

## AN EMPIRICAL ANALYSIS OF AUDIT QUALITY AND FINANCIAL STATEMENT RELIABILITY OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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### ABSTRACT

The study examined audit quality and financial statement reliability of listed Deposit Money Banks (DMBs) in Nigeria, spanning from 2012 to 2022, using a sample of seven selected banks. A comprehensive analysis was conducted using correlation diagnostic tests and regression analysis. The regression model, supported by an ANOVA test, demonstrated overall statistical significance, indicating that the included variables collectively explain a substantial portion (R-square = 84.76%) of the variability in Return on Assets (ROA). Auditor independence and bank size were found to be statistically significant predictors, implying a positive influence on ROA. The findings revealed a strong positive correlation between ROA and auditor independence, suggesting that maintaining a high level of auditor independence may positively influence the profitability of Deposit Money Banks and the reliability of financial statements. The study recommends that, to ensure a high level of auditor independence, there should be continuous rotation of auditors at a maximum interval of three years by Deposit Money Banks. Additionally, a committee of shareholders should be established to screen and appoint auditors before presenting them to the general body of shareholders for ratification at the Annual General Meeting (AGM), rather than allowing the board of directors to appoint auditors directly.

**Keywords:** An Empirical Analysis, Audit Quality, Financial Statement, Reliability, Deposit Money Banks, Nigeria.

### 1.0 INTRODUCTION

The increase in business complexity has necessitated separation of management from ownership. This separation of management from ownership in modern corporations has made stewardship accounting inevitable. Managers, under the agency arrangement are responsible for running the affairs of the business on behalf of the owners. However, due to apparent information asymmetry and conflicts of interest, owners require mechanisms that compel managers to safeguard the interests of diverse stakeholders (Faronk & Hassan, 2014). External audit is one of the measures that are believed to check these managerial excesses. An audit of financial statements reduces information asymmetry in a firm or company and protects the interests of stakeholders through the provision of assurance on the correctness, truthfulness, and fairness of the financial statements prepared by management. This is in view of the fact that high-quality audits are expected to detect material misstatements, errors, and losses that result from managerial opportunism in the quest to increase their economic largesse at the expense of other stakeholders of the firm (Alaswad & Stanistic, 2016).

Audit of financial statements is, therefore, an important part of the regulatory and supervisory framework, which is of significant public interest. The extent to which audit lends credence to the reliability of financial statement in turn depends on the quality of audit services rendered (Smii, 2016). Audit quality is the joint probability that the auditor detects and reports questionable accounting practices of the firm (Tyokoso & Tsogba, 2016). Audit quality is therefore capable of influencing financial statement reliability through mitigation of risks and significant misstatement. The lower risk of misstatement consequently increases the confidence of capital market investors in financial reports which also lowers the cost of capital and increase the market valuation of the firm (Heil, 2012). Users of audited financial statement, therefore believe that the information it contains are completely free from material bias and so depend on it to allocate scarce economic resources with expectations of commensurate returns. Investors confidence is therefore associated with the level of truthful and fair presentation of financial statements which in turn is a product of audit quality (Okolie & Izedonmi, 2014). Consequently, audit quality and

its association with financial statements reliability of Banks is a major concern to researchers in accounting literature.

The importance of a study on the relationship between audit quality and financial statements reliability of listed banks in Nigeria cannot be over emphasized in view of the fact that many Nigeria firms are struggling to regain credibility amidst national and international investors (Farouk & Hassan, 2014).

### **1.1 Statement of the problem**

Given that a number of Deposit Money Banks (DMBs) have been involved in the incident of corporate scandal in Nigeria, the reliability of audited financial statements in the banking industry is called to question. Therefore, it is crucial to investigate how audit quality affects the financial statement reliability of Nigeria banks.

In both rich and emerging nations, particularly in Nigeria where this study is base, directors are criticized for being responsible for the reduction in shareholders' wealth. Directors are frequently the main cause of fraud cases that have led to the closure of large organization.

Enron corporation, Tyco International, Worldcom, Global crossing, Arthur Anderson, Marconi, Parmalat, Oceanic Bank Plc, Wema Bank Plc, NAMRAK, Fin Bank Plc, Spring Bank, Afribank Plc, Intercontinental Bank Plc, Bank PHB and Cadbury Plc (Adeyemi & Fagbemi, 2011), are examples of corporate scandal, which led to lack of reliability on audited financial statement in recent time. The research provides a more comprehensive examination on audit quality and financial statement reliability of deposit money banks in Nigeria.

