EFFECT OF AUDIT FIRM ATTRIBUTES ON FINANCIAL REPORTING QUALITY OF QUOTED DEPOSIT MONEY BANKS IN NIGERIA, 2009 – 2022

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Abstract

The specific objectives of the study were audit tenure; audit report time lag; audit remuneration and audit firm age on financial reporting quality of quoted deposit money banks in Nigeria. The bank size was introduced as a control variable. *Ex-post-facto* research design was adopted through secondary data from audited and published financial statements of ten banks that existed during the research. Descriptive test was used to determine the characteristics of dependent and independent variables. Probability value at 0.05 significant level was developed. Correlation test and Panel analysis of Pooled, Fixed and Random effect OLS were used**.** Hausman specification test adopted chose Random Effect Model. The study discovered that audit tenure had positive and significant effect; audit report time lag had negative and no significant effect; audit remuneration had positive and significant effect while audit firm age had positive and no significant effect. The study concludes that all the audit firm attributes decomposed have significant influence on banks' financial reporting quality. The study recommends that audit tenure should be maintained adequately since it has significant contribution to auditors' quality and financial reporting quality of deposit money banks in Nigeria.

Keywords: Audit Firm Attributes, Audit Quality And Financial Reporting Quality

Introduction

In the genesis of auditing, every auditor is an accountant but not every accountant is an auditor. In internal control system, any person can be an audit but not in reporting financial statement of a company for the consumption of the public and other financial users. Understanding the determinants of higher quality reporting is an important goal of both auditing and financial reporting research and practice. Financial reporting quality and audit firm attributes are distinct constructs and research can provide greater insights into each to ascertain the distinctions between them. Meanwhile, the two constructs are usually always together in terms of observable financial reporting outcomes in research study and physical practice. Moreover, financial reporting quality and audit firm attributes are seriously influenced by the underlying economics of the business and greater consideration of how changing and differing economic situations affect financial reporting. Hence, audit outcomes will provide deeper insight into the determinants and consequences of the both. Financial reporting quality and audit quality are important to financial users but some deviations give primary interest to academic researchers.

The curiosity to obtain quality assurance of financial statements has been a major source of concern amongst the users of financial information. This is largely due to the fact that major corporate failures and other related collapse which occurred around the world and in Nigeria in particular have raised fears about the credibility of financial reporting practices by Auditors (Ado, Rashid and Ademola, 2020). In response to

the need for financial reporting quality, the International Accounting Standard Board (IASB, 2008), issued an exposure draft entitled "an improved conceptual framework for financial reporting". The primary focus of the IASB is to create better communication in the financial reporting about the quality of disclosures (Deller, 2017).

Audit firm attributes is the quality of auditors also known as accountants or audit firms in the responsibility of discharging their duties without prejudice. Hence, auditors' reports depend on the attribute of auditors' behavior and actions on the course of their duty performance. Quality in financial reporting of companies increases income and customers' patronage as well as giving synergy to the company's value. Auditor's remuneration shouldn't be a yardstick in determination of quality financial reporting. If it is a focus of giving quality to financial reporting, it will endanger the responsibility of auditors' services and their clients' companies will suffer the fate of the auditors' reports. Long audit tenure in a particular company should not be so as not to disjoint auditors' independence and integrity in giving credence to financial statements. Delay in audit report can make interested investors, creditors and suppliers lose confidence and trust in the financial statement report of a company. This ugly situation would have adverse effect on the customers' patronage, company income, goodwill prospect and summarily affect the component value of the company. The problems of audit firm age on the employees who are productive and less productive as they get old in the operation of the company should be a focal point of discussion to access which one gives a better result.

