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Financial Reporting Quality at Public Universities in Southwest Nigeria

Odewusi Oyetola [a], Olalere Mayowa David [a*] and Adegbie F.F. [a]

[a] Babcock University, Ilishan Remo, Ogun State, Nigeria.

Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

To help investors make timely and cost-effective judgments, financial reporting quality has been a pertinent topic of discussion in the global business community. It assists users in public organizations in selecting the best method for utilizing relevant accounting data. Research in the literature revealed that incidences of fraud and a lack of accountability result in subpar financial reporting, which undermines investor trust and shapes investment choices. Research indicates that a large number of colleges fail to incorporate audit quality into their daily operations in an effort to improve financial reporting standards. As a result, this study looked at the connection between financial reporting quality and audit quality at many public institutions in southwest Nigeria.

In this study, survey research approach was used. Twelve of the nineteen public universities in southwest Nigeria that were included in the study were selected through the use of purposeful sampling. A total of 250 employees who worked in senior management, audit, and finance made up the target population. A sample size of 201 was calculated using the Taro Yamane formula. There were 201 copies of the validated structure questionnaire distributed to the participants. Ninety-four, or 94.5 percent, were recovered. The reliability coefficients for Cronbach's Alpha varied from 0.724 to 0.991. The data were analyzed using both inferential (multiple regression) and descriptive statistics.

**Corresponding author: E-mail: mayowa.olalere@gmail.com;*

The results of the study showed that audit quality had a significant impact on the following: financial report timeliness (Adj. R2 = 0.516; F(201) = 43.597=; p=0.00); financial report faithful representation (Adj. R2 = 0.598; F(6, 183) = 47.930=; p=0.00); financial report understandability (Adj. R2 = 0.416; F(6, 183) = 21.735=; p=0.00); and the comparability of financial report quality (Adj. R2 = 0.390; F(201) = 21.102=; p=0.00).
The study came to the conclusion that financial reporting quality at public universities in southwest Nigeria is influenced by the quality of audits. To improve the caliber of financial reporting, the study advised public entities to include audit quality into their daily operations.

Keywords: Financial statement comparability; audit quality; accurate portrayal; qualité financière; pertinence des financial reports; promptitude des financial reporting.

1. INTRODUCTION

Poor financial report quality can result from knowledge gaps between the manager and stakeholders, as Soni and Imang (2019) investigated. These voids frequently cause errors and mislead the expectant, which could give rise to legal action. As a result, they offer an external factor that prevents managers from giving their all. Hanna and Ivan (2021) claim that non-financial reporting typically exacerbates arguments over current social and environmental issues because it only provides stakeholders with the knowledge they need to make educated judgments. According to Okere, Eluyela, Bassey, and Ajetunmobi [1], there is typically a lack of stewardship and openness in the financial reporting and management of the Nigerian public sectors.

Nigerian private sector financial reporting has much improved, and there has recently been pressure to modify public sector financial reporting requirements [2]. The need of high-quality financial reports is emphasized by FASB and IASB, yet measuring and operationalizing this quality remains a major challenge. However, because different user groups have diverse tastes, customers' expectations of quality will alter. Furthermore, group members who use the same information may find it helpful in other contexts. In response to these and other crises, International Public Sector Accounting Standards (IPSASs) decided to intervene and enhance the caliber of government financial statements through integration with the International Federation of Accountants (IFAC) and Eurostat. To stay competitive on a global level, the IPSAs need to adopt International Financial Reporting Standards (IFRS).

According to Fredrik and Patrik [3], the idea of "independence" can be interpreted as a symbol of morality and professional ethics since it serves as a gauge for norms that serve as guidelines when making decisions and prevent an entity from becoming tainted or affected by outside influences. Independence can be viewed from two perspectives: mental and physical independence. The ability to speak one's mind freely and make professional decisions without caving in to intimidation or a fear of the unknown is known as independence of mind. This enables one to carry out their work with a high degree of honesty, objectivity, and professionalism. An examination of an individual's external independence can help to explain their degree of disengagement from observable facts and figures. This could be noticed by a third party who questions the audit team, which could cause one to believe that the partner's professionalism, neutrality, or honesty have been compromised. (SAICA, 2018) The Goldenberg scandal of the 1990s, the fictitious Ken Ren sale of Fertilizer Factory in 1997, the Anglo leasing controversy in 1970, the sale of the Grand Regency Hotel to foreigners in 2008, and the more recent controversy in the transportation industry and ministry of education over the delayed delivery of new ferries have all raised questions about the independence and integrity of public auditors, according to a study by Fredrik and Patrik [3]. Furthermore, according to Uda (2002), a few anomalies in the accounting profession—WorldCom and Parmalat, for instance—have ignited public doubts about the validity of auditor independence. Individuals who use financial reports are not the only ones who can look at independent problems from different angles. For instance, auditors may differ with other financial consumers of financial accounts regarding the laws that now govern auditor independence [3]. To increase users' confidence in the financial report, financial statements must be provided honestly, maintained private to enable comparison, and ensure that the data is thoroughly checked before being made public.

