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An examination into the Quality of Audited Financial Statements of Money Deposit Banks in Nigeria

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Abstract *Audit quality is often related to the competence and independence of auditors as being able to detect material misstatements and being prepared to issue appropriate audit reports to reflect their findings. This study aims at assessing the quality of audited financial statements of money deposit Banks in Nigeria, with a view to assessing the independence of an auditor and the level of compliance to audit guidelines and how those guidelines affect the quality of audited financial statements of money deposit Banks in Nigeria. The study employs the use of both primary and secondary sources of data where questionnaire is the primary source and the annual reports of selected Banks are the secondary data. A judgmental sampling technique was used in selecting the sample size. Simple percentage was used for data analysis, while analysis of variance (ANOVA) was employed to test the hypotheses. The study concludes that consistency and reliability can be absolutely achieved if external auditors are independently auditing financial statements of Money Deposit Banks based purely on the established auditing standards and guidelines. The study recommends that audit committees of Money deposit Banks should be more strict in their investigations and should initiate moves for the suing of auditors where they are found wanting.*

Key words Examination, Audit Quality, Financial Statements, Money Deposit Banks

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1. Introduction

Financial statements (or financial reports) are formal records of the financial activities of a business, persons, or other entity. In British English, including United Kingdom Company Law, financial statements are often referred to as accounts, although the term financial statement is also used, particularly by accountants (IASB, 2007). Financial statement provides an overview of a business or person's financial condition in both short and long term. All the relevant financial information of a business enterprise presented in a structured manner and in a form easy to understand, is called Financial Statements (Grewal, 2008). When people refer to audit quality they focus on the credibility of the audited financial statements within the reporting regime in which they have been prepared. Duff (2004) asserts that firms need to attract high quality individual with the necessary technical and interpersonal skills to improve audit quality.

Lennox (1999) believes that most researchers generally agree that the size or brand name of audit firms is an appropriate indicator of audit quality. Palmrose (1988) defines audit quality in terms of level of assurance. Since the purpose of an audit is to provide assurance on financial statements, audit quality is the probability that financial statements contain no material misstatements. In academic research (e.g. Elifsen and Willekens, 2008), audit quality is often related to the competence and independence of auditors being able to detect material misstatements and being prepared to issue appropriate audit reports to reflect their findings. Geiger and Raghunandan (2002) measures audit quality as whether the auditor had issued a going-concern qualification in the prior year for US clients that declared bankruptcy. They found that auditors are less likely to issue a going concern opinion during the initial years of engagement but not in later years, contrary to the expressed concern that a long auditor-client relationship negatively affects audit quality.

Other measures of audit quality have included, among others, desk reviews and SEC enforcement actions (Geiger and Rama, 2006), audit size (DeAngelo, 1981; Krishnan and Schauer, 2000), audit tenure (Ghosh and Mood, 2005), industry expertise (Wooten 2003), audit fees and economic independence (Choi *et al* 2010). In more formal terms, a commonly quoted definition of audit quality from DeAngelo (1981) is the 'Market-assessed joint probability that a given auditor discovers (a) a breach in the client's accounting system and (b) report the breach'. Neither a user of audited financial statements nor an academic researcher can tell whether a specific audit report accurately reflects the presence or absence of material misstatements. Even when misstatements that were not reported by an auditor subsequently come to light, that does not represent conclusive evidence of a failure in audit quality, since audits are not intended to provide absolute assurance.

ICAEW's 2002 *Audit Quality* publication explained that '…at its heart, [audit quality] is about delivering an appropriate professional opinion supported by the necessary evidence and objective judgments.' One way of making the concept real is to try to establish clear expectations of what auditors need to do to support an appropriate professional opinion on an individual set of financial statements.

