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## **External audit quality on accuracy and reliability of financial statement of deposit money banks in Nigeria**

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**Abstract**---The study investigated effect of external audit measured by Auditor Independence (AI), Audit Fees (AF) and Audit Firm Size (AFS) on Accuracy and Reliability measured by Financial Reporting Disclosure (FRD). For the inquiry, an ex-post facto research design technique was used. The study's population consists of 13 publicly traded commercial banks in Nigeria. The study used panel data spanning twelve (12) years, with 13 quoted commercial banks chosen as the sample size using a selective sampling strategy. The study used secondary data from annual reports of quoted commercial banks listed on the Nigerian Stock Exchange (NSE) from 2010 to 2022. Panel regression and descriptive statistics in order to test hypotheses, Eview version 8 was used. According to the conclusions of the study, audit quality (Audit size, Audit fees, and Audit Independence) has statistical significant effect on the accuracy and reliability of financial statement. The study recommends among other things that audit firms of quoted commercial banks should avoid conflict of interest by ensuring that they do not depend on a client for the majority of its fee income, as well as avoiding contingency fees.

**Keywords**---Audit Quality, Accuracy and Reliability, Financial Reporting Disclosure, Economic.

## **1. Introduction**

### **1.1 Background of the Study**

Stakeholders' worries regarding the caliber of external auditing methods and the better corporate governance plan have risen as a consequence of company failures. Ambitious managers employ a toxic reporting culture to represent a strong performance and display their managing talents in an attempt to keep and improve their position. Low-quality audits are the outcome of bad audit techniques. According to Amahalu and Obi (2020), poor audit quality refers to the likelihood that the audit procedures utilized may overlook substantial misstatements stemming from errors and unsound financial reporting practices. The financial statement's information asymmetry is implicated for company failures. The most prevalent source of financial information asymmetry is excessively ambitious managers who manipulate profits (Dijeh, Ofor, & Odubuasi, 2022). Just two of the numerous components that affect audit quality are the standards (International Standard on Auditing, or ISA, and International Standard on Quality Control, or ISQC). The perspectives of users, the abilities and proficiency of auditors, the actions of other participants in the financial reporting supply chain, and the legal, regulatory, and economic environments are all factors that impact the quality of an audit (International Auditing and Assurance Standards Board, 2011).

### **1.2 Statement of the Problem**

The turbulent events surrounding the global financial crises have drawn attention to how crucial trustworthy, outstanding financial reporting is. They also illustrated how crucial it is to look into how audit quality performs in correlation to high-quality financial reporting. There is a paucity of research on the relationship between audit quality and the correctness and dependability of financial statements, despite the availability of studies on the problem of audit quality and financial performance.

### **1.3 Objectives of the Study**

The study's overarching goal is to examine the impact of audit quality on the accuracy and dependability of the financial statements of the listed commercial bank in Nigeria. The following specific goals were set to achieve the overall goal:

- i. Determine the effect of Audit Firm Size (AS) on Financial Report Disclosure (FRD) of quoted deposit money bank in Nigeria.
- ii. Evaluate the effect of Audit Fees (LAF) on Financial Report Disclosure (FRD) of quoted deposit money bank in Nigeria.
- iii. Appraise the effect of Auditor Independence (AI) on Financial Report Disclosure (FRD) of quoted deposit money bank in Nigeria.

## 1.4 Statement of Hypotheses

The Null Hypotheses below were formulated and tested in the study

- i. Audit Firm Size (AFS) does not significantly affect Financial Report Disclosure (FRD) of deposit money bank in Nigeria.
- ii. Audit Fees (LAF) has no significant effect on Financial Report Disclosure (FRD) of deposit money bank in Nigeria.
- iii. Auditor Independence (AI) has no significant effect on Financial Report Disclosure (FRD) of deposit money bank in Nigeria.

## 2. Review of Related Literature

### 2.1 Conceptual Review

#### 2.1.1 Audit Quality

The likelihood of independent auditors identifying major misstatements and non-compliance with accounting principles, laws and regulations is referred to as audit quality. Audit quality lends credibility to financial statements and provides market participants with trust in the accuracy and reliability of financial information. Religious devotion to international auditing standards may enhance financial reporting quality by enforcing rigorous adherence to relevant accounting regulations by reporting companies (Amahalu & Obi, 2020). According to De Angelo (1981) and Baghmisheh and Zadehsaletch (2020), audit quality is the possibility that a specific audit report discloses major errors in financial reporting. It is the market's overall possibility that a given auditor will identify and expose a fault in a client's accounting procedures.

