

## PROVISION OF NON-AUDIT SERVICES BY AUDITORS AND AUDITORS' PERFORMANCE (A STUDY OF ONDO STATE AUDITOR GENERAL'S OFFICE)

<sup>1</sup>AKINBOWALE, OLUWATOYIN ESTHER, <sup>2</sup>BABATUNDE, DORCAS ADEBOLA (Ph.D)

<sup>1,2</sup>Department of Accounting, Afe Babalola University, Ado-Ekiti, Nigeria.

E-mail:<sup>1</sup>[oluwatee01@gmail.com](mailto:oluwatee01@gmail.com), <sup>2</sup>[dradebola@yahoo.com](mailto:dradebola@yahoo.com)

### ABSTRACT

*Auditors play an imperative role as 'gatekeepers' to public capital markets. However, at the spot of the major corporate scandals traced at the inception of this century, the issue of audit quality with auditor's performance has attracted considerable attention and become an obvious point of argument. In view of this, this study examined the effect of the provision of non-audit services on Auditors' performance using quantitative analysis, Chi-square non-parametric analysis was used to analyze responses from respondent based on the questionnaire distributed. Therefore, findings from the two hypotheses tested revealed that there is a significant relationship between the provision of NAS and auditors' competence and Independence. It was concluded in this study that Auditors of high quality are less willing to accept questionable accounting methods and are more likely to report errors and disclose any irregularities during the audit and recommended that for a reduced level of joint provision of audit service and NAS, auditors would have to specialize in only audit service while client should make use of other professionals for any non-audit services taking into cognizance their professional qualification and quality control mechanisms.*

**Keywords:** *Audit quality, Auditors' performance, Non-Audit services, Auditors' Independence, Auditors' competence.*

### 1. INTRODUCTION

Auditors play an imperative role as 'gatekeepers' to public capital markets. By attesting to the accuracy of a company's financial statements, the auditor lends his credibility to that company and its financial health as he expresses a professional opinion on whether the financial statements give true and fair view and are properly prepared in accordance with Companies and Allied Matters Act 1990 (as amended) (Adeyemi & Olowookere, 2012).

At the spot of the major corporate scandals traced at the inception of this century, the issue of audit quality with auditor's performance has attracted considerable attention and become an obvious point of argument. Several companies moved swiftly to pass legislation to curtail many auditors providing non-audit services and impose a non-negotiable audit rotation. (Ibrahim, 2012).

The non-audit services by incumbent auditors have been intensively debated. Since early 1980s, the work

undertaken by audits has gradually changed such that the revenue from audit services has fallen while the provision of other services has increased (Abu Bakar *et al.*, 2005; Abdel- Kalhik, 1990; Craswell 1999; Defond *et al.*, 2002; Firth 1997a). This trend has caused some major worries, concerned with the pricing of individual services where the auditors performs several different services and there is potential for compromising auditors; independence. However, owing to this trend, this study take a new look at ascertaining the factors that brings about the provision of NAS by auditors and its effect on their performances.

The broad objective of the study is to ascertain the effect of the provision of non-audit by auditors and auditors' independence and audit quality. The specific objectives are to examine the effect of joint provision of non-audit services on audit quality and analyze the effect of joint provision of non-audit services and audit service on audit quality. This study therefore has its

focus on examining the effect of joint provision of audit and non-audit service on auditor's performance and also considering previous literature based on this subject matter. In the course of carrying this study, the limitation encountered was the cost of transportation to where the questionnaire was administered and time taken in waiting to get the completed questionnaires back.

### 1.1 Research Hypotheses

Ho: Joint provision of audit and non-audit services by auditors has no negative effect on auditors' competency as well as audit quality

Ho: Joint provision of audit and non-audit services by auditors does not impair auditors' independence

### 1.2 Research Questions

Q1- Does joint provision of audit and non-audit services by auditors pose negative effect on auditors' competency?

Q2- By what extent can joint provision of audit and non-audit services impair auditors' independence?

