

## THE RELATIONSHIP BETWEEN AUDITORS' INDEPENDENCE AND AUDIT REPORT QUALITY IN LISTED NIGERIAN DEPOSIT MONEY BANKS IN WEST AFRICA

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**How to cite:** AKINTAYO, O.O., & AKOSILE, I.A. (2022). "The Relationship Between Auditors' Independence and Audit Report Quality in Listed Nigerian Deposit Money Banks in West Africa." *Annals of Spiru Haret University. Economic Series*, 22(1), 419-437, doi: <https://doi.org/10.26458/22127>

### Abstract

*This study focused on the relationship between auditors' independence and quality of audit report. To investigate this objective a survey research design was adopted to gather data from the respondents through the distribution of questionnaires to 120 respondents comprised of 12 auditors and 108 senior staff of the 12 randomly selected Deposit Money Banks (DMBs) in Nigeria. In addition, 120 copies of questionnaires were distributed to the respondents from which only 118 questionnaires were returned and used for the study. Both descriptive and inferential statistics of logit regression was adopted for the study. The result obtained from the regression analysis showed that there was a significant positive relationship between auditor independence and quality of audit report. This assertion was premised on the fact that the p-value of the LR-statistics computed for the test of 0.0000 was less than the critical value of 5%. It was concluded that auditor independence and quality of auditor report were sufficiently related. It was recommended that auditors should not interfering with the affair of its client in order not to erode its independence.*

## Issue 1/2022

**Keywords:** *auditors; auditors independence; statutory audit; quality of audit report.*

**JEL Classification:** M41, M42

### 1. Background to the Study

This study is designed to examine independence of auditors and quality of audit report in listed Nigerian Deposit Money Banks. As an institution grows, there is high probability that inconsistent data if not properly managed will be made available to the various decision makers because they do not involve and adopt the independent auditors in their financial activities that will ensure good corporate governance so as to alleviate the problems.

Auditors report could be likened to internal control system by which an organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing of fraud and protecting the organization's resources, both physical (e.g. machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks). Tirole (2018), Observed that in recent times, the financial manipulations, weak internal control systems, ignorance on the part of the board of directors and audit committee, manipulation on the part of the reporting auditor and other fraudulent activities that occur within companies, creating a negative goodwill to the general public.

Between the years 2005- 2012, The Central Bank of Nigeria (CBN) investigated banks on possible reasons for the collapse of some banks in the country. It was discovered that deposit money banks failed to adhere strictly to corporate governance policy on granting of loans to customers. The investigation revealed that loans were granted to customers without collateral securities and this led to financial problems in some of the deposit money banks in Nigeria. The investigation further revealed that the auditors of these banks might have been influenced by their management to give out clean bill to them in such a way to window dress. (Jensen 2016). This also led to the removal of Chief Executive Officers of some of these banks and followed by merger and acquisition of some of these banks. This took place to stabilize the deposit money banks in Nigeria and as well to save the banking sector and the depositor's money banks (NDIC Report, 2015). In particular, it must be mentioned here that regulators have often expressed their concern that the length of the auditor-client relationship could impair auditor independence and thus audit quality Adeyemo & Okpala, 2017).

Audit fees are expected to be a sign of current and future performance (Stanley, 2017). Most studies in Nigeria focus on a single characteristic, such as audit quality (Farouk & Hassan, 2014) and measure its effect on financial performance. Others, such as Enofe, Mgbame, Efayena and Edegware (2016) examined the link between audit quality and auditor independence, auditor experience and auditor accountability. Olagunju (2017) studied the relationship between Corporate Governance and Audit Quality.

The researcher examined at the issue of quality of audit report in Nigerian deposit money banks with respect to independence of auditors. In view of the fact that not much research work has been carried out or conducted on this study in Nigeria and more so, that the few available studies appear very contradictory to one another. This development has necessitated the need for this study and variables such as professional experience, audit fees which were not earlier considered by previous studies have now been accommodates. On this basis, the objective of this study is to evaluate the relationship between auditors' independence and audit report quality in listed Nigerian deposit money banks. In order to empirically investigate this objective, the paper is divided into five section which includes; background to the study, literature review, methodology, results and discussion and conclusion and recommendation.