Theoretically, audit quality may be conceptualized in three ways: inputs, outputs, and context factors. Audit quality is affected by auditing standards, auditor personal traits such as skills and competence, ethical beliefs and attitude, and the audit process. The audit process that achieves audit quality is decided by the soundness of the audit methodology, the sufficiency of technical help, and the effectiveness of the audit instruments utilized. Stakeholders view audit results to be significant components in establishing audit quality. The degree to which audit reports reflect audit results may indicate audit quality. Communication between auditors and personnel in charge of governance identifying deficiencies in the organization's control and reporting systems may have an influence on audit quality. Strong corporate governance, for example, supports audit quality by encouraging in a business a culture of openness and ethical conduct; law and regulation assist improve audit quality by setting a framework within which audits are done, controlled, and monitored. Furthermore, a competent financial reporting system increases quality by fostering extensive and honest disclosures. Furthermore, the auditor's approach, the attitudes of those assigned with governance, and the attitudes of institutional participants are all aspects to audit quality advancement.

#### 2.1.2 Audit Firm Size

The selection of a Big 4 audit firm has a propensity to restrict the degree of profit management. Audits done by the Big Four audit firms testify to the quality of

financial reporting (Palea, 2007 quoted in Hasan, Kassim, and Hamid, 2020). According to George (2017), as noted in Hasan, Kassim, and Hamid (2020), the main four audit firms find huge losses much quicker than minor organizations.

### **2.1.3 Audit Fees**

Audit fees are payment provided to auditors in return for their services, encompassing the hours spent, knowledge, competence, and labour accomplished in an audit assignment. This is founded on an agreement signed between the auditor and the Client Company. To guarantee audit quality, the auditor should avoid "low balling," which implies that the fee earned for a given audit assignment should be commensurate to the quantity of labour done. Low balling jeopardises audit quality. Audit customers with high-risk of exposures need higher attention and, as a consequence, a bigger fee income (Bell, Doogar, & Solomon, 2008, as referenced in Ilemena & Okolocha, 2019). Audit expenditures impact audit assignment planning (Ilemena & Okolocha, 2019). Smii (2016) mentioned in Enekwe, Nwoha, and Udeh (2020) that audit fee is a deciding aspect in assessing the quality of audit services offered to Client Company. A more comprehensive audit raises the threat of eroding the auditor's independence and impartiality. The auditor should construct a balance between extraordinarily high and excessively cheap audit fee pay to guarantee independence and quality (Yuniarti, 2011 cited in Enekwe, Nwoha, & Udeh, 2020).

### **2.1.4 Auditor Independent**

It is an objective mental approach to auditing. It is the characteristic of not being influenced, persuaded, or biased by third parties. Integrity and objectivity are important aspects of independence. An independent auditor is one who fulfils his professional job with honesty and objectivity (Harrison, 2015, cited in Enekwe, Nwoha, & Udeh, 2020).

### **2.1.6 Reliability of Financial Statement**

According to the IASB framework (1989), which is mentioned in Achim and Chis (2014), information is trustworthy when it is devoid of significant error and bias and can be relied on by users to truthfully reflect that which it either purports to represent or may reasonably be anticipated to represent. The IASB fails to characterize dependability appropriately. This was a puzzling word that financial information consumers couldn't quite appreciate. The IASB sought a new appellation that more clearly expressed the intended meaning in this case, and the term faithful representation was the outcome of that search. This method includes the key qualities previously acknowledged to be components of dependability (Achim & Chis, 2014).

### **2.1.8 Financial Reporting Disclosure (FRD)**

Financial reporting is a stewardship act undertaken by management for shareholders and other stakeholder groups. These acts of duty are meant to correctly and reliably depict economic truths. Decision makers may make better informed judgements when they have access to accurate and trustworthy

information. The accuracy and reliability of the financial reporting system influence the quality of financial reporting. It is also dependent on the correctness of the audit. As an impartial umpire, the auditor checks the client's system in place and handles the audit in such a manner that he gathers sufficient admissible evidence to deliver a 'true and fair perspective' result. True means that the financial statement is genuine and free of substantial deception in this circumstance. To be fair, financial information must be free of bias in order to correctly reflect what it claims to represent (Baghmisheh & Zadehsalet, 2020).