## 2. LITERATURE REVIEW

The study of the effects of non-audit services on audit quality stem from observations made by Simunic (1984), which indicated that performing non-audit services increases audit quality because of a beneficial knowledge spillover between services. His study deals with non-audit services as a whole, which makes it difficult to draw conclusions about the effects of tax services. If information received from different service types is assumed to be equal, the positive effect of non-audit services on audit quality also relates to tax services. On the other hand, it might be that different services provide the auditor with different amounts of information that is valuable for the audit. In this case examining the total benefit does not reveal the contribution of tax services. The total benefit has also been studied by Krishnan *et al.* (2005), who contradictory to previous results found no evidence supporting the idea that purchasing non-audit services enhances audit quality and could therefore result in a higher earnings response co-efficient

Provision of non-audit services has attracted much interest as a determinant of audit independence. Non-audit services are services other than audit provided to an audit client by an incumbent auditor (Erah & Izedonmi, 2012). The issue of non-audit services has created controversy among auditors about its impact on auditor independence. The economic dependence resulting from the provision of non-audit services has been said to negatively impact auditor independence (Schmidt, 2012). Knechel and Sharma (2008) argued that the provision of non-audit 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. Ojo (2009) went further by saying that the provision of non-audit services does not necessarily impair auditor independence especially when the fees from such services are less than the fees from audit services. In addition, Quick and Warming-Rasmussen (2005) pointed out that the provision of both audit and non-audit services could lead to economies of scale, hence improving efficiency.

Krishnamurthy *et al.* (2006) studied equity investors' reactions towards non-audit services by examining how the criminal indictment of Arthur Andersen affected the stock market's perception of auditor independence. Their results indicated negative abnormal returns for all Andersen's client companies and more importantly, these abnormal returns were significantly higher in companies where the market perceived auditor independence to be threatened. In their study the ratio of audit fees to total fees as well as the total level of fees is used as a proxy for auditor independence and he concluded that when the auditor provides more non-audit services, the perception of auditor independence is more likely to be impaired

Sharma and Sidhu (2001) examined audit opinions of bankrupt companies and found that higher non-audit service fees influenced audit opinion regarding going concern. Proponents of the provision of audit services argue that synergies of knowledge spillover and audit efficiency arise from providing both audit and non-audit services. The opponents contend that provision of non-audit services increases the auditor's financial reliance on the client and therefore may impair auditor's independence. The impact if the provision of Non-Audit Services (NAS) to the audit client on perceptions of auditor independence was the subject of empirical studies in many countries over the last forty years. The results of these studies indicate three different findings: negative effects; positive effect; and no effect. Despite this strong evidence of auditor independence in academic literature, the regulatory actions towards auditors have been aimed at imposing stricter requirements on performing non-auditing services.

### 2.1 Theoretical Review

The demand side of audit services can be explained using different theories. Theories that are often driven by public perceptions are the Policeman Theory and Lending Credibility Theory. **According to the Policeman Theory**, the auditor's job is to focus on the arithmetical accuracy of financial statements and on prevention and detection of fraud. The **Lending**

**Credibility Theory** states that the audited financial statements are used by management to enhance the stakeholder's faith in management's stewardship (Hayes, Knechel and Wong 2006). The theory that is most often used in research contexts and incorporates parts of the Policemen Theory and Lending Credibility Theory is the Agency Theory because the Agency Theory is the most important theory explaining the demand for audit. This research is anchored on Agency Theory. Agency Theory is built on the premises that there is an agency relationship wherein the principal delegates work to the agent. As a result, there evolves risk sharing and conflict of interest between the two parties. It is the belief that the agent will be driven by self-interest rather than the desire to maximize the profits for the principal. The theory describes the conflicts that arise as a result of the separation of ownership and control.

## 2.2 Non-Audit Services and Auditors' Independence

Anichebe (2010) observed that in Nigeria auditors accept all services as long as there are engagement letters. He also argued that the existing independence rules are clearly breached when same auditor is allowed to prepare and audit the financial statements due to a lack of qualified accountants. However, Hay, Knechel and Li (2006) suggested that, there exists a potential for the impairment of auditor independence in appearance when they render non-audit services (Hay *et al.*, 2006) to mitigate self-interest threat which is caused by rendering non-audit services (Byrne, 2001).