Investment decisions are based partly on reported financial statement information. Issues related to quality of audited financial statement continue to be a major interest to accounting researchers, practitioners and policy makers. For instance, Enron scandal has led US policy makers to confront issues related to improvement in audit quality. Meanwhile, the International Federation of Accountant (IFAC) commissioned the Task Force on Rebuilding Public Confidence in Financial Reporting (Credibility Task Force) in October 2002 to look at ways of restoring the credibility of financial reporting.

According to Francis et al (2005), unreliable firm-specific information in financial statement could pose a non diversifiable information risk to investors. Current reporting regimes in most countries seek to increase the reliability of financial statement information by a combination of mechanism. In the current study the researcher shall explore the various qualities that make audited financial statements acceptable in the Nigerian Money Deposit Banking industry.

As harshly criticized as accounting and accountants are, such criticism is not at all new. Strident complaints about dishonest and deceptive audited financial statements are now rampant. This was harshly exposed after unforeseen distress in the financial system like that of Enron Scandal in 2002, collapse of Lehman Brother of United State of America and global financial crises of 2008. Many of those were partly, if not majorly, blamed on misleading audited financial statement published by those companies. Most recently is the case of Akintola William's Accounting Firm and Federal Republic of Nigeria on the Probe of Nigeria National Petroleum Corporation (NNPC) of 2012.

It is based on these happenings that the desire to ensure quality of audited financial statements arises. Notably, some of the problems which always exist are: (i) Money Deposit Banks in Nigeria have published audited financial statements which posted huge returns and presented such banks to the public as sound and healthy but quite unfortunately they have been subsequently declared as ailing or failed and bankrupt; (ii) Shareholders are worried about the safety of their investments entrusted in these Money Deposit Banks in Nigeria and this has led to doubts as to whether or not to invest in the banks; (iii) Contrary to all these expectations, majority (both the investing public and the masses) today see nothing useful about auditing and the services rendered by Auditors. Can these stakeholders be made to have a change of attitude in this direction and be positively disposed to audit?

The main objective of this study is to assess the quality of audited financial statements of money Deposit Banks in Nigeria. More specifically it is aimed at achieving the following objectives:

(1) To assess independent of an auditor and how it improves the quality of audited financial statements of money deposit banks in Nigeria.

(2) To assess the level of compliance with auditing guidelines and how it affect the quality of audited financial statements of money deposit banks in Nigeria. (3) To examine how material misstatement affects the quality of audited financial statements of money deposit banks in Nigeria.

Five (5) years audited financial statements of selected banks in Nigeria between the periods of 2006-2010 were examined to ascertain the level of compliance to audit guidelines and letter of engagement by the auditors of money deposit banks in Nigeria.

2. Conceptual Framework and Literature Review

2.1. Conceptual Framework

Businesses communicate to the public through a process known as financial reporting. The central feature of external financial reporting is a set of financial statements. Accordingly, financial statements constitute the principal means of communicating economic information to individuals and institutions residing outside the reporting enterprise, Edmonds *et. al* (2000). According to Mc Nair (2000) financial statement is the primary means of communicating the financial information of an organization to the external users, the four(4) general purpose financial statements are income statement, statement of changes in equity, statements of cash flows and balance sheet.

According Sharma (2003), the Institute of Chartered Accountants of India defines audit as an independent examination of an entity whether profit oriented or not and irrespective of its size or legal form, when such examination is conducted with a view to expressing an opinion thereon. Auditing is a detailed examination of a company's financial statement and the documents that support the information presented in those statements (Edmonds *et. al*, 2000). Auditing involves searching and verifying the accounting records and examining other evidence supporting the financial statements (Whittngton, 2004). According to Denigi (2004) "auditing is described as the independent examination of and expression of an opinion on, the financial statements of and enterprise by an appointed auditor in pursuance of their appointment and in compliance with any relevant statutory obligation."