## **2.2 Theoretical Review**

### **2.2.1 Agency Theory**

Michael Jensen and William Meckling (cited in Shehata, 2013) defined the agency relationship as "a contract under which one or more persons (the principal) engage another person (the agent) to perform some services on their behalf, which involves delegating some decision-making authority to the agent." Agents are administrators from the position of a corporation, while principals are shareholders (Shehata, 2013). The reasoning for agency fees is that the two parties, agents and principal, have distinct interests. The monitoring fees are handled by the main or shareholders in order to regulate the agent's irregular activity. Bonding costs are paid by agents or managers to assure that their actions and activities do not risk the principal's interests. When the agents' estimates vary from those that would maximize the principal's well-being, residual loss emerges. As a result, the agency cost is derived by adding the monitoring cost, bonding cost, and residual cost (as described by Jensen and Meckling in Shehata, 2013). As a consequence, William et al. (cited in Htay, Rashid, Adnan, & Meera, 2011) claimed that the existence of agency cost is the fundamental worry in agency theory. Building excellent corporate governance is the suggested technique for decreasing this expenditure (Gursoy and Aydogan, 2002; Judge et al., 2003, as noted in Htay et al., 2011). The ultimate objective of corporate governance, according to Short et al., Cheung and Chan (cited in Htay et al., 2011), is to control management decision-making to guarantee that it is in conformity with shareholders' interests, and to reward managerial conduct towards increasing the firm's wealth.

## **2.3 Empirical Review**

The following empirical reviews were carried out:

Ogunbade, Adekoya, and Olugbodi (2021) applied panel multiple regression and Hausman's test to examine the audit quality and financial reporting quality of Nigerian stock exchange-listed deposit money institutions from 2009 to 2018. Audit firm size and audit tenure, according to the findings, had a non-statistically significant effect on financial reporting quality, but audit fees had a statistically significant influence on financial reporting quality.

Paydarmansh, Salehi, Moradi, and Khorromi (2014) assessed the influence of independent audit quality on the quality of financial disclosure in the Tehran stock market from 2008 to 2013 using descriptive statistics and multiple regression analysis. Despite the fact that there is a substantial link between

auditing firm antiquity, audit quality, and quality financial information, the data indicated that auditor industry specialization, auditor tenure, and audit fee revenue had no association with audit financial statement quality.

Ogbeifun and Adeniran (2020) utilized descriptive statistics and Pearson correlation analysis to assess audit quality elements and financial reporting quality in Nigerian commercial banks from 2015 to 2018. The findings revealed that audit firm size has a positive and significant impact on the quality of financial reporting of some selected commercial banks in Nigeria, audit personnel industry expertise has a positive and significant impact on financial reporting quality, and auditor remuneration has a positive impact on financial reporting quality. Furthermore, audit rotation or turnover has no major influence on financial reporting quality.

Ozoegebe and Jeroh (2022) analyzed audit quality and financial performance of Nigerian listed firms from 2011 to 2020 using panel least squares analysis, descriptive statistics, and the Hadri LM diagnostic test. According to the statistics, audit independence has a negative and statistically significant link with return on assets, but audit tenure and audit firm size have a positive and statistically insignificant relationship.

Iliemena and Okolocha (2019) evaluated the influence of audit quality on financial performance in emergent capital markets from 2012 to 2018. They applied descriptive statistics and linear regression analysis. Audit firm rotation and audit fees, according to the figures, both had a favourable and large influence on return on assets.

Muotolu and Nwadiolor (2019) evaluated the influence of audit quality on the financial performance of Nigerian deposit money banks from 2007 to 2016. They utilized basic regression and correlation analysis. According to the findings, the magnitude of the audit committee had a favourable but slight influence on the return on investment of Nigerian deposit money institutions. Audit committee independence and audit committee meeting both have a negative and insignificant influence on the return on assets of Nigerian listed banks, but auditor size has a positive and statistically significant impact on return on assets.

