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RESEARCH ARTICLE

AUDIT QUALITY ATTRIBUTES AND FINANCIAL REPORTING QUALITY (A CASE STUDY OF SOME SELECTED LISTED COMMERCIAL BANKS IN NIGERIA)

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ABSTRACT

This study assesses the impact of audit quality attributes on financial reporting quality in Nigeria. The investigation is based on the relationship between the Audit Attributes and Financial Reporting Quality of some selected listed commercial banks in Nigeria. The audit quality attributes proxy used are; Audit committee report, audit firm size, auditors' remuneration and auditor's report, which can be regarded as the independent variables, while the dependent variable is the financial reporting quality. Three hypotheses were tested in this study. The empirical study was performed using a sample of 10 banks and 4-year observations from the period of 2015-2018. The study is descriptive in nature and the correlational and ex-post facto designs were adopted in carrying out this research. One of the reasons why audit quality attributes is germane in the determination of financial reporting quality is that it will influence the investment decision making of an existing investor, potential investors and all the stakeholders interested in the financial report. The findings would be of interest to potential investors, auditors (internal and external) and management in the process of financial reporting enhancement. Finally, the study offered recommendations to enhance the financial reporting status through good audit attributes.

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INTRODUCTION

Numerous studies have addressed audit quality attributes as one of the basis to assess the quality of financial report. Archival studies have focused on differences among individual firms or classes of firms. Some behavioral studies have also related audit quality attributes in a similar fashion. Other behavioral studies have elicited the attributes of audit quality from auditors and one from chairpersons of audit committees. However, in an increasingly competitive environment, it seems important to understand the perception of both users and preparers as they relate to audit quality. Any differences may allow for audit firms to deliver more satisfaction to both groups and simultaneously improve their own audit quality. Attributes related to members of the audit team were generally perceived to be more important to audit quality that attributes related to the audit firm itself, such as litigation record. The factors reported to be most important in determining audit quality were Auditors' independence, objectivity, confidentiality, integrity, audit firm size, fees and professional conducts, audit rotation or turnover.

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Also, other factors to determine audit quality are: audit team and firm experience with the client, industry expertise (especially within the audit team) responsiveness to client's needs, and compliance with general standards (competence, independence and due care) of Generally Accepted Audit Standards (GAAP). Financial reporting as a two party transaction in which the issuers of the financial reports provide them to the users, who use them with the expectation that these will help their financial decision. The potential users of financial reports vary widely and include creditors, suppliers, financial analysts, government authorities and in general, all related to the company parties (Pounder, 2013). The issue of quality in financial reporting is of prime concern not only for the users but for the whole society as it affects economic decisions which have significant impact. This was verified by the most evident way by the series of corporate failure (Enron) and as a result of major publicized cases of corporate financial fraud, scandals and failure to observe accounting standard of honesty in companies such as Afribank Nigeria Plc in 2009, Cadbury Nigeria Plc in 2006 and Intercontinental Bank Plc in 2009 and which lead to the acquisition of Afribank Nigeria Plc and the ultimate collapse of Intercontinental Bank Plc. Section 369 (3) Companies and Allied Matters Act (CAMA)(2004) states "The auditor shall in the case of a public company also make a report to an audit committee which shall be established by the public company" while (4) 359 states the makeup of the audit committee " shall consist of an equal number of directors and representative of the shareholders of the company (subject to a maximum numbers of six). The members are not entitled to any remuneration and shall be subject to re-election annually". The study therefore hopes not only to help enrich the literature, but also provides important quantitative information for policy formulation. Many researchers have worked on this research title and dealt with many spheres of industries but have failed to conduct investigations on the impact of audit quality attributes on the financial reporting quality using commercial banks in Nigeria as the case study.

Statement of the Problem: It is a well-known fact that many users of financial statement or financial report have been misled by relying on the information reported upon by the external auditor to make their financial decision. Clear evidence is the celebrated case of Enron, where reliance on Arthur Anderson report endangered the investors. The Enron scandal, revealed in October, 2001 eventually led to the bankruptcy of the Enron Corporation, an America energy company based in Houston, Texas and the dissolution of Arthur Anderson, which was one of the five largest audit and accountancy partnerships in the world (Yuhao, 2010). Auditors' liabilities have really not been actionable in Nigeria, even when some investors fall prey. The researcher seeks to examine the audit attributes that should be considered in knowing the quality of a financial reports of listed commercial banks presented to the public.

