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Auditor Characteristics and Audit Report Quality of Listed Deposit Money Banks (DMBs)

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Abstract

The broad objective of the study is to examine the relationship between auditor characteristics and audit report quality of Deposit Money Banks (DMBs) in Nigeria. The study specifically examined the effect of auditor independence and audit team competency on the quality of audit reports issued by an audit firm. The study adopted a survey research design and the final sample comprised 367 respondents drawn from DMBs in the Awka metropolis and registered members of ICAN and ANAN. The primary data were checked for reliability using the Cronbach Alpha (.781, .771, and .732) and the hypotheses were tested using a simple linear regression technique. The study revealed auditors' independence has a positive effect on the quality of audit reports issued by auditors. There is a significant relationship between audit team competency and the quality of audit reports issued by the audit firm. Based on this the study recommends that there should be a re-definition of the auditors' role from that of a watchdog to a professional expert. By training, auditors should have an enquiry attitude not suspicious of anybody, but suspecting that there may have been an error honest or fraudulent. Reputable firms should be hired to audit the accounts of the banks. Also, the institute of chartered accountants of Nigeria (ICAN) should promptly investigate all accountants and auditors of collapsed banks and discipline erring members and any accountants/auditors found guilty of professional negligence or complicity in auditing of the accounts should be black-listed in addition to other penalties. To be truly independent, auditors' appointment and remuneration should be fixed by an audit committee made up of equal members of directors and shareholders and not by management acting on behalf of the shareholder.

Keywords: Auditor Independence, Audit Team Competency, Audit Quality, Auditor Characteristics

1. Introduction

The interest in this study stemmed from the spate of corporate collapse witnessed in the country, more especially in the banking sector. A series of well-publicized cases of accounting improprieties in the banking sector, such as that involving Oceanic Bank, Intercontinental Bank, Wema Bank, Finbank, and Springbank, that resulted in the demise of these institutions has captured the attention of investors, regulators as well as that of the researchers (Adeyemi & Fagbemi, 2010) [2]. Moreover, the global financial crisis has highlighted the need for credible high-quality financial reporting, which can be relied upon (Farouk & Hassan, 2014) [29]. Achieving quality financial reporting depends on the role external audit plays in supporting the quality of financial reporting of quoted companies (Farouk & Hassan, 2014) [29]. The main criteria for evaluating the financial situation of an organization are its financial statements (Anvarkhatibi, Safashur & Mohammadi, 2012) [9], and usually comprise the Statement of Financial Position, Profit/Loss and Statement of Comprehensive Income, Statement of Cash Flows, and the Value-Added Statement, and notes to the accounts.

It is the responsibility of the management to prepare these financial statements in line with generally accepted accounting principles and standards. However, the separation of ownership and control in modern firms, in the form of management and shareholders, has created an agency problem, which requires shareholders in order to assure that management acts in their best interest employ auditors to attest to the truth and fairness of the financial statements. Auditing is defined as the independent examination and expression of opinion on the financial statement of an enterprise or organization by an appointed auditor in pursuance of that appointment and compliance with any relevant statutory obligation (Okoli, 2012) [51]. According to Ojo (2009), the involvement of external auditors could contribute to corporate governance and address the inherent agency

problem, because the auditor can facilitate a situation where managers are encouraged or compelled to be held accountable. In line with this, Farouk and Hassan (2014) [29] opined that the financial statement audit is a monitoring mechanism that helps reduce information asymmetry and protect the interests of the various stakeholders by providing reasonable assurance that the management's financial statements are free from material misstatements. The audit report issued by the auditor is considered an important informational tool for many parties (Kabajeh, Al Shanti, Dahmash, & Hardan, 2012) [38].

