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THE INFLUENCE OF AUDITORS INDEPENDENCE ON FINANCIAL REPORTS QUALITY IN DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

The study determined the influence of auditors independence on financial reports quality in deposit money banks .The data covered the period from 2013-2022.Data were analyzed based on multiple regression models with aid of STATA software package and the study aligns itself with positivist paradigm. Auditors' independence was proxy by auditor's incentive, Audit tenure, Audit fees, audit client and audit Independence committee. However, financial reporting quality was proxy by

Introduction

Background of the study

Auditing is the collection and valuation of indication about information to determine and report on the step of correspondences between the information and the establish principles (Arens, Alvin *etel* 2011). Farouk, (2014) in his own opinion asserts that auditing is a systematic process of quantitatively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between assertion and established criteria and communicating the results to interested user. The audit of accounts in the corporate sector by an independent auditor is obligatory by statutes which define the duties, rights and powers. This is essential because of the separation of ownership from the management in the corporate sector. The owner needs someone who can keep a professional watch on the management and to whom they can trust for the reliability of the accounts since the prerogative of preparing the financial statement is that of the management.

In present times, there has been much discussion about the Auditors independence; the leadership of the auditing standards board, the independence standards board, and most recently the

Discretionary Accruals. Findings of the study designate that audit incentives, audit tenure and audit client size have a positive relationship with quality of financial reporting. The study also finds that auditor's status has a significant negative relationship with quality of financial reporting. The study therefore concludes that independence of the auditor has a significant effect in decreasing discretionary accruals which by extension improves on quality of financial reporting. The study recommends against this framework that audit firms should charge reasonable fees that will cover their audit obligation so as to be able to carry out their audit work and also recommends that critical stakeholders should ensure that there are adequate board members and directors to provide the objective of the firm to reduce the financial manipulations. In the case of the board independence, the management or the authority concern should reduce the number of non-executive directors since this study established positive relationship. This is because; the aim is to reduce the manipulations of financial reporting by banks since is misrepresenting the financial position of the banks.

Keynote: auditors, independent, financial report and board

proposed independence rules transmitted by the Securities and Exchange Commission has all attempted to clarify and strengthen auditor independence. Also in the medieval era financial statements were not necessary and hence financial statements were not prepared, neither used to make decisions. But with the recent development every firm are expected to prepare financial statement in order to know the financial position of the organization so that stakeholders can make decisions (Loveday, 2017).

Apart from business-owners there are numerous other interest groups with various reasons for using content of any firm's monetary report. Outcome of their decision massively project the success or otherwise of any entity whose monetary report jeopardizes aspiration of those who fixed or anchor their decision on information so provided. According to "International Ethics Standard Board for Accountants" (2014) before auditor certified as independent, he should be independent in mind and appearance, they also maintain that being independent in mind means being able to express conclusion freely without influence from external factor which might compromise their professional judgment. Inability to express this feature refuse auditor from functioning with objectivity and integrity which triggers professional skepticism. IESBA (2014) maintain that independence in appearance in observed when auditor ignore certain notable facts and conditions which would make informed third party infer that objectivity and integrity of such auditor is jeopardized or compromised.

The quality of monetary or financial report content will only be improve when it is conscientiously audited and competent auditor need to express their opinion as concern its truth and unbiased presentation. Quality of audit will equally be improved when auditor involve is not dependent on the audited both in appearance and in mind, which implies breaches, and when such are uncovered and reported by auditor. A monetary statement presented along with audit report is usually perceived as more qualitative compare to monetary report without auditing report. However, it will be so perceived when monetary statement presented neutral, unbiased and fair view of monetary activities of such company for that accounting period. To achieve this, independency of auditors must never be jeopardized or compromised and to enable for enhanced audit quality by interest groups to monetary report in general.

Quality of any audit report is enhanced when needs of investors like independent and dependable audit and enhanced interaction between auditor and audit committee, ("Public Company Accounting Oversight Board" 2013). The improved interaction involved disclosing monetary report, assurance internal control and debugged external awareness. Further explanation was availed by "Financial Reporting Council", UK, in 2006 where they maintained that audit quality is concern with delivering suitable professional advice and opinion supported using important and necessary evidence along with objective judgments. Auditors provide sound service to business-owners when they avail audit reports which are independent, dependable and supported by suitable audit indication (Tapang, Kankpang, Inah, Bessong, & Uklala, 2020).

