AUDITOR ATTRIBUTES AND THE QUALITY OF FINANCIAL REPORTING OF FIRMS IN FINANCIAL SERVICE SECTOR

Augustine Chukwujekwu Odubuasi[1], Fidelis U. Amahi[2], and K. C. Kainene[3]
[1]Department of Accounting, Hezekiah University Imo State.
[2,3]Department of Accounting and Finance, University of Delta Agbor.

Abstract

This study investigated the effect of auditor attribute on the financial reporting quality of financial service firms listed on the Nigerian Exchange Group from 2011 to 2020 financial years. Four objectives were established, to investigate the effect of audit type, audit tenure, audit fee and joint audit on the financial reporting quality. Cause effect research design was employed, that enabled the determination of effect of independent variable on the dependent variable. The study used secondary data which were collected from annual reports of the thirty-five firms sampled. Descriptive statistics, correlation and panel regression analysis were applied for data analysis and the results there from indicate that joint audit and audit tenure have negative and no significant effect on financial reporting quality. Again, audit type and audit fee have negative effect but only audit fee has significant association with financial reporting quality of firms in financial service sector of Nigerian economy. The study recommends that, intensified usage of professional benchmark for audit fee computation be pursued by audit firms and should be enforced by regulators.

Keywords: Joint Audit, Audit Fee, Audit Tenure, Audit type, Financial Sector
JEL Classification Code: M42

1.1 Introduction

Financial reporting quality is viewed by Karajeh and Ibrahim (2017) as that annual report that most effectively reflects the performance of the company and the values of the shareholders. It is good to emphasize that financial reporting is considered highly qualitative, if it harbours these three important attributes of transparency, comparability and full disclosure (Eyenubo, Mohamed & Ali, 2017). And by extension, such quality financial reports will be a reliable tool for decision making by the users of financial statements. Noting that Kaawaase, Nairuba and Bananuka (2021) had maintained that valid decisions can be reached only when the information in the financial reports are faithfully represented, relevant, understandable, comparable, timely and verifiable. These developments have necessitated researchers and practitioners to look out for ways to improve financial reporting quality (Aderemi, Osarumwense, Kehide & Egbide, 2016). Be that as it may, the shareholders appoint external auditors as a matter of necessity and to fulfil statutory requirement of appointing external auditors, who examines the financial statement prepared by the managements and issues an unqualified report, when the financial statement is free from material misstatement, or they may give a qualified report when the financial statement proves otherwise. An auditor's opinion that expresses his view of truthfulness and fairness simplifies a clean bill of health to the firm examined.

1.2 Statement of the problem

However, auditors have lost the confidence reposed on them by shareholders and public at large by not consistently being thorough and meticulous in their audit engagement, which necessitated Ogungbade, Adekoya and Olugbodi (2021) to believe that the assurance exercise fails in most times to disclose material misstatements, which have led to several corporate failures across the globe even after publication of juicy profits. For instance; Cadbury Nigeria Plc collapsed in 2006, Intercontinental Bank Plc. and Afribank Nig. Plc collapsed in 2009 (Aderemi, Osarumwense, Kehide & Egbide, 2016); others include Barings Bank, Metallgesellschaft, Orange Country, Long Term Capital Management Fund (LTCM) of 1990's and Enron, Parmalat, Tyco, Xerox and Worldcom of 2000's. In consequent to all these corporate failures, a lot of pressures had been mounted on the auditors to ensure their audit assurance provides reliable quality financial reports. In a strategy to deter reoccurrence of similar undetected and unprevented corporate financial scandal, Mundy (2018) reported that Price Water house Coopers (PwC) was banned in India for its failure to detect inflated income by its client company, Satyam. Since there is established relationship between auditor and financial reporting quality in literature (Daferighe & George, 2020; Oyedokun, Okwuosa, & Isah, 2019; Ibrahim, 2017), it becomes imperative to ascertain the attributes of auditors that could be instrumental to improving the quality of financial reporting in Nigerian financial sector.

1.3 Objectives

The main objective of the study is to investigate the effect of audit attributes on the financial reporting quality of firms listed under financial service sector of Nigerian Exchange Group. The specific objectives are;

1 To examine the effect of audit fee on the financial reporting quality of financial service firms in Nigeria,
2 To evaluate the effect of audit tenure on the financial reporting quality of Nigerian financial sector,
3 To investigate the effect of joint audit on the financial reporting quality of Nigerian financial sector,
4 To investigate the effect of audit type on the quality of financial reporting of Nigerian financial sector.

