



Audit Quality and Financial Reporting Quality of Deposit Money Banks Listed on the Nigerian Stock Exchange

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Abstract

Purpose: The aim of this study is to examine the effect of audit quality on financial reporting quality of deposit money banks listed on the Nigerian stock exchange

Methodology: Data were extracted from audited annual reports of all the 11 deposit money banks listed on the Nigerian stock exchange for ten years, 2009-2018. The study used panel multiple regression and employed Hausman's test to choose between Random and fixed-effect model. Random effect model was chosen and interpreted.

Findings: We found out that audit firm size, audit tenure, and audit fees affect Financial reporting quality (FRQ), but only the effect of audit fees was statistically significant.

Originality/Value: Unlike many previous studies, this study employed the relevance of financial reports based on the time lag between the accounting year-end and the date the report was signed by the external auditor to measure financial reporting quality (FRQ)

1.0. Introduction

The sudden collapse of firms shortly after the publication of juice profits has generated a series of questions from the stakeholders. The most worrisome part of the narrative is that many collapsed companies were audited by external auditors and were given a clean report. This anomaly has necessitated tightening regulations, standards, and modification of corporate governance mechanisms (Umobong & Ibanichuka, 2017). Therefore, existing studies have argued that investors ascribe more values to higher financial reporting quality than firms with lower financial reporting qualities; thus, they are willing to pay more for shares of firms with higher financial reporting quality (Elliott, Fanning, & Peecher, 2020). Audit quality is fundamental to a firm's performance as an objective audit based on stakeholders' confidence in the integrity and credibility of financial reports (Ado, Rashid, Mustapha, & Ademola, 2020). Financial reports become relevant, transparent and dependable when prepared in compliance with accounting standards and the opinions are formed on them in compliance with audit principles. Companies' annual reports are not expected to mislead stakeholders but rather provide information that is recent and supported by footnotes to assist its clarifications (Hasan, Kassim, & Hamid, 2020). Audit quality reduces earnings management and significantly moderate the relationship between the audit committee and financial reporting (Hasan et al., 2020).

Financial reporting quality has become a center of focus for researchers and stakeholders due to Accounting standards convergence, accounting standards harmonization, economic crises, growth in disclosure requirements, and mainly because of the various accounting scandals, among others (Herath & Albarqi, 2017). A sound financial system drives economies all over the world. The financial system plays a financial intermediation role between the surplus sector and the deficit sector of an economy, especially in emerging economies like Nigeria. In the recent past, deposit money banks (DMBs) in Nigeria have undergone restructuring. The various restructuring has resulted in the takeovers and mergers of some of the deposit money banks due to their operational and financial performance problems. The

operational and financial performance of banks is reported in the audited financial reports. This argument connotes that audit procedures in generating audited financial statements should meet the required standards. Thus, the need to ensure that banks' audit procedure is correctly done to avoid misappropriation and incidence of fraud.

Primary responsibility for audit quality rests with auditors, but each stakeholder plays a vital role in supporting high-quality financial reporting. Window dressed accounts raised concerns about the credibility of financial reports due to the collapse of many blue-chip companies. Examples of such corporations include; the energy corporation ENRON in 2001; WorldCom, Global Crossing, and Rank Xerox are other companies in the USA with a similar problem; Parmalat in Italy and Allied Nationwide finance in New Zealand among others across the globe (Adeyemi, Okpala, & Dabor, 2012).

Companies in Nigeria are not left out in corporate accounting fraud as Cosmetic accounting is a serious problem to the Nigerian economy, which has cost investors colossal loss (Otunsanya & Uadiale, 2014). A prominent example of a giant firm that failed after its robust profit was Cadbury Nigeria Plc, audited by a prominent auditor Akintola Williams Delloite (Okaro, Okafor, & Ofoegbu, 2013). The accounting scandals and lack of audit quality in Nigeria have put distrust in the financial report (Adeyemi & Akinniyi, 2011). Moreover, the global increase in accounting fraud in the early 21st century indicates weaknesses in financial reporting quality (Herath & Albarqi, 2017). In response to various financial scandals, several regulations have been implemented to enact comprehensive business financial practices that will improve the transparency and disclosure in financial reporting (Alwardat, 2019).