Eleuch (2018) contended that poor financial reporting from the public sector has long scared the public and led to financial mismanagement, fraud, and a lack of accountability and transparency in Nigeria's public higher education institutions. Documents showed that internal auditors' work served as the basis for their conclusions rather than employing independent auditors to review the financial accounts, which would have improved their quality (Adegoke & Akinsulure 2016). This is one of the primary reasons for the poor quality of the financial statements. Because of this, the office of the Auditor General for the Federation is required by the Nigerian constitution to audit all public institutions, including those at the federal and state levels. 2018; El Aoun, Al Qudah, Eleuch, Lapointe, Mory, and Ben Arab. Research has indicated that companies possessing better financial data eventually achieve greater success than those without it.

This is because the market rewards companies that are more dedicated to providing accurate information to stakeholders, including shareholders, in an effort to lessen or eliminate information asymmetries between market participants (García-Lara et al., 2018; Ahmed and Duellmand, [4]; Bushman and Smith, 2020; Gunny, 2020). Through the strategic management process, the manager's free will decisions and deeds also affect the performance of the company. Therefore, in order to determine and pinpoint the causes behind the firm's performance, a thorough grasp of the manager's actions, decisions, and conduct in addition to corporate strategy and accounting procedures is necessary. The term "audit quality" describes the extent to which the external auditor can perform his duties impartially and morally. Owing to geographic expansion, market and business globalization, and the increasing demand for information and transparency from stakeholders, investors, and the general public, market agents primarily establish themselves through the caliber of their financial reporting and act as their principal source of knowledge regarding company strategy.

According to Jonas and Blanchet (2020), financial reporting is not merely the process's final result; rather, the process's overall quality is influenced by each step, which includes disclosing the company's transactions, providing details on the choice and use of accounting policies, and comprehending the decisions made. Since it reduces the information asymmetry between management, investors, regulatory bodies, society, and other stakeholders, financial information disclosed by a company has become a crucial tool for any market participant. Because of this, a primary concern regarding the quality of financial reporting is the effect it will have on a company's future performance—more specifically, how the market will respond to this increased standard. Even though the accounting community generally agrees on this point, not much research has been done on the subject of auditor independence and financial report quality in a few public universities in southwest Nigeria.

To close the gap, this study will examine the standard of financial reporting at a few public organizations in the southwest.

The study set out to find out how financial reporting quality at a few public institutions in South West Nigeria was impacted by audit quality.

The audit quality has no appreciable effect on the public universities in South West, Nigeria's accurate representation of their financial reports, according to the null form hypothesis (H0).

2. LITERATURE AND THEORETICAL REVIEW

2.1 Conceptual Review

There is still a favorable correlation between the level of trust different stakeholders have in an audit's quality. The financial statement audit quality has an indirect and direct impact on many stakeholders. It would be bad to a firm's audit quality to get a series of audit quality notes in which auditors voiced several issues about different controls and audit procedures. It would also require many stakeholders to decide how to proceed with their future connection with that company. Many stakeholders demand a sufficient degree of audit quality that has been authorized and acknowledged by auditors, in addition to an unqualified audit opinion. Put differently, the company's management, together with its strategic and operational decisions on finance, debt management, sales, marketing, human resources, and all other related departments, would face a number of difficulties if an auditor released a qualified audit report.

As a result, different stakeholders have different expectations and concerns about the financial

and operational performance of the audited financial statements. (Zalailah and Khaled, 2020)Numerous data points pertaining to the caliber of financial reporting have been the subject of broad analyses by certain researchers. Financial reporting has received unwarranted attention due to a number of circumstances, including economic crises, the harmonization of accounting rules, the expansion of disclosure obligations, and the convergence of accounting standards. Furthermore, the rise in accounting scandals across the globe in the first few years of the twenty-first century has highlighted deficiencies in financial reporting standards. The worth of accounting reporting is determined by and influenced by the caliber of financial reporting. A precise and all-encompassing definition of financial reporting quality is becoming more and more sought for on a global scale. High-quality financial reports are necessary to improve market efficiency and to motivate users to make smarter investment decisions. Another global need is the availability of optimal techniques for evaluating the caliber of financial reporting. The benefits to investors and report users increase with the quality of the financial reporting. Furthermore, in addition to financial data, the term "financial reporting quality" refers to a wide range of data, including non-financial data that supports decision-making.

