

**AUDIT EFFICIENCY AS A TOOL FOR IMPROVING BANKING PERFORMANCE IN
NIGERIA**

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**A RESEARCH WORK SUBMITTED TO THE DEPARTMENT OF ACCOUTING AND
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CERTIFICATION

This is to certify that this project work was carried out by **Chidozie, Kosisochukwu Miracle** with matriculation number 15020101023 in partial fulfilment of the requirements for the awards of Bachelor of science (Bsc) degree in the department of Accounting, College of Humanities, Management and Social Sciences, Mountain Top University, Ogun State Nigeria.

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DEDICATION

The research work is dedicated to the Lord God Almighty for divine guidance and protection and also to my parent and to all aspiring accounting students who in the future will make use of this project to further their research.

ACKNOWLEDGEMENTS

I would like to give thanks to the Lord God Almighty for the strength to take on such a vigorous task and to complete it. I would also like to acknowledge my parent **Mr. and Mrs. Chidozie** for all the love and support which they have given to me emotionally, physically, spiritually and financially for the completion of this project. May God bless you continually in all ramifications of life also my siblings, **Awele, Isioma, Kamsi and Kamto** and also **Uncle Emeka** I really appreciate all your efforts

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ABSTRACT

Many difficulties banks faced is as a result of inadequate loan polices, poor loan identification systems and systems to ensure compliance with internal polices and banking law. Insider abuse and fraud were significant factors in the decline of more than one-third of the failed banks: the Office of the Comptroller of the Currency (OCC) evaluated. The study also identified that internal weakness appears to have a great influence on the degree to which an adverse external environment harms the bank as a whole. The focus of a bank audit is on compliance. Its purpose is to discover if the institution's financial activities are accurate, legitimate, and complete. Its primary goal is to provide an independent evaluation of the bank's activities, controls, and information systems. This research work was designed to examine the effect audit efficiency as a tool for improving banking performance in Nigeriawas drivenby the inability of audit to prevent the occurrence of fraud and material misstatements in the bank's financial reports. Thus, this study is aimed at finding out the extent to which the banking sectors in Nigeria have engaged competent appraisal and identify deficiency and inefficiency which are usually thought as not to be present and whether the bank is performing efficiently as expected. The study is adopted survey research design in carrying out this research. Three research questions and hypotheses were formulated in line with the objectives of this study. Data were obtained from a primary source which was the use of questionnaire. The data that was collected were then quantified and presented in tables. Multiple Regression Analysis using SPSS version was used in analyzing the data and testing the stated hypotheses. The population of the study consists of twenty-one (21) deposit money banksoperating inNigeria. The banks are categorized into three by their license according to bank regulatory bodies (CBN). Based on the data analyzed, the study found that auditor's independence has positive but not significant relationship with banking performance in Nigeria; also that auditor's tenure has positive but not significant relationship with banking performance in Nigeria and audit fees has positive but not significant relationship with banking performance in Nigeria. Based on this, the study recommended among others that auditor's examination of the financial statements should be mandatorily subjected peer review, that is, not only one auditor should be given the sole responsibility of auditing the financial statements of the banks. Though, this may require additional costs, but it is expected to improving the performance for the banks.

KEY WORDS: Audit Independence, Auditor's tenure, Audit Fees and Financial Performance

ABBREVIATIONS

ROA Return on assets

ROE Return on Equity

BP Banking performance

NPM Net Profit Margin

AI Auditor's independence

AT Auditor's tenure

ICAEW Institute of Chartered Accountants of England and Wales

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The Office of the Comptroller of the Currency (OCC) Washington, D.C on June 1988 undertook a study to identify and determine the factors that contribute to the failure in banks. The study showed that while poor economic conditions make it difficult for bank to steer a profitable path, the policies and procedures of bank and its management have a greater influence on whether a bank thrives or fails. In other words, poor management and other internal problems are the common denominator of failed banks.

Many difficulties banks faced is as a result of inadequate loan polices, poor loan identification systems and systems to ensure compliance with internal polices and banking law. Insider abuse and fraud were significant factors in the decline of more than one-third of the failed banks: the Office of the Comptroller of the Currency (OCC) evaluated. The study also identified that internal weakness appears to have a great influence on the degree to which an adverse external environment harms the bank as a whole.

Since 2007, major western economies have experiencing an excavating banking and financial crisis arising from subprime lending practices by banks, which in turn has restricted the availability of credit and has led to what has been described as the ‘credit crunch’ (Sikka et al, 2009).

Financial statements are prepared in view to provide useful information to the users in order to make informed business and economic decisions (Dogan, Coskun and Celik, 2007). This information is vital for the users, as they make use of the financial statements to assess the

financial condition and performance of related companies (Ahmed and Hossian, 2010). Sequentially, to improve the quality of information disclosed in the financial reports and safeguard the interests of shareholders, an independent examination of the financial affairs of the company becomes mandatory in the public companies.

The financial statements of any company needs to be scrutinized by independent person who in this case is regarded as the auditor in order to provide reasonable assurance that the financial statements are free from material misstatements. Users of audited report have the expectations that audited financial statements are prepared and examined are in accordance with accounting standards and are credible to serve as the basis for decision making.

Elder, Beasley and Arens (2006) pointed out that the demand for audit services is initiated by several factors including the gap between the users of the financial statements and those responsible for preparing these statements, the conflict of interest between the users of the financial statements, the complexity of the economic transactions and the expected effect of the financial statements on decision making. Auditing is thereby important to avoid the potential conflict of interest between the management and the stakeholders.

The word Audit originated from a Latin Word Audio, Audire which means listening. According to Power (1999), auditing is referred to as the systematic and independent examination of the books, accounts, documents and vouchers of an organization to ascertain the degree to which the financial statements present a true and fair view.

It could also be seen as the collection and evaluation of evidence about information to ascertain and report the degree of correspondence between the information and the criteria established and this is done by someone who is proficient and independent (Arens, 2012).

Audit involves a part of continuous maintenance, monitoring and assessment of the bank's system of internal control and its internal capital assessment procedure. Auditing has developed to provide for the needs of different users, for example it provides unbiased facts regarding the actual or potential risks, and effectiveness and inefficiencies of systems and decision-making processes of management (Russell, 2005).

Auditing provides an independent evaluation of the adequacy of, and compliance with, the bank's established policies and procedures, this is because banks are considered to be highly regulated as a result of the credit risk faced from various activities such as lending, liquidity risk from accepting short-term deposits and making longer-term loans, market risk from supporting the operations of financial markets, operational risk from facilitating the payments system and conduct risk in their interactions with customers.

Audit plays a crucial role in identifying key risk factors and current weakness thereby enabling banks to prevent potential future threats/concerns and also helps in providing assurance to the management that helps them in achieving their responsibility to its stakeholders. The function of auditing can be said to lend credibility to the financial statements.

1.2 Statement of the Problem

The theory that financial markets are efficient has provided the intellectual backbone for the deregulation of the banking sector since the 1980s, allowing universal banks to be fully involved in the financial markets, and investment banks to be involved in traditional banking. There is vast evidence that illustrates the financial markets as not been efficient. Bubbles and crashes are considered a widespread quality of financial markets in capitalist countries. Therefore, as a result

of deregulation, the balance sheets of universal banks have become fully exposed to these bubbles and crashes which has undermined the stability of the banking system.

Many high profiles of corporate collapses, such as the incident of World Com and Enron in the United States, have been traced to poor audit quality associated with a perceived lack of auditor independence. Current reports of debatable accounting practices adopted by some companies in Nigeria have brought the issue relating to auditor's independence to the forefront, and putting the audit profession credibility waver (Otusanya and Lauwo, 2010)

In developing nations like Nigeria, our banking sector whether large, medium or small face special problems of audit inefficiency. The problems which may include incomplete recording of the accounts, poor attitudes to adherence of the accounting standards and guidelines coupled with incessant fraud and defalcation have warranted that the techniques of audit should be mastered by the accountants.

The objective of audit has been identified to be in two folds namely: primary and secondary objectives (Adeniji, 2004). The primary objective is for the appointed auditor to express his professional opinion on the truth and fairness of the financial statements examined so as to give confidence to those parties who may want to make decisions based on them. The secondary objectives include the detection and prevention of errors and fraud and to provide other services to the client in areas such as accounting work, financial analysis, and tax matters among others. The need for the audit of the financial statements evolves basically as a result of the growing complexity in the business environment. The separation of ownership from management particularly created a need for verification and authentication of results of the processes or activities presented in the financial statements prepared by management who is entrusted with

the resources of the third party who is independent of the management itself to express an opinion on their truth and fair position (Gupta, 2005).

Furthermore, Lin and Liu (2009) added that an effective auditing function can detect and disclose earnings management and other types of misconduct by business managers or controlling shareholders.

Applying previously acquired audit knowledge, the purpose of this research is to find out the extent to which the banking sectors in Nigeria have engaged competent appraisal and identify deficiency and inefficiency which are usually thought as not to be present and whether the bank is performing efficiently as expected.

This research work attempts demystify these problems and other areas that will undermine audit efficiency in the banks in the Nigeria banking sector and propose possible solutions to these problems.

1.3 Objectives of the Study

The main objective of this study is to examine effect of audit efficiency and banking performance in Nigeria.

Specifically, the other objectives of the study are:

- i. To investigate the significance of auditor's independence on banking performance in Nigeria.
- ii. To examine the significance of auditor's tenure on banking performance in Nigeria.
- iii. To determine the significance of audit fee on banking performance in Nigeria.

1.4 Research Questions

- i. Does auditor's independence have any significant relationship with banking performance in Nigeria?
- ii. Does auditor's tenure have any significant relationship with banking performance in Nigeria?
- iii. Does audit fee have any significant relationship with banking performance in Nigeria?

1.5 Research Hypotheses

In view of the research questions, the following null hypotheses are formulated:

H₀: There is no significant relationship between auditor's independence and banking performance in Nigeria.

H₀: There is no significant relationship between auditor's tenure and banking performance in Nigeria.

H₀: There is no significant relationship between audit fee and banking performance in Nigeria.

1.6 Significance of the Study

Considering the growing size and increased complexity of the business environment in the current years, the importance of audit has become germane in such a way that today it is a major factor in establishing the quality of internal control and its development has made an immense contribution in the improvement of banking performance in Nigeria.