1.4 Hypotheses

Ho1 – Audit fee has no significant effect on financial reporting quality of firms listed on Nigeria financial service sector

Ho2 – Audit tenure has no significant effect on financial reporting quality of firms listed on Nigeria financial service sector

Ho3 –Joint audit services has no significant effect on the financial reporting quality of firms listed on Nigeria financial service sector

Ho4 – Audit type as measured by Big4 does not have significant effect on the financial reporting quality of firms listed on Nigeria financial service sector.

The result of this study added to the existing literature on the relationship that exists between auditor attributes and quality of financial reports. More especially, it provides a broader empirical result using a broader perspective to what obtains in literature, using financial service sector. The study attempted encouraging regulatory authorities within audit market to consolidate efforts in ensuring that audit firms base their audit fee computation, on the established professional fee computation benchmark. The study is structured in a way that next section contains the literature review, section three was discussed the methodology, subsequent is the data analysis and interpretation, while the last section five is the conclusion and recommendation.

2.0 Literature Review

Audit fee- represents the amount paid to the external auditor for the audit engagement he undertakes. In most cases, a professionally calculated audit fee reflects the quality and depth of audit assignment to be taken (Frankel, Johnson & Nelson, 2002). Meanwhile exceptionally high audit fee could erode auditor independence and that will be impairment on the financial reporting quality. More so, extreme low audit fee, which could arise in cases of competition, would as well undermine the quality and depth of services expected of the auditor.

Audit type- is a measure of whether the audit firm is a Big4 or non-Big4. One line of thought in literature has it that Big4 audit firms provide a more thorough audit services because of their advantages of more experienced staff and available financial resources. Thereby, have more capacity of provide higher audit quality. With DeAngelo (1981) argument that the Big4 are hardly put to pressure by the client to compromise on the financial quality.

Audit tenure- is seen as the number of years that the auditor provides unbroken audit services to the client. Elongated auditor tenure is believed by some researchers as undermining the independence of the auditor that results to compromised financial reporting quality (Geiger & Raghunandan, 2002; Chung & Kallapur, 2003). Other set of researchers argue that elongated tenure gives the auditor opportunity to understand the client business, expand his expertise and knowledge of the client activities, and be able to generate more quality financial report (Ling & Nopmanee, 2015).

Joint audit services- occurs when two independent audit firms jointly accept audit responsibility wherein, they plan the audit together, execute together, produce and sign single audit report and share in any liability thereon. One school of thought upholds that joint audit services enhances audit quality because of the expected availability of expertise, adequate human resource for the assignment and the threat of joint liability in case of litigation (Zerni, Haapamaki, Jarvinen, & Niemi, 2012; Lesage, Ratzinger-Sakel, & Kettunen, 2017). The other school of thought believe that disagreement could rise between the two audit firms and one of the firms might be dependent on the other, in which case, the joint audit service would portend effort in futility that will play down on the quality of financial reporting.

2.1 Agency Theory

Agency theory which was propounded by Jensen and Meckling (1976) emphasises on the separation of the business into the ownership and management which has prompted the owner (Principal) to appoint the manager (Agent) to manage the day-to-day operations of the enterprise, wherefore the agents might use the property of the firm for their own end, that results to conflict between the principals and agents. According to Habbash (2010), that agency theory was meant to resolve agency problems and conflicts through monitoring management activities, controlling self-centered behaviours of management, increasing and examining the financial reporting processes by the appointees of the shareholders. This necessitated the need and reason for hiring the external auditors to give credence to the financial reports prepared by the management through the audit report, and as a result makes it a reliable instrument for decision making. For this reason, we anchor this study on agency theory, knowing that it covers the shareholders effort to appoint the auditor to examine the accounting reports prepared by managers as a threshold for relying on it.

2.2 Empirical Review

Pertinently, Namakavarani, Daryaei, Askarany and Askary (2021) investigated the role of internal information environment and political connections on audit committee characteristics and quality of financial information. Taking a sample of 558 firms listed on the Tehran stock exchange, Iran. The study covered 2011 to 2016 financial years. The study used 2 proxies to measure audit committee characteristics which include audit committee independence and audit committee financial knowledge. Again, the three proxies that measured internal information environment include earning announcement speed, the accuracy of earning forecasting and lack of financial restatements. They employed descriptive statistics, correlation and regression analysis as well as specification tests. Their results show the existence of significant positive relationship between the audit committee and financial information quality characteristics in high-level political connections, as well as between financial knowledge and financial information quality. In line with their findings, they recommend that political economic theories should be appropriate for more inquiry.

