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Original Research Article

Audit Quality and Financial Reporting Quality in Selected Public Universities in South West Nigeria

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Abstract: Financial reporting quality has been a relevant discus in the world business to aid investors in making timely and economical decisions. In public enterprises, it helps the users to determine the effective utilization of relevance. Evidence from literatures indicated that poor financial reporting quality as a result of lack of transparent, or lack of accountability and fraud had waned investors' confidence and investors decisions. Study has it that many universities have not integrated audit quality in their operations for the enhancement of financial reporting quality. Therefore, this study investigated effect of audit quality on financial reporting quality in selected public universities in south west Nigeria. The study adopted survey research design. The population was 19 public universities in south west Nigeria, purposive sampling techniques was used to select 12 universities. The target population was 250 staff of bursary, audit, and senior management. Taro Yamane formula was used to obtained 201sample size. A validated structure questionnaire was used to administer 201 copies of the questionnaire to the respondents. One hundred and ninety returned representing 94.5%. The Cronbach's Alpha reliability coefficients ranged from 0.724 – 0.991. Descriptive and inferential (multiple regression) statistics were used to analyzed the data. The study found out that audit quality had significant effect on relevance financial reporting quality of public universities in south west Nigeria (*Adj.* R^2 =0.766; $F_{(6, 183)}$ = 99.565=; p=0.00*)*, had a significant effect on faithful representation of financial reports quality (*Adj.* R^2 =0.598; $F_{(6, 183)}$ = 47.930=; p=0.00*)*, had a significant effect on understandability of financial reports quality (*Adj.* R^2 =0.416; $F_{(6, 183)}$ = 21.735=; p=0.00*)*, had a significant effect on comparability of financial reports quality (*Adj.* R^2 =0.390; $F_{(201)}$ = 21.102=; p=0.00*)*, the result also showed that audit quality had a significant effect on timeliness of financial reports quality (*Adj.* R^2 =0.516; $F_{(201)}$ = 43.597=; p=0.00*)*. The study concluded that audit quality influenced financial reporting quality in public universities in south west Nigeria. The study recommended that public universities should integrate audit quality in their operations in other to increase the financial reporting quality.

Keywords: Audit quality, Comparability of financial statement, Faithful representation, financial report quality, Relevance of financial reports, Timeliness of financial reporting.

INTRODUCTION

Erin, Okoye, Modebe and Ogundele (2016) in a book reviewed by them examined public sector as the part of the economy which is represented by very few appointed by the government to manage the resources on behalf of others including public Universities. This is not limited to the organizations established run and financed by the government. Meanwhile, the body regulating public sector accounting standard, is known as International Public Sector Accounting Standard Boards (IPSABS) but it is limited to Government Business Enterprises. International Public Sector Accounting Standard Board (IPSASB) has a set of accounting standards called International Public Sector Accounting Standards (IPSAS) which stimulates accounting and also help the government financials accountability, transparency and value relevance. IPSAS is a recognized body both locally and internationally such as: UN, World Bank and IFAC to mention but few (IPSAS Handbook, 2022).

Aliu, Okpanachi and Mohammed (2018) observed that management has the responsibility to prepare the financial statement based on the peculiarity of the accounting information which the end result is always out there to help the stakeholders in making business decision, therefore the need for an independent party to examine and pass professional judgment which provide assurance of the true financial position of the company. Therefore, as a result of principal agent responsibilities, there is need for auditing as it is a statutorily practiced in all listed companies. "The primary aim of audit is to provide the shareholders with an expert and independent opinion as to whether the annual financial statement of the company shows a true and fair view of the financial position of the company and whether they can be relied on for the purpose of investment decision" (Aliu *et al.*, 2018).

Eleuch (2018) posited that poor quality of financial report in the public sector over the years has been a thing of concern among the citizenry, hence, the resultant effect is not limited to lack of transparency ,and accountability, fraud, lack of confidence from stakeholders and fund mismanagement in Nigeria public offices including public educational institution. In fact records showed that not only is poor quality of financial report an issue but lack of using external auditors to audit the financial statements, instead, they relied on the activities of internal auditors as basis for form their opinions (Adegoke & Akinsulure 2016). This is one of the major factors that have resulted in poor quality of financial statements. As a result of this, the Nigerian constitution mandate the office of the Auditor General for the federation to audit of all public offices including public Institutions both at federal and state respectively (Goodson, Mory, and Lapointe, Zouaoui, Al Qudah, El Aoun, Ben Arab, & Eleuch 2018).