Research Question

- To what extent does audit firm size affect the financial reporting quality?
- To what extent does auditors' remuneration affect the financial reporting quality?
- To what extent does audit committee's report affect the financial reporting quality?
- To what extent does auditors' report affect the financial reporting quality?

Objective of the Study

The main objective of this study therefore is to ascertain the impact of audit quality attributes on financial reporting quality in Nigeria.

The specific objectives of this study are:

- To determine the effect of audit firm size on financial reporting quality.
- Toascerta in the effect of auditors' remuneration on financial reporting quality.
- To determine the impact of audit committee's report on financial reporting quality.
- To determine the impact of auditors' report on financial reporting quality.

Research Hypothesis: The following hypotheses have been developed with a view to achieving the research objectives:

Ho1: The audit firm size has no significant influence on the financial reporting quality.

Ho2: The auditor's remuneration has no significant influence on the financial reporting quality.

Ho3: The audit committee's report has no significant influence on the financial reporting quality.

Ho4: The auditors' report has no significant influence on the financial reporting quality.

Literature Review and Conceptual Clarifications

Concept of Financial Reporting Quality: Financial reporting Quality refers to the extent to which accounting information is free from errors, misstatements and other unethical accounting and managerial practices. The value of financial reporting is generally determined by its quality (Pounder, 2013). The concept of financial reporting quality is that some accounting information are better and more reliable than other accounting information in relation to communicating what it purports to communicate. Accounting quality is of great benefit to various types of users of financial reports. Financial reporting quality has no particular generally accepted definition in this study though some definitions will be looked into. Financial reporting quality can be seen as the precision with which the financial reports convey information to equity investors about the firms expected cash flows (Briddle, Gilles and Verdi, 2009). On the other hand, reporting quality refers to the extent to which financial report of a company communicates its underlying economic state and its performance during the period of measurement (Elbannan, 2010). Tang Chen and Zhijun (2008) define financial reporting quality as the extent to which the financial statements provide true and fair information about the underlying performance and financial position.

A commonly accepted definition is provided by Jonas and Blanchet (2000), who argue that the quality of financial reporting is full and transparent financial information that is not designed to mislead users. The role of financial reporting is complex and according to Financial Accounting Standard Board (FASB), it aims to provide even handed financial and other information that together with information of other sources facilitate the efficient functioning of capital and other markets and assists the efficient allocation of the scarce resources in the economy. Therefore, the concept of financial reporting quality is broad and includes financial information, disclosures and non-financial information useful for decision making (Tasios and Bekiaris, 2012). Some researchers show that the key determinant of financial reporting quality includes legal system, source of financing, characteristics of the tax system, involvement of the accounting professionals, economic development and accounting literacy.The quality of financial reporting is a broad concept which has series of diverse measurable attributes. One property of accounting which is frequently mentioned in support of harmonization is comparability. It cannot be clearly concluded if harmonization results in significantly greater comparability across countries. That is why this aspect is intensively studied and the results are still very different, causing diverse point of view upon this subject (Achim and Chis, 2014).In order to have a certain degree of quality, financial statements should meet certain qualitative criteria. These criteria are stated by both boards of International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) in their conceptual frameworks, where they concluded that high quality is achieved by adherence to the objective and the qualitative characteristics of financial reporting information (IASB,2018). .Financial reporting quality is a key requirement for the effective functioning of the accounting system and its usefulness. In order to meet their primary objective. which is to facilitate the economic decision-making process, financial report should display certain qualitative characteristics.

