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**Research Paper**

# Auditors' Independence and Financial Statements of Deposit Money Banks in Nigeria

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***Abstract***
*This study appraises the impact of auditors' independent on the reliability of financial statement of deposit money banks in Nigeria with special emphasis on its relevance to the exiting and potential users. The study employed regression analysis and pure error statistics to determine the significance of independence of auditors in their reporting. While the result of the regression shows that auditors' independence is germane in their report, the pure error statistic also confirmed the importance of auditors' independence through its result of 0.00 which is below the standard of 0.05, indicating that there was no auto-correlation and that the independence of auditors is significant. The study therefore recommends that it is important that businesses in Nigeria pay the necessary audit fees in order to choose a sway-free audit firm among others.*

***Keywords:***
*Auditors, Businesses, Financial Statement, Independence*

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## I. Introduction

Presentation and publication of financial statement in recent age is becoming compulsion not only a matter of legal requirements but also a necessity in business terrain globally.The statement undoubtedly shows the evidence stewardship disclosing high quality information since it will impact providers of funds as well as other investors in taking investment and other related funding decisions. This information is important for the users, as they use the statements to assess the financial condition and performance of related companies (Ahmed & Hossain, 2010). The decline in the value of business asset portfolios, as well as fraudulent acts such as presenting fictitious financial statements and a lack of compliance with corporate governance principles, primarily as a result of distorted credit management, were some of the core structural sources of the crises that afflicted the financial and non-financial business worlds (Sanusi, 2010; Nwafor & Ndubuisi, 2021). As a consequence, external auditors are viewed as 'messiahs' in resolving this anomaly and, as a result, producing a balance in the functioning of the corporate environment, either directly or indirectly.Such external auditors must therefore be objective in their assessment of whether the financial statement presented to him by the organization's management presents an accurate or a true and fair view.

Notably, the audit of accounts in the banking sector by an independent appointed auditor is obligatory by statutes which define the duties, rights and powers, this is essential because of the separation of ownership from the management in the corporate sector. The owner needs someone who can keep a professional watch on the management and to whom they can trust for the reliability of the accounts since the prerogative of preparing the financial statement is that of the management.

A bank's financial statements are audited by an external auditor to obtain reasonable assurance that the financial statements as a whole are free of material misstatements, whether due to fraud or error, and are prepared in all material respects in accordance with an applicable financial reporting framework. The supervisor and the external auditor have complementary worries about the same issues in many respects. The audit of financial statements, for example, may assist detect gaps in internal controls linked to financial reporting at a bank, informing supervisory actions in this area and contributing to a safe and sound banking system.

When performing audit functions, an external auditor's independence refers to his or her ability to act impartially and with integrity (Akpom&Dimkpah, 2013). As a result, auditors must be impartial in both fact and appearance. The independence of auditors is regarded as the backbone of the audit profession. It is a requirement for adding value to all audited financial statements and is a vital aspect of the financial statement. Audit independence is a critical component of auditing. Independence is a mental state characterized by neutrality and honesty on the part of the auditor, it is essential to the accuracy of quality auditors' reports (Amahalu & Obi, 2020).

Though, sometimes doubts are being expressed regarding such independence as audit opinions and judgements are heavily influenced in order to sustain the relationship with the company. Where this situation occurs, the auditor can no longer be said to be independent and his opinion cannot be relied upon by the shareholders. Sometimes, the impact of non-audit services on the objectivity of auditors has long been a source of debate. The extent of non-audit services supplied by audit companies has grown significantly in recent years, adding to this worry. The implementation of peer review or assessment to ensuring that external audits are carried out with the utmost professionalism and independence at all times as well as rotation of external auditors which is widely believed that the rotation of an audit firm will improve auditor's independence remain a continual debate in literature.