The issue of auditor's independence as an essential platform for quality audit is not disputable. The past decade has witnessed a growing interest in research bothering on auditor's independence. This is not unconnected to the very many corporate collapses and scandals that hit the world's business environment and has kept corporate managers, business owners and investors of all type on the edge in ensuring adherence to standard accounting and management practices. Nigeria is not left out in the drive towards compliance to acceptable norms and practices hence the need to ascertain what drives reliability of financial reports. This has made firms in Nigeria to adopt standard accounting practices that have increased the preservation of auditor's independence and enhance quality of financial reports.

A number of global organisations such as Enron, WorldCom, Nortel, Parmalat and Tyco experienced corporate failure as a result of inefficient and ineffective corporate governance and accounting malpractices (Shen, L. (2016). Sorensen & Miller, 2017). Nigeria has experience corporate failures in 2009, where many banks such as intercontinental bank, oceanic among others became distraught despite reporting high profit and being audited by big audit firms. Recently, what motivated this study was actually what happened in Skye bank Nigeria Plc in 2016 where the Central bank of Nigeria ordered for the revocation of the licence of skye bank Nig plc and changing the name to Polaris Bank as reported by one of the credible media channels TV, and it is believed that the central bank of Nigeria as a regulatory body will not for no reason ordered for the occupation of the bank. Though the central bank of Nigeria publicly declare that sky bank is not in distress. The injection of N786 billion Naira depicted that skye bank was in a serious crisis before the central bank of Nigeria have to intervene. This caught my attention and also considering what happen to oceanic bank and others in 2009, before the central bank of Nigeria intervened.

In Nigeria, series of frauds happened mainly in the banking sector. A typical example includes the cases of Oceanic bank, Afri Bank PLC, and Skye Bank. As for the case of Oceanic bank PLC, a managing director turned the bank's customer deposits to outwardly own personal monies and at the same time maintaining excellent financial statement. In which case, the above-mentioned used the bank's resources to obtaining estates and super markets abroad.(Ju et al., 2020) Not until the special examination was made into the bank, the bank consistently reported unreserved reports to its shareholders. Remunerations organization occurs when managers use judgment in financial reporting and in structuring transactions to modify financial reports to either misinform some investors about the original economic performance of the company or to influence predetermined outcomes that are contingent on reported accounting numbers (Healy & Whalen, 2019). Managers have the motivation to conduct paychecks organization for his/ she owns interests which may be unpredictable with the interest of the shareholders and investors (Jensen and Meckling, 1976; Bergstresser, Philipon, 2006 as cited in olawoye, 2018). Corporate governance is an instrument that is laboring to reduce the agency cost that arises as a result of the conflict of interest that exists between managers and shareholders (Shehu and Abubakar, 2012 as cited in olawoye, 2018).

Numerous researches (Adebayo, 2011; Wali, 2015; Loveday, 2017) have been carried out in developed and developing economies on how audit independence affects audit quality. To the best of the authors' knowledge, only few researched on how audit independence affects financial reporting Quality. Any subsequent failures of firms due to maladministration, fraudulent practices, etc., are viewed as failures in auditors' independence in carrying out their duties (Adeniji, 2004). For instance, Enron and WorldCom in USA collapsed shortly after an unreserved (clean report) audit report was endorsed. From the above discussions, there is need to ensure reliability of financial statement of companies in order to increase users' confidence and thereby affecting investors behavior.

The main objective of the study is to regulate the influence of auditors' independence on financial reporting Quality in the Nigerian Banking Sector. There are specific objectives of the study which were to: To examine the relationship between Auditor's Incentives and Financial Reporting quality of quoted DMBs in Nigeria, to identify the relationship that exit between Auditor Tenure and Financial Reporting Quality of quoted DMBs in Nigeria, to investigate the relationship between Audit fees and Financial Reporting Quality of quoted DMBs in Nigeria, to evaluate the influence Audit Client Size on Financial Reporting Quality of quoted DMBs in Nigeria and to examine the impact between audits Independence committee on financial reports quality of quoted DMBs in Nigeria.

