

Independent of Auditors and Ethical Behaviours in Corporate Financial Reports of Listed Companies in Nigeria



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ABSTRACT: Acceptance of corporate financial reports has greatly reduced, and financial statement users doubt the credibility and usefulness of the information contents of corporate financial reports. Existing studies had reported inconsistencies and evidenced inconclusiveness of possible effect of independent of auditors and ethical behaviour in enhancing reliability and relevance of corporate financial reports. Consequently, in extending the frontiers, the effect of independent of auditors and ethical behaviours on corporate financial reports of listed companies in Nigeria is investigated by this study. Survey research design, using self-structured questionnaire was employed by this study. The population of the study consist of all the 66 manufacturing companies, while sample size of 414 was obtained using Yaro Yamane (1976) formula. A total of 356 valid questionnaires were retrieved from the online respondents, reflecting 86% of the expected respondents. Cronbach Alpha reliability analysis. The study found that independent of auditors and ethical behaviours had a positive significant effect on corporate financial reports ($AdjR^2 = 0.019$; $F_{(3, 341)} = 3.340$; $p\text{-value} = 0.019$). The study concluded that independence of auditors and ethical behaviours had a positive effect on corporate financial report of listed in Nigeria. The study recommended that auditors should exercise professional independence, competence and avoid unethical practices to enhance corporate financial reports.

KEYWORDS: Audit independence, corporate financial reports, Ethical behaviours, Faithful representation, Relevance, Reliability

1. INTRODUCTION

Globally, the quality and reliability of corporate financial reports are being doubted and financial statement users seem sceptical and apprehensively unsure of the reliability and credibility relying on corporate financial reports in making economic and useful decisions. Reported incidents of financial scandals in some corporate organization apparently ignited the anxieties and concerns of the public of the trustworthiness of corporate financial reports and industry experts' reaction to Arthurs Andersen and Enron scandals had remained a reference point of financial users' discontentment over the years (Aliu, Okpanachi & Mahammed, 2018; Alnodel, 2018). While Enron and Arthur Anderson case had triggered the emergence of Sarbanes-Oxley Act of 2002, the level of dissatisfaction of the public and ability of the analysts to rely on corporate financial reports in making predictive analysis have not resolved (Amidu, Coffie & Acquah, 2019). Previous studies have documented frustrations and loss of investors' confidence resulting from the collapse of high-profile corporate organizations, the likes of WorldCom, Olympus in Japan, the cases of Parmalat, Xerox, HealthSouth, Toshiba Corporation, Lucent, Adelphia, Tyco, Maxwell pension scandals, Satyam, Reebok and recently the indictment of the big-4 in various recklessness and unethical practices (Shiyanbola, Adegbe & Salawu, 2020; Aguguom & Olanipekun, 2021; Key & Kim, 2020).

Unfortunately, despite the dust raised, risks and the lessons learnt from the highly celebrated and reported financial scandals, the incidents financial scandals are still prevalent in the corporate organizations in various parts of the world. In the recent times, the cases Folli Follie in Greece, Shipbuiding and Marine Engineering in South Korea, Steinhoff of South Africa, Carillion in United Kingdom (Hao, Sun & Yin, 2019; Oroud, Islam, Ahmad & Ghazalat, 2019). In the recent cases of 2020, among the big-4, PwC was associated with unethical behaviour of an allegation of potential conflict of interest in one of its audit jobs functions in Sonangol as it was discovered that both the auditor and consultancy roles were carried out by the same PwC (Hrazdil & 2019). Furthermore, in year 2020, Deloitte was fined \$19.4 million for failing to apply adequate professional competence in its audit exercise carried out in the years of 2009 to 2011 financial statement prior to its acquisition by Hewlett-Packard.

The list is endless the recklessness auditor's ethical behaviour and extent of professional abuse of trust and unethical practices that have plugged the image of the auditing profession to a regrettable disrepute and fragility and chronicles of unexhausted.

Independent of Auditors and Ethical Behaviours in Corporate Financial Reports of Listed Companies in Nigeria

According to Ozili and Outa (2019), some unethical practices of few bad eggs among the auditors have given the auditing profession bad image that will take a long time and efforts of the good ones to redeem. The public desires true and fairness in corporate financial reporting, and this could be possible where there a fair play, and honest reporting. According to Okezie and Egeolu (2019), true and fairness can only strive where independent of auditors and ethical behaviours or the practising auditors are respected.

From the Nigerian perspective, studies have documented case of financial scandals where auditors were implicated. The case of Cadbury Nigeria, Stanbic-IBTC, Oceanic Bank, Intercontinental Bank, Skye Bank, Diamond Bank and the recent Skye Bank that gave rise to Polarise Bank (Ozili & Outa, 2019). According to Aliu, Okpanachi and Mohammed (2018), when the auditors compromise the audit independence and due care and skill, the quality of corporate financial reporting will be decreased and the economic usefulness of the financial statement users will no longer be guaranteed. The reported cases of unethical practices and corruption cases have been attributed to weak corporate governance and inadequate board monitoring and slack in its oversight functions (Akeju & Babatunde, 2017; Abdul, Rahman, Benjamine & Olayinka, 2017).