In Nigeria, For example, years ago, there were cases where auditing firms were accused of not acting independently; corporate and accounting scandals were witnessed in companies such as Afribank Plc, Oceanic Bank Plc, Bank PHB, Intercontinental Bank Plc, Savannah Bank Plc, and FinBank Plc, among other.However, it is surprising to know that most of these distressed corporations had clean and verified reports before their eventual collapse (Dabor & Dabor, 2015). Therefore, in line with the above findings, the independence of external auditors and the validity of financial reports are often called for questioning.

Existing studies have argued that investors ascribed more values to higher financial statement quality than firms with lower financial reporting qualities; thus, they are willing to pay more for shares of firms with higher financial reporting quality (Elliott, Fanning, & Peecher, 2020); other studies also claimed that smaller financial reporting accorded more values (Stanley and Perelayefa, 2016; Braunbeck, 2010).

It has also been found that the demand for external audit services evolved as a result of agency difficulties arising from the separation of ownership and management of businesses. External auditors are critical in ensuring the quality of financial information supplied to investors and other financial statement stakeholders (Arebu, 2016; Oladejo, *et al*, 2020). This simply shows that there had been inconsistencies in the previous results and in order to ascertain where the pendulum swings, it is important to carry out this study.Despite the fact that auditor independence is regarded as a pillar of the auditing profession, given previous business failures and audit failures that have resulted in a loss of trust in financial reporting and auditing, studies reiterated there have been significant improvements in audit independence, control, and regulations to help restore public and investor trust in the corporate financial reporting (Dantas & Otavio,2015; Chersan, 2019; Nguyen & Tran, 2019).

Based on the foregoing, the study therefore set to ask the following two research questions: first, how does auditors' independence affect financial statement of deposit money banks in Nigeria?. Second, how does auditors' independence affect the long term position of financial statement of deposit money banks in Nigeria? Given the aforementioned research questions, the aim of study is to determine the impact of auditors' independent on the reliability of financial statement of deposit money banks in Nigeria and specifically, the study seeks to determine the effect auditors' independence on financial statement of deposit money banks in Nigeria; More so, to ascertain the effect of auditors' independence on the long term position of financial statement of deposit money banks in Nigeria. While the study set out the following research hypothesis: auditors' independence has no significant effect on the financial statement of deposit money banks in Nigeria. Also, auditors' independence has no significant effect on the long term position of financial statement of deposit money banks in Nigeria. The significance of the study is of high importance as it represents a continual debate in literature. More so, it would assists the policy makers in the determination of appropriate subsequent regulations in order to strengthen auditor independence and investors would benefit in making appropriate decision and restoring public confidence in the audited financial statements.

This study is divided into four main sections, apart from the introduction, the second section is made up of the literature review, the third section is the methodology, while the last section comprises the empirical analysis, conclusion and suggestions for further studies.

## II. Literature Review

**Concept of Auditors Independence**

Independent auditors are those who are not influenced by anyone else during the auditing process. The auditor's independence is defined by Rick, Roger, Arnold, and Philip (2004) as the ability to conduct audit tests, interpret the results, and certify the audit report of a corporation from an impartial standpoint. Auditor independence, according to Bahram (2007), is defined as the ability to maintain an impartial and unbiased mental attitude during an audit. According to Arens,*et al.*, (2011), Apart from the client's best interests, audit independence necessitates a sense of duty. Members are obligated to be self-sufficient due to long-standing norms. Others' ideas of what true independence should look like give the impression of independence, but the reality is completely different.

Most of the audit function's usefulness is lost if consumers assume auditors are client supporters when they are actually independent. Danescu and Spatacean (2018) describe the concept of auditors' independence as the ability to maintain an objective and impartial mental attitude throughout an audit. Audit independence requires an attitude of responsibility separate from the client's interest. Also, the auditor must maintain anattitude of healthy professional skepticism. Chung, *et al.*, (2021) viewed auditors' independence as the auditors' ability to maintain mental attitude objectively and impartially in the interest of the client in conducting the audit, analysing the results and attesting to the audit report without influence.