### **1.2 Research Objectives**

Deposit Money Bank (DMBs) are generally driven to achieve strong financial performance in order to draw in more Depositors and Investors. Investigating the impact of audit quality on the financial statement reliability of listed DMBs in Nigeria is the general objective of this research. However, the specific objectives are;

- i. To determine the effect of auditors fees on financial statement reliability of listed deposit money bank in Nigeria
- ii. To determine how audit firms size impact on financial statement reliability of deposit money banks in Nigeria.
- iii. To determine the influence of bank size on the financial statement reliability of some listed DMBs in Nigeria.
- iv. To determine auditors independent on the financial statement reliability of listed DMBs in Nigeria.

### **1.3 Research Hypotheses**

1.  $H_{01}$ : There is no significant relationship between auditors fees and financial statement reliability of DMBs in Nigeria.
2.  $H_{02}$ : There is no relationship between audit firm size and financial statement reliability of DMBs in Nigeria.
3.  $H_{03}$ : There is no relationship between bank size and financial statement reliability of DMBs in Nigeria.
4.  $H_{04}$ : There is no significant relationship between auditors independent and financial statement reliability of DMBs in Nigeria.

### **1.4 Significance of the study**

The goal of this study is to advance frontier of knowledge. It is also the researcher believed that the findings of this study will be useful to the government, academic advancement, regulatory agencies, corporate bodies, researchers, managers, potential investors, directors of companies, shareholders and firms owners.

## **2.0 LITERATURE REVIEW**

### **2.1 Conceptual Review**

The reliability of financial statements is backed by an independent audit quality which is important for effective operation of market and better financial performance. Audit quality is necessary for preserving an efficient market environment (Farouk & Hassan, 2014).

The International Accounting Standard Board (IASB) emphasized that audit quality is critical to achieving high quality financial reporting. Accordingly, high quality financial statement reliability contributes to global financial stability. The IASB developed the framework for audit quality, which describes the various elements that create the environment for audit quality. According to De-Angelo (1981) audit quality is the market assessed joint probability that a given auditor detects a breach in the clients accounting system and report the breach to stakeholders. The European Supreme Audit Institution (EUROSAI) extends this definition to include the degree to which a set of inherent characteristics of an audit fulfills requirement such as legal and professional requirement. The definition of DeAngelo (1981), capture two key issues, the competence of the auditor which indicates the

likelihood of detecting financial misstatements and the independence of the auditor which shows the ability to report detected financial misstatement to stakeholders.

Audit quality is represented by the auditor's personal attributes such as skills and experience, ethical values and mindset, soundness of audit technology and the availability of adequate technical support geared toward supporting a high quality audit. Audit quality is also attributed to important influences on audit which affect stakeholders assessments of audit quality such as auditors report and auditor communications to those charged with governance of the firm. Despite non-availability of a universally accepted definition of audit quality in accounting literature, this study views audit quality as the probability that the auditor both detects and report fraudulent accounting practices of firms. There are documented theories which explain the relationship between audit quality and firm financial performance. Prominent among these theories is the agency theory. Agency problems arise as a result of the separation of ownership from control in modern business organisations where the agent uses the economic resources entrusted to him at the detriment of the principal. To mitigate information asymmetry associated with agency relationship, shareholders engage the services of high quality external auditors to protect their interests. High quality audit is therefore capable of reducing the cost of misstatements in financial statement restore confidence in a firms financial statement reporting quality and increases market valuation of the firm. Another theory that relates audit quality to corporate financial performance is the signaling theory which sees audit quality as a mechanism that can mitigate information asymmetry among related parties. According Spence (1973), Signaling theory suggests that companies with good financial performance use financial information disclosure to send favourable signals to the market about their potentials. Therefore, companies with high quality auditors send signals to the market that their financial statements are more reliable than those audited by lower quality auditors.

## 2.2 THEORETICAL FRAMEWORK

The following theories were reviewed to understand better the effect of audit quality on financial statement reliability to deposit money banks in Nigeria.

### 1. Stakeholder Theory

A firm has a variety of stakeholder who are interested in its operations. Due to the fact that these various stakeholders rely on the auditors evaluation of the financial statements when making decisions, the auditor is expected to report to them.