Conceptual review

Financial Reporting Quality

Financial reporting Quality implies how well an audit is able to detect and document any material misstatements in corporate financial reports. The competence of the auditor mirrors this detection capability while the ability to disclose such material misstatement reflects audit ethics or auditor's integrity which forms auditor independence (Arens, Elder & Beasley, 2014). In other words, financial reporting quality entails reliability of opinion expressed by the auditor on the financial reports. Nwanyanwu, 2013, defined Financial reporting as concerned with the presentation of financial statements in a form for comprehension by users of financial information. Financial reporting objectives vary from one organization to the other depending on the nature of activities. In his opinion, whereas in a public sector, the objective may be to identify how taxpayers' resources were utilized in the provision of social and infrastructural facilities, in a private sector, the purpose may be to report how owners' resources were applied to generate income and whether such application increased or decreased their wealth Nwanyanwu (2013),.

The foregoing definitions, irrespective of the dimensions from where they were configured, are homogenous as they present financial reports as key documents that provide data about an organization's financial activities for use by interested parties in decision making. As a result, auditors are expected to be circumspect in the provision of audit services to ensure that information contained in their reports is of high quality, sufficient and reliable. In the views of Kaklar *et al* (2012), it is expected that high audit quality leads to high financial reporting quality which in turn serves as an instrument for averting financial crisis. In fact, since the purpose of an audit is to provide assurance on financial statements, the reliability of audited financial statements is reflected on audit quality.

Previous studies have assumed a number of proxies as a measure of quality of financial reporting. Otuya et el (2017), Francis and Wang (2008), Carey and Simnett (2006) and Francis and Krishman (1999) used Discretionary Accruals (DACC). DeFond and Park (2001) also adopted abnormal working capital accumulation as a measure of audit quality. Other studies used proxies such as audit fees and hours, NSE President's Merit award, earnings response coefficients and tendency to issue a modified audit opinion to represent audit quality/financial reporting quality (Deis & Giroux, 1996; Caramanis & Lennox, 2008; Ghosh & Moon, 2005 and Adeyemi, Okpala & Dabor, 2012).

This study adopts Discretionary Accruals (DACC) as measure of quality of financial reporting. DACC has been charged as a superior technique to determine level of earnings management and by extension audit quality (Dechow, Sloan & Sweeney, 1995; DeAngelo, 1986; Jones, 1995). Based on the DACC view, high income flattening/earnings management reduces the quality of financial reports. The implication is that higher DACC creates a greater distance between the true state of affairs (financial performance) and results shown in the financial

AUDITORS' INDEPENDENCE

When parties with interest in monetary report do not influence auditing report, independence of auditor is unlikely to be risked or compromised. It is believed globally that when auditors independent in mind, action and their appearance, the trust placed on them and account profession is strong. The independence in auditioning is standpoint on which people trust in

accounting profession depend. When performing their saddled and professional obligations as auditor, auditors are supposed or expe1cted to do so atmosphere without situations or association that could prompt or make informed external agent to aver impairment of objectivity of involved auditor or is possibly impaired. Auditors are supposed to be perceived as being independent in action and in mind or in deeds. Any action of auditor or the management which could impair such independency
Should be prevented (Tapang, Bessong & Ujah, 2015). Arens et al (2011) observed that independence of the auditor can be explained from two perspectives; Independence in mind and independence in appearance. Independence in mind reflects the auditor's state of mind that permits the audit to be performed with an unbiased attitude. It reflects a long standing requirement that members be independent in fact. While independence in appearance is the result of others' interpretation of what independence should actually be. If auditors are independent in fact but users believe them to be advocates for client, then most of the value of audit function will be lost.

