International Journal of Technology and Management



External Audit Quality and Users Confidence in Financial Reports: Evidence from Nigeria Deposit Money Banks

IJOTM
ISSN 2518-8623
DOI: 10.67610/ijotm.5.1.005
Volume 5. Issue I
pp. 1-16, June 2020
ijotm.utamu.ac.ug
email: ijotm@utamu.ac.ug

Oladejo, M.O
Ladoke Akintola University of Technology Ogbomoso, Oyo State, Nigeria

Olowookere J.k
Osun State University, Okuku, Osun State Nigeria

Yinus S.O
Kampala International University, Kampala, Uganda.
Oluwaseun.yinusa@kiu.ac.ug

Abstract

This study appraised the determinants of external audit quality and the relationship with the users' confidence in the financial report of selected Deposit Money Banks (DMBs) in Nigeria. Secondary data were used as obtained from the financial information of seven banks purposively selected out the fifteen quoted deposit DMBs in Nigeria as at 31st of December 2017. Data collected were analyzed using descriptive statistics such as Pearson Product Moment Correlation Coefficient (PPMCC), used to test the formulated hypothesis at 95% confidence level. The overall results showed that technical training and proficiency (TTP), auditor size (AUDS), engagement performance (EP), and auditor independence (AUDIN) were significant determinants of external audit quality. It was further revealed that there is a significant relationship between Audit Quality Attributes and users' confidence in the financial report of selected DMBs in Nigeria (r = 0.4201; 0.0789; 0.3952; 0.7822, P<.0.05). The study suggests that auditors should be adequately remunerated to allow for sufficient resources to conduct thorough audits capable of uncovering material misstatements and errors in the financial statements; it will enhance higher quality reports

Key words: *Audit Quality, Users' Confidence, External Audit Quality, Nigerian Money Deposits Banks.*

Introduction

Literature indicates that the quality of financial reports promotes users' confidence in the investors who make use of the report for investment decisions (Sulaiman, 2011; Olowookere & Oladejo, 2014; Dandago & Rufai, 2014; Nwosu, 2015; Chersan, 2019). Basel Committee (BCBS, 2008) opines that the complexity of the financial market and demand for an increase in transparency suggest that clear and reliable accounting in-

formation, supported by quality audits, is essential to increase of market confidence. Scholars have traced the demand for external audit services to have originated from the agency issues which arise out of the separation of ownership and control of firms. Therefore, as put by Arebu (2016), external auditors play a crucial role in providing reasonable assurance to the quality of financial information presented to stockholders and other users of financial statements.

Studies further show that ensuring the reliability of financial information published by firms requires that the statements are certified by an auditor; thus, lending credence to financial statements and instilling users' confidence. Sulaiman (2011) identifies various constructs that give meaning to audit quality in practice. These include auditors' characteristics, firm's characteristics, compliance obligations, the content and control of audit procedures, financial statement quality, and client service orientation, asking challenging questions, professional appearance, the quality of interaction between auditor and audit client, consultation and training, and objects such as documents and records, as fundamental in symbolizing audit quality in practice. Edlund (2012) found that the underlying reasons behind the Chinese firm's falsified financial statement include: the pressure that influences managers, political impact, ownership structure, low business ethics, tax avoidance, and cost reduction policy of the firm.

Providing empirical evidence on external audit quality determinants and relationship with users' confidence in the financial statements of DMBs in Nigeria, form the crux of this study. Previous studies have given conflicting results and explored different approaches measuring the relationship. For instance, Adeyemi and Okpala (2011) opined that an audit firm's tenure can result in a loss of the auditor's independence, a notion that is corroborated by Olowookere and Oladejo (2014). It is assumed that a long audit-client relationship could lead to an alignment of the auditor's interest and that of the client, which makes the truly independent behavior of the auditor a probability. Adeyemi and Okpala (2011) concluded that audit firm rotation did not necessarily enhance audit independence in Nigeria.

Chijoke, Emmanuel, and Nosakhare (2012) examined the relationship between audit partner tenure and audit quality and found that there is a negative relationship between auditor tenure and audit quality. In another study by Imegi, and Oladutire (2018), a significant relationship between mandatory auditor rotation and audit quality was found. These conflicting results require further empirical investigations on the determinants of external audit quality in the Nigerian banks and relationship with users' confidence in financial statements of selected DMBs in Nigeria from 2008 to 2017, considered as banks consolidation era of financial sector reforms in Nigeria. How external audit quality can serve as an instrument of financial information quality improvement in the Nigerian DMBs needs to be examined more. All these, among others, serve as a basis for examining the relationship between external audit quality and users' confidence in the financial statement of selected DMBs in Nigeria. This study enhances corporate organization, most especially the banking industry both in a developed and developing context, on the capability to build mechanisms to increase users' confidence through external audit quality

Research Hypotheses

Two hypotheses were formulated for this study and stated in the null form as follows:
Ho1: There is no significant difference in the determinants of external audit quality in the Nigerian DMBs.
Ho2: There is no significant relationship between external audit quality and the user's confidence in banks' financial statements.