**Divisions of auditors' Independence**

Auditor investigative independence: Auditors' investigative independence allows them to apply tactics in any way they see fit, while programming independence protects auditors' ability to choose appropriate procedures. Auditors typically require comprehensive and unrestricted access to all corporate records. Any questions regarding a company's business or accounting operations should be directed to the firm. The client firm cannot impose any restrictions on the audit evidence collection technique.

Programming independence: Programming independence protects the auditor's ability to choose the optimal audit technique. The manner in which auditors approach a piece of work should be unrestricted. As a client firm expands and engages in new activities, the auditor's technique will most certainly need to alter. In the auditing sector, new methods are always being developed and improved, and auditors must decide whether or not to accept them. Nobody can stop the auditors from putting their strategy/proposed procedures into action.

Reporting independence: An auditor's reporting independence protects any material that the auditor considers should be made public. If the firm directors have been fooling shareholders by distorting accounting facts, they will endeavour to prevent the auditors from discovering this. In situations like this, auditor independence is at risk.

**Concept of Financial Statement**

This broad concept may be traced back to the earliest attempts to store data, when it was believed necessary to keep account of payments made to the Egyptian pharaoh's military troops. The system of payment was centred on the exchange of items like as animals, precious stones, and other assets, rather than money. Because there was no functional monetary system or commerce at this early period, the records of this early civilization were in a haphazard style. As a result, rather than pounds of silver, cowries, and other idioms, transactions could be recorded in terms of a defined measure of worth.

The concept of double entry bookkeeping was established in De summa, a treatise on mathematics and bookkeeping, which led to concepts like the trial balance and balance sheet. The expansion of commerce provided the path for financial reporting breakthroughs. As the corporation developed in size and complexity, a greater focus was placed on the stewardship function. It was required to present shareholders with comprehensive reports on the company's activities as a result of the increased importance put on good stewardship and the separation of ownership and management. As a result, accurate accounting and a third-party assessment of management's shareholder accountability are critical.

Financial statements such as profit and loss statements (P&Ls), balance sheets (B/Ls), income and expenditure statements (I&Es), and cash flow statement (CFSs) are all included under this umbrella term (Olagunju: 2018).

The goal of financial statements is to provide information about a company's financial situation, performance, and changes in financial position to a wide range of people making economic decisions. Financial statements must be simple to understand, relevant, accurate, and comparable. An organization's financial state is inextricably tied to its reported assets, liabilities, and equity. It's no coincidence that a company's financial health is inextricably linked to its reported costs and revenues. Owners and managers need financial statements to make key business decisions that affect the company's long-term health. These financial statements are then evaluated to give management a better understanding of the numbers. As part of management's annual report to stockholders, these statements are utilized.

Prospective investors analyze a company's financial statements to assess the viability of investing in it. Financial studies are created by professionals (financial analysts), on which investors typically rely when making investment decisions. They are used by banks and other lending institutions to determine whether or not to provide money to businesses to fund expansions and other large-scale expenditures, such as a long-term bank loan or debentures. Tax authorities examine a company's financial records to check the authenticity and accuracy of the taxes and other duties it has paid and disclosed.

**Audit Fees**

This is the amount auditors are paid for their professional services, which is determined by elements such as the complexity of the services, the level of experience, and so on. Agoes (2012) defined audit fees as the amount charged that is determined by a number of factors, including the complexity of the services provided, the risk of the assignment, the level of expertise required to execute the services to a proficient level, the cost structure of the firm, and other professional considerations. When auditors and management debate over the audit fees that should be paid for the work done, there is a chance that a clear mutual concession will be made, lowering the quality of the audited financial statements. (Hoitash,*et al.*, 2017).