Concept of Audit Quality Attributes: Wallace (1980) revealed that audit quality is a measure of the auditor's ability to reduce noise and improve fitness in accounting data. Lee, Leu and Wang (1999) regard audit quality as the probability that an auditor will not issue an unqualified report for statements containing errors, intentional and otherwise. Titman and Trueman (1986) see audit quality as the accuracy of the information reported by auditors. Therefore, audit quality combines the ability of an auditor to detect a breach (auditor competence) and the willingness to report such a breach (auditor independence). Additionally, if auditors appear to lack independence, this increases the perception that they are less objective and therefore less likely to report a discovered misstatement (Lowe & Pany, 1995). An audit is therefore defined by Price Water House Coopers (2013) as the examination of the financial reports of an organization as presented in the annual report, by someone independent of that organization. The financial reports in the context of audit includes a statement of financial position, an income statement, a statement of changes in equity, a cash flow statement, and notes comprising a summary of significant accounting policies and other explanatory notes.

According to the Institute of Chartered Accountants of Nigeria (ICAN) (2010), an audit refers to a systematic process of objectively obtaining and evaluating evidence in respect of certain assertion about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and reporting the results to interested parties over a particular period of time. On the other hand, the Institute defined an auditor as a person or audit firm with final responsibility for the audit. In the words of IAASB(2013), an auditor is used to refer to the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. External auditor in this regard refers to independent auditor who is not subject to management control and linked him to independent audit, which refers to the provision of reasonable assurance that published audited financial statements are free from material misstatements and are in accordance with legislation and relevant accounting standards (ICAN, 2010). Porter, Simon and Hatherley (1996) define auditors as intermediaries between the management of an entity and external parties having interests in the entity. According to them, auditors have a duty to form and express an opinion as to whether or not the financial.

Statements prepared by the management show a true and fair view of the entity's financial position and performance. The purpose of an audit therefore, is to enhance the degree of confidence of intended users' in the financial statements, which is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework (ISA, 2000). The standard further states that, in the case of most general purpose frameworks, that opinion is on whether the financial statements are presented fairly, in all material respects, or give a true and fair view in accordance with the frame work. However, the concept of audit in this study refers to an assurance engagement that involved objective process of obtaining and evaluating evidence in respect of financial statements, in order to form an opinion that published financial statements are free from material misstatements and intentional errors, and are in accordance with relevant legislation. Whilean auditor is the person with final responsibility for the audit, who serve as intermediary between the managers of an entity and external parties having interests in the entity. The interests of those parties is usually accounted for in the financial reports of an entity at the end of each accounting period, which external independent auditors certify. For the opinion of external auditors to be accepted with higher degree of confidence by the users of financial reports, there should be a quality audit work. The IAASB (2013) stressed that to achieve high quality financial reporting, audit quality is an essential element. The board opined that global financial stability is supported through high quality reporting and audits can help foster trust in the quality of reporting through audit quality. With this in mind the IASB developed Framework for Audit Quality that describes in a holistic manner the different elements that create the environment for audit quality at the engagement, firm, and national levels, as well as relevant interactions and contextual factors.

Audit quality is defined by IAASB (2013) as auditors applying a rigorous audit process and quality control procedures that comply with laws, regulations and applicable standards. It encompasses the key elements that create an environment which maximizes the likelihood that quality audits are performed on a consistent basis. These elements are inputs, processes, outputs, interactions, and contextual Factors. The objectives of the Framework for Audit Quality include; raising awareness of the key elements of audit quality; encouraging key stakeholders to explore ways to improve audit quality; facilitating greater dialogue between key stakeholders on the topic (IAASB, 2013). The IAASB framework attributed the primary responsibility for performing quality audits to auditors, and emphasized that audit quality is best achieved in an environment where there is support from other participants in the financial reporting supply chain. The IAASB expects that the Framework for Audit Quality will generate discussion in the financial reporting supply chain, and positive actions to achieve a continuous improvement to audit quality. Quality audits involve auditors who responds properly to contextual factors. Contextual factors are described as having the potential to impact the nature and quality of financial reporting and, either directly or indirectly, audits quality (IAASB, 2013). In view of the necessity of audit quality in achieving high quality financial reporting, DeAngelo (1981) conceptualized audit quality to mean the market-based joint probability that a given auditor will both detect material misstatements in the client's financial statements and report the material misstatements. She emphasizes the role of the market in assessing audit quality through financial reporting; however, the willingness to report discovered material misstatement is defined by DeAngelo (1981) as auditor independence. Therefore, according to DeAngelo (1981), audit quality is a function of the auditor's ability to detect material misstatements (auditor competence and auditor independence). Since actual audit quality is unobservable before and when an audit is performed, extant literature document proxy when investigating the relationships between actual audit quality and other factors. These include audit firm size, audit rotation, audit delay and audit remunerations; for instance, DeAngelo (1981) demonstrates that auditor size has a positive relationship with audit quality, because a large audit firm has more to lose by failing to report a discovered material misstatement in a client's records. Following DeAngelo's study, many other studies empirically examine the relationship between auditor size and audit quality which is positively associated with high financial reporting quality.