Literature Review and Conceptual Explanation

Audit Quality

Audit quality has been regarded as a complex subject with no universal definition or analysis. Researchers agree that a quality audit is likely to be achieved when the auditor's opinion on the financial statements can be relied upon as, based on sufficient appropriate audit evidence obtained by an engagement team that exhibited appropriate values, ethics, and attitudes; sufficiently knowledgeable and experienced and had sufficient time allocated to perform the audit work; applied a rigorous audit process and quality control procedures; provided valuable and timely reports; and, interacted appropriately with a variety of different stakeholders.

Riley (2001) observed that audit quality is multidimensional and inherently unobservable, and that there is no single auditor characteristic that can be used as a proxy for it. In the absence of direct measures for quality, Riley (2001) suggests that audit consumers must assess the quality by using surrogates or the overall reputation of an auditor. Stanley and Perelayefa (2016) argue that audit quality underscores the extent to which the output of the process serves the decision-useful function of the accounting information system. However, Dantas and Medeiros (2014) argue that audit quality is not information disclosed at the time it is performed.

Measurement of Audit Quality

Dang (2004) classified the proxies for audit quality metrics into two groups: those that seek to reflect the actual audit quality and those summarizing the audit quality perceived by the market. It should be emphasized as put by Dantas and Otavio (2015) that actual quality cannot be understood in an absolute term. The term is used because the quality is measured from *ex-post* information, indicative of problems concerning statements such as restatement determinations by the regulator (Dang, 2004; Braunbeck, 2010); voluntary restatement (Dang, 2004); litigation against the auditor arising from lawsuits or administrative penalties (Palmrose, 1988; Braunbeck, 2010); and, finding material distortions in financial statements without a modified opinion in the auditor's report (Geiger & Raghunandan, 2002).

Several studies have sought to measure actual audit quality, but have disagreed on the metrics. What has prevailed in the literature since DeAngelo's study (1981), are the metrics that try to capture perceived audit quality such as the auditor's size, particularly big-*N* (Dang, 2004; Gu, Lee & Rosett, 2005; Behn, Choi & Kang, 2008; Kanagaretnam, Krishnan & Lobo, 2009; Krishnan & Lobo, 2010; and, Zagonov, 2011). The second is auditor specialization (Behn et al., 2008; Chambers & Payne, 2008; Romanus, Maher & Fleming, 2008; and, Kanagaretnam et al., 2009; Kanagaretnam et al., 2010). The third is coefficient of the response of the stock price to the accounting results (Teoh &Wong, 1993; Ghosh & Moon, 2005). Frequently used perceived audit quality is an error in the projections of managers or analysts (Dang, 2004; Behn et al., 2008).

Users' Confidence in Financial Statements

Financial statements are expected to be credible and guide the users who rely on them in their economic decisions. According to Gbede (2008), financial statements include the profit and loss account, the balance sheet, the statement of source and uses of funds, value-added statements, and the likes. Users must be able to extract quality information for effective decisions from the financial statements, which are available sources of information about a company indicating its financial health. According to Dandago and Rufa (2014), users demand financial statements because of their value as information sources about a firm's performance, financial condition, and stewardship of its resources.

The reliability of financial statements and reporting has its roots in the industrial revolution and ancient trading (Taylor et al., 2003; Yang, Rohrbach & Chen, 2005). Hay and Knechel (2010) asserted that auditing could be placed as a type of credence good. Consequently, auditors add credibility to corporate financial reports by giving an opinion about the true and fair representation; however, only through that will the users of financial statements perceive that the opinion is valuable. Internal financial statement users such as Management, Audit Committees, and Board of directors have an interest in quality audits to help reduce the cost of capital (Miettinen, 2011). Audit quality plays an important role in maintaining an efficient market environment such that an independent quality audit underpins confidence in the credibility and integrity of financial statements, which is essential for well-functioning markets and enhanced financial performance (Farouk & Hassan, 2014). The major determinant factors of audit quality and influence on users' confidence in the reliability of financial statements formed a base for this study.

Determinants of Audit Quality

Various factors have been described in accounting and auditing as influencing the quality of audits, hence financial reports of firms. Some of these factors are audit firm tenure (Mgbame, Eragbhe & Osazuwa, 2012), auditor independence (Murcia & Borba. 2007; Nelson, Elliott & Tarpley, 2002), auditor firm size (Al-Ajmi, 2009; Yuniarti, 2011; Dehkordi & Makarem, 2011), bank size and audit committees (Smith, 2006), regulations (Cohen, Dey & Lys, 2008; Silva & Robles, 2008; Amir, Guan & Livne, 2010; Read & Feldmann, 2010), the concentration of audit market (Ojo, 2008; Kallapur et al., 2010), presence of the audit committee (Borgeth, 2007; Magilke, Mayhew & Pike, 2009).