Asiedu and Deffor (2017) reiterated that "The Office of the Auditor General acts as an ultimate auditing body.'' hence, assisting the government to achieve a reliable and transparent sector. Asiedu and Deffor (2017) further stated that Nigeria is one of the most corrupt countries out of all the developing nations. Therefore, it is expedient to make financial statement ready for the users on time for effective decision making and to make it friendly for the users so as to make it accessible and to the users. Henrik (2012) in his opinion reported that false financial statement is a major problem of many Asian countries over the years. In his view, a lot of researchers such as in (Chunhui 2011) included China on the list that, as it was found out from a research conducted by the Chinese Ministry of Finance (CMOF) that; between 1999 and 2001 it was evidenced that out of 159 companies investigated, 147 provided untrue total assets, also, 155 provided untrue shareholder's equities and 157 companies provided untrue incomes. According to Henrik (2017), about 100 reported scandals were recorded in China between 1998 and 2008 and out of all these; about 1 percent of these people were caught and punished.

A study conducted by Fredrik and Patrik (2012) opined that independence of auditors became paramount as several scandals were reported such as "The Goldenberg scandal in the 1990s, The phantom Ken Ren sale of Fertilizer Factory in1997, the Anglo leasing controversy in 1970, In 2008, the Grand Regency Hotel was sold to foreigners., in 2017 and 2021 respectively, The recent controversies in the ministry of education and the transportation industry over the delayed delivery of new ferries have heightened the discussion regarding the integrity and independence of public auditors.". Also, Uda (2002) observed these anomalies in accounting profession such as WorldCom and Parmalat to name a few have raised a public alarm on the credibility of auditor's independence. Independent issue can be viewed from different users' perspectives alongside the users of financial reports. For example, auditors' views on present legislation governing auditor independence may differ from those of other financial users of financial statements (Fredrik & Patrik 2012). In the spite of these, financial statements need to be faithfully represented, allow for comparability and to ensure the data supplied are well verifiable before publishing such to the users so as to enhance user's confidence in the financial report.

Audit quality means the extent to which the external auditor can act with integrity and impartiality during the cause of his engagement. Over the years, many scholars have carried out their research on independence and some other variables though this is a known concept in accounting profession, meanwhile, very little literature has been done on independence of auditors and quality of financial reports in selected public universities in south west, Nigeria. Hence this study is going to look into the quality of financial report in selected public universities in south west to fill the gap.

The study was designed to examine the effect of audit quality on financial reporting quality in selected public Universities in South West Nigeria.

The hypothesis tested in null form (H_0) stated that audit quality does not have significant effect on relevance financial reports of Public Universities in South West, Nigeria.

2. LITERATURE/THEORETICAL REVIEW

2.1 Conceptual Review-Review the Following from the Main Work

Audit Quality

In Ahmad, (2012) as cited by Gana, Mohd and Peter (2020) see integrity as the basis for accounting profession. It is in this light that Independent Standard Board (2000) opined that the independent of the auditor is viewed as liberty from all sort of biasness that can influence auditors' ability to make an unbiased judgment. In the same light, Naslmosavi, Sofian, and Saat, (2013) opined that immediate response of auditor regarding the opinion on the financial statement increase the confidence of the stakeholders on the financial statement reported.

It is widely accepted that auditors independence has been publicly acknowledge as an effective tools in justifying uneven data reported in the financial statement. This is as a result of its prompt intervention in its ensuring prompt objectivity and client's relationship which is not limited to its proactiveness in producing reliable and dependent financial reports, Ndubuisi & Ezechukwu (2017).

Ahmad (2012) opined that the basis of auditing profession is integrity. In line with this, the independence of the auditor as described by Independence Standard Board (2000) is the independence from set of restrictions that can obstruct auditors to make fair judgment or compromise quality while performing her duties. When auditors present timely opinions, it enhances stakeholders' confidence in the financial statements (Naslmosavi, Sofian, & Saat, 2013) generally; auditor's independence is an effective tool in mitigating information asymmetry. This is as a result of its certainty that the auditor gives objective views, these objectives are reliable and truthful about the report of the financial statement preparing by the management. Ndubuisi & Ezechukwu (2017) opined that independence of the auditors shows an objective, rational approach while presenting a financial statement. Whereas to some scholars, "independence is the unique attribute of the auditors" (Albeksh, 2017).