Audit Tenure

Wilson, McNellis, & Latham (2018) recommend that, compulsory auditor replacement has its disadvantages, with the main concern being that increased audit tenure decreases audit risks due to broad and in-depth client business knowledge and related risks. Contrarily, Rickett, Maggina, & Alam (2016) in their study, preliminary evidence suggests that auditor may give into customer requests or that auditors can put less commitment into these audits because they are too acquainted with the client. Additionally, their findings indicate that auditor independence impair as the tenure of auditors for more relevant auditing firms' clients increases.
Furthermore, the advocate of mandatory replacement, however, argues that a small audit firm's tenure would improve the auditor's independence by avoiding strong personal associations between auditors and management (Dada, 2018). Additionally, in a research conducted by Corbella, Florio, Gotti, & Mastrlia (2015) on audit firm rotation, several countries currently have mandatory audit firm rotation guidelines; Italy has mandated audit firms rotation from 1975, Brazil from 1999, and Singapore has needed auditing firm rotation for local banks since 2002.

Audit-Client Relationship

Kachelmeier & Van Landuyt (2016) and Kachelmeier (2018) suggested that measuring ambiguity alone, in the lack of social contact, does not impact adjustments to the auditors. One way to ensure more cautious estimates of measurement uncertainty by auditors would be to reduce their clients' social-bonding opportunities to auditors (Aamir & Farooq, 2011; Nyangau, 2017). Similarly, using the logistic regression model, Tobi, Osasrere, & Emmanuel (2016), their results of the study showed that long-term auditor-client ties are positively related to the increased probability of the auditor giving an unbiased opinion.

Contrarily, the auditor-client relationship, auditing community is an essential interdependent relationship. Researchers have reported that, tenure of the audit firm can enable auditors and clients to promote competent, knowledge and experience of entity overtime which may lead to improved audit quality. Longer relationship between auditor and client can enhance the auditing firms to improve their experience and optimise the reputation with the organisation (Khasharmeh & Abdulqawi, 2016).

Audit fees

The professional code of conduct for Chartered Accountants in Nigeria specify that audit fee from single client should be over 25% of total audit revenue. Therefore, large percentage of audit fee from one client would likely substitute weakening of independency of auditor. One main reason for self- interest threat mentioned in "ICAN professional code of conduct and guide for members" (2009) is 'unjustified dependent on entire fees from one client, and unduly big percentage would be 5% and above which includes repetitive one-off assignments. The percentage or proportion of entire audit fees of firm higher than 25% above is considered as undue and is believed would affect or damage independency of such firm.

Empirical Review

Enofe etel (2013) did an empirical evaluation of "Audit Quality and Auditors Independence in Nigeria". The researchers view that auditors' independence plays an essential role in enhancing the quality of the audit in an organization. The study empirically evaluates the relationship between audit quality and auditors' independence with focus on Nigerian quoted companies as a reference point. To achieve this objective, a cross sectional analysis of companies listed on the Nigerian Stock Exchange was carried out. The dependent variable was audit quality that was measured by the fees charged by the audit firms. The independent variables were the audit tenure, board independence, and ownership structure. The data collected for the variables were subjected to the ordinary least square (OLS) regression analysis. The results showed that as auditors' independence increase, the quality of the audit also improves and as the independence of the board and the ownership structure increases, the quality of the audit reduces. It was recommended that auditors should strive for independence in other to ensure quality audits.

Suseno (2013) also did an empirical analysis of "Auditor Independence and Audit Fees on Audit Quality". The aim of the study was to investigate the influence of auditor independence and audit fees on audit quality. The study applied explanatory research in while questionnaires and interviews served as the primary data. The sample of this study was 73 public accountant offices which are the members of the Forum of Capital Market Accountants in Indonesia. The results of the study depicted that auditor independence significantly influences the audit quality and audit fees significantly influences the quality of auditing. The results indicate that the measures to enhance auditing quality can be taken by means of developing independent attitudes and determining sufficient audit fees. The study further divide auditing quality into

TIJFRMS
ISSN: 2773-1040

seven criteria: skills, experience, ethical value, mindset, the reliability of auditing methods, the effectiveness of the utilized tools and the technical supports. Also, independence was divided into two indicators: Integrity and Objectivity.