As put by Borgeth (2007), the great the purpose of creating an audit committee is to mitigate the risk of connivance between management and independent auditors. Sirega and Nahumury (2015) and Ping (2017) argue that engagement performance is the ability to carry out the responsibility which affects third party decision making. Sirega and Nahumury (2015) found that the auditors' job performance of audit firms is affected by the auditors' professionalism. Other factors influencing engagement performance include auditor's specialization, auditor's skill, self-efficacy, and professional ethical sensitivity, auditor's experience, and effort (Behn et al., 2008; Anderson, 2012; Afifiah, 2015; Purwanto, Chotimah & Mustofa, 2018).

Another measure observed in the literature is the technical training and proficiency of the auditor. According to Loveday and Nwanyanwu (2017), this could be knowledge of accounting and auditing

standards. It follows, therefore, that a quality audit should be expected from an auditor with a deep knowledge of accounting and auditing especially, a certified member of professional bodies of accountancy and auditing. Audit firm size has been well discussed with Big4 audit firms that have dominated the audit market. Specifically, Chu et al. (2014) considered the effect of the size of clients and audit firms on the level of competition and concluded that when the size of a client increases, some small audit firms in the market may not be potentially efficient suppliers to the client due to the high transaction costs associated with their limited production capacity. As a result, competition for the client is dampened due to fewer efficient potential suppliers. According to Hayes et.al (2004) and Bahram Soltani (2007), auditor independence refers to the auditor's ability to maintain an objective and impartial mental attitude throughout the audit. This is influenced by audit fees, audit tenure, and audit regulations (Nelson, Elliott & Tarpley, 2002; Murcia & Borba, 2007; Mgbame, Eragbhe & Osazuwa, 2012; Olowooker & Oladejo, 2014).

Technical Training and Proficiency (TTP) of the independent auditor is one of the key properties of audit quality. In the performance of the audit which leads to an opinion, the independent auditor holds himself out as one who is proficient in accounting and auditing. The attainment of that proficiency begins with the auditor's formal education and extends into his subsequent experience. The independent auditor must undergo training adequate to meet the requirements of a professional. This training must be adequate in technical scope and should include a commensurate measure of general education. The subordinate assistant that is new in the field must be able to obtain his professional experience with the proper supervision and review of his work by a more experienced superior.

The independent auditor's formal education and professional experience complement one another; each auditor exercising authority upon an engagement should weigh these attributes in determining the extent of his supervision of subordinates and review of their work. It should be recognized that the training of a professional includes a continual awareness of developments taking place in business and his profession. He must study, understand, and apply new development on auditing procedures and dissemination of relevant financial information as they are developed by regulatory bodies within the accounting profession. The contradictory opinion of scholars on determinant variables of audit quality called for the current study to identify the key major audit quality determinants variables such as technical training and proficiency, auditor size, audit tenure, and influence on users' confidence in the financial statements of DMBs in the Nigerian context.

Empirical Review

At each instance, researchers have used different metrics to determine audit quality, but studies that relate it to users' confidence are not many in the Nigerian baking context. For example, Chijoke, Emmanuel & Nosakhare (2012) examined the relationship between audit partner tenure and audit quality using binary logit model estimation technique to analyze the relationship between the tenure of an auditor and audit quality. Their findings revealed that there was a negative relationship between auditor tenure and audit quality. The other explanatory variables (ROA, Board Independence, and Director Ownership and Board size) considered alongside auditor tenure, were found to be inversely related to audit quality aside from returns on assets which exhibited a positive effect.

Kabiru and Abdullahi (2012) carried out an empirical investigation into the quality of audited financial statements of DMBs in Nigeria using both primary and secondary data. A sample of five (5) banks was selected comprising First Bank, Zenith Bank, Union Bank, United Bank for Africa, and Access Bank, all publicly quoted companies in Nigeria. They found that the independence of an auditor did significantly improve the quality of audited financial statements of DMBs in Nigeria. Compliance with auditing guidelines had a positive and significant effect on the quality of the audited financial statement of DMBs in Nigeria. Material misstatement did significantly affect the quality of audited financial statements of DMBs in Nigeria.

Vanstraelen (2000) examined the effect of long-term audit client relationships on audit quality. The external user's perception of the audit report was used as an indicator of quality. Utilizing the logistic regression model, the study found that long-term auditor client relationships were positively related to the increased likelihood of the auditor issuing an unqualified opinion. A significant difference was also found between the auditor's reporting behavior in the first two years versus the last year of the audit mandate. It is implied from the study of Vanstraelen (2000) that auditors would be more willing to issue an unqualified audit report in the first two years of their official mandate than in the last year of their mandate; thus, supporting mandatory auditor rotation to maintain the value of an audit for the external users.

Imegi and Oladutire (2018) investigated the existence of a relationship between mandatory auditor rotation and audit quality in Nigeria firms which were all listed banks on the floor of the Nigerian Stock Exchange as of 31st December 2016. They relied on secondary data obtained from annual reports and statements of accounts from the Nigeria Stock Exchange (NSE). Using Ordinary least square (OLS) econometric, they found that there existed a significant relationship between mandatory auditor rotation and audit quality. The current study evaluated various audit quality variables and their relationship with users' confidence in financial statements for an investment decision.