Godfrey (2003) as cited in Gagan (2017) opined that companies are mostly faced with agency problem this reason for the bringing in the auditors to minimize these problems. Godfrey also make reference to (Moore 2006) that if the auditor do not act independently, there may still be issues of conflict of interest in an organizations. He also made reference to Mautz (1984) that defines audit profession as specific legislative franchise to offer independent financial audits for major corporations while retaining professional ethics, according to the auditing profession. According to him, auditors independence entails mindset that is not limited to moral values of integrity, honesty, objectivity in such a way that make auditors free form intimidation from the clients.

As discussed from the above, audit quality is defined as "the probability that an auditor will both discover and report a breach in the client's accounting system". In reference to the above definition, it is crystal clearly that audit quality is more than technical knowhow and the accounting skill of the auditor but the state of mind at which he will be able to report any material irregularities. Generally speaking, research has shown that the introduction of audit committees has resulted to major achievement for corporate governance. Joshi and Wakil (2004) as cited by Gagan (2017) opined that the establishment of audit committees in Bahrain has been impacted by the size of the audited company, the nature of the industry, and the audit firm itself.

Companies which adopt internal audit function (IAF) do maintain high level of internal control, reliable financial statement and compliance. Drent (2002) argued that managers do not need to be independence because they are their employee. He further his argument that based on management influence theory, management rarely acknowledge independence audit function as a formality that complies with auditing legislation and corporate governance standards. The study reveals in Munro and Stewart (2011) that external auditors to an extent can rely on the internal audit of the company audited to assess internal control risks, this may in turn reduce the required percentage of substantive test and accumulating evidence.

Financial Reporting Quality

In public sector, financial reporting is the practice of collecting, analyzing, classifying summarizing and to give stewardship of the financial activities over a period of time usually a year to the stakeholders (Bastani 2020). Jonas and Blanchet (2020), in their opinion described financial reporting as faithfulness of accounting information transmitted through financial reporting process. He further informed that the output of financial reporting is not limited to but include disclosure of corporate's transactions, details regarding selection of accounting application, policies and judgments. On this note, the international public sector accounting standards (IPSAS) has been recommended as global accounting standards for government establishment. This has further distributed public sector into cash basis and accrual basis. The concept of quality reporting was introduced by financial analyst and stock exchange market agents. In their opinion, profit reported by the firms doesn't show the company's profitability as it mostly claimed. Thus, it becomes a problem when analyzing this company's financials as there are possibilities of manipulation on their accounting information most especially, earnings. As a result of this, the major key player in the capital market is accounting earnings as it poses as a strong indicator that shows the level probability of errors and misstatements (Ewert & Wagenhoper, 2017).

In reference to ISAB, quality of financial report can be measured through faithful representation of the objectivity and full disclosure of information that has to do with the company under review. These features help in getting relevant financial information for investment decisions. As a result of this, when presenting financial report, it must be timely, verifiably, understandably, comparably and it must be presented faithfully. To this end, it is expected for every financial reporter to be transparent in their reporting so as to adequately guide the users of financial statements (Gajevszky, 2015).

Relevance Financial Report

AASB Framework (2018) describes relevance as making useful information available to the decision makers. This information may be predictive or confirmatory depending on the purpose. IPSASB, (2019) opined that for information to be relevant; it has to help the users to make useful economic decision. We can measure relevance through; observing the financial statement, non-financial information, use of fair value instead of historical value, and user's feedback. Conceptual Framework for Financial Reporting (2018) stated as follow, financial data that is relevant to users' decisions can make a difference in their decisions. Even if some users choose not to utilize it or are already aware of it from other sources, information has the potential to influence a decision. If financial data has predictive, confirmatory, or both value, it has the potential to influence decisions. Australian Accounting Standard Board (2018) also added that items such as assets, liabilities, equity, income and expenses are ingredients and key to financial statements. Hence, recognition of these ones and any resulting income, expenses or changes in equity might not give relevant information needed. Meanwhile, the presence of one or both of the following characteristics does not necessarily imply that the information provided by recognition is irrelevant. Furthermore, factors other than those mentioned above may have an impact on the conclusion. Whether recognition offers significant information may be determined by a mix of criteria rather than a single factor. Erly (2019) opined that for accounting information to be relevant in our todays financial reporting, it must be able to help the investors make reliable investment decisions. At every time the investors with the help of the information provided at the pages of the financial report should be able to determined right and purposeful investments and at the same time, to be able to make comparison between investments in the market.