Similarly Zayol etel (2017) studied the "Effect of Auditor Independence on Audit Quality: A Review of Literature". As viewed by the researchers, auditor independence and audit quality were two concepts that work inseparably. It was argued that auditor independence begets audit quality and as such audit quality cannot be different from the system that produces it. The study was set to determine the effect of auditor independence on the audit quality. The ex post facto research design was adopted. Information for the study was obtained from secondary sources to include journals, text books and other internet materials. Based on the review of available data, findings show that there was a strong relationship between auditor independence and audit quality. The review also revealed four threats to auditor independence, which were client importance, non-audit services (NAS), audit tenure, and client's affiliation with CPA firms. However, some studies earlier indicated a positive relationship while others showed contrary due to the type of study design employed, sample size, data collection instruments and analysis techniques used. Most of the studies on auditor independence and audit quality were centered on one or two of the threats and majorly done outside Nigeria. Even the ones done in Nigeria were focused on the banking sector.

Babatolu etel (2016) studied "Auditor's Independence and Audit Quality: A Study of Selected Deposit Money Banks in Nigeria". The researchers observed that the need to ensure reliable and high quality of audit work has largely focused on auditors independence to ensure an auditor is not too familiar with his client, because if an auditor is too familiar with his client it will jeopardize their integrity and in return impair their independent opinion. The objective of the research therefore was to examine the effect of auditor's independence on audit quality of selected deposit money banks in Nigeria. The population of the study comprised 20 listed Deposit money banks in Nigeria. Purposive sampling technique was used to select sample size of seven 7 banks. Secondary Data was used and data were sourced from the audited annual report of the sample banks. The Data analysis techniques that were adopted for this study consisted of descriptive statistics, correlation and ordinary least square (OLS) regression. The study revealed that there is a positive relationship between audit fee, audit firm rotation and audit quality. There was negative relationship between audit firm tenure and audit quality. The correlation between audit quality and leverage is strong, negative and statistically significant. The correlation between audit quality and company size is strong, positive and statistically significant. The study recommended that Auditor's independence should be strengthened by taking different measures such as regular rotation of auditors, reduction in the tenure of auditors and appropriate audit fees- to address the issues which could create threats for auditors

Nwanyanwu (2017) evaluated "Audit Quality Practices and Financial Reporting in Nigeria".This study was carried out with the objective as to examine the influence of audit quality practices on financial reporting in Nigeria, drawing evidence from auditing firms. Data were collected through questionnaire. Univariate, bivariate and multivariate analyses were performed using descriptive statistic, Pearson Product Moment Coefficient of Correlation and stepwise multiple regression. Findings showed a statistically significant, positively and strong relationship between the measures of audit quality (auditor independence, technical training and proficiency and engagement performance) and financial reporting (measured in terms of reliability of financial report). Auditor independence has the highest explanatory power of variations in reliability of financial report of 47.9%. In addition, the regression model with only auditor independence produces the highest value of reliability of financial report. Given the existence of technical training and proficiency and engagement performance, auditor independence is a prime audit quality in financial reporting. Accounting practitioners should imbibe the ethics of independence to achieve credibility and reliability required of financial reports.

Imegi and Oladutire (2018) studied "Mandatory Auditor Rotation and Audit Quality in the Nigeria Financial Sector". The objective of the study was to provide evidence on the existence of a relationship between mandatory auditor rotation and audit quality in Nigeria firms. Ordinary least square (OLS) econometric technique was use to analyze the relationship between mandatory auditor rotation and audit quality. Findings showed that there is a significant relationship between mandatory auditor rotation and audit quality. The other explanatory variables (Auditor type and Auditor Independence) considered alongside audit quality were found to be related to audit quality aside from Auditor Independence showing a positive effect. It was recommended that firms should better make sure that they adopt mandatory auditor rotation and also seek the partnership of one of the big four (4) auditors if they want a quality audit report.

Underpinning Theory: The Agency Theory

This study adopted the Agency Theory because it explores the link between owners and directors which is one of the main reasons for demanding an audit. Further, the theory is used because it incorporates some components of two other related theories such as the Policemen and Lending Credibility theories. The Agency Theory links with the Policemen theory in that the audit work is seen as

Assignment to ascertain the arithmetical accuracy of the financial statements presented by management and by extension prevents or detects fraud. The audited financial statement on the other hand lends credence to management ability to steer the business in the right direction hence enhances shareholders' belief in agent's stewardship of the business (Hay, Knechel & Wong, 2006).