Non-audit services constitute the source of non-audit income. It may be described as any other services rendered to an audit client different from the examination of financial statements and expression of a professional opinion thereof. Ye Carson and Simnett, (2006) opined 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. However, Hayes *et al.* (2005) suggested that there exists a potential for the impairment of auditor independence in appearance when they render non-audit services.

DeAngelo (1981a) defines audit quality as the joint probability of the auditor discovering, observing and reporting financial statement errors. Auditors of high quality are less willing to accept questionable accounting methods and are more likely to report errors and disclose any irregularities during the audit. More so, the auditor is not independent, if he is auditing his own work and potential impact of independence of an auditor providing non-audit

services to an audit client has also been studied by a wide variety of observers (Okaro & Okafor, 2009).

## 3. METHODOLOGY

The research was carried out at the headquarter of the Ondo state Auditor General's office, Akure South Local government area, Ondo state. For the achievement of the research objectives, quantitative research was carried out by distributing questionnaire to the respondents who are the staff of Ondo state Auditor general's office. The population consists of the entire population of the Ondo state Auditor general's office. Among those included in the office were auditors and accounting. For this study, the sampling technique adopted was a random sampling technique. Thus the sample size was thirty-30 staff consisting of both senior and junior staff randomly selected from the Ondo Auditor General's Office.

For the purpose of this paper, quantitative research method was used data were collected from primary source. These are primary data obtained through questionnaire. In order to analyze data obtained for the purpose of this study, the statistical package for social sciences (SPSS) was used as a statistical tool to obtain simple frequency and percentage as well as chi-square to test the hypotheses.

## 4. DATA ANALYSIS AND PRESENTATION

This section presents the analysis of the data collected for the purpose of this study. The data were first analyzed using the descriptive analysis which involves frequency distribution and percentages. Twenty (20) copies out of the thirty (30) questionnaire distributed were returned by the employees owing to the fact that at the time of the questionnaire collection some staffs had already left the office for field work. The percentage response from respondents is sixty-seven percent (67%).

Chi-square ( $X^2$ ) was used to test the hypotheses. The calculation of percentages and chi-square ( $X^2$ ) values were done using the Statistical Package for Social Sciences (SPSS).

### 4.1 Demographical characteristics of respondents

From Table 1, 15(75%) of the respondents out of 20 were male while the remaining 5 (25%) were female.

**Table 1: Sex Distribution**

Code	Options	Frequency %
1	Male	75
2	Female	25
	Total	100

From Table 2, 3(15%) of the respondents out of 20 were single while the remaining 17(85%) were married and none of them is a divorcee.

**Table 2: Marital status of the distribution**

Code	Options	Frequency %
1	Single	15
2	Married	85
3	Divorced	-
	Total	100

From Table 3, (15%) of the respondents are within the age of 25-30years while 5(25%) are within the age of 31-46years and 12(60%) are within the age of 46 and above.

**Table 3: Age Distribution**

Code	Options	Frequency %
1	25-30years	15
2	31-45years	25
3	46 and above	60
	Total	100

From Table 4, only 1(5%) of the respondents holds a position at the top management level, 16(80%) holds a position at the middle management Level and 3(15%) of them are junior staff.

**Table 4: Position Held in the Organization**

Code	Options	Frequency %
1	Top Management Level	5
2	Middle management Level	80
3	Junior Staff	15
	Total	100

From Table 5, 1(5%) of the respondents out of 20 holds a Higher National Diploma certificate (HND), 6(30%) of them holds Bachelor of Science degree and 13(65%) holds postgraduate degree.

**Table 5: Educational Qualification Distribution**

Code	Options	Frequency %
1	NCE	-
2	ND	-
3	HND	5
4	B.SC.	30
5	Postgraduate Degree	65
	Total	100

**Source: Field Survey, (2015).**

From Table 6, 1(5%) of the respondents out of 20 holds a Higher National Diploma certificate (HND), 6(30%) of them holds Bachelor of Science degree and 13(65%) holds postgraduate degree.