Agienohuwa and Ilaboya (2018) opined that users' decisions can be influenced by the availability of relevant information. The nature and substance of information have an impact on its relevance on the financial statement (BPP Learning Media [BPP], 2014). According to Ezelibe, Nwosu and Orazulike, (2017). Only if the reported data is relevant to the topics that are of primary importance to the users is it valuable. If information has predictive, confirmatory, or both value, it can make a difference in judgments (IASB, 2010). If information about economic phenomena has predictive value as an input to the predictive procedures used by capital providers (and other stakeholders) to construct their expectations about the future, the information has predictive value.

Siriyama (2017) the terms value and materiality are strongly related to the concept of relevance. Users' ability to make judgments is demonstrated by relevance. When financial report information influences consumers' economic actions, it's unfortunate when this information lacks relevancy. It is also valuable when this knowledge supports users in evaluating, correcting, and confirming present and prior events. The conceptual framework is congruent with the usefulness of making a decision, which is an important aspect of relevance (Cheung, Evans, & Wright, 2010). Fair value is thought to be one of the most important markers of relevance. The use of Fair Value as a measurement basis in an entity indicates a high level of relevance in financial reporting data (Beest, Braam, & Boelens, 2009). Annual reports play a critical role in defining the level of relevance by disclosing forward-looking information, business prospects and risks, and comments on how important market events and large transactions affected companies (Beest, Braam, & Boelens, 2009).

Beest and Braam (2009) the ability "to make a difference in the decisions made by users in their capacity as capital suppliers" is referred to as relevance (IASB, 2008: 35). Relevance is operationalized using four items pertaining to predictive and confirmatory value, based on earlier studies. As previously stated, academics tend to focus on the quality of earnings rather than the quality of financial reporting. This definition is limited in scope because it excludes non-financial information and 'future' financial information that is already available to annual report readers, such as information on future transactions (Jonas & Blanchet,2000; Nichols & Wahlen, 2004). This study will investigate a larger view on predictive value, incorporating both financial and non-financial information, in order to increase the comprehensiveness of the quality assessing evaluation instrument.

Theoretical Framework

This study was anchored on agency theory and signaling theory. Agency theory can be described as a contract between the owner of the business and the management. The organization hire the manager(s) to perform the task on his behalf meanwhile, this power given to the manager to act on his behalf could be misused for self-interests. As a result, the audit committee, as well as external and internal auditors, will assist the organization in improving its performance and will guarantee that management follows processes when carrying out its plans (Adams, 1994). Agency theory, according to Eisenhardt (1989), provides unique insight into information systems, outcome uncertainty, incentives, and hazards. The separation of ownership from control, diverse risk preferences, information asymmetry, and moral hazards, according to Panda and Leepsa (2017), cause conflict of interest and agency cost. While signaling theory help in explaining behavior of two parties which could include the management and the stakeholders. A party is expected to communicate the communication channel to adopt while the other party is expected to employ the interpretation (Brain, Certo, Ireland and Reutzel (2011).

Agency Theory

Adam Smith (1937) was the first observer of the presence of agency problem as a follow-up to the mentioned of relationship between owners and managers of business in his book, Wealth of Nations, written in 1776. Stephen Ross (1973) and Barry Mitnick (1973) helped bring to the fore the theory through their respective approaches. Ross coming from the perspective of the structure of relationship between the principal and the agent, see agency as the problem of incentives, while Mitnick considered agency problem from the structure of the institution.

The theory assumed that there exists a principal-agent relationship between the owners of business and managers of the business. The principal and the agent have interests which are divergent, and because of this, there arises incentive problems relating to compensation, contracting and agency. The principal incurred costs (Agency costs, Bonding costs, and residual loss) and paid incentives to prevent the agent from taking opportunistic action inimical to the principal.