Initially, fraud detection was considered the primary objective of the audit process until approximately the middle of the 20th century (Agyei, Aye, & Owusu-Yeboah, 2013) [4]. Chandler, Edwards and Anderson in 1993 concluded that the main objective of auditing has changed from fraud detection to 'verification of financial statements'. This is because the audit profession wanted to avoid legal suits by businesses and the general public. Four types of opinion usually emerge after the engagement, namely 'unqualified, qualified, adverse and disclaimer of opinion' (Anvarkhatibi, Safashur, & Mohammadi, 2012) [9]. The type of opinion would normally depend on the outcome of the audit exercise performed by the auditing firm. The reports issued would normally have a clear impact on the decisions made by the users of this report (Kabajeh, Al Shanti, Dahmash, & Hardan, 2012) [38]. The informational content of the auditor's report can be defined as a financial informational frame which contains many meanings and indications which can be trusted, accepted and used to make many financial decisions by many users of this information (Al Thuneibat, 2009 [8], as cited in Kabajeh, Al Shanti, Dahmash, & Hardan, 2012) [38].

The crucial question then becomes, if auditing, a profession which dates as far back as the 19th century, has failed to live up to the expectations and challenges of the 21st century or has it not substantially developed to have prevented the corporate collapses in both the international and national scene? Despite the interventions of regulatory authorities, the challenges of ensuring credibility in financial reporting and auditing are still prevalent (Adeyemi, Okpala, & Dabor, 2012) [3]. It has been found that while the perceived reliability of audited financial information has declined, the perceived relevance of audited financial information has increased (Farouk & Hassan, 2014) [29]. Despite the prominence ascribed to the external audit function, the sovereignty of the external auditor is an issue currently attracting scholarly scrutiny (Adeyemi & Fagbemi, 2010; Adeyemi & Akinniyi, 2011) [2, 1]. Mautz and Sharaf (1961) cited in Arnold, Bernardi, and Neidermeyer (1999) [11] noted that auditors must be constantly aware of factors that affect the audit environment which can influence or harm their independence in other to ensure the confidence of investors. O'Connor (2006) stated that one of the most vexing problems in the financial world today is the emphasis placed on ensuring the independence of external auditors as a result of recent economic scandals. In the real world, when business entities go out of business, the consequences are usually enormous. Okolie (2014) [52] defines auditor independence as 'the auditor's quality of being free from influence, persuasion or bias, and hence the unbiased mental attitude in making decisions throughout the audit and financial reporting process'.

Although the global financial and banking crises have attracted the attention of policy-makers and scholars (Njanike, Dube, & Mashayanye, 2009; Sikka, 2009; Sikka, Filling, & Liew, 2009) [50, 59, 58] however, comparatively little scholarly attention has focused on the relationship between audit report and bank failures in developing economies. The study by Otusanya and Lauwo (2010) [54] examined the role of auditing firms in the management of bank assets, liabilities and depositors' funds in developing countries. Thus, the oversight function meant to be carried out by auditors is placed under scrutiny when a business whose financial statement once showed no indication of going out of business suddenly becomes bankrupt (Adeyemi & Akinniyi, 2011) [1].

Moreover, the spate of corporate failures witnessed in Nigeria over the past few years have raised a burning question on the relevance and reliability of audit reports, if the interest of shareholders is not protected. The need for this study in face of declining audit quality is therefore to reiterate the place of modern auditing in safeguarding the interest of investors who are the real owners of the modern corporation. The audit report can serve as an instrument that prevents corporate failure if the right opinion is issued; this, therefore, highlights the essence of quality in carrying out the audit exercise. Farouk and Hassan (2014) [29] opined that when financiers of organizations (shareholders, debenture holders, etc.) have confidence and trust in audited financial reports, they are bound to pour in more funds into the organization, which in turn results in boosts financial performance.

This follows that a decline in the quality of financial reports will negatively affect the confidence of investors and in turn will lead to a decreased performance as funds are withdrawn from such corporations. This study is therefore intended to find out if the nature of client services provided by the audit firm either in the form of additional services impairs the independence of the auditors, moreover, the need to examine if the corporate failures could be attributed to the technical competency of the team engaged in the audit. If a lead partner, with a vast level of experience, was actively involved in the exercise, whether his/her experience would lead to a better outcome of the audit exercise. The study therefore specifically examined the following:

1. To find out if the auditors' independence has any effects on the quality of audit reports issued by auditors.
2. To examine the relationship between audit team competency and the quality of audit reports issued by the audit firm.