Kaawaase, Nairuba, Akankunda and Bananuka (2020) studied the relationships among the trio of corporate governance, internal audit quality and financial reporting quality of financial institutions in Uganda. The study adopted cross sectional research design which permitted the researchers to use questionnaires as an instrument for data collection in the year 2019. Their study elements included the chief finance officer, senior accountants and internal managers of the 62 financial institutions comprising 24 commercial banks, 29 insurance firms, 5 micro deposit taking institutions and 4 credit institutions. However, only 45 of the financial institutions were sampled and 67 questionnaires collected for analysis. Meanwhile, the specific objectives included board expertise, board independence, board role performance, and internal audit quality, where the response variable was the financial reporting quality. Though, firm age and firm size stood for the control variable. The returned questionnaires were sorted out and analysed with descriptive statistics, correlation and regression analysis which generated the results that indicate that board role performance and board expertise, and internal audit quality have significant effect on financial reporting quality. But board independence has no significant effect on the financial reporting quality of the financial institutions sampled in Uganda.

Waris, Younas, Maqbool, Akbar, Asif and Nawaz (2020) examined the impact of auditor characteristics, independent director's characteristics and economic attributes influences on financial reporting quality as evidenced from Pakistan. Theirs is a multivariable study that measured auditor characteristics with existence of audit committee and auditor brand name, measured independent director characteristics with board independence, independent directors' tenure and measured economic attributes with GDP and inflation, whereas financial report quality is the dependent variable. The study sampled 100 firms listed on the KSE (Pakistan) stock exchange from 2011 to 2017. They applied descriptive statistics, correlation analysis and pooled ordinary least square regression analysis. In addition, the study also used some sensitivity analysis and robust tests. The results indicate that board independence; economic attributes (GDP & Inflation) have positive significant effect on reporting quality of the firms. More so, board independent directors' tenure has no significant effect on reporting quality of those firms.

Handayani and Ibrani (2020) investigated the effect of audit committee characteristics on earnings management and its impact on value of firms listed on the Indonesian stock exchange that span across 2016 to 2018 financial years. They proxy audit committee characteristics with audit committee that has expertise in industry and accounting, audit committee that has expertise in industry and financial supervisors, the number of meetings of the audit committee members, and an independent audit committee. The data collected was analysed using descriptive statistics and regression analysis and its results provide that the expertise of the audit committee in industry and accounting has insignificant effect on earnings management, the expertise of the audit committee in the industry and the financial supervisors has no significant effect on earnings management, the number of meetings of the audit committee members has no significant effect on earnings management, the independent audit committee has no significant effect on earnings management, but, Earning Management has a significant inverse effect on firm value.

Sae-Lim and Jermsittiparsert (2019) had the objective of investigating the relationship between audit committee and earnings quality. They took sample of 414 non-financial firms listed on the Bursa stock exchange in Malaysia for their study and measured the independent variable with audit committee independence, audit committee expertise, size and activity of the audit committee. More so, two measures were applied for the dependent variable which are Jones model of (1991) and the modified version by Dechow and Dichev (2002). They adopted cross sectional research design and collected data from the financial statement of the firms selected. Descriptive statistics and regression estimation technique were employed in data analysis and the results signify that audit committee independence, expertise, and size are positively associated with earnings quality of non-financial firms in Malaysia.

Ogungbade, Adekoya and Olugbodi (2021) used samples from Nigerian money deposit banks listed on the stock market to investigate the relationship between audit quality and the financial reporting quality. The study adopted explanatory research design and studied the whole eleven (11) money deposit banks listed on the stock exchange market, where the panel data was collected from the annual reports of the banks from 2009 to 2018. Audit quality was measured using audit firm size, audit fee and audit tenure. In which case, financial reporting quality was measured with a qualitative yardstick ‘relevance’, pointed out as the lag between the end of accounting year and the date the auditor signed the audited report. Analysis was done with some statistical tools that include descriptive statistics, correlation and panel regression analysis alongside the post regression tests. The results indicate that all the independent variables have negative effect on financial reporting quality, but only audit fees has statistical significant effect on the dependent variable at 5% level. They recommend that big audit firms, reasonable audit tenure and audit fees should be encouraged as a way to improve financial reporting quality.