Audit Committee Reports and Financial Reporting Quality: In 2012, Financial Reporting Council (FRC) introduced changes to the UK Corporate Governance Code that have encouraged audit committee to report about the work they do and their interactions with the auditor. The code now contains a provision requiring the audit committee's annual report to include an explanation of how it has assessed the effectiveness of the eternal audit. The quality of reporting by audit committee on these matters can make an important contribution in building investors' confidence in the quality of external audit and ultimately in the credibility and quality of the financial statements. Before the audit committee can make a report on the financial statements, there are some factors to be considered when making their assessment on the quality of the external audit (hence the effectiveness of the external audit). The roundtable discussions, provided feedback on the steps that committees could take when carrying out their assessment. A high quality audit is one that either achieves a high level of assurance that the financial statements comply with the financial reporting framework (or if necessary ensures they are amended to do so) or result in auditor's report that communicates the auditor's disagreement or restricted ability to opine. A high quality audit also complies with applicable laws and regulations (including relevant professional standards). De Foond & Jiambalvo, (1991) finds out the important role of audit committee is to oversee the integrity of financial statements, the efficiency and effectiveness of internal control system and monitoring of both internal and external auditors. The existence of audit committee members could help to balance different views of management and external auditor and to provide high financial reporting quality.

Theoretical Framework: This study is predicated on three theoretical foundations. These are: Economic Theory of Firm, Agency theory and Independent Theory.

Economic Theory of Firm: Based on this, the economic theory of firm is usually the framework of economic analysis of auditor independence (Antle, Griffin, Teece& Williamson, 1997). According to the theory, firms are designed to maximize the owner's wealth, and the auditor's independence is a function of auditor's interests which is never compromised in the best interest of the auditors. Thus, different factors which include personal and institutional, affect auditor's independence and audit quality in general, these factors include fees and familiarity and audit firm size. These according to Johnstone, Sutton, and Warfield (2001) affect independence and auditors‟ judgment-based decisions, and the overall audit quality. However, the performance quality of this monitoring function may vary; audit quality which relate to the attributes of audit firm describes how well an audit detects and reports material misstatements of financial statements, reduces lack on equality on information between management and stockholders and therefore helps protect the interests of stockholders (Dang 2004).

In this regard, high audit quality should be associated with high information quality of financial statements because financial statements audited by high quality auditors should be less likely to contain material misstatements. Therefore, among the theories that explain audit quality and financial reporting quality is economic bonding theory from agency perspective.

Agency Theory: A simple agency theory suggests that, as a result of information asymmetries and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behaviour. (ICAEW, 2005). According to agency theory, audit is a monitoring mechanism that provides reasonable assurance that financial statements prepared by managers are free of material misstatement and therefore protects the interest of stakeholders. Furthermore, in cases where interests of management conflicts with the interests of stockholders and the fact that management compensation often is based on reported earnings and in order to maximize their wealth, managers have incentives to manage reported earnings and they often have the ability to do so (Dang, 2004). This agency problem between stockholders and managers gives rise to the hiring of an auditor who provides independent assurance to corporate stakeholders. Thus, auditing plays a significant role in enforcing and protecting stakeholders' right by detecting misstatements and expropriation by managements. For auditors to successfully discharge this responsibility, they need to be independent that is the state of being objective and just. Therefore, the higher the audit quality, the more they detect management's manipulations in the financial statements.