2. Literature Review

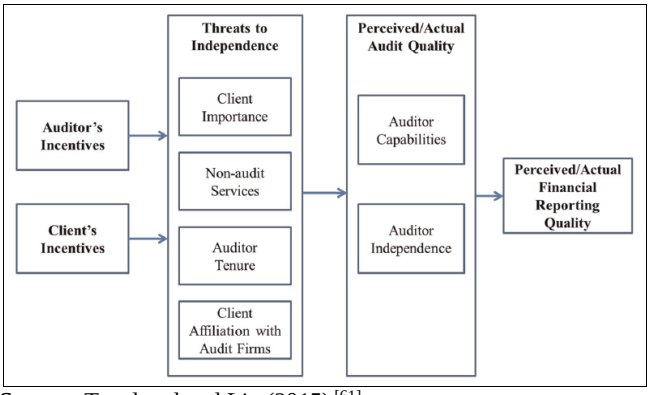
2.1 Conceptual Review

2.1.1 Auditor Independence

Audit Independence may be defined as an auditor's unbiased mental attitude in making decisions throughout the audit and financial reporting process (Okolie, 2014) [52]. Independence refers to the quality of being free from influence, persuasion or bias, the absence of which will greatly impair the value of the audit service and the audit report (Sweeney, 1994) [60]. Auditor independence is important because it has an impact on audit quality. DeAngelo (1981) [25] suggests that audit quality is defined as the probability that (a) the auditor will uncover a breach and (b) report the breach. If auditors do not remain independent,

they will be less likely to report irregularities, thereby impairing audit quality. An auditor's lack of independence increases the possibility of being perceived as not being objective (Deangelo, 1981) [25]. Thus, impaired independence results in poor audit quality and allows for greater earnings management and lower earnings quality (Okolie, 2014) [52].

In Nigeria, a company's audit committee performs an oversight and monitoring function on managers' discretion over accounting policies. McMullen (1996) [46] identifies two levels at which a functional audit committee contributes to the quality of the audit process. Firstly, the supervision of the financial reporting process and the examination of major accounting choices enable the Audit Committee to mitigate or constrain earnings management practices. Secondly, the coordination of both the internal audit and external audit, and particularly ensuring and assuring external auditors' independence from managerial influences or pressures enables audit committees to guarantee that irregularities and financial misstatements observed by external auditors are reported.



Source: Tepalagul and Lin (2015) [61]

Fig 1: A Framework for Assessing the Impact of Auditor Independence on Audit Quality

Tepalagul and Lin (2015) [61] identified four dimensions representing four threats to independence, are (a) client importance, (b) non-audit services, (c) auditor tenure, and (d) client affiliation with audit firms. Although these threats would normally reduce independence, they also have some effect on the capabilities of the auditor.

2.1.2 Audit Team Competency

Various factors have changed the business environment in which today's auditors operate. This has resulted in a worldwide challenge to align the capabilities (technical knowledge, skills, values, ethics and attitudes) of auditors to the requirements of this new environment (Barac, Gammie, Howieson, & van Staden, 2016) [13]. As stated in ISO 19011 - *"Confidence in the results of an audit depends on the competence of the individuals conducting the audit."* Without a balanced, cohesive and compatible audit team of the right size and structure, with requisite industry and client business experience and an appropriate mix of capabilities across all the relevant technical areas, a high-quality audit of a complex client is not possible (Barac, Gammie, Howieson, & van Staden, 2016) [13].

The study by Barac, Gammie, Howieson, and van Staden (2016) [13] identified an augmented capability set for auditors which, if ultimately developed, could change the traditional nature of an auditor. Skills include:

1. Marketing skills and relationship-building skills to compete in a retendering environment;
2. Enhanced problem-solving skills;
3. Data analytical skills to analyse and interpret big data;
4. Business acumen skills in line with broader business qualifications;
5. In-depth industry knowledge;
6. Negotiation and relationship-building skills to interact with various assurance providers;
7. Project management skills to manage audits in a globally regulated environment; and
8. Forensic skills to unpick businesses.

However, it is recognised that the augmentation of current capability within an audit team to address all of these areas is unlikely to be achieved within the 'traditional' audit team. Moving forward, it is envisaged that the composition of audit teams will change in order to meet the challenges of the future audit environment (Barac, Gammie, Howieson, & van Staden, 2016) [13].