Audit efficiency can help to reduce materiality effect of misstatements in the financial statement and this can be done by considering internal control relevant to the entity's preparation of a fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. It also intends to find out a few of the reasons for deficiencies and inefficiency in the banking sector which is usually believed as not existing.

The significance of the study will provide useful information to the shareholders and other users of the financial statements. This is due to the fact that any efforts that will lead to the improvement in banking performance in Nigeria and the usefulness of their reports is of great importance to the interest of users of financial statements.

The study is expected to benefit existing and potential shareholders, depositors, creditors, managements, regulators and professional bodies. It will be useful to regulators, investors and the public on the issue of credibility and integrity of the audited financial statements and stakeholders' confidence in the audit independence also revealing the intensive oversight in the Nigerian banking system which helps to enhance audit efficiency and banking performance in Nigeria.

The study can also serve as a source of information to scholars and researchers who may wish to use this study for future references as it will assist them in providing the framework where work has been done by earlier researchers. The study can contribute to knowledge in the areas of audit efficiency and banking performance in Nigeria.

1.7 Scope of the Study

The scope of this study centres on audit efficiency as a tool for improving banking performance in Nigeria. This study focuses on the employees of four (4) deposit money banks in Nigeria (Access Bank PLC, Fidelity Bank, First Bank of Nigeria and Eco Bank)

1.8 Limitations of the Study

The researcher faced challenges such as skeptical behavior of the respondents who felt that been given information in the questionnaire the organization would be exposed in a negative way. The researcher levered the problem by using a letter head from the University and guaranteed them that the information would be treated utmost confidentially and it would be used purely for academic purposes.

In addition, the study also faced with a problem of not finding all respondents in the time of the study due to them being too busy with the organization work. Other challenges include small span of time and small target area also paucity of resources at the researcher's disposal.

1.9 Operational Definitions of Terms

Auditor's Independence: The relationships between auditors and their clients who have neutral nature so as the findings and report given by the auditor is only influenced by the evidence found and collected in accordance with the rules and principles of professional.

Auditor's Tenure: Hartadi (2009) defines audit tenure as the time an auditor examines the financial statements of the client.

Audit Fee: Audit fees can be defined as the amounts of fees charged by the auditor for an audit exercised carried out on the accounts of the client. The audit fees are based on the contract between the auditor and the client in accordance with time spent on the audit, the service required, and the number of staff needed for the audit exercise.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section reviews the scholarly works of others related to the subject matter of the study. The concepts and terminologies related to audit efficiency and banking performance are reviewed. The literature is further reviewed under the following subheadings- conceptual review, theoretical review and empirical review.

2.2 Conceptual Review

This sub-section focuses on various concepts and terminologies related to audit efficiency and banking performance.

2.2.1 Audit

Different scholars have given definitions to the word auditing. Tandon, Sudharsanam, and Sundharabahu (2006) opined that audit is a critical and intelligent examination of facts, financial and otherwise, to give in the form of certificate or report an attestation, an expert opinion or an expert advice. The definition clearly views audit to be more than the examination of financial statements but it also involves non-financial events of a company and further goes to describe explicitly that the exercise is performed by a person who is a professional in terms of being a certified accountant.

Audit is a process whereby the accounts of business entities, including limited companies, charities, trusts and professional firms are subjected to scrutiny in such detail as will enable the auditors to form an opinion as to their truth in fairness (Woolf, 1997)

It is obvious from the above definitions that auditing is the systematic and scientific examination of the books of accounts and records in order to enable the auditor to declare that the financial statements are prepared to show a true and fair view of the financial state of affairs of the business and profit or loss for the financial period.

2.2.2 Internal control

Institute of Chartered Accountant of England and Wales (ICAEW) has defined internal control to be the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, safeguarding its assets and secure them as safely as possible and also the completeness and accuracy of the record.

The operation of internal control is of utmost importance to the auditors. According to Abiola (2002) if it is effective it can influence the total of work the auditor may find necessary to carry out as well as the method by which such work is done.

Another part of internal control system is internal check which covers all controls both financial and otherwise set up by the management for the conduct of the business in an efficient manner. It also comprises of several measures taken to provide management with the assurance that everything is operating as it should be and that fraud is reduced or completely eliminated.

2.2.3 Auditor's independence

According to Agoes (2012), stated that there are three types of independence

- 1) Independent in appearance, which refers to the outside view of the auditor himself in relation to the audit implementation.

- 2) Independent in fact, this is a situation that the auditor has to exhibit high honesty and conducts audits objectively.
- 3) Independent in mind, this relates to before carrying out the audit, the auditor must free his mind from the desire to engage in anything bad in the examination even not the expectation of receiving any kind of gift from the client.

According to IAPI (2011), each auditor is expected to be independent in mind and appearance. Independence in mind is mental attitudes that allow the auditor thoughts not to be influenced by things that can interfere with the professional judgment and have integrity also act objectively, as well as applying professional skepticism. Independence in appearance is the assertiveness held by auditors to avoid any action or situation which lead to a third party doubting the integrity, objectivity, or professional skepticism of auditors.

2.2.4 Auditor's tenure

Audit tenure is the period of engagement that exists between the auditor and the same client (Hartadi, 2009; Nuratama, 2011). The concern of audit tenure is usually associated with its effect on auditor independence. Research conducted by Ghosh and Moon (2003) gave rise to in findings that audit quality increases with the length of audit tenure. This is contrary to the results of a research carried out by Indah (2010) which states that the longer the auditor relationship with clients could decrease the level of audit quality, since the longer the auditor relates with the client, the auditor could lead bias and impaired the independency.

2.2.5 Audit fees

Yuniarti (2011) states that the audit fee is the fees paid for annual audits and reviews of financial statements for the recent fiscal year. The amount of audit fee can vary depending on the level of

risk included, the complexity, the level of expertise required and other professional considerations. Audit firm members are not permitted to acquire clients by proposing fee that could damage the image of the profession. These considerations are designed to provide certainty to auditors and clients that audit fee charged reflects the level of responsibility and risk of auditors. The cost of external audits (audit fees) refers to the amount of compensation for services performed by external auditors. The compensation for the services is related to the amount of time used to complete the work and the value of services provided to the client or the firm.

DeAngelo (1981) opined that the amount of cost of external audit, or the audit fee varies greatly. According to Al-Shammari et al. (2011), the cost of external audits can also be understood as a function of the amount of work done by auditors or the price per-hour and the level of service required. Elder (2011) states that audit fee reflect the fair value of the works performed by auditors and particularly their audits.

2.2.6 Functions of the auditor

- 1) Inquiring of management and others to gain an understanding of the organization itself, its operations, financial reporting, and known fraud or error
- 2) Evaluating and understanding the internal control system
- 3) Performing analytical procedures on expected or unexpected variances in account balances or classes of transactions
- 4) Testing documentation supporting account balances or classes of transactions
- 5) Observing the physical inventory count
- 6) Confirming accounts receivable and other accounts with a third party

2.2.7 Audit Risk

Risk has different meanings to different philosophies and professions. The basic definition of risk is the probability of threat or quantifiable damage, liability or loss that is caused by external or internal vulnerabilities and that may be avoided through pre-emptive action.

Audit risk is defined as the risk that the auditor expresses an unqualified audit opinion when the financial statements are materially misstated either due to error or fraud. Audit risk is a function of the risks of material misstatement and detection risk.

The management of risk is included in the audit process which covers diverse areas and aims at decreasing it to the minimum level attainable. Whittington and Pany (2004) established some of the risks concepts which include:

- 1) Business risk stated as “the risk associated with a company’s survival and profitability” (p. 6).
- 2) Information risk stated as “the risk that the information used to assess business risk is not accurate” (p. 6).
- 3) Audit risk stated as “the risk that the auditors may unknowingly fail to appropriately modifies the opinion on financial statements that are materially misstated” (p. 35).
- 4) Inherent risk stated as “the possibility of a material misstatement of an assertion before considering the client’s internal control” (p.128).
- 5) Control risk stated as “the risk that a material misstatement will not be prevented or detected on a timely basis by the client’s internal control” (p. 129)

- 6) Detection risk is stated as “the risk that the auditors will fail to detect the misstatement with their audit procedures” (p. 129).

Within the audit risk, auditors consider the risk level of occurrence of the different form of misstatement of financial statement, such as errors, fraud, and illegal acts. In measuring audit risk auditors use the following model:

$$AR = IR \times CR \times DR$$

Where: AR = Audit risk, IR = Inherent risk, CR = Control risk, and DR = Detection risk.
(Whittington & Pany, 2004, p. 130)

2.2.8 Selection of Auditors

The company and audit committee function is to appoint external auditors who possess the quality and independence needed in performing his/her duties. The board will recognize the attributes required by an auditor and will make sure that selection process is adequately vigorous so as to ensure selection of an appropriate auditor.

2.2.9 Audit Procedures

Audit procedures are the processes and techniques that the auditor adopts to obtain audit evidences which enable him/her to make a conclusion and express his/her opinion. Sometimes audit procedures are regarded as audit programs.

There are five audit procedures that normally used by auditors to obtain audit evidence which includes: Analytical procedure, Inquiry, Observation, Inspection and External confirmation

Analytical procedure

Analytical procedure is one of several financial audit processes which help an auditor understand the client's business and changes in the business, and to identify potential risk areas to plan other audit procedures. AU section 329A states that the objective of analytical procedures been used in the overall review stage of audit is to assist the auditor in assessing the conclusions reached and in evaluation of overall financial statement.

Inquiry

Inquiry is a type of audit procedure that is applied extensively when an audit activity is performed in addition to other procedures. It consists of both financial and non-financial information of knowledgeable persons within or outside the entity. Inquiries is used during the engagement to obtain knowledge of the entity and to develop the preliminary audit approach to collect specific evidence and also they may provide new information to the auditor or used to corroborate evidence collected by other means or, on the contrary, information that differs significantly from other information obtained by the auditor.

Observation

Observation is an audit procedure that consists of looking at a process or procedure being performed by others so that evidence about the actual performance is obtained. However, observation provides evidence that is limited to the point in time when it takes place and by fact that being observed may influence how the process or procedure is performed on such occasion.