Donaldson and Davis (1989) in their view said that the manager (agent) will be far from being an opportunist and will essentially wanted to do a good job, that there is going to be a possible alignment between the principal and the agent which will emanate from close relationship between them. Kiser (1999) argued that the classic agency theory is more of organizational theory without organization. He faulted the assumption that the relationship in an organization consist of principal and agent. Perrow (1986) challenged the assumption that parties are inherently work averse, self-interested utility maximizers, and attacked classical agency theory's lack of attention to cooperative aspects of social life. He further observed that in some settings or organization structures, human beings are other-regarding, and even altruistic. Agency theory, according to Eisenhardt (1989), provides unique insight into information systems, outcome uncertainty, incentives, and hazards. Panda and Leepsa (2017) submitted that the conflict of interest and agency cost arises due to the separation of ownership from control, different risk preferences, information asymmetry and moral hazards. Jenson and Meckling (1976) say that the majority of organizations are merely legal constructs that serve as a nexus for a set of contracting relationships between individuals. Contracts, incentives, monitoring devices, bonding, and other forms of social control used to reduce agency costs are the aspects of the contract. Friedman (1962) argued that the purpose of business is to employ resources and engage in activities that increase profit as long as it follows the rules of the game, i.e. compete in an open and free market without deception or fraud. Maximizing profit is what makes business succeed. So, business is a market to maximize shareholders' value.

Agency theory can be described as a contract between two people namely: the owner of the business and the management. The organization hire the manager(s) to perform the task on his behalf meanwhile, this power given to the manager to act on his behalf could be misused for individual passions. As a result, the audit committee, as well as external and internal auditors, will assist the organization in improving its performance and will guarantee that management follows processes when carrying out its plans (Adams, 1994). In another sense, peursem and Pomphrey (2005) Internal audit should be viewed as an agent and monitor for a range of internal audit customers, such as the board of directors, audit committee, and senior management. In a stance where the board, audit committee or the management is inefficient, there's a good chance that senior management will exert a strong influence over internal audit. And once this is done, the independence of the internal auditor is threatened, the internal control processes become weak then the overall performance is questioned. Internal auditors are employed by senior management, but they also act as agents for the board of directors and audit committee, who have faith in their abilities to review senior management's performance. In the agency theory, where both parties attempt to maximize their utilities, Meckling (2000) recognized auditing as one of the strategies for monitoring and managing actions. The internal auditor could have a variety of reasons for acting against the interests of the board of directors and the audit committee, including: Financial incentives for managers, personal relationships with them, and the senior manager's influence over internal auditors' future positions and pay. In such a situation, internal auditors as agents may have an incentive to be biased in information flows, which raises new concerns among the board and audit committee about the internal auditors' objectives, and preventing such threats of objectivity becomes necessary for the board and audit committee. Internal auditors are expected to perform audit processes professionally at all levels and to get the professional certifications, as well as the experience and other essential abilities, required to carry out their responsibilities efficiently. With these, not only would the management be confident in them but as well as will ensure overall performance.

The chief audit executive is in charge of internal audit he oversees his staff's overall work and is responsible for putting together internal audit plans, reporting internal audit results, and following through on internal audit recommendations. Internal auditors should gather sufficient and trustworthy information to support their assessment of the internal control system during evaluation. The existence of such will boost the establishment's faith in the internal audit's excellent work. Internal audit independence is enhanced and senior management intervention in the scope and execution of internal audit is reduced when an effective audit committee exists in an organization. In light of our discussion thus far, it is evident that the agency theory is a helpful theory that can explain the relationship between some of the study's variables, and it is important to include in the development process.

2.3 Empirical Review

Audit Quality and Relevance of Financial Reports

Riccardo, Alessandro and Vincenzo (2020) conducted a study titled Auditor independence and value relevance in the European banking sector: how important are investor protection and corporate governance? The study examines the influence of statutory auditor independence on value relevance, comparing the impact to the quality of investor protection at the country level and firm-level corporate governance. The sample is taken from European financial institution which comprises 98 listed financial institutions for the period of 2009 to 2014. The findings show that, in the presence of differences in investor protection environments or in the presence of differences in corporate governance quality, events that could be characterized as a loss of auditor independence do not necessarily imply a reduction in the value relevance of accounting numbers.

Ferdy (2019) did a study in the Netherlands called Quality of Financial Reporting: Measuring Qualitative Characteristics. It helped to improve the quality assessment of financial reporting information by using a qualitative approach, answering a requirement from both the FASB and the IASB (2008) to make qualitative qualities operationally measurable. A Theoretical Approach to Auditor Independence and Audit Quality was studied by Rahman and Tracey (2020) in Nigeria. The outcomes of this study revealed how auditor independence increases audit quality and that atypical audit fees are the result of an auditor's extra effort to conduct a thorough audit. Siriyama and Norah (2017) a study conducted in Clark Atlanta University (USA) with a topic Financial Reporting quality: A Literature review, the article is useful and practical in informing managers, investors, and other users about the various aspects of financial reporting quality. Because the sample size was insufficient, no valid conclusion could be reached. From Rivers State University, Nkpolu, Port Harcourt, Nigeria, Agwor and Okafor (2018) researched accounting ethics and financial reporting quality of tourism and hospitality enterprises in Rivers State. The report advised that corporate bodies establish ethics compliance units or departments, among other things, to improve the enforcement of ethical compliance.