Evidence from the literature of accounting suggests that accounting information system possesses certain qualities necessary to satisfy users' need. Generally, different views suggest that qualities of general purpose that accounting reports supply to the external user include relevance and reliability. The construct of this study was based on lending creditability theory. It is based on the fact that lending credibility theory suggests the primary function of the audit to add credibility to the financial statements. In this view, the service that the auditors are selling to the clients is credibility. Audited financial statements are seen to have elements that increase the financial statement users' confidence in the figures presented by the management in the financial statement. The users are perceived to gain benefits from the increased credibility. These benefits are typically considered to be the quality of investment decisions improvement when they are based on reliable information (Hayes et al., 2005).

The perspective of Most Current Studies on Determinant Factors of Audit Quality and Users' Confidence of Financial Report

Related studies, using survey design through the selection of thirty (30) accounting firms, examined audit quality practices and financial reporting in Nigeria and concluded that, auditor independence, technical training, proficiency and engagement performance are major determinant factors of audit quality and positive influence financial reporting in Nigeria (Loveday & Nwanyanwu, 2017). Chersan (2019), using descriptive analysis, also examined audit quality with its several determinants through the selection of financial audit

firms in Romania. It was concluded that auditor training, ethics, and professionalism are major challenges of audit quality. Using a purposive sampling method and SEM Analysis, Hikmayah and Aswar (2019) focused on the effect of audit quality determinants like professional accounting ethics, auditor competence, professional integrity and commitment to audit quality through the selection of Badan Pengawasan Keuangan dan Pembangunan (BPKP) of DKI Jakarta Province as the study case.

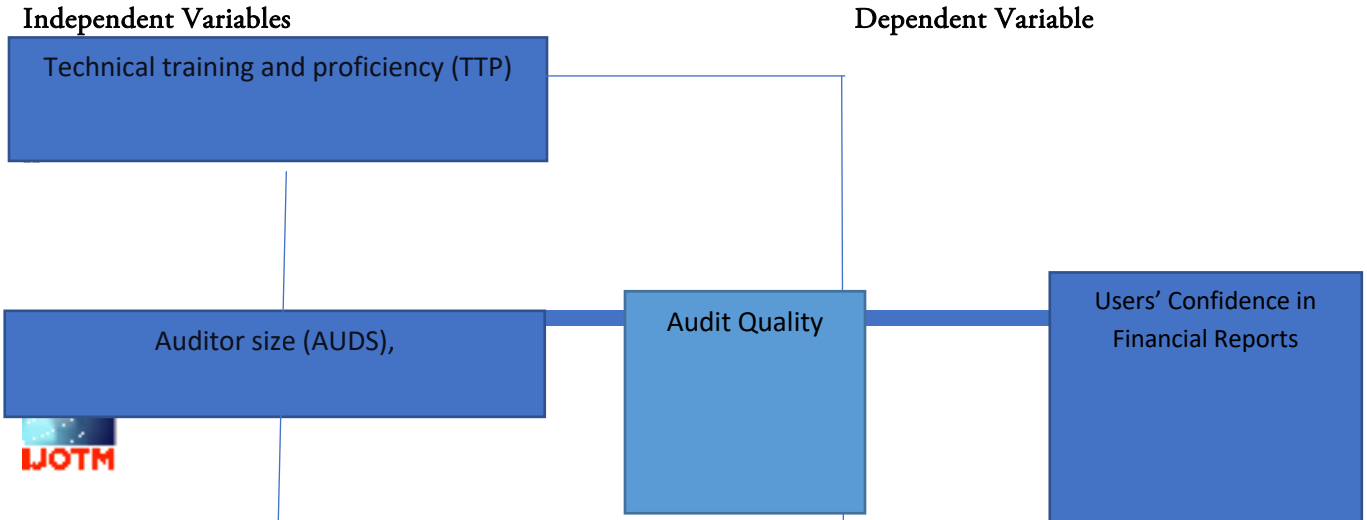
Based on the outcome, auditor competency and professional commitment are not significant to audit quality. Nguyen and Tran (2019) examine determinants potentially affecting audit quality using survey design and a selection of relevant department and audit team of the State Audit Office of Vietnam (SAV). It was concluded that the legal framework and auditees (strongest influencer) are two external determinants having the most impact on audit quality. Assad et al. (2020) also examined the effect of financial reporting quality and audit quality on investment efficiency using regression analysis and a selection of listed firms in GCC with total observations of 150 firm-years. The results of the study showed that financial reporting quality has a significant and positive relationship with investment efficiency.

It is pertinent to present the identified gaps filled by the current study. In the first instance, the current study focused on determinant variables of audit quality and its influence on users' confidence from the perspective of Nigeria DMBs using both longitudinal and cross-sectional methods. This was based on the fact that banks are part of the institutions that prepare reports used by stakeholders for economic decisions. Further, having reviewed different literature (Chersan, 2019; Nguyen & Tran, 2019), the variables of their studies were measured based on perception and expected qualitative characteristics of audit quality. However, this present study makes an expression on quantitative attributes of audit quality that will enhance the users' confidence in the financial statement of selected deposit NDMs in Nigeria. Finally, all these identified studies made use of judgmental sampling techniques yet none specified the type of judgmental technique adopted. It is worth noting that there are various types of judgmental sampling; the current study used homogeneous purposive sampling techniques to select the sampled banks for the study in Lagos state, Nigeria.

