Audit Quality and Creative Accounting Strategy: Evidence from Nigerian Public Listed Companies

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Abstract

The purpose of this study is to provide an empirical evidence on the relationship between audit quality and creative accounting strategy evidence from Nigerian Public Listed companies. Using a panel data set of all companies listed on the Nigerian Stock Exchange (NSE) for the period of nine years from 2010-2018. This paper employs 84 companies listed on the board of NSE with 756 firm-year observations. The study used secondary method to retrieve data from the annual reports of the listed companies and Thompson Reuters DataStream. The study employs multiple regression to examine the relationship between audit quality and creative accounting strategy. The results of the study displayed an insignificant negative relationship between audit fee and creative accounting strategy. This shows that changes in audit fee is not in anywhere associated with creative accounting strategy. Audit size is found to be insignificant and positive relationship with creative accounting strategy. This implies that audit size may not limit managers opportunistic behavior toward engaging in creative accounting strategy. However, a significant positive relationship was found between audit independence and creative accounting strategy. This implies that the more independence an audit firm enjoys, the more creative accounting strategy engaged by managers. Finally, our findings suggest that regulators of the Nigeria capital market should reform the audit market so as to ensure that audit firms would carry out the audit assignment in such a way to mitigate and prevent managers on engaging in fraudulent creative accounting strategy.

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Keywords: Audit Quality, Creative Accounting strategy, Firms, Report, Independence

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1. Introduction

The debate around audit quality and creative accounting strategy has been increasing since the breakdown of major multi-national companies in recent times, most officials, government agents/industrialist and researchers had hold ground on the failure and oversight of auditors to observe acts of creative accounting by the managers of such companies, which aggregate into world renowned accounting scandals (Oyadonghan & Ibanichuka, 2014). This corporate scandal and its subsequent fallout were the main reason for increasing the demand for high quality audit. This outcome may suggest that auditors are being extra vigilant after such scandals and that they now tend to discharge their work in an extremely ethical and to ensure the good quality of their assignment. Therefore, audit quality is one of the most important elements that have an impact on the credibility and reliability of financial report (Inaam, Khmoussi, & Fatma, 2012). In the case of Nigeria, 54 banks have either collapsed or been compelled to shut down between 1995 to 2009 and other companies such as Cadbury Nigeria Plc, defunct liver brothers, Arik Airline Plc and the recent case of Oando Oil Plc in 2017. The corporate scandal has brought about conviction allegations against the executives of the companies for their roles in deliberate manipulation and overstating the financial reports. Also, the recent case of Oando Oil Plc in Nigeria which resulted in the dismissal of the company's shares the Nigerian Stock Exchange NSE) and the Johannesburg Stock Exchange (JSE) as well as the sacking of its executive director (Sahara, 2017). Additionally, there auditors have persistently declared that the financial reports of these companies gave a true and fair view, but upon an investigation, it was established that these companies have consistently engaged in a practice known as Creative Accounting. As a result, it could be argued that a 'properly' done audit does not guarantee the absence of a major misstatement of financial statements. In this situation, the corporate executives' goal is not to put the company out of business; rather, they are concerned with paying lower dividends and taxes, whereas stockholders want to earn a higher dividend, employees want to earn a higher salary, and the relevant tax authority wants to collect more taxes. As a result, this divergence of interests frequently creates a window of opportunity for creative accounting practice (Modum, Ugwoke, & Onyeanu, 2014).

Although most of the previous research have attempted to investigate the influence of creative accounting approaches on the accuracy of financial reporting (Yadav, Bhagat, and College (2014); Yousif and Ismael (2017), there are just a few research that have directly analysed the effect of audit quality on creative accounting strategy evidence from Nigerian Public Listed companies. As a result, a knowledge gap exists around the impact of audit quality on creative accounting strategy, particularly in Nigeria. Despite the existence of a powerful regulatory supervisory body to checkmate unethical actions, firms in Nigeria continue to issue fake financial reports, resulting in certain literature gaps in practice. The motivation for this research is that it may have an impact on the decisions made by investors, shareholders, and firm management. The agency theory's explanation of information asymmetry may justify the creative accounting method used by publicly traded companies. Several studies, however, have identified various factors that motivate companies to manipulate earnings, such as breach of a debt contract, income taxation, and stakeholder confidence (Boterenbrood, 2014; Li & Richie, 2016; Mohd Ali, Hasniza Haron, Othman, & Hasnan, 2020).