**Table 6: Professional Qualification Distribution**

Code	Options	Frequency %
1	ICAN	15
2	ANAN	50
3	ACCA	5
4	NIM	10
5	CIMA	-
6	CITN	10
	Not yet qualified	10
	Total	100

Source: Field Survey, (2015).

**Hypotheses 1**

Ho: Joint provision of audit and non-audit services by auditors has no negative effect on auditors' competency as well as audit quality

**Statement 1-**The provision of Non-Audit Services (NAS) to an audit client gives the auditor more experience of the client's industry and more access to the client's accounting system (Table 7).

From Table 7, the descriptive analysis focusing on the fact that the provision of Non-Audit Services (NAS) to an audit client gives the auditor more experience of the client's industry and more access to the client's accounting system, it was therefore deduced that 2(10%) strongly disagree, 3(15%) disagree, 1(5%) is neutral, 11(55%) strongly agree and 3(15%) of the respondents agree with this fact.

**Table 7: Provision of NAS and Auditors' Experience**

Code	Options	Number of Respondents	Frequency %
1	Strongly Disagree	2	10
2	Disagree	3	15
3	Neutral	1	5
4	Strongly Agree	11	55
5	Agree	3	15
	Total	20	100

Source: Field Survey, (2015).

**Statement 2-** The provision of NAS to an audit client leads to economic dependency on that client and causes conflict of interest for the auditor (Table 8).

The provision of NAS to an audit client leads to economic dependency on that client and causes conflict of interest for the auditor; it was deduced that 4(20%) strongly disagree, 6(30%) disagree, 2(10%) is

neutral, 11(35%) strongly agree and 1(5%) of the respondents agree with this fact (Table 8). This further means that the highest number of the respondents strongly agree with the fact that the provision of NAS to an audit client leads to economic dependency on that client and causes conflict of interest for the auditor.

**Table 8: Provision of NAS and Conflict of Interest by Auditors**

Code	Options	Number of Respondents	Frequency %
1	Strongly Disagree	4	20
2	Disagree	6	30
3	Neutral	2	10
4	Strongly Agree	1	5
5	Agree	7	35
	Total	20	100

Source: Field Survey, (2015).

**Statement 3-**The provision of NAS makes an auditor more competent

From the descriptive analysis of Table 9, focusing on the fact that, the provision of NAS makes an auditor

more competent; it was deduced that 2(10%) strongly disagree, 3(15%) disagree, 1(5%) is neutral, 2(20%) strongly agree and 12(60%) of the respondents agree with this fact.

**Table 9: Provision of NAS and Competency**

Code	Options	Number of respondents	Frequency %
Strongly Disagree	1	2	10
Disagree	2	3	15
Neutral	3	1	5
Strongly Agree	4	2	10
Agree	5	12	60
	Total	20	100

Source: Field Survey, (2015).

**Statement 4-** Only certain types of NAS impair audit quality

The descriptive analysis of Table 10, focusing on the fact that, the provision of NAS to an audit client leads to economic dependency on that client and causes conflict of interest for the auditor; it was deduced that

none strongly disagree, 8(40%) disagree, none is neutral, 2(10%) strongly agree and 10(50%) of the respondents agree with this fact. This further means that most of the respondents agree with the fact that only certain types of non-audit services impair quality.

**Table 10: NAS and Audit Quality**

Code	Options	Number of respondents	Frequency %
Strongly Disagree	1	-	-
Disagree	2	8	40
Neutral	3	-	-
Strongly Agree	4	2	10
Agree	5	10	50
	Total	20	100

Source: Field Survey, (2015).

**Statement 5-** Providing NAS to an audit client by a separate department gives the auditor more credibility

From Table 11, focusing on the fact that providing NAS to an audit client by a separate department gives

the auditor more credibility; it was deduced that 4(20%) strongly disagree, 3(15%) disagree, none is neutral, 6(30%) strongly agree and 7(35%) of the respondents agree with this fact

**Table 11: Provision of NAS and Auditors' Credibility**

Code	Options	Number of respondents	Frequency %
Strongly Disagree	1	4	20
Disagree	2	3	15
Neutral	3	-	-
Strongly Agree	4	6	30
Agree	5	7	35
	Total	20	100

Source: Field Survey, (2015).