2.1.1 Financial reporting quality

The process of obtaining, assessing, categorizing, and condensing financial activity data for the public sector over a protracted period of time—typically a year—is known as financial reporting (Bastani 2020). Financial reporting is defined by Jonas and Blanchet (2020) as the correctness of accounting data conveyed via the financial reporting procedure. He went on to clarify that the results of financial reporting include information about decisions made regarding accounting software, regulations, and rulings in addition to the exposure of business activities. In light of this, it has been suggested that all governments across the globe adopt the international public sector accounting standards, or IPSAS. The public sector has been further split into accrual basis and cash basis as a result. Quality reporting was initially championed by stock exchange market agents and financial experts. They argue that revealed profits aren't always a good measure of a company's overall prosperity. Because there's a possibility that this company's accounting data—particularly its profitability—has been falsified, evaluating its financials becomes challenging. Accounting earnings play a major role in the capital market since they are a reliable signal of the possibility of errors and misstatements (Ewert & Wagenhoper, 2017).

2.1.2 Faithful representation

According to Ahmed, Brunel, Maysam, Naim, and Al-Balqa, true representation is the presentation of the financial statement's data in a comprehensive and factually accurate manner. To be considered trustworthy and dependable, information needs to be unbiased and free of prejudice, according to Abang [5]. The obligation of the financial data supplier to give consumers fast, reliable, and error-free financial data should be underlined. Additionally, in accordance with AASB (2018), relevant and significant data must be included in order to accurately depict an asset or liability, as well as any related income, costs, or equity changes. According to IASB (2018), financial reports use both words and statistics to depict economic phenomena. Financial data must correctly depict the relevant events and significant occurrences that it is intended to explain in order to be considered valuable.

Completeness, objectivity, and error-free representation are the three characteristics of a faithful representation. By explaining the effects of financial resources, transactions, and events that are shown in the financial statement, Siriyama and Norah (2017) claim that it is possible to accurately depict a company's true financial status. Because of the ways in which organizations are managed and governed, which impact the elements of accurate presentation, organizations play a critical role in maintaining faithful representation. In actuality, this is offered as a corporate governance component when annual reports provide thorough disclosure information on corporate governance issues. Siriyama and Norah (2017) cited Beest, Braam, and Boelens [6]. Erly (2019) posits that a financial statement that meets the criteria of completeness, fairness in reporting, error-free, and conformance to specific accounting standards and principles is considered to have true representation. It goes on to add that since financial statements help investors decide what to invest in, they should expect them to cover the intended concerns appropriately and without coercion from anyone. According to Agienohuwa and Ilaboya [7], accurate representation requires accurate information that is complete (holding all relevant information—descriptions and

explanations), unbiased (free of bias and manipulations), and comprehensive (including all pertinent information—mistakes and omissions). According to BPP (2014), accurate information must represent the world it purports to portray. For a representation to be deemed accurate, it must be unbiased, corroborated, thorough, and devoid of notable inaccuracies.

The concept of faithful representation, according to Siriyama and Norah (2017), is to reflect and mirror the economic position of the real financial data as it has been provided. This expression can be used to describe how fully financial reporting captures commitments and available funds, as well as events and transactions. Furthermore, neutrality, a subconcept related to impartiality and equilibrium, is part of this attribute. According to Willekens [8], the audit report adds value to financial reporting data by offering a reasonable degree of certainty regarding how accurately the yearly report portrays economic events. Moreover, corporate governance elements are identified in annual reports that contain a significant amount of information on corporate governance issues; in reality, the management and direction of business organizations have an impact on the caliber of presentations [6]. The annual report also addresses the company's application of assumptions, predictions, and accounting rules. According to Beest and Braam [6], the second essential characteristic listed by the ED is faithful depiction. The annual report needs to be comprehensive, unbiased, and devoid of material inaccuracies in order to accurately depict the economic phenomena that it is meant to depict (IASB, 2008:36). Among the economic phenomena included in the annual report are "economic resources and responsibilities, as well as transactions and other events and situations that modify them" (IASB, 2006: 48). Consistent with earlier studies, faithful representation is assessed using the following five criteria: neutrality, completeness, independence from material mistake, and verifiability.

Ahmad [9] is cited by Mohd and Peter (2020) as stating that the accounting profession is built on integrity. The Independent Standard Board (2000) defines an auditor's independence in this particular context as their lack of any bias that would impair their ability to offer an unbiased review. In a similar vein, Naslmosavi, Sofian, and Saat [10] asserted that stakeholders' confidence in the information supplied was bolstered by an auditor's timely resolution of their issues regarding the financial statement. It is common knowledge that the public has successfully defended contradicting facts revealed in the financial statement by utilizing the auditors' independence. Ndubuisi and Ezechukwu (2017) attribute this to the company's prompt action in ensuring objectivity and the customer connection, which extends beyond the proactive provision of dependable and trustworthy financial data. Integrity is the cornerstone of the auditing profession, according to Ahmad [9]. Consequently, the independence of the auditor was described by the Independence Standard Board (2000) as their freedom from a set of limitations that might impede them from reaching an unbiased judgment or from sacrificing quality in the course of their work. When auditors offer timely feedback, stakeholders' confidence in the financial records is bolstered.