Statement of the Problem

Auditing profession which is the trust and confidence of companies for continuity of their businesses if failed to live up to the expectations and challenges of the profession, then the company will lose hope on the auditors' responsibility. If the relevance and reliability of audit report is in doubt, the interest of the stakeholders will not be protected. Should this ugly situation happens, it will affect other users of financial statement information such as the creditors, customers, employees, financial analysts, government and the public. When a business enterprise whose financial statement has never exhibited loss or bankruptcy suddenly goes out of operation, the oversight of the function of the auditors will be questionable. When the independence of the auditors is impaired either as a result of gratification or social ties such as close relationship, having interest in the company's financial statement, the company under review will suffer the fate of not showing the reality of financial statement status. The technical competence and confidentiality as well as integrity of the auditors will be in the state of oblivion. At this point, errors and omissions, fraud or funds misappropriation and material misstatement may abound.

The remuneration of auditors if it determines the quality of report endangers the onerous task of auditors' service to their clients. Examination of auditors' tenure whether or not it kills the interest of the auditors as a matter of monotony in the service would be ascertained. Irrespective of "The Big-4 Audit Firms", banks in Nigeria still fail. So, there is a need to determine which audit firm age gives quality financial report between the young audit firms and old audit firms. In addition, the effect of audit report time lag on financial reporting quality of quoted deposit money banks in Nigeria was considered. The persistent banks and firms failures all over the world have raised some fundamental issues on the quality of audit, independence of the external auditors among others. The question now is whether these corporate collapses of companies and banks in Nigeria are not as a result of poor audit firm attributes and inability of the auditors' function to pin down earnings misreporting and misstatements becomes the pivot point of this study.

In Nigeria, some current studies have examined audit firm attributes and financial reporting quality (FRQ) of deposit money banks listed on the Nigerian Exchange Group and had their findings contradicting and inconclusive. For instance, the results in Kajola, Sanyaolu and Adeyemi, (2021) on audit remuneration showed a negative and significant relationship between audit firm characteristics (audit fees, joint audit) and earnings management of FRQ of listed deposit money banks whereas in Miebi and Akpoveta (2023) it had positive and significant effect on money deposit institutions (banks). However, Agana (2020) in his study revealed positive and no significant effect of audit fees on return on assets of listed deposit money banks in Nigeria while Kajola, Sanyaolu, and Adeyemi, (2021) unveiled negative and significant effect on earnings management of the banks. To resolve these inconsistent results from the prior studies, there is need for another study in this area to obtain sufficient empirical evidence of the actual effect of audit firm attributes on financial reporting quality of the quoted banks in Nigeria.

Significance of the Study

The study will be helpful to prospective researchers, scholars and students of Faculty of Management Sciences in different tertiary institutions to ascertain the quality of audit firm attributes in financial reporting. It will be useful to managers of companies, shareholders, financial analysts, government and regulatory bodies, customers, employees, investors, creditors and other users of financial accounting information for policy decision. Business managers anew, trainers in business environment and accountants will be better informed of detection of financial misstatements/fraud in auditing financial statement of a company.

Review of Related Literature

Conceptual Review

Audit firm attributes

Any audit firm that will qualify to audit financial statement of any company must have all the members certified to be professional accountants. Without this qualification, the audit firm or partners of the audit firm are technicians and therefore not qualified to undertake any audit exercise of any business. The Companies and Allied Matters Decree (CAMD) 1990 Section 358 (1) provides that a person shall not be qualified for appointment as an auditor of a company unless he is a member of a body of accountants in Nigeria established from time to time by an Act or Decree. The decree disqualifies the following from holding office as auditor of a company (Aguolu, 2002): **a)** an officer or servant of the company, **b)** a person who is a partner of or in the employment of an officer or servant of the company, **c)** a person or firm who or which offers to the company professional advice in a consultancy capacity in respect of secretarial, taxation or financial management, **d)** a body corporate, **e)** a person who is disqualified from acting as the auditor of another company which has a parent or subsidiary relationship with the company. Subsection '5' of 358 of the CAMD (1990) requires an auditor to vacate his office and give notice in writing to the company if it comes to his knowledge during his term of office that he is disqualified from holding that office.