Gap in Literature

The literature reviewed showed how quality of financial report synchronized with the independent of the auditors various dimensions hence; there has been few studies of its consequences in relation to public universities in south west Nigeria.

3. METHODOLOGY

The study used survey research design; the population of the study was 18 public Universities in the south west Nigeria comprises of 11 state universities and 7 federal universities comprising of 250 respondents. Purposive, stratified and proportionate sampling techniques was adopted for this study. Twelve out of nineteen tertiary institutions in South-West, Nigeria was selected purposively based on the student enrolments. Also, the sample representatives was selected from the departments with in-depth understanding of the internal audit and the departments considered were bursary unit (senior staff) and internal audit unit of the selected 12 universities. Stratified sampling technique was adopted for the selection of respondents from the two departments, and the selection was done proportionately based on the proportion of the number of staff in bursary and internal audit of each selected Universities to the total number of staff of all the twelve sampled universities. The sampling size for this was 201 which were derived using taro Yamani formula. The data collection used in gathering information for this research study was questionnaire. The relevant data for this study was primary data which was obtained from selected nineteen (19) public University in south west Nigeria.

The validity of the research instrument was established through a cross-check of the extraction of data for all the variables measured by researcher’s supervisor to ensure accuracy, correctness and reliability. This data used in this study was adapted from Awe (2019) and self-developed structure questionnaire. For this study, a self-constructed structured questionnaire with closed-ended items was used. The study adopted descriptive and inferential statistics to understand the nature of the time series data and also determine the stability of the variables. The reason for this was to examine the audit quality and financial reporting quality of in selected public University in southwest Nigeria. Multiple regression analysis adopted with the formula $Y = \beta_0 + \beta_1X + \mu$. The multiple regressions were appropriate for this study because the study showed the combine effect of all the independent variable against each of the dependent variable. Both descriptive and inferential statistical methods were applied to analyze demographic variables, research questions and hypothesis testing.

Model Specification and Measurement of Variables

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)
$Y = y_1$
$X = x_1$

Functional Relationships

$\mathbf{y}_1 = f(x_1)$
RLST = f(AF, NAS, AFS, AT, AFIS _______________________ Equation 1
FRQ= f(AF, NAS, AFS, AT, AFIS) ----- Main functional equation

The Models

$RLST_i = \beta_0 + \beta_1 AF_i + \beta_2 NAS_i + \beta_3 AFS_i + \beta_4 AT_i + \beta_5 AFIS_{i\,t} + e_i$ -------- Model 1

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.

Model Evaluation and Estimation Techniques

To obtain numerical value of the model coefficient, we adopted multiple regression models. The strength of the variables in predicting the independence of independence of auditors and quality of financial reports in selected public universities in south west, Nigeria was evaluated based on:

- **T-Statistic**: this showed the significance of each of the component of the independent variable and the threshold depends on the chosen level of significance which is 1.96 at 5%. The *p*-value of the coefficients was used to determine the significance of the individual parameters.
- **F-Test:** this showed the variance of two populations is equal. The test can be two tailed ore one tailed.
- **Adjusted R-Squared:** Adjusted R-squared known as coefficient of multiple determination, are statistical term saying how good one term is at predicting another.

Expected Results/ *A Priori* Expectations

According to the hypotheses formulated, this study expects to find a favorable association between auditor independence and financial report quality.

Summary of *a Priori* Expectation

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

This study adopted survey design to enables the researcher to focus on population and sample of the study. According to Eliza (2020) it is a parameter to measure opinions of experiences of a group of people through asking of questions and which responses are evaluated to arrive at a conclusion. It allows the researcher to make inference about population parameters using sample statistics. Hence, it is structure to examine the independence of auditors and quality of financial reports in selected public universities in south west, Nigeria.