The level of acceptance and reliance on corporate financial report in making useful decision has drastically reduced to such low extent that investors are apprehensively scared in making investment decisions relying believing that the accounting information contents are credible and relevance (Okolie, 2014; Surbakti, Shaari & Bamahros, 2017). Majority of corporate financial reports no longer possess minimum qualitative characteristics of relevance, faithful representation consequent to auditors incapable of exercising adequate independence and ethical behaviours (Nkanbia-Davis, Gberegbe, Ofurum & Egbe, 2016). Reported case of financial scandals and fraud incidents have heightened the apprehensiveness and absence of confidence in the use of financial statements by the public and interested stakeholders, who are already biased of the possible compromising and credulity posture of the auditors who can no longer be trusted as an umpire professionals (Yakubu & Williams, 2020; Zayol & Kukeng, 2017).

While some studies have documented that independence of auditors and ethical behaviours are golden and capable of rebuilding the auditing profession when the auditors are seen not to have compromises their professional independence, competence, and ethical behaviours in inducting auditing services (Abdul-Rahman, Benjamine & Olayinka, 2017; Adebisi, 2017). Akeju & Babtunde (2017) have documented track records showing that some auditors have displayed unethical practice and recklessness attitude towards audit services by subverting procedures and inability to prove to the financial statement user reasons to trust their opinions of the corporate organizations' financial activities. The extent of relevance and reliability of the reported corporate financial statements are inadequate lacking substance and credibility (Asthana, Khurana & Raman, 2018). Some studies have revealed that independence of auditors and ethical behaviours had a positive significant effect (Eyenubo, Mohammed & Ali, 2017; Hassan, Omar, 2016). However, others Hope, Thomas and Vyas (2017); Majiyabo, Okpanachi, Nyor, Yahaya and Mohammed (2018) reported that independence of auditors and ethical behaviors had a negative effect on corporate financial reports among the companies listed in Nigeria.

While there have been studies that have studied independent of auditors, ethical behaviours and corporate financial reports, there are dearth of studies that have utilized similar variables identified in this study to have attempted the problem of corporate financial reports. Besides, divergent opinions and inconclusiveness still subsists, creating gaps in literature that required further research. In closing the gaps and extending the research studies, this study offered the following research objective, question, and hypothesis.

Research Objective: *Examine the effect of independent of auditors and ethical behaviours on corporate financial reports of listed companies in Nigeria*

Research Question: *How do independent of auditors and ethical behaviours affect corporate financial reports of listed companies in Nigeria?*

Research Hypothesis: *Independent of auditors and ethical behaviours have no significant effect on corporate financial reports of listed companies in Nigeria.*

The other part of the study is configured in this approach: Section 2 considered literature review and theoretical development. In section 3, methodology was presented and in section, data analysis, results and discussion of findings were considered, and section 5 considered the conclusion, recommendations, and contribution to knowledge.

2. 1 CONCEPTUAL REVIEW

Quality of Financial Report: The financial report quality is essentially significant to every financial statement user in making useful decisions. The financial report quality is concerned with the ability of the accounting information content of financial reports of companies to reveal a true and fair view of the financial position of the companies. Quality of financial reports is highly desirable and required for business decision purposes. Credibility and financial health condition of companies ought to be reflected in the

Independent of Auditors and Ethical Behaviours in Corporate Financial Reports of Listed Companies in Nigeria

financial statements of any company (Ndubuisi & Ezechukwu, 2017). According to, Eriabie and Debor (2017), investors, lenders and all other stakeholders are desirous of credibility, and reliable financial statement as a guide in making investment decisions. Herath and Albarqi (2017) documented that for an financial statement of any organization to attain to being quality in all respect, it must possess some essential properties of qualitative characteristics of relevance, faith representation, and at the same time has the ability to enhance the qualitative characteristics, these include, comparability, accuracy, understandability, understandability and timeliness.

Relevance: Relevance of financial reports implies that the financial statement is appropriately capable to be useful for the purpose intended. The accounting information must be relevant for economic and investment purposes, it must be misleading or contain false information capable of misinforming potential users of the financial report. It should possess predictive value and at the same time confirmatory value and absence of misstatements or errors that will mislead an innocent public users or the stakeholders at large (Aguguom & Olanipekun, 2021; Yakubu & Williams, 2020).

Faithful Representation: In line with the regulatory fundamental framework of qualitative characteristics, faithful representation entails that the financial report must be complete, neutral and free from errors in meeting qualitative requirements. According to Mechelli, Cimini and Mazzocchetti (2017) accounting information is complete when its material contents include all relevant information needed by the user to understand and useful for the intended purpose. In addition, a neutral representation is significant in quality of financial reports, believing that the information content is free from manipulation and predetermined result, and discretionary outcome.