The Agency Theory is anchored on the basis that there exists an agency connection in which the owners of the firm assign responsibilities to the managers. This leads to sharing of risks which also gives rise to conflict of interest between the two parties. Managers are reputed to be motivated by self-interest rather than the need to maximize shareholders' wealth. The principal - agent contrasting interest is demonstrated in this concept, where owners

(principal) nurse reasons not to have faith in their managers (agents) because of asymmetries of information and contrasting concerns (Jensen & Meckling, 1976). Information asymmetry is concerned with situations whereby one party is judged to have more information knowledge than other. In their confirmation of the validity of the financial
Statements, external auditors play an essential part in reducing this information asymmetry. An important postulation surrounding the Agency Theory is that the auditor is viewed as independent hence is expected to provide an independent opinion. Therefore external auditors as a third-party are expected to bring into line management interests with shareholders and to let shareholders measure the conduct of their managers and reinforce confidence in management.

METHODOLOGY

The population of the study is all the seventeen (14) listed deposit money banks in Nigeria as at 31st December, 2022 the data collected from the annual financial statement. However, the study employs adjusted population with aid of filter based on some criteria. Any bank that has not been on listing of the Nigerian stock exchange throughout the period of the study was filtered out, and also any bank whose data was not accessed in any year of the period of the study was filtered out automatically. The data covered the period from 2013-2022. Data were analyzed based on multiple regression models with aid of STATA software package and the study aligns itself with positivist paradigm.

The model specification for this study incorporates capital structure variables and financial performance variable.

The models:

$DAC = \beta_o + \beta_1 AUINi_{t\,+}\ \beta_2 AUT_{it} + \beta_3 AUFit + \beta_4 AUCR\textit{it} + \varepsilon_i$

Where:

DAC = Discretionary Accruals

AUIN =Auditor's Incentives

AUT =Auditor Tenure

AUF =Audit fees

AUCR =Audit Client R/ship

Note: α: constant, β1– β4 are the coefficients of the explanatory variables, it: panel data indicator, ε: the error term. The acronyms in the first model DLLP= Discretionary Loan Loss Provision; LLP= Loan Loss Provision; LCO= Loan Charge off; BBALL= Beginning Balance of Loan Loss; TAt-1= Lagged Total Asset and α01=Constant. For the second model, it is presented in Table 1 below:

Result Presentation and Discussion

This section presents the results of the study. It contains descriptive statistics, correlation matrix and i DAC DAC nferential statistics

ISSN: 2773-1040

Table 1 Descriptive Statistics

Variable	Obs	Mean	Std.Dev	Min	Max
DAC	70	0.49	0.131	0	0.500
AUIN	70	0.45	0.771	0	4
AUT	70	8	1.827	4	11
AUCRS	70	3.5	2.001	3	6
BIND	70	0.587	0.112	0	0.500
AUF	70	0.141	0.097	0	0.375

Source: summary of STATA OUTPUT

From Table 1 upstairs, it can be seen that the average level of Discretionary Accruals in Nigeria is 0.49 with 0 and 0.5 as minimum and maximum respectively which means that within the period under review there is a company that has zero level of Discretionary Accruals. The average Auditor Tenure of the companies under review is 8 with 4 as minimum and 11 as maximum. Furthermore, the average audit Independence is 0.587 with 0 and 5 as minimum and maximum respectively. Also, the average Audit fees Audit fees Audit is 0.141 with 0 and 0.375 as minimum and maximum respectively. The standard deviations of all the variables in the table do not vary significantly from the mean meaning the data elements are not far away from the means of the observations.