The main purpose of this research is to examine the effect of audit quality on creative accounting strategy evidence from Nigerian Public Corporations. The inspiration for this study stems from the universal attention given to audit quality and creative accounting practices by executives in firms. Hashim, Ahmed, and Huey (2019); Inaam, Khmoussi, and Fatma (2012); Lin and Hwang (2010); Mustapha, Rashid, Ado, and Ademola (2019 conducted research and tackled some issues around concerning audit quality and earnings management. However, the relationship between audit quality and managers creative accounting methods have received less attention. This current research attempts to fill this gap in literature by presenting empirical evidence from Nigerian publicly traded companies on the association between audit quality and creative accounting technique. The remainder of this paper is designed as follows, The second discusses the relevant literature review as well as the development of hypothesis evidence based on previous studies. The technique and empirical model selection used to assess the effect of audit quality on creative accounting strategy are described in the third section. The fourth section discusses the empirical findings and their analysis, while the fifth section summarizes and concludes the article.

2. Literature Review and Hypothesis Development

In recent years, audit quality and creative accounting strategy have been identified as two of the most important issues now being studied by several academics (Mustapha et al., 2019). Audit quality, on the other hand, is defined as the possibility that an auditor will find and report a breach of the accounting system (DeAngelo, 1981). The possibility of an auditor discovering a breach is mostly determined by the likelihood of discovery, which is tied to auditor competency. Similarly, the likelihood that an auditor will disclose a breach is linked to the auditors' competence. As a result, audit services are not independently quantifiable, and quality evaluations of audit services should be based on indirect signals. Previous audit quality research (Bala, Amran, & Shaari, 2018; Buntara & Adhariani, 2019; Jayeola, Taofeek O, & Toluwalase, 2017; Krishnan, 2003; Lin & Hwang, 2010; Mustapha et al., 2019) has primarily focused on the impact of audit quality or the factors that lead to sound audit quality in organizations. This study focuses on the three audit quality proxies used in earlier research: audit fee, auditor size, and auditor independence.

There is a large body of literature regarding creative accounting strategy, much of it coming from the United States. Some of the literatures from the United States, on the other hand, provide beneficial in-depth knowledge into creative accounting technique in any country with a highly developed capital market (Healy & Wahlen, 1999). Furthermore, outside of the United States, there has been an increase in the number of publications discussing creative accounting strategy (Amat & Gowthorpe, 2004), which is often referred to as income smoothing, earnings smoothing, aggressive accounting, earnings management, cosmetic accounting, and financial engineering accounting manipulations. In the United States, the most used word in numerous literatures on the subject is 'earnings management,' although in Europe, the preferred term is 'creative accounting' (Kamau, Namusonge, & Bichanga, 2015). Creative accounting is defined as an accounting practice that may or may not abide by the rules of accounting standard practices but clearly deviates from these rules and regulations. It is also referred to as an excessive hindrance that employs innovative methods of characterising assets, liabilities, and income. Words like "aggressive" or "innovative" are sometimes used to describe creative accounting (Yadav et al., 2014). In any organization, auditors and managers play an important role. Ultimately, management is compensated based on the company's performance, and the auditor's stringent monitoring may reduce the likelihood of participating in creative accounting (Tassadaq & Malik, 2015).

Previous research has found that audit quality has a significant impact on creative accounting approach, with a high-quality audit limiting creative accounting techniques in firms. Prior study, on the other hand, has shown mixed results in terms of the nature of this association. In their essay on creative accounting and financial reporting model development and empirical testing, Tassadaq and Malik (2015) in their article on creative accounting and financial reporting model development and empirical testing, discovered that while creative accounting is crucial in financial reporting, it is also negatively related, implying that more corporate managers who engage in it will lower the quality of financial reports. The research also revealed that auditors' observations play a significant and positive role in financial reporting. According to Kassem (2012), the upright methods of creative accounting exist largely to assist the external auditors in improving their performance and accuracy in detecting any misleading practices.