Inspection

This is an audit procedure based on the examination of records or documents, whether internal or external, that could be held in various forms, i.e. paper, electronic or similar, or on physical assessment of an asset. Audit evidence whose reliability relies on its nature and sources is provided by the inspection of records and documents. When certain documents are being inspected it may provide direct audit evidence of the existence of an asset, for instance a financial instrument like a share or bond where the document itself constitutes the asset.

External confirmation

External confirmation is a procedure in which audit evidence is obtained by a written response to the auditor from a third party, that is, the confirming party either through paper form, electronic medium or other medium. External confirmations are normally used when confirming claims relating to account balances, like payables and receivables but should not be limited to those items only.

2.2.10 Regulatory framework of audit

The conduct of audit is generally regulated by a particular framework. These regulatory frameworks according to (Ofulue 2001) are those rules and regulations guiding the conduct of an audit. They must be available to the auditor to enable him in the performance his duties effectively and efficiently. The regulating frameworks are broadly divided into two, which is, Statutory and Professional regulations.

- (1) Statutory regulations: These regulations have the backing of the law. These include the following laws;
- (2) Company and Allied Matters Decree Now Act 1990 (CAMA 1990, 2004 as amended)

(3) Bank and Other Financial Institution Decree Now Act 1991 (BOFIA 1991)

(4) Insurance Act 2003

(5) Stock Exchange Regulation

(6) Central Bank of Nigeria

(7) Securities and Exchange Commission (SEC) Act 2007

(8) The Audit Act

(9) Financial Reporting Council of Nigeria (FRCN) Act 2011

Professional Regulations: These are regulations issued by the Accountancy bodies like Institute of Chartered Accountants of Nigeria (ICAN), Institute of Certified Public Accountants and Institute of Chartered Accountants of England and Wales (ICAEW)

2.2.11 Bank Risk

The following are risk associated with banking:

- (1) **Credit risk.** This is type of risk is created by lending and the risk that the bank loans will not be repaid in full.
- (2) **Liquidity risk:** Liquidity risk is arising from banks funding long-term loans through shorter-term deposits, this is an important economic function recognized as maturity transformation. It is the risk that a bank will not have enough cash on hand if a significant proportion of its customers withdraw their deposits at the same time.

- (3) **Market risk:** Market risk is caused by banks supporting financial markets by holding assets and liabilities and proposing products linked to market rates. It is the risk that suggests a bank will be adversely affected by changes in market prices.
- (4) **Operational risk:** Operational risk is referred to as the collection of risks facing banks and relates to the possibility of some operational failure adversely affecting the business. Many banks operational risks, such as systems failure or loss of key staff, are common to all businesses but such failures in a bank can have wider systemic effects.
- (5) **Conduct risk:** This is a certain form of operational risk which is created by banks providing advice and designing and proposing new products and services for customers. It is the risk that a customer is disadvantaged through the fault of the bank; as a result of this the bank will typically suffer reputational damage and regulatory penalties and will need to compensate the affected customers.

2.2.12 Banks and Other Financial Institutions Act (BOFIA) 1991 as amended

The apex regulatory body for Nigerian industry, Central Bank of Nigerian (CBN) promulgated BOFIA. This act contains detailed provisions on the operations and financial reporting of banks.

The act provides detailed provisions of the operations and financial reporting of Nigerian Banks.

Section 29 of the act provides for the appointment, power and report of approved auditors.

According to Subsection 1, every bank shall appoint annually a person approve by the bank, in the Section referred to as, ‘the approved auditor’, whose duties shall be to make to the shareholders a report upon the annual balance sheet and profit and loss account of the bank and every such report shall contain statements as to the matters and such other information as may be

prescribed, from time to time, by the Bank. Subsection 2 gives the qualification of an approved auditor.

Subsection 3 provides for the disqualification and removal of an auditor. If any bank fails to appoint an approved auditor under subsection (1) of the Section: or any time, fails to fill a vacancy for such person, the bank shall appoint a suitable person for the purpose and shall for the remuneration to be paid by the bank to such auditor. This is provided for in Subsection 4.

The right of an auditor is contained in the Subsection 5. The auditor's report is discussed in the Subsection 6 and 8. The penalty for non-compliance with the provisions by the auditor is stated in Subsection 9. The appointment of an approved auditor shall not be determined without prior approval of the bank according to Subsection 10.

2.2.13 Key Performance Indicators (KPIs)

The word "performance" when mentioned, what does it really mean and focusing only on "financial performance" would indicate a company's overall performance. The operating and financial review aims to expand on the contents of the financial statements, but in the management accounting area, the recognition of the limitations of the financial performance indicators, such as the balanced scorecard (Kaplan and Norton, 1996). These issues are now being recognized in relation to external reporting (Upton, 2001). The key financial reports that can be used to measure performance are: Profitability ratios, Growth ratios and Investment ratios

Profitability ratios

Profitability ratios, or profitability margins, are a good indicator of how efficient a company is operating. These measures are usually used to compare a company to its industry as a benchmark, rather than the overall stock market, since the profitability of companies can vary significantly by industry.

Growth ratios

Growth ratios show how fast a company is growing. The most important of these growth ratios include;

- (1) **Sales (%)** – Sales growth usually stated in terms of a percentage growth from the preceding year. Sales is the term used for operating revenues, so it is important to see the sales growth rate is high as possible.
- (2) **Net income (%)** – Growth in net income is even more important than sales this is because net income tells the investor how much money is left over after all of the operating costs are deducted from sales.
- (3) **Dividend (%)** – Dividend growth is a good indicator of the financial health of a company. Some companies do not pay stock dividends but they rather use the excess profits to reinvest money back into the company to accelerate growth.

Investment ratios

This gives a good indication of how efficiently the money invested in a company is providing a return to those investors.

- (1) **Return on Assets:** The return on assets ratios or ROA is determined by taking net income and dividing it by total assets. The measure is used to get a sense of how well a company is using its assets to generate earnings. Return on assets (ROA) is an indicator that shows how profitable a company is relative to its total assets. ROA gives stakeholders an idea on to how efficient a company's management is at using its assets to generate earnings (Gallo, 2016). ROA for public companies can vary substantially and will be highly dependent on the industry. This is why when using ROA as a comparative measure, it is best to compare it against a company's previous ROA numbers or against a similar company's ROA.
- (2) **Return on Equity:** Return on equity (ROE), is a financial ratio that measures the return made on shareholders' equity, the book or accounting value of shareholders' equity which reveals the accumulation over a period of time and of amounts received by the company from stock or share issues plus the profits or earnings retained by the company. Furthermore, the ROE can be broken down to understand the fundamental drivers of the value creation in a company.
- (3) **Net Profit Margin:** The net profit margin, asset turnover and gearing ratios can further be disintegrated to complete the financial statement analysis of a company. The net profit margin shows how much profit a company makes on every unit of sales. The asset turnover points out how efficient a company is in using its assets and reveals how many units of sales a company generates from every units of assets in the company.

2.3 Theoretical Review

There are several different theories that may explain the demand for audit. Some of which are well known in research and some are more based on perceptions. This subsection reviews theories related to audit and they relate to organizational performance.

2.3.1 Audit theories

For the purpose of the research, the focus will be on the audit theories according to Hayes, Dassen, Schilder & Wallace (2005) identified four theories of auditing which explain the existence of auditing namely; Policeman theory, lending credibility theory, inspired confidence theory and agency theory which will be reviewed to gain concrete ideas that will guide our understanding of the effect of auditing on company behavior.

2.3.1.1 Agency Theory

The most well-known and widely used audit theory is the agency theory by Watts and Zimmerman (1978,1986) The theory suggests that an auditor is appointed not only in the interest of third parties, but also in the interest of the management.

There are two problems in which the agency theory addresses; one is the problems that arise when the needs of the principal and agent are in conflict, and the principal is unable to authenticate what the agent is actually doing and the problems that arise when the principal and agent have different attitudes towards risk and due to different risk tolerances, the principal and agent may each be inclined to take different actions.

A company is viewed as the result of more or less formal contracts, in which several groups (customers, governments, customers etc.) make some kind of investment in the company, given a certain price. The duty of management is to harmonize these groups and contracts and try to

optimize them; low price for purchased supplies, low wages for employees, high price for sales and high share prices. In these relationships, the management acts as the agent, this tries to gain investments from the stakeholders.

2.3.1.2 Lending Credibility theory

There is public perception that the primary function of auditing is the addition of credibility to the financial statements and this brought about the lending credibility theory. In this view the service that the auditors are selling to the clients is credibility.

Audited financial statements can be as seen as way by management enhances the stakeholders' faith in management's stewardship. Increased credibility is seen to be beneficial to the users of the financial information. Such benefits are normally believed to improved quality of investment decisions when they are based on reliable information.

Shareholders of a company appoint an auditor who reports his findings to them. The aim of the auditor's report is to comment on how the accuracy of the company presents financial situation and its performance. Basically, the audit is represented as a process designed to evaluate the credibility of information of a company's financial statements (Letza, 1996). Akinbuli (2010) states that audited financial statements can enhance stakeholders' faith in management's stewardship.

2.3.1.3 Theory of Inspired Confidence

The theory of inspired confidence is also known as theory of rational expectations. This theory was developed in the late 1920s by the Dutch Professor Theodore Limperg. It can also be called

the theory of rational expectation (Limperg 1932); it addresses both the demand and supply for audit services.

The demand for the audit services is the direct consequence of the participation of the third parties (interested parties of a company) in the company. The stakeholders demand accountability from the management, in exchange for their investments in the company.

Since information provided by management could be biased, as a result of a possible difference of opinion between the interests of management and outside stakeholders, an audit of the information is essential to assure that such information provided is reliable. With regard to the level of audit assurance that the auditor provides, Limperg (2002) suggests that the auditor should always make every effort to meet the public expectations.

2.3.1.4 Policeman Theory

Under this theory, an auditor acts as a policeman focusing on arithmetical accuracy and on prevention and detection of fraud. This theory makes the auditor to detect and prevent errors and fraud in organizations. The management should establish and maintain strong internal control systems to enhance prevention and detection of fraud and any other irregularities within the organization. It is not the responsibility of the auditor to look for fraud unless he enters into a specific agreement with the management to do so. However, if audit is properly carried out the work of auditor should expose fraud and irregularities where they exist. The main focus of auditors is verification of the truth and fairness of the financial statements and provision of reasonable assurance. The detection of fraud is however still a hot topic in the debate on the auditor's responsibilities and typically after events where financial statement frauds have been

revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud (Hayes et al, 2005).