The degree to which financial statement users can rely on an audit opinion depends on the quality of the audit performed. Despite the importance of audit quality to the capital market's stability, its definition, composition, measurement, and effect on the quality of financial reporting have resulted in several confounding findings(Christensen, Glover, Omer, & Marjorie, 2016).

2.0 Material and Methods

This section comprises the review of literature and methodology

2.1 Conceptual Framework

This section comprises the clarification on the fundamental concepts of the study

2.1.1 Audit Quality

Audit quality comprises two words, audit and quality. Traditionally, audit refers to validating that the financial statement gives a true and fair view in all material respect. It was prepared according to the generally accepted accounting standards. Quality refers to the absolute obligation to making sound judgment means a total commitment to making sound judgments. It means ensuring that all the right steps are taken consistently in the course of the audit.

Audit quality refers to the extent to which an auditor's independence, integrity, and objectivity impact auditors' opinions on the quality of financial statements (Baah & Fogarty, 2018). From firms' perspective, the audit firm is a continuous process that recognises crucial matters that affect audit performance, analyses conditions, formulate responses, and monitors and strengthen performance (Martin, 2013). Auditors and investors agree that the most critical audit quality determinants are the auditor's characteristics (Christensen et al., 2016). Existing studies show that a positive and significant relationship exists between audit tenure, audit firm size, and audit quality (Alsmairat, Yusoff, Ali, & Ghazalat, 2019)

2.1.2 Financial Reporting Quality

According to International Accounting standard Board (IASB), the financial reporting quality determines fundamental qualitative characteristics and enhances qualitative characteristics (IASB, 2015). The board explains fundamental qualitative characteristics as the relevance and faithful representation of the financial statements' information. It defines enhancing qualitative characteristics as comparability, verifiability, timeliness, and understandability of financial statements. Moreover, financial reporting quality refers to financial and non-financial information useful for decision-making (Herath & Albarqi, 2017).

2.2 Theoretical Review

The following theories were reviewed to understand better the effect of audit quality on financial reporting quality in deposit money banks (DMBs) in Nigeria.

2.2.1 Lending Credibility Theory

The lending credibility theory argues that the audit's primary function is to increase the trustworthiness of the financial statements (Okpala, 2015). The theory states that the selling point of an auditor's service that attracts clients and increases the confidence of financial statements' users is the added credibility expressed by the auditor. The theory suggests that audited financial statements can increase stakeholders' faith in management's stewardship (Ecaterina, 2007).

2.2.2 Reputation Rationale Theory

This theory asserts that the big audit firms have more to lose if they should provide low-quality audit. The theory argues that the big audit firms would provide high-quality audits because of their reputation and the fear of losing clients if they provide low-quality audits. In other words, reputable audit firms have a relationship with the high-quality audit because of streams of income connected with the audit and do everything possible to maintain it (DeAngelo, 1981).

2.3 Empirical Review

The outcome of a correlation and regression analysis using a questionnaire survey reveals that audit quality determines the quality of the financial report (Nwanyanwu, 2017). The author employed auditor independence, technical training, and proficiency and engagement performance to measure audit quality and employed reliability of financial reporting to measure the quality of financial reporting. Similarly, there is a negative relationship between innovation and financial reporting quality because managers find it easier to manage earnings in an opaque information environment than when all the stakeholders have access to relevant information (Lobo, Xie, & Zhang, 2018).

However, research from Malaysia reveals that audit quality does not constrain earnings management, which implies that audit quality does not affect the financial reporting quality of the industrial and consumer products manufacturing

companies(Ching, Teh, San, & Hoe, 2015). However, the study further reveals that audit quality enhances financial performance because of the investors' confidence in the audit conducted by the big audit firms.

Depending on the size, nature of activities, and applicable legislations, audit quality practices are procedures established by auditors to ensure the relevance and reliability of the information provided in the financial reports so that all the users can make informed economic decisions (Nwanyanwu, 2017). Also, financial reporting quality depends on internal auditors (Abbott, Brian, Parker, & Peters, 2016).