Amahalu and Obi (2020) investigated the influence of quality on the financial performance of Nigerian listed firms from 2010 to 2019. They applied Pearson correlation and panel least square regression analysis. The study found that audit committee size, independence, and financial knowledge all had a substantial beneficial effect on return on assets.

Baghmisleh and Zadehsaletah (2020) assessed the influence of quality and financial statement comparability from 1381 to 1391 using descriptive statistics and regression analysis. The findings demonstrated a significant connection between audit quality (as evaluated by tax distortions, legal discovery distortions, accounting estimate discovery distortions, and accounting process discovery distortions) and financial statement comparability.

Li, Adeke, and Mandella (2019) explored the market consequences of audit quality in Nigeria: implications on shareholders incomes and stock price projection from 2009 to 2018. They employed descriptive statistics, correlation analysis, ordinary least squares, univariate and multiple regression analysis approaches. Cashflows and accruals, according to data, have a tremendous influence on stock performance. Auditor independence, audit firm size, and audit firm specialty all have a big and favourable influence on earnings per share and market price per share. The term of the auditor, on the other hand, has a negative and large influence on the market price per share.

Baghmisheh and Zadehsaleti (2020) studied the influence of audit quality on financial statement comparability in Iran from 1381 to 1391 using descriptive statistics and regression analysis. The findings indicated a substantial association between audit quality (as judged by tax distortions, legal discovery distortions, discovery distortions in accounting estimates, and discovery distortions in accounting processes) and financial statement comparability.

Enekwe, Nwoha, and Udeh (2020) evaluated the influence of audit quality on the financial performance of listed manufacturing businesses in Nigeria from 2006 to 2016. Auditor independence, according to the research, has a positive and substantial effect on the return on assets of publicly listed industrial businesses. The audit committee has a substantial influence on publicly listed industrial enterprises' return on assets.

From 2009 to 2018, Idogho and Daniel (2023) used ordinary least square regression analysis to assess the influence of audit quality on organizational performance in Nigeria. Audit quality (number of specialists in audit firms), according to the study, has a major influence on organizations' return on equity.

### **3. Methodology**

#### **3.1 Research Design**

The study relied on historical data because it utilized an ex-post facto approach. Over the course of eleven (11) years, longitudinal time series data were gathered from a cross section of thirteen (13) listed commercial banks in Nigeria. Similarly, the release of CBN prudential requirements for money deposit banks in 2010 defines the length of research as well as the sample firms. The establishment of prudential restrictions for money deposit banks by the CBN in 2010 altered the timing.

#### **3.2 Area of Study**

The study covers quoted deposit money bank in Nigeria Exchange Group.

#### **3.3 Source of Data**

The study relied on secondary data acquired from yearly reports of sampling deposit money bank in Nigeria during an eleven-year (11) period.

### 3.4 Population of the Study

As of 2022, the population consisted of thirteen (13) listed deposit money banks in the Nigerian Exchange Group.

### 3.5 Determination of Sample Size

Sampling was unnecessary because the researchers intended to use the whole population.

### 3.6 Model Specification:

The regression model employed by Amahalu and Obi (2020) was developed with minor changes to meet the needs of the investigation.

The following model was used in the investigation:

$$ARF = f(AQ) + \mu$$

$$FRD = \beta_0 + \beta_1(AS)_{it} + \beta_2(LAF)_{it} + \beta_3(AI)_{it} + \beta_4(FA)_{it} + \beta_5(FS)_{it} + \mu_{it}$$

Where:

ARF = Accuracy and Reliability of Financial Statement (Financial Reporting Disclosure)

FRD = Financial Reporting Disclosure of i firm at t time (measured using Financial Reporting Disclosure Index)

AS = Audit Firm Size of i firm at t time (calculated by dichotomous scoring of 1 for big 4 audit firms and 0 for others).

LAF = Natural Log of Audit Fee of i firm at t time (measured by natural log of Audit fee expense).

AI = Audit Independence of i firm at t time (measured by ratio of audit fee to company revenue).

FA = Firm Age (An entity's age since incorporation.).

FS = Firm Size (Natural log of Total Revenue).

$\beta_0$  = Regression constant.

$\beta_1 - \beta_5$  = Independent variable regression coefficient.

$\mu_{it}$  = i firm's stochastic error term at t time

**Decision:** Accepting the null hypothesis If the estimated p-value is larger than the 0.05 level of significance, reject the null hypothesis and accept the alternative hypothesis.