Naslmosavi, Sofian, and Saat [10] claim that one effective tool for lessening information asymmetry is the auditor's independence. This is because it is clear that the auditor offers unbiased, reliable comments regarding the financial statement report that management has created.

Ndubuisi and Ezechukwu (2017) contend that the independence of the auditors proves that they have provided a financial statement in a logical and impartial manner. But according to some scholars, "the auditors' independence is their unique attribute." Albek (2017)

2.2 Theoretical Framework

The agency and signaling theories served as the foundation for the inquiry.

2.2.1 Agency theory

Jensen, Michael, and Meckling popularized agency theory in 1976. Economic theory served as the basis for the hypothesis. Agency theory can be compared to a contract between the owner and management of a firm. The manager retains the right to misuse their authority even if the company pays the management(s) to finish the assignment on their behalf. As such, the audit committee, external auditors, and internal auditors will assist the company in increasing production and ensuring that management adheres to protocols in order to achieve objectives [11]. Agency theory, according to Eisenhardt (1989), provides a unique viewpoint on information systems, incentives, risks, and

outcome uncertainty. Panda and others claim that moral hazards, unequal risk preferences, knowledge asymmetry, and the split of ownership and control According to Panda and Leepsa (2017), the fundamental reasons of conflict of interest and agency cost include the separation of ownership from control, asymmetric risk preferences, information asymmetry, and moral hazards. The management and stakeholder groups' respective behaviors are explained by the signaling theory. One party must communicate the communication channel to be utilized, while the other is expected to use the interpretation. Certo, Brain, Reutzel, and Ireland (2011).

Adam Smith (1937) was the first to recognize the agency dilemma in his Wealth of Nations (1776), as well as the interaction between managers and business owners. With their respective methods, Stephen Ross (1973) and Barry Mitnick (1973) both significantly increased the theory's notoriety. While Mitnick views agency as an issue with institutional structure, Ross views it as an issue with incentives due to the structural interactions between the principal and agent. The idea postulated a principal-agent connection between the company's owners and management. The different interests of the principal and agent give rise to incentives concerning salary, contracts, and agency. Agency fees, bonding costs, and residual loss were all carried by the principle, who also offered incentives to discourage the agent from acting opportunistically and against the principle's best interests.

A close relationship between the principal and the agent may lead to an alignment, claim Donaldson and Davis (1989). The manager or agent will truly want to do well rather than being an opportunist. Traditional agency theory is more akin to organizational theory without the organization, claims Kiser (1999). He cast doubt on the notion that there are interactions between principals and agents in organizations. Perrow (1986) challenged the idea that parties are primarily self-interested, work-averse utility maximizers and critiqued classical agency theory for ignoring cooperative aspects of social life. In addition, he observed that individuals may become indifferent or even hostile in particular settings or organizational structures.

He continued by saying that people can be considerate and even giving in specific situations or organizational environments. Agency theory, according to Eisenhardt (1989), provides a unique viewpoint on information systems, incentives, risks, and outcome uncertainty. The sources of the conflict of interest and agency cost, according to Panda and Leepsa (2017), are the division of ownership from control, unequal risk preferences, information asymmetry, and moral hazards. Jenson and Meckling (1976) assert that the majority of businesses are little more than legal structures that serve as the center of a web of interpersonal connections. In order to reduce agency expenses, the contract includes agreements, milestones, bonds, incentives, and other social controls.

According to Friedman (1962), a business's objective is to employ resources and conduct operations that increase profit, so long as it obeys the law and competes in a transparent and fair market without using dishonesty or fraud. For a business to succeed, earnings must be maximized. Consequently, company serves as a market for raising shareholders' value. One may consider the company's owner and management to be the two parties to the agency theory contract. The manager(s) may misuse their power to act in his place in order to enhance their own interests, even while they are being paid by the organization to perform the task on his behalf. Therefore, the audit committee will work with both internal and external auditors to help the organization improve performance and make sure that management follows procedure when achieving its goals.

Adams [11], Priesem & Pomphrey (2005) argue that internal audit should be viewed differently since it acts as an agent and monitor for a range of internal audit clients, including the board of directors, audit committee, and senior management. Top management is likely to have a significant influence on internal audit when the board, audit committee, or management are incompetent. Internal control protocols then break down, internal auditor objectivity is questioned, and overall performance is questioned. Although internal auditors work for senior management, they also represent the board of directors and audit committee since they are trusted to assess senior management's performance.