This research is based on the principles of agency theory. According to Jensen and Meckling (1976), auditing is an important tool for eliminating agency conflicts between outside shareholders and managers, as reported by agency theory. Auditing is also a monitoring tool for shareholders because auditors may find major misstatements in financial reports that have been published. This is, however, one of the most often employed theories in accounting study (Buntara & Adhariani, 2019; Hashim et al., 2019; Jayeola et al., 2017; Kamau et al., 2015; Yousif & Ismael, 2017). Most of these studies show that an agency problem exists between corporate managers and their shareholders, and that the agency problem has an influence on management behavior. This research investigates some of the steps taken by firms regarding audit quality and creative accounting strategy implementation that are directly tied to the agency problem.

The fees paid for audit services can be used as a substitute for the quality of services provided by audit firms (Hallak & Silva, 2012). Higher audit fees, on the other hand, do not imply a thorough examination by the auditor and, as a result, improved audit quality. While several studies have found that higher audit fees result in increased commitment and skilled services, and that lower audit fees result in lower audit quality, other scholars have claimed that higher audit fees can cause the auditor to lose objectivity, resulting in more subjective audit conclusions (Eshleman & Guo, 2013). Martinez and Moraes (2017) analyzed the relationship between audit fees and earnings management in the Brazilian market in another piece of related research. They discovered that audit firms who charge less for their services are more lenient with their client companies' earnings management. In a related study, Gupta, Krishnan, and Yu (2012) discovered evidence that negative abnormal audit fees are linked to earnings management. Similarly, Jung, Kim, and Chung (2016) discovered that abnormal audit fees are positively connected to accrual earnings management in the time following the adoption of IFRSs in their study. Alhadab (2018) examined the link between abnormal audit fees and accrual versus real-based earnings management. Abnormal audit fees were found to be negatively related to abnormal discretionary expenses, abnormal production costs, and the aggregated measure of real earnings management. From the foregoing discussion, the research found that fee has mixed findings with creative accounting strategy. The following hypothesis is proposed in this regard:

***H_1*:** *There is a significant positive relationship between audit fees and the creative accounting strategy evidence from Nigerian Public Listed companies.*

DeAngelo (1981) claimed that Big4 auditors provide superior audit quality than non-Big4 auditors, a claim supported by significant empirical evidence. Chen, Moroney, and Houghton (2005) discovered that Big 4 auditors were associated with less earnings management in enterprises in another study. According to Gerayli, Yanesari, and Maatoofi (2011), auditor size is adversely connected to earnings management as measured by discretionary accruals, meaning that organizations that hire big 4 auditors will participate in less earnings management than firms that do not. Lawrence, Minutti-Meza, and Zhang (2011), on the other hand, suggested that differences in client attributes might drive these outcomes. They also used matching models to control for customer characteristics, and they discovered that the audit quality of the Big 4 firms does not differ significantly from that of the non-Big 4 firms. This is supported by Inaam et al. (2012), who investigated whether the execution of the 2005 financial security law and audit quality are related to profits management in Tunisia. According to the data, big4 auditors are more likely to spot deception and anomalies, as well as provide higher-quality audits. Bala et al. (2018) suggested in another study that non-Big4 auditors are more likely to detect financial fraud because they may have better relationships with their clients and superior knowledge of local markets. The following hypothesis is presented in this regard:

H*$_2$*: There is a significant positive relationship between auditor size and the creative accounting strategy evidence from Nigerian Public Listed companies.