## 4. Data Presentation and Analysis

### Data Presentation

The study's secondary data came from audited annual reports of the thirteen (13) listed Nigerian commercial banks. As a result, data from numerous sources are provided in the form of tables providing time series and cross-sectional data from banks in this chapter. Audit size (AS), log of audit fees (LAF), and audit independence (AI) were used to show audit quality, while Financial Reporting Disclosure (FRD) was used to demonstrate accuracy and dependability. Appendix 1 includes further information.



### Data Analysis

The data was analysed using two methods: descriptive analysis and inferential analysis. The descriptive analysis highlights the major characteristics of the phenomena under investigation and gives accurate information about each important variable. For the inferential analysis, we used panel data regression analysis.

Table 1 Descriptive Statistics

	FRD	AS	LAF	AI	FA	FS
Mean	0.993425	0.875740	5.090038	0.180227	46.38462	7.925662
Median	1.000000	1.000000	5.053100	0.001300	32.00000	8.040700
Maximum	1.000000	1.000000	5.909700	30.00000	128.0000	8.926800
Minimum	0.888889	0.000000	4.176100	0.000100	4.000000	3.000000
Std. Dev.	0.026294	0.330859	0.385100	2.307490	31.72051	0.737713
Skewness	-3.736695	-2.278050	-0.051282	12.88420	1.223354	-2.346842
Kurtosis	14.96289	6.189511	2.522832	167.0038	3.412583	14.09017
Jarque-Bera	1401.027	217.8060	1.677385	194077.1	43.35278	1021.200
Probability	0.000000	0.000000	0.432275	0.000000	0.000000	0.000000
Sum	167.8889	148.0000	860.2164	30.45840	7839.000	1339.437
Sum Sq. Dev.	0.116152	18.39053	24.91469	894.5177	169040.0	91.42914
Observations	169	169	169	169	169	169

Source: Eview 12 Ouput, 2023.

Table 1 displays the descriptive statistics for 169 observations. Furthermore, the p - value JB statistics for the variables FRD, AS, AI, FA, and FS were abnormally distributed at 0.000000, 0.000000, 0.000000, and 0.000000, respectively, whereas LAF is consistently distributed at 0.432275. This is more than the 0.05 threshold of significance. The biggest values for FS, FRD, AS, LAF, AI, FA, and FS variables were 1.00000, 1.00000, 5.90970, 30.00000, 128.00000, and 8.92680, respectively, while the smallest values for FRD, AS, LAF, AI, FA, and FS variables were 0.8889, 0.0000, 0.4176, 0.0001, 4.0000, and 3.0000. FA and AI have the largest maximum value, while FRD and AS have the lowest. Furthermore, FA and FS have the greatest minimum values, and AS and AI have the lowest. FA has the largest risk exposure with a standard deviation of 31.72051, while FRD has the lowest risk exposure with a standard deviation of 0.026294.

Table 2: Panel Least Square Regression analysis showing the effect of Audit quality on

Dependent Variable: FRD				
Method: Panel Least Squares				
Date: 07/26/23 Time: 18:59				
Sample: 2010 2022				
Periods included: 13				
Cross-sections included: 13				
Total panel (balanced) observations: 169				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.021158	0.027176	37.57542	0.0000
AS	-0.011720	0.005497	-2.131936	0.0345
LAF	0.042885	0.007107	6.034545	0.0000
AI	-0.004083	0.000972	-4.202076	0.0000
FA	9.78E-05	6.11E-05	1.601771	0.1111
FS	-0.030225	0.004209	-7.180823	0.0000
R-squared	0.264635	Mean dependent var		0.993425
Adjusted R-squared	0.242078	S.D. dependent var		0.026294
S.E. of regression	0.022891	Akaike info criterion		-4.681263
Sum squared resid	0.085414	Schwarz criterion		-4.570142
Log likelihood	401.5667	Hannan-Quinn criter.		-4.636168
F-statistic	11.73173	Durbin-Watson stat		0.273429
Prob(F-statistic)	0.000000			

