

**IMPACT OF AUDIT QUALITY ON THE FINANCIAL  
PERFORMANCE OF DEPOSIT MONEY BANK IN NIGERIA**

*By*

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### **CERTIFICATION**

This is to certify that this research work has been completed by **JIMOH, Abdulkadir** with matriculation number HND/23/ACC/FT/0583, approved and submitted to the Department of Accountancy in partial fulfillment for the Award of Higher National Diploma (HND) in Accountancy in the Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic, Ilorin.

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## **DEDICATION**

This project work is dedicated to Almighty God and my beloved parents for always been there for me. Thanks for all you do.

## **ACKNOWLEDGEMENT**

To God be the Glory, great things he hath done First and foremost, I thank Almighty God for sparing my life to this moment with which I started with National Diploma then Higher National Diploma and successfully through with it. It had been God all the way and I say may all glory, honour, praise, thanks and adoration be unto Almighty God.

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Also to all my friends and colleagues and others.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study**

The sudden collapse of firms shortly after the publication of juice profits has generated a series of questions from the stakeholders. The most worrisome part of the narrative is that many collapsed companies were audited by external auditors and were given a clean report. This anomaly has necessitated tightening regulations, standards, and modification of corporate governance mechanisms (Umobong & Ibanichuka, 2020). Therefore, existing studies have argued that investors ascribe more values to higher financial reporting quality than firms with lower financial reporting qualities; thus, they are willing to pay more for shares of firms with higher financial reporting quality (Elliott, Fanning, & Peecher, 2020). Audit firm size is fundamental to a firm's performance as an objective audit based on stakeholders' confidence in the integrity and credibility of financial reports (Ado, Rashid, Mustapha, & Ademola, 2020). Financial reports become relevant, transparent and dependable when prepared in compliance with accounting standards and the opinions are formed on them in compliance with audit principles. Companies' annual reports are not expected to mislead stakeholders but rather provide information that is recent and supported by footnotes to assist its clarifications (Hasan, Kassim, & Hamid, 2020). Audit firm size reduces earnings management and significantly moderates the relationship between the audit firm size and financial reporting (Hasan et al., 2020).

Financial reporting quality has become a center of focus for researchers and stakeholders due to Accounting standards convergence, accounting standards harmonization, economic crises, growth in disclosure requirements, and mainly because of the various accounting scandals, among others (Herath & Albarqi, 2020). A sound financial system drives economies all over the world. The financial system plays a financial intermediation role between the surplus sector and the deficit sector of an economy, especially in emerging economies like Nigeria. In the recent past, deposit money banks (DMBs) in Nigeria have undergone restructuring. The various restructuring has resulted in the takeovers and mergers of some of the deposit money banks due to their operational and quality management system problems. The operational and quality management system of banks is reported in the audited financial reports. This argument

connotes that audit procedures in generating audited financial statements should meet the required standards. Thus, the need to ensure that banks' audit procedure is correctly done to avoid misappropriation and incidence of fraud.

Primary responsibility for audit firm size rests with auditors, but each stakeholder plays a vital role in supporting high-quality financial reporting. Window dressed accounts raised concerns about the credibility of financial reports due to the collapse of many blue-chip companies. Examples of such corporations include; the energy corporation ENRON in 2001; WorldCom, Global Crossing, and Rank Xerox are other companies in the USA with a similar problem; Parmalat in Italy and Allied Nationwide finance in New Zealand among others across the globe (Adeyemi, Okpala, & Dabor, 2021).

However, financial statements are prepared to provide useful information to shareholders and other users of accounting information in making economic and business decisions (Lechukwu, 2020). The information is used to evaluate the financial conditions, the performance of related companies, and the performance of management (Ahmed and Hossain, 2022). Generally, the quality of financial reporting is dependent on the role of the external auditors in supporting the quality of financial reporting of companies quoted in the Nigerian Stock Exchange (Farouk and Hassan, 2023). The essence of a financial statement audit is to condense information asymmetry and also protect the interest of shareholders through the provision of realistic assurance that information provided in the financial statement by the management is free from material misstatement (Farouk and Hassan, 2023).

In nutshell, impact of audit firm size on the financial reporting qualities of deposit money bank in Nigeria

## **1.2 Statement of the Research Problem**

There has been a serious debate among scholars: Egbunike and Abiahu (2020); Ilaboya and Ohiokha (2024); Badawi (2022); Onaolapo and Ajulo (2020); Kho, Choi, and Woo (2024); and Enofe (2022) among others on the effect of audit firm size on quality management system in both developed and developing countries. However, the effect of audit firm size on quality management system is not without discordant results in the empirical literature. The dominant view among scholars as well as public policymakers is that audit firm size can play important role in enhancing the rate of quality management system of companies because it will enable



investors to confidently rely on the information provided in the financial statement and make a decision that will enhance financial performance.