Independence Theory: The independence of an auditor guarantees objectivity and imposes trust and confidence in the users of the financial statements. Chia-Ah and Karlsson (2010), states that independence can be of two forms; independence of mind and independence in appearance. Independence of mind requires the auditor to have a state of mind that permits the provision of opinion without being affected by influences that compromise professional judgement, allowing an individual to act with integrity and exercise objectivity and professional skepticism. Independence in appearance requires the auditor to avoid situations that will cause others to conclude that they are not maintaining an unbiased attitude objective of mind. De Angelo (1981), defines auditors' independence as the conditional probability that the auditor will disclose any misstatement in financial statements given that this misstatement was already discovered. Chia-Ah and Karlsson (2010), opines that the threats to independence are often very significant and thus undermine the auditor's effectiveness in rendering the auditing services. It becomes even more challenging when the auditor overstays with a client as extended audit tenures have been found to hamper auditor independence (Bamber and Lyer, 2007; Jackson et.al, 2008). De Angelo (1981), has theoretically analyzed the relationship between audit quality and auditor's size. Ebrahim (2001), observes that De Angelo (1981), argues that large auditors will have more clients and their total fees will be allocated among those clients. De Angelo (1981), argued that large auditors can contain the loss of a client and therefore, will provide higher quality of audit. Ebrahim (2001), states that the results of some empirical papers have provided additional support for the use of auditor size as a proxy for audit quality. Davidson (1993), used an indirect method to support the argument that size is a good proxy for audit quality. He argued that managers have incentives to manipulate the reported earnings to meet the analyst's forecasts. Therefore, if large auditing firms provide higher-quality audits than small auditing firms, we may expect that the forecast errors of big auditing firms' clients will be larger than those of small auditing firms' clients.

Empirical Analysis: Woodland and Reynolds (2003), examined the association between indirect measures of audit quality and financial reporting quality using multivariate regression analysis. They found that audit fees are positively associated with financial statements but do not find evidence that auditor size, tenure or industry specialization are associated with audit quality in the directions predicted. Their results provide new evidence as to the current usefulness of these indirect measures in predicting audit quality. Zureigat (2010), examined the effect of financial structure among Jordanian listed firms on audit quality. Using a sample of 198 companies, his analysis of logistic regression shows a significant positive relationship between audit quality and financial structure. Nam (2011), examined the relationship between audit fees as a proxy for auditor independence and audit quality of firms in New Zealand. Employing three multiple regression models for a sample of New Zealand companies, his study discovered that the provision of non-audit services by the auditors of a firm comprises the auditor's independence, abnormal audit fee change rate is negatively associated with audit quality and auditor's independence of the previous year impacts on the audit fee that is negotiated in the current year.

Jeff et al. (2012), examined the links between audit fees and measures of audit quality. Their results show that higher annual excess fees and abnormal audit fees are generally associated with lower audit quality while a multi-period measure that reflects consistently high audit fees is associated with a positive long-run relationship between audit quality and audit fees. Choi et.al., (2010), examined whether the association between audit fees and audit quality is asymmetric and thus nonlinear in the sense that the association is conditioned upon the sign of abnormal audit fees for their total sample of client firms with both positive and negative audit fees. Ettredge et al. (2008), investigated client choice of industry auditors from among the Big 4 or 5 in an international setting. They investigated client-specific industry level and country-level factors. They found that international choice of home based Big 4 or 5 specialist auditors is positively associated with audit quality, capital intensity and membership in a regulated industry. Bouaziz (2012), examined the relationship between auditor size and financial performance on a sample of 26 Tunisian firms listed on the Tunis Stock Exchange. The result shows that auditor size has an important impact on the financial performance of firms in terms of return on assets and return on equity. Miettinen (2011), examined the relationship between audit quality and financial performance. Audit quality was measured using auditor size and audit committee meeting frequency. The result shows that audit quality has both a direct effect as well as a mediated effect through audit size on financial performance. The results imply that measures of audit quality are not merely symbolic but that they contribute to financial performance. Anderson and Verma (2012), examined the relationship between auditor size, auditor tenure and audit firm rotation using a probit model which they developed.