ISO 19011:2011 identifies three components of auditor competence:

- Personal behaviour
- Auditing Knowledge and Skills
- Technical Knowledge and Skills
- Auditors need to possess the appropriate qualities, knowledge and skills in all three of these areas.

2.1.3 Audit Report Quality

The auditor's report is the auditor's primary means of communication with an entity's stakeholders-as such, it has to be meaningful and have value for them. More than ever before, users of audited financial statements are calling for more pertinent information for their decision-making in today's global business environment with increasingly complex financial reporting requirements. The global financial crisis also has spurred users, in particular institutional investors and financial analysts, to want to know more about individual audits and to gain further insights into the audited entity and its financial statements. And while the auditor's opinion is valued, many perceive that the auditor's report could be more informative (IAASB, 2014) [37].

The informational content of the auditor's report can be defined as a financial informational frame which contains many meanings and indications which can be trusted, accepted and used to make many financial decisions by many users of this information (Al Thuneibat, 2009, as cited in Kabajeh *et al*., 2012) [8, 38].

Auditors can issue any one of the following reports:

1. Clean report: Where the auditor gives a clean report if discovered deviations are not of relative significance.
2. Reserved opinion: Where the auditor gives a reserved report if discovered deviations are relatively significant (physical), but they are not essential; i.e., they do not affect all or most of the components of the financial statement.
3. Abstention from giving opinion: Where the auditor gives this kind of report in several cases, the most important of it, is the auditor's work scope narrowing.
4. Contrary opinion: Where the auditor gives a contrary report if discovered deviations are physical and essential; namely, they affect all or most of the components of the financial statements which makes

the financial statement unfair and misleading (Arab Society of Certified Accountants, 2001 [10], as cited in Kabajeh *et al*., 2012) [38].

2.2 Theoretical Framework

2.2.1 Agency Theory

The theoretical framework upon which this study is based is *agency theory*, a supposition that explains the relationship between principals and agents in the business. Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals (such as shareholders) and agents of the principals (for example, company executives). Agency theory suggests that the firm can be viewed as a nexus of contracts (loosely defined) between resource holders. An agency relationship arises whenever one or more individuals, called principals, hire one or more other individuals, called agents, to perform some service and then delegate decision-making authority to the agents.

The primary agency relationships in business are those (1) between stockholders and managers and (2) between debt holders and stockholders. These relationships are not necessarily harmonious; indeed, agency theory is concerned with so-called agency conflicts, or conflicts of interest between agents and principals. This has implications for, among other things, corporate governance and business ethics.

The demand for an audit of companies' accounts is created by agency problems which are related to the separation of corporate ownership from control (Eilifsen & Messier, 2000; Gerayli, Yanesari & Ma'atoofi, 2011) [28, 31]. The agency problem arises from the existence of asymmetric information in principal-agent contracts. The audit of a company's accounts is a monitoring or control apparatus that minimizes information asymmetry and protects the interests of the principal (Okolie, 2014) [52]. When agency occurs it also tends to give rise to agency costs, which are expenses incurred in order to sustain an effective agency relationship (e.g., offering management performance bonuses to encourage managers to act in the shareholders' interests). The two problems that agency theory addresses are:

1. The problems that arise when the desires or goals of the principal and agent conflict and the principal is unable to verify (because it is difficult and/or expensive to do so) what the agent is doing; and
2. The problems arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions.

2.3 Empirical Review

The study by Okolie (2014) [52] examined the relationship and effects of auditor tenure and auditor independence on earnings management (measured by the amount of discretionary accruals) of companies in Nigeria. The empirical analysis using a total of 342 company year observations shows that Audit tenure and auditor independence exert significant effects and exhibit a significant relationship with the amount of discretionary accruals of quoted companies in Nigeria. The descriptive statistics result reveals a minimal presence of discretionary accrual management by the companies in the sample and on average; about 94% of the companies engage their audit firms for over three years, with a considerable experience of a substantial number of audit firms in this distribution.

Akindayomi (2012) [7] studied "Earnings Management and the Banking Crisis of the 1990s: Evidence from Nigeria". He found that Nigerian banks show a positive association between earnings before taxes and provisions for loan losses, indicating earnings smoothing, and that healthy banks have smoother earnings than distressed ones while distressed banks deliberately understate loan loss provisions to inflate earnings.