Financial reporting quality

CAMD (1990), Section 334 of the Degree requires the directors of every company in respect of each of the company to prepare annual accounts referred to in the decree as financial statements (Aguolu, 2002). Adejola (2010) stated that the True-blood report of financial reporting was published in New York in 1973

in an attempt among other things to properly define the objectives of financial reporting. For if indeed the objectives are not clearly stated, it will be difficult to determine the level of reporting that will ensure full, fair and adequate disclosure. It is the reporting of accounting information of an entity to a user or group users. Company financial reporting is a total communication system involving the company as issuer (preparer); the investors and creditors as primary users, other external users; the accounting profession and auditors as measurers , and the company law regulatory or administrative authorities (Chukwu, 2021).

Audit tenure

Tenure of appointment and commencement period are always stated in a letter of appointment when a new auditor is appointed to handle the financial accounting statement of a company. The existing auditor should transfer promptly to the new auditor after he has been duly appointed, all books and papers of the company which are in his possession, unless he is exercising a lien thereon for unpaid fees (Jenfa, 2006). An audit firm's tenure can be defined as the length of time an auditor performs services for a client. Risk associated with the loss of independence is increased once client relationships are maintained for a long period of time. On the opposite, other individuals believed that long tenure of audit augments independence.

Audit report time lag

Audit report time-lag is a loophole of time delay on the side of an engaged auditor in giving report of his audit scrutiny to the client from the financial accounts of the client's company. Factually, it is the time between the expected date of report (EDR) and the actual date of report delivery (ADR). According to Agana (2020), the following are stated about report lag: Audit report lag is the number of days from the accounting year end of a company and the audit report date. Undue audit lag reduces the quality of financial reporting by not providing timely information to investors and prospective investors (Agana, 2020) as opined by Dibia and Onwuchekwa (2013). Audit report time lag which is also known as audit delay or audit completion period is measured in days or months.

Audit remuneration (fees)

The remuneration of auditors is the cost incurred by client for the services rendered by the auditor in preparing the client's financial statements as well as his professional advice. The audit fee involves the total cost of audit through the overall audit work, the risk compensation and the profit demand (Agana, 2020). Increasing audit efforts are determined by the audit firm likelihood of incurring in future losses due to the engagement with that specific client. Those losses include litigation costs, sanctions from regulatory entities, image and reputation damages. Audit fees are influenced by the litigation environment where audit firms operate on (Choi, Kim, Liu and Simunic, 2008). Big audit firm with large auditors attracts a fee premium because their greater wealth of experience reduces client's exposures in litigation (Agana, 2020).

Audit firm age

The effect of audit firm age on audit quality plays a vital role on financial reporting quality on auditors' work. One of the objectives of the founder of certain company is to maintain the business for a long period of time, thus it transfers from one generation to next generation. Although people come to work to that company, there will come a time that people will leave the work, but, if the company is fortunate and good enough, it will be there for a reasonable long time to conduct business (Sinaga and Sinaga (2019). These people include the Professional Accountants who work in audit firm. When the professional accountants

get older, so does the audit firm where they work. They are people who are productive when they get old and they are people who are less productive when they get old.

Empirical Review

Miebi and Akpoveta (2023) examined the drivers of audit quality in Nigeria, with a special focus on deposit money institutions from 2012 to 2021. They adopted regress and audit quality using the modified Jones model. The regress is measured by audit committee meetings, audit fees, audit tenure, audit-firm size and auditor independence. Panel data approach was employed through a number of diagnostic tests before executing the main regression. The Lagrange Multiplier-LM Tests and the Housman test demonstrated that the Random effect model is viable for the research. According to the study, audit committee meetings have a positive statistically insignificant influence on audit quality, but audit fees and independence have a statistically significant and positive effect. This indicates that, a firm's auditor payment has a significant effect on audit quality. The findings also revealed that audit tenure has a statistically significant detrimental influence on audit quality. The study concluded that audit fees, audit tenure and audit independence are significant factors of audit quality. Also, auditing firms' operations should be closely monitored, particularly in the area of auditor compensation, since it helps preserve audit quality.

Akinyomi and Abimbola (2022) examined the determinants of audit quality with focus on six firms in the Nigerian consumer goods sector. Correlation and regression analysis were carried out using SPSS version 22. The study reaffirmed that, board size, audit fees and company size are major direct drivers of audit quality. However, longer audit tenure reduces audit quality significantly.