**Statement 6-** The provision of NAS impair audit quality

From Table 12, focusing on the fact that the provision of NAS impair audit quality; it was deduced that

6(30%) strongly disagree, 4(20%) disagree, 2(10%) neutral, 3(15%) strongly agree and 5(25%) of the respondents agree with this fact.

**Table 12: NAS and Audit Impairment**

Code	Options	Number of respondents	Frequency %
Strongly Disagree	1	6	30
Disagree	2	4	20
Neutral	3	2	10
Strongly Agree	4	3	15

Agree	5	5	25
Total		20	100

Source: Field Survey, (2015).

**HYPOTHESIS II**

Ho: Joint provision of audit and non-audit services by auditors does not impair auditors' independence

**Statement 1-** The prohibition of NAS to an audit client is only to maintain the perception of independence

From Table 13, focusing on the fact that the prohibition of NAS to an audit client is only to maintain the perception of independence; it was deduced that 5(25%) strongly disagree, 5(25%) disagree, 1(5%) is neutral, 2(10%) strongly agree and 7(35%) of the respondents agree with this fact.

**Table 13: Provision of NAS and Perception of Independence**

Code	Options	Number of respondent	Frequency %
Strongly Disagree	1	5	25
Disagree	2	5	25
Neutral	3	1	5
Strongly Agree	4	2	10
Agree	5	7	35
Total		20	100

Source: Field Survey, (2015).

**Statement 2-** The provision of NAS to an audit client reduces the probability of a threat to switch auditor From the descriptive analysis of Table 14, focusing on the fact that the provision of NAS to an audit client

reduces the probability of a threat to switch auditor; it was deduced that 3(15%) strongly disagree, 4(20%) disagree, 2(10%) neutral, 6(30%) strongly agree and 5(25%) of the respondents agree with this fact.

**Table 14: Provision of NAS and Audit Threat**

Code	Options	Number of respondents	Frequency %
Strongly Disagree	1	3	15
Disagree	2	4	20
Neutral	3	2	10
Strongly Agree	4	6	30
Agree	5	5	25
Total		20	100

Source: Field Survey, (2015).

**Statement 3-** Jeopardized level of Independence is as a result of NAS

From the descriptive analysis of Table 15, focusing on the fact that jeopardized level of Independence is as a result of NAS; it was deduced that 3(15%) strongly

disagree, 6(30%) disagree, 3(15%) neutral, 4(20%) strongly agree and 4(20%) of the respondents agree with this fact.

**Table 15: Jeopardized Level of Independence resulting from NAS**

Code	Options	Number of respondents	Frequency %
Strongly Disagree	1	3	15
Disagree	2	6	30
Neutral	3	3	15
Strongly Agree	4	4	20
Agree	5	4	20
Total		20	100

Source: Field Survey, (2015).

**Statement 4-** The motive behind the joint provision of Audit Service and NAS is financial gain

From the descriptive analyzed Table 16, focusing on the fact that the motive behind the joint provision of

Audit Service and NAS is financial gain; it was deduced that 3(15%) strongly disagree, 6(25%) disagree, 4(20%) neutral, 3(15%) strongly agree and 5(25%) of the respondents agree with this fact.

**Table 16: Provision of NAS and Financial Gain**

Code	Options	Number of respondents	Frequency %
Strongly Disagree	1	3	15
Disagree	2	5	25
Neutral	3	4	20
Strongly Agree	4	3	15
Agree	5	5	25
	Total	20	100

Source: Field Survey, (2015).

**Statement 5-** Improvement on Audit fee would reduce the performance of NAS

From Table 17, focusing on the fact that the motive behind the joint provision of Audit Service and NAS is financial gain; it was deduced that 2(10%) strongly

disagree, 4(20%) disagree, 1(5%) neutral, 7(35%) strongly agree and 5(20%) of the respondents agree with this fact.