However, Badawi (2022) and Enofe is to examine the impact of audit firm size on the quality management system of DMBS in Nigeria. (2022) posit that the quality of reported earnings and the ability of audit firm size (which can be influenced by audit firm size, audit report lag, audit fee, audit specialty, audit tenure among others) to effectively constrain earnings misrepresentation and financial statement manipulations of companies across the world and Nigeria in particular, have become considerably questionable due to recent corporate accounting scandals. Differences in Audit firm size such as audit firm size, audit report lag, audit fee, audit specialty, audit tenure among others result in variations in the credibility of auditors and the reliability of the earnings reports of companies (Onaolapo and Ajulo, 2020).

The recent corporate financial scandals pose a great challenge to the veracity, credibility, utility, or value relevance of the audit function. A typical example of a financial statement malfunction is the popular case of Enron. Enron was one of the largest energy companies in the US. By fraud and bribery, Enron executives avoided income taxes, and this lead to the downfall of this multi-billion dollar firm. Also, in Nigeria, corporate scandals include the cases of Cadbury Nigeria Plc, Lever plc now Unilever in (1998) and African Petroleum in (2000) (Onaolapo and Ajulo, 2020);

Savannah Bank and African International Bank, Wema Bank, Nampak, Finbank and Spring Bank (Adeyemi and Fagbemi, 2022); and more recently Intercontinental Bank Plc., Bank PHB; Oceanic Bank Plc. and AfriBank Plc. These are known publicly reported cases that resulted in misleading financial reports. There is therefore a concern about the quality of accounting income and its relationship with the quality of the auditing process which has been observed to increase over time following the periodical clusters of business failures, frauds, and litigations.

The issue

is whether these corporate collapses are not the outcome of poor audit firm size and the inability of the audit function to arrest earnings misreporting and financial misstatements, hence, the need for the study.

### **1.3 Research Questions**

- i. Does audit firm size influence the audit fee of deposit money banks in Nigeria?

- ii. Does quality management system influence the statement of cash flow of deposit money banks in Nigeria?
- iii. Does audit audit report lag influence the quality management system of deposit money banks in Nigeria?

#### **1.4 Objectives of the study**

The main objective of the study is to examine the impact of audit firm size on the quality management system of deposit money banks in Nigeria.

The following are the sub-objective for this study:

- i. To determine the influence of audit firm size on the audit fee of deposit money bank in Nigeria.
- ii. To find out the influence of quality management system on the statement of cash flow of deposit money banks in Nigeria.
- iii. To investigate the influence of audit report lag on the quality management system of deposit money bank in Nigeria.

#### **1.5 Research Hypothesis**

Ho1: There is no significant relationship between audit firm size and the audit fee of deposit money bank in Nigeria.

Ho2: There is no significant relationship between quality management system and statement of cash flow of deposit money bank in Nigeria.

Ho3: There is no significant relationship between Audit Report Lag and effective tracking process of deposit money bank in Nigeria.

#### **1.6 Significance of the study**

The study is important for many reasons. The following are the major stakeholders this research work through its practical and theoretical implications and findings will be of great significance:

Firstly, the research work will benefit major stakeholders and policy makers in the Banking sector. The various analysis, findings and discussions outlined in this research work will serve as a guide in enabling major positive changes in the industry and sub-sectors.

Secondly, the research work is also beneficial to the organizations used for the research. Since first hand data was gotten and analysed from the organization, they stand a chance to benefit

directly from the findings of the study in respect to their various organizations. These findings will fast track growth and enable productivity in the organisations used as a case study.

Finally, the research work will serve as a guide to other researchers willing to research further into the subject matter. Through the conclusions, limitations and gaps identified in the subject matter, other student and independent researchers can have a well laid foundation to conduct further studies.

### **1.7 Scope of the study**

This study will be limited to only listed DMBS in Nigeria and it covers a period of six (6) years from 2018 to 2023. The listed DMBS in Nigeria are: Guarantee Trust bank plc, Jaiz bank plc, and Access bank plc. The period is considered appropriate to give the latest period of the study in Nigeria. The justification for taking this period is to determine the impact of audit firm size on return assets from the most recent financial crisis that has bedeviled the banking sector from 2018 to 2023.

### **1.8 Limitation of this Study**

In the process of this research, researcher come across many challenges which include but limited to; time constraint, and cost of materials. Thus, the time giving for the research is too limit since researcher need to attend to other courses apart from project. Finally, cost of material is another problem encountered by the researcher, there is needed to source for effective material so as to ensure efficient work of the study.