Verifiability and Accuracy: Financial reports are said to possess quality if one of the attributes include verifiability and also accuracy. In other words, an information is considered to be verifiable if different independent users acknowledge the same understanding and agree that the information contents are true and fair, providing faithful representation. According to Kusnadi, Leong, Suwardy & Wang (2016), two or more users of financial statement should confirm same information using different evaluation and assessment method. Accuracy is an ability of the financial reporting to be free from errors and fraud intentions. When financial reports are contain misstatements and misrepresentations of facts, it is considered inaccurate and tend to misinform users (Kwom, 2018; Maali & Al-Attar, 2017).

Comparability: Ability to compare the financial reports is one of the enhancing qualitative characteristics that enables financial statement users compare information about the company for a reporting period with similar information about other companies in the category and same industry. Consistency is improved when there are evidence of comparability of the financial report of the companies using the same accounting rules and principles under the same accounting treatment. International Accounting Standards Board (IASB) posited that using dissimilar accounting rules and treatment will result to diminishing of accounting quality and reduces comparability ability.

Understandability: The usefulness of accounting information is possible when the users of such financial statement understand the information contents, hence ambiguity and uncertainty should not be associated with quality of financial reports (Ozili & Outa, 2019; Leuz & Wysocki, 2016). The understandability of financial reports are improved when they are classified and dully presented in clear language and concisely. When vital information are not omitted and ability to remove complexities making the financial statement difficult to understand. The conceptual framework documented that financial statement should be prepared in such a manner that people with reasonable knowledge of business and economic activities should understand the information contents.

Timeliness: Accounting information is relevant when obtained at the time it is required. Timely presentation of financial information when it capable of influencing their economic usefulness and not when not required. Delayed information and not making available of information when they are needed could be frustrating and irrelevant and useful when eventually they are provided when its usefulness had elapsed. In Nigeria companies are required to present and publish their audited financial statement at least three months after the end of the accounting period.

Audit Fees and Audit Incentives: The audit fees and incentives available to the auditors are motivating factor in the quality of audit services and audit independent. It is obvious that the big-4 auditing firms are not cheap and when the clients are not able to afford the services and high audit fees, it could result to other auditing firms outside the big-4 (Asthana, Khurana & Raman, 2018). Incidentally, when the audit is not carried out by any of the big-4, the public tend to underrate the audit quality, and such perception are strong in insinuating that non-big-4 lack credibility and lack the strong will to observe independence and shunning interference by the clients in the audit exercise and expression of opinions. According to Babatolu *et al.*, (2016), the quantum of audit fees can significantly influence the quality of audit report, and quality of being free from biased and persuasions mentally and financially.

Audit Tenure and Clients' Size: Audit tenure is closely related to negotiating independence of auditors and ethical behaviours in producing a credible and quality financial reports. According to Abdul-Malik and Ahmad (2016), audit tenure in concerned with

Independent of Auditors and Ethical Behaviours in Corporate Financial Reports of Listed Companies in Nigeria

the length of audit-client relationship, positing that the longer years of relationship between the auditors and the clients, the possibility of auditors become too familiar with the clients in influencing its audit decisions. There are likelihood of conflict of interest and compromising of audit independence, when the audit firm has over stayed in the services of a particular client (Aliu, Okpanachi & Mohammed, 2018).

Auditors Status (Big-4 or otherwise): The category and strength of the audit firm have much influence on the quality of audit and ability of the audit firm to exercise strong will of not being influence in exercising audit independence. Majiyebo et al., (2018) posited that audit size, big-4 or otherwise can influence the independence of auditors. Ezuwore-Obodoekwe (2020); Yakubu and Williams (2020) documented that auditor's independence had a positive significant effect on audit quality and quality of financial reports. In the audit and accounting firms, the big-4 are associated with higher audit fees and higher audit quality because of the expertise and professional expertise acquired by the big 4 over the years, giving them edge and big advantage of being preferred by the majority of clients (Surbakti, Shaari & Banahros, 2017; Oroud, Islam, Ahmad & Ghazalat, 2019).

2.1 THEORETICAL FRAMEWORK

Agency Theory: This theory was propounded by Berlin and Means in the year 1932 but was made popular by Jensen and Meckling, who hypothesized that the principal (shareholders) delegated the obligation with authority to agents (managers) to manage their resources, with the believe that the agents (managers) will be faithful and manage the resources to the best interest of the owners. Incidentally, the case of conflict of interest arose, as the managers acted in their own interest against the interest of the shareholders. The managers are expected to maximize returns and minimize costs (Abdul-Malik & Ahmad, 2016). The agency theory further suggested that the need for auditor services benefits both agents (management) and the principals (shareholders). Hence auditors are appointed for the mutual benefits of management and the shareholders including the other third parties who have an interest in the affairs of the company (Hassan & Omar, 2016).