**Audit Fees and the Threat to Independence**

External auditors play an important role in enhancing and promoting quality of financial reporting because auditors provide credibility to accounting information systems by providing independent verification of financial statements issued by managers (Simunic and Stein 1987).As a result, an outsider cannot believe a company's financial statements unless they have faith in the auditor's independence. An auditor must be able to objectively examine firms' performance and also endure client pressure to offer an opinion in order to issue a qualified opinion (Hillson and Morecroft 2004). As a result, it's not unexpected that research on whether auditors' independence is jeopardized by fees yields varied results.

**Audit Tenure**

The term "audit tenure" was used in this study to describe the long-term relationship that occurs between an auditor and a client. A long relationship between the auditor and the client may jeopardize the auditor's independence when familiarity and personal links develop, resulting in less vigilance on the side of the auditor, resulting in compromising or surrendering to management demands. Apart from the challenge to independence, audit engagements may become commonplace, and if this occurs, the auditor may dedicate less attention to identifying risk sources and internal control deficiencies (Okolie, 2014). A long audit tenure may increase the auditor's knowledge of the client's internal operations, but it may also jeopardize the auditor's independence (Islam, 2016; Feleke, 2017). Clients, on the other hand, shift auditors for a variety of reasons, one of which being a reduction in audit fees from the new auditor, who may offer services at a discount to entice new clients (Franken, 2011; Oladipupo & Emina, 2016).

**Auditors' Independence and Reliability of Financial Statement**

The main mode of communication between auditors and their clients is this report. An objective review and audit of the financial statements should be conducted by an independent, unbiased auditor, which is most typically the independent external auditors, to guarantee that investors and stakeholders can rely on financial reports. The reliability of an audit report refers to the fact that investors and others interested in a company's financial statements and condition of affairs perceive audit reports and the opinions stated therein as trustworthy. Furthermore, audit reports reveal whether accounting reports are reasonably free of errors and bias, as well as if the accountants are justified in making a 'going concern' assumption.As a result, the audit report must offer investors with sufficient information on the quality and accuracy of accounting reports so that they may decide to what extent they should depend on the report when making investment decisions, as it implies.

When it comes to serving the audit, according to Ndubuisi and Ezechukwu (2017), audit independence serves the audit by ensuring that the auditor plans and conducts the audit objectively. As a result, the larger purpose of audit independence, as well as its objective, must be pursued. Mitra, Deis, and Hossain (2009), on the other hand, say that the immediate goal of an audit is to improve the accuracy of the data being examined. Improvements in the reliability of corporate disclosure reduce the risk of investors and creditors being deceived by inaccurate or otherwise untrustworthy information.

According to Asthana, Khurana, and Raman (2018), auditing improves the reliability of financial data used by investors to make judgments. When earnings are based on more reliable data, they offer a higher degree of value relevance for investors. Profits per share are more likely to reflect corporate earning potential if the deposit money bank's financial success is more closely reflected in the data used. Investors are more likely to put their money into the most productive business if financial reports are reliable.Although management's participation is necessary, the auditors' independence is generally referred to as lending credibility to the financial report's timeliness, which is a critical component of auditing (Carmona, Momparler & Lassala, 2015). The qualities of the audit and the auditor's independence have an impact on financial statement confidence (Al Khaddash et al, 2013).

**Theoretical Review**

The study reviewed the following theories to understand better the impact of auditors' independence on financial statements of deposit money banks in Nigeria. However, the study has been hinged on Theory of Agency theory mainly because it dealt extensively with the independence of auditors (on the ground of principal/ agent relationship) and basis for increasing investors' confidence in the clean financial statements approved by the external auditors.

**Theory of Agency**

Stephen Ross and Barry Mitnick first proposed agency theory in 1973, and it deals with resolving problems (agency problems) that come from an agency connection. The notion of agency theory is utilized to explain the important interactions that exist between principals and their respective agents. The principal, in the most basic sense, is someone who depends largely on an agent to carry out specific financial decisions and transactions with potentially volatile effects. There may be a variety of conflicts or disagreements since the principal places so much trust in the agent to make the best decision. The study of such relationships is referred to as agency theory. The knowledge asymmetry between principals (shareholders) and agents has been studied extensively using agency theory (management). According to Sarens and Abdolmohhammadi (2007), an enterprise is made up of a series of connected contracts between the owners of economic resources (principals) and managers (agents) who are in responsibility of exploiting and regulating these resources.