The study by Onwuchekwa, Erah, and Izedonmi (2012) [53] examined the relationship between mandatory audit rotation and audit quality. The data used were collected through the distribution of questionnaires to investors, lecturers, consultants, accountants and auditors in southern Nigeria. The data were analyzed using percentage analysis while the specified model was estimated using the binary logistic regression technique. The binary logistic regression showed that there exists a negative relationship between Mandatory Audit Rotation (MAT) and audit quality (AUDQ). Hoai-Nam (2011) [35] examined the relationship between audit fees as a proxy for auditor independence and the audit quality of firms in New Zealand. Employing three multiple regression models for a sample of New Zealand companies, his study discovered that the provision of non-audit services by the auditors of a firm compromises the auditor's independence, abnormal audit fee change rate is negatively associated with audit quality and auditor's independence of the previous year impacts on the audit fee that is negotiated in the current year.

Coulton, Livne, Pettinicchio, and Taylor (2012) [23] examined the links between audit fees and measures of audit quality. Their results show that higher annual excess fees and abnormal audit fees are generally associated with lower audit quality while a multi-period measure that reflects consistently high audit fees is associated with a positive long-run relationship between audit quality and audit fees.

Bouaziz and Triki (2012) [18] examined the effect of the characteristics of the audit committee on the financial performance of a sample of 26 Tunisian firms listed on the Tunis Stock Exchange. The result showed that auditor size had an impact on the return on assets and return on equity of the firms.

Miettinen (2011) [47] examined the relationship between audit quality and financial performance. Audit quality was measured using auditor size and audit committee meeting frequency. The result shows that audit quality has both a direct effect as well as a mediating effect through audit size on financial performance.

Choi, Kim, and Zang (2010) [21] examined whether the association between audit fees and audit quality is asymmetric and thus nonlinear in the sense that the association is conditioned upon the sign of abnormal audit fees for their total sample of client firms with both positive and negative audit fees.

3. Methodology

The study made use of a correlational research design. The correlational research design is the measurement of two or more factors to determine or estimate the extent to which the values for the factors are related or change in an identifiable pattern. In correlational research, the goal is to determine whether two or more variables are related (Marczyk, DeMatteo, & Festinger, 2005) [45]. The population of the

study is made up of chartered accountants; specifically, members of the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN), these two bodies are responsible for the regulation and licensing of accountants desiring practice as auditors in Nigeria. Also, to be included are employees of financial institutions in Awka.

Table 1: Distribution of respondents

S. No	Category	No.
1	ICAN	61
2	ANAN	154
3	FIRST BANK	25
4	UBA	23
5	ENTERPRISE BANK	17
6	DIAMOND BANK	21
7	ZENITH BANK	27
8	FIDELITY BANK	20
9	GTB	19
	TOTAL	367

Source: Field Survey (2021)

In determining the sample size of the study, the researchers made use of the census sampling technique to enable more responses to be gathered from the above-listed Deposit Money Banks in Nnamdi Azikiwe University, Awka as well as registered accountants with either ICAN and ANAN professional body.

3.1 Sources of Data

Generally speaking, data may be classified into *primary data* and *secondary data*, each with pros and cons, each requiring different kinds of skills, and resources (Institute for Work & Health, Toronto, 2015) [36].

- Primary Data: Refers to data collected by an investigator/ agency for a specific purpose. An advantage of using primary data is that researchers are collecting information for the specific purposes of their study. In essence, the questions the researchers ask are tailored to elicit the data that will help them with their study. Researchers collect the data themselves, using surveys, interviews and direct observations (Institute for Work & Health, Toronto, 2015) [36].
- Secondary Data: Data originally collected by someone (else) for another purpose, but is now being reused for another purpose. This term refers to data that is collected routinely as part of the day-to-day operations of an organization, institution or agency (Institute for Work & Health, Toronto, 2015) [36].