Lending Credibility Theory

Lending credibility theory as proposed by Limpery in 1920, is concerned with the need for audit services (Maali & Al-Attar, 2017). The theory suggested that the essence of audit service is to add value and credibility to the financial statement prepared by the management who at the same time the agent who carried out the running and the operation of the company. The existence of conflict of interest between the principal and the agents necessitated the need for a third umpire to carry out an independent assessment of the financial reports prepared by the managers for the shareholders (Marshall, 2015). Naturally, it is imperative that a third part be engaged to exercise an unbiased assessment and certify the financial statement whether it reflect the true and fair view of the financial transaction of the company for the period under consideration (Mechelli, Cimini & Mazzocchetti, 2017). According to Kusnadi, Leong, Suwardy and Wang (2016), the public tends to rely on the professional expertise of the auditors in lending confidence and trustworthiness on the accounting information contents of the financial statement, in making investment and other useful decisions.

Theory of Inspired Confidence

The theory of inspired confidence was developed by the renowned Dutch professor, Theodore Limperg in 1920s (Marshall, 2015). The theory suggested that conflict of interest between the principal and the agents had ignited the need for confidence stimulant arousal in relying on reports prepared by the agents for the principal (Minick, 1975). It is natural and expected that the managers could influence the quality and information contents of the financial statement in their favor, since the managers are being accused of pursuing personal interest. According to Onuoha and Imene (2016), the agency theory has created clear understanding of the subsisting conflict of interest between the business owners and the agents (managers), that while the shareholders expect the managers to pursue shareholders wealth maximization, the managers may seem to be maximizing corporate economic values, but are instead pursuing personal benefits by increasing corporate earnings that will in turn give rise to higher remunerations and bonuses (Unuagbon & Oziegbe, 2016). The shareholders and the other stakeholders aware of these irregularities and anomalies, consequent reported cases of financial scandals, require the services of the auditors to inspired reliance of the financial statement, based on the auditors' certification and unbiased report that the financial reports are true reflection of the health condition of the company, to be reliable, useful and relevance for the purpose intended.

2.3 EMPIRICAL REVIEW

Yakubu and Williams (2020) studied the effect of independent of auditors on corporate financial reports quality. The study employed expo facto research design, using audit committee and nonexecutive directors as members to measure audit independence. Audit fees and audit tenure were also employed as proxies to measure audit independence. The analysis shown that independence of auditors had a positive effect on corporate financial reports. Furthermore, the study discovered that auditors

Independent of Auditors and Ethical Behaviours in Corporate Financial Reports of Listed Companies in Nigeria

tenure and Auditors' status had a negative effect on quality of corporate financial reports. The study recommended that auditors should strive to exercise independence while carrying out their professional audit duties.

Olaoye, Agugom, Safiriyu and Abiola (2019) investigated the effect of statutory auditors' independence on the relevance and reliability of financial statements of a selected manufacturing companies in Nigeria. A survey research design was adopted in the study using 150 questionnaires administered to 137 randomly selected respondents from the manufacturing companies. Also, the study employed Cronbach alpha test in testing the reliability and validity of the study. Descriptive statistics and inferential analyses were employed in the data analyses and the result of the regression shown that independent of auditors has a positive effect on reliability of financial statements. Also, the study discovered that audit tenure and audit fees has a positive effect on relevance and comparability of financial statements of the manufacturing companies examined.

Okezie and Egeolu (2019) studied the impact of independent of auditors and ethics practice on the reliability and credibility of corporate financial reports of companies in the banking sector. The study employed *expo facto* research design for a period of 5 years covering 2014 to 2018. The regression analysis carried out using multi-regression revealed that independent of auditors and evidence of ethical practices has a positive significant effect on reliability and relevance of corporate financial reports of companies operating in the banking sector in Nigeria.

Aliu, Okpanachi and Mohammed (2018) investigate the effect of auditor's independence on audit quality of listed oil and gas companies in Nigeria for a period of 10 years covering 2007 to 2016. The study employed expo facto research design, using secondary data obtained from 9 companies' financial statements. The study used a panel data and logit regression analyses for the data and the result of the analysis revealed that audit independence has a positive significant effect on quality of the company's financial statements investigated in the study.

Zayol and Kukeng (2017) studied the impact of independent of auditors on corporate financial reports quality. Expo facto research design was adopted, as secondary data was employed in data sourcing from documented sources and internet documents. The study carried out regression analysis and the result found that independent of auditors had a positive effect on corporate financial report. Als the study reported that audit fees had a negative influence on corporate financial reports.

Similarly, the study of Abdul-Malik, and Ahmad (2016) investigated of the effect of audit independence and audit fees on the quality of financial reporting in Nigeria. The study employed expo facto research design, using data sourced from the financial statements of 89 selected companies listed on the Nigeria Stock Exchange for a period of 8 years covering 2008 to 2013. The analysis revealed that audit fees had a negative significant effect on discretionary accruals and on the credibility of the financial statements.