Table 2 Correlation Matrix

Variable	DACC	AUIN	AUT	AUSIZE	BIND	AUF
DAC	1.000					
AUIN	0.337	1.000				
AUT	0.425	-0.014	1.000			
AUCSIZE	0.568	0.265	0.391	1.000		
BIND	0.350	0.368	0.448	0.321	1.000	
AUF	0.232	0.266	0.167	0.324	0.254	1.000

Source: Stata Output

From the above table the correlation between the independent variables and the dependent variables all have values less than 0.8 which shows the unlikelihood of multicollinearity. However, it cannot be concluded except a multicollinearity test is conducted. Gujarati (2004) states that a correlation of greater than 0.8 may amount to multicollinearity however it cannot be confirmed until multicollinearity test is conducted.

Panel Corrected Standard Error (PCSE) Result

The study presents the panel corrected standard error regression result in Table 3 below.

DAC	COEF	St Err	Z- value	p -Value	VIF
AUIN	0.4300	0.6355	0.677	0.270	1.40
AUT	-0.1630	0.0676	-2.39	0.017	1.28
AUCSIZE	0.6221	0.5456	1.14	0.156	2.65
BIND	0.3077	0.1434	2.15	0.039	1.19
AUF	-0.5452	0.2113	-2.58	0.010	1.09
R-squared	0.4081	Hettest P-value		0.0000	
Number of obs	63.000	Hausman P-value		0.0000	
Chi-squareed	29.990	Shapiro-wilk		0.370	
Prob>Chi2	0.0000				

Table 3: Panel Corrected Standard Error regression
**** p<0.01, ** p<0.05, * p<0.1*Source: summary of Stata output**

After all relevant tests had been conducted, the study settled on Panel Corrected Standard Error. The result shows that the independent variables; Auditor's Incentives, Auditor Tenure, Audit Client R/ship, audit Independence committees and Audit fees put together explain the dependent variable which is Discretionary Accruals about 40% from the R-square while the remaining is accounted for variables that had not been incorporated into the model. The chi-square value of 29.99 is significant at 1% significance level which means that the model is of good fit.

The study recognized the relationship between Auditor's Incentives and DAC, board independent and Discretionary Accruals however, the study could not established any relationship between Auditor's Incentives and Discretionary Accruals . This is because; the results of the first scenario are significant while the latter are insignificant. Thus, Auditor's Incentives has a negative and significant coefficient of 0.163 at 5% level of significance meaning that for any increase of Audit fees, the Discretionary Accruals would decrease by 0.163 other things being equal. For board independence, there is sufficient evidence to suggest that audit independence influence Discretionary Accruals positively with coefficient of 0.30772 at 5% level of significance meaning that for any increase in independent of audit, the level of Discretionary Accruals would increase by 0.3077 *ceteris paribus*. Furthermore, the coefficient of Audit fees is 0.5452 is statistically significant at 5% signifying that for any increase in Audit fees by one, the level of Discretionary Accruals would decrease by 0.5452 other things remain unchanged.

Conclusion and Recommendations

The study examined the influence of audit independence on financial reports quality in deposit money banks in Nigeria. The study used secondary data from annual reports of listed from deposit money banks in Nigeria the data covered the period from 2013-2022. Some simple

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descriptive and correlation statistics were adopted as tools of analysis while regressions were used to examine the relationship between the variables highlighted in the study. Findings of the study designate that audit incentives, audit tenure and audit client size have a positive relationship with quality of financial reporting. The study also finds that auditor's status has a significant negative relationship with quality of financial reporting. The study therefore concludes that independence of the auditor has a significant effect in decreasing discretionary accruals which by extension improves on quality of financial reporting. The study recommends against this framework that audit firms should charge reasonable fees that will cover their audit obligation so as to be able to carry out their audit work. In light of this, squat balling of audit fee should be discouraged. Further, the Financial Reporting Council of Nigeria and other regulatory bodies should increase the Two to three years mandatory professional requirement for auditors so as to inspire longer auditor tenure thus improving the working relations between the auditors and firm and enhance better sympathetic and client industry experience. The research's also recommends that critical stakeholders should ensure that there are adequate board members and directors to provide the objective of the firm to reduce the financial manipulations. In the case of the board independence, the management or the authority concern should reduce the number of non-executive directors since this study established positive relationship. This is because; the aim is to reduce the manipulations of financial reporting by banks since is misrepresenting the financial position of the banks.

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