Both descriptive and inferential statistical methods were applied to analyze demographic variables, research questions and hypothesis testing. The descriptive statistical method was used to present data with presentations of frequencies, table, mean, and standard deviation. This is because it was convenient for measuring the central tendency and dispersion that describes the mean median, minimum and standard deviation of the data set (Francis, LaFond, Olsson & Schipper, 2004). A multiple regression analysis was used with the help of a statistical package for scientific solution for the inferential statistical technique. According to Gulden and Nese (2013) regression analysis is a statistic techniques for evaluate relationships between variables (i.e. dependent and independent variables) which have reason and result relation. Multiple regressions on the other hand mean a set of techniques for studying the straight-line relationship among more than two variables. This method would be used to test the effect of the independent variable and its sub-variables on the dependent variables. The reason for using multiple regression analysis was to evaluate the effect of the independent variable on the dependent sub-variables of the study to be tested. The independent variable tends to measure the corresponding dependent sub-variables of the study to be tested. The reason for using multiple regression analysis was to evaluate the effect of the independent variable on the dependent sub-variables of the study to be tested. The independent variable tends to measure the corresponding dependent sub-variables of the study to be tested. On all dimensions, the corrected R^2 value and beta coefficient, as well as their significance, was studied and examined.

4. RESULTS, DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Test of Hypothesis.

- **Research Objective 1:** Ascertain the effect of audit quality on relevance of financial reports of Public Universities in South West, Nigeria.
- **Research Question 1:** In what way does audit quality affects relevance of financial reports of Public Universities in South West, Nigeria?
- **Research Hypothesis 1:** Audit quality does not have significant effect on relevance financial reports of Public Universities in South West, Nigeria.

Table 4.1: 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	.875[a]	.766	.758	.63102	.766	99.565	6	183	.000
a. Predictors: (Constant), AFIS, AFS, AC, AT, NAS, AF									

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	237.874	6	39.646	99.565	.000[b]
	Residual	72.869	183	.398		
	Total	**310.742**	**189**			
a. Dependent Variable: RLST						
b. Predictors: (Constant), AFIS, AFS, AC, AT, NAS, AF						

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.029	.660		-3.075	.002
	AT	.334	.040	.312	8.355	.000
	AF	.250	.030	.393	8.389	.000
	AC	.591	.046	.555	12.850	.000
	NAS	-.035	.021	-.064	-1.665	.098
	AFS	-.048	.025	-.082	-1.961	.051
	AFIS	.114	.038	.110	2.964	.003
	R^2	.766				
	Adjusted R^2	0.758				
	F stats	99.565				

Dependent Variable: Relevance

Source: Researcher's Field Survey Results (2022)

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

RLST= -2.029 + 0.334AT + 0.250AF + 0 .591AC+ -0.035NAS + -0.048AFS + 0.114AFIS.

Interpretation

Table 4.1 shows that audit quality has a significant effect on relevance of financial reports quality in public universities in south west Nigeria. **(**β=.0334, t=8.355, P=0.000) in the regression analysis. These showed that multiple regression result of audit quality on relevance of financial reports quality of public universities in south west Nigeria. It reveals that linear combination of audit quality and relevance has positive effect on financial report by the sign of the standardized co-efficient and T-statistics. The model further depicts that the linear combination of relevance had positive significant effect on financial reports quality in public universities. ($p<0.05=0.000$, Adj. $R^{2=}$0.758, F=99.565).

The model one summary shows that the adjusted coefficient of determination is 0.758. this indicates that 75.8% variation in relevance is attributable to financial reports quality as represented by audit tenure (AT) audit fee (AF), audit committee (AC), non-audit services (NAS), audit firm size (AFS) and audit firm industry specialization (AFIS). While the remaining 24.2% variation in relevance financial reports quality in public Universities can be attributed to other variables not covered in this model. Audit tenure has a significant positive effect on financial reports quality (α=0.334, t=8.355,p=0.00), audit fee has a significant positive effect on financial reports quality (α=0.250, t=8.389, p=0.000), audit committee has a significant positive effect on financial reports quality (α=0.591, t=12.850, p=0.000) non-audit services has an insignificant negative effect on financial report quality (α= -0.035, t=-1.665, p=0.98) audit firm size has an insignificant negative effect on financial reports quality(α=-0.048, t= -1.961, p=0.51) audit firm industry specialization has a significant positive effect on financial reports quality (α=0.114, t=2.964, p=0.003).