Babatolu, Aigienohuwa and Uniamikogbo (2016) studied the effect of independent of auditors on quality of corporate financial reports of deposit money banks. The population comprised of 20 listed deposit money banks while, a sample of 7 banks were selected for a period of 5 years covering 2009 to 2013. Descriptive statistics, correlation analysis and ordinary least square were adopted. The study found that audit rotation and audit fees had a positive effect on quality of corporate financial reports. Also, the study found that audit tenure had a negative effect on corporate financial reports quality.

Consequent to mixed results and different opinions are highlighted, inconclusiveness subsists, creating gaps in literature. Besides, there is dearth of studies that have considered ethical behaviours of the auditors in corporate financial reporting in the emerging literature in Nigeria. In contributing to knowledge and filling gaps in literature, this study extents the frontiers and created a novelty in this area, and examined the effect of independent of auditors and ethical behaviours on corporate financial reporting of listed companies in Nigeria.

3 METHODOLOGY

3.1 Method: This study investigated the effect of independent of auditors and ethical behaviours on corporate financial reports of listed companies in Nigeria. In addressing the problem of corporate financial reports, the study used survey research design, using self-structured questionnaire. The population of the study consisted of all the 66 manufacturing companies, while sample size of 414 was obtained using Yaro Yamane (1976) formula. A total of 356 valid questionnaire were retrieved from the online respondents, reflecting 86% of the expected respondents.

3.2 Sample Size: The four hundred and forty-four (414) staff used were selected using Yaro Yamane's (1967) formula was adopted to arrive at the sample size.

$$n = \frac{N}{1+n(\alpha)^2}$$

Where:

n = sample size

N = Population size

Independent of Auditors and Ethical Behaviours in Corporate Financial Reports of Listed Companies in Nigeria

α = level of significance

$$n = \frac{3,204}{1+3,204(0.05)^2}$$

$$n = \frac{3,204}{1+8.00}$$

$$n = 356 \approx 356 \text{ Respondents}$$

3.3 Reliability and Validity of Instrument

The validity of the questionnaire in the study was measured with its clarity and relevance to the study. The questionnaire was presented to professional accountants at different levels with experience in auditing and accounting. The experts in statistical technique and research were not left out. The presentation of the questionnaire to these experts was to prompt their comments on the wordings, relevance, and structure of the questionnaire. The reliability of the questionnaire was tested using "Cronbach Alpha Reliability Analysis with the aid of the Statistical Package for Science Solutions (SPSS) version 23. The reliability of the instrument was assured after administering few of the questionnaires on the pilot sample and the coefficient alpha of the data collected was computed. Table 3.1 shows the result as well.

Table 3.1: Results of the Reliability Test

Constructs	No of Items	Cronbach's Alpha
Dependent Variable <i>(Qualitative Characteristics)</i>		
Relevance	5	0.881
Faithful Representation	5	0.801
Verifiability and Accuracy	5	0.895
Comparability	5	0.958
Understandability	5	0.884
Timeliness	5	0.907
Independent Variables <i>(Independent of Auditors and Ethical Behaviors)</i>		
Audit Fees and Audit Incentives	5	0.884
Audit Tenure and Clients Size	5	0.824
Auditors' status (Big-4 or otherwise)	5	0.901

3.4 Model Specification

$$Y_i = f(X)$$

$$QLTYCFR = f(INDPAE)$$

Functional Relationship

$$QLTYCFR = f(ADFAI + ADTCS + ADSTS)$$

Model

$$QLTYCFR_i = \alpha_0 + \beta_1 ADFAI_i + \beta_2 ADTCS_i + \beta_3 ADSTS_i + \mu_i$$

Where:

QLTYCFR = Qualitative Characteristics Corporate Financial Reports, INDPAE = Independent of auditors and ethical behaviour; ADFAI = Audit Fees and Audit Incentives; ADTCS = Audit Tenure and Clients' Size, and ADSTS = Auditors Status

Independent of Auditors and Ethical Behaviours in Corporate Financial Reports of Listed Companies in Nigeria

4. DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS

In this subsection, the responses to the questions that seek the opinion of the participants about effect of independent of auditors and ethical behaviours which are subdivided into Audit fees and audit incentives (ADFAI), Audit tenure and client's size (ADTCS) and Auditors' status (ADSTS). These questions were 5– points Likert scale where “Strongly Disagree” and “Strongly Agree” are coded ‘1’ and ‘5’ respectively with “Agree” and “Strongly Agree” been collapsed to measure the percentage of total Agree. The major statistical tool used are frequency, percentage, mean and standard deviation.

General overview of participants' perceptions on questions that cover effect of independent of auditors Tax Revenue Generation as Tax Compliance Indicators is presented below in Table 4.1.