## 2. Literature Review

The review of literature for the study is carried out under three sub-headings of conceptual, theoretical and empirical reviews of literature.

### Conceptual Review

The meaning attached to words are very essential in understanding what the words denote in relation to a particular scenario. Thus, this section concentrates on the meaning of words and concepts relating to auditors independence and quality of audit report.

### Auditor Independence

Auditors independence refers to the auditors' ability to maintain an objective and impartial mental attitude throughout the audit (Sridharan, 2017) as cited by Olagunju (2016). To maintain the highest ethical standard for the auditing profession, independence should be tailored towards the quality of being free from influence, persuasion or bias (Myers, 2013). In the absence of independence, the value of audit

## Issue 1/2022

services will be greatly impaired. Auditor's independence is recognized as the cornerstone of the public accounting profession and that it is privileged to govern itself. Financial information users, stakeholders and the society at large grant power and privilege to the Accounting profession. So, auditors are expected to perform their duties for the public benefit in exchange for exclusive professional privilege. The purpose of independence of auditors on audit report is to enhance its credibility by providing written reasonable assurance from an independent source that will show a true and fair view in accordance with an accounting standard

### **Types of Independence.**

There are three main ways an auditor's independence can manifest itself. These are programming independence, investigative independence and reporting independence (Olagunju, 2017).

Programming independence essentially protects the auditor's ability to select the most appropriate strategy when conducting an audit. Auditors must be free to approach a piece of work in whatever manner they consider best. In addition, the auditing profession is a dynamic one, with new techniques constantly being developed and upgraded which the auditor must decide to use. The strategic methods, which the auditors intend to implement, cannot be inhibited in any way.

Investigative independence protects the auditor's ability to implement the strategies in whatever manner they consider necessary.

Basically, auditors must have unlimited access to all company's financial information concerning their assets and liabilities. Company must answer any queries regarding a company's business and accounting treatment. The collection of audit evidence is an essential process, and cannot be restricted in any way by the client's company. Reporting independence protects the auditors' ability to choose to reveal to the public any information they believe should be disclosed. If company directors have been misleading shareholders by falsifying accounting information, they will strive to prevent the auditors from reporting this. It is in situations like this auditors independence is most likely to be compromised ( Chijioke, Emmanuel & Noshikare, 2016).

### **Real independence and Perceived Independence**

There are two important aspects to independence which must be distinguished from each other: independence in fact known as real independence and independence in appearance known as perceived independence. Both forms are

essential to achieve the goals of independence. Real independence refers to the actual independence of the auditor, that could be referred to as independence of mind. Real independence is concerned with the state of mind the auditor is and how the auditors deal with a specific situation. An auditor who is independent in the nature of his engagements, has the ability to form an opinion which will have reflections on his report even if he is placed on a compromising condition by the organization directors. Likewise, an auditor's objectivity must be beyond question and this can be guaranteed by perceived independence which is very important. (Kyriakou & Beck, 2014).

### Quality of Auditors report

Quality of Auditors report could be explained to be the probability that an auditor will both discover and truthfully report material errors, misrepresentation, or omissions in the client's material financial statement. It could also be seen as the probability that an auditor will not issue an unqualified report for statements containing material errors (Fama, Henson & Sharks., 2014), the accuracy of auditor's information reporting (Davidson & Neu, 2013), and measurement of the audit's ability to reduce noise and basin order to improve on accounting data (Doputch, 2014).

The audit service is the provision of independent verification of the credibility of financial statements to users. In order to ensure that the audit enhances the credibility of financial statements, it must be of a sufficient audit quality (Geiger, Gasissmaier, & Gigerenzer 2013) and, in turn, audit credibility (Lia, 2017). Financial statement users will change assessments of audit report quality based on new publicly available information about an auditor (Dopuch & Simunic, 2016). New information, such as audit independence as auditor's ethical behaviour, lower perceived auditor independence, may be lower perceived financial statement reliability and, thus, the perceived quality of audit services provided (Tirole, 2015).