Decision

At a level of significance 0.05, the *F*-statistics of the ANOVA is 99.565, while p-value of f-Statistic is 0.000 which is less than 0.05 adopted for this study. The study therefore did not accept the null hypothesis which means the null hypothesis is rejected and the alternate accepted. Meaning, audit quality has a positive significant effect on the financial reports quality of public Universities in south west Nigeria.

Question one is therefore answered and objective one is achieved.

Discussion of Findings

From table 4.1 is shows model summary of the adjusted coefficient is 0.766. this connote 76.6% variation in audit tenure is attributable to audit quality as represented by Relevance (RLST) Faithful characteristics (FRST), Understandability (UNST), Comparability (CMST), Timeliness (TMST), while the remaining 23.4% variation in audit tenure of audit quality in public university in south west Nigeria can be attributed to other variables not covered in this model. Relevance has a significant on audit tenure. (α=0.334, t=8.355,p=0.00), audit fee has a significant positive effect on audit tenure (α=0.250, t=8.389, p=0.000), audit committee has a significant positive effect on audit tenure (α=0.591, t=12.850, p=0.000) non-audit services has an insignificant negative effect on audit tenure (α= -0.035, t=-1.665, p=0.98) audit firm size has an insignificant negative effect on audit tenure (α=-0.048, t= -1.961, p=0.51) audit firm industry specialization has a significant effect on audit tenure (α=0.114, t=2.964, p=0.003) this implies that an increase in audit tenure of audit quality in public universities in southwest Nigeria.

Riccardo, Alessandro and Vincenzo (2020) studied Audit quality and value relevance in the European banking sector: how important are investor protection and corporate governance? The study examines the influence of statutory auditor independence on value relevance, comparing the impact to the quality of investor protection at the country level and firm-level corporate governance. The sample is taken from European financial institution which comprises 98 listed financial institutions for the period of 2009 to 2014.

The findings show that, in the presence of differences in investor protection environments or in the presence of differences in corporate governance quality, events that could be characterized as a loss of auditor independence do not necessarily imply a reduction in the value relevance of accounting numbers. At a 1% level of relevance, Yurisandi and Puspitasari (2015) discovered that financial reporting became more relevant with the adoption of IFRS.

A Theoretical Approach to Auditor Independence and Audit Quality was studied by Rahman and Tracey (2020) in Nigeria. The outcomes of this study revealed how auditor independence increases audit quality and that atypical audit fees are the result of an auditor's extra effort to conduct a thorough audit.

5. CONCLUSION AND RECOMMENDATIONS

The study examined the effect of audit quality on financial reports quality of public universities in southwest Nigeria. The findings showed that audit quality has positive significant effect on audit. Hence, this study concluded that audit quality has a significant positive effect on financial reports quality in public universities in south west Nigeria.

Based on the findings and conclusion of this study, some recommendations were drawn.

Public universities should make sure that their financial reports are presented in a way that would make it relevant to the end users.

The Universities administration should ensure timely communication of the financial information to the users of financials would help them in making economic decision and ensure timely release their financial statements.

6. Contribution to Future Research

- **To concepts**: the study's conceptual work will extend to the frontier of knowledge on the effect of auditors independence on relevance of financial reports on public educational institutions and this would be done through observing their financial statement, non-financial information, uses of fair valve instead of historical value and users feedback.
- **To Policy:** the study is expected to contribute to the practice by examining the effect of independence of auditor on the quality of financial report in educational institution in Nigeria which to the best of the researcher's knowledge, this will serve as one of the studies considering relevance, faithful representation, timeliness, understandability, comparability and verifiability of financial statement in our public Educational Institutions in Nigeria.
- **To Theory:** this study is going to contribute to knowledge because most reviews on this study were hinged on Agency theory, institutional theory and communication theory and signaling theory. However, the study was hinged on the agency theory because of its principal agent relationships. This study contributed to the existing literature by the findings that have been examined; implications of the findings, and the recommendation that has been made.
- **To Literature:** To be of benefit to the existing literature on the independence of auditors and quality of financial reporting. It will help the public university and as well as private university and every organization where they practice accounting in general to provoke pragmatic implementation of policies for future practices. And theories like agency, communication, and institutional theories will aid in the formulation, prediction, and understanding of phenomena, as well as the challenge and extension of current knowledge within the confines of crucial bounding assumptions. This research will also contribute to a better understanding of how stakeholders use accountant.

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