Table: 4.1: Distribution of Independent of auditors and ethical behaviours and Corporate Financial Reports

	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total	% of Total Agree	Mean (Std.)	Rank
Audit fees and audit incentive improves relevance of corporate financial reports of listed companies in Nigeria.	0 [0.0]	0 [0.0]	12 [3.4]	171 [48.0]	173 [48.6]	356 [100]	344 [96.63]	4.45 (0.56)	5
Audit tenure and client's size enhances the faithful representation of corporate financial reports of listed companies in Nigeria.	0 [0.0]	0 [0.0]	10 [2.8]	96 [27.0]	250 [70.2]	356 [100]	346 [97.19]	4.67 (0.53)	1
The companies are audited by any of the big-4 audit firms and improves verifiability and accuracy of corporate financial reports of listed companies in Nigeria.	1 [0.3]	1 [0.3]	12 [3.4]	91 [25.6]	251 [70.5]	356 [100]	342 [96.07]	4.66 (0.59)	2
Comparability of corporate financial reports are enhanced when the audit fees are high.	1 [0.3]	2 [0.6]	22 [6.2]	82 [23.0]	249 [69.9]	356 [100]	331 [92.98]	4.62 (0.65)	3
Understand ability of corporate financial report is enhanced when there is clear evidence of Auditors professional attitude and audit independence.	2 [0.6]	3 [0.8]	14 [3.9]	111 [31.2]	226 [63.5]	356 [100]	337 [94.66]	4.56 (0.67)	4

Source: Researcher's (2022).

From Table 4.1, it's obvious that the statement with the percentage of total agree equal 97.19% is Audit fees and audit incentive improves relevance of corporate financial reports of listed companies in Nigeria {Average Score = 4.67; SD = 0.53} and stands to be the most supported statement, follow by the statement that says, “Audit tenure and client's size enhances the faithful representation of corporate financial reports of listed companies in Nigeria.” {Average Score = 4.66; SD = 0.59} with 96.07%

Independent of Auditors and Ethical Behaviours in Corporate Financial Reports of Listed Companies in Nigeria

percentage of Agree. “The companies are audited by any of the big-4 audit firms and improves verifiability and accuracy of financial reports of listed companies in Nigeria.” {Average Score = 4.62; SD = 0.65} has 92.98% of total percentage of Agree while that of “Comparability of corporate financial reports are enhanced when the audit fees are high.” {Average Score = 4.56; SD = 0.67} with 94.66% percentage of total Agree. The least supported statement reads as “understandability of corporate financial report is enhanced when there is clear evidence of audit independence.” {Average Score = 4.45; SD = 0.56} is 96.63% percentage of total Agree.

4.2 Descriptive Statistics

This describes the two grouped indicators under this subsection by showing that they are derived from 356 numbers of observation in terms of minimum, maximum, mean and standard deviation.

Table 4.2: Dependent Variable Summary Statistics

Variables	Obs.	Minimum	Maximum	Mean	Std. Deviation
QLTYCFR	356	3.20	5.00	4.425	0.391

Source: Author’s Computation (2022). **Note:** QLTYCFR = Qualitative characteristics of corporate financial reports.

In this Table 4.2, average value of the dependent variable qualitative characteristics of corporate financial reports to be 4.425, having 0.391 standard deviation obtained from range of variables that span from 3.20 to 5.00. These imply that responses gotten from the participants in relation to qualitative characteristics of corporate financial reports is 4.425 on the average. The number of considered observation remains 356.

Table 4.3: Independent Variable Summary Statistics

Variables	Obs.	Minimum	Maximum	Mean	Std. Deviation
ADFAI	356	1.80	5.00	4.493	0.631
ADTCS	356	2.00	5.00	4.342	0.508
ADSTS	356	3.00	5.00	4.593	0.397

Source: Author’s Computation (2022). **Note:** ADFAI = Audit fees and incentives, ADTCS = Audit tenure and client’s size and ADSTS = Auditor’s status.

Audit fees and incentives (ADFAI)

Table 4.3 shows that on average the first independent variable Audit fees and incentives (ADFAI) is 4.493 with standard deviation of 0.631, showing that the values widely spread out from the average value. The lowest and highest values from which average value and the standard deviation are obtained from are 1.80 and 5.00 respectively; with number of considered observations being 356.

Audit tenure and client’s size (ADTCS)

Also, from this above-mentioned table [Table 4.3], the second independent variable Audit tenure and client’s size (ADTCS) is found to have 4.342 as an average value with 0.508 standard deviation obtained from range of values that are spread out between 2.00 to 5.00; observation number remains 356.

Auditors’ status (ADSTS)

Auditors’ status ADSTS having its values spreading out between 3.00 and 5.00, has 4.593 as an average value and standard deviation of 0.397 as been shown in Table 4.3: the rate of variation in this variable values wide as observed from the standard deviation.