The data they collected from 2,148 listed Asian companies shows that big audit firms provide high quality audit because big audit firms are more conservative than non-big audit firms. They also discovered that national level factors have a strong influence on audit quality. Auditor tenure is associated with impaired audit quality and audit firm rotation can help promote audit quality. Extant literature on audit quality and financial reporting quality emphasize the role of audit firm size as attribute of audit quality in shaping the quality of financial reporting of economic entities. Recent audit failures, such as Enron, Waste Management, and WorldCom, cast doubt on a positive relationship between size and actual audit quality as well as financial reporting quality. This suggests that largest audit firms may have lost the perceived association with higher audit quality. DeAngelo (1981) proposed that audit firm size is positively associated with audit quality, since a large audit firm has more to lose by failing to report a discovered material misstatement in a client's records; while Shockley (1981) demonstrated that larger firms are viewed as more independent than smaller firms. That is, larger audit firms are perceived to be more likely to resolve audit conflicts in favor of the audit firm's position, suggesting that protection of reputation capital is another reason why large audit firm are likely to be more independent (Gul, 1991). Thus, audit independence is highly associated with the quality of financial reports. Moreover, these arguments imply that larger audit firms will be more likely to resist client management pressures than smaller audit firms in auditor-client negotiation over financial reporting issues (Chen et al., 2005). Many audit quality studies indicate that, when accounting firm size is used as the indicator of audit quality, higher audit quality is associated with less information asymmetry and higher information quality.

Becker et al., (1998) used discretionary accruals as the measure for earnings management to assess financial reporting quality; their findings indicated that audit quality is negatively related to income-increasing discretionary accruals, which indicates that high audit quality is associated with low information asymmetry. On the other hand, Teoh and Wong (1993) used Big8 audit firm as proxy for size found that Big 8 clients are associated with higher earnings response coefficients. The earnings response coefficient is the coefficient on earnings resulting from regressing stock returns on reported earnings. It measures the quality of financial reporting that is, the extent to which the market responds to earnings. However, among other potential audit quality measures, such as audit fee and audit hours, auditor firm size commonly is used as a proxy for audit quality (Dang 2005). Specifically, researchers often use the dichotomous Big 8/6/5/4 vs. non-Big 8/6/5/4 as an audit quality proxy. In this context big audit firms represent high audit quality, and non-Big audit firms represent low audit quality (DeAngelo, 1981). Al-khaddash et al. (2013) adopt internal control, firm size, auditor's fees, auditor's independence, auditor's reputation, industry specialization and auditor qualifications and proficiency as measures of audit quality. Efficient internal control system produces quality financial statements as the risk of errors and misstatements are unlikely all things being equal.
Francis (2004) in a study which examined the associationof audit committee, audit committee characteristics and internal audit with higher audit fees found that a higher audit fee implies higher audit quality. Though, in another study, Kinney and Libby (2002) confirm that the threat to auditor independence is much when the audit fee is high. The reputation of an auditor has an impact on the quality of report

issued. The higher the reputation, the higher the perception that quality of reports issued will be high. The measures of audit quality are unending and difficult to quantify. The concept is as intangible as goodwill and to a large extent depends on the imagination of investors, scholars, analysts and financial market regulators. This paper will review literature on auditor independence (AI), engagement performance (EGP) and technical training and proficiency (TTAP) as measures of audit quality.

Research Methodology

Data Collection and Sample Size: This study employs correlational research design to assess the impact of audit quality attributes on financial reporting quality in Nigeria. Correlational and Ex-post factor design was adopted for the study, the design for the study is appropriate because it assist in determining the influence of Audit Quality Attributes on Financial Reporting Quality in commercial banks in Nigeria. The aim of correlation research design is to investigate the relationships between variables and to observe the effects of the independent variable(s) on the dependent variable so as to establish the causal relationship or otherwise. Therefore, the choice of correlational research design is informed by its effectiveness in testing relationships as well as the effects of one variable on another. The population of the study comprises of all banks listed on the floor of Nigerian Stock Exchange (NSE) Market as at 31st December, 2018 and are operating throughout the period of the study (2015-2018) and 10 commercial banks emerged as the sample of the study. The study makes use of secondary sources of data, while the method of data collection is audited annual reports (the statements of financial position, statement of comprehensive income, statement of cash flow, statement of changes in equity and non-financial information) of the selected commercial banks for the period of four years (2015 – 2018). The choice of secondary data is informed by the quantitative research design adopted for the study. The financial data includes the operating cash flows, net income, Property, Plant and Equipment, revenue, receivables, auditors' remuneration and total assets. While the non-financial information includes the auditor's report, audit committees report, audit firm size and auditor's remuneration or audit fees.