On the other hand, Audit quality is obtained by a process of identifying and administering the activities needed to achieve the quality objectives of audit work. All various audit guidelines need to be understood and the benefits that can be realized once audit quality is made a priority. But based on behavioural perspectives and auditor quality, audit quality is not primarily about auditing standards but about the quality of people, their training and ethical standards (APB). The FRC argues that the skills, personal qualities of audit partners and staff, and the training given to audit personnel are important factors that determine auditor's quality. Research in business ethics has shown that personality type is directly related to individuals' ethical orientation (Rayburn and Rayburn, 1996). A large and varying body of literature exists that investigates many different aspects of behavioral perspectives of audit quality, such as Reduced audit quality (Malone C.F and R.W Roberts), Human Capital (e.g. Liu, 1997; Cheng *et al*, 2008), and Technical Quality that consists of: Reputation (e.g. Carey & Simnett, 2006; Baotham, 2009), Experience (e.g. Carcello *et al* 1992), Capability (e.g. Baotham *et al*, 2009) and Independence (e.g. Bobbie Daniels *et al*, 2005; Baotham, 2009).

Malone and Roberts (1996) develop a more comprehensive model of factors to explain reduced audit quality behaviors. They investigated the relationship between the incidence of reduced audit quality behaviors and auditors' personality characteristics, auditors' professional characteristics, auditing firm's quality control and review procedures auditing firm structure and auditors' perceptions of time budget pressure. They concluded that auditors' perceived strength of their firms' quality and review procedures and auditors' perceived strength of their firms' penalties for committing reduced audit quality acts are inversely related to incidences of reduced audit quality behaviors. Baotham (2009) investigates the effects of audit independence, quality, and credibility on reputation and sustainable success of CPAs in Thailand. The results indicated that audit independence has a positive relationship with audit quality and credibility, and audit quality has a positive association with audit credibility. Likewise, audit quality and credibility significantly influence on reputation that is also related to sustainable success. For audit independence's antecedents, intrinsic ethical concentration and extrinsic stimulus outstandingly play important roles.

According to Nelson et' al (2003), to have a well audited financial statement, it involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accountings policies are appropriate to the groups and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

General purpose financial reports are financial statements which are intended to provide information to meet the needs of external users who are unable to require, or contract for, the preparation of special reports to their specific information needs. It is among others to assess performance, financial position and cash flows of the entity and assess compliance with legislation, common law and contractual arrangements as they relate to the assessment of the entity's performance, financial health and cash flows. According to the Council of New Zealand society of accountants (1995) the statement of concepts for general purpose financial reporting and financial reporting standards are developed in the public interest and their use will both improve the quality of general purpose financial reporting which will ultimately lead to greater uniformity in reports by minimizing differences in accounting treatment.

However, a turning point in the commentaries on the importance of financial reporting is that financial reporting has been identified as a possible source of excessive compliance costs (Jarvis *et al*, 1996). Leopold et' al (1997) asserts that "Financial Statements are the principal vehicles by which business enterprises communicate information about the economic resources of business and changes in these economic resources". Of course, financial statements are the instrument panels of a business enterprise. They constitute a report on managerial performance attesting to managerial success or failure and flash working signals of impending difficulties. A firm communicates financial information to users through financial statements and annual reports. Financial statements contain summarized information of the firm's financial affairs organized systematically. They are the means to present the firms financial situation to the users.

2.2. Users of Financial Statements

Financial Statements are available sources of information about a company, its current health, and prospects for the future. A large variety of persons are interested in the acquisition and utilization of financial information about business firms. The best sources of information are the financial statements which provide a quantitative history about the firm. Users demand financial statements because of their value as information sources about a firm's performance, financial condition and stewardship of its resources. The users of financial statements can be internal or external users.

Obviously, financial statements of enterprise are used by many categories of people who have contact with the business and who have reasonable right to information concerning the reporting entity. Additionally, viewed by accounting standards steering committee that most significant or in the extreme case, the only user group were those comprising the company's shareholders and creditors who need to invest in or lend to those companies which agreed to provide them with the desire amount of information.