2.2.2 Signaling theory

The signaling theory was proposed by Spence in 1973. Reducing the knowledge gap between two parties is the main goal of signaling theory (Spence, 2002). For instance, Spence's (1973) groundbreaking research on labor markets illustrated the actions a candidate could take to

lessen information asymmetry, which makes it more difficult for potential employers to choose candidates. Spence demonstrated how the expensive signal of a challenging higher education may be used to separate high-quality potential employees from low-quality possibilities. This work has prompted a large body of research to apply signaling theory to selection contexts, including anthropological and zoological investigations (Bird & Smith, 2005). Additionally, signaling theory has been employed by management experts to examine the effects of information asymmetry in various research scenarios. For instance, a recent study on corporate governance demonstrates how CEOs use the observable quality of their financial statements to convey to prospective investors the unobservable quality of their businesses (Zhang & Wiersema, 2009). Scholars specializing in diversity apply signaling theory to elucidate the ways in which firms utilize diverse boards to convey to various organizational stakeholders their commitment to social objectives (Miller & Triana, 2009). The literature on entrepreneurship frequently makes use of the principle of signaling. Researchers have looked into the signaling value of a number of factors, including the founder's involvement (Busenitz, Fiet, & Moesel, 2005), the presence of angel and venture capitalists (Elitzur & Gavius, 2003), the top management team's (TMT) characteristics (Lester, Certo, Dalton, Dalton, & Cannella, 2006), and the board's characteristics (Certo, 2003).

Human resource management is another area where signaling theory is frequently utilized. Numerous studies have examined the signaling that takes place during the hiring process (Suazo, Martínez, & Sandoval, 2009). Since researchers have broadened the scope of possible signals and the circumstances in which signaling takes place, the management literature has become more regular users of signaling theory.

Despite the theory's increasing prominence in management research, there is still no succinct summary of signaling theory in the management literature. Because of this, when discussing the fundamental ideas of the theory, management experts nearly always use either Spence's (1973) study of labor market signaling or Ross's (1977) study of managerial incentives as signals. However, signaling theory's central ideas have become less clear over time (Highhouse, Thornbury, & Little, 2007), which has prompted some to claim that the theory is vague (Ehrhart & Ziegert, 2005). No management research has systematically described the basic ideas of signaling theory and how scholars have applied them, despite the fact that many studies (Deephouse, 2000; Ryan, Sacco, McFarland, & Kriska, 2000; Sanders & Boivie, 2004) integrate signaling concepts with related management theories. To fill this vacuum in the literature, we examine management studies that apply signaling theory.

2.3 Empirical Review

Oyetunji, Owolabi, and Adegbie (2020) looked at the impact of sustainability reporting on the accuracy of accounting information of deposit money banks listed in Nigeria. Twenty-one deposit money institutions listed in Nigeria made up the study's population, and an ex post factor research approach was applied. The study's findings demonstrate that sustainability reporting standards have a considerable and positive impact on accurately portraying accounting information. The study's sample size consisted of thirteen deposit money banks that were listed on the NSE over a fifteen-year period. Descriptive and inferential statistics, as well as multiple regression, were used to analyze the data. Joe (2020) looked into the financial reporting standards and audit independence of Nigerian banks. Primary data and a survey design were employed in this investigation. Both descriptive statistics like mean and standard deviation and inferential statistics like regression and correlation were used to evaluate the data. The results show that in the Nigerian banking industry, the readability, reliability, and accuracy of the financial statements are influenced by the auditor's independence.

Novie and Leny (2018) look into the connection between the standing of Indonesian public accounting firms, audit quality, and audit firm size. According to their research, audit firm size and reputation are significantly impacted by audit quality in public accounting firms. An Empirical Study on the Relationship between Auditor's Independence and Audit Quality, conducted in Nigeria, was published in 2018 by Aliu, Okpanachi, and Mohammed. The results demonstrate that, in order to inform the public about an auditor's financial reliance on a client and if the cost is commensurate with the complexity of the audit assignment, all aspects of the pricing and computation of audit fees should be regulated and made public. The results demonstrate the need for regulation and public

disclosure of all aspects of audit fee pricing and calculation to inform the public about the financial dependence of auditors on their clients and if the fees are appropriate for the complexity of the work.

Descriptive statistics, correlation matrices, and binary logit regression all confirm these conclusions.

Gap in Literature: Because the literature review demonstrated the correlation between the auditors' various attributes of independence and the quality of financial reports, not much research has been done on the effect of auditor independence on public education.

