

ABSTRACT

This paper focused on auditor tenure and audit fee with emphasis on the degree and direction of relationship. A simple random sampling technique was employed in selecting 20 companies for the period 2013. Secondary data were retrieved from the financial statements of the sampled companies. Descriptive statistics, Partial correlation analysis and the Granger causality test were utilized as the method of data analysis. From the findings of the study, we observed that without controlling client characteristics i.e. firm size and return on equity, the relationship between audit tenure and audit fee is negative. The relationship between auditor tenure and audit fee controlling for client characteristics appeared to also be negative but stronger. It is observed from the granger-causality test results that the null hypothesis that auditor tenure does not granger-cause audit fee cannot be rejected. In addition, from the evaluation of granger-causality result, it is observed that the null hypothesis that auditor fee does not granger-cause auditor tenure is rejected and this suggest that the alternative hypothesis that auditor fee granger cause auditor tenure is accepted. The implication of the finding necessitates the recommendation that audit fee could have significant causal effects on auditor tenure and hence in attempting the model of the behavior of auditor tenure, the study recommends that considerable attention should be given to audit fee.

Key words: auditor tenure, audit fee, accounting, granger causality.