Conceptual Framework

In this study, the conceptual framework in figure 2.1 shows the relationship between the independent and dependent variables. The study set to visualize a model that would show the determinant of audit quality and its effect on users' confidence in financial reports.

Figure 2.1 Researcher's Conceptual Model (2018)





Methodology

The research population comprised of all the twenty (20) DMBs currently operating in Nigeria as of September 2018. Fifteen (15) DMBs in Nigeria as of 2018 were quoted on the Nigerian stock exchange (NSE). Seven (7) DMBs in Lagos were selected for the study. These banks are expected to have fulfilled listing requirements, thus disclosure of relevant information for the study expected from all quoted banks using the floor of the NSE. Lagos State was chosen based on the fact that all the banks established their head offices in Lagos; the city is known to be at the forefront of economic and commercial activities. The sample size for this study was seven (7) banks sampled over 7 years (2010-2017). These banks included: Access, Diamond, Fidelity, GTB, FBN, Eco Bank, and Zenith Bank. A homogenous purposive sampling procedure was adopted in the selection of these banks. The banks were found to have prepared and made their annual reports and account available publicly and useful by the study period. The data were sourced from secondary sources through annual reports and accounts of the sampled banks. Data collected were analyzed using descriptive statistics of mean ranking while the correlation matrix was used to test the formulated hypothesis using STATA 12 data analysis software.

Model Specification

AUDQLTY = f(AUDIN, AUDSIZ, EP, TTP) Equation (1)

$UC = X_0 + X_1 (AUDIN) + X_2 (AUDS) + X_3 (EP) + X_4 (TTP)$ Equation (2)

The model showed the independent and dependent variables. The external audits were hypothesized to be determined by auditor independence (AUDIN); auditor size (AUDS); Engagement performance (EP); and,

technical training and proficiency (TTP). External audit quality is represented by the (AUDIN); auditor size (AUDS); Engagement performance (EP) technical training and proficiency (TTP), are seen to influence user confidence. Users' confidence is proxied with the value relevance of published financial information of selected DMBs. According to Dechow, Ge, and Schrand (2010) and Ohlson (1995), financial reporting quality is an elusive concept in literature. Consequently, there is little agreement among researchers on how best to measure financial reporting quality (Dechow, Ge, & Schrand, 2010; Ohlson, 1995; Dechow & Schrand, 2004). Based on this, user confidence can be proxied using the value relevance of financial information through the book value of the selected banks.

Table 3.1. Measurement of Variables and expected signs apriori

S/N	Variables	Variable Labels	Measurements	Expected Sign
(a)	Auditor independence	AUDIND	Audit Fee(auditor charges)	+
(b)	Auditor size	AUDSIZ	1 = Big4; 0= non- Big4	+
(c)	technical training and proficiency	(TTP	1 = Existence; 0= non- Existence	+
(d)	Engagement performance	EP	1 = Existence; 0= non- Existence	+
(e)	Users' Confidence	Reliability of book value per share(BVPS)	Book value of selected deposit money banks	+

Source: Researchers compilation, (2018)

Result and Discussions

Analysis of Identified Audit Quality Determinant Variables

Table 4.1, displayed the results of the descriptive statistics of the determinants of external audit quality in the sampled banks. The analysis revealed all identified determinants variables of audit quality such as technical training and proficiency (TTP), auditor size (AUDS), engagement performance (EP), and auditor independence (AUDIN), with a mean value of 4.22, 5.74, 10.92 and 5.71 respectively. A comparison of the mean responses with the maximum values for each of the variables indicated that all the identified variables are major determinant factors of audit quality and influence confidence on the reliability of financial statements. The results presented through the mean of the identified variables showed that there is a significant difference in the determinants variables on external audit quality in the Nigerian DMBs. Due to

this result, the null hypothesis was rejected while, the alternative hypothesis was accepted; thus, confirming a significant difference in the effect of determinants of external audit quality in the Nigerian DMBs.

Table 4.1: Descriptive Analysis of Identified Audit Quality Determinant Variables

Variables	Observation	Mean	Std. Deviation	MIN	MAX
TTP	49	4.22	11.778	20.57	69.29
AUDS	49	5.74	12.222	40.07	61.17
EP	49	10.92	4.431	16.1	21.32
AUDIN	49	5.72	5.030	11.01	16.34

Source: Researchers compilation, (2018)

Correlation Analysis between Audit Quality variables and Users' confidence

Table 4.2 shows the collinearity of the variables and the relationship between the study variables. The results from indicate that audit quality variables have a positive significant relationship with users' confidence (**r = 0.4201**; **0.0789; 0.3952; 0.7822**, **P<.0.05**). This result implies that the increase in audit quality variables based on technical training and proficiency, audit size, engagement performance, and auditor independence increased users' confidence in financial reports of the sampled DMBs. Also, the correlation coefficient between user confidence and technical training and proficiency was found to be positive (0.4201) and significant at 0.05 degree level. This indicated that technical training and proficiency improved user confidence in the financial report of the sampled DMBs. There was a positive relationship between audit size, engagement performance, Audit independence and mobile user confidence (**r = 0.789**; **0.3952; 0.7822**) significant at 0.05 level. The overall results indicated a significant relationship between audit quality variables and users' confidence; thus, rejecting the null hypothesis stated earlier and accepting the alternative hypothesis.