In other words, high-quality auditors give greater credibility and better quality to financial statements than low-quality auditors (Umar, 2015). The higher audit quality generates the higher the information credibility and information quality that has impact on the higher quality of financial statements (Venkataraman, 2015).

In accounting context, higher audit fees are reflected by higher costs that have to infer that these higher costs result in greater audit quality. Hence, the auditor should have a higher reputation as a result (Myers, 2014). The link of the relationship between the reputation and the audit quality is provided by economic theorists such as Lan and Leffler (2015) and Shapiro (2002). The essence of their

## Issue 1/2022

arguments is that individual has an economic incentive to incur above average costs in order to produce a service. Many have advocated that in order for an auditor to remain independent, they should not be allowed to provide audit clients with any other advisory services. Both auditors and their clients have argued that the knowledge acquired during the audit process allows other services to be provided less expensive. The motion to form audit committee was first made in the Cadbury report in 1992. A group of three to five non-executive directors from within the company are chosen to provide what is supposed to be an objective view on all aspects of the audit from the evaluation of internal control systems to recommendations on audit fee.

Through the Cadbury report this practice has been implemented and many are still not convinced of the neutrality of non-executive directors Peer review or assessment. This is a new audit approach and it is not common in Nigeria. It involves a review of an audit firm system, procedures and strategies by another audit firm of comparable size reputation and standard. This is a requirement in the US that must be satisfied once in every three years. This is implemented to ensure that external audits are carried out with the utmost professionalism and independence at all times. Such a system has not been accepted by UK auditors. However, it is expected that many large firms are already rotating external auditors: it is widely believed that rotation of an audit firm will improve auditor's independence. Auditors will have no incentive to work together with their clients if the contract is due to expire in the foreseeable future. (Aderibigbe , 2016). Auditors will likely forge relationships with Directors and Staff that will bring less concern about upsetting them through an unfavorable audit report. In rotating an auditor, the auditor will try to prepare his account properly in order to produce audit report so as to avoid any shortcomings from the incoming or the new audit team (Cadbury, 2013).

### **Relationship between independence of auditors' and auditor's report**

The relationships that exist between independence of auditor and quality of audit report must not be over emphasized in an organization especially in deposit money banks where auditor's disciplines are created. Independence of auditors plays a great role in virtually all institutions. If there is no independence, there is no auditor and there is no deposit money bank. It should be of note that, if there is no deposit money banks there is no economy as well (Fredrick, 2015).

The relationship of auditor independence and quality of an audit report also depends simultaneously on several audit firm features such as auditor's specialty,

audit report lag, auditor's tenure, audit firm size, audit fee, auditor's enterprise, audit company type (Ng & Tai, 2014; Abedalgader Ibrahim & Baker, 2015). These features are peculiar to a particular audit firm, and can be jointly referred to as the audit firm features/characteristics that have potentially varying effects on the firm. For instance, audit report lag leads the existing shareholders and potential shareholders to postpone their transaction on shares (Ng and Tai, 2014, cited in Apadore and Noor, 2013). Auditors have a potentially privileged position to forecast the client's economic condition (Louise, 2015). Lastly, independence is one of the greatest auditor's virtues which guides in expressing opinion on financial statement.

### Theoretical Review

This section presents theoretical review on inspired confidence theory, Agency theory, Leading credibility theory, Information Asymmetry theory, Liability management theory and the Policeman theory.

### Theory of Inspired Confidence

This theory was propounded by Hapsari (1920). It details on the expected social responsibility of the independent auditors and the possible methods for ensuring that the engagement must meet the society needs. It specified auditor's role and their expected performance to restore the financial lost glory in the investors in public quoted companies. Knechel, (2013) researched on the work of Limperg (1879) of the University of Amsterdam. In the research, it was observed that the loss of confidence by the society on audits will reflects the non-social usefulness and acceptability of such. Their research made them realize that Limperg's principle in his theory is specifically relevant in the phase of audit function development.