Daferighe and George (2020) conducted investigation into audit firm attributes and financial reporting quality of quoted manufacturing firms in Nigeria which spanned from 2011 to 2015 financial year. The study measured independent variable with audit fee, audit delay and audit firm size while dependent variable was proxy with discretionary accruals measured using modified Jones model. Secondary data were collected from the sixteen (16) manufacturing firms sampled. Descriptive statistics and multiple regression analysis were employed for the analysis and the result thereof indicates that audit fee has statistical significant effect on the financial reporting quality of manufacturing firms quoted on the Nigerian stock exchange at 1% level. But audit firm size and audit delay have no significant effect on financial reporting quality of quoted manufacturing firms sampled.

Akpan and Nsentip (2020) on their own, examined audit committee attributes and qualitative financial reporting as it affects Nigerian banking sector. Their study covered 2009 to 2018 financial years where it investigated some objectives that include audit committee size, audit committee meeting, audit committee independence as they affect qualitative financial reporting. 12 out of the 13 banks with the aid of Taro Yamane were sampled. Ex-post facto research design was adopted and data was got from the annual reports of the 12 firms across the years. Descriptive statistics, correlation and regression technique were the data analysis technique used. There from, the result indicated that audit committee size and audit committee independence has positive significant effect on financial reporting quality. Audit committee meeting has negative insignificant effect on financial reporting quality of banks listed on the Nigerian stock exchange.

Ogbeifun and Adeniran (2020) on their part assessed the relationship between audit quality attributes and financial reporting quality of some selected listed commercial banks in Nigeria. The proxies for audit attributes they used are audit committee report, audit firm size, auditor's remuneration, audit committee's report and audit's report. However, Board independence was used as a control variable and financial reporting quality was measured with financial information disclosure index. Ex-post facto and correlational research design was applied and data were collected from the financial statement of the 10 banks selected for the periods covering 2015 to 2018. Analytical techniques used included descriptive statistics, correlation and random effect regression analysis technique and found that, audit firm size, audit committee report, auditor's report and auditor's remuneration have statistical significant effect on the quality of financial reporting of the Nigerian banks sampled.

Filli (2019) found that audit committee expertise has positive significant effect on financial reporting quality on deposit money banks in Nigeria. Moreso, audit committee size and audit committee frequency of meetings have positive and no significant effect on reporting quality of deposit money banks. Pertinently, audit committee independence and audit committee attendance were found to be negatively but not significantly affecting financial reporting quality. The result emanated from his search on the 'impact of audit committee attributes on the financial reporting quality of deposit money banks in Nigeria'. The study spanned from 2008 to 2017 with data collected from the annual reports of the 10 money deposit banks listed on the Nigeria stock exchange which were selected for the study. The data was analysed with descriptive statistics while ordinary least square regression estimation technique was use to estimate the panel data generated.

The study by Ogaluzor and Ohaka (2019) which was titled the effect of audit committee characteristics on the financial reporting quality, found that board independent has negative insignificant effect on value relevance of earnings and audit committee size has positive significant effect on the accounting value relevance of earnings. Moreso, audit committee independence has positive significant effect on earnings management, while audit committee size has negative insignificant effect on earnings management of the firms sampled. This study was targeted on the 22 quoted consumer goods manufacturing firms on the Nigerian stock exchange but used judgmental sampling technique to arrive at the sample size of 15 quoted consumer goods manufacturing firms. Data from these firms were collected from annual reports from 2006 to 2016 financial years, which were estimated with pooled regression technique and all the relevant specification tests were also conducted.

Kolawole (2019) investigated audit attributes and reporting quality in selected Nigerian deposit money banks from 2009 to 2017 fiscal years. The study sought to establish the effect of audit firm independence, auditor tenure and audit fee on the financial reporting quality of selected deposit money banks in Nigeria. The data for the study was collected from the financial statements of the deposit money banks, which was analysed using descriptive, correlation and GLS panel data analysis. The study empirical results show that audit firm independence, auditor tenure and audit fee are statistically significant effect on the financial reporting quality of deposit money banks in Nigeria and recommend that audit independence should be always emphasized on.