Another essential aspect of evaluating audit quality is auditor independence. Independence is one of the most significant characteristics of the accounting profession. The corporate auditor's independence is measured by how honestly, he or she discloses serious misstatements found in financial reports by managers. The auditor maintains his independence by avoiding any conflict of interest with the client (Austin & Herath, 2014). Following multiple accounting scandals such as Enron, Satyam, WorldCom, and the most recent case of Tesco, auditor independence has become a contentious subject, resulting in a decline in trust in auditors who are held responsible for misstatement (Albaqali & Kukreja, 2017). The Impact of Audit Quality on Earnings Management: evidence from Iran is investigated by Gerayli, Yanesari, and Maatoofi (2011). They found a negative relationship between auditor independence and discretionary accruals. Jayeola et al. (2017) found a positive and significant relationship between audit independence and earnings management in another study. The findings suggest that in Nigerian listed deposit money institutions, auditor independence is a significant determinant of earnings management. Therefore, the following hypothesis is proposed:

H*$_3$*: There is a significant positive relationship between auditor independence and the creative accounting strategy evidence from Nigerian Public Listed companies.

3. Methodology

This study is being designed based on empirical survey and ex-post facto research method in other to examine the relationship between the studied variables. The data for both the audit quality and the creative accounting were collected from the Nigerian Stock Exchange's Annual Reports and Thomson Reuters DataStream. The study population includes all 169 listed businesses on the Nigerian Stock Exchange's (NSE) main market as of December 2018. However, to obtain the actual sample, many filtering provisions were applied. Initially, 56 companies in the financial services industry, such as banks, REITs, and insurance providers, were excluded from the population due to their different ways of presenting financial reports than other industries, and the removal of these industries was done to ensure that the observation was balanced. In addition, 18 firms were dropped from the list after the NSE delisted them in 2018. Due to unpublished annual reports as well as discrepancies in the financial statements given, 11 companies were eliminated from the list of outstanding companies. The final samples are made up of 84 companies selected at random from a population of 169 companies using the random sampling approach. Because they represent about 50% of the total population of the study, the 84 companies selected are sufficient for this research to make a generalised decision. The primary source of data in this study is secondary, as it relies on documentary data from (Thomson Reuters DataStream and NSE Annual Reports) throughout a nine-year period from 2010 to 2018.

3.1 Model Specification and Variable Measurement

In other to achieve the objectives of this study, absolute value of discretionary accruals was employed as the dependent variable to measure creative accounting strategy. The tradition of employing discretionary accruals as the measurement for creative accounting strategy is consistent with the existing earnings management literature (Bala et al., 2018; Inaam et al., 2012). The study employed the performance matched model as proposed by Kothari, Leone, and Wasley (2005) and has been recognized by many scholars (Jones, 1991) (Dechow, Sloan, & Sweeney, 1995). Kothari, Leone, and Wasley (2005) argued that the performance matched model is the best fit model for estimating the absolute value of discretionary accruals among the other existing models. By using the discretionary accruals model as a proxy for measuring creative accounting strategy, this study is consistent with the work of Mohd Ali, Hasniza Haron, Othman, and Hasnan (2020).The absolute value of discretionary accruals is represented by the model's error terms. In light of the foregoing, the discretionary accruals equation is estimated as follows.

$$DA = [(TACC_{it} = a0 + a1(1/TA_{it-1}) + a2(\Delta Sales_{it}/TA_{it-1}) + a3(PPE_{it}/TA_{it-1}) + a4ROA_{it}(or\ _{it-1}) + \varepsilon_{it})]$$
…..Equation **(1)**

Where: DA = Discretionary Accruals, TACC = Total accruals measured as Net Income- Cash flow from the operation, TAi, t-1 = Lag of total assets of a firm, ΔSALES = Changes in sales from current year to last year, PPE = Gross property plant and equipment at the end of the year, and ROA = Return on asset. Using the value of estimated residuals from the model above, the discretionary accruals were employed to examine the regression analysis of the study. The regression analysis outcome is an equation that signifies the best estimate of the dependent variable over wide range of independent variables. This method is employed in a situation where the independent variables are associated with each other and with the dependent variable. To provide empirical evidence on the relationship between audit quality and creative accounting strategy evidence from Nigerian Public Listed companies, the empirical equation of the model is laid down below:

$$DA = \alpha^0 + \beta 1\ AUDTF + \beta 2\ AUDSZ + \beta 3\ AUDIN + \beta 4\ FMSIZ + \beta 5\ FMGRH + \beta 6\ FMAGE + \varepsilon$$
…..Equation **(2)**