The panel correlation analysis of 91 firms on the Teheran stock exchange after systematic elimination shows a weak and inverse association between audit firm size and financial reporting quality, but no relationship exists between auditors' rotation and financial reporting quality(Kaklar, Kangarlouei, & Motavassel, 2012). However, in Thailand, the outcome of the panel fixed effect model of listed companies on Thailand stock exchange from 2008 -2012 shows that audit quality has a significant positive relationship with financial reporting as financial accounting reports complied with generally accepted accounting standards (Kamol Sakulchai, 2015).

Also, from Tehran, the correlation result of 59 good responses out of the sample size of 130 firms reveals that high-quality financial reporting depends on high-quality internal audits. The study also posits that a strong board of directors will reinforce the relationship between internal audit and financial reporting (Sepasi, Deilami, & Tavakoli, 2017). However, their study used correlation to draw inference for prediction, which is not correct. Correlation analysis can only test the strength of a relationship.

Even though Siregar and Nuryanah (2019) could not establish either a direct or moderating effect of audit quality on Indonesia's investment efficiency, they found out that the higher the financial reports, the higher the investment efficiency. Similarly, from the public sector perspective, an empirical investigation of 36 inspectorates Local Government in West Java and Banten reveals that internal audit is crucial in the public sector as it will improve the financial accountability and financial reports (Zeyn, 2018).

In Nigeria, an empirical investigation of 15 listed deposit money banks on the Nigerian stock exchange reveals a significant and positive relationship between the audit firm size and performance, but joint audit and audit fees had an inverse and insignificant effect on performance (Ugwu, Aikpitanyi, & Idemudia, 2020). To improve performance, audit quality is very crucial for efficient and effective resource management. On the contrary, the output of Pearson Product-Moment Correlation and Linear multiple regression of the data extracted from annual reports of 10 deposit money banks in Nigeria for 14 years could not establish statistically significant effects. The study reveals the insignificant effect of Audit fees and Auditor tenure on the financial report but exerts a significant relationship with discretionary accruals (Ikpantan & Daferighe, 2019).

The analysis of food and beverages companies listed on Nigeria stock exchange shows those audit committee characteristics, which comprises audit committee independence, financial expertise of members, firms age and frequency of audit committee meetings have positive effects on financial reporting quality while audit committee size and firm size have a negative effect on the quality of financial reporting (Umobong & Ibanichuka, 2017).

The assessment of 88 listed companies on the Nigerian stock exchange from 2012 - 2016 shows that the higher the audit fees, the higher the financial reporting quality. The study used discretionary accruals to represent financial reporting quality, and the output of multiple regression reveals that the higher the audit fees, the lower the level of discretionary accruals, which implies that audit fees reduces accounting manipulations and enhances financial reporting quality (Bala, Amran, & Shaari, 2018). Similarly, the Risk committee reduces the discretionary accruals and increases audit fees, which implies that the risk committee's existence increases the quality of financial reporting (Bhuyan, Md. Borhan Uddin Salma, Roudaki, & Tavite, 2020).

Similarly, General Least Square regression analysis of collected data from 15 food and beverage companies in Nigeria from 2008-2013 indicates that audit size, audit delay, and audit fees significantly affect financial reporting quality. Still, the auditor's

rotation does not (Usman, 2014). Likewise, a Panel regression analysis of 39 family firms on the Tehran stock exchange from 2012 -2017 reveals that audit fees have a significant negative relationship with delay in the audit report. This result reveals that the higher the audit fees, the lower the audit report's delay, which implies that the higher the audit fees, the higher the financial reporting quality (Reza, 2017).

On the contrary, the logistic regression results of manufacturing and service firms listed on the Amman Stock Exchange in Jordan from 2009 -2016 equally show that audit fees have a significant positive effect on the existence of violations. Still, the auditor's opinion has a negative effect, while audit firm size did not significantly associate with the level of violations (Shakhatreh, Alsmadi, & Alkhataybeh, 2020).

