. Nigerian government and its regulatory agencies should extend the regulation on mandatory audit firm and partner rotation applicable to financial audit to non-audit tax services to strengthen auditors' independence.
- III. Furthermore, non-audit services fees should not be greater than one-fourth of total fees paid to the external auditors.

Conflicts of Interest: The authors declare that they have no conflict of interest in this manuscript.

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QUESTIONNAIRE ON AUDITORS’ INDEPENDENCE AND PROVISION OF NON-AUDIT TAX SERVICES IN NIGERIA

Instruction: Tick to fill the appropriate space or box applicable to you. Please carefully read through the statement below and give honest response. The abbreviations as used for the statement are: SA = strongly agree; A = agree; N = neutral; D = disagree; SD= strongly disagree

Company accountants and management are to fill S/N 1-12 while financial analysts, shareholders and brokers are to fill only S/N 6-12 only.

SN	STATEMENT OF ITEMS	SA	A	N	D	SD
1	The firm auditor also provides non-audit service in the form of tax preparation services.					
2	The firm auditor also provides non-audit service in the form of representation of a client in tax audit matters.					
3	The firm auditor also provides non-audit service in the form of tax filing/remittance services.					

4	The firm auditor also provides non-audit service in the form of tax compliance and related services.					
5	The firm auditor also provides non-audit service in the form of rendition of tax planning and management services.					
6	Auditors' independence will negatively affect provision of tax preparation services by auditors					
7	Auditors' independence will negatively affect the provision of tax filing/remittance services by audit firms					
8	Auditors' independence will negatively affect representation of a client in tax audit matters by audit firms.					
9	Auditors' independence will compromise the provision of tax compliance and related services to a client by auditors.					
10	Auditors' independence will negatively affect the rendition of tax planning and management services to a client by audit firms.					
11	Auditors' independence will negatively affect the provision of more tax advisory services by audit firms to audit client.					
12	Auditors' independence will negatively affect the provision of dispute resolution services by auditors to clients.					