3. METHODOLOGY

The population of the survey research study consisted of 19 public There are twelve state universities and seven federal universities with a combined enrollment of 250 students in the southwest region of Nigeria. For this investigation, deliberate, stratified, and proportionate sampling approaches were used. Based on student enrollment, twelve out of the nineteen postsecondary schools in South-West, Nigeria were chosen. Moreover, the sample representatives were from divisions where there was a good understanding of internal auditing. The departments that were taken into consideration were the internal audit unit and the bursary unit, which employs senior officials at the selected 12 universities. The respondents were chosen from the two departments by stratified selection. To calculate the proportionate size of the selection process, the internal audit and bursary staff ratios of each chosen university were compared to the total number of staff members across all twelve sampled universities. The taro Yamani formula was used to determine the sample size, and the result was 201. A questionnaire was the method of data collection employed to obtain information for this project. The original data from nineteen (19) public universities in southwest Nigeria served as a pertinent source of information for this investigation.

In order to confirm the validity of the research instrument, the supervisor of the researcher double-checked the data extraction process for every variable assessed to guarantee accuracy, dependability, and precision. The self-developed structure questionnaire and Awe [12] provided the data used in this investigation. A standardized, self-made questionnaire with closed-ended questions was employed for this investigation. Descriptive and inferential statistics were used in the study to assess the stability of the variables and comprehend the properties of the time series data. Examining the audit and financial reporting standards of a particular public university in southwest Nigeria served as justification for this. The formula for multiple regression analysis is $Y = \beta 0 + \beta 1X + \mu$. Given that this study demonstrated how each independent variable worked in concert to effect each dependent variable, multiple regression analysis was acceptable. Descriptive and inferential statistical techniques were used to analyze study questions, demographic data, and hypothesis testing.

3.1 The Independent and Dependent Variables were Measured Thus

X = Audit Quality measured as:
x_1 - Audit compensation/fee (ratio of client audit fees to total audit firm revenues) - AF
x_2 - Non-audit services/non-audit fees (client non-audit fee to total audit firm revenues) - NAS
x_3 - Audit firm size - AFS
x_4 - Audit tenure/rotation - AT
x_5 - Audit firm industry specialization - AFIS

The dependent variable is

Y = FRQ measured as:
y_1 - RLST=Relevance characteristics
$Y = f(X)$
$Y = y_1$
$X = x_1$

3.2 The Functional Relationship Derived is as Stated below

$\mathbf{y}_1 = f(x_1)$
FRST = f(AF, NAS, AFS, AT, AFIS) Equation 1
$\mathbf{y}_3 = f(x_1, x_2, x_3, x_4, x_5)$
FRQ= f(AF,NAS,AFS,AT,AFIS) Main functional equation

3.3 The Study Formulated the under Listed Models

$$FRST_i = \beta_0 + \beta_1 AF_i + \beta_2 NAS_i + \beta_3 AFS_i + \beta_4 AT_i + \beta_5 AFIS_i + e_i \quad \text{Model 2}$$

Where; β_0 = Constant, β_0, β_1, β_2, β_3, β_4 = Model coefficients, i = Number of sampled public

Universities e = stochastic error term which is representing other variable that could cause a variation on the dependent variable which are not stated in the model.

3.4 Model Evaluation followed the following Techniques

We used a number of regression models to obtain the model coefficient's numerical value. Evaluation criteria were used to determine how well the characteristics predicted the independence of auditors and the caliber of financial reports in a subset of public colleges in southwest Nigeria [13-16].

T-statistic: this demonstrated the importance of every independent variable component. The threshold is set by the selected significance level, which in this case is 1.96 at 5%. Each parameter's significance was ascertained using the coefficients' p-value.

F-test: The F-test indicated that the variances of the two populations are equal. One or two tails may be used for the test.

A statistical measure of how well one term predicts another is called adjusted **R-squared**. The coefficient of multiple determination is another name for it.

As indicated in the table, the study anticipates a positive relationship between auditor independence and financial report quality based on the provided hypotheses.

Because the study was survey-based, the researcher was able to focus on the study's demographic and sample. According to Eliza (2020), this test asks questions and evaluates responses in order to learn more about a group of people's experiences and opinions. It makes it possible for the researcher to infer population parameters from sample data. Therefore, the purpose of this study is to evaluate the trustworthiness of financial reports and the objectivity of auditors at a few public universities in southwest Nigeria.

The characteristics of the study population, hypothesis testing, and study themes were evaluated using both descriptive and inferential statistical techniques. In accordance with the descriptive statistical approach, the data were displayed as means, standard deviations, frequencies, and tables. This is because it was useful in identifying the dispersion and central tendency, which describe the mean, median, minimum, and standard deviation of the data set, according to Francis, LaFond, Olsson, and Schipper (2004). Statistical software was used to conduct a multiple regression analysis, which provided a methodical solution for the inferential statistical strategy. According to Gulden and Nese (2013), regression analysis is a statistical method for examining correlations between variables (i.e., dependent and independent variables) that have a cause and effect relationship.