Where: β0 = intercept; β1, β2, β3, β4, β5, and β6: represent the coefficients of regression model; DA = Discretionary Accruals; α^0 = Constant; AUDTF = Audit Fee; AUDSZ = Auditor Size; AUDIN = Auditor Independence; FMSIZ = Firm Size; FMGRH = Firm Growth; FMAGE = Firm Age; and ε_{it} = Error term.

Table 1

Summary of Variable Measurement

S/N	VARIABLES	MEASUREMENTS	PROXIES	SOURCES
Dependent Variable:				
1.	Creative Accounting Strategy	Discretionary Accruals	DA	(Bala et al., 2018; Hashim et al., 2019; Mohd Ali et al., 2020)
Independent Variables:				
Audit Quality:				
1.	Audit Fee	The Logarithmic transformation of Naira-value paid to the auditor for audit services.	AUDTF	(Hanlon, Krishnan, & Mills, 2012)
2.	Auditor Size	A dummy variable, coded "1" if the firm is audited by a Big4 and "0" otherwise.	AUDSZ	(Inaam et al., 2012)
3.	Auditor Independence	The natural log of audit fees is used as the different criterion of audit independent. Large (small) values of audit fees imply poor (good) auditor independence	AUDIN	Gerayli *et al.* (2011)
Control Variables:				

1.	Firm Size	Measured as natural logarithm of the firm's total assets	FMSIZ	(Ho, Li, Tam, & Zhang, 2015; Na & Hong, 2017; Sultana, 2015)
2.	Firm Growth	Measured as change in sales divided by previous sales	FMGRH	(Collins, Pungaliya, & Vijh, 2017; Huang, Lao, & McPhee, 2017)
3.	Firm Age	Measured as Number of years of observation minus of years of listing	FMAGE	(Gao & Huang, 2016; Kouaib & Jarboui, 2017)

4. Results and Discussion

4.1 Descriptive Statistics

Table 2 shows the descriptive statistics of the associated variables for 756 firm-year data from 84 publicly listed companies on the NSE's board from 2010 to 2018. Table 2 shows that the DA ranged from 0.013 to 3.756, with a mean value of 0.386, showing that 38% of Nigeria's publicly traded corporations used creative accounting strategies with the support of auditors. The AUDTF index spans from 0.29 to 1442, with a mean value of 32.063, paid or audit services by public listed companies in Nigeria. The AUDSZ scale runs from 0 to 1, with a mean value of 0.587, suggesting that the big4 accounting firms audit 58 percent of public listed companies. AUDIN ranges from 0.010 to 7.274, with a mean value of 2.027 respectively. FMSIZ also has a range of 6.031 to 9.995, with a mean of 7.982. FMGRH has a range of -0.192 to 1.824 with a mean of 0.151. For publicly listed companies on the NSE, FMAGE spans from 2 to 53 years, with a mean value of 22.321 years.

Table 2
Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
DA	756	0.386	0.450	0.013	3.756
AUDTF	756	32.063	101.518	0.29	1442
AUDSZ	756	0.587	0.493	0	1
AUDIN	756	2.027	1.534	0.010	7.274
FMSIZ	756	7.982	0.947	6.031	9.995
FMGRH	756	0.151	0.201	-0.192	1.824
FMAGE	756	22.321	13.390	2	53

Note: DA= Discretionary Accruals; AUDTF= Audit Fee; AUDSZ= Auditor Size; AUDIN= Auditor Independence; FMSIZ= Firm Size; FMGRH= Firm Growth; FMAGE= Firm Age

4.2 Correlation Matrix

Table 3 presents the correlation coefficients between the research variables. The Pearson correlation analysis between the explanatory variables are displayed in Table 3 indicating no hint of multicollinearity because correlation among the set of the explanatory variables are mostly low (less than 0.7). According to Tauringana and Adjapong Afrifa (2013) multicollinearity problem exists when correlation coefficient is above 0.80 and 0.90. Table 3 shows that AUDIN has a positive and strong correlation with the DA. This relationship is significant at 5% level. In the regression model, this indicates the direction of the association between AUDIN and DA. At a 10% significance level, it likewise demonstrates a negative and significant connection between FMSIZ and DA. FMAGE and DA were both shown to be positive and significant at the 5% level.