However, the growth and development of company law put in place by the state requires the preparation and publication of financial accounts (reports of limited company). One factor which can justify the role of the state in the regulation of the preparation and publication of accounting information is the existence of other users groups whose interest needed to be protected by the state. The development has stressed the existence of those other group users to include employees and the general public and this view was strongly expressed in a discussion document entitled "corporate Report". In fact, in 1974, the Accounting Standards Steering Committee (ASSC), operated jointly by the major accounting bodies, appointed a subcommittee to prepare a wide-range discussion paper.

The terms of reference of the study were to re-examine the scope and aims of published financial reports in the light of modern needs and conditions. Secondly, it will be concerned with the public accountability of economic entities of all kinds, but especially business enterprises. Furthermore, it will seek to establish a set of working concepts as a basis for financial reporting. Its aims will be to identify the persons or groups for whom published financial reports should be prepared, and the information appropriate to their interests.

2.3. Types of Financial Statements

According to Grewal (2008), "The term financial statements used in accounting refers, at least to two statements (i) Profit and Loss Account and (ii) Balance Sheet" To him, these statements are prepared at the end of a given period of time for a business concern. The Balance Sheet exhibits the assets, liabilities and capital of the business on a particular date. It is also called "position statement" profit and Loss Account shows the result of operations i.e profit and loss during a given period. To Gbede (2000), Financial

Statements include “the profit and loss account, the Balance Sheet, the statement of source and uses of funds, value Added Statements etc.”

Again, Pandey (1999) believes that financial statements are basically classified into the income statement (Profit & Loss Account) and the position statement (Balance Sheet). He opines that these two are the basic instruments of an accounting system to communicate financial information to users. Really for the purpose of this research work, financial statement is basically classified into two: Income Statement and the Balance sheet.

The accountant’s role is to ensure that the information provided is useful for making decisions. For external users, the accountant achieves this by providing a general – financial statement that complies with statute and is reliable. For internal users this is done interfacing with the user and establishing exactly what financial information is relevant to the decision that is to be made (Bary and Jamie, 2005).

2.4. Relevant Theories on Financial Reporting

The Entity Theory: The business firm is considered to have a separate existence, to the extent of having a personality of its own. The entity theory based on the equation that Assets are equal to Equity plus liabilities suggests that the valuation of the rights of the creditors can be determined independently of other valuations if the firm is solvent, while the rights of the stockholders are measured by the valuation of assets originally invested plus the valuation of reinvested earnings and subsequent revaluations. the rights of the stockholders to receive dividends and share in net assets upon liquidation are, however, rights as equity holders, rather than as owners of specific assets. The liabilities are specific obligations of the firm, and the assets represent the rights of the firm to receive specific goods and services or other benefits (Hendriksen, 1982).

The Enterprise Theory: Is a broader concept than the entity theory, but less well defined on its scope and application. According to the enterprise theory, accounting may be thought of as a social theory of accounting, that is, the firm is considered to be a social institution operated for the benefit of many interested groups. From an accounting point of view this would mean that the responsibilities of proper reporting would not only extend to stockholders and creditor, but also to many other groups and the general public. This concept of the firm is, according to Hendrikson (1982), most applicable to the large modern corporation that has been obliged to consider the effect of its actions on various groups and on society as a whole.

The Proprietary Theory: In the proprietary theory the proprietor or owner is at the center of interest. In the balance sheet format this is stated as follows: ‘Assets minus liabilities are equal to proprietorship’s. The assets are assumed to be owned by the proprietor, and liabilities are the proprietor’s obligations. Revenues are increases in proprietorship and expenses are decreases. The net income accrues directly to the owners; that is, it represents an increase in the wealth of the proprietors. The proprietorship is considered to be the net value of the business to the owners. It is a wealth concept (Hendriksen, 1982).