Source: Eview 12, Regression Output, 2022

### Interpretation of Regression Coefficient Result

Table 2 yielded the following regression equation:

$$FRD = 1.02116 - 0.01172(AS) + 0.04289(LAF) - 0.00408(AI) + 0.00009(FA) - 0.03023(FS)$$

The relationship between the AS, LAF, AI, FA, FS, and FRD of Nigeria's listed commercial banks may be identified using the aforementioned approaches. Holding all other variables constant, increasing one unit of the AS results in a -0.01172 decrease in FRD, increasing one unit of the LAF results in a 0.04289 increase in FRD, increasing one unit of the AI results in a -0.00408 decrease in FRD, increasing one unit of the FA results in a 0.00009 increase in FRD, and increasing one unit of the FS results in a 0.03023 increase in FRD. FA and FS are the control variables. The slope coefficient (1 = -0.011720) revealed that AS had a negative association with FRD, with a t - statistic of -2.1319 and an associated P - value of 0.0345 > 0.05. This suggests that audit size has a considerable negative association with FRD at the 5% level of significance. The slope coefficient (2 = 0.04289) revealed that audit fees (LAF) interact substantially with FRD, with a t - statistic of 6.0345 and an associated P - value of 0.0000 > 0.05. This suggests that audit fees (LAF) have a considerable positive association with FRD at the 5% level of significance. With a t - statistic of -4.2021 and an accompanying P - value of 0.000 0.05, the slope coefficient (3 = -0.004083) revealed a positive association between audit independence (AI) and FRD. This suggests that audit independence (AI) has a considerable negative correlation with FRD at the 5% level of

significance. The model's adjusted R - squared is 0.2421, meaning that the independent variables explained 24% of the variation in FRD of Nigerian listed commercial banks. The probability value of 0.0000 in F - statistics suggests that the regression model is significant in predicting the influence of Audit size, Audit fees, and Audit independence on Financial Reporting Disclosure. The significant relationship of the variable is lower than  $P = 0.05$ .

**Hypothesis 1:**

**H0<sub>1</sub>: Audit Firm Size (AS) has no significant effect on Financial Report Disclosure (FRD) of quoted deposit money bank in Nigeria.**

**H<sub>1</sub>: Audit Firm Size (AS) has significant effect on Financial Report Disclosure (FRD) of quoted deposit money bank in Nigeria.**

**Decision:**

According to the rule of thumb, since the test probability = 0.0345 is less than the  $\alpha$  - value of 0.05;

**Conclusion:**

As a result, H<sub>1</sub> is accepted, proving that Audit Firm Size (AS) has a significant effect on Financial Report Disclosure (FRD) of listed deposit money banks in Nigeria at the 5% level of significance.

**Hypothesis 2:**

**H0<sub>2</sub>: Audit Fees (LAF) has no significant effect on Financial Report Disclosure (FRD) of deposit money bank in Nigeria.**

**H<sub>2</sub>: Audit Fees (LAF) has significant effect on Financial Report Disclosure (FRD) of quoted deposit money bank in Nigeria.**

**Decision:**

As a result, H<sub>1</sub> is accepted, proving that Audit Firm Size (AS) has a significant effect on Financial Report Disclosure (FRD) of quoted deposit money banks in Nigeria at the 5% level of significance.

**Conclusion:**

As a result, H<sub>2</sub> is recognized, suggesting that Audit Fees (LAF) have a significant effect on the aforementioned commercial bank in Nigeria at a 5% level of significance.

**Hypothesis 3:**

**H0<sub>3</sub> Auditor Independence (AI) does not significantly affect Financial Report Disclosure (FRD) of listed DMBs in Nigeria.**

**H<sub>3</sub> Auditor Independence (AI) significantly affect Financial Report Disclosure (FRD) of listed DMBs in Nigeria.**

**Decision:**

According to the rule of thumb, since the test probability = 0.0000 is more than the  $\alpha$  - value of 0.05;

**Conclusion:**

As a result,  $H_3$  is recognized, suggesting that at a 5% level of importance, Auditor Independence (AI) has a considerable impact on Financial Reporting Disclosure (FRD) of listed DMBs in Nigeria.