Existing studies show that a positive and significant relationship exists between audit tenure, audit firm size, and audit quality (Alsmairat et al., 2019). An extensive literature review shows confounding evidence on the relationship between audit tenure and audit. At the same time, some authors argued that short audit tenure gives high financial reporting quality because it prevents familiarity with the management, which can impair auditors' independence and affect objectivity, others argued that long term audit tenure allows auditors to understand the clients' operation better and produce a high-quality financial report (Eyenubo, Mohamed, & Ali, 2017). Long audit tenure allows familiarity with the management, impairing the auditor's independence, objectivity, and integrity (Eyenubo et al., 2017). In like manner, the analysis of 280 non-financial firms in Pakistan shows a negative relationship between audit tenure and financial reporting quality. This result implies that the longer the audit tenure, the lower the financial reporting quality (Kalabeke, Sadiq, & Keong, 2019).

Another empirical investigation of the relationship between audit tenure and the quality of financial reporting of 80 listed companies on the Nigerian stock exchange for seven years indicates a significant relationship between audit report and financial reporting quality. Still, the study suggests no significant relationship exists between audit firm size, audit tenure, and financial reporting (Osamudiamé, Nwadiakor, & Imuentinyan, 2018). A cross-sectional survey of 50 audit firms in Edo and Lagos

states Nigeria reveals that neither auditor's tenure nor audit firm size compromises auditor's independence. Still, a maximum of five years is recommended for audit tenure to ensure financial reporting is not compromised (Amake & Okafor, 2012).

The existing studies have produced mixed results on audit quality on financial reporting quality, and studies from Nigeria on the subject matter are quite a few. Moreover, many of the existing studies employed primary data, representing the respondents' opinions and not verifiable data. Given the confounding above results, the study states the following hypotheses:

H₀₁: Audit firm size has no significant effect on financial reporting quality

H₀₂: Audit tenure has no significant effect on financial reporting quality

H₀₁: Audit fees have no significant effect on financial reporting quality

2.4 Methodology

The study employed an explanatory research design to explain audit quality's effect on financial reporting quality. The study used all the 11 listed deposit money banks on the Nigerian stock exchange for ten years, 2009-2018.

The study adopted descriptive and inferential statistics. First of all, the study carried out some diagnostics tests to find out whether the variables meet the assumptions of classical linear regression or not. A normality test was conducted using Jarque Bera to find out whether the error terms of the variables, particularly the dependent variable, are normally distributed or not. Likewise, a multicollinearity test was carried out to determine any strong or perfect correlation between the study's independent variables. The study employed the Variance Inflation Factor for a multicollinearity test and compare mean for the Linearity test. The study was also conducted to determine whether each explanatory variable has a linear relationship with the dependent variable. Also, an autocorrelation test was conducted using Durbin Watson.

The study used panel multiple regression and employed Hausman's test to choose between Random effect and fixed-effect model. As a general decision rule, the Fixed Effects technique estimates were preferred if the underlying null hypothesis was

rejected; otherwise, the random effect model's result will be considered most appropriate for the study.

2.4.1 Measurement of Variables

The variables of the study are described in Table 1

Table 1 Measurement of Variables

Variable Definition	Measurement
Dependent Variable	
Financial Reporting Quality	Financial reporting quality was measured using one of the qualitative characteristics of financial statements, which is relevance. The time lag between the Accounting year-end and the date the external auditor signed the report was employed to measure relevance.
Independent Variables	
Audit Fees	This concept refers to the amount of remuneration paid to the audit firm for audit work done.
Audit Firm Size	Audit firm size was measured in binary form. Audit firms were categorized into Big four and Non-Big four. The Big Four, which includes KPMG, Pricewaterhouse Coopers (PWC), Ernst & Young(EY), and Deloitte were coded "1" while other audit firms were coded "0".
Audit Tenure	This concept refers to the length of the auditor-client relationship period and includes the period (measured in years) that the audit firm issued audit reports on the entity.