The Residual Equity Theory: In the residual equity theory, changes in asset valuation, changes in income and in retained earnings, and changes in interest of other equity holders are all reflected in the residual equity of the common stockholders. The specific equities include the claims of creditors and the equities of preferred stockholders. The balance sheet equations become as follows: Assets minus specific equities are equal to Residual equity’. The equity of the common stockholders in the balance sheet should be presented separately from the equities of preferred stockholders and other specific equity holders. According to Hendriksen (1982), the residual equity of view is a concept somewhere between the proprietary theory and the entity theory.

The objective of the residual equity approach is to provide better information to common stockholders for making investment decisions. In a going-concern situation, the current value of common stock is dependent primarily upon the expectation of future dividends. Future dividends are dependent upon expectations of total receipts less specific contractual obligations, payments to specific equity holders, and requirements for reinvestment. Since financial statement are not generally, prepared on the basis of possible liquidation, the information provided regarding the residual equity should be useful in predicting possible future dividends to common stockholders including liquidation dividends (Hendriksen, 1982).

Contingency Theory: Contingency theory has become prominent in both organization theory and management accounting. It has also been suggested that the contingency approach is implicit in accounting policy making. The contingency framework is extended to corporate reporting and it is argued that this may provide a means of explaining and predicting such systems. The contingent variables are conceptualizes as falling into four classes which consist of: (1) societal variables; (2) the environment of the enterprise; (3) organizational attributes; and (4) user characteristics and others sources of information. These are shown to be associated with particular attributes of corporate reporting system.

From the above concepts, we could immediately see that the enterprise theory charged the Accountant (Auditor) the responsibility of proper external reporting as the firm is considered to be a social institution operated for the benefit of many interested groups. The residual equity theory required that proper audited financial report is need by investors or potential investors for making investment decisions i.e. the information provided should be useful in predicting possible future dividends to common stockholders including liquidation dividends. Finally, the contingency theory has noticed some variable that may affect the quality of audited statement which the regulatory bodies, policy makers, and public at large have to take cognizance in auditing job. Issues like societal variables (legal frame work and audit perception), organizational attributes (extent of management control), and the environment of the enterprises (national differences).

2.5. Audit Quality and Audit Quality Control

Since the *Audit Quality Forum* was established in 2004, one of its key aims has been to promote confidence in financial reporting. The statutory audit can reinforce confidence because auditors are expected to provide an external, objective opinion on the preparation and presentation of financial statements. Auditors need to be independent in the opinions they express, while the work they have to do to form their opinions is highly dependent on, and rooted in, the real world and may become particularly challenging in some national environments.

In recent years audit practitioners, standard setters and regulators have taken significant steps to enhance confidence in the quality of financial statement audits, particularly in the light of problems encountered in major capital markets. Recent initiatives have been international in scope because, to the extent that there have been perceived audit failures, they have involved businesses with operations and financial statement users in many countries. Initiatives have therefore sought to promote consistency across countries in terms of what auditors should do and what financial statement users should expect from audit.

An audit firm should be dedicated to the pursuit of the highest quality in all its operations. Quality control should not be in respect of each particular engagement only, but must also a culture in the entire firm.

Quality control policies and procedures should be documented and communicated to the firm’s personnel. The international Audit and Assurance Standard Board (IAASB), a standing committee of IFAC, issued in February 2004 its first International Standard on Quality Control (ISQC) which provides guidance specifically on quality control for audit firms.

3. Research Methodology

The study employs the use of both primary and secondary sources of data where questionnaire is the major primary source of data while text books, internet, journals and unpublished materials are the sources of secondary data. The population of the study is the entire 21 money deposit banks in Nigeria as at 2012.

A sample size of five (5) banks was drawn from the population based on judgmental sampling techniques. The choice of the sample is based on the fact that the banks’ financial statements follow the sample pattern of reporting. The selected 5 banks are First Bank, Zenith Bank, Union Bank, United Bank for Africa and Access Bank, all publicly quoted companies in Nigeria.