Kajola, Sanyaolu, and Adeyemi, (2021) assessed audit firm characteristics and financial reporting quality: Evidence from Nigerian listed deposit money banks. From the perspective of Agency theory, there is a possibility for corporate managers to be involved in manipulation of accounting earnings, with the intention of misleading users of reports. This study examined the influence of audit firm characteristics on quality of financial reports of eleven Nigerian deposit money banks for financial years, 2007-2017. The study employed Random effects generalized least squares as analytical tool. Regression results revealed a negative and significant relationship between audit firm characteristics (audit fees, joint audit) and earnings management. For quality financial reports to be achieved, it is recommended that relevant regulatory bodies in Nigeria should mandate management of deposit money banks and other financial institutions to engage services of bigger-audit firms with requisite skills, professional experience and reputation. Joint audit should also be encouraged because of its added advantage of objective financial reporting over that of a single firm.

Agana (2020) appraised the effect of audit quality on the financial performance of Deposit Money Banks in Nigeria. The study adopted *ex-post-facto design* and used panel data collected from the annual financial statement of each of the selected 10 deposit money banks in Nigeria through their various websites and offices for the period of 2004 through 2019. The sourced data were analyzed using descriptive statistics, correlation and panel multiple regressions at 5% level of significance. The study found that: audit firm size and audit report lag do have significant effect on financial performance as measured by return on asset (ROA) of deposit money banks in Nigeria as the p-values of 0.049 and 0.000 respectively were less than 0.05 level of significance. Also, the study showed a positive and insignificant effect of audit fees on ROA of deposit money banks in Nigeria as the p-value of 0.194 was far greater than 0.05. The study recommended that banks should continue to engage audit firm within the big-4 auditing firms in Nigeria in

order to continue to influence the return on asset of deposit money banks in Nigeria significantly and positively.

Ado, Rashid, Mustapha and Ademola (2020) examined the influence of audit quality on performance using 84 non-financial firms for 9 years spanning 2010 to 2018. This culminated into 756 dataset. Thereafter, multiple regression analysis was employed to estimate the model specified for the study. The results depict a positive and significant influence of auditor size and independence while the two control variables, that is, firm growth and firm age displayed negative and significance association with return on assets, the measure for financial performance. In overall, the explanatory variables only explained 17% of variations in performance of these quoted firms.

Theoretical Framework

Agency theory The researcher adopted Agency Theory propounded by Jensen and Meckling (1976). The theory is the relationship between the principal and the Agent in relations to duty execution. The principal assumption of Agency theory is that the Principal and Agent are motivated by self-interest and so, the agent needs to be controlled to achieve quality in his duty. Therefore, auditing uses Agency theory as a measure of reducing managerial excesses and waste of organizational resources as well as eliminating self-interest of auditors in order to achieve quality reports on financial statements of companies. The theory creates confidence of business dealings and enhances the ethics of the information disclosures by the management of banks as the clamour for more information demand increases.

Methodology

Ex-post-facto research design was adopted which means that secondary sources of data were used. These were extracted from published financial statements and accounts for 10 deposit money banks studied that were quoted in Nigerian Exchange Group (NEG) for the period 2009 through 2022. The area of the research were carried out on full list of deposit money banks in Nigeria as at March 2, 2023 particularly the topmost Nigerian deposit money banks (Ayomide, 2023) in relations to firm attributes of audit on financial reporting quality. The Banks understudied are: Access Bank, Eco Bank, Heritage Bank, First Bank of Nigeria, Polaris Bank, Keystone Bank, Jaiz Bank, Sterling Bank, Union Bank of Nigeria, United Bank for Africa, Wema Bank, Zenith Bank, Fidelity Bank, Stanbic IBTC Bank, Standard Chartered Bank of Nigeria, Providus Bank, First City Monument Bank and Guarantee Trust Bank. Sources of data for the study were sourced out from secondary data which were extracted from the published financial statements and accounts of ten (10) deposit money banks among the quoted deposit money banks in Nigerian Exchange Group (NEG) for the period 2009 to 2022 as at March 2, 2023. The population of the study comprised of all the eighteen (18) topmost amongst Nigerian deposit money banks for the period 2009 through 2022. The sample size adopted depended on the following: a) the banks were in existence and operation within the period 2009 to 2022 and b) the banks that were not acquired or taken over or merged by another bank within the period of the study. The analytical procedures adopted in this study to test the hypotheses as the drivers of the research work are ordinary least square pooled panel data, fixed effect and random effect regression analysis. This is because, they are regarded to be the Most Appropriate Linear Unbiased Estimators (MALUE) that are suitable to delve into for estimating a model of this nature. Hence, the baseline panel regression model is stated thus:

$FINRQ_{it} = œ + \beta_1 AUTEN_{it} + \beta_2 AURTL_{it} + \beta_3 AUREM_{it}, + \beta_4 AUFA_{it} + \beta_5 BKS_{it+} \varepsilon it$_____ (1)

Where: $FINRQ_{it}$ = Financial Reporting Quality 'i' in year 't' (Dependent Variable)
$AUTEN_{it}$ = Audit Tenure 'i' in year 't' (Independent Variable)
$AURTL_{it}$, = Audit Report Time Lag 'i' in year 't' (Independent Variable)
$AUREM_{it}$ = Audit Remuneration 'i' in year 't' (Independent Variable)
$AUFA_{it}$ = Audit Firm Age 'i' in year 't' (Independent Variable)
BKS_{it} = Bank Size 'i' in year 't' (Control Variable)
œ = Intercept term of the model or Constant factor
ε = Error term (Incorporating omitted factor)
i = Index for individual banks,
t = Time factor effect for the period 2009–2022
$\beta_{1--}\beta_5$ = Regression Coefficient to be estimated.

A control variable that was not covered in the study which has influence on the companies' financial accounting statements is the bank size that was added to the model. Whilst, the fixed effect model is shown as follows: $Y_{it} = \beta' X_{it} + \varepsilon it$_____ (2)

Where: Y_{it} = Dependent variable = Financial Reporting Quality
X_{it} = Independent variable = Audit Firm Attributes
β' = Regression coefficient of parameters estimate ($\beta'_1 - \beta'_5$).
εit = Error term.

Random effect panel regression model is expressed as:

$Y_{it} = \beta' X_{it} + œ + \mu it + \varepsilon it$ _____(3)

Where: Y_{it} = Dependent variable (FINRQ)
X_{it} = Explanatory variables ($AUTEN_{it}$, $AURTL_{it}$, $AUREM_{it}$, $AUFA_{it}$,)
β' = Regression coefficient of parameters estimate ($\beta'_1 - \beta'_5$).
œ = Common intercept
$\mu it + \varepsilon it = Wit =$ disturbance term.

Natural logarithm was introduced in order to obtain a common unit of measurement because of diversity of unit measurement that range from years, days and naira currency which was a proxy of audit firm attributes. Below was self explanatory equation of the logarithm:

$FINRQ = \beta_o + \beta_1 Log\ AUTEN + \beta_2 Log\ AUREM + \beta_3 Log\ AURTL + \beta_4 Log\ AUFA + \beta_5 Log\ BKS + \mu_t$ _____ (4)

Where: FINRQ = Financial Reporting Quality
$\beta_o - \beta_5$ = Coefficient of estimated variables
Log = Natural logarithm
AUTEN = Audit Tenure
AUREM = Audit Remuneration
AURTL = Audit Report Time Lag
AUFA = Audit Firm Age
BKS = Bank Size
μ_t = Error term.

Method of Data Analysis

Data extracted from the research variables are estimated using panel estimation techniques in view of Econometric Software Analysis, version 10, 2023. The techniques adopted in the analysis of data consist of descriptive test, panel regression tests and robustness test. Descriptive test was used to determine the characteristics of dependent and independent variables (i.e. the mean, standard deviation, maximum and minimum points among others). Correlation test was carried out to ascertain the sign and strength of the relationship between the dependent and independent variables. Baseline panel regression analysis was adopted using pooled ordinary least square (OLS), random and fixed effects estimation. Hausman specification test was used to select the best out of the three models. Panel regression results were analyzed employing the probability value approach that states: Accept alternate hypothesis (H_1) and reject the null hypothesis (H_0) if the p-value is less than 5%, the chosen level of significance and vice versa.