According to the Limperg's *theory*, "the demand for audit services is the direct consequence of the participation of outside stakeholders and majorly the financial information users in the economy". Therefore, since the information given to the stakeholders by the management might be biased, an audit of this information is needed in order to give an informed decision to the investors. Auditor responsibility is described as the confidential function rooted in the society interests in the effectiveness of the audit and in the opinion formed by the accountants. This reliability of audit report by the stakeholders is the function' of the confidence reposed on the auditors. If the confidence is betrayed, the function too is jeopardized and becomes irrelevant (Sarbanes, 2013)

## Issue 1/2022

### **Liability Management Theory**

The theory was produced advance in the 1960s by Deposit Money Banks. It states that, there is no need for banks loan self-liquidating and maintaining liquid assets as they can borrow reserve money in the money market whenever necessary, advocates that a bank can meet its liquidity requirement by bidding the market for additional funds. In other words, they can borrow money from the market to meet their needs instead of granting self-liquidating loans (Stanley, 2010).

### **The Policeman Theory**

The policeman theory claims that the auditor is responsible for searching, discovering and preventing fraud. However, more recently the main focus of auditor has been to provide reasonable assurance and verify the truth and fairness of the financial statement. (Umar 2007).

### **Empirical Review**

Enofe, (2013) reported that auditors comment on financial statement must give an unbiased and impartial view of the company's financial activities in order to be useful to the users. The reality facing the stakeholders of financial reporting is that corporate financial reporting failure have been on the increase (Adeyemi, 2016). Empirical study on corporate governance and audit independence through empirical evidence of Iranian Bankers. He examined the several factors that affect audit independence in Iran. His result showed that there is a huge difference between auditors and bankers on audit independence. He came to the conclusion that for solving problem a well-established corporate governance can improve audit independence. In his conclusion, he posited that auditor should not be advocates for their clients and management also should not influence the audit fees and the scope of the audit. He believed that corporate governance in Iran shall increase auditor's independence with its effectiveness to be borne out of proactive institutional framework in Iranian soil. In the researcher's opinion, independence should be a state of the mind which indicates that auditors should remain independent on the forming of his opinion in irrespective of any kind of influence.

Fatah, (2018) carried out Lia (2017) on the effect of competence, independence and professional auditors on audit quality, it was discovered that competent auditors in carrying out the audit have a positive and significant impact on audit, the independence of the auditor in conducting the audit has a positive and significant impact on the quality of audit and that auditor professionalism in conducting audit



has a positive and significant impact on audit quality. This present study is a bit different because of the usage of different variables such as audit fees, Professional Experience and compliance with statutory provision in relation to audit quality.

Omole and Oyewole (2017) examined critical evaluation of impacts of auditors independence and quality of audit in Nigeria. The tests revealed that independence of audit committee is most significance in affecting audit quality in Nigeria. It does not however find audit firm rotation to be a significant factor for enhancing audit quality in Nigeria. It was recommended in the study that efforts should be made to strengthen audit quality if the quality of financial reporting was to be improved and regulatory authorities should ensure that the same firm do not render audit services and offer management advisory services in the same company simultaneously.

Babatolu, (2018), examined auditors independence and audit quality, a study of selected deposit money banks in Nigeria. Their tests revealed that the need to ensure reliable and high quality audit work, it must be ensured that auditors must not be too familiar with their clients in order not to jeopardise their integrity and in return impair their independent opinion. Their study also revealed that there is a positive relationship between audit fee, audit firm rotation and audit quality. It therefore recommended that Auditor's independence should be strengthened by taking different measures to address the issue which could create threats for auditors. The researchers failed to proxy other variables like compliance with statutory provisions and Professional Experience of auditors to actually juxtapose their findings.

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### 3. Methodology

The research design used is descriptive survey design. The population of the study consists of 5,000 staff in 21 deposit money banks in Nigeria for the period under review between 2010- 2019. For this study, purposive sampling method was used. In using this technique, the researcher cover 12 selected deposit money banks. The banks are; Access Bank plc, Fidelity Bank plc, First City Monument