Data analysis is done using the Analysis of Variance (ANOVA) technique to test the hypotheses formulated, while simple percentage was used for analysis of questionnaire which is presented in a tabular form.

4. Data Presentation and Analysis

4.1. Data Presentation

Question	Responses				Percentage			
	SA	A	SD	D	SA	A	SD	A
1. Audited financial statement if re-audited by other independent auditor will arrive at the same conclusion	**70**	**60**	**10**	**10**	**46.67**	**40**	**6.67**	**6.67**
2. independence of auditor on financial statement place a test on the quality of audited financial report	**90**	**40**	**10**	**10**	**60**	**26.66**	**6.67**	**6.67**
3. Consistency and reliability can be absolutely achieved in independently audited financial statement.	**85**	**50**	**10**	**5**	**56.67**	**33.33**	**6.67**	**3.33**
4. Do you agree that auditor always observe the various guidelines in carrying out their audit jobs?	**60**	**60**	**10**	**20**	**40**	**40**	**6.67**	**26**
5. Various audited guidelines issued by various bodies really help in improving the quality of audited financial statement.	**85**	**45**	**5**	**15**	**53.33**	**33.33**	**3.33**	**10**
6. Auditing guidelines help in explaining how auditor's report is prepared to enhance the quality of audited financial statement.	**85**	**45**	**10**	**10**	**56.67**	**30**	**6.67**	**6.67**
7. Material misstatement affects the quality of audited financial statement.	**80**	**60**	**10**	**0**	**53.33**	**40**	**6.67**	**0**
8. Lack of material misstatement proves the quality of audited financial statement of money deposit banks in Nigeria.	**70**	**50**	**10**	**20**	**46.67**	**33.33**	**6.67**	**13.33**
9. Most audited financial statement of money deposit banks in Nigeria contains material misstatement.	**89**	**38**	**13**	**10**	**59.33**	**25.33**	**8.67**	**6.67**

Source: Field survey 2012

Legend: SA**=** Strongly Agree; A=Agree; SD= Strongly Disagree; and D= Disagree

4.2. Data Analysis

The table above shows that 70 respondents representing 46.67% strongly agree, 60 respondents representing 40% agree, 10 respondents representing 6.67% strongly disagree that audited financial statement if re-audited by other independent auditor will arrive at the same conclusion. This result implies that majority of the respondents are of the opinion that audited financial statement if re-audited by other independent auditor will arrive at the same conclusion. 90 respondents representing 60% strongly agree, 40 respondent representing 26.67 agreed, 10 respondents representing 6.66% disagreed with the opinion that independent of auditor on financial statement place a test on the quality of audited financial report.

This implies that 130 respondents representing 86.66% are of the opinion that independence of auditor on financial statement places a test on the quality of audited financial report. 85 respondents representing 56.67% strongly agreed, 50 respondents representing 33.33% agreed, 10 respondents representing 3.33% disagreed with the opinion consistency and reliability can be absolutely achieved in independently audited financial statement. 60 respondents representing 4% strongly agreed, 60 respondents representing 40% strongly agreed, 60 respondents representing 40% agreed, 10 respondents representing 6.67% strongly disagreed while 20 respondents representing 26.67% disagreed with the opinion that auditors always observe the various guidelines in carrying out their audit job. This implies that majority of the respondents are of the view that auditors always observed the various guidelines in carrying out their audit job. 80 respondents representing 53.33% strongly agreed, 50 respondents representing 33.33%, 5 respondents representing 3.33% strongly disagreed while 15 respondents representing10% disagreed with the opinion that various audit guidelines issued by various bodies really help in improving the quality of audited financial report.