If p-value $<$ 5% (0.05) $\rightarrow$ Reject H_0 and Accept H_1 _____ (5)
If p-value $\geq$ 5% (0.05) $\rightarrow$ Reject H_1 and Accept H_0 _____ (6)

RESULTS

Presentation of Data

Table 1: Descriptive Statistics

	LFINRQ	LAUTEN	LAURTL	LAUREM	LAUFA	LBKS
Mean	117.9132	1.54237	1.55233	0.18793	0.96820	0.93401
Median	109.9122	1.53772	1.60742	0.00000	0.97439	0.05919
Maximum	121.0413	1.87506	1.72427	0.77815	1.18281	1.44887
Minimum	16.69890	1.04139	1.17609	0.00000	0.02237	0.58503
Std. Dev.	9.125221	0.18100	0.17188	0.29684	0.40719	0.68011
Skewness	0.906201	0.01834	1.30712	1.02528	0.08733	0.97272
Kurtosis	2.178499	2.39694	3.29547	2.23982	3.24784	2.32901
Jarque-Bera	9.89915	0.912573	18.30398	11.95666	0.229842	8.58742
Probability	0.00708	0.633632	0.000175	0.002533	0.891437	0.00502
Sum	34.7956	92.54236	93.13978	11.27636	-58.09200	20.0411
Sum Sq. Dev.	0.92513	1.913811	1.743051	5.198895	9.782783	21.2904
Observations	**140**	**140**	**140**	**140**	**140**	**140**

Source: Author's computation 2023 from E-Views, version 10.0
Where: L = Logarithm

Descriptive Test

Table one showed the descriptive results of financial reporting quality (FINRQ), audit tenure (AUTEN), audit report time lag (AURTL); audit remuneration (AUREM); audit firm age (AUFA) and bank size (BKS) for the period of 14 years, spanning from 2009 - 2022. The result of descriptive statistics revealed that on average, financial reporting quality stood at 117.9132 percent across the sampled banks which fluctuated from the minimum of 16.69890 percent to the maximum of 121.0414 percent. The dispersion around the mean indicated by the value of standard deviation is 9.125221 percent. It was also discovered that financial

reporting quality (FINRQ) is positively skewed with skewness coefficient of 0.906201. This implies that the distribution of FINRQ clustered to the left, but had long tail to the right. The kurtosis value (2.178499) is above zero (0) which showed that FINRQ did not meet the Gaussian distribution requirement which suggest a value of zero for kurtosis.

Correlation Test

The result of the Pearson correlation test is presented in table 2.

Table 2: Correlation Matrix

	LFINRQ	LAUTEN	LAURTL	LAUREM	LAUFA	LBKS
LFINRQ	1.000000	0.063342	-0.042794	-0.105313	0.178661	0.308242
LAUTEN	0.063342	1.000000	0.384621	0.228391	0.563245	0.628305
LAURTL	-0.042794	0.384621	1.000000	0.315647	0.634462	0.195648
LAUREM	-0.105313	0.228391	0.315647	1.000000	0.284653	0.235756
LAUFA	0.178661	0.563245	0.634462	0.284653	1.000000	0.275052
LBKS	0.308242	0.628305	0.195648	0.235756	0.275052	1.000000