List 1. Summary of A Priori Expectation

S/No	Models	A-priori Expectation
H_{01}.	$FRST_i = \beta_0 + \beta_1 AF_i + \beta_2 NAS_i + \beta_3 AFS_i + \beta_4 AT_i + \beta_5 AFIS_i + e_i$	$\beta_{1-5} > 0$ i.e. β_{1-5} positive

However, a set of techniques for analyzing the linear relationship between more than two variables is known as multiple regressions. Investigating the effects of the independent variable and its sub-variables on the dependent variables would be done using this approach. The effect of the independent variable on the dependent test variables was determined using multiple regression analysis. Typically, the independent variable is used to measure the appropriate dependent sub-variables of the study that needs to be evaluated. The effect of the independent variable on the dependent test variables was determined using multiple regression analysis. Typically, the independent variable is used to measure the appropriate dependent sub-variables of the study that needs to be evaluated. We examined each dimension's significance, beta coefficient, and corrected R2 value [17-20].

4. RESULTS AND DISCUSSION

4.1 Test of Hypothesis

Research Goal 1: To evaluate how audit quality affects public universities in South West Nigeria's financial reporting integrity.

First research question: To what extent does the correctness of financial reports released by public colleges in South West Nigeria depend on the caliber of audits?

Research Hypothesis 1: The quality of the audit has no discernible impact on the faithful representation of the financial reports of

the public universities in South West Nigeria.

4.2 Interpretation

Table 1 shows that audit quality has a major impact on the faithful portrayal of financial report quality in public colleges in southwest Nigeria. Regression analysis results were β=-0.161, t=-3.534, and P=0.001. These demonstrated how the multiple regression of audit quality affects the financial report accuracy produced by public universities in southwest Nigeria. The financial report benefits from the positive link between faithful representation and audit quality, as indicated by the positive sign of the T-statistics and the standardized co-efficient. The model also shows that the quality of financial reporting at public institutions was positively and significantly impacted by the linear combination of truthful representation. (F=47.930, p<0.05=0.001, adj. R2=0.598) [21-25].

Table 1 displays the model summary for the adjusted coefficient, which works out to be 0.598. This indicates that the audit quality, as assessed by Relevance (RLST), Faithful characteristics (FRST), Understandability (UNST), Comparability (CMST), and Timeliness (TMST), may be responsible for 59.8% of the difference in audit fees. Other factors not included in this model account for the remaining 40.2% of the variation in audit fees of audit quality in public universities in southwest Nigeria. There is a noticeably negative association between audit tenure and audit tenure. The results indicate that audit tenure is strongly impacted by the audit committee (α=0.765, t=14.633, p=0.000), audit fee (α=-0.161, t=-3.534, p=0.001), and audit fee (α=-0.253, t=-7.463, p=0.000). The industry specialization of the audit firm has a significant negative impact (α=0.408, t=-0.446, p=0.000) on audit tenure, whereas the size of the audit firm has a negligible positive effect (α=-0.045, t=-1.619, p=0.107). Non-audit services have a substantial effect on audit tenure (α= -0.062, t=-2.596, p=0.010). This suggests that audit quality fees at public colleges in southwest Nigeria would increase.

Decision: the p-value of the f-statistic is 0.000, which is less than the 0.05 chosen for this inquiry, and the F-statistics of the ANOVA are 47.930 at a significance level of 0.05. As such, the study rejected the null hypothesis and accepted the alternative instead of accepting the null hypothesis. Put another way, excellent audits have a significant positive impact on the financial reports of public universities in southwest Nigeria.

4.3 Discussion of Findings

The adjusted coefficient of determination, according to the model two summary, is 0.611. This indicates that the quality of financial reports as assessed by audit tenure (AT), audit fee (AF), audit committee (AC), non-audit services (NAS), audit firm size (AFS), and audit firm industry specialty (AFIS) may account for 61.1% of the variation in faithful representation. Other factors not covered by this model account for the remaining 38.9% of the variation in the faithful representation of financial report quality at public institutions.

The quality of financial reports is significantly impacted negatively by the audit committee (α = 0.765, t = 14.633, p = 0.000), audit fees (α = -0.253, t = -7.463, p = 0.000), and the audit length (α = -0.161, t = -3.534, p = 0.01). The quality of financial reports is significantly impacted negatively by non-audit services (α= -0.062, t=-2.596, p=0.010), positively by audit firm size (α=-0.045, t= 1.619, p=0.107), and negatively by audit firm industry specialty (α=-0.408, t=1-9.371, p=0.000). Novie and Leny (2018) look into the connection between the standing of Indonesian public accounting firms, audit quality, and audit firm size. Their findings unequivocally demonstrate that the number of audit firms and the reputation of public accounting firms are significantly impacted by the quality of audits [26-29].