## Issue 1/2022

Bank Ltd, First Bank of Nigeria Ltd, Guaranty Trust Bank Plc, Union Bank of Nigeria Plc, United Bank for Africa Plc, Eco Bank Plc, Stanbic IBTC Bank Plc, Key stone Bank Ltd, Wema Bank Plc and Zenith Bank Plc. The banks were chosen on the bases of their financial and deposit strength, sizes and capital in respect to the information disclosed in their annual reports. In addition, purposive sampling technique was used to 120 respondents for the study. These respondents comprised of the 12 external auditors for auditing the financial statement of the selected banks and 108 senior's staffs in the selected deposit money banks, the 108 senior staffs were made up of nine (9) most senior staff in each of the selected bank. Primary data was used for the study; a structured questionnaire was used as a tool for data collection. The questionnaire was structured in such a way that would help in decision on the objectives of the research, choosing the coverage of the study, enable the researcher's method of data collection to be used and it helped in the process, analysis and the interpretation of the data collected. The questionnaire used was subject to internal and external validity. The internal validity was done by a lecture in the Department of Accounting, Joseph Ayo Babalola University to check the instrument for consistency. Also, 30 drafts copies of the questionnaire were also taken to the field to confirm whether the questionnaire would measure what it was supposed to measure. After careful collection of the 30 copies of questionnaires distributed to the respondents, analyzing was done. The result of the Cronbach's coefficient alpha obtained was 0.8934. This showed that the instrument was externally valid. Both descriptive and inferential statistics tools were used for the study. In particular, the inferential statistics of logit regression was used to achieve the objective of the study. Meanwhile, from the 120 copies of questionnaires distributed to the respondents only one hundred and eighteen copies of questionnaires were returned and used for the study.

### 4. Results and Discussion

The result in table 1 presented the distribution of respondents on auditor independence. Looking at the result from the table, it might be asserted that auditor independence was very essential in quality of audit work. The implication of this was that without auditor being independent it might be difficult to obtain audit work that was above human intuition and feelings. Thus, it was reasonable to assert that auditor independence, professional experience of the auditors, auditor compliance with statutory guidelines and audit fees payable to auditors were important factors that influenced the quality of auditors work. This assertion was

based on the fact that the mean value computed for most of the test statement were quite better than the acceptable mean of 3.00 on a five point five likert scale.

**Table 1. Distribution of respondents perception on Determinants of Quality of Audit Report**

| A        | Auditors Independence                                                                                                                                 | SA (%)     | A (%)      | UND (%)    | D (%)     | SD (%)   | Mean | Std  |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|-----------|----------|------|------|
| 1        | The remuneration of auditor by his audit fees promote auditors independence                                                                           | 56 (47.46) | 50 (42.37) | 6 (5.09)   | 4 (3.39)  | 2 (1.69) | 4.31 | 0.82 |
| 2        | The understanding of Generally Accepted Auditing Standards (GAAS) and its application enhances auditors independence in Nigerian deposit Money banks. | 67 (56.78) | 35 (29.66) | 8 (6.78)   | 5 (4.24)  | 3 (2.54) | 4.34 | 0.95 |
| <b>B</b> | <b>Professional Experience</b>                                                                                                                        |            |            |            |           |          |      |      |
| 1        | An auditor that is exposed professionally is bound to be more independent                                                                             | 40 (33.90) | 50 (42.37) | 12 (10.17) | 10 (8.47) | 6 (5.09) | 3.92 | 1.09 |
| 2        | Professional Experience of auditors increases their confidence                                                                                        | 24 (20.34) | 77 (65.25) | 8 (6.78)   | 5 (4.24)  | 4 (3.39) | 3.94 | 0.91 |
| <b>C</b> | <b>Auditor compliance with statutory provision</b>                                                                                                    |            |            |            |           |          |      |      |
|          | Compliance with the statutory provisions and code of ethics of accounting profession enhance audit quality of Nigerian Deposit Money Banks.           | 34 (28.81) | 59 (50.00) | 12 (10.17) | 8 (6.78)  | 5 (4.24) | 3.92 |      |
|          | Non-compliance with operational audit procedure reduces the quality of auditors opinion                                                               | 67 (56.78) | 31 (26.27) | 12 (10.17) | 5 (4.24)  | 3 (2.54) | 4.31 |      |
| <b>D</b> | <b>Audit fees</b>                                                                                                                                     |            |            |            |           |          |      |      |
| 1        | Audit fees is associated with auditors independence                                                                                                   | 55 (46.61) | 45 (38.14) | 10 (8.47)  | 5 (4.24)  | 3 (2.54) | 4.22 | 0.95 |
| 2        | Audit fees is mostly determined in relation to audit risk                                                                                             | 65 (55.08) | 35 (29.66) | 8 (6.78)   | 4 (3.39)  | 6 (5.08) | 4.26 | 1.08 |