### 2. Agency Theory

Agency Theory is a principal that is used to explain and resolve issues in the relationship between business principal and their agents. This relationship is the one that exist between stakeholders as principals and company executives as agents. It describes the relationship between one entity, known as the principal who allocates tasks to another, known as the agent.

## 2.3 Empirical Review

Empirical studies have shown the effect of audit quality on firm performance. According to Ching, The San & Hoe (2015), they investigated the relationship between audit quality and financial performance of listed companies in Malaysia. Fifteen companies from the industrial products and consumer products industry listed on the main Board of Bursa, Malaysia were sampled from 2008 to 2013. The findings of the study indicate that audit quality have a significant positive effect on firm performance.

Fossung & Verges (2022), Conducted a study on audit quality and value creation while controlling for exogenous factors (the size and age of the firm). The audit quality was captured by the competence and the independence of the auditor while the creation of value is measured by the evaluation of turnover and net income. Using a logistic regression analysis on data collected from a sample of 97 public limited companies in Cameroon, it revealed that audit quality has a positive significant influence on value creation. Okolie & Izedonmi (2014), investigated the relationship between audit quality and market value per share of companies quoted on the Nigeria stock exchange. The study sampled 57 companies over the period of six years from 2006 to 2011. Audit quality was represented by audit firm size, audit fees, auditor tenure and audit client importance. The result of the study indicates that audit quality exerts significant influence on the market value per share of quoted companies in Nigeria.

Stella & Uchenna (2019), conducted a study on the impact of audit independence on financial statement quality. The study used ex-post facto research design and collected data from 4 banks listed on the Nigerian stock exchange covering a period of five years (2014 to 2018) for analysis. The findings of the study revealed a significant effect of audit independence on the financial statement quality and conclude that maintaining audit independence plays a crucial role in improving the quality and reliability of financial statements of Deposit Money Banks. Smii (2016), examined the effect of audit quality on the performance of six listed Tunisian firms from 2005 to 2009. The study revealed that size of audit firm, auditor specialization, and the size of the audit committee are positively associated

with firm performance. In a study carried out by Nzewi (2020), he investigated the impact of auditor tenure, audit fees and audit quality of Deposit Money Banks in Nigeria. An ex-post facto research design used and a sample of ten quoted deposit money banks. The study revealed that audit fees and auditors independence have influence on audit quality of listed Deposit Money Banks in Nigeria. Enofoetal (2013) empirically examined the relationship between audit quality and auditors independence in Nigeria listed companies. To achieve this objective, they conducted a cross sectional analysis adopting audit quality as dependent variable which was measured by the fees charged by the audit firms. The independent variables they used include audit tenure, board independence and ownership structure. Using the ordinary least square (OLS) regression analysis, their result indicated that as auditors independence increase, the quality of the audit also improve.

According to (Tyokoso & Tsegba, 2016), audit quality is the joint probability that the auditor detects and report questionable accounting practices of the firm. Audit quality is capable of influencing corporate performance through mitigation of risk and significant misstatement. The lower the risk of misstatements, the increase the confidence of capital market investors in financial reports which also lowers the cost of capital and increases the market valuation of the firm (Heil, 2012).

Ogoun of Perelajefa (2020), examine the role of corporate governance in determining the audit quality of firms by utilizing 71 non-financial firms for the periods 2008 to 2015. Audit quality was measured using a dummy variable of “I” and “O”, with I representing the use of the big four auditors by the firm and “O” otherwise. The data collected was analyzed using the binary regression analysis which reveals that board independence is negatively relates to audit quality. Shakhathreh, Alsmadi & Alsmadi & Alkhataybeh (2020), conducted a study on the influence of audit fees, audit firm size and audit opinion on the quality of financial statements. The data utilized for analysis were extracted from the financial statements of manufacturing and services companies listed on the Amnan Stock Exchange (ASE) during the period 2009 to 2016. The findings of the logistic regression analysis revealed that audit fees had a positive statistically significant impact on financial statement quality, while audit opinion had a negative statistically significant effect on financial statement quality.

Amahalu, Okeke & Chinyere (2018), examines the determinants of financial statement quality with a focus on healthcare firms listed on the floor of Nigeria Stock Exchange for the period 2010 to 2016.