Source: Author's Computation 2023 from E-views, Version 10.0

The test results in table 2 showed that audit tenure (AUTEN) had a positive relationship with financial reporting quality (FRQ) of the selected deposit money banks in Nigeria. This is confirmed by the value of the coefficient estimate of 0.063342. This implies that AUTEN had a direct relationship with FRQ; meaning that increase in audit tenure leads to enhancement in financial reporting quality of the banks. The results of the correlation however revealed that audit report time lag (AURTL) had a negative relationship with FRQ of the banks. This is confirmed by the value of the coefficient estimate of -0.042794 as in table 2. This implies that AURTL had an inverse relationship with financial reporting quality of the sampled banks; meaning that increase in AURTL leads to reduction in quality of the financial reports of the banks. The correlation result indicated that audit remuneration (AUREM) had a negative relationship with FRQ of the banks. This is confirmed by the value of the coefficient estimate of -0.105313. This is an inverse relationship; meaning that increase in AUREM will lead to decrease in FRQ of the selected banks in Nigeria. Moreover, audit firm age (AUFA) and bank size (BKS) had positive relationship with FRQ of the banks by their coefficient values of 0.178661and 0.308242 respectively. This implies that increase in AUFA and BKS will lead to improvement in financial reporting quality of the banks in Nigeria.

Diagnostic Test

Table 3: Variance Inflation Factor (VIF) Results

Variables	Uncentered	Centered
LFINRQ	3.88	NA
LAUTEN	2.25	1.01
LAURTL	1.43	1.01
LAUREM	4.25	1.00
LAUTFA	3.11	1.00

Source: Author's Computation 2023 from E-views, Version 10.0

Table 3 showed that the variance inflation factor which measures the level of collinearity among the variables showed how much of the variance most likely the coefficient estimate of the regressors have been inflated due to collinearity with other variables of likely regressors. The Variance Inflation Factors (VIFs)

are inversely related to the tolerance with larger values, indicating concern involvement in most severe relationships. Audit tenure reported a VIF of 1.01; audit report time lag reported 1.01; audit remuneration reported 1.00 and audit firm age reported 1.00. The VIFs of explanatory variables are all less than 10 indicating the unlikelihood of multi-collinearity among the variables. Hence, the variables satisfy a very important condition in multivariate regression analysis.

Regression Results

Table 4: Baseline Panel Regression Results

Series	**Pooled OLS (1)**	**FE OLS (2)**	**RE OLS (3)**
C	22.2788	12.6219	17.4716
	[0.0000]	[0.012]	[0.0000]
LAUTEN	1.0687	1.9467	1.1447
	[0.0029]	[0.00127]	[0.0151]
LAURTL	-0.60137	-2.7331	-0.9478
	[0.1242]	[0.0302]	[0.0798]
LAUREM	0.8432	0.6218	2.8941
	[0.0130]	[0.0000]	[0.0210]
LAUFA	0.6639	01.1836	0.5628
	[0.6127]	[0.9462]	[0.7014]
LBKS	4.2587	3.9462	10.1644
	[0.0000]	[0.0001]	[0.0013]
Observations	**140**	**140**	**140**
R-squared	0.6555	0.7130	0.4988
Adjusted R-Square	0.6233	0.6622	0.5567
F-Value	21.6231	16.7356	8.8953
Prob.	0.0000	0.0000	0.0000
Hausman Test	12.0221	p-value =	0.0910

Source: Author's Computation 2023 from E-views, Version 10.0
C = Constant

The study considered the pooled regression, fixed effect and random effect OLS regression as shown in table 4. The study pools all the 140 observations of the banks together and ran the regression model, not taking cognizance of features such as the cross section and time series nature of the data. The R-squared value for the pooled regression model is 0.6555 indicating that 65.55% of total variation in financial reporting quality of the listed banks in Nigeria is explained by the audit tenure, audit report time lag, audit remuneration, audit firm age and total assets of the banks. However, parameters such as audit tenure (AUTEN), audit remuneration (AUREM) and bank size (BKS) are the variables which significantly influence financial reporting quality of the banks. This is confirmed by their p-values 0.0029, 0.0130 and 0.0000 respectively. In considering reliability, the pooled regression model is unreliable as it is fraught with problems, including its inability to distinguish between the various banks sampled. The individual

peculiarities of the banks are lost during pooling. To accommodate the peculiar characters of each bank, they are allowed to have their own intercept value, hence the progression of the analysis to the fixed effect model (FEM).