Oyedokun, Okwuosa and Isah (2019) examined the effect of audit characteristics on financial reporting quality of listed consumer goods company listed on the Nigerian stock exchange. They employed ex-post facto research design and collected secondary data from the annual reports of the firms sampled covering 2009 to 2018 accounting years. Proxy for audit characteristics are audit type, audit tenure, audit size. The empirical analytical tools used included descriptive statistics and ordinary least square regression analysis, wherefore the tests for the assumption of the regression analysis were all conducted. The result thereof show that audit type has positive and no significant effect on financial reporting quality, audit size has positive significant effect at 5% level, while audit tenure has negative and statistical significant effect on financial reporting quality at 1% level. The study from its findings recommended that listed consumer goods should reduce the audit tenure, improve on the type of audit firm engaged and use mainly big fours.

3.0 Methodology

The study employed cause and effect research design purposely to ascertain the effect of the independent variable on the dependent variable. The population is the fifty (50) firms listed under financial service sector of the Nigerian Exchange Group. The study eventually used forty firms (40) selected on the bases on convenience. The study covered ten (10) years spanning from 2011 to 2020 while secondary data were generated from the annual reports and accounts of the company over the years. The panel data collected were analysed with some statistical tools like descriptive statistics, correlation and panel regression analysis, where the hypotheses were tested at 5% significant level.

3.1 Model specification

The model is presented in econometric form as follows;

$EARNMGT_{it} = \beta_0 + \beta_1 AUDTY_{it} + \beta_2 AUDFE_{it} + \beta_3 AUDTE_{it} + \beta_4 JAUDT_{it} + \varepsilon_{it}$--------equ (1)

Where: EARNMGT = Financial reporting Quality of firm *i* in year *t;* AUDTYPE = Audit type of firm *i* in year *t;* LOGAUDFE = Audit fee of firm *i* in year *t;* AUDTENUR = Audit tenure of firm *i* in year *t;* JONTAUD = Joint audit of firm *i* in year *t;* ε_{it}= Stochastic variable (Error term); β_0 = Intercept/ Constant; $\beta_1, \beta_2, \beta_3, \beta_4,$ = Parameters or coefficients of determination; $+\varepsilon_{it}$--------equ (7)

Where: EARNMGT= Financial reporting Quality of firm *i* in year *t;* AUDTY = Audit type of firm *i* in year *t;* AUDFE = Audit fee of firm *i* in year *t;* AUDTE = Audit tenure of firm *i* in year *t;* JAUDT = Joint audit of firm *i* in year *t;* INDAUD = Industry specialised audit of firm *i* in year *t;* ε_{it}= Stochastic variable (Error term); β_0 = Intercept/ Constant; $\beta_1, \beta_2, \beta_3, \beta_4, \beta_6, \beta_7$ = Parameters or coefficients of determination.

Variable specification

Variables/ specifications	Expected signs	Measurements	Authors
Financial reporting Quality (EARNMGT)		Proxied by discretionary accruals computed using modified Jones Model by Dechow et al. (1995)	Hussaini and Gugong (2015); Olthof (2017)
Audit type (AUDTYPE)	-	Dummy variable assigns 1 when audit firm is Big4 otherwise 0	Umaru (2014); Olthof (2017)
Audit fee (LOGAUDTFE)	+	Log of total amount of remuneration paid to the audit firm for audit work done as reported in the financial statement.	Rashid, Ibrahim and Othman (2012)
Audit tenure (AUDTENURE)	+	Dummy variable where 1 is assigned for not more than 6-year tenure otherwise 0	Olthof (2017)
Joint audit of firm (JOINTAUD)	-	Audit by two audit firms were assigned “1”, otherwise “0”	Umaru (2014)

Source: Researchers’ compilation 2022

4. Results and Discussion

4.1 Data Presentation

The data of the study is attached as appendix to this study

4.2 Data Analysis and Interpretation

Table 1 Descriptive statistics

From the table 1 above, it is seen that average defect to financial reporting quality across the firms in Finance sector is -0.037, maximum is -0.023 while minimum is -0.077. The standard deviation of 0.006 which is smaller than the mean distribution is an indication that the earnings management for the firms does not widely vary among themselves. The table also shows that Big4 auditors services have been engage for an average number of 62% of the firm year observation by the Finance sector. The result provides that joint auditor services were engaged for an average of 3% of the firm-year observations. More so, the result shows moderate tenure for average of 64% of the observations.