This implies that majority of respondents are of the opinion that various guidelines issued by various bodies really help in improving the quality of audited financial report. 85 respondents representing 56.67% strongly agreed, 45 respondents representing 30% agreed, 10 respondents representing 6.67% strongly disagreed while 10 respondents representing 6.67% disagreed with the opinion that auditing guidelines help in explaining how auditor's report be prepared to enhance the quality of audited financial statement. This means that majority are of the respondent are of the opinion that auditing guidelines help in explaining how auditor's report be prepared to enhance the quality of audited financial statements. 80 respondents represent 53.33% strongly agree, 60 respondents representing 40% agree, 10 respondents representing 6.67% strongly disagreed.

This gives 140 respondents representing 93.333% who are on the opinion that material misstatement affect the quality of audited financial statement of respondents representing 33.33% agreed, 10 respondents representing 6.67 strongly disagree while 20 respondents representing 13.13% disagree with the point that lack material misstatement proves the quality of audited financial statement of money deposit banks in Nigeria. 89 respondents representing 59.33% strongly agree, 38 respondents representing 25.33% agreed, 13 respondents representing 8.67% strongly disagree 10 respondent representing 6.67% disagreed with the opinion that most audited financial statement of money deposit banks in Nigeria contains material misstatement. This shows that 127 respondents representing 84.66% are of the opinion that most audited financial statement of money deposit banks in Nigeria contains material misstatement.

4.3. Statement of Hypotheses and their tests

Test of hypothesis One

H0$_1$: Independence of an auditor does not significantly improve the quality of audited financial statement of money deposit banks in Nigeria.

In testing hypothesis one, the researchers used responses to questions 1, 2, and 3 in the Questionnaire, as tabulated below:

Result and discussion

Descriptive Analysis

Sample

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
strongly agree	3	81.67	10.408	6.009	55.81	107.52	70	90
Agree	3	46.67	15.275	8.819	8.72	84.61	30	60
strongly disagree	3	10.00	.000	.000	10.00	10.00	10	10
Disagree	3	8.33	2.887	1.667	1.16	15.50	5	10
Total	12	36.67	32.497	9.381	16.02	57.31	5	90

Source: SPSS

ANOVA

Sample

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	10916.667	3	3638.889	41.587	.000
Within Groups	700.000	8	87.500		
Total	11616.667	11			

Source: SPSS

The result of data analysis computed with the use of SPSS version 17.0 shows that the mean is statistically significant at 5% level of significance. The $F_{cal.(3,8)}$ = 41.587 is greater than the F_{tab} = 4.07, therefore the estimated parameters are statistically significant. This implies that the null hypothesis is rejected while accepting alternative hypothesis. The result means that independence of auditors does significantly improve the quality of audited financial statement of money deposit banks in Nigeria.

Test of hypothesis Two

H0$_2$: Compliance to auditing guidelines has no positive and significance effect on the quality of audited financial statement of money deposit banks in Nigeria.

In testing hypothesis one, the researcher used responses from Questionnaire on question 4, 5, and 6 as tabulated below:

Result and discussion

Descriptive Analysis

Sample

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
strongly agree	3	75.00	13.229	7.638	42.14	107.86	60	85
Agree	3	51.67	7.638	4.410	32.69	70.64	45	60
strongly disagree	3	8.33	2.887	1.667	1.16	15.50	5	10
Disagree	3	15.00	5.000	2.887	2.58	27.42	10	20
Total	12	37.50	29.271	8.450	18.90	56.10	5	85

Source: SPSS

ANOVA

Sample

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	8891.667	3	2963.889	44.458	.000
Within Groups	533.333	8	66.667		
Total	9425.000	11			

Source: SPSS

The result of data analysis computed with the use of SPSS version 17.0 shows that the mean is statistically positive and significant at 5% level of significance. The $F_{cal. (3,8)}$ = 44.458 is greater than the $F_{(tab)}$ = 4.07, therefore, the estimated parameters are statistically positive and significant. This means that the Null hypothesis is rejected while accepting alternative hypothesis. The implication here is that compliance to auditing guidelines has positive and significant effect on the quality of audited financial statement of money deposit banks in Nigeria.