Model Specification: A multiple regression analysis equation is set up to investigate the hypothesized relationships between the dependent variables and the four independent variables in this study. The econometric form of the equation is given as:

Financial Reporting Quality = f(Audit Quality Attributes)

Financial Report Disclosure Information = f(Audit Firm Size, Auditor's Report, Audit Committees Report and Audit Remuneration)

$$FINDISC_{it} = \beta_0 + \beta_1 AUDFSZ_{it} + \beta_2 AUDCOMM_{it} + \beta_3 AUDRPT_{it} + \beta_4 AUDREM_{it} + \varepsilon_{it}$$

Where:

FINDISCit = Financial Report Disclosure Information of bank I in year t
AUDFSZit = Audit firm size of bank I in year t
AUDCOMMit = Audit committees report in bank I at year t
AUDRPTit = Auditor's Report in bank I at year t
AUDREMit = Audit remuneration of bank I at year t
β_1, β_2, β_3, β_4, are parameters estimates; β_0 intercept
ε = Residuals or Error Term

RESULT AND DISCUSSION

For the purpose of this study, the data collected were coded and presented in tables, multiple regression analysis; specifically, The Ordinary Least Square Method (OLS) was used in testing the stated hypotheses. The descriptive statistic for each of the variables were determined to show the minimum, maximum, mean, and standard deviation values. Descriptive statistics helps readers to understand the measures of central tendency and measures of variances associated with the variables of the study. 0.00<0.05 indicates that the data satisfied normality and as well as the unlikelihood of outliers in the series. AUDFS was observed to have a mean value of 5.8471 with maximum and minimum value of 6 and 4 respectively. The standard deviation of 0.527 suggested a considerable cluster around the average.

Table 1. Measurement of Variables

Variables	Definition	Type	Measurement
FINDISC	Financial Reporting Disclosure Information	Dependent	Financial Reporting Disclosure Information, measured by dichotomous variable (1 and 0); 1 if a bank discloses the required information(The company accounting policy, consolidated financial statement, stock price information, etc), and 0 otherwise.
AUDFS	Audit firm size	Independent	Large audit firm, measured by dichotomous variable (1 and 0); 1 if a firm is audited by a BIG4 audit firm (Deloitte and Touch, Ernst and Young, KPMG, Price Water House Coopers), and 0 otherwise.
AUDCOMM	Audit committees report	Independent	Audit committee size is measured by number of individual on the audit committee.
AUDRPT	Auditor's Report	Independent	Auditor's report is measured by the opinion of the auditor on the financial statement whether it is unqualified or qualified report(subject to, except for, adverse and disclaimer report)
AUDREM	Audit remuneration	Independent	Total audit and non-audit fees paid to an auditor at the end of accounting period as a percentage of total assets.
BDIND	Board Independence	Independent (Control)	Number of non-executive director (i.e. outside director)

Table 2. The checklist of Financial Report Disclosure Index

S/N	DISCLOSURE ITEMS	CODE
1	The Company Accounting Policies	D1
2.	Consolidated Financial Statement	D2
3.	Stock Price Information	D3
4.	Chairman's Statement	D4
5.	Management Director's Review	D5
6.	Internal Control functions of Internal Audit	D6
7.	Risk Management	D7
8.	Corporate Governance and awareness	D8
9.	Publication of annual audit committee report	D9
10.	Disclosure of penalties and sanctions against or by the company	D10

Table 3. Descriptive Statistics

Variables	FINDISC	AUDFS	AUDCOMM	AUDRPT	AUDREM
Mean	2.64E-07	5.8471	3.4971	4.0294	2.926
Median	-3.19E-05	6	4	4	3
Maximum	0.004968	6	12	6	3
Minimum	-0.00026	4	1	2	2
Std. Dev	0.000304	0.5267	1.0348	1.2688	0.261