2.3.2 Company Performance theory

Richard, Devinney, Yip and Johnson (2009) stated that there are three specific areas of outcomes for which a company measure its performance; the financial, product market and shareholder return performances are the major indicators employed by formal companies to evaluate its performance. A common approach employed to manage company performance is the balanced scorecard methodology.

2.3.2.1 Contingency theory

Closely related to the situational approach, the contingency theory is of the opinion that there is no best way to manage an organization. The line of action implemented is a function of the situation at hand. The theory connotes that organizational effectiveness is brought about from fitting characteristics of the organization to different contingencies such as organizational size, strategy, and environment. As opined by Morgan (1989), organizations are open systems subject to dynamic and complex environmental changes with no best approach of organizing. Careful management is required to satisfy and balance the internal needs necessary to adapt to environmental circumstances. The basic principle of contingency theory is that there is no one best way to manage an organization especially within the context of globalization and intense competition in an environment largely influenced by economic and social events that are unstable. There are too many external and internal constraints that will alter what really is the

best way to lead in a given situation. In other words, it all depends on the situation at hand and such situation determines the best course of action.

2.4 Empirical review

The literature as it concerns the relationship between audit and banking performance is fraught by different findings. However, the gap of understanding still remains apparent despite attempt in recent studies. This section focuses on previous research works related to this study.

The performance of company which is the operating results and financial positions can only be communicated through audited financial statements. Reduction of frauds, objective reporting, transparency and disclosure, strong internal control, accountability, external audit and other policies has enhanced the management of a company to improve their efficiencies in their operations. Decision makers use the audited information on the assumption that it is reasonably complete, accurate and unbiased.

Audit tenure is referred as the length of time the auditor has carried out an examination of a company. According to Djamil (2000), the longer the auditor's tenure, the lower the audit quality formed would be. Furthermore, the auditor might fail to retain a professional attitude. This is as oppose to the opinion of Jackson et al. (2007) which states that the audit quality will keep on improving the longer relationship the auditor has with the client.

According to Yuniarti (2011), the amount of audit fee is dependent on the risk of the audit assignment, the complexity of services provided, expertise, and other professional considerations. This study shows the higher audit fee the higher quality audit will be as well. However, this opinion opposed to the opinion of Supriyono (1988) and Subroto (2003) which

states the amount of audit fee can affect the independence of the auditor for the reason that the large fee can cause audit firm to become reluctant to oppose the will of the client, while small fee can limit the time and cost to perform complete audit procedures.

The collapse of banks and corporation in Nigeria has drawn the attention of the public and regulatory agency to question audit as a whole. Banks in Nigeria are regulated by different agencies in Nigeria such as Central Bank of Nigeria (CBN), Banks and Other Financial Institution Act (BOFIA), Securities and Exchange Commission (SEC) and so on.

Chijoke, Emmanuel and Nosakhare (2012), examine the relationship between audit partner tenure and audit quality. They used Binary Logic Model estimation technique in analyzing the relationship between the auditor's tenure and audit quality. Their findings reveal that there is a negative relationship between auditor tenure and audit quality though the variable was not significant. The other explanatory variables (ROA, Board Independence, and Director Ownership and Board size) considered alongside auditor tenure were found to be inversely related to audit quality aside from Returns on Assets which exhibited a positive effect.

Adeyemi and Okpala (2011) opined that an audit firm's tenure can give rise to a loss of auditor's independence. A long audit-client relationship could result in an alignment of the auditor's interest with that of its client which leads to independence of the auditor to become a probability. The study concluded that audit firm rotation does not necessarily improve audit independence in Nigeria. This could be due to the unison of professional attitude among auditors and comparison in cultural bias and orientation or tenure may have significant effect on the audit quality.

Kabiru and Abdullahi (2012), they carried out an empirical investigation into the quality of audited financial statements of deposit money banks in Nigeria, make use of both primary and

secondary data and with the population of 21 banks they selected a sample of 5 deposit money banks consist of First Bank, Zenith Bank, Union Bank, United Bank for Africa and Access Bank which are all publicly quoted companies in Nigeria. They found that independence of an auditor does significantly improve the quality of audited financial statements of deposit money banks in Nigeria. Compliance to auditing guidelines has positive and significant effect on the quality of audited financial statement of deposit money banks in Nigeria. Material misstatement does significantly affect the quality of audited financial statements of money deposit banks in Nigeria. They also found that audited financial statements of Nigerian deposit money banks, if they are re-audited by other independent auditors, will give the same result and conclusion.

Hamed, Rohaida, Siti and Abdul (2016) examined the impact of audit quality on firm performance for Malaysian listed companies for the period of 2003 to 2012. In this study, we use audit fees and audit firm rotation as proxies for audit quality. Return on assets and Tobin's Q are used as measures for firm performance. They found that there is insignificant relationship between audit quality proxies (audit fees and audit firm rotation) and ROA. They also found that an audit fee is significantly and positively related to Tobin's Q. However, audit firm rotation is insignificantly related to Tobin's Q

Matoke and Omwenga, (2016) carried out a research work on audit quality and financial performance of companies listed in Nairobi Securities Exchange. This study adopted a descriptive research design. The study used Cronbach (Alpha – α) model to test the reliability of the data. Quantitative and qualitative data was collected using questionnaires was examined for errors and gaps. The data was then well analyzed. After review, the data was coded and analyzed by the use of descriptive statistics using SPSS. Data was analyzed by multiple linear regression analysis. Findings of the study indicate that the effect of audit quality on financial performance is

positive and significant and the greater the degree of an auditors independence, the greater the propensity of a firm making substantial net profit margins. The impact of auditor size was also positive and significant, although, its impact was lesser that of auditor independence

Shafie Hussin Yusof and Hussain (2009) examined the relationship between audit firm tenure and auditor reporting quality in Malaysia. This study employs well-established going concern model of logistic regression. Their findings gives indication that audit firm tenure is positively significant relationship with auditor reporting quality.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes the statistical methods used in analyzing the data obtained during the course of this study and the relevant interpretation for the statistical output, and this interpretation was used to determine the nature of relationship that exist between the dependent and independent variables. This chapter comprises of the research design, study variable, population of the study, sampling techniques, sample size, sources of data, method of data collection, study variables, method of data analysis and model specification.

3.1 Research Design

The study used survey research design relying on the information from primary data that was obtained through a well-structured questionnaire, which was distributed among the staff of the selected banks. The choice of the design was considered ideal by the researcher because of the variables of the study was observed at one point in time. In addition to being a survey research, the study also used descriptive research design in a manner to analyze the responses using mean deviation, variance and standard deviation. Data were collected from four deposit money banks in Nigeria so that the researcher can evaluate the effect of audit efficiency on banking performance in Nigeria.

3.2 Population of Study

Currently there are 21 deposit money banks operating in Nigeria. The banks are categorized into three by their license according to bank regulatory bodies (CBN). The population of this study consists of the twenty-one (21) listed deposit money banks in Nigeria.

3.3 Sample and Sampling Technique

According to Ezejule and Ogwo (1990) states a minimum of 10% of the population is considered ideal for a sampling. Simple random sampling technique was used to select sample size of four (4) banks and twenty respondents were selected purposively from the four banks for the study, which makes the total respondents to be 100. The selected financial institutions are banks that have obtained different valid license from the regulatory bodies in their banking operations. This method was used to select the study population under which the respondents are picked thus.

Licence category	Bank chosen	No.
International banking licence		
Access bank	Access Bank	25
First Bank of Nigeria	First Bank of Nigeria	25
Fidelity Bank	Fidelity Bank	25
National banking licence		
Eco Bank	Eco Bank	25
Total	4	100

Activity	Number
The number of questionnaire distributed	100
The questionnaire that received responses	88
The questionnaires that are not returned	12
The rate of return(88/100) x 100%	88

Table 2 Details of Total Sample and Return

3.4 Method of Data Collection

The study used primary data as a source of information. The method of collecting data primary was the use of questionnaires. The questionnaires consist of 12 questions which are structured to address the problems of the study and its specific objectives.

3.5 Research Instrument

The well-developed questionnaires were used in obtaining data. This enables the researcher to obtain maximum and reliable information that would be in consonance with the specific objectives of the research. It enables the researcher to carry out a quantitative analysis, test inferences and make broad generalization. Each of the variables of the questionnaire is assessed with a 6- point Likert scale to gather data for processing through the statistical tool. The 6-point scale, the scoring of questions in the modified Likert-type scale format reflected of Strongly Disagree (one point), Disagree (two points), Fairly Disagree (three points), Fairly Agree (four points), Agree (five points) and Strongly Agree (six points). It consists of two sections; the first

section (Section A) is based on the bio-data of the respondents while the second section (Section B) is strictly based on the research questions.

3.6 Pilot Study

According to Zikmund (2010), a pilot study is a small-scale research project that collects data from respondents similar to those that will be used in the full study. Test that was carried out in the study are validity, reliability (to test internal consistency), exploratory and confirmatory factor test. The pilot was seen as indispensable so that one can have a foreknowledge of the reaction of respondents when used in environment.

3.6.1 Validity of Research Instrument

Validity being the appropriateness, meaningfulness and usefulness of specific inference made from test scores, instrument validity would be ascertained in a number of ways which included, discussing the questionnaire with colleagues in the department, there after adjustments will be done before submission to the supervisor who will assess the features validity. This will help to assess the appropriate of sentence construction, comprehensiveness of instruments and language clarity. Comments received on the acceptability of the instrument would be helpful in designing the final instrument that will be used in generating data.

3.6.2 Reliability of Test

Reliability is concerned with the consistency of the instrument, which means whether the questions in the survey get same type of response when the conditions remain the same. The consistency was made certain by testing the instruments for the credibility of values (Alpha values) as recommended by Cronbach's (1946)

3.7 Method of Data Analysis

The data collected from questionnaires are analyzed through distribution including tables and percentages. For the purpose of the study multiple regression statistical tools as the underlying statistical tests using Statistical Package for Social Science (SPSS) version. The regression analysis is carried out on the dependent variable (Banking performance) and the independent variable (Audit Efficiency). The correlation coefficient lies in the interval of -1 and 1 and indicates the strength and direction of the relationship of two variables. A value of -1 stands for a strongly negative and a value of 1 for a strongly positive correlation.