Table 3
Correlation Statistics

	DA	**AUDTF**	**AUDSZ**	**AUDIN**	**FMSIZ**	**FMGRH**	**FMAGE**
DA	1.000						
AUDTF	-0.038	1.000					
AUDSZ	0.008	0.175**	1.000				
AUDIN	0.073*	0.614**	0.347**	1.000			
FMSIZ	-0.108**	0.330**	0.272**	0.515**	1.000		
FMGRH	0.013	0.029	0.017	-0.005	0.075*	1.000	
FMAGE	0.081*	0.139**	0.201**	0.251**	0.114**	0.049	1.000

Note: DA= Discretionary Accruals; AUDTF= Audit Fee; AUDSZ= Auditor Size; AUDIN= Auditor Independence; FMSIZ= Firm Size; FMGRH= Firm Growth; FMAGE= Firm Age
**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

4.3 Regression Results

Some diagnostic tests were performed to examine if the data was normally distributed to improve the validity and reliability of the research data. Normality tests for autocorrelation were performed, including the link test, heteroscedasticity, multicollinearity test, and Wooldridge test, to provide substantial evidence that the analysis is independent of regression errors, which can invalidate the regression assumptions. However, this improves the regression result's accuracy and dependability.

This section presents the results of a linear regression analysis and diagnostic assumptions used to analyse the association between discretionary accruals and audit quality for the 84 public listed companies on the board of NSE are presented in this section. The linear regression analysis of the study model is summarized in Table 4. In addition, Table 4 below shows the results of the variance inflation factor test (VIF) of the audit quality proxy, which demonstrated that the model is free of multicollinearity issues because the VIF ranges from 1.01 to 2.18.

Table 4
The Relationship between DA and Audit Quality

DA	**Coef.**	**Robust Std. Err.**	**t-value**	**P> [t]**	**VIF**	**1/VIF**
AUDTF	-0.000	0.004	-1.65	0.199	1.64	0.609
AUDSZ	0.010	0.086	0.11	0.909	1.17	0.855
AUDIN	0.092	0.037	2.46*	0.014	2.18	0.459
FMSIZ	-0.186	0.049	-3.81***	0.000	1.39	0.718
FMGRH	0.133	0.196	0.68	0.499	1.01	0.988
FMAGE	0.006	0.003	2.00*	0.046	1.08	0.927
CONS	-0.319	0.367	-0.87	0.385		
F(6,749)				13.78		
Prob > F				0.001		
R^2				0.294		
Adj R^2				0.216		
Linktest (Hatsq)				0.708		
Hettest (Chi2)				1.72		
Xtserial F (1, 83)				5.852		
Prob > F				0.018		
P-Value				0.190		
Ovtest F (3, 651)				0.13		
Prob > F				0.941		
Mean VIF					1.41	
Number of Obs	756	756	756	756	756	756

Note: DA= Discretionary Accruals; AUDTF= Audit Fee; AUDSZ= Auditor Size; AUDIN= Auditor Independence; FMSIZ= Firm Size; FMGRH= Firm Growth; FMAGE= Firm Age