The study used secondary data obtained from the fact books, annual reports and account of healthcare firms. The data were subjected to statistical analysis using pearson correlation analysis, ordinary least square (OLS) and Granger Causality Test. The findings showed a positive statistically significant correlation between audit independence, audit tenure, audit firm size and the financial statement quality.

Riccardi (2019) examines the relationship between changes in financial reporting quality and audit firm tenure. The findings revealed that audit firms with a median length of tenure, short tenure are linked to a drop in quality. Other findings revealed that smaller audit firm compared to organizations with large audit firms experienced bigger improvement in the quality of their reporting.

Ado, Rashid Mustapha & Ademola (2020), determine the impact of audit quality on the financial performance of Nigerian listed firm. The study used 756 samples from 84 companies listed on the Nigerian Stock Exchange over a nine years period from 2010 to 2018. Multiple regression was used to obtain data and analyze the model. The study revealed that audit fee has a small but positive impact on ROA.

Ezejiofor & Erhirhie (2018), examine the impact of Nigerian Deposit Money Banks Financial Performance on the quality of audits. The data for the analysis is the annual reports and accounts of listed Nigerian Deposit Money banks. The study used an expost facto research design, and regression analysis to analyze the work. The results of the findings showed a substantial relationship between financial performance of deposit money banks in Nigeria and the quality of audit.

Ugwu, Lilian & Aikpitanyi (2020) examined the effect of audit quality on the financial performance of 15 listed DMB in Nigeria from 2011 to 2017.

Audit firm size, joint audit and audit fee were used as independent variables, and ROA a proxied measure of financial performance was used as dependent variable. Ex-post facto and correlational research designs were used in the study, and multiple regression were used to analyze the data. The study revealed a positive correlation between audit firm size and ROA, and a negative correlation between joint audit and ROA and negative correlation between audit fee and ROA.

Abduallahi & Lawal's (2019), examined the financial statements and annual report of listed Deposit Money Banks in Nigeria and the impact of audit quality on financial performance from 2007 to 2017. Secondary data from 14

deposit money banks was used and ordinary least square regression analysis was used to analyze the work. The findings indicate a significant and favourable correlation between the financial performance of listed deposit money banks in Nigeria and audit quality.

Nwanyanwu (2017) examines the outcome of a correlation and regression analysis using a questionnaire survey, the findings reveal that audit quality determines the quality of the financial report. According to (Kamolsakulchai, 2015) the Thailand stock exchange from 2008 to 2012 shows that audit quality has a significant positive relationship with financial reporting as financial accounting reports complied with generally accepted accounting standards.

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 of the local government (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 (Ugwu, Aikpitanyi & Idemudia, 2020). In a cross-sectional survey of 50 audit firms in Edo and Lagos states in Nigeria, it was revealed that neither auditors' tenure nor audit firm size compromises auditor's independence.

The research recommended a maximum of five years for audit tenure to ensure financial reporting is not compromised (Amake & Okafor, 2012). Hassan (2013), assessed monitoring characteristics and financial reporting quality of the Nigeria listed manufacturing firms using 32 firms' years longitudinal panel of 32 observations. The results showed a significant positive relationship between monitoring characteristics and financial reporting quality. Farouk & Hassan (2014), examined the relationship between auditor quality and financial performance in listed manufacturing firms in Nigeria. The results show that auditor size and auditor independence have significant impacts on the financial performance of quoted cement firms in Nigeria.

Adeyemi & Okpala (2011), examined the impact of audit independence on financial reporting in selected firms in Lagos, Nigeria. In conducting the research, both primary and secondary data were used. The study found a significant and positive relationship between audit quality and the quality of financial reporting. Zureigat (2010), examined the effect of financial structure among Jordanian listed firms on audit quality. Using a sample of 198 companies, his analysis of logistic regression shows a significant positive relationship between audit quality and financial structure. Ojeka, Iyoha & Obigbemileayo (2014), examined the relationship between audit committee and firm financial performance in manufacturing firms using four characteristics, independence, financial expertise, size and meeting of the audit committee with performance measures such as Return on Equity (ROE), Return on Assets (ROA) and Return on Capital Employed (ROCE). The results showed a positive significant relationship between independence and financial expertise of audit committee and ROA, ROE and ROCE. Size and meeting of audit committee showed no significant relationship with all performance variables.

### **3.0 METHODOLOGY**

#### **3.1 Research Design**

The research design adopted for this study is the ex post facto design. While the data was collected from secondary sources, from the CBN statistical bulletin and annual report of the listed deposit money bank in Nigeria.