Source: Researcher's Field work, 2021

Issue 1/2022

### Distribution of respondents on the Quality of Audit Report

Quality of auditor works depended on certain factors among which is independence of auditor. Thus, the desire of the auditors to produce qualitative audit report would depend on the amount of independence the audit firm was able to enjoy. Table 2 presented the distribution of respondents' perception on the quality of audit work.

**Table 2. Distribution of respondents on the quality of audit work in DMBs in Nigeria**

| S.N | Variable                                                                                                                                              | SA (%)        | A (%)         | UND (%)     | D (%)       | SD (%)      | Mean | Std  |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|-------------|-------------|-------------|------|------|
| 1   | Audit report quality is subject to the understanding of accounting standards and auditing standards e.g. IFRS, GAAP, and SAS.                         | 60<br>(50.85) | 43<br>(36.44) | 8<br>(6.78) | 4<br>(3.39) | 3<br>(2.54) | 4.30 | 0.91 |
| 2   | Compliance with statutory provisions in the cause of auditing or audit works enhance audit quality                                                    | 67<br>(56.78) | 36<br>(30.51) | 5<br>(4.24) | 8<br>(6.78) | 2<br>(1.69) | 4.34 | 0.95 |
| 3   | Audit report quality vary widely, depending on the skills and judgment of expertise of the particular auditor involved in Nigeria deposit money banks | 56<br>(47.46) | 45<br>(38.14) | 7<br>(5.93) | 6<br>(5.08) | 4<br>(3.39) | 4.21 | 1.00 |

Source: Researcher's Field work, 2021

**Table 3 Regression Results computed for testing the relationship between auditor independence and quality of auditors report**

**Dependent Variable= Quality of Audit Report (QAR)**

| Variable              | Coefficient     | Standard Error  | Z-calculated          | P-value       |
|-----------------------|-----------------|-----------------|-----------------------|---------------|
| C                     | -4.612195       | 3.209461        | -1.437062             | 0.1507        |
| <b>AI</b>             | <b>0.966535</b> | <b>0.220320</b> | <b>4.386946</b>       | <b>0.0000</b> |
| <b>PE</b>             | <b>2.014060</b> | <b>0.596963</b> | <b>3.373846</b>       | <b>0.0007</b> |
| <b>AF</b>             | <b>0.951463</b> | <b>0.142243</b> | <b>6.688997</b>       | <b>0.0000</b> |
| <b>CSP</b>            | <b>0.592586</b> | <b>0.181460</b> | <b>3.265656</b>       | <b>0.0021</b> |
|                       | <b>OTHER</b>    | <b>TEST</b>     | <b>STATISTICS</b>     |               |
| McFadden R-squared    | 0.986003        |                 | Mean dependent var    | 0.864407      |
| S.D. dependent var    | 0.343816        |                 | S.E. of regression    | 0.294248      |
| Akaike info criterion | 78.651492       |                 | Sum squared resid     | 9.783747      |
| Schwarz criterion     | 70.768894       |                 | Log likelihood        | -33.43801     |
| Hannan-Quinn criter.  | 67.699160       |                 | Deviance              | 66.87602      |
| Restr. deviance       | 93.66428        |                 | Restr. log likelihood | -46.83214     |
| LR statistic          | 26.78825        |                 | Avg. log likelihood   | -0.283373     |
| Prob(LR statistic)    | 0.000022        |                 |                       |               |

Source: Researcher's Computation, 2020

Table 2 presented the distribution of respondent's perception on the quality of auditor report. From the table, it was found that the quality of auditors report in the selected deposit money banks had improved as a result of the amount of independence the auditors enjoyed. In addition, the desire of the management of the bank to state clear of the auditor works had enhanced the quality of the auditor report. Also, the understanding of the accounting standards and ability of the auditor to comply with regulations and rules guiding the audit of ADMBs financial statement had added seriously to the quality of the audit report. This inferred was

## Issue 1/2022

premised on the fact that the mean values obtained for the test items for quality of auditor report were quite greater than the acceptable mean of 3.00 with standard deviations that showed slight dispersion from the mean.