3.8 Model Specification

$$BP = f(AE) \dots \dots \dots 3.1$$

$$AE = f(AI, AEX, ARM)$$

$$BP = f(AI, AEX, ARM)$$

$$BP = \alpha_0 + \beta_1 AI_t + \beta_2 AEX_t + \beta_3 ARM_t + \varepsilon_t \dots \dots \dots 3.1$$

$$ROA + ROE + NPM = \alpha_0 + \beta_1 AI_t + \beta_2 AEX_t + \beta_3 ARM_t + \varepsilon_t \dots \dots \dots 3.2$$

Where;

BP = Bank Performance

BP = ROA, ROE, NPM

ROA = Return on assets

ROE = Return on equity

NPM = Net Profit Margin

α_0 = Intercept

AI_t = Auditors' Independence at time t

AEX_t = Auditors' experience at time t

ARM_t = Auditors' remuneration at time t

β_1 , β_2 , and β_3 are the parameters in respect of AI_t , AEX_t , and ARM_t respectively

ε_t = Stochastic error

3.8.1 Model Expectation

It is expected that Auditor's Independence, Auditor's tenure, Audit fees to correlate positively with banking performance. Hence, the Apriori expectations are: $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$

3.8.2 Apriori Expectation

These are the expectations from the existing relationship between the variables - the independent variables and the dependent variable. This refers to audit efficiency effect banking performance. According to the Agency theory and Lending Credibility theory, it is expected to have positive effect on banking performance. The researcher expects auditor's independence, auditor's tenure and audit fee to have significant effect on banking performance.

S/N	Description	Apriori Expectation
1	$BP = \alpha_0 + \beta_1 AI_t + \varepsilon_t$	$H_0 1$ will be rejected (i.e. $p < 0.05$)
2	$BP = \alpha_0 + \beta_2 AEX_t + \varepsilon_t$	$H_0 2$ will be rejected (i.e. $p < 0.05$)
3	$BP = \alpha_0 + \beta_3 ARM_t + \varepsilon_t$	$H_0 3$ will be rejected (i.e. $p < 0.05$)

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter deals with the presentation and analysis of data collected to determine the relationship between the variables. The data were subjected to frequency characteristics, descriptive and inferential statistics and presented in frequency count, simple percentages, multivariate tables and figures. A total number of 100 questionnaires were administered and 88 were appropriately completed and were retrieved for analysis. The 88 questionnaires was then the calculated sample size for the study.

4.1 Data Analysis of Demographic of the Respondents

Statements related to demographic characteristics of the respondents and their information. With the use of the questionnaires, the researcher was able to ascertain the respondents' gender, age, marital status, educational qualification and years of experience.

4.1.1 Gender

In this research work, male respondents account for 64.8% of the respondents. The female respondents consist of 35.2% of the sample. This is illustrated in table 4.1

Table 4.1.1 Gender of the respondents

S/N	Status	Frequency	Percent (%)
1	Male	57	54.3%
2	Female	31	35.2%

Source: Researcher's Field Survey, 2019

4.1.2 Age

The largest group fell under aged 31-40 which is 51.1%, followed by those aged 18-30 which was 39.8%. Respondents in the age group 41-50 were 9.1%. This is illustrated in table 4.1.2

Table 4.1.2 Age of the respondents

S/N	Status	Frequency	Percent (%)
1	18-30 years	35	39.8%
2	31-40 years	45	51.1%
3	41-50 years	8	9.1%

Source: Researcher's Field Survey, 2019

4.1.3 Martial status

The result of respondents' marital status is shown in Table 4.1.3

Table 4.1.3 Martial status of respondents

S/N	Status	Frequency	Percent (%)
1	Married	53	39.8%
2	Single	35	60.2%

Source: Researcher's Field Survey, 2019

4.1.4 Educational Qualification

The educational qualification of the respondents is as follows school cert was 1.1%, undergraduate 19.3% and post graduate 79.5%. This means the respondents are adequately knowledgeable in order to provide the appropriate response to the questions asked

Table 4.1.4 Educational qualification

S/N	Status	Frequency	Percent (%)
1	School cert	1	1.1%
2	Undergraduate	17	19.3%
3	Post graduate	70	79.5%

Source: Researcher's Field Survey, 2019

4.1.5 Years of experience

This shows the years in which the respondents have been in the banking sector

Table 4.1.5 Years of experience

S/N	Status	Frequency	Percent (%)
1	1-5 years	33	37.5%
2	6-10 years	42	47.7%
3	11-15 years	6	6.8%
4	16-20 years	6	6.8%
5	Above 20 years	1	1.1%

Source: Researcher's Field Survey, 2019

4.2 Test of Hypothesis and Discussion

This section focuses on the analysis of responses and test of inferences as they relate to the objectives, research questions and hypothesis raised for the work

4.2.1 Descriptive Analysis of Research Question One

Does auditor's independence have any significant relationship with banking performance?

S/NO	STATEMENTS	SD	D	FD	FA	A	SA
		1	2	3	4	5	6
1.	Auditors receive benefit-in-kind from their clients with the view to window dressing their financial statements	32 (30.5%)	21 (20%)	23 (21.9%)	5 (4.8%)	7 (6.7%)	0
2.	Auditors assist their clients' to understate their clients' expenses with the view to overstate the profit	28 (26.7%)	26 (3.4%)	16 (15.2%)	8 (7.6%)	5 (4.8%)	5 (4.8%)
3.	Auditors did not obtain a third party evidence before expressing their opinion on the financial statements	24 (22.9%)	13 (12.4%)	24 (22.9%)	15 (14.3%)	7 (6.7%)	5 (4.8%)
4.	Auditors assist their clients in the preparation of financial statements	16 (15.2%)	18 (17.1%)	24 (22.9%)	12 (11.4%)	10 (9.5%)	8 (7.6%)

4.2.1.1 Interpretation of results

From the table, 32 respondent representing 30.5% of the total respondents strongly disagreed that auditors receive benefit-in-kind from their clients with the view to window dressing their financial statements. Another 5 respondents representing 4.8% fairly agreed with this notion. But 7 respondents representing 16.7% of the total respondents agreed that auditors receive benefit-in-kind from their clients with the view to window dressing their financial statements. And no respondent strongly agreed to this notion while 21 of the respondents representing 20% of the total respondents disagreed with the notion. Also 23 of the respondents representing 21.9% of the total respondents fairly disagreed with this notion.

Also from this table we can see that 28 respondents representing 26.7% of the total population strongly disagreed auditors assist their clients' to understate their clients' expenses with the view to overstate the profit. Another 26 respondents representing 3.4% of the total respondents disagreed with this notion and 16 of respondents representing 15.2% fairly disagreed to the notion. 5 respondents representing 48% of the total respondents agreed to the notion while 8 respondents representing 7.6% fairly agreed and 5 respondents 4.8% strongly agreed to the notion.

From the table above we can deduce that 24 respondents representing 22.9% of the total population strongly disagreed that auditors did not obtain a third-party evidence before expressing their opinion on the financial statements, and 13 respondents representing 12.4% of the total respondents disagreed with this notion and 24 respondents which is 22.9% fairly disagreed to the notion, they were not fully disagreeing, 15 respondents representing 14.3% of

the total population fairly agreed to this and 7 respondents that is 6.7% agreed that auditors did not obtain a third-party evidence before expressing their opinion on the financial statements, also 5 respondents which is 4.8% strongly agreed to this notion.

Also to the statement that auditors assist their clients in the preparation of the financial statements 16 respondents representing 15.2% of the total population strongly disagreed, 18 of the respondent representing 17.1% of the total population fairly disagreed and 24 of the respondents representing 22.9% of the total population disagreed, 12 respondents with 11.4% fairly agreed with 10 respondents representing 9.5% agreed to it and 8 respondents strongly agree which is 7.6% of the total population.

Hypothesis One

H01: There is no significant relationship between auditor’s independence and banking performance

Table 4.2.1: Result of Test between auditor’s independence and banking performance

Model 1	R	R ²	Adjusted R ²	F	Model Significance	T
BP= $\alpha_0 + \beta_1 AI_t + \varepsilon_t$	0.049	0.002	-0.009	0.0207	$p = 0.0650$	-0.049
Y= Banking performance x ₁ = auditor’s independence				$\alpha_0 = 5.464$ $p = 0.0650 < 0.05$		

The first hypothesis was to test the significance of auditor's independence on banking performance. The value $R = 0.049$ implies that there is a low relationship. The R^2 power of the model equals 0.002. This implies that auditor's independence jointly effect banking performance by 0.2%. This signifies that auditor's independence for 0.2% change or effects observed in banking performance in the model. The p value = $0.0650 < 0.05$ shows the estimate or analysis between the two variables is not statistically significant. It thus suggests that auditor's independence has no corresponding effect on banking performance. In discussing the absolute explanatory power of the model, the adjusted R^2 value (0.002) gives the coefficient which implies that the model was adjusted to take care of errors and discrepancies in the analysis.

The regression equation extracted from the analysis is thus given as:

$$BP = 5.440 + (-0.021) AI_t + \varepsilon_t$$

Since the p value = 0.650 more than 0.05 we accept the null hypothesis stated for the study. The study thus accepts the null hypothesis and concludes that auditor's independence has no significant relationship with banking performance.

4.2.2 Descriptive Analysis of Research Question Two

Does auditor's tenure have any significant relationship with banking performance?

S/N	STATEMENT	SD	D	FD	FA	A	SA
		1	2	3	4	5	6
5	The regulation of auditors' tenure is a good policy for bank performance	9 (8.6%)	31 (29.5%)	28 (26.7%)	15 (14.3%)	5 (4.8%)	0
6.	The longer the tenural engagement of auditors' the more collusion with their clients in preparation of their accounts	4 (3.8%)	9 (8.6%)	29 (27.6%)	19 (18.1%)	38 (14.3%)	12 (11.4%)
7	The long tenure of auditors has greatly improved the financial statement and performance of your bank	5 (4.8%)	9 (8.6%)	22 (21.0%)	26 (24.8%)	18 (17.1%)	8 (7.6%)
8.	The CBN regulation insisting the tenure of auditors to 5years has greatly improved the performance of your bank	1 (1.0%)	8 (7.6%)	21 (20.0%)	17 (16.2%)	28 (26.7%)	13 (12.4%)

4.2.2.1 Interpretation of results

From the table, 9 of the respondents representing 8.6% strongly disagreed that the regulation of auditors' tenure is a good policy for bank performance. Another 28 respondents representing 26.7% disagreed with this notion while none of the respondents fairly disagreed with this notion. 15 respondents representing 14.3% fairly agreed while 5 respondents representing 4.89% of the total respondents agree the notion and none of the respondents strongly agreed to this notion.

