

FOREIGN OWNERSHIP STRUCTURE AS A MONITORING TOOL FOR AUDIT QUALITY: EVIDENCE FROM NIGERIA

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ABSTRACT

While minority stockholders may not be able to afford the costs attributable to monitoring executives, foreign stockholders possess the wherewithal to consciously monitor the executives. This study examined the impact of foreign ownership on audit quality. The population used was 186 listed companies on the NSE from 2007 to 2017. Secondary data was used while the sample size comprised 36 manufacturing firms purposively selected from the manufacturing companies listed on the NSE. The study focused on foreign ownership as the independent variable and audit quality (audit fees and audit size) as dependent variable. Correlational and experimental research designs were employed while descriptive and inferential statistics were used for analysis. The Study findings indicate that the coefficients of determination (R^2) value of 0.448 and 0.749 of the explanatory variables account for about 45% and 75% variations that occur in audit fees and audit size respectively. Based on the coefficients ($\beta = -0.427$; p -value = 0.090) and ($\beta = 0.926$; p -value = 0.006), foreign ownership has a statistically significant impact on audit fees and audit size. It is therefore concluded that shareholding by foreigners in Nigerian listed manufacturing companies has a significant effect on audit quality. It is also recommended that Nigerian corporate entities should embrace a well-constituted ownership structure that guarantees effective and efficient utilization of firms' resources while it is imperative to hearten foreign investors' engagement and involvement in the affairs of the companies.

Keywords: Foreign Ownership, Audit Quality, Audit Fees, Audit Size, Manufacturing Companies, Efficient Resources.