Source: Author's computation, 2020

2.4.2 Model Specification

$$FRQ = f(AF, AFS, AT) \dots\dots\dots (i)$$

$$FRQ = \beta_0 + \beta_1 AF + \beta_2 AFS + \beta_3 AT + \Sigma \dots\dots\dots (ii)$$

Where:

FRQ= Financial Reporting Quality

AF= Audit Fees

AFS= Audit Firm Size

AT= Audit Tenure

β_0 = Intercept

$\beta_1 \dots\dots\dots \beta_3$ =Coefficients of explanatory variables

Σ = Component Error

3.0 Results

This section comprises both descriptive, inferential analysis of the study. The descriptive analysis includes the meaning, standard deviations, maximum, and minimum. The Inferential Analysis include random panel regression based on the outcome of Hausman's Test.

3.1 Descriptive Analysis

On average, the audit fees paid by the investigated banks during the period of investigation was one hundred and seventy-six million nairas (₦1.76E +08), and the maximum audit fees were five hundred and thirty-five million nairas (₦5.35E +08) while the minimum audit fee was twelve million nairas (₦12,000,000). The standard deviation was one hundred and twenty million nairas (₦1.20E+ 08), and the data were not normally distributed, as shown by Jarque-Bera probability that is less than 5% (JB statistics = 27.09828, P= 0.000001). In like manner, the average firm size was 0.890909, approximately 1, which means many of the audit firms that audited the investigated firms during the investigation period were in the big four categories. This result is also confirmed by the median, which is 1. The minimum firm size was 0, representing audit firms that are not in the big four categories (The big four audit firms include KPMG, PWC, Deloitte, and Ernst & Young). The standard deviation was

0.313180, and the data had a normal distribution of the error term (JB Statistics = 199.6178, $p = 0.063000$).

Similarly, the average audit tenure was 7.072727, approximately seven years, the maximum audit tenure was ten years, and the minimum audit tenure was 1. The standard deviation was 2.625594, and the data were not normally distributed (JB statistics = 26.14983, $p = 0.000002$). In like manner, the average time between the year-end date and the date the financial report was ready (signed by the external auditor) was 84 days; the maximum was 255 days, and the minimum was 32 days. The standard deviation was 30.43145, and the data were not normally distributed (JB Statistics = 517.3481, $p = 0.087300$).

Table 2 Descriptive Statistics

	AUDIT FEES	AUDIT FIRM SIZE	AUDIT TENURE	RELEVANCE
Mean	1.76E+08	0.890909	7.072727	84.38182
Median	1.31E+08	1.000000	8.000000	80.00000
Maximum	5.35E+08	1.000000	10.00000	255.0000
Minimum	12000000	0.000000	1.000000	32.00000
Std. Dev.	1.20E+08	0.313180	2.625594	30.43145
Skewness	1.162846	-2.507811	-1.191482	2.420988
Kurtosis	3.709581	7.289116	3.164016	12.45681
Jarque-Bera	27.09828	199.6178	26.14983	517.3481
Probability	0.000001	0.063000	0.000002	0.087300
Sum	1.94E+10	98.00000	778.0000	9282.000
Sum Sq. Dev.	1.57E+18	10.69091	751.4182	100942.0
Observations	110	110	110	110

Source: Author's computation, 2020

3.2 Diagnostic Tests

This study also tested some classical linear regression model assumptions, including normality test, autocorrelation test, and linearity test.

3.2.1 Normality test

The Jarque-Bera statistics in table 4.1 show that the dependent variable's standard error, relevance has a normal distribution ($p = 0.873 > 0.05$). Likewise, audit firm size has a normal distribution of the error term ($P = 0.063000 > 0.05$), which means the deviation from normal distribution was not significant. However, audit fees do not have a normal distribution of error term ($p = 0.000001 < 0.05$), and likewise the audit tenure ($P = 0.000002 < 0.05$). However, only the dependent variable is mandated to have a normal distribution of the error term; hence, the study proceeded to the parametric test.