Also from this table we can see that 4 of the respondents representing 3.8% of the total population strongly disagreed that the longer the tenural engagement of auditors' the more collusion with their clients in preparation of their accounts. Another 9 respondents representing 8.6% disagreed with this notion and 29 of the respondents representing 27.6% of the population fairly disagreed to the notion. 19 respondents representing 18.1% fairly agreed while 38 respondents representing 14.3% of the total respondents agreed that the longer the tenural engagement of auditors' the more collusion with their clients in preparation of their accounts and 12 respondents 11.4% strongly agree to the notion.

Also to the question that asks if the long tenure of auditors has greatly improved the financial statement and performance of your bank, 5 of the respondents representing 4.8% of the population strongly disagreed, 9 respondent which is 8.6% of the total population disagree and 22 of the respondents representing 21.0% fairly disagreed, 26 respondents with 24.8% fairly agreed with the notion 18 respondents representing 17.1% agreed to it and 8 respondents strongly agreed which is 7.6% of the total population.

From the table above we can deduce that 1 of the respondents representing 1.0% of the population strongly disagreed that the long tenure of auditors has greatly improved the financial statement and performance of your bank, and 8 respondent representing 7.6% of the total respondents disagreed with this notion and 21 respondents which is 20.0% fairly disagreed to the notion, they were not fully disagreeing, 17 respondents representing 16.2% of the total respondents fairly agreed to this and 28 respondents that is 26.7% agreed that The long tenure of auditors has greatly improved the financial statement and performance of your bank, also 13 respondents which is 12.4% strongly agree to this notion.

Hypothesis Two

Ho2: There is no significant relationship between auditor's tenure and banking performance

Table 4.2.2: Result of Test between auditor's tenure and banking performance

Model 1	R	R ²	Adjusted R ²	F	Model Significance	T
BP= $\alpha_0 + \beta_2 AEX_t + \varepsilon_t$	0.027	0.001	-0.011	0.062	$p = 0.0850$	-0.248
Y= Banking performance x ₂ = auditor's tenure				$\alpha_0 = 5.344$	$p = 0.0850$ < 0.05	

The second hypothesis was to test the significance of auditor's tenure on banking performance. The value R= 0.027 implies that there is a low relationship. The R² power of the model equals 0.001. This implies that auditor's tenure jointly effect banking performance by 0.1%. This signifies that auditor's tenure for 0.1% change or effects observed in banking performance in the model. The p value = 0.0850 < 0.05 shows the estimate or analysis between the two variables is not statistically significant. It thus suggests that auditor's tenure has no corresponding effect on banking performance. In discussing the absolute explanatory power of the model, the adjusted R² value (0.001) gives the coefficient which implies that the model was adjusted to take care of errors and discrepancies in the analysis.

The regression equation extracted from the analysis is thus given as:

$$BP = 5.440 + 0.043 AT_t + \varepsilon_t$$

Since the p value = 0.805 more than 0.05 we accept the null hypothesis stated for the study. The study thus accepts the null hypothesis and concludes that auditor's tenure has no significant relationship with banking performance.

4.2.3 Descriptive Analysis of Research Question Three

Does audit fee have any significant relationship with banking performance?

S/NO	STATEMENT	SD	D	FD	FA	A	SA
		1	2	3	4	5	6
9	long tenure of the bank's external auditors has generated financial audit risk by providing an inappropriate opinion or material misstatement of your bank's financial statement	6 (5.7%)	17 (16.2%)	28 (28%)	23 (21.9%)	10 (9.5%)	4 (3.8%)
10.	The client's fees represent more than 15% of the auditor's revenue affects the auditor's performance	4 (3.8%)	7 (6.7%)	23 (21.9%)	23 (21.9%)	22 (21.0%)	23 (8.6%)
11	The auditor also provides non-audit services to the client. The value of the non-audit is equal or greater than 25% of the audit fees impairs the auditor's opinion	3 (2.9%)	7 (6.7%)	24 (22.9%)	21 (20.0%)	21 (20.0%)	12 (11.4%)
12	The auditor's reputation greatly affects the audit remuneration		9 (8.6%)	15 (14.3%)	8 (7.6%)	20 (19.0%)	36 (34.3%)

4.2.3.1 Interpretation of results

From the table, 6 respondent representing 5.7% of the total respondents strongly disagreed that long tenure of the bank's external auditors has generated financial audit risk by providing an

inappropriate opinion or material misstatement of your bank's financial statement. Another 23 respondents representing 21.9% fairly agreed with this notion. But 17 respondents representing 16.2% of the total respondents disagreed that a long tenure of the bank's external auditors has generated financial audit risk by providing an inappropriate opinion or material misstatement of your bank's financial statement. And 4 respondents representing 3.8% strongly agreed to this notion while 28 of the respondents representing 28% of the total respondents fairly agreed with the notion. Also 10 of the respondents representing 9.5% of the total respondents agreed with this notion.

Also from this table we can see that 4 respondents representing 3.8% of the total population strongly disagreed the client's fees represent more than 15% of the auditor's revenue affects the auditor's performance. Another 7 respondents representing 6.7% of the total respondents disagreed with this notion and 23 of respondents representing 21.9% fairly disagreed to the notion. 22 respondents representing 21.0% of the total respondents agreed to the notion while 23 respondents representing 21.9% fairly agreed and 23 respondents 8.6% strongly agreed to the notion.

From the table above we can deduce that 3 respondents representing 2.9% of the total population strongly disagreed that the auditor also provides non-audit services to the client. The value of the non-audit is equal or greater than 25% of the audit fees impairs the auditor's opinion, and 13 respondents representing 12.4% of the total respondents disagreed with this notion and 24 respondents which is 22.9% fairly disagreed to the notion, they were not fully disagreeing, 15 respondents representing 14.3% of the total population fairly agreed to this and 7 respondents that is 6.7% agreed that auditors did not obtain a third-party evidence before expressing their

opinion on the financial statements, also 5 respondents which is 4.8% strongly agreed to this notion.

Also to the statement that auditor’s reputation greatly affects the audit remuneration none of respondents strongly disagreed, 9 of the respondent representing 8.6% of the total population disagreed and 15 of the respondents representing 14.3% of the total population fairly disagreed, 8 respondents with 7.6% fairly agreed with 20 respondents representing 19.0% agreed to it and 36 respondents strongly agree which is 34.3% of the total population

Hypothesis Three

Ho3: There is no significant relationship between audit fee and banking performance

Table 4.2.3: Result of Test between audit fee and banking performance

Model 1	R	R ²	Adjusted R ²	F	Model Significance	T
BP= $\alpha_0 + \beta_1 AI_t + \varepsilon_t$	0.034	0.001	-0.010	0.100	$p = 0.753$	-0.049
Y= Banking performance x ₁ = audit fees				$\alpha_0 = 5.478$	$p = 0.753 < 0.05$	

The first hypothesis was to test the significance of auditor’s independence o banking performance. The value R= 0.034 implies that there is a low relationship. The R² power of the

model equals 0.001. This implies that auditor's independence jointly effect banking performance by 0.01%. This signifies that auditor's independence for 0.01% change or effects observed in banking performance in the model. The p value = 0.753 < 0.05 shows the estimate or analysis between the two variables is not statistically significant. It thus suggests that audit fee has no corresponding effect on banking performance. In discussing the absolute explanatory power of the model, the adjusted R² value (0.001) gives the coefficient which implies that the model was adjusted to take care of errors and discrepancies in the analysis.

The regression equation extracted from the analysis is thus given as:

$$BP = 5.440 + (-0.033) AR_t + \varepsilon_t$$

Since the p value = 0.753 more than 0.05 we accept the null hypothesis stated for the study. The study thus accepts the null hypothesis and concludes that auditor's independence has no significant relationship with banking performance

4.3 Discussion of the Findings

This chapter is divided into three sections: demographics, data analysis and hypothesis testing and summary. Descriptive analysis and regression analysis was used to analysis the data. The sample data were 88 respondents. The demographic profile of respondents shows that the largest group was aged 31– 40 years (51.1%), followed by those aged 18 – 30 years (39.8%). Males accounted for 64.8% of the respondents. There was 1(1.1%) school cert., Undergraduate were 17(19.3%) and 70(79.5%) respondents were post graduates.

The study assessed the effect of audit efficiency on banking performance. Hypothesis one reveals that auditor's independence has no significant relationship with banking performance. This

opposes the findings of Matoke and Omwenga (2016) which indicated that the effect of audit quality on financial performance is positive and significant and the greater the degree of an auditors independence, the greater the propensity of a firm making substantial net profit margins.

Hypothesis Two reveals that auditor's tenure has no significant relationship with banking performance which is not in line with the findings of Shafie Hussin Yusof and Hussain (2009) which indicates that audit firm tenure has positively significant relationship with reporting quality.

Hypothesis Three shows that audit fee has no significant relationship with banking performance as opposed to the findings.

Three hypotheses, research questions was analysed and discussed. Comparing the result of the study with the prior expectations before the study, we can conclude that the expectations were false. Prior to the study the researcher expects auditor's independence to have a significant relationship with banking performance. The researcher expects auditor's tenure have a significant relationship with banking performance. The researcher expects audit fees have a significant relationship with banking performance

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter outlines the entire work and the findings thereof. Based on these, recommendations and conclusions are drawn. The study investigates the relationship between audit efficiency and banking performance.

5.1 Summary of the Study

The research work examined the effect of audit efficiency on banking performance in Nigeria. Based on the results obtained from the questionnaires, the findings are that there were no significant but positive relationships between the banking performance and all the independent variables.

The first objective was to investigate the significance of auditor's independence on banking performance in Nigeria. The results show that there is no significant relationship between banking performance and auditor's independence. According to the correlation results, there is a low, positive and non-statically significant relationship between the dependent and independent variables.