Table 4.10 presents the results of the logit regression computed for achieving the broad objective of the study. From the table, it was found that the p-value of the Z-statistics compute for Auditors Independence (AI) OF 0.0000 was less than the critical value of 5%. This implied that the null hypothesis which stated that auditors' independence was not significant on the quality of audit report in Nigerian DMBs was rejected. It was reasonable to assert that auditors' independence was significant on the quality of audit report. The independence of auditors was very vital to the quality of the audit report. With appropriate level of independence for auditors, auditors would be able to carry out his/her jobs assiduously without hindrance. The gathering of evidence, verification and checking of financial records of clients companies by auditors' required the right independence. With appropriate latitude of freedom for auditors to do their works the quality of the auditor's report might be enhanced. Failure of organization to give auditors some levels of liberty to operate had been found by Omole and Adeniyi (2016) to negatively affect the quality of the auditor's report. Auditors were behooved as a rule not to interfering in his client companies' affair. They were implored to concentrate only on their audit assignment. This was important in order for auditors not to lose his/her independence. Auditors must not be engaged to carry out duties outside their audit assignment in order not to impede their independence. Auditors by virtue of their engagement were employed to check if the financial statement prepared by the management reflected accurately the true and faire position of the organization and not to do otherwise in order to continue to maintain their integrity for the betterment of the audit report. The regression coefficient obtained for this test variable of 0.97 was positive with significant Z-statistics value of 4.39. This showed that there was a positive and significant relationship between auditor independence and quality of audit report in the Nigerian DMBs. The further implied that a 1% increase in in auditor independence might lead to 0.97% improvement in the quality of the auditor's report. The sign of this variable was in line with a priori expectation for the variable and hence, auditors' independence could be a determinant of quality of audit report.

Moreover, it was discovered that the p-value of the Z-statistics computed for Professional Experience of 0.0007 was less than the critical value of 5%. This indicated that the null hypothesis which stated that Professional Experience of

auditors was not significant on auditor quality of audit report was rejected. It was reasonable to assert that Professional Experience of auditors was significant on the quality of the auditor's report. Auditors needed to be professionally exposed before they could carry out a meaningful audit. With the right Professional Experience through appropriate training, professional certification, attendance at conferences and seminars and continuous mandatory professional training, the quality of the audit report could be enhanced. The ability of auditors to express an independent opinion different from that of the management of his/her client company had been discovered by Omole (2016) to be a direct function of professional acumen of these auditors. Auditors work as posited by Adeniyi (2017) required accountants that were professionally qualified and exposed in the rudiment of the audit assignment. The regression coefficient obtained for this test variable of 2.01 was positive with significant Z-statistics value of 3.37. This revealed that there was a significant positive relationship between Professional Experience of auditors and quality of audit report and hence, a 1% increase in Professional Experience of auditors might lead to 2.01% improvement in the quality of the audit report. The sign of this variable was in tandem with a priori expectation and hence, Professional Experience of the auditors might be a determinant of quality of the audit report.

The result in table 4.10 was quite revealing, it was discovered that the p-value of the Z-statistics computed for Audit fees (AF) of 0.0000 was less than the critical value of 5%. This implied that the null hypothesis which stated that audit fees were not significant on the quality of the audit report was rejected. It was reasonable to infer that audit fees were significant on the quality of the audit report. The quality of the auditor report might depend in some cases on the audit fees charged by the auditors. Prompt payment of the required statutory audit fees to auditors by Client Company could enhance the quality of the audit report. In addition, the tendency of a bank to deprive the auditor the required statutory fees might erode the quality of the audit report. This was because no sane auditors would continue to work with a bank that refused to pay the agreed audit fees. Resultantly, the intention of a bank to overpay the audit fees for the purpose of compromising the auditor independence might be tempting particularly with the auditor did not have the required professional training and experience. The regression coefficient computed for this test item of 0.95 was positive and significant with significant Z-value of 6.69. The implication of this was that there was a positive relationship between audit fees and quality of audit report and hence, a 1% increase in prompt payment

## Issue 1/2022

of statutory audit fees to the auditor by DMBs might lead to 0.95% improvement in the quality of audit report. This sign of this variable was in conformity with a priori expectation for the parameter and hence, audit fees might be a determinant of quality of audit report.