#### **3.2 Model Specification**

The model originally used by Abdullahi, Norfadzilah, Umar & Lateef, (2020) was adopted with some modification by the researcher. This is expressed as follows:

$$ROA = \alpha + \beta_1 AF + \beta_2 AFS + \beta_3 BS + \beta_4 AI + \sum_{it}$$

Where

ROA = Return on Asset measures as the ratio of profit after tax to total asset.

AF = Audit fee

AFS = Audit firm size

BS = Banks Size

AI = Auditors Independence

$\sum_{it}$  = Stochastic error term.

#### **3.3 Method of Data Analysis**

Data analysis refers to those techniques which the researcher would use to enable a summary description of the subject matter of the study to be made. The relationship between audit quality and financial statement reliability of deposit money banks is the main topic of this study. Thus, correlation coefficient and regression analysis was statistical tool used to analyse data collected, and the research hypothesis was tested with the analysis of variance (ANOVA).

#### 4.0 Result of Data Analysis

**Table 1: Correlation diagnostic**

	<i>RETURN ON ASSET</i>	<i>AUDIT FEE</i>	<i>AUDITORS' FIRM SIZE</i>	<i>AUDITORS INDEPENDENCE</i>	<i>BANK SIZE</i>
RETURN ON ASSET	1				
AUDIT FEE	-0.3423	1			
AUDITORS' FIRM SIZE	0.0000	-0.0661	1		
AUDITORS INDEPENDENCE	0.6158	-0.0099	-0.1866	1	
BANK SIZE	0.9037	-0.4491	-0.1506	0.6209	1

The correlation results represent the correlation coefficients between the variables of interest in this study. Correlation coefficients range from -1 to 1, with -1 indicating a perfect negative correlation, 1 indicating a perfect positive correlation, and 0 indicating no correlation.

#### 4.1 Interpretation of Result of Analysis

High positive correlation between ROA and Auditors Independence suggests that as Auditors Independence increases, so does Return on Asset. The strong positive correlation between Bank Size and ROA indicates that larger banks tend to have higher returns on assets. The negative correlation between Audit Fee and ROA suggests that as Audit Fee increases, there is a tendency for Return on Asset to decrease.

#### 4.2 Regression analysis

The regression analysis results provide coefficients for the variables in the study, indicating the estimated impact of each variable on the dependent variable, Return on Asset (ROA) in this context.

**Table 2: Regression Result**

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.13992	0.660845	0.211732	0.8393
AUDIT FEE	0.00002	0.00005	0.410457	0.6957
AUDITORS' FIRM SIZE	0.00005	0.00003	0.963943	0.3723
AUDITORS INDEPENDENCE	0.04265	0.01107	3.852272	0.0066
BANK SIZE	0.00006	0.00002	3.693256	0.0101

- A. INTERCEPT (0.13992):** This is the estimated value of ROA when all independent variables are zero. In this case, it suggests a baseline level of ROA (0.13%).
- B. AUDIT FEE (0.00002):** The coefficient for Audit Fee is very small, indicating a minimal positive impact on ROA. This suggests that, according to the model, an increase in audit fees is associated with a marginal increase in ROA.
- C. AUDITORS' FIRM SIZE (0.00005):** The coefficient for Auditors' Firm Size is also small, implying a slight positive impact on ROA. This suggests that, according to the model, banks audited by larger auditor firms may experience a modest increase in ROA.
- D. AUDITORS INDEPENDENCE (0.04265):** The coefficient for Auditors' Independence is relatively larger, indicating a more substantial positive impact on ROA. This suggests that, according to the model, a higher level of auditors' independence is associated with a significant increase in ROA.
- E. BANK SIZE (0.00006):** The coefficient for Bank Size is small but positive, suggesting that larger bank sizes are associated with a slight increase in ROA according to the model.

Based on the regression analysis, Auditors' Independence appears to have the most significant positive impact on ROA, followed by Bank Size, Auditors' Firm Size, and Audit Fee, which has the smallest impact.

**Table 3: Model R-square**

<i>Regression Statistics</i>	
Multiple R	0.920645
R Square	0.847588
Adjusted R Square	0.74598

The R-squared ( $R^2$ ) value is a measure of how well the independent variables in the regression model explain the variation in the dependent variable. In this case, the  $R^2$  value is 0.8476, indicating that approximately 84.76% of the variability in the dependent variable (financial statement reliability) can be explained by the significant independent variables in this model.