Test of hypothesis Three

$H0_3$: Material misstatement does not significantly affect the quality of audited financial statement of money deposit banks in Nigeria.

In testing hypothesis three, the researcher used responses from Questionnaire on question 7, 8, and 9 below:

Result and discussion

Descriptive Analysis

Sample

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
strongly agree	3	79.67	9.504	5.487	56.06	103.28	70	89
agree	3	49.33	11.015	6.360	21.97	76.70	38	60
strongly disagree	3	11.00	1.732	1.000	6.70	15.30	10	13
disagree	3	10.00	10.000	5.774	-14.84	34.84	0	20
Total	12	37.50	31.274	9.028	17.63	57.37	0	89

Source: SPSS

ANOVA

Sample

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	10129.667	3	3376.556	42.922	.000
Within Groups	629.333	8	78.667		
Total	10759.000	11			

Source: SPSS

The result of data analysis computed with the use of SPSS version 17.0 shows that the mean is statistically significant at 5% level of significance. $F_{cal(3,8)} = 42.922$ is greater than the $F_{(tab)} = 4.07$, therefore, the estimated parameters are statistically significant. This means that the Null hypothesis is rejected while accepting the alternative hypothesis. We can conclude here that material misstatement significantly affect the quality of audited financial statement of money deposit banks in Nigeria.

5. Summary of Findings and Recommendations

5.1. Summary of Findings

The summary of findings of this research is based on the analysis of data collected through questionnaire and testing of hypotheses. They are itemized as follow:

i. Independence of an auditor does significantly improve the quality of audited financial statements of money deposit banks in Nigeria.

ii. Compliance to auditing guidelines has positive and significant effect on the quality of audited financial statement of money deposit banks in Nigeria.

iii. Material misstatement does significantly affect the quality of audited financial statements of money deposit banks in Nigeria.

iv. The audited financial statements of Nigerian money deposit banks, if re-audited by other independent auditors, will give the same result and conclusion.

v. Independence of Auditor on financial statements places a test on the financial quality of Nigerian banks' audited financial statements.

vi. Consistency and reliability can be absolutely achieved if financial statements of banks in Nigeria are independently audited.

vii. Auditors always comply with various auditing and assurance guidelines in carrying out their auditing job on the financial statements of Nigerian Money Deposit Banks.

viii. Most audited financial statements of money deposit banks in Nigeria contain material misstatements which are usually reported in the domestic reports that Auditors write to the management of the banks.

5.2. Recommendations

In order to make Nigerian Accounting firms more effective in their activities, especially auditing responsibilities, so that they can continue to play their appropriate roles in the growth and development of money deposit banks and the economy at large, the following measures are recommended for adoption and practice:

i. Auditors of money deposit banks in Nigeria should live up to the expectations of their clients, their professional bodies, the laws of the land and, to a large extent, the general public. These they could do by simply upholding the ethics of their profession as they observe ethical codes such as integrity, objectivity and confidentiality.

ii. The auditors and regulatory agencies, like CNB, NDIC, SEC, etc, should ensure that money deposit banks in Nigeria do strict comply with the suggestions made by the auditor in the management reports and take appropriate punitive measures on the Directors where they fail to comply.

iii. The professional bodies should always watch governmental actions and raise alarm on policies which could hinder smooth discharge of Auditors' responsibility, especially in the audit of money deposit banks in Nigeria.

iv. Audit committees of banks should be more strict in their investigations and should be empowered to sue Auditors where they are found wanting and also they should always call for management report(s) to appreciate the issues raised therein. All these issues are attainable and where they are adequately implemented, the future of the profession is bright and this will go a long way in aiding Auditors to carry out their roles and responsibilities appropriately.

v. As audit quality is enhanced through clear demonstration of good agency relationship, where an Auditor serves the interest of equity holders and the audit committee serves the interest of Directors (who are direct agents of equity holders also), the whole process would positively aid the growth and development of the reporting entities (the MDBs) and the economy as a whole.

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