4.2.1 Correlation Matrix

Correlation matrix is to establish if there is bivariate relationship between dependent and independent variables. Correlation matrix is considered in this study to ensure that independent variables are not high to the extent of causing multicollinearity problem. The result is presented below:

Independent of Auditors and Ethical Behaviours in Corporate Financial Reports of Listed Companies in Nigeria

Table 4.4: Correlation Matrix

Variables	QLTYCFR	ADFAI	ADTCS	ADSTS
QLTYCFR	1			
ADFAI	0.218	1		
ADTCS	0.137	0.071	1	
ADSTS	0.180	0.304	0.120	1

Source: Author's Computation (2022). **Note:** QLTYCFR = Qualitative characteristics of corporate financial reports, ADFAI = Audit fees and incentives, ADTCS = Audit tenure and client's size and ADSTS = Auditor's status.

From Table 4.4 above, the correlation coefficient among the two presented indicators of corporate financial reports (Qualitative characteristics of corporate financial reports – QLTYCFR), and independent of auditors and ethical behaviours indicators [Audit fees and incentives ADFAI, Audit tenure and client's size ADTCS and Auditors status ADSTS] lie between 0.218, 0.137 and 0.180 respectively. The Association between dependent variables QLTYCFR explanatory variables ADFAI & ADTCS are all positive. In addition, the less strong correlation that exists among some of the explanatory variables shows that possibility of having multicollinearity problem is zero. To further confirm if this is true, the study estimated Variance Inflation Factor (VIF) and the results can be found with the regression results tables.

Inferential Statistics

In Table 4.5, Model Summary and ANOVA are presented; the predictors are Audit fees and incentives ADFAI, Audit tenure and client's size ADTCS and Auditors status ADSTS and the dependent variable considered is Qualitative characteristics of corporate financial reports QLTYCFR.

Table 4.5: Model Summary and ANOVA

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate		
0.166	0.028	0.019	0.67779		
ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Regression	4.603	3	1.534	3.340	0.019
Residual	161.709	353	0.459		
Total	166.312	356			

Source: Author's Computation, 2022; underlying data from Field Survey. **Note:** Predictors are (Constant), ADFAI = Audit fees and incentives, ADTCS = Audit tenure and client's size and ADSTS = Auditor's status. Dependent variable is QLTYCFR = Qualitative characteristics of corporate financial reports.

In Table 4.5 above, the F-statistics value is 3.340; Sig. = 0.019. This being significant at 0.01 of significance means that the combine effects of Independent of auditors and ethical behaviours proxies {Audit fees and incentives ADFAI, Audit tenure and client's size ADTCS and Auditors status ADSTS} on Qualitative characteristics of corporate financial reports QLTYCFR are significant. The adjusted R-square is 0.019 which connotes the 1.9 percent of variation in Qualitative characteristics of corporate financial reports QLTYCFR are being collectively caused by the Independent of auditors and ethical behaviours proxies {Audit fees and incentives ADFAI, Audit tenure and client's size ADTCS and Auditors status ADSTS}.

The summary of the estimated regression model that investigates the effect of independent of auditors and ethical behaviours on corporate financial reports of listed companies in Nigeria is presented below in an empirical form.

Table 4.6: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	2.987**	0.508		5.885	0.000		

Independent of Auditors and Ethical Behaviours in Corporate Financial Reports of Listed Companies in Nigeria

ADFAI	0.134**	0.059	0.123	2.250	0.025	0.919	1.088
ADTCS	0.067	0.071	0.050	0.934	0.351	0.981	1.019
ADSTS	0.109	0.095	0.063	1.140	0.255	0.907	1.102

Source: Author's Computation, 2022; underlying data from Field Survey. Note: Predictors are (Constant), ADFAI = Audit fees and incentives, ADTCS = Audit tenure and client's size and ADSTS = Auditor's status. Dependent variable is QLYCFR = Qualitative characteristics of corporate financial reports. Note: ** represent 5% significance level.

$$QLYCFR_i = \alpha_0 + \beta_1 ADFAI_i + \beta_2 ADTCS_i + \beta_3 ADSTS_i + \mu_i$$

$$QLYCFR_i = 2.987 + 0.134 * ADFAI_i + 0.067 * ADTCS_i + 0.109 * ADSTS_i + \mu_i$$

Interpretation

In Table 4.6, ($QLYCFR_i = 2.989 + 0.134ADFAI_i + 0.067ADTCS_i + 0.109ADSTS_i + \mu_i$), the result from the study revealed that each of the coefficients of audit fee and incentives, audit tenure and client size and auditors' status were positive and in tandem with the study expectations ($\beta_1 = 0.134$; $\beta_2 = 0.067$; $\beta_3 = 0.109$) > 0 . This inferred that a unit change in audit fee and incentives, audit tenure and client size and Auditors' status will bring about an increase of 0.1134, 0.067 and 0.109 respectively on Qualitative characteristics of corporate financial reports in Nigeria.