The second objective was to examine the significance of auditor's tenure on banking performance in Nigeria. The results show that there is no significant relationship between banking performance and auditor's tenure. According to the correlation results, there is a low,

positive and non-statically significant relationship between the dependent and independent variables

The third objective was to determine the significance of the audit fees on banking performance in Nigeria. The results show that there is no significant relationship between banking performance and audit fees. According to the correlation results, there is a low, positive and non-statically significant relationship between the dependent and independent variables.

5.2 Conclusion

The focus has been given to three main characteristics of audit efficiency, namely auditor's independence, auditor's tenure and audit fees. The findings show that all the variables of the study do not influence significantly the banks performance. From all indications, the study revealed that the auditors' opinions on the financial statements of banks did not give true and fair view of the state of the financial affairs of the banks as usually expressed by the auditors. This might account for the high rate of bank failure in Nigeria.

From the results, the opinions of the auditors on the financial statements of the banks is subjective, and this can be as a result of them not being responsible for the preparation of the accounts or the fact that their opinion is only based on the account prepared. The findings are still not different from the reasons adduced for the collapse of banks in the past. In developing nations like Nigeria, our banking sector whether large, medium or small still contend with the problems which may include incomplete recording of accounts, poor attitudes to adhere to the accounting standards and guideline coupled with incessant fraud and defalcation.

The insignificant relationship between the dependent variable and independent variables is because the auditor might have not obtained all the information and explanations necessary for the purpose of their audit.

5.3 Recommendations

In the course of this study, the researcher recommended the following measures as a means of insuring that audit efficiency improves the performance of banks in Nigeria:

1. From the study findings, the researcher recommends that auditor's examination of the financial statements should be mandatorily subjected peer review, that is, not only one auditor should be given the sole responsibility of auditing the financial statements of the banks. Though, this may require additional costs, but it is expected to improving the performance for the banks.
2. It recommended that third party evidence should be strongly required during the period of which the audit is been carried out.
3. The researcher recommends that there should be a clear methodology designed on how auditors should be appointed.
4. It is recommended that companies should comply with the regulation that states that the tenure of the auditors should not exceed five years before the appointment of a new auditor.
5. Organization should employ the services of audit firms who possess a solid reputation as this will result in such firm will employ auditors who are less likely to willingly compromise their stand; and such an audit firm would not to engage in any activity or audit process that will tarnish its image.

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Appendixes

Appendix I: Questionnaire

Introduction

I am a 400 level student of Mountain Top University. I am currently undertaking a research on the topic: “Audit Efficiency as a Tool for Improving Company’s Performance”. You have been selected as one of the participants in this study and I kindly request your assistance.

All responses will remain confidential and will be solely for the purpose of this study. I would like to thank you in advance for your timely response. It will be appreciated if you can fill the questionnaire to enable the finalization of the study.

Section A: Bio-Data

Instruction: Kindly answer the following questions by ticking the appropriate box.

1. Gender: A. Female B. Male
2. Age group: A. 18 to 30 . 31 to 40 C. 41 to 50 D. 60 E.
Above 60
3. Marital Status: A. Single B. Married C. Separated E. Divorced
4. Educational Qualifications: A. School Certificate B. Undergraduate C. Post Graduate
5. Years of experience: A. 1 to 5 years B. 6 to 10 years C. 11 to 15 years
D. 16 to 20 years E. Above 20 years

Section B:

The main objective of this study is to examine the effect of audit efficiency on banking performance. The specific objectives are:

- i. To investigate the significance of auditors’ independence on banking performance in Nigeria.
- ii. To examine the significance of auditors’ tenure on banking performance in Nigeria.

- iii. To determine the significance of auditor's remuneration on banking performance in Nigeria.

Instructions: Please respond to the following statements by ticking the options 1-6 below

KEY: SD=1 for strongly Disagree; D=2 for Disagree; FD=3 for Fairly Disagree; FA=4 for Fairly Agree; A=5 for Agree; SA=6 for SA strongly Agree.

	Factors influencing auditor's independence and banking performance	SD 1	D 2	FD 3	FA 4	A 5	SA 6
1.	Auditors receive benefit-in-kind from their clients with the view to window dressing their financial statements						
2.	Auditors assist their clients' to understate their clients' expenses with the view to overstate the profit						
3.	Auditors did not obtain a third party evidence before expressing their opinion on the financial statements						
4.	Auditors assist their clients in the preparation of financial statements						
	Factors influencing auditors' tenure and banking performance						
5	The regulation of auditors' tenure is not a good policy for bank performance						
6	The longer the tenural engagement of auditors' the more collusion with their						

	clients in preparation of their accounts						
7	The long tenure of auditors has greatly improved the financial statement and performance of your bank						
8	The CBN regulation insisting the tenure of auditors to 5 years has greatly improved the financial statement and performance of your bank overtime						
	Factors influencing audit fees and banking performance						
9	long tenure of the bank's external auditors has generated financial audit risk by providing an inappropriate opinion or material misstatement of your bank's financial statement						
10	The client's fees represent more than 15% of the auditor's revenue affects the auditor's performance						
11	The auditor also provides non-audit services to the client. The value of the non-audit is equal or greater than 25% of the audit fees impairs the auditor's opinion						
12	The auditor's reputation greatly affects the audit remuneration						
	Factors influencing financial						

	performance						
13	The bank's return on assets trend upwards yearly						
14	The bank's return on equity maintained a consistent increase on a yearly basis						
15	The net profit margin of the bank exhibits an upward trend yearly						
16	The bank's going concern outlook is not doubtful						

Appendix 2: Descriptive Statistics of the Questionnaire

Descriptive Statistics

	N	Minimu m	Maximu m	Mean	Std. Deviation
Auditors receive benefit-in-kind from their clients with the view to window dressing their financial statements	88	1	5	2.25	1.234
Auditors assist their clients' to understate their clients' expenses with the view to overstate the profit	88	1	6	2.44	1.453
Auditors did not obtain a third party evidence before expressing their opinion on the financial statements	88	1	6	2.81	1.492
Auditors assist their clients in the preparation of financial statements	88	1	6	3.07	1.537
The regulation of auditors' tenure is not a good policy for bank performance	88	1	5	2.73	1.047

The longer the tenural engagement of auditors' the more collusion with their clients in preparation of their accounts	88	1	6	3.77	1.354
The long tenure of auditors has greatly improved the financial statement and performance of your bank	88	1	6	3.76	1.304
The CBN regulation insisting the tenure of auditors to 5years has greatly improved the financial statement and performance of your bank overtime	88	1	6	4.16	1.268
long tenure of the bank's external auditors has generated financial audit risk by providing an inappropriate opinion or material misstatement of your bank's financial statement	88	1	6	3.30	1.233

The client's fees represent more than 15% of the auditor's revenue affects the auditor's performance	88	1	6	3.90	1.287
The auditor also provides non-audit services to the client. The value of the non-audit is equal or greater than 25% of the audit fees impairs the auditor's opinion	88	1	6	3.98	1.304
The auditor's reputation greatly affects the audit remuneration	88	2	6	4.67	1.420
The bank's return on assets trend upwards yearly	88	5	6	5.41	.494
The bank's return on equity maintained a consistent increase on a yearly basis	88	5	6	5.47	.502
The net profit margin of the bank exhibits an upward trend yearly	88	5	6	5.50	.503
The bank's going concern outlook is not doubtful	0				
Valid N (listwise)	0				

Statistics

		Auditors receive benefit-in-kind from their clients with the view to window dressing their financial statements	Auditors assist their clients' to understate their expenses with the view to overstate the profit	Auditors did not obtain a third party evidence before expressing their opinion on the financial statements	Auditors assist their clients in the preparation of financial statements	The regulation of auditors' tenure is not a good policy for bank performance	The longer t tenural engagement auditors' t more collusi with their clien in preparation their accounts
N	Valid	88	88	88	88	88	88
	Missing	17	17	17	17	17	17

Auditors receive benefit-in-kind from their clients with the view to window dressing their financial statements

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	32	30.5	36.4	36.4
Disagree	21	20.0	23.9	60.2
fairly disagree	23	21.9	26.1	86.4
Fairly agree	5	4.8	5.7	92.0
Agree	7	6.7	8.0	100.0
Total	88	83.8	100.0	

Auditors assist their clients' to understate their clients' expenses with the view to overstate the profit

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	28	26.7	31.8	31.8
Disagree	26	24.8	29.5	61.4
fairly disagree	16	15.2	18.2	79.5
Fairly agree	8	7.6	9.1	88.6
Agree	5	4.8	5.7	94.3
strongly agree	5	4.8	5.7	100.0
Total	88	83.8	100.0	

Auditors did not obtain a third party evidence before expressing their opinion on the financial statements

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	24	22.9	27.3	27.3
Disagree	13	12.4	14.8	42.0
fairly disagree	24	22.9	27.3	69.3
Fairly agree	15	14.3	17.0	86.4
Agree	7	6.7	8.0	94.3
strongly agree	5	4.8	5.7	100.0
Total	88	83.8	100.0	

Auditors assist their clients in the preparation of financial statements

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	16	15.2	18.2	18.2
Disagree	18	17.1	20.5	38.6
fairly disagree	24	22.9	27.3	65.9
Fairly agree	12	11.4	13.6	79.5
Agree	10	9.5	11.4	90.9
strongly agree	8	7.6	9.1	100.0
Total	88	83.8	100.0	

The regulation of auditors' tenure is not a good policy for bank performance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	9	8.6	10.2	10.2
Disagree	31	29.5	35.2	45.5
fairly disagree	28	26.7	31.8	77.3
Fairly agree	15	14.3	17.0	94.3
Agree	5	4.8	5.7	100.0
Total	88	83.8	100.0	

The long tenure of auditors has greatly improved the financial statement and performance of your bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	5	4.8	5.7	5.7
Disagree	9	8.6	10.2	15.9
fairly disagree	22	21.0	25.0	40.9
Fairly agree	26	24.8	29.5	70.5
Agree	18	17.1	20.5	90.9
strongly agree	8	7.6	9.1	100.0
Total	88	83.8	100.0	

The CBN regulation insisting the tenure of auditors to 5years has greatly improved the financial statement and performance of your bank overtime