**Table 17: Audit Fee Improvement and Provision of NAS**

Code	Options	Number of respondents	Frequency %
Strongly Disagree	1	2	10
Disagree	2	4	20
Neutral	3	1	5
Strongly Agree	4	7	35
Agree	5	4	20
	Total	20	100

Source: Field Survey, (2015).

**4.2 Analysis of Research Hypotheses Using Chi-Square (X<sup>2</sup>) Statistical Technique**

The two hypotheses formulated were test using chi-square (X<sup>2</sup>) statistical technique. However, responses to questions in the section B of the questionnaire under

the two formulated hypotheses and are analyzed as follow:

Hypotheses 1

Ho: Provision of non-audit services by auditors has no effect on auditors' competency (Table 18).

**Table 18: Provision of NAS and Effect on Auditors' Competency**

S/No	Variable	Options	Code	O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
1	The provision of Non-Audit Services (NAS) to an audit client gives the auditor more experience of the client's industry and more access to the client's accounting system.	SD	1	2	3	-1	1	0.33
		D	2	3	4.5	-1.5	2.25	0.5
		N	3	1	1	0	0	0
		SA	4	11	4.17	6.83	46.65	11.2



		A	5	3	7.3	-4.3	18.49	2.53
2	The provision of NAS to an audit client leads to economic dependency on that client and causes conflict of interest for the auditor.	SD	1	4	2.6	1.4	1.96	0.75
		D	2	6	4	2	4	1
		N	3	2	0.83	1.17	1.37	1.65
		SA	4	1	2.3	-1.3	1.69	0.73
		A	5	7	6.17	0.83	0.69	0.11
3	The provision of NAS makes an auditor more competent	SD	1	2	2	0	0	0
		D	2	3	3	0	0	0
		N	3	1	0.5	0.5	0.25	0.5
		SA	4	2	2.17	-0.2	0.03	0.014
		A	5	12	5.7	6.3	39.7	6.9
4	Only certain types of NAS impair audit quality	SD	1	-	1.7	1.7	2.89	1.7
		D	2	8	2.5	5.5	30.25	12.1
		N	3	-	0.33	0.33	0.11	0.33
		SA	4	2	1.83	0.17	0.03	0.016
		A	5	10	3.7	6.3	39.7	10.73
5	Providing NAS to an audit client by a separate department gives the auditor more credibility	SD	1	4	1.7	2.3	5.20	3.06
		D	2	3	1.16	1.84	3.39	2.9
		N	3	-	0.33	0.33	0.109	0.33
		SA	4	6	1.5	4.5	20.25	13.5

		A	5	7	2	5	25	12.5
6	The provision of NAS impair audit quality	SD	1	6	1	5	25	25
		D	2	4	0.67	3.33	11.09	16.6
		N	3	2	0.33	1.67	2.79	8.45
		SA	4	3	0.5	2.5	6.25	12.5
		A	5	5	0.83	4.17	17.39	20.95
		Total						

Degree of Freedom (D.F) = (C-1)(R-1)  
 = (5-1) (8-1)  
 = (4) (7) =28

Level of Significance= 0.05

Chi square (X<sup>2</sup>) Calculated=166.88

Chi square (X<sup>2</sup>) tabulated= 41.34

Since chi-square calculated is 166.88 and it is higher than the tabulated 41.34 at 0.05 level of significance, degree of freedom 28, the null hypothesis is therefore rejected while the alternative hypothesis accepted which states that there is a significant relationship between the joint provision of audit service and non-audit services and auditors' independence. This

implies that the provision of non-audit services has negative effect on auditors' competency as well as audit quality in the sense that the auditor's ability to express his opinion if a particular financial statement presents a true and fair view may not be reliable or portray the true picture of the financial statement under examination.

Hypotheses II

Ho: Joint provision of audit and non-audit services by auditors does not impair auditors' independence (Table 19).