According to Jensen and Meckling (1976), in agency theory, agents have more information than principals, and this information asymmetry makes it difficult for principals to assess whether their interests are being adequately served by the agents. In business, the principal is regarded as a shareholder, while the agent is seen as a corporate executive. Shareholders and firm executives are inextricably linked, despite appearances. Each of their acts has a significant impact on the position and outcomes of the others. There may be a variety of conflicts or disagreements since the principal places so much trust in the agent to make the best decision. Because they do not (principal)have access to all available information at the time the agent takes a decision, principals are unable to determine if an agent's actions are in the best interests of the firm. Principals and agents collaborate to achieve optimality, which includes the adoption of monitoring mechanisms like auditing to reduce the risk of moral hazard. The study of such relationships is referred to as agency theory. In business, the principal is regarded as a shareholder, while the agent is seen as a corporate executive.

**Reputation Rationale Theory**

This theory asserts that the big audit firms have more to lose if they should provide low-quality audit. The theory argues that the big audit firms would provide high-quality audits because of their reputation and the fear of losing clients if they provide low-quality audits. In other words, reputable audit firms have a relationship with the high-quality audit because of streams of income connected with the audit and do everything possible to maintain it (DeAngelo, 1981)**.**

**Lending Credibility Theory**

The lending credibility theory argues that the audit's primary function is to increase the trustworthiness of the financial statements (Okpala, 2015). The theory states that the selling point of an auditor's service that attracts clients and increases the confidence of financial statements' users is the added credibility expressed by the auditor. The theory suggests that audited financial statements can increase stakeholders' faith in management's stewardship (Ecaterina, 2007).

**Empirical Review**

Nwafor & Ndubuisi (2021) examined the nexus between Auditors Independence and Audit Quality of Quoted Deposit Money Banks in Nigeria. The study measured Auditors Independence using the variables of joint audit, provision of non-audit services and auditor's competence, while, audit quality on the other hand was measured using compliance to auditing guideline. The findings of the study showed Joint Audit and Auditor's Competence have a significant and positive relationship with on Compliance to Auditing Guideline, while, on the other hand, Non-Audit Services have a significant but negative relationship with Compliance to Auditing Guideline of quoted listed Deposit Money Bank in Nigeria at 5% level of significance.

Effendi, *et al.*, (2021) analyzed the effect of auditor objectivity, independence and competence on audit quality of public accounting firms in Batam, Indonesia. The study used quantitative methods with primary data through distributing questionnaires and using data processing with the help of the SPSS application. Data analysis was done using multiple linear regression. The population in the study was 44 KAP auditors with the research sample using saturated samples. The results of the study showed that the objectivity affects significant on audit quality, Independence has no effect on audit quality and Competence has no effect on audit quality.

Namakavarani, *et al.,* (2021) explored the relationship between audit committee characteristics and accounting information quality using panel data of 558 firms from the Tehran Stock Exchange (TSE) for 2011–2016. Two proxies for audit committee characteristics were used: independence of audit committee and financial knowledge. Furthermore, three proxies were used for an internal information environment: earning announcement speed, the accuracy of earning forecasting and lack of financial restatements. The findings showed that there is a significant and positive relationship between the audit committee and financial information quality characteristics.

Ugwu, *et al.,* (2020) studied the Effect of Audit Quality on Financial Performance of Deposit Money Banks In Nigeria, an empirical investigation of 15 listed deposit money banks on the Nigerian stock exchange reveals a significant and positive relationship between the audit firm size and performance, but joint audit and audit fees had an inverse and insignificant effect on performance

An investigation by Asthana *et al.* (2018) focuses on the relationship between fees competition among Big 4 auditors and audit quality in the United States. In the highly concentrated US audit market, fee contests are seen as a crucial method for improving audit quality.