The effect of sustainability reporting on the accuracy of accounting information of deposit money banks listed in Nigeria was examined by Oyetunji, Owolabi, and Adegbie (2020). Twenty-one deposit money institutions listed in Nigeria made up the study's population, and an ex post factor research approach was applied.The study's findings demonstrate that sustainability reporting standards have a considerable and positive impact on accurately portraying accounting information. The study's sample size consisted of thirteen deposit money banks that were listed on the NSE over a fifteen-year period. Descriptive and inferential statistics, as well as multiple regression, were used to analyze the data.

Table 1. Result of regression estimate test for hypothesis one

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.782[a]	.611	.598	.71701	.611	47.930	6	183	.000

a. Predictors: (Constant), AFIS, AFS, AC, AT, NAS, AF

ANOVAa

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	147.848	6	24.641	47.930	.000[b]
	Residual	94.082	183	.514		
	Total	241.930	189			

a. Dependent Variable: FRST

b. Predictors: (Constant), AFIS, AFS, AC, AT, NAS, AF

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.092	.750		14.790	.000
	AT	-.161	.045	-.170	-3.534	.001
	AF	-.253	.034	-.450	-7.463	.000
	AC	.765	.052	.814	14.633	.000
	NAS	-.062	.024	-.128	-2.596	.010
	AFS	.045	.028	.087	1.619	.107
	AFIS	-.408	.044	-.446	-9.371	.000
	R^2	0.611				
	Adjusted R^2	0.598				
	F stats	47.930				

a. Dependent Variable: FRST

Dependent Variable: Faithful representation

Source: Researcher's Field Survey Results (2022)

$$FRST= \beta 0 + \beta_1 AT + \beta_2 AF + B_3 AC + B_4 NAS + B_5 AFS + B_6 AFIS + C1$$

$$FRST= 11.092 + -0.161AT + -0.253AF + 0.765AC + -0.062NAS + 0.045AFS + -0.408AFIS$$

Yurisandi and Puspitasari (2015) found a decrease in faithful representation after IFRS introduction at the 1% level of significance. This tendency may have been influenced by the extensive usage of fair value and assessments connected to IFRS.

Table 1 illustrates the analysis results and supports our original hypothesis by demonstrating how audit quality significantly improves the quality of financial reporting at public colleges in southwest Nigeria. The P-value of the linear combination of audit quality, which is 0.000<0.05, allowed for this. Next, the hypothesis's outcomes were contrasted with those of past scientific investigations.

5. CONCLUSION AND RECOMMENDATIONS

The study looked at how audit quality affected the financial reporting of southwest Nigerian public universities. The results demonstrated that audit quality has a favorable and significant impact on the audit committee, audit tenure, audit fee, non-audit services, and audit firm industry expertise. This study came to the conclusion that, at public colleges in southwest Nigeria, audit quality significantly improves the quality of financial reports.

In light of the results and conclusions of the investigation, some recommendations were made. It is imperative for public organizations to make sure that the financial reports they offer are helpful to the target audience.

It is the duty of the university administration to ensure that their financial statements are published on time and that financial users are informed of their financial information on time.

6. CONTRIBUTION TO FUTURE RESEARCH

To concepts: The conceptual work of the study will expand our knowledge of how auditor independence affects the importance of financial reports through an examination of the financial statements of public educational institutions, non-financial data, the use of fair value rather than historical value, and user feedback.

Policy: To the best of the researcher's knowledge, this study will consider the financial statements of our Nigerian public educational institutions in terms of their timeliness, relevance, accurate representation, comprehensibility, comparability, and verifiability. By analyzing how auditor independence influences the caliber of financial reports in Nigerian educational institutions, it is anticipated that the study will have a practical impact.

Theory: This study will broaden our understanding of the world because the majority of reviews concentrated on agency theory, institutional theory, communication theory, and signaling theory. However, the agency hypothesis acted as the cornerstone of the investigation due to its significance in agent interactions. This study contributed to the body of literature by the analysis of the findings, the implications of the conclusions, and the recommendations provided.

To Literature: To increase the amount of written material already available on the independence of auditors and financial reporting requirements. It will support the creation of useful standards for future procedures in academic institutions, both public and private, as well as in any other setting where accounting is frequently used. Theories like agency, communication, and institutional theories will also aid in the formulation, prediction, and comprehension of events as well as the challenge and extension of current knowledge—as long as they stay within the bounds of significant limiting assumptions. This study will help us understand how stakeholders use accountants better.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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