3.2.2 Multicollinearity Test

A multicollinearity test was also carried out to check whether there is a strong or perfect correlation between the study's independent variables. Variance Inflation Factor was employed. Since the variance inflation factor values are greater than one but less than ten and the Tolerance values are greater than 0 but less than 1, it implies there was no multicollinearity problem

Table 3 Multicollinearity Statistics

Model		Tolerance	VIF
1	(Constant)		
	Audit Firm Size	.942	1.062
	Audit Tenure	.960	1.042
	AUDITFEESLN	.949	1.054

Source: Author's computation, 2020

3.2.3 Linearity Test

A linearity test was also conducted, and the results show that the deviation from linearity was not significant since the p-values for audit tenure and audit fees were greater than 5% (Audit fees p-value = $0.837 > 0.05$, audit fees p-value = $.578 > 0.05$). However, the linearity test for audit firm size could not be computed since the groups were less than three.

Table 4 Linearity Statistics

Variable		Sig.
Relevance*Audit Fees	Linearity	.048
	Deviation from Linearity	.837
Relevance * Audit Tenure	Linearity	.301
	Deviation from Linearity	.578

Source: Author's computation, (2020).

3.3 Post Estimation Test

A regression model can be estimated using pooled OLS, Fixed effect, and Random effect. Since the variables for this study have panel data, the study employed panel regression and used Hausman's Test to choose between Fixed and Random effect. The null hypothesis, which states that the random effect model is appropriate, could not be rejected because the p-value was greater than 5% (p= 0.3879).

Table 5 Hausman's Test

Test Summary	Chi-Sq.	Chi-Sq. d.f.	Prob.
	Statistic		
Cross-section random	3.024375	3	0.3879

Source: Author's computation, (2020).

3.4 Audit Fees, Audit Tenure, Audit Firm Size and Quality of Financial Reporting

From Table 6, the R-Square shows that the variables in the model account for only 53 % of changes in the quality of financial reporting during the period of investigation. This contribution moderate and the F-probability which is less than 5 % also validated this model (R-Square = 0.53728, F = 1.966777, F-Prob. = 0.03416).

Table 6 Hypotheses Testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.	R-Square	F-Stat.	F-Prob.
C	282.1102	91.29227	3.090187	0.0026	0.052728	1.966777	0.03416
Audit Firm Size	-16.90754	14.68326	-1.151484	0.2521			
Audit Tenure	-0.048839	1.130066	-0.043218	0.9656			
Audit Fees	-9.722654	4.902108	-1.983362	0.0434			

Source: Author's Computation (2020)

The results in Table 6 shows that audit firm size ($\beta = -16.90754$, $P = 0.2521$) does not have a statistically significant effect on financial reporting quality, and like wise the audit tenure ($\beta = -0.048839$, $P = 0.9656$). In contrary, the study revealed that audit fees have a statistically significant effect on financial reporting quality of deposit money banks in Nigeria ($\beta = -9.722654$, $P = 0.0434$).

4.0 Discussion

The results of analysis are discussed in detail in this section.

4.1 Audit Firm Size and Financial Reporting Quality

Table 6 shows that the Audit Firm size has an insignificant positive effect on financial reporting ($\beta = -16.90754$, $p = 0.2521$). Therefore, this study's first hypothesis, which states that "Audit firm size has no significant effect on the quality of financial report of Deposit Money Banks (DMBs) in Nigeria," cannot be rejected. However, even though the coefficient of Audit Firm size is negative and the effect is not statistically significant at 5%, the result shows that audit firm size improves the quality of financial reporting of Deposit money banks in Nigeria. Any increase in the number of audit firms in the big four categories by one firm reduces the number of days between the year-end date, and external auditors sign the date financial reporting by 16.90754, which is approximately 17 days. This decrease in the number of days increases financial reports' relevance because the investors and other stakeholders

can access the financial report on time and make a timely decision. Therefore, audit firm size, mainly using the big four audit firms, improves financial reporting quality. This result lends credence to some of the existing studies that audit firms size do not affect financial reporting quality (Amake & Okafor, 2012; Osamudiamé et al., 2018; Shakhathreh et al., 2020). However, this study contradicts Umobong and Ibanichuka (2017) findings, who found a significant negative association between audit firm size and financial reporting quality.