Table 2 – Normality test

The normality test of the data distribution was conducted with Shapiro-Wilk, which tests the hypothesis that data is normally distributed on the population. The result indicated that auditor fee, joint auditor and the earnings management that defines financial reporting quality of finance sector are normally distributed at 1% significant level.

Table 3 Correlation analysis

Source: Researchers' computation 2022

The correlation result in the table above shows that financial reporting quality has moderate positive association with audit fee and audit type (EARNMGT/LOGAUDITFE= 0.40), and (EARNMGT/AUDTYPE=0.38) respectively. Again, financial reporting quality has very low and positive correlation with joint auditor and auditor tenure (EARNMGT/JONTAUD=0.06) and (EARNMGT/AUDTENURE=0.03) respectively. However, all the independent variables are not very highly correlated among themselves as only audit fee is positive and moderately related to auditor type (Big4) (AUDITFE/AUDTYPE=0.55).

Table 4 Model misspecification test

Source: Researchers' computation 2022

The table presented test for omitted variable using Ramsey Reset test. The result indicates that the model was well specified since its probability is above the critical value (0.335 > 0.05).

Table 5 Multicollinearity test

Source: Researchers' computation 2022

The multicollinearity of the variables was tested using Variance Inflation Factor (VIF) as contained in table 5 above, which shows the mean Variance Inflation Factor (VIF) of 1.37. VIF rule of thumb places a benchmark mean of 10, wherein the score of above 10 indicates high correlation among the independent variables. Therefore, the mean VIF of 1.37 as shown by the result indicate that the independent variables have no multicollinearity problems.

Regression analysis

The panel regression technique allows for the analysis of fixed effect model and random effect models, with an accompanying Hausman test that aid the study chose the better model between the formers for making inferences.

Table 6 – **Summary of Panel Regression Analysis**

	(Random Effect Result)
C	-0.055 (0.000)***
LOGAUDITE	0.0038 (0.000)***
AUDTYPE	0.00016 (0.858)
JONTAUD	-0.0006 (0.696)
AUDTENURE	-0.00037 (0.443)

F-statistics P-value	20.94 (0.0003)***
R-squared	0.26
Hausman Test	Prob>chi2 = 0.1991

Source: Author's compilation (2020)

Remarks: (1). *, **, *** means – statistical significance at 10%, 5% and 1% level respectively.

(2). Brackets () – represents P-values.

Hausman test rule maintains that random effect model is preferable to fixed effect model when the probability is not significant. Again, that fixed effect model is more preferable to random effect model when the probability is significant. To that end, the study choose random effect model as a basis of testing the hypotheses since the probability of the Hausman test is 0.199, very far above the critical level at 5%.

The result on table 6 above represents the outcome of random effect model estimation which the Hausman test result suggests as the better, as compared with fixed effect result. The F-statistics of 2.94, with the corresponding P value of 0.0003 indicate that our model is significant at 1% level. Hence, it is fit and valid for making inferences. The R^2 of 0.26 shows that the variables would combinedly explain 26% of the changes in the sectors' financial reporting quality as was proceed by accrual earnings management. The hypotheses of the study are tested on the bases of random effect model as presented below;

Hypothesis one- ***Audit fee has no significant effect on financial reporting quality of firms listed on Nigeria finance sector:***

The table show that the coefficient of audit fee is 0.003 and the p-value (0.0003) is less than critical value at 5% level. Then the statistics implies that audit fee has positive and statistical significant effect on financial reporting quality of firms listed on Nigeria finance sector at 1% level. The result indicates that the increase in audit fee will amount to increase in earnings management which signifies reduction in financial reporting quality. Hence, an increase by one unit in the audit fee will result to increase in the earnings management of the sector by 0.003 units. In effect, the result implies that high audit fee could lead to compromise in auditor independence that impinge on financial reporting quality. This result is in conformity with common finding that audit fee has statistical significant effect on financial reporting quality as proxy with earnings management (Daferighe & George, 2020; Ogbeifun & Adeniran, 2020; Kolawole, 2019).