The FEM was necessary because it is time invariant so that despite change in the intercept across the sampled banks, it however does not change over time. The R-squared value of 0.7130 indicates that 71.30% of the total variation in financial reporting quality of the listed banks is explained by the combined effect of audit tenure (AUTEN), audit report time lag (AURTL), audit remuneration (AUREM), audit firm age (AUFA) and bank size (BKS) as a proxy by total assets of the banks. Their probability values are 0.00127, 0.0302, 0.0000 and 0.0001 respectively. The Hausman test statistics p-value is 0.0910 which is greater than the 5% level of significance showing the null hypothesis cannot be rejected. It is concluded that random effect model is desirable for prediction.

DISCUSSION

1. Effect of Audit Tenure on Financial Reporting Quality of Quoted Deposit Money Banks in Nigeria.

The regression results presented in table 4 showed that the p-value with respect to audit tenure is 0.0151. The study found that audit tenure had positive and significant effect on the financial reporting quality of quoted banks in Nigeria. The outcome of the study is in line with the finding of Ogungbade, Adekoya and Olugbodi (2021) that examined the effect of audit quality on financial reporting quality of listed deposit money banks in Nigeria and discovered that audit tenure had positive and significant effect on the reporting quality of the banks.

2. Effect of Audit Report Time Lag on Financial Reporting Quality of Quoted Deposit Money Banks in Nigeria.

In table 4, audit report time lag has -0.9478 and 0.0798 as coefficient value and p-value respectively. The study found that audit report time lag had negative and no significant influence on the financial reporting quality of quoted banks in Nigeria. This indicates consistency with the prior study of Agana (2020) who evaluated the influence of audit quality on the financial performance of deposit money banks in Nigeria.

3. Effect of Audit Remuneration on Financial Reporting Quality of Quoted Deposit Money Banks in Nigeria.

The coefficient value and p-value of audit remuneration are 2.8941 and 0.0210 respectively as seen in table 4. The study discovered that audit remuneration had positive and significant effect on financial reporting quality of listed banks in Nigeria. This indicates consistency with the finding of Miebi and Akpoveta (2023) who examined factors affecting audit quality in deposit money banks in Nigeria which stated that audit fee is a significant factor that influences audit report.

4. Effect of Audit Firm Age on Financial Reporting Quality of Quoted Commercial Banks in Nigeria.

The study found that audit firm age had positive and no significant effect on the financial reporting quality of quoted deposit money banks in Nigeria because coefficient value in table 4 is 0.5628 and p-value is 0.7014. This indicates inconsistence with the finding of Ado, Rashid, Mustapha and Ademola (2020) that examined the influence of audit quality on performance of 84 non-financial firms on financial reporting

quality of Nigerian firms and found that firm age had negative and no significant effect on financial reporting quality of Nigerian firms.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

1.The study found that audit tenure with coefficient value of 1.1447 and p-value of 0.0151 had positive and significant effect on the financial reporting quality of quoted deposit money banks in Nigeria.

2. The study discovered that audit report time lag with coefficient value of -0.9478 and p-value of 0.0798 had negative and no significant effect on the financial reporting quality of quoted deposit money banks in Nigeria.
3. The study also found that audit remuneration with coefficient value of 2.8941 and p-value of 0.0210 had positive and significant effect on the financial reporting quality of quoted deposit money banks in Nigeria.
4. Audit firm age with coefficient value of 0.05628 and p-value of 0.7014 was found to have positive and no significant effect on the financial reporting quality of quoted deposit money banks in Nigeria.

Conclusion

The proxies of audit firm attributes employed in this study have significantly influenced the financial reporting quality of quoted deposit money banks in Nigeria. Audit tenure should be maintained adequately since it has significant contribution to financial reporting quality of deposit money banks in Nigeria. Audit report time lag should be discouraged since it does not contribute to quality of financial reporting of deposit money banks in Nigeria. Audit remuneration should be provided adequately to enable the audit firms conduct a thorough audit that should reveal material misstatements, errors and omissions. Management of deposit money banks in Nigeria should give less attention to audit firm age since it showed no significant influence on the financial reporting quality of quoted deposit money banks in Nigeria.

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