Source: Researcher Compilation, March 2020

Table 4. Pearson Correlation Statistics

Variables	FINDISC	AUDFS	AUDCOMM	AUDRPT	AUDREM
FINDISC	1	-	-	-	-
AUDFS	0.0310	1	-	-	-
AUDCOMM	0.0170	0.1080	1	-	-
AUDRPT	0.0600	0.0491	0.0237	1	-
AUDREM	0.0322	0.1791	0.0366	0.0391	1
BDIND	-0.0410	-0.0250	-0.050	-0.1890	-0.1260

Source: Researcher Compilation, March 2020

AUDRPT was observed to have a mean value of 4.0294 with maximum and minimum value of 6 and 2 respectively. The standard deviation of 1.2688 suggested a considerable cluster around the average. AUDREM was observed to have a mean value of 2.963 with maximum and minimum value of 3 and 2 respectively. The standard deviation of 0.261 suggested a considerable cluster around the average. AUDFS was observed to have a mean value of 3.497 with maximum and minimum value of 12 and 1 respectively. The standard deviation of 1.035 suggested a considerable cluster around the average. The net examination is the correlation coefficients of the variables. However, the particular interest to the study is the correlation between FINDISC and Auditors report, and FINDISC and Audit Committees Report.

As observed, a positive correlation existed between FINDISC and AUDRPT (r=0.0600). Since the coefficient gave a positive figure which showed the coefficient is strong, the direction of association suggested that Auditors Report will increase the FINDISC and hence improve financial reporting quality a positive correlation existed between FINDISC and AUDCOMM (r=0.0170). Since the coefficient gave a positive figure which showed the coefficient is strong, the direction of association suggested that Audit Committees Report. will increase the FINDISC and hence improve financial reporting quality.

Summary

This study examined the impact of audit quality attributes on financial reporting quality of some selected listed commercial banks in Nigeria. The study covers the audit firm size, audit committees report, auditors' report and auditors' remunerations as attributes of audit quality.

The study employs secondary sources of data from the financial statements for the period of four years (2015–2018). Random Effects Regression technique of data analysis was used in the analysis of data. The study found a significant positive relationship between audit quality attributes and financial reporting quality during the period under review. The study shows audit quality attributes explained about 70% of the total variation in the financial reporting quality during the period. Specifically, the study found that audit firm size, audit committees report, auditors' report and auditors' remunerations have significant positive impacts on the quality of financial reporting of the sampled commercial banks at 99% confidence level. On the other hand, the study revealed that auditor rotation has no significant impact on the financial reporting quality of the sample firms during the period under review.

Conclusion

In line with the findings of this research, the study concludes that audit quality attributes are significant in improving the financial reporting quality of some selected commercial banks in Nigeria during the period covered by the study. That is, audit attributes examine in this research has significantly improved the financial reporting quality of some selected commercial banks in Nigeria. The study specifically concludes that the size of the audit firm has significant positive effects on the quality of financial reporting. That is, engaging the services of the big 4 audit firm could minimize earnings management and improve the quality of firms' financial reporting of listed companies in Nigeria. Similarly, the study concludes that, industry expertise of audit personnel has significant positive effect on financial reporting quality of the sampled listed companies; implying that usage of and industry expertise of audit personnel yield a higher quality reporting in the sample firms. The study also concludes that auditor remuneration has significant positive impact on the financial reporting quality of some selected commercial banks in Nigeria during the period covered by the study. However, the study concludes that, auditor rotation or turnover has no significant effect on the financial reporting quality of some selected commercial banks in Nigeria during the period under review.

Recommendation

Based on the findings and conclusions of this study, the following recommendations are considered crucial:

- Regulators of the listed commercial banks in Nigeria should emphasize and encourage the use of audit quality attributes examined in this study; especially the auditor size, audit firm size, industry expertise of audit personnel and auditor remuneration audit firm size, audit committees report, auditors' report and auditors' remunerations. This is with a view to improve the quality of the reports by mitigating earnings management and other unethical corporate practices, which affect the quality of reporting and going-concern of an entity.
- Auditors should be adequately remunerated; as this could give them sufficient resources to conduct a thorough audit capable of uncovering material misstatements and errors in the financial statements, hence higher quality reports.
- The regulators and other stakeholders should allow a sufficient time frame for the audit exercise as this appears to be significant in improving financial reporting quality.

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