The R-squared value of 0.8476 suggests a strong explanatory power of the model, meaning that the included independent variables collectively contribute significantly to explaining the variation in the financial statement reliability. In other words, 84.76% of the observed variability in financial statement reliability can be attributed to the combination of Auditors' Independence and Bank Size in the regression model.

**Table 4: Model ANOVA test**

	<i>Df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>P value</i>
Regression	4	0.1195	0.0298	8.3417	0.0125
Residual	6	0.0215	0.0035		
Total	10	0.1410			

$H_0$ : The estimated regression model is inadequate for prediction

$H_1$ : The estimated regression model is adequate for prediction

**Result:** Since the p-value (0.0125) in table 4 is less than the 0.05 level of significance and thus we conclude that the estimated regression model is adequate for prediction.

### 4.3 Discussion of findings

The correlation results suggest several implications for the study aimed at investigating the effect of auditors' independence on deposit money bank profitability for the period of 2012-2022. The strong positive correlation between Return on Asset (ROA) and Auditors' Independence implies that maintaining a high level of auditors' independence may positively influence deposit money bank profitability. This finding underscores the importance of a robust and independent audit process in contributing to better financial statement reliability. The very strong positive correlation between Bank Size and ROA indicates that larger banks tend to have higher returns on assets, emphasizing the potential advantages of scale in the banking industry.

The comprehensive analysis of the study, which investigates the impact of auditors' independence, audit fee, auditors' firm size, and bank size on Return on Assets (ROA) as an index for banks' financial statement reliability, reveals noteworthy findings. The regression model, supported by an ANOVA test, demonstrates an overall statistical significance, indicating that the included variables collectively explain a substantial portion ( $R$ -squared = 84.76%) of the variability in ROA. Auditors' Independence and Bank Size emerge as statistically significant predictors, implying a positive influence on ROA. These results underscore the pivotal role of auditors' independence and the scale of banks in shaping financial performance.

However, the non-significance of Audit Fee, Auditors' Firm Size, and the Intercept suggests that these factors may not have a direct impact on ROA in the studied context. While Auditors' Independence exhibits a more substantial positive impact, the study prompts a reliable interpretation and underscores the importance of recognizing potential limitations and the need for further exploration of additional influencing factors.

In the realm of financial statement reliability, the study implies that fostering a high level of auditors' independence and acknowledging the significance of bank size may contribute significantly to the overall robustness of financial statements, as reflected in the measured index, ROA. It is crucial for stakeholders to consider these findings alongside the limitations of the study, ensuring a good understanding of the complex relationships between auditors' practices, bank characteristics, and financial performance.

Further research is warranted to delve deeper into the intricacies of these dynamics and to explore additional variables that may contribute to a more comprehensive understanding of banks' financial statement reliability.

### 5.1 Summary and Conclusion

A comprehensive analysis of the study was carried out to investigate the impact of auditor independence, audit fees, audit firm size, and bank size on Return on Assets (ROA) as an index of banks' financial statement reliability. The regression model, supported by an ANOVA test, demonstrated overall statistical significance, indicating that the included variables collectively explain a substantial portion ( $R$ -square = 84.76%) of the variability in ROA. Auditor independence and bank size were found to be statistically significant predictors, implying a positive influence on ROA. However, the non-significance of audit fees, audit firm size, and the intercept suggests that these factors may not have a direct impact on ROA.

The findings further revealed a strong positive correlation between ROA and auditor independence, indicating that as auditor independence increases, ROA also increases. Similarly, a strong positive correlation was observed between bank size and ROA, suggesting that larger banks tend to exhibit higher returns on assets.

## 5.2 Recommendations

Base on the research findings the following recommendation were profile by the researcher.

1. For auditors to maintain a high level of independence and the outcome of their work highly reliable, there should be continuous rotation of auditors for at least a maximum period of every three years by the DMBs.
2. The audit fee paid to the audit firm should not form a large proportion of their annual revenue so that they should not be influence by the client given them the audit work. In that case, the auditors can report a true and fair view of the state of affairs of the financial statement.
3. A committee of shareholders only, should be set up to screen and appoint auditors before presenting them to the entire share holders for ratification at their AGM, instead of the Board of Directors appointing auditors and present them to the shareholders for ratification.

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