Table 4.2. Correlation Analysis between audit quality Attribute and user's confidence

	UC	TTP	AUDS	EP	AUDIN
UC	1.0000				
TTP	0.4201*	1.0000			
AUDS	0.0789*	0.5131*	1.0000		
EP	0.3952*	0.0688*	0.0149*	1.0000	

AUDIN	0.7822*	0.2530*	0.0015*	0.0283	1.0000

Source: Researchers compilation (2018)

Discussion of Findings

The main objective of this study was to assess the relationship between external audit quality and the users' confidence in the Nigerian DMBs. The result of the analysis indicated that technical training and proficiency (TTP), auditor size (AUDS), engagement performance (EP), and auditor independence (AUDIN) were major determinant factors of audit quality and influenced the confidence on the reliability of financial statements. This implies that the increase in Audit Quality variables based on technical training and proficiency, audit size, Engagement Performance, and auditor independence, increased users' confidence in financial reports of the sampled listed DMBS. This result agrees with Sirega and Nahumury (2015), Chu et al. (2014), Hayes et al. (2004) and Soltani (2007), who opined that technical training and proficiency (TTP), engagement performance (EP), auditor size (AUDS), and auditor independence (AUDIN) were main determinant factors of audit quality. The result is however at variance with the study of Hikmayah and Aswar (2019) who argued that auditor competency and professional commitment are not significant to audit quality. However, analysis from the study further indicates that audit quality has a positive significant relationship with users' confidence. The result is consistent with the studies of Nonahal and Aliakbar (2010), Mahmood et al. (2011), Azizi, Yeganeh and Azinfar (2010), Assad et al. (2020) who argue that audit quality variables will promote users' confidence on the financial report and enhance investment efficiency.

.

Conclusion and Recommendation

Based on the findings of the study, it can be concluded that: there is a significant difference in the effect of the determinants of external audit quality in the Nigeria DMBs; there is a significant relationship between audit quality and users' confidence in financial statements of the selected Nigeria DMBs from 2010 to 2017. The results of the hypotheses tested show that audit quality attributes are significant in improving the financial reporting quality of DMBs. Findings from analyses revealed that audit independence, audit size, engagement performance, and technical training proficiency positively related to users' confidence in financial statements of selected DMBs. Given the above findings, it is recommended that:

I. An audit firm should recognize that technical and proficiency training of a professional includes a continual awareness of developments taking place in business and his profession. This will allow the professional to study, understand, and apply new development on auditing procedures and dissemination of relevant financial information as developed by regulatory bodies within the accounting profession.

II. 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

III. Financial policymakers should strengthen regulatory watch on external audits for effective audit functions and policy that will lend reliability to auditors' reports on financial statements of banks.

The implication of the Study

I. Based on the outcome of this study, attention to all the key identified determinants of audit quality such as technical training and proficiency (TTP), auditor size (AUDS), engagement performance (EP) and auditor independence (AUDIN), will serve as quality assurance toward auditing practice and investigation. This is expected to influence confidence in the credibility and reliability of financial statements.

II. It is expected to form a basis for policy formation toward the achievement of financial report quality standards.

III. It will also form the basis for further research in the area of audit quality assurance, quality of the financial report, and users' confidence in the financial statement of corporate organization.

References

Abdul Halim, Sutrisno, T.,Rosidi, and Achsin, M. (2014).Effect of Competence and Auditor Independence on Audit Quality with Audit Time Budget and Professional Commitment as a Moderation Variable. *International Journal of Business and Management Invention,*3(6), 64-74.

Adeyemi, S.B. and Okpala, O. (2011). The Impact of Audit Independence on Financial Reporting: Evidence from Nigeria. *Business and Management Review,* 1(4), 9 – 25.

Afifah, U., Sari, R. N., Anugerah, R., and Sanusi, Z. M. (2015). The effect of role conflict, self-efficacy, professional ethical sensitivity on auditor performance with emotional quotient as moderating variable. *Procedia Economics and Finance,* 4(31), 206-212. https://doi.org/10.1016/S2212-5671(15)01222-8

Anderson, A. W. (2012). The Characteristics of a Successful Auditor. Anderson's Audit Express. Report to the Nations on Occupational Fraud and Abuse. USA: *Association of Certified Fraud Examiners, Inc.*

Arebu, A (2016) Determinants of External Audit Quality: Evidence from Manufacturing Share Companies in Addis Ababa Ethiopia. *Being a Thesis Submitted to the Department of Accounting and Finance, College of Business and Economics, Ababa University, Addis Ababa: Ethiopia (*Doctoral dissertation).