Hypothesis two- ***Audit tenure has no significant effect on financial reporting quality of firms listed on Nigeria finance sector:***

It is observed from the table that audit tenure has regression coefficient of -0.0003, which means that auditor tenure has negative effect on the earnings management of firms listed under finance sector of Nigerian economy. The result indicates that higher earnings management practice arises on a longer tenure of the audit assignment. And the more the auditor stays on the job the more the earnings management contained in the financial report, because they tend to mortify the tenacity as a result of familiarity with the client. In which case, shorter audit tenure provides the auditor with avenue of showcasing his skills, expertise and professional judgement, knowing that compromise will not attract him extended tenure with the client, therein providing more quality financial report. Meanwhile, the p-value of 0.44 which is higher than critical level of 0.05 shows that audit tenure is not significant in determining the changes in financial reporting quality as represented by earnings management. The result disagrees with the findings that believe audit tenure to have significant effect on financial report quality of Nigerian deposit money banks (Kolawole, 2019); and on Nigerian consumer goods company listed (Oyedokun, Okwuosa & Isah, 2019).

Hypothesis three- ***Joint audit services have no significant effect on the financial reporting quality of firms listed on Nigeria finance sector:***

The table also shows that joint audit (JONTAUD) has coefficient -0.006, which indicates that joint audit services have inverse association with earnings management. By implication, a unit increase in services of joint audit would decrease earnings management by 0.006 which improves the financial reporting quality when other variables are held constant. In order words, it could be inferred that increase in joint audit would increase financial reporting quality. More so, joint audit services have p-value of 0.69 which is greater than statistical value of 0.05, portending the non-significant effect of joint audit on financial reporting quality.

Hypothesis four– Audit type does not have significant effect on the financial reporting quality of firms listed on Nigeria finance sector:

Audit type was a measure of Big4 auditors and the table shows a coefficient of 0.00016 which puts audit type on the positive association with earnings management. The understanding of the knowledge of the result provides that a unit increase in usage of Big4 auditors could cause 0.00016 unit increase on the earnings management of finance sector firms if every other variable is held Constance, and by increasing earnings management, it becomes obvious that financial reporting quality will decrease. The p-statistics of 0.85 is greater than 5% therefore makes for a conclusion that, audit type has positive and no significant effect on financial reporting quality of firms listed on finance sector of Nigerian stock exchange. The finding of this study corroborates with the results of Daferighe and George (2020) that found that Big4 auditors have no significant effect on financial reporting quality of quoted manufacturing firms in Nigeria, Oyedokun, Okwuosa and Isah (2019) audit type has no significant effect on Nigerian manufacturing firms listed.

5. Summary and Conclusion

The study undertook to investigate the effect of audit attribute on the financial reporting quality of firms listed under finance sector of Nigerian economy. This investigation was prompted by the fact that many corporate failures within the past two decades occurred even after their external auditors completed the statutory audit and presented unqualified opinion of the financial activities and standing of the firms, yet the financial report contained lots of material misstatements, earnings managements and others that undermined the quality of the financial report, that saw the immediate collapse of the firms. With the inquisitiveness to ascertain the attributes of the auditor that can help strengthen financial reporting quality, this study investigated audit fee, audit tenure, audit type and joint audit in relation to financial reporting quality. The empirical findings underscore that audit fee has strongest power to undermine auditor independence and hastily erode audit quality, as it is the only variable that shows significant determinant. Therefore, the study recommends that the regulatory bodies should enforce the strict use of professional benchmark as a basis of negotiating and fixing audit fee by all the audit firms.

5.1 Suggestion for further study

This study found a little percentage (26%) of what cause changes to financial reporting quality, therefore we suggest that other factors like audit committee, boards attributes be added to the auditor attribute, to know if the result would be dominant determinant in maintaining high financial report quality.

References

Aderemi, A. K., Osarumwense, E. S., Kehinde, A. & Egbide, B. (2016). Audit committee attributes and financial reporting quality in Nigeria Quoted Companies. *International Business Management, 10*(22), 5326-5335.

Akpan, D. C. & Nsentip, E. B. (2020). Audit Committee Attributes and qualitative financial reporting: Implication for Nigerian banking sector. *INOSR Arts and Management, 6*(1), 26-37.http://www.inosr.net/inosr-arts-and-management.

Daferighe, E. E. & George, E. M. (2020). Audit firm attributes and financial reporting quality of quoted manufacturing firms in Nigeria. *International Journal of Economics and Management Studies, 7*(1), 43-55.

DeAngelo, L. E. (1981). Auditor independence, low balling, and disclosure regulation. *Journal of Accounting and Economics, 3*(2), 113–127.