Osamudiame, *et al.,* (2018) investigated of the relationship between audit tenure and the quality of financial statement of 80 listed companies on the Nigerian stock exchange for seven years indicated a significant relationship between audit report and financial reporting quality. Still, the study suggests no significant relationship exists between audit firm size, audit tenure, and financial reporting. A cross-sectional survey of 50 audit firms in Edo and Lagos states Nigeria reveals that neither auditor's tenure nor audit firm size compromises auditor's independence.

Nwanyanwu, (2017) Audit Quality Practices and Financial Reporting in Nigeria. The author employed auditor independence, technical training, and proficiency and engagement performance to measure audit quality and employed reliability of financial reporting to measure the quality of financial reporting. The outcome of a correlation and regression analysis using a questionnaire survey reveals that audit quality determines the quality of the financial report Similarly, there is a negative relationship between innovation and financial reporting quality because managers find it easier to manage earnings in an opaque information environment than when all the stakeholders have access to relevant information; Similar findings were revealed by Lobo, *et al.,* 2018).

Babatolu, Aigienohuwa and Uniamikogbo (2016) examined the effect of auditor independence on audit quality of selected deposit money banks in Nigeria. Purposive sampling technique was used to select sample size of seven (7) listed deposit money banks from a population of twenty (20). Secondary data were sourced from the audited annual report of the sampled banks. Descriptive statistics, correlation and ordinary least square (OLS) regression were used to analyze the data. Findings revealed that there is a positive relationship between audit fee, audit firm rotation and audit quality. There exists negative relationship between audit firm tenure and audit quality. The correlation between audit quality and leverage was strong, negative and statistically significant. The correlation between audit quality and company size was strong, positive and statistically significant.

Causholli, Chambers and Payne (2015) investigated the effect of selling non-audit services on auditor independence in America. Findings obtained from statistical regressions of abnormal accruals found strong evidence that the anticipated future provision of non-audit services does represent a source of impaired independence in the current year. The study did not disclose the study design employed as well as the studied population and sample size

Ahmed (2014) investigated the professional auditors' perception of the impact of audit firm rotation on audit quality in Egypt. Primary data were collected via questionnaires and used. A sample size of 83 auditors was drawn using non-probabilistic sampling technique. T-test was used to analyse the data. Findings revealed that the auditors' perception indicate that there is a negative relation between long audit tenure and audit quality. There is a negative relation between client-specific knowledge and mandatory auditor rotation. There is a positive relation between auditors' independence and mandatory auditor rotation. The study focused only on auditors perceptions. It ignores other interested parties such as clients, auditing profession associations and legislations which limit generalization.

Abdul, Sutrisno, Rosidi and Achsin (2014) investigated the effect of competence and auditor independence on audit quality with audit time budget and professional commitment as a moderation variable in Indonesia. Primary data in form of a public accountant's perception of auditor's competence, independence, audit time budget, professional commitment and audit quality were collected through questionnaires. The sample size of 278 public accountants was randomly selected. Partial least square (PLS) was used to analyse the data. Findings from this work revealed that; First: auditor's competence has positive effect on audit quality. Second: auditor's independence has a positive effect on audit quality. It means that the higher the auditor independence, the higher the audit quality. The use of questionnaires by the researcher for data collection makes the findings subjective. Also the study only captures the perception of Public accountants on audit quality which makes the sample size bias.

ICAS, (2014) examined the influence of auditor independence, audit tenure and audit fee both partially and simultaneously on the audit quality of members of capital market accountant forum in Indonesia. The study used primary data that was collected via the distribution of questionnaires. The population where a sample size of 143 was taken comprised senior auditors, supervisors and managers. Linear regression model was used to analyze the data and findings showed generally that auditor independence, audit tenure and audit fee have a positive influence on audit quality. .