**Table 19: Provision of Audit and Non-Audit Services in relation to Auditors' Independence**

S/No.	Variables	Options	Code	O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
1	The prohibition of NAS to an audit client is only to maintain the perception of independence	SD	1	5	3.2	1.8	3.24	1.013
		D	2	5	4.8	0.2	0.04	0.008
		N	3	1	2.2	-1.2	1.44	0.65
		SA	4	2	4.4	-2.4	5.76	1.31
		A	5	7	5	2	4	0.8
2	The provision of NAS to an audit client reduces the probability of a threat to switch auditor	SD	1	3	2.2	0.8	0.64	0.29
		D	2	4	3.8	0.2	0.04	0.011
		N	3	2	2	0	0	0
		SA	4	6	4	2	4	1
		A	5	5	3.6	1.4	1.96	0.54
3	Jeopardized level of Independence is as a result of NAS.	SD	1	3	1.6	1.4	1.96	0.54
		D	2	6	3	3	9	9

		N	3	3	1.6	1.4	1.96	1.23
		SA	4	4	2.8	1.2	1.44	0.51
		A	5	4	2.6	1.4	1.96	0.75
4	The motive behind the joint provision of Audit Service and NAS is financial gain	SD	1	3	1	2	4	4
		D	2	5	1.8	3.2	10.24	5.69
		N	3	4	1	3	9	9
		SA	4	3	2	1	1	0.5
		A	5	5	1.8	3.2	10.24	5.69
5	Improvement on Audit fee would reduce the performance of NAS	SD	1	2	0.4	1.6	2.56	6.4
		D	2	4	0.8	3.2	10.56	13.2
		N	3	1	0.2	0.8	0.64	3.2
		SA	4	7	1.4	5.6	31.36	22.4
		A	5	4	0.8	3.2	10.24	12.8
	Total							100.532

Degree of Freedom (D.F) = (C-1)(R-1)  
= (5-1) (8-1)  
= (4) (7) =28

Level of Significance= 0.05

Chi square ( $X^2$ ) Calculated=100.532

Chi square ( $X^2$ ) tabulated= 41.34

Since chi-square calculated is 100.532 and it is higher than the tabulated 41.34 at 0.05 level of significance, degree of freedom 28, the null hypothesis is therefore rejected while the alternative hypothesis accepted which states that there is a significant relationship between the joint provision of audit service and non-audit services and auditor's competency as a measure of audit quality. This further implies that the joint provision of audit service and non-audit services has every tendency to impair auditors' independence.

## 5. DISCUSSION OF FINDINGS

Hypotheses tested:

Ho- Joint provision of audit services and non-audit services has no effect on auditor's independence as well as audit quality

Ho- Joint provision of audit services and non-audit services does not impair auditor's independence

Result

1. Hypothesis: Joint provision of audit services and non-audit services has effect on auditor's independence as well as audit quality which connotes that there is significant relationship between Joint provision of audit services and non-audit services auditors' competence as well as audit quality.
2. Hypothesis: Joint provision audit services and non-audit services is capable of impairing auditor's independence which connotes that there is significant relationship between Joint provision of audit services and non-audit services and auditors' independence.

## 5.1 CONCLUSION

Non-Audit services can be described as any other services rendered to an audit client different from the examination of financial statements and expression of a professional opinion thereof. Auditors of high quality are less willing to accept questionable accounting methods and are more likely to report errors and disclose any irregularities during the audit.

## 5.2 RECOMMENDATIONS

The researcher therefore recommended that for a reduced level of joint provision of audit service and NAS, auditors would have to specialize in only audit service while client should make use of other professionals for any non-audit services. Suggestion was also made towards the improvement of audit quality which is the recruitment of professionally qualified auditors, Continuous training of these auditors and introducing effective quality control mechanisms.