Dechow, P. M. & Dichev, I. D., (2002). The quality of accounting and earnings: The role of accrual estimation errors. *The Accounting Review, 77,* 35-59.

Eyenubo, S. A., Mohamed, M. & Ali, M. (2017). An empirical analysis on the financial reporting quality of the quoted firms in Nigeria: Does audit committee size matter? *International Journal of Academic Research in Business and Social Sciences, 7*(9), 50-63.

Filli, G. E. (2019). Impact of audit committee attributes on the financial reporting quality of deposit money banks in Nigeria. *Research Journal of Finance and Accounting, 10*(4), 22-34.

Frankel, R., Johnson, M. F., & Nelson, K. K. (2002). The relation between auditors' fees for non-audit services and earnings management. *The Accounting Review, 77*, 71-105.

Geiger, M., & Raghunandan, K. (2002). Auditor tenure and audit quality. *Auditing: A Journal of Practice and Theory, 21*(1), 187-196.

Habbash, M. (2012). Earnings management, audit committee effectiveness and the role of block-holders ownership: Evidence from UK large firms. *Journal of Governance and Regulation, 1*(4), 100–116.

Handayani, Y. D., & Ibrani, E. Y. (2020). The effect of audit committee characteristic on the earnings management and its impact on firm value. *International Journal of Commerce and Finance*, *6*(2), 104-116.

Jensen, M. & Meckling, W. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics,3*, 305-360.

Kaawaase, T. K., Nairuba, C, Akankunda, B. & Bananuka, J. (2021). Corporate governance, internal audit quality and financial reporting quality of financial institutions. *Asian Journal of Accounting Research, Emerald Publishing Limited*, DOI 10.1108/AJAR-11-2020-0117

Karajeh, A. I. & Ibrahim, M. Y. (2017). Impact of audit committee on the association between financial reporting quality and shareholders' value. *International Journal of Economics and Financial Issues*, *7*(3), 14-19.

Kolawole, O. A. (2019). Audit attributes and reporting quality in selected Nigerian deposit money banks. Unpublished M.Sc. thesis submitted to Kwara State University.

Lesage, C., Ratzinger-Sakel, N. V. & Kettunen, J. (2017). Consequences of the abandonment of mandatory joint audit: an empirical study of audit costs and audit quality effects. *European Accounting Review, 26* (2), 311-339.

Ling, L. & Nopmanee, K, T. (2015). Auditor independence and audit quality: A literature review. *Journal of Accounting and Finance, 30*(1), 101-121.

Namakavarani, O., Daryaei, A., Askarany, D. & Askary, S. (2021). Audit committee characteristics and quality of financial information: The role of the internal information environment and political connection. *Journal of Risk and Financial Management, 14*(273), 2-18.

Ogaluzor, O. I. & Ohaka, J. (2019). Effect of audit committee characteristics on financial reporting quality. *Journal of Accounting Information and Innovation, 5*(11), 1-9.

Ogbeifun, I. E. & Adeniran, T. E. (2020). Audit quality attributes and financial reporting quality (A case study of some selected listed commercial banks in Nigeria). *International Journal of Current Research, 12*(05), 11460-11467.

Ogungbade, O. I., Adekoya, A. C. & Olugbodi, D. I. (2021). Audit quality and financial reporting quality of deposit money banks listed on the Nigerian stock exchange. *Journal of Accounting, Finance and Auditing Studies, 7*(1), 77-98.

Oyedokun, G. E. Okwuosa, I., & Isah, S. (2019). Effect of audit characteristics on financial reporting quality of listed consumer goods company in Nigeria. *Fountain University Osogbo Journal of management*, 161-180.

Sae-Lim, P. & Jermsittiparsert, K. (2019). Audit committee and earnings quality. *International Journal of Innovation, Creativity and Change*, *6*(2), 335-347.

Waris, M., Younas, I., Maqbool, Q., Akbar, J., Asif, M. & Nawaz, M. K. (2020). Impact of auditor characteristics, independent director's characteristics and economic attributes influences on financial reporting quality: Evidenced from Pakistan. *Journal of Business and Management*, *22*(2), 28-39.

Zerni, M., Haapamaki, E., Jarvinen, T. & Niemi, L., (2012). Do joint audits improve audit quality? Evidence from voluntary joint audits. *European Accounting Review*, *21*(4), 731-765.