Assad, Nedal, Alshurideh, and Muhammad (2020). Financial Reporting Quality, Audit Quality, and Investment Efficiency: Evidence from GCC Economies. *Waffen-und Kostumkunde.*, Volume XI, Issue III, March/2020.

AziziAsghar et al. (2010).The relationship between auditing quality and profit management in the companies accepted in the stock market. *International Journal of Academic Research in Accounting, Finance and Management* 20(6): 765-860.

Baldwin, R., Cave, M. & Lodge, M. (2010). 'The Oxford Handbook of Regulation', Oxford: Oxford University Press.

BCBS.(2008). External audit quality and banking supervision.*Basel Committee on Banking Supervision*, December, 2008. Switzerland.

Chersan, I.C, (2019). Audit Quality and Several of Its Determinants, *Audit Financiar*, vol. xvii, no. 1(153)/2019, pp. 93-105, DOI: 10.20869/AUDITF/2019/153/002 .

Chu, L, Simunic, D.A, Yec, M and Zhang, B (2014), Transaction Costs and Competition among Audit Firms in Local Markets; *2014 Canadian Academic Accounting Association Conference*

Dang, L. (2004).Assessing actual audit quality.*Thesis Ph.D., Drexel University, Philadelphia, Pennsylvania, USA.*

Dantas, J. A., Medeiros, O. R., and Lustosa, P. R. B. (2013). The role of economic variables and credit portfolio attributes for estimating discretionary loan loss provisions in Brazilian banks. *Brazilian Business Review,* 10 (4), 65-90.

Dao, M., Mishra, S., and Raghunandan, K. (2008). Auditor tenure and shareholder ratification of the auditor. *Accounting Horizons,* 22 (3), 297-314.

DeAngelo, L. E. (1981). Auditor Size and Audit Quality: *Journal of Accounting and Economics, 3,* 183-199.

DeAngelo, L.E., (1986). Accounting Numbers as Market Valuation Substitutes: A Study of Management Buyouts of Public Stockholders. *The Accounting Review,* 16(61),400-420.

Dechow, P., Schrand, C. (2004). Earnings quality. The Research Foundation of CFA Institute.

Dechow, Ge, &Schrand 2010; Understanding Earnings Quality: A Review of the Proxies, Their Determinants and Their Consequences. *SSRN Electronic Journal* , 50(23), 344-401

Dehkordi, H. F., and Makarem, N. (2011). The effect of size and type of auditor on audit Quality. *International Research Journal of Finance and Economics, 80, 121-137.*

Dantas, J. A., and Otavio, R. (2015).Quality Determinants of Independent Audits of Banks; *R. Cont. Fin. – USP, São Paulo,* 26(67), 43-56.

Dandago, K.I. and Rufai, A. S. (2014). An examination into the Quality of Audited Financial Statements of Money Deposit Banks in Nigeria. *International Journal of Academic Research in Accounting, Finance and Management* 4(5), 655-670

Edlund, H. (2012). Reasons behind presumed low financial reporting quality (FRQ) in China. *Thesis submitted in partial fulfillment of the requirements for the Master Degree in Accounting from the Umeå School of Business at Umeå University.*

Farouk, A and Hassan, S. U (2014) Impact of Audit Quality and Financial Performance of

Quoted Cement Firms in Nigeria. *International Journal of Accounting and Taxation June 2014,* Vol. 2, No. 2, pp. 01-22 .ISSN: 2372-4978 (Print), 2372-4986 (Online).

Gbede, G.O (2008). A Dictionary of Finance, *West Bourne Business School Somolu, Lagos*

Pp 78.

Gu, Z., Lee, C. W. J., and Rosett, J. G. (2005). What determines the variability of accounting? accruals? *Review of Quantitative Finance and Accounting,* 24(3), 313-334.

Gul, F. A., Fung, S. Y., and Bikki, J. (2009). Earnings quality: some evidence on the role of auditor tenure and auditors' industry expertise. *Journal of Accounting and Economics,* 47 (3), 265-287.

Halim, A., Sutrisno, T. and Achsin, M., 2014. Effect of competence and auditor independence on audit quality with audit time budget and professional commitment as a moderation variable. *International Journal of Business and Management Invention*, 3(6), pp.64-74.

Hayes, R., Dassen, R., Schilder, A., &Wallage, P. (2005). Principles of Auditors: An Introduction to International Standards on Auditing. *Pearson Education Limited: Edinburgh.*

Heninger, W. G. (2001). The association between auditor litigation and abnormal accruals. *The Accounting Review,* 76 (1), 111-126.

Hikmayah, N.H, and Aswar , K.A,, (2019) The Impact of Factors on the Audit Quality in Indonesia: The Moderating Effect of Professional Commitments. *International Journal of Academic Research in Accounting, Finance and Management Sciences* Vol. 9 (4), pp. 285–293, © 2019 HRMARS (www.hrmars.com)

Imegi, J.C. and Oladutire, E. O. (2018). Mandatory auditor rotation and audit quality in the

Nigeria Financial Sector. *European Journal of Accounting, Auditing and Finance Research* 6(1), 67-75.