## REFERENCES

1. Abbott, L. J., Parker, S., Peters, G. F., & Raghunandan, K. (2003). The Association between audit committee characteristics and audit fees. *Auditing: A Journal of Practice & Theory*, 23 (1), pp. 17 – 32.
2. Adeyemi, S. B. & Olowookere, J. K., (2012). Non-Audit Services and Auditors' Independence-Investors' Perspective in Nigeria. *Business and Management Review Vol.2 (5)*, pp.89-97, July 2012.
3. Alichebe, A. S. (2010). 'Auditor Independence in the Global Environment' *Journal of Certified National Accountants of Nigeria, A Quarterly Journal of National Accountants of Nigeria*, July-September, 41-44.
4. Baiman, S., Evans, J. & Noel J. (1987): Optimal Contracts with a Utility Maximizing Auditor. *Journal of Accounting Research (Autumn)*, 217-244.
5. Barkess, L. & Sumnett, R. (1994). 'The Provision of Other Services by Auditors: Independence and Pricing Issues. *Accounting and Business Research*, 24(94), 99-108
6. Beattie, V. & Fearnley, S (2003). Auditor Independence and Non-Audit Services: A Literature Review. Institute of Chartered Accountants in England and Wales,
7. Beattie, V., Brandt, R., & Fearnley, S. (1999). Perceptions of auditor independence: UK evidence. *Journal of International Accounting, Auditing & Taxation*, 8(1), 67-107.
8. Beattie, V. & Fearnley, S. (2002). Auditor independence and non-audit services: A Literature Review, Institute of Chartered Accountants in England and Wales, London.
9. Byrne, P. (2001). Auditor Independence: An update *www.accaglobal.com*. Accessed on 24/11/2010
10. CIMA (2002). An Independence View on the Independence of Auditors: CIMA Review of Auditor Independence, London: The Chartered Institute of Management Accountants *http://www.cimaglobal.com* accessed on 1/7/2011
11. DeAngelo, L. E. (1981a). "Auditor Size and Audit Quality", *Journal of Accounting and Economics*, 3, 183-199.
12. DeAngelo, L. E. (1981b). Auditor Independence, "Low Balling" and Disclosure Regulation *Journal of Accounting and Economics*, 3(3), 183-199.
13. Erah, D. O. & Izedonmi, F. (2012). Non-audit services and auditor's independence in Nigeria. *International Journal of Business and Management Tomorrow*, 2(7), 1-8.
14. Hayes, R., Dassen R., Schilder, A. & Wallage, P. (2005), *Principles of Auditors: An Introduction to International Standards on Auditing*, Edinburgh: Pearson Education Limited.
15. Krishnan, J.; Sami, H. & Yinqi Z., (2005). "Does the Provision of Non-audit Services Affect Investor Perceptions of Auditor Independence? ", *Auditing: A Journal of Practice & Theory*, Vol. 24 Issue 2, p111-135
16. Langan, R., F., Jr. (2003). Prohibited non-audit services. Corporate responsibility alerts Developments in the law of corporate governance, Publication of Nixon Peabody LLP.
17. Malaysian Code on Corporate Governance. (2000). Finance Committee on Corporate Governance. Securities Commission. Kuala Lumpur.
18. Mohamad Sori, Z., Abdul Hamid, M. A., Mohd Nasir, A., Yusoff, A., Hashim, N., Mohd Said, R., & Mohd Daud, (2008). Accountability in the Post Malaysian Code on Corporate Governance: The role of Audit committee/independent directors. *European Journal of Economics, Finance, and Administrative Sciences* 13 (2008), pp. 18 – 29.
19. Ojo, M., (2009). Regulating non audit services: Towards principles based approach to regulation. Retrieved from <http://dx.doi.org/10.2139/ssrn.1524206>

20. Quick, R., & Warming-Rasmussen, B. (2005). The impact of MAS on perceived auditor independence – Some evidence from Denmark. *Accounting Forum*, 29(2), 137-168.
21. Schmidt, J. J. (2012). Perceived auditor independence and audit litigation: The Role of Non audit Services Fees. *The Accounting Review*, 87(3), 1033-1065.
22. Simunic, Dan A. (1984), “Auditing, Consulting, and Auditor Independence”, *Journal of Accounting Research*, Vol. 22 Issue 2, pp 679-702
23. Ronald, C. A., Sattar, A. M., & David, M. R. (2004). Board characteristics, accounting report Integrity & cost of debt. *Journal of Accounting & Economics*, 37, pp. 315-342.