It was found that the p-value of the z- statistic s calculated for compliance with statutory provision (CSP) of 0.0021 was less than the critical value of 5%. This implied that compliance with statutory provisions enhanced the quality of audit report. The ability of the auditor to comply with necessary auditing and accounting standards during the course of his audit assignment might enhance the quality of the audit report. The quality of audit report depended to a large extent on the ability of the auditors to express his opinions on the basis of required standards and provisions. Failure of the auditors to comply with necessary provisions and auditing standards might make his opinion to be void. Auditor opinions were importance to an organization in many respects. Through audit opinion the shareholders of companies would be able to assess meaningfully the ability of the management to make return for their investment. In fact, through these opinions the prospective investors might be able to judge whether or not to invest in such a company. Therefore, these auditor opinions needed to be devoid of any subjective and personal feeling that had no bases in statutory audit provisions and hence, doing this by the auditors might improve the quality of the audit report. The regression coefficient computed for this test item of 0.59 was positive with significance Z-statistics of 3.27. The import of this was that there was a significant positive relationship between compliance with statutory provisions and quality of audit report. Therefore, a 1% unit increase in the ability of the auditor to comply with statutory provisions might lead to 0.59% improvement in the quality of the audit report. The sign of this variable conform to a priori expectation and hence, compliance with statutory provisions might be a determinant of quality of the audit report in the selected DMBs.

The results of the other statistics computed revealed that auditors' independence was necessary for quality of the audit report. For instance, the McFadden  $R^2$  obtained for the test of 0.99% revealed that 99% of the quality of audit report might be caused by auditor independence. On this basis, auditors independence was a good predictor variable for quality of audit report. In addition, the p-value of the LR-statistics obtained for the test of 0.0000022 was less than the critical value of 5%. This indicated that the joint null hypothesis which stated that there was no significant relationship between auditor independence and audit report quality in



Nigerian Deposit Money Banks was rejected. It was saved to infer that there was a significant relationship between auditor independence and audit report quality in Nigerian Deposit Money Banks. Also, the results of the Akaike Information criterion, Schwarz criterion and Hannan-Quinn criterion obtained for this test showed that auditors' independence was a good explanatory variable for the quality of audit report in Nigerian DMBs.

## 5. Conclusion and Recommendation

### - Conclusion

The result obtained for the study had showed that auditor independence was an essential parameter for enhancing the quality of audit report. Thus, it was concluded that there was a significant relationship between auditor independence and audit report quality. The implication of this was that the quality of audit report was a direct correlation with the amount of independence the auditor would be able to enjoy.

### - Recommendation

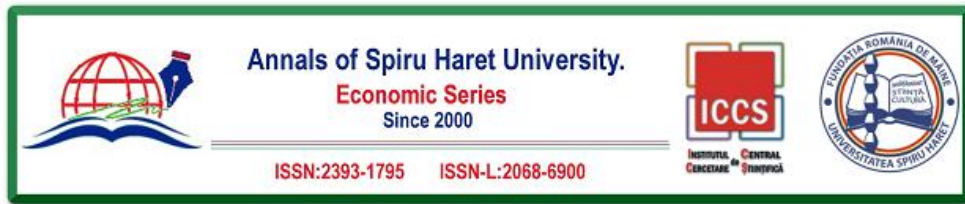
It was discovered that the independence of auditor had a direct relationship with the quality of audit report. On this basis, therefore, it may be recommended that there is need for the audit firm to protect its independence by working within its statutory duties. This indicates that an auditor should not interfering in the affair of its client.

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## Issue 1/2022

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**Issue 1/2022**

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