Table 4 summarizes the findings of the research model, which aims to investigate the impact of audit quality on creative accounting strategy evidence from Nigerian public companies, considering audit quality variables such as audit fee, auditor size, auditor independence, and creative accounting strategy measured using discretionary accruals. The results, as shown in table 4, reveal a cumulative R2 value of 0.294 (29.4%), indicating that the explanatory variables may explain variation in the dependent variable. Furthermore, the model is significant at 1% (P<0.01) with Prob >F value of (0.001), indicating that the model is statistically fit in explaining the cumulative effect of the explanatory factors. This corresponds to the work of (Bala et al., 2018; Inaam et al., 2012; Mustapha et al., 2019). According to the statistical model, if there is any discrepancy in audit quality operations by publicly traded businesses in Nigeria, DA will be directly influenced by the disparity. The R2 value shown in Table 4 is higher than the R2 value of 0.203 reported by Inaam et al. (2012) for Tunisian firms, and similarly, the R2 value of 0.026 reported by Bala et al. (2018) for Nigerian enterprises.

Table 4 shows that with creative accounting method, three of the six study variables were found to be significant (as measured using discretionary accruals). AUDTF was discovered to have a negative and negligible relationship with DA. This can be seen from table 4 that shows a regression coefficient of ®>-0.000 and a p-value of 0.199. This finding implies that the AUDTF is unrelated to the use of creative accounting strategies by publicly listed companies in Nigeria. This conclusion contradicts Mustapha et al (2019).'s findings, which found that any rise in the unit of audit fees reduces the earnings management of listed corporations in Nigeria. With a regression coefficient of >0.010 and a p-value of 0.909, the results reveal that AUDSZ has a positive and insignificant connection with the DA. This suggests that auditor size may not limit corporate managers opportunistic behaviour toward engaging in creative accounting strategy in public listed companies in Nigeria. This contradicts the findings of Bala et al. (2018), who discovered that non-Big4 auditors are more likely to detect financial crime because they may have superior knowledge of local markets and better contacts with their clients.

The results as disclosed in Table 4 display that AUDIN coefficient is statistically positive and significantly related to DA, with a regression coefficient of ®>0.092 and a p-value of 0.014. This means that the more independence an audit company has, the higher the quality of auditing will be, which is one of the obstacles to companies using creative accounting strategies. This is in line with the findings of Jayeola et al. (2017), who investigated the relationship between audit quality and earnings management in Nigerian listed deposit money institutions and discovered that auditor independence has a positive and significant relationship with earnings management. These findings backed up the efforts of (Gerayli et al., 2011). Regarding the relationship between the three control variables and DA, FMSIZ shows a negative and significant relationship with DA with a coefficient of ®>-0.186 and p- value of 0.000, which is in line with prior research. FMGRH with a regression coefficient of ®>0.133 and p-value of 0.499 shows a positive and insignificant relationship with DA whereas FMAGE with a regression coefficient of ®>0.006 and p-value of 0.046, which reveals a positive and significant relationship with DA.

5. Conclusions

In the 1970s, western researchers brought to light a creative accounting method that has since then been widely evaluated in different literatures. This study used a sample of 84 Nigerian Public Listed firms from 2010 to 2018 to assess the effect of audit quality on creative accounting strategy evidence from Nigerian Public Listed companies after controlling for firm-specific variables. It showed the relationship between the three independent variables (audit fee, auditor size, and auditor independence) and the dependent variable, which is measured using discretionary accruals and is called creative accounting strategy. According to the findings of this study, one of the three research variables, AUDIN, was found to be positively and significantly associated to DA. The findings suggest that increasing auditor independence by one unit will increase the use of creative accounting by publicly traded companies in Nigeria.

Our findings are comparable to those of a previous study by (Gerayli et al., 2011). AUDTF was shown to have a negative and insignificant relationship with DA, but AUDSZ was found to have a positive and insignificant relationship with creative accounting strategy, which was proxied by DA. Our findings support Jensen and Meckling's (1976) agency theory, which claims that in circumstances when owners are not managers, there is a conflict of interest between managers and owners of enterprises. Future research will build on the findings of this work to investigate the relationship between audit quality and creative accounting strategies in different contexts, both empirically and theoretically. The findings of this study have several implications for a variety of stakeholders, including investors, audit firms, and regulators. Nigerian capital market regulators should restructure the audit market to ensure that audit firms carry out audit assignments in such a way that managers are not able to engage in fraudulent creative accounting strategies.

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