**Hypothesis 4:**

**$H_{04}$  Audit Ccommittee Iidependent (ACI) does not significantly affect the accuracy and reliability of the Financial Reporting Disclosure of listed DMBs in Nigeria**

**$H_4$  Auditor Committee Independence (ACI) does significantly affect Financial Report disclosure (FRD) of listed DMBs in Nigeria.**

**Decision:**

According to the rule of thumb, since the test probability = 0.029 is more than the  $\alpha$  - value of 0.05;

**Conclusion:**

As a result,  $H_4$  A is recognized, suggesting that at a 5% level of importance, Audit Ccommittee independent has statistical impact on Financial Reporting Disclosure of listed DMBs in Nigeria.

**Hypothesis 5:**

**$H_{05}$ : Audit Committee Meeting (ACM) has no significant effect on Financial Reporting Disclosure (FRD) of listed DMBs in Nigeria.**

**$H_5$ : Audit Committee Meeting (ACM) has significant effect on Financial Reporting Disclosure (FRD) of listed DMBs in Nigeria.**

**Decision:**

According to the rule of thumb, since the test probability = 0.028 is less than the  $\alpha$  - value of 0.05;

**Conclusion:**

As a result,  $H_5$  is accepted, proving that Audit Committee Meeting (ACM) has a significant effect on Financial Reporting Disclosure (FRD) of listed DMBs in Nigeria at the 5% level of significance

**Discussion of Findings**

According to the Regression Analysis result of Hypothesis One in Table 2, Audit Firm Size (AS) has a negative and considerable influence on the indicated commercial bank in Nigeria's Financial Report Disclosure (FRD). The unfavourable finding implies that a rise in the hiring of big4 audit firms does not secure the correctness and reliability of financial accounting. This is because big4s may prefer to sample and take a risk-based approach to auditing, which means that companies that are potentially less hazardous may eventually become prone to major misrepresentation. Although the bulk of writers researched audit quality in connection to financial performance, some investigated audit quality in relation to reporting quality. The findings contrast those of Ogbeifun and Ademiran (2020), who identified a favourable and strong relationship of audit firm size on financial reporting quality. It also coincides with the findings of

Ogungbade, Adekoya, and Olugbodi (2021), who revealed a non-statistically significant connection between audit firm size and financial quality.

The conclusion of hypothesis two in Table 2 reveals that Audit Fees (LAF) have a positive and considerable influence on Financial Report Disclosure (FRD) of listed commercial banks in Nigeria at the 5% level of significance. This beneficial impact means that higher Audit Fees (LAF) increases the degree of Financial Report Disclosure (FRD). In contrast, Paydarmanchi, Saleh, Moradi, and Khorromi (2014) noticed no relationship between audit fees and financial statements in their study.

The findings of Hypothesis 2 in Table 2 demonstrate that, at the 5% level of significance, Audit Independence (AI) has a negative and considerable influence on Financial Report Disclosure (FRD) of Nigerian listed commercial banks. This conclusion opposes the findings of Enekwe, Nwoha, and Udeh (2020) and Li, Adeke, and Mandela (2019), who discovered a favourable connection between audit independence and financial performance metrics.

## **Conclusion and Recommendations**

### **Recommendations**

### **Conclusion**

The study's overarching objective is to analyze the influence of audit quality on the accuracy and dependability of financial statements. The conclusions of the study demonstrate that all of the audit quality parameters have a statistically significant influence on the accuracy and reliability of financial statements.

According to the study's conclusions, it is proposed that 1. Commercial bank staff participate more in sustainable reporting procedures as they are not dependent on the size of the audit companies. Members of commercial bank audit committees should create and execute rules to encourage continued engagement that results in more consistent, accurate, and trustworthy financial statements. 2. Because audit fees impact the quality and credibility of financial statements, audit firms of publicly listed commercial banks should reduce conflicts of interest by not relying on a single customer for the bulk of their fee revenue and by removing contingency fees. 3. It is the entire duty of management to preserve the truth and reliability of financial statements, as well as to design a strong and efficient control and reporting system to guarantee that misstatements are maintained to a minimum. In addition, the Central Bank of Nigeria should revise its Regulatory Prudential Guidelines for Commercial Banks to require more reporting responsibility and knowledge from bank management.

Authors' contributions/Declarations: This work was carried out in collaboration among all authors. All authors read and approved the final manuscript

### **Disclaimer (Artificial Intelligence)**

Authors hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT etc.) and text-to-image generators have been used during writing or editing of this manuscript

### Competing Interests

Authors hereby declare that no competing interests exist.

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