4.2 Audit Tenure and Financial Reporting Quality

Similarly, Audit Tenure does not have a significant positive effect on Nigerian banks' quality of financial reporting. Table 6 shows that any increase in the audit tenure by one year reduces the number of days between the financial year-end and the date the auditor signed the financial reporting by less than one day ($\beta = -0.048839$, $p = 0.9656$). Therefore, this study's second hypothesis, which says, "Audit tenure has no significant effect on the quality of financial report of Deposit Money Banks (DMBs) in Nigeria," cannot be rejected.

This study supports some of the earlier studies that could not establish any significant audit tenure effect on financial reporting quality (Amake & Okafor, 2012; Osamudiamé et al., 2018). On the contrary, this study disagrees with some earlier studies (Eyenubo et al., 2017; Kalabeke et al., 2019). However, while the earlier studies found a negative effect of long audit tenure on financial reporting quality, this study's findings imply a positive effect of long audit tenure on financial reporting quality. The reduced time lag between the accounting year-end and the date the external auditor signed the report implies that the audited annual reports would be made available to stakeholders timelier due to increased audit tenure. The timely availability of financial reports improves its relevance, which is a crucial quality of the financial report.

4.3 Audit Fees and Financial Reporting Quality

However, Table 6 shows Audit Fees has a significant positive effect on the quality of financial reporting of Deposit Money Banks in Nigeria ($\beta = -9.722654$, $p = 0.0434 < 0.05$). Therefore, the first hypothesis of this study, which states that "Audit fees has

no significant effect on the quality of financial report of Deposit Money Banks (DMBs) in Nigeria." is at this moment rejected. The result shows that any increase in the audit fees by ₦1 reduces the number of days between the year-end date and the auditor signs the date the financial year by 9.722654, which is approximately ten days. The reduction in the number of days increases the availability of financial reports, which allows the stakeholders to make timely and informed decisions. Therefore, this study affirms that audit quality (audit fees) significantly improves the quality of financial reporting of the Deposit Money Banks in Nigeria.

The findings of this study are consistent with the previous findings, which established a positive statistically significant effect of audit fees on financial reporting quality (Bala et al., 2018; Reza, 2017; Usman, 2014). However, this study disagrees with the findings of some existing studies that found no statistically significant effect of audit fees on financial reporting quality (Ikpanan & Daferighe, 2019). Likewise, this study disagrees with an existing study that found out that audit fees positively affect the existence of violation (Shakhatreh et al., 2020).

Table 4.7. Summary of Findings

S/N	Hypotheses	Statistics	Decision	Remarks
1	Audit firm size has no significant effect on financial reporting quality	B= -16.90754, p= 0,2521 > 0.05	The null hypothesis could not be rejected	Audit firm size does not have a statistically significant effect on financial reporting quality
2	Audit tenure has no significant effect on financial reporting quality	B= -0.048839, P= 0.9656 > 0.05	The null hypothesis could not be rejected	Audit firm size does not have a statistically significant effect on financial reporting quality
3	Audit tenure has no significant effect on financial reporting quality	B= -9.722654, P = 0.0434 <0.05	The null hypothesis is rejected	Audit fees have a statistically significant effect on financial reporting quality

Source: Author's summary of findings (2020)

5.0 Conclusion

This study examined the effect of audit quality on the quality of financial reporting of deposit money banks (DMBs) in Nigeria using audit fees, audit firm size, and audit tenure as proxies for audit quality and using one of the qualitative characteristics of financial statement (relevance) as a measure of financial reporting quality. The study found out that only audit fees have a significant positive effect on the quality of financial reporting of deposit money banks (DMBs) in Nigeria. In contrast, audit firm size and audit tenure have an insignificant positive effect on the quality of financial reporting of deposit money banks (DMBs) in Nigeria.

The study recommended that big audit firms, reasonable audit tenure, and audit fees should be encouraged to improve financial reporting quality. The study suggests that future studies should consider measuring financial reporting quality in terms of faithful representation, comparability, verifiability, and understandability of financial statements defined by the International Accounting standard Board (IASB). Where possible, they should consider using secondary data.

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