As observed from the Table 4.6 above, the coefficients of the estimated regression model used to investigate the relationship between Independent of auditors and ethical behaviours TADTINV and Qualitative characteristics of corporate financial reports QLYCFR show that the unstandardized coefficient of Audit fees and incentives ADFAI is positive and significant at 0.05 level of significance $\{\beta = 0.134$; $p\text{-value} = 0.025\}$, which implies that Audit fees and incentives ADFAI had a positive and significant effect on Qualitative characteristics of corporate financial reports QLYCFR, thus this means that, for every unit increase in Audit fees and incentives ADFAI, the Qualitative characteristics of corporate financial reports QLYCFR increases by 0.134 unit. The unstandardized coefficient of Audit tenure and client's size ADTCS is positive but statistically not significant $\{\beta = 0.067$; $p\text{-value} = 0.351\}$ indicating that Audit tenure and client's size ADTCS greatly does not significantly influence the Qualitative characteristics of corporate financial reports QLYCFR. In addition to these, the unstandardized coefficient of Auditors status ADSTS is also positive but statistically insignificant $\{\beta = 0.109$; $p\text{-value} = 0.255\}$, which means that the effect of Auditors status ADSTS on Qualitative characteristics of corporate financial reports QLYCFR is positive and insignificant. Hence, Audit fees and incentives ADFAI is the only explanatory variable that is a determinant of the Qualitative characteristics of corporate financial reports QLYCFR.

The Collinearity Statistics columns found in Table 4.6 shows no detrimental effect of multicollinearity in the estimated model having the VIF values that are less than 3 $\{VIF < 3\}$ with their corresponding tolerance values (i.e., VIF reciprocals) that are above 0.10.

At a level significance of 0.05, $F\text{-Statistic}$ is 9.1233.340, while the $p\text{-value}$ of the $F\text{-Statistics}$ is 0.000, which is less than 0.05. Null hypothesis is rejected, and alternative hypothesis accepted by the study. This implies that independent of auditors and ethical behaviours have significant effect on corporate financial reports of listed companies in Nigeria.

Discussion of Findings

The independent of auditors and ethical behaviors on corporate financial reports was investigated and found mixed results: First, Audit fees and audit incentives (ADFAI) had a positive significant effect on qualitative characteristics of corporate financial reports (QLYCFR); Second, audit tenure and client's size (ADTCS) had a positive but insignificant effect, while thirdly, the Auditors status (ADSTS) exhibited a positive but insignificant effect on (QLYCFR). However, the joint result based on the F-Statistics revealed that independent of auditors and ethical behaviors had a positive significant effect on corporate financial reports of listed companies in Nigeria. These results were found to be consistent with the results obtained in the studies of Olaoye, Agugom, Safiriju & Abiola, 2019; Okezie & Egeolu, 2019; Aliu, Okanachi & Mohammed, 2018; Babatolu, Aigienohuwa & Uniamikogbo, 2016). However, on the contrary, some studies have documented contradictory results (Yakubu & Williams, 2020; Zayol & Kukeng, 2017; Abdul-Malik & Ahmed, 2016) who were found to have reported negative effects.

5. CONCLUSION, RECOMMENDATIONS AND CONTRIBUTION TO KNOWLEDGE

5.1 Conclusion: The study investigated the effect of independent of auditors and ethical behaviors on corporate financial reports of listed companies in Nigeria. In addressing the problem of corporate financial reports, survey research design was adopted using structured questionnaires administered to selected respondents. Based on the result of the analysis of the descriptive statistics, the study found that the statement with the percentage of total agree equal 97.19% is Audit fees and audit incentive improves relevance of corporate financial reports of listed companies in Nigeria." $\{\text{Average Score} = 4.67$; $SD = 0.53\}$ and it stood to be the

Independent of Auditors and Ethical Behaviours in Corporate Financial Reports of Listed Companies in Nigeria

most supported statement, the least supported statement reads as “Understandability of corporate financial report is enhanced when there is clear evidence of audit independence.” {Average Score = 4.45; SD = 0.56} is 96.63% percentage of total Agree. From the inferential analysis, the result revealed that audit fees and incentives had a positive effect, while audit tenure and clients size exhibited positive insignificant, and auditors’ status showed positive and insignificant. However, the joint result based on the result of the F-statistics revealed that independent of auditors and ethical behaviours had a positive effect on qualitative characteristics of corporate financial report. The study then concluded that independent of auditors if affective followed has the potency to effect corporate financial report of listed companies in Nigeria.

5.2 Recommendations: Based on the result of the descriptive statistics, the auditors should improve on the understandability of corporate financial reports. Auditors should consider the users in wording the financial reports and avoid ambiguities, but rather should go extra miles in simplifying the accounting information contents of corporate financial reports for easy understanding. Management of companies should ensure that all the qualitative characteristics framework are strictly adhered to when reporting their financial activities. Auditing and accounting professional bodies should ensure that members in practice respect professional ethics in conducts and practice.

5.3 Contribution to Knowledge: The study has considered the possibilities of independent of auditors and ethical behaviors affecting corporate financial report. This study will be useful to researchers and auditors as the empirical results and evidence obtained in this study will improve the few existing pool of data for future references.

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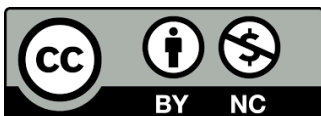
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