However, in this research, primary data sources were used. The data used in the study was garnered from a self-administered questionnaire on the respondents of the study. The researchers visited the various banks in the school and administered the questionnaires to the respondents. The district societies of the professional bodies in Awka were consulted and with the assistance of the secretary, the questionnaires were shared among members. This process lasted 10 working days.

3.2 Validity and Reliability of Instrument

External validity refers to the generalization of research results to other population groups and is ensured by utilizing a proper and sound sampling procedure. Clear guidance was given to field workers regarding the place, time and conditions in which the research was to be conducted. Internal validity of the instrument's scores is ensured through both face and content validity. Expert judgment and a pilot study were undertaken to assist in this regard. Internal reliability was ensured by means of calculating Cronbach's alpha values for the independent variables with results showing .781, .771, and .732 which were above the generally accepted threshold of .70. The statistical software package, SPSS version 20 was used to determine the Cronbach's alpha values for the predetermined factors of Section B to E to confirm internal reliability.

3.3 Method of Data Analysis

The data were analysed using a simple regression technique in testing the formulated hypotheses.

3.3.1 Description of Variables

Independent variables

1. Audit Independence [AI]: This variable is measured as the sum of positive responses to audit independence and practices in the structured questionnaire.
2. Audit team competence [ATC]: This variable is measured as the sum of positive responses to audit team competence in the structured questionnaire.

Dependent Variables

1. Audit reporting quality [ARQ]: This is measured as the sum of positive responses to the audit reporting quality guide in the structured questionnaire.

3.3.2 Model Specification

Model Specification

For Hypothesis One:

$$ARQ = \alpha + \beta\,[AI]_{it} + \mu \quad (1)$$

For Hypothesis Two:

$$ARQ = \alpha + \beta\,[ATC]_{it} + \mu \quad (2)$$

Decision Rule

The decision rule is as follows if the value of P calculated <.05 Reject the null hypothesis, otherwise accept.

4. Data Analysis

Table 2: Demographic information of respondents

Item	Category	No.
Sex	Male	211
	Female	156
Age	25-30	54
	31-35	104
	36-40	79
	41 & Above	130
Marital status	Single	131
	Married	182
	Others	54
Years of Experience	0-5 years	52
	6-10 years	104
	11-15 years	52
	16 & above	159

Source: Field Survey (2021)

The table above shows that 211 respondents are males (i.e., 55.8%), while 156 persons were females (i.e., 41.3%). From the table above, the number of participants between the ages of 25 to 30 years of age is 54 (14.3%), participants between the ages of 31 to 35 years of age are 104 (27.5%), participants between the ages of 36 to 40 years of age is 79 (20.9%), While participants 46 years of age and above is 130 (34.4%). From the table above, the number of single participants is 131 (34.7%), the table also shows that 182 (48.1%) of the participants are married while 54 (14.3%) were not willing to disclose their marital status. Years of experience showed that 52 respondents (i.e., 13.8%) have between 0 to 5 years of working experience, 104 respondents (i.e., 27.5%) have 6 to 10 years of working experience, 52 respondents (i.e., 13.8%) have 11 to 15 years working experience while 159 respondents (i.e., 42.1%) have 16 years working experience and above.

4.1 Reliability Statistics

Table 3: Reliability statistics

Item	Cronbach's Alpha	N of Items
AI	.781	3
ATC	.771	3
ARQ	.732	3

Source: SPSS ver. 20

The Cronbach's alpha on the test of measurement reliability scale for AI, ATC and ARQ showed a level of .781, .771 and .732 which is above the generally accepted threshold of .70. Thus, the instrument is considered reliable.

4.2 Test of Hypotheses

Hypothesis One:

H_1: Auditors' independence has an effect on the quality of audit reports issued by auditors.

Table 4: Model summary for hypothesis one

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.665[a]	.442	.441	.42204
a. Predictors: (Constant), AI				

Source: SPSS ver. 20

Table 4 shows the model summary results which sought to establish the explanatory power of the independent variables (Audit independence) for explaining and predicting the dependent variable (Audit reporting quality). R, the simple correlation coefficients, (i.e., the linear correlation between the observed and model-predicted values of the dependent variable) showed a value of .665. R square, the coefficient of determination (i.e., the squared value of the simple correlation coefficients) showed a value of .442 (about 42%) of the variation in the dependent variable is explained by the model.