### **1.9 Definition of the key terms**

Audit quality: It is a process of systematic examination of a quality system carried out by an internal or external quality auditor or an audit team. It is an important part of of an organization's quality management.

Quality audits are performed at predefined time intervals and ensure that the institution has clearly defined internal system monitoring procedures linked to effective action. This can help determine if the organization complies with the defined quality system processes and can involve procedural or results-based assessment criteria.

Financial performance: It is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare

similar firms across the same industry or industries in aggregation. Items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales.

Audit fee: can be explained to be the amount charged by the auditor for an audit assignment carried out.

Audit firm size:

Audit fee: this is the payment made to an auditor or accounting firm for the professional services they provide during an audit engagement.

Statement of cash flow: this is the process of providing useful determining the short-term viability of a company, particularly its ability to pay bills.

Audit systematic process: this systematic is structured approach used to assess an organization's operations, controls, and processes to ensure they are effective, efficient, and compliant with relevant standards and regulations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

This section deal with review of literature which insinuate on the work of past and present authors based on subject matters “Impact of audit firm size on the financial reporting qualities of deposit money bank in Nigeria”. Thus, the section was arranged with the following headings: Conceptual Framework that explain the concept of cost and other relevant concepts; Theoretical framework that states many theories out of which adopted one that is suitable for the study; and empirical review that study related headings based on the subject matters

#### **2.2 CONCEPTUAL FRAMEWORK**

##### **2.1.1 Concept of Audit firm size**

Audit firm size plays an important role in maintaining an efficient market environment; an independent quality audit underpins confidence in the credibility and integrity of financial statements which is essential for well -functioning markets and enhanced quality management system (Musa & shehu 2024).

Audit firm size can be explained to be the amount charged by the auditor for an audit assignment carried out. That is, the amount charged by the auditor for any work done in order to express opinion on the true and fair state of affairs or position of the client’s enterprise ( Onaolapo, Benjamin, & Olayinka,2020). Furthermore, Novie (2023) opined that audit firm size is the amount of money charged by a public accountant to the client for the financial audit services they rendered to them. This is in agreement with what is stated in the Securities and Exchange Commission final rule and Fitriany and Viska (2022) asserted that the audit firm size is the fees paid for annual audits and reviews of financial statements for the most current fiscal year. The amount of audit firm size can vary depending on the complexity of services, assignment risk, the cost structure of public accountants firm, the required level of expertise, and other professional considerations. The size of the audit firm is considered as the most important criterion used in the empirical literature to assess the quality of the external audit. It is generally accepted that the Big4 produce better quality audits (Tarak, 2022). In addition, Chalmers and Godfrey (2021) show that the Big4 help, on the one hand, reduce the

problem of the information asymmetry between the managers and the shareholders, and on the other hand, improve the quality of the accounting income of their customers.

Timeliness of corporate annual financial reports is considered to be a critical and important factor affecting the usefulness of information that is made available to external users. Given, auditors' quality adds a significant value to investors in capital markets because they often use audited financial statements by auditors as the main basis for investment decisions (Sudsomboon & Ussahawanitchakit, 2021). It therefore, seems well appropriate to understand the effect of control as provided by certain governance structures, and the requirement for a distinct external auditor's characteristics on timeliness.

### **2.2.2 Audit Firm Size**

Audit firm size is operationally defined as the ability of a sampled Deposit Money Banks in Nigeria to employ the services of any of the Big 4 audit firms in Nigeria. The Big 4 audit firms in Nigeria are KPMG, EY & Young, PricewaterhouseCoopers (PWC), Akintola Williams, and Deloitte (Egbunike and Abiahu, 2020). Some researchers believe that the big four (KPMG, EY & Young, PricewaterhouseCoopers (PWC), Akintola Williams, and Deloitte) have better access to advance technologies and specialist staff when compared to non-big 4 firms. DeAngelo (1981) theorizes that larger firms perform better audits because they have a greater reputation at stake. In addition, because larger firms have more resources at their disposal, they can attract more highly skilled employees.

### **2.2.3 Audit Fees**

The audit fee is the economic remuneration for auditors who provide audit services, which are agency fees according to certain standards. The audit fee includes the total cost of the audit through the overall audit work, the risk compensation, and the profit demand. During the actual audit work, the audit fee influences not only audit firm size but also the development of accounting firms and the audit industry (Siheng, 2020). Theoretically, the amount of fees for audit services that a client firm pays to its audit firm reflects the level of audit work the latter has to perform in the auditing process. The definition of this level of work embodies the auditor's assessment of the process's complexity and the desired level of risk. In the work of Moutinho (2021), all other things considered, if an auditor wishes to decrease the risk of issuing a clean opinion when there are materially relevant distortions in the client's financial

statements, he generally acts as the nature, extent, and timing of audit procedures, which, naturally, influence the final amount of required fees.