## III. Methodology

The study adopted the *ex post facto* research design. Ex post facto research is systematic empirical inquiry in which the scientist does not have direct control of independent variables because their manifestations have already occurred or because they are inherently not manipulated. Ex post facto investigation, according to Kerlinger and Rint (1986), aims to identify possible linkages by examining an existing condition or current state of affairs and exploring back in time for plausible contributing elements in the context of social science research.

**Population of the study**

The population of the study is made up of four out of seventeen deposit money banks quoted onthe Nigerian Stock Exchange as shown on the Nigerian StockExchange Fact book(Diamond Bank, United Bank for Africa, Guaranteed Trust Bank and First Bank Nigeria, Plc). The study employed Multi-variant ordinary least square (OLS) regression to analyze the annual financial statements from 2015 to 2019, a period of five years of the listed banks. The period has been chosen based on the availability of financial data of the banks.

**Model Specification**

This study formulates the following model to be used by the researcher in the investigation.

$ROA = \alpha + {}_{\beta 1}INP + {}_{\beta 2}\, QA + {}_{\beta 3}PE + e$

Financial statement of deposit money banks is measured using Return on Assets(ROA)based on their performance,Auditors'Independence (audit fee; proxy for audit independence) quality Audit (QA); Audit quality is measured as the choice of a sampled company to employ the services of the Big firm; *PE*= Period of Financial statement (Reported number of days between when the auditor sign the financial report and when it is published)e= Error term used in the model. β1= Beta coefficient of the independent variable. Decision Rule: Accept the null hypothesis if the calculated value is greater than the significant level of 0.05.

**DATA PRESENTATION AND ANALYSIS**

This section presents the preliminary diagnostic test and other test employed in the study. Table 1 below shows descriptive statistics which forms the foundation of quantitative data analysis and offer us sample summaries across univariate (Trochim, 2006). The basic benefit of presenting descriptive statistics is to detect multicolinearity among independent variables in the model.

**Table 1 Descriptive Statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| ROA | 27 | 10.40 | 12.80 | 9.10 | .62422 |
| INP | 27 | 0.19 | 9.67 | 1.17 | 1.2019 |
| QA | 27 | 2.19 | 3.22 | 1.01 | .20610 |
| PE | 27 | 3.28 | 7.08 | 2.11 | 1.1017 |

Source: Eviews 10.

Table 1 above presents the descriptive statistics of all the variables. N represents the number of observations and therefore the number of observations for the study is 27. Return on assets (ROA) shows a mean of 9.10, Audit Independence (AI) reflects a mean of 1.17 and a standard deviation of .624, it has a minimum value of 10.40 and a maximum value of 12.80. Similar results had been reflected for all other variables; indicating that all the variables are within the minimum and maximum values. More so, various means and deviation shown by the variables show the level of variation amongst the variables in the industry and there is no indication of any multicolinearity amongthe independent variables.

More so, the Pure Error statistic was computed to ensure that the results were robust, as shown in table 2 below. The Pure Error statistic for the model specified was 0.00, which is below the standard of 0.05, indicating that there was no auto-correlation (Gujaratti, 2004). This substantiates that there was no auto-correlation problem among the explanatory variables, allowing us to proceed with the regression analysis.

**Table2 Pure Error statistic**

| Dependent Variable | Source | Sum of Squares | df | Mean Square | F | Sig |
|---|---|---|---|---|---|---|
| | Lack of Fit | 43.243 | 16 | 2.638 | | |
| ROA | Pure Error | 0.000 | 1 | 0.000 | | |

Source: Eviews 10.

The table below (Table 3)shows both $R^2$ and adjusted $R^2$values, which measure the proportion of the variation in the dependent variable explained by the model. However, adjusted $R^2$is the modification for the limitation of $R^2$ the value of the adjusted$R^2$ is considered to measure the fitness of the model. Thus, as it is shown below, the value of adjusted $R^2$is .336, indicating thatthe independent variables in the model are explaining 33.6%variation on the dependent variables.