Table 5: ANOVA output for hypothesis one

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	51.548	1	51.548	289.398	.000[b]
	Residual	65.014	365	.178		
	Total	116.561	366			
a. Dependent Variable: Audit reporting quality						
b. Predictors: (Constant), AI						

Source: SPSS ver. 20

Table 5 shows a highly statistically significant F statistic of 289.398 (moreover p value <.05). Thus, we reject the null hypotheses.

Table 6: Model coefficients for hypothesis one

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	24.531	.548		44.772	.000
	AI	.472	.028	.665	-17.012	.000
a. Dependent Variable: Audit reporting quality						

Source: SPSS ver. 20

Hypothesis Two:

H_1: There is a significant relationship between audit team competency and the quality of audit reports issued by the audit firm.

Table 7: Model summary for hypothesis two

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.891[a]	.794	.793	.25649
a. Predictors: (Constant), Audit team competence				

Source: SPSS ver. 20

Table 7 shows the model summary results which sought to establish the explanatory power of the independent variables (Audit team competence) for explaining and predicting the dependent variable (Audit reporting quality). R, the simple correlation coefficients, (i.e., the linear correlation between the observed and model-predicted values of the dependent variable) showed a value of .891. R square, the coefficient of determination (i.e., the squared value of the simple correlation coefficients) showed a value of .794 (about 79%) of the variation in the dependent variable is explained by the model.

Table 8: ANOVA output for hypothesis two

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	92.550	1	92.550	1406.835	.000[b]
	Residual	24.012	365	.066		
	Total	116.561	366			
a. Dependent Variable: Audit reporting quality						
b. Predictors: (Constant), Audit team competence						

Source: SPSS ver. 20

Table 8 shows also a highly statistically significant F statistic of 1406.835 (moreover p value <.05). Thus, we reject the null hypotheses.

Table 9: Model Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	53.547	1.022		52.395	.000
	Audit team competence	1.924	.051	.891	-37.508	.000
a. Dependent Variable: Audit reporting quality						

Source: SPSS ver. 20

5. Conclusion and Recommendations

The study concludes that auditor characteristics play a crucial role in the audit quality of listed Deposit Money Banks (DMBs) in Nigeria. It covers a wide range of

relationships between the company management, governing bodies, stakeholders and other parties with justified interests. It encompasses a widely varying range of areas, which is also manifested by an effort to create a concise definition of the term. The empirical analysis shows that Auditors' independence has a positive effect on the quality of audit reports issued by auditors. There is a significant positive relationship between audit team competency and the quality of audit reports issued by the audit firm. This is also confirmed using the Pearson bivariate results. The auditor characteristics had been understood to be majorly linked to bank failures in Nigeria. It has also been seen as the key element in ensuring the increased trust of investors. It was also revealed that the coordination of both the internal audit and external audit, and particularly ensuring and assuring external auditors' independence from managerial influences or pressures enables audit committees to guarantee that irregularities and financial misstatements observed by external auditors are reported. Thus, the research work revealed that the iron cast to the bank failures from the angle of auditors is mandatory audit rotation, competence amongst the audit team and boundless independence of the auditors Based on the findings of this study, the following recommendations are being made to check further re-occurrence of bank failures in Nigeria:

1. There should be a redefinition of the auditors' role from that of a watchdog to a professional expert. The auditors need to act beyond their legal requirements. By training, auditors should have an enquiry attitude not suspicious of anybody, but suspecting that there may have been an error honest or fraudulent. An enquiry mind need not blood bound like a detective dog. But does not just do-watch, coming in with an enquiring mind is worse than coming with an unassuming and inquisitive.
2. To be truly independent, auditors' appointment and remuneration should be fixed by an audit committee made up of equal members of directors and shareholders and not by management acting on behalf of the shareholder. Accountants/auditors should exercise more diligence in the execution of their duties and try not to sacrifice credibility and ethical standard on the altar of wealth. An expansion in the role of auditors will also involve an increase in their remuneration. This will allow the auditors to go more and more into the activities of the institution being audited and it will allow them to bring more information out. Thus, Accountants/auditors should be strictly guided by the dictates/ethics of their profession.

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