Khasharmeh, A. (2002). The factors that affect external auditor in the Jordanian public companies. *Field study faculty of economics and administration sciences, Master thesis, Al Yarmouk University, Irbid- Jordan*.

Kanagaretnam, K., Krishnan, G., and Lobo, G.J. (2009). Is the market valuation of banks' loan loss provision conditional on auditor reputation*? Journal of Banking and Finance,* 33 (6), 1039-1047.

Kanagaretnam, K., Lobo, G. J., and Mathieu, R. (2003). Managerial incentives for income smoothing through bank loan loss provision. *Review of Quantitative Finance and Accounting,* 20 (1), 63-80.

Krishnan, G. V. (2005). The association between Big 6 auditor industry expertise and the asymmetric timeliness of earnings. *Journal of Accounting, Auditing and Finance,* 20 (3), 209-228.

Lam, S., and Chang, S. (1994). Auditor service quality and auditor size: evidence from initial public offerings in Singapore. *Journal of International Accounting Auditing and Taxation,* 3 (1), 103-11.

Moeen-al-din, M. (2011).The relationship between the independent auditing quality and the suggested price difference in buying and selling the shares in Tehran's securities exchange market. *The accounting and auditing studies of the management department Of Tehran Univ., no.66*

Miettinen, J. (2011). The role of audit quality on the relationship between auditee's agencies Problems and financial information quality. *Paper presented at the Department of Accounting and Finance, University of Vaasa, Finland*

NonahalNahr and Aliakbar, (2010). The survey of the relationship between the audit quality and the accruals reliability, *the accounting and auditing studies of the management department of Tehran Univ.,* 17(61)

Nguyen M.C., and Tran M.D (2019): Two external determinant factors having the most impact on audit quality, *International Journal of government auditing,* July, 30, 2019, feature articles, summer, 2019.

Nwosu, M. E. (2015). Forensic auditing and financial accounting in Nigeria: An assessment. *International Journal of Economics and Management Studies*. 2(4): 6-12.

Ohlson, J. A. (1995). Earnings, book values, and dividends in equity valuation. *Contemporary Accounting Research* 11(2), 661-687.

Onwuchekwa, J. C., Erah, D. O., and Izedonmi, F. (2012). Mandatory audit rotation and audit quality: Survey of southern Nigeria. *Research Journal of Finance and Accounting*, 3(6),70-77.

Olowookere J.K and Oladejo, M. O. (2014).Influence of Remuneration and Tenure on Auditors' Independence in Nigeria.*IOSR Journal of Business and Management,* 16(5), 06-12.

Pany, K., &Reckers, P. M. J. (1988). Auditor Performance of MAS: A Study of Its Effects on Decisions and Perceptions. *Accounting Horizons,* 17(2), 31-38.

Purwanto, M. R., Chotimah, C., and Mustofa, I. (2018). Sultan Agung's thought of Javanis

Islamic Calender and its Implementation for Javanis Moslem. *International Journal of Emerging Trends in Social Sciences*, 4(1), 9-14.https://doi.org/10.20448/2001.41.9.14

Riley, J. G. (2001). Silver signals: twenty-five years of screening and signaling. *Journal of Economic Literature 39(June),* 432–478.

Sirega, A. D., and Nahumury, J. (2015, July - December). The effect of professionalism and

locus of control on the auditor's job performance with working motivation as intervening variable. *The Indonesian Accounting Review*, 5(2), 197-206. https://doi.org/10.14414/tiar.v5i2.650

Sulaiman, N. A. (2011). Audit Quality in Practice: A Study of Perceptions of Auditors, Audit

Committee Members and Quality Inspectors; *A thesis submitted to the University of Manchester for the degree of Doctor of Philosophy in the Faculty of Humanities 2011 Manchester Business School.*

Stanley, O. and Perelayefa, O.G. (2016).Determinants of Audit Quality amongst Small and Medium Sized Audit Firms in Nigeria: An Analyses of the Impact of Audit Fee, Client Retention, and Market Expansion Drives. *International Journal of Business and Social Science*, 7(9).

Talley, E. L. (2006). Sarbanes-Oxley accounting issues: cataclysmic liability risk among big four auditors. *Columbia Law Review,* 106 (1), 1641-1697.

Taylor, M. H., DeZoort, F. T., Munn, E., & Thomas, M. W. (2003). A proposed framework Auditor reliability over auditor independence. *Accounting Horizons*, 17(3), 257–266.

Thirunavukarasu,V, Nadarajah, S., Rajalingam,T. &Muthulingam, S. (2014).Board Leadership Structure, Audit Committee and Audit Quality: Evidence from Manufacturing Companies in Sri Lanka. *International Journal of Business and Management,* 9(3), 76- 85.

Venkataraman, R., Weber, J. P., &Willenborg, M. (2008). Litigation risk, audit quality, and Audit fees: evidence from initial public offerings. *The Accounting Review,* 83 (5), 1315-1345.

1.