**Table 3 Model Summary**

| $R^2$ | Adj.$R^2$ | Std.Error Estimate | Durbin – Watson |
|---|---|---|---|
| .442 | .336 | .03522 | 2.00 |
| a. Predictor: (constant), *INP, QA, PE* | | | |
| b. Dependent Variable: *Return on* assets | | | |

Source: Eviews 10.

From the coefficient Tablebelow (table 4) the test of hypotheses revealed thefollowing: one percent increase in independent of auditors will lead to 0.762 increases in return on assets of the firm; the result also confirms that it is statistically significant. Audit quality has a significant effect on return on assetsof Nigerian banks (Sig. value .021). Period of financial statement from when the auditor has been engaged to the period when the audit report is signed seemed not to affect the quality of the audit a confirmed in the result because an increase in period of engagement will lead to reduction of 0.24 percent in return on asset of the firm and is not inificant.Audit report lag has no significant effect on return on assets of Nigerian banks (Sig. value .316). The calculated p-values werecompared with .05 (significant level 5 percent).

**Table 4 Coefficients**

| | Unstandardised Coefficients | | Standardised Coefficients | | |
|---|---|---|---|---|---|
| | **B** | **Std.Error** | **Beta** | **T** | **Sig** |
| (Constant) | .032 | .056 | | .397 | .003 |
| INP | .762 | .033 | .214 | 1.453 | .007 |
| QA | .563 | .416 | .127 | .932 | .021 |
| PE | -.237 | .032 | .011 | -.469 | .541 |
| a. Dependent Variable : Return on assets | | | | | |

Source: Eviews 10.

## IV. Conclusions

Independent audits have a favourable and significant impact on financial statement dependability. This suggests that the auditors' independence has a significant impact on the credibility of financial statement. Researchers have concluded that auditors' independence cannot be revealed from financial reporting credibility; this is reflected in how period of engagement do not appear to have a significant impact on the reported earnings or return on assets of the stated deposit money banks in Nigeria.The R squared and Adjusted R2 values, which measure the proportion of the variation in the dependent variable explained by the model, have been reported accordingly. However, modified $R^2$ is a modification for $R^2$ limitation, and the value of adjusted $R^2$ is used to assess the model's fitness. As shown below, the adjusted $R^2$ value is.336, suggesting that the model's independent variables account for 33.6 percent of the variation in the dependent variables.

Based on the previously stated choice rule and the regression result obtained, it is more appropriate to state that auditors' independent has significant impact on the report of the auditors expressing true and fair view on the financial statements presented before them by the management of the organisation. More so, reporting independent will allow the auditors to express his opinion freely having review the internal control and other controls including non audit works so as to increase the confidence of investors and other users in the financial statement of the organisation.

**Recommendation and Suggestions for further studies**

The findings of this investigation, which included both empirical and literary research, showed a variety of results. As a result of research, some recommendations for strengthening the auditor's independence, which will improve the financial statement's credibility, were submitted as follows:

It is important that businesses in Nigeria pay the necessary audit fees in order to choose a sway-free audit firm. When investors have a high level of trust in a company, they are more likely to trust the financial statements it provides. To further reinforce and enable swift investment decisions, management should work in an unbiased manner with auditors to ensure timely publication of audited financial statements for the business, as investors regard timely reports as reliable. Auditor independence should be protected by forbidding auditors from serving in any other role as advisors to their audit clients.

Given the unstable economic situation in this part of the world, it is important to constantly review the ethical and legal regulations guiding independence of auditors in practice so as to continually guaranteeing such independence in practise and will also assist the policy makers in their assignments for companies' tax purposes among others. Topics revolving this unstable economic situation affecting auditors independent are hereby recommended for further studies in future.

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