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	1	1.0	1.1	1.1
Disagree	8	7.6	9.1	10.2
fairly disagree	21	20.0	23.9	34.1
Fairly agree	17	16.2	19.3	53.4
Agree	28	26.7	31.8	85.2
strongly agree	13	12.4	14.8	100.0
Total	88	83.8	100.0	

long tenure of the bank's external auditors has generated financial audit risk by providing an inappropriate opinion or material misstatement of your bank's financial statement

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	6	5.7	6.8	6.8
Disagree	17	16.2	19.3	26.1
fairly disagree	28	26.7	31.8	58.0
Fairly agree	23	21.9	26.1	84.1
Agree	10	9.5	11.4	95.5
strongly agree	4	3.8	4.5	100.0
Total	88	83.8	100.0	

The client's fees represent more than 15% of the auditor's revenue affects the auditor's performance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	4	3.8	4.5	4.5
Disagree	7	6.7	8.0	12.5
fairly disagree	23	21.9	26.1	38.6
Fairly agree	23	21.9	26.1	64.8
Agree	22	21.0	25.0	89.8
strongly agree	9	8.6	10.2	100.0
Total	88	83.8	100.0	

The auditor also provides non-audit services to the client. The value of the non-audit is equal or greater than 25% of the audit fees impairs the auditor's opinion

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	3	2.9	3.4	3.4
Disagree	7	6.7	8.0	11.4
fairly disagree	24	22.9	27.3	38.6
Fairly agree	21	20.0	23.9	62.5
Agree	21	20.0	23.9	86.4
strongly agree	12	11.4	13.6	100.0
Total	88	83.8	100.0	

The auditor's reputation greatly affects the audit remuneration

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	9	8.6	10.2	10.2
	fairly disagree	15	14.3	17.0	27.3
	Fairly agree	8	7.6	9.1	36.4
	Agree	20	19.0	22.7	59.1
	strongly agree	36	34.3	40.9	100.0
	Total	88	83.8	100.0	

The bank's return on equity maintained a consistent increase on a yearly basis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	47	44.8	53.4	53.4
	strongly agree	41	39.0	46.6	100.0
	Total	88	83.8	100.0	
Missing	System	17	16.2		
Total		105	100.0		

The net profit margin of the bank exhibits an upward trend yearly

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	44	41.9	50.0	50.0
strongly agree	44	41.9	50.0	100.0
Total	88	83.8	100.0	

Appendix 3: Data analysis

DEMOGRAPHY ANALYSIS

Table 4. 1(a): Gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	57	54.3	64.8	64.8
	Female	31	29.5	35.2	100.0
	Total	88	83.8	100.0	
Total		105	100.0		

In table 4.1(a) 64.8% (57) of the respondents are male while 35.2% (31) are female.

Table 4.1 (b):Age of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	35	33.3	39.8	39.8
	31-40	45	42.9	51.1	90.9
	41-50	8	7.6	9.1	100.0
	Total	88	83.8	100.0	

In table 4.1 (b) 39.8% of the respondents falls within the age bracket of 18-30 years, 51.1% falls within age bracket of 31-40 years, 9.1% are within the age bracket of 41.50years

Table 4.1 (c):Marital Status of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	35	33.3	39.8	39.8
	Married	53	50.5	60.2	100.0
	Total	88	83.8	100.0	
Total		105	100.0		

In table 4.1 (c) 39.8% of the respondents are single, while 60.2% are married.

Table 4.1 (d):Educational qualification of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	School Cert	1	1.0	1.1	1.1
	Graduate	17	16.2	19.3	20.5
	Postgraduate	70	66.7	79.5	100
	Total	88	83.8	100.0	

Table 4.1 (d) showed that there is only 1 respondent who has a school certificate which is 1.1% of the total respondents, 19.3 % are graduates, while 79.5% are postgraduate holders.

Table 4.1 (e): Years of Experience of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 years	33	31.4	37.5	37.5
	6-10 years	42	40.0	47.7	85.2
	11-15 years	6	5.7	6.8	92.0
	16-20 years	6	5.7	6.8	98.9
	Above 20 years	1	1.0	1.1	100.0
	Total	88	83.8	100.0	

Table 4.1 (e) revealed that 37.5% have experiences between 1–5 years, 47.7% have experiences between 6-10 years, 6.8% between 11-15 years , 6.8% between 16-20 years and 1.1 % above 20 years

Table 4.2.1:Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.049 ^a	.002	-.009	.49675

a. Predictors: (Constant), Auditors independence

Source: Researcher computation, 2019

The model summary shows the predictive power of the model. R is the correlation coefficient between the dependent variable (observed) and the independent variable(s) (the predictor(s)). The sig of R indicates the direction of the relationship (positive or negative). The value of R range from -1 to 1. The absolute value of R indicates the strength, with larger absolute value indicating strong relationship.

In Table 4.2.1, $R = 0.049$. This means there is a positive relationship between the return on equity and total debts to total equity, while its value shows a low relationship.

The R squared (coefficient of determination) shows the degree of linear correlation of variables (goodness of fit) in regression analysis. This is the proportion of variation in the dependent variable explained by the regression model. In other words, it shows the extent to which the independent variable(s) can explain the variance in the dependent variable. The sample R squared tends to be an optimistic estimate of how well the model fits the population.

Table 4.2.1 shows an R square of 0.002, which means that auditors' independence only explains 0.2% variation in the value of return on equity while holding other independent variables constant.

Adjusted R square only adjusts for the number of variables in the regression model. Standard error of the estimate is the standard deviation of the residuals. It attempts to correct R squared to more closely reflect the goodness of fit of the model. It is also R squared value adjusted for the number of variables in the regression model. The value of Adjusted R in this table is -0.009.

The standard error of estimates is the standard deviation of the residuals. As R squared increases, the standard error of the estimate decreases. In other words, a better fit leads to less estimate error. It is an important indicator of how precise an estimate of the population parameter the sample statistic is.

Table 4.2.2: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.051	1	.051	.207	.650 ^b
	Residual	21.222	86	.247		
	Total	21.273	87			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Auditors independence

Source: Researcher computation, 2019

The ANOVA table tells us the overall significance of the model. The F-statistic is the regression mean square (MSR) divided by the residual mean square. F-Statistics determine

whether the model is a good fit for the data based on its significance level. A significant value of F- statistics shows that the model is better at predicting the outcome value of the dependent variable than its average. If the significance value of the F-statistics is smaller than 0.05 then the independent variable(s) is significant to explaining the variation in the dependent variable and the null hypothesis is accepted. Table 4.2.2 show an F-statistics value of 0.207 and a p-value of 0.650 which is more than 0.05. It suggests that there is no significant relationship between financial performance and auditors' independence. H_0 is therefore accepted and H_1 rejected.

Table 4.2.3: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.464	.132		41.435	.000
	Auditors independence	-.018	.039	-.049	-.455	.650

a. Dependent Variable: Financial performance

Source: Researchers' computation, 2019

The standardized coefficients or beta is an attempt to make the regression coefficient more comparable. It provides a useful way of seeing what impact of changing the explanatory variable by one standard deviation it will have on the dependent variable. It is usually equal to the correlation coefficient between the variables.

Table 4.3.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.027 ^a	.001	-.011	.49717

a. Predictors: (Constant), Auditors tenure

Source: Researcher computation, 2019

In Table 4.3.1, R value is 0.027. This means that the positive correlation between the return on equity and total debts to total assets is 2.7%. The R square value is 0.001 (0.10%) meaning that auditors' tenure can only explain 0.10% variation of financial performance while holding other independent variables constant.

Table 4.3.2 : ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.015	1	.015	.062	.805 ^b
	Residual	21.258	86	.247		
	Total	21.273	87			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Auditors tenure

Source: Researcher computation

Table 4.3.2 show an F-statistics value of 0.062 with a p-value of 0.805. This is more than 0.05 (5%) significance level. This suggests the adoption of H_0 of no significant relationship and the rejection of H_1 of significant relationship between financial performance and auditors' tenure.

Table 4.3.3: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.344	.266		20.103	.000
	Auditors tenure	.017	.067	.027	.248	.805

a. Dependent Variable: Financial performance

Source: Researcher computation, 2019

Table 4.4.1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.034 ^a	.001	-.010	.49706

a. Predictors: (Constant), Audit fees

Source: Researcher computation, 2019

Table 4.4.1 showed a positive but low relationship between the auditors’ remuneration and financial performance of banks. The R squared depicted a variation of 0.10% in financial performance attributed to audit fees.

Table 4.4.2: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.025	1	.025	.100	.753 ^b
	Residual	21.248	86	.247		
	Total	21.273	87			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Audit fees

Table 4.4.2 showed the F-statistics value of 0.100 with a corresponding p-value of 0.753. This suggests no significant relationship between audit fees and financial performance in banking industry. This signifies the acceptance of H₀ of no significant relationship and the rejection of H₁ of significant relationship.

Table 4.4.3: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.478	.225		24.358	.000
	Audit fees	-.017	.054	-.034	-.316	.753

a. Dependent Variable: Financial performance

Table 4.51: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.083 ^a	.007	-.029	.50149

a. Predictors: (Constant), Auditors independence, Audit fees, Auditors tenure

Source: Researcher’s computation, 2019

Table 4.5.1 showed an overall R value of 0.083 (8.3%) meaning a low positive relationship between the dependent variable (financial performance) and the independent variables (auditors’ independence, audit fees and auditors tenure). The R squared value of 0.007 (0.7%) meaning that the variation in financial performance can be explained by the independent variables to the tune of 0.07%.

Table 4.5.2: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.147	3	.049	.195	.900 ^b
	Residual	21.126	84	.251		
	Total	21.273	87			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Auditors independence, Audit fees, Auditors tenure

Source: Researcher’s computation, 2019

Table 4.5.3:

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.440	.299		18.176	.000
	Audit fees	-.033	.062	-.066	-.524	.602
	Auditors tenure	.043	.079	.069	.544	.588
	Auditors independence	-.021	.040	-.058	-.523	.603

a. Dependent Variable: Financial performance

Source: Researcher's computation, 2019

Table 4.5.3 shows the overall result of each variable contribution to the model. All the variables showed insignificant contribution to the models with p- values of 0.602 for audit fees, 0.588 for auditors' tenure and 0.603 for auditors' independence.

Therefore:

$$FP = 5.440 + (-0.033) (AR) + 0.043(AT) + (-0.021) (AI) + et$$