#### **2.2.4 Audit Report Lag**

Audit report lag is the number of days from the accounting year-end of a company and the audit report date. As an important information conciliator, an audit report is all the time a focus of audit firms, companies, regulators, and investors. According to Boyne and law (1991) cited in Yuniarti (2023), the annual report is a vehicle for discharging accountability while Bamber, Dchederbek, and Bamber (1993) conclude that audit delays are increasing function of the extent of audit work; decreasing function of incentives to provide a timely report, and increasing function of the extent to which an auditor employs a structured audit approach. Also, Dibia and Onwuchekwa (2023) unveiled that undue audit lag reduces the quality of financial reporting by not providing timely information to investors and prospective investors. In other words, the delay in the audit report can make investors lose confidence in the report presented and compound the agency problem.

#### **2.2.5 Return on Assets (ROA)**

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings (Gallo, 2022). ROA tells what earnings were generated from invested capital (assets). 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.

The ROA figure gives investors an idea of how effective the company is in converting the money it invests into net income. The higher the ROA number, the better, because the company is earning more money on less investment. ROA is most useful for comparing companies in the same industry, as different industries use assets differently. For example, the ROA for service-oriented firms, such as banks, will be significantly higher than the ROA for capital-intensive companies, such as construction or utility companies. ROA simply shows how effective your company is at using those assets to generate profit. This ratio is more useful in

some industries than in others, partly because how much money your business has tied up in assets will depend on your industry.

### **2.1.6 Quality management system**

The quality management system of entities, public or private, governmental or non-governmental, plays an important factor, especially due evaluation and assessment. It is a basis for consideration by investors, potential and actual, as attraction of capital, as well as payment of dividend, interest, among others, depend largely on a positive and favorable financial performance. In finance literature, profit maximization objective of the firm is usually said to be inconsistent with wealth maximizing objective. This is because of varying definitions of profit, which appear vague and skewed in a way, the latter seem to enjoy consensus among finance scholars; hence the basis upon which basic financial management decisions are adjusted. However, the profit maximization objective of the firm is still popular, despite its apparent criticism. According to Santoe and Brito (2021) Cited in Phan, Laile and Tran (2020), quality management system is a multi-dimensional concept with different approaches adopted by varying studies in its measurement. Among these measurement basis, profitability-related bases, that is, excess of income over expenses, is prominent (Lliemena & Okolocha 2019). However, contrary to the shareholders' view of profitability, but similar to the study of Enekwe, Nwoha and Udeh (2020), this study adopted the stakeholders' theory by adopting free cash flow approach, that is, ratio of cash flow from operating activities to total assets.

## **2.3 Theoretical Framework**

The study is anchored on agency theory and the auditor's theory of inspired confidence

### **2.3.1 Agency theory**

Agency theory can be traced to Jensen and Meckling in 1976. Risk-sharing among individuals or groups was explored by Jensen and Meckling and it was discovered that risk-sharing problems usually arise as a result of the differential attitude of co-operating parties towards risk. The risk-sharing literature encompasses the agency problem that results when co-operating parties (individuals and or groups) have different objectives and attitudes to the division of labor (Jensen and Meckling, 1976). Eisenhardt (1989) further opined that agency theory was extended to the areas of management to determine how the objectives of individuals



in an organization could be harmonized and used to achieve the corporate goals of the organization. During the period of 1980s, agency theory was also used extensively in managerial accounting to ascertain the inducement that exists among individuals or groups in an organization and use accounting mechanisms that are appropriate to control their behaviors and actions (Demski and Dye, 2023). Using appropriate mechanisms to harmonize the interest of individuals in an organization towards enhancing organizational quality management system is the main concern of the study.

Agency theory, therefore, involves the relationship or the interaction between the principal and the agent. Usually the principal; employ the agent to function on his or her behalf. The agent is expected to represent the principal in specific business activities and he or she is expected to do so without compromising the interest of the principal (Namazi, 2023). Akintoye (2022) opined that the shareholders and the management represent the principal and the agent respectively. Both the shareholder and the management are expected to maximize their satisfaction. It,

therefore, implies that conflict of interest among the agent and the principal may put them apart. The incompatibility of the interest of the shareholders and the management will lead to financial losses and inefficiency in the organization. This will result in having a problem between the agent and the principal. The problem between the agent and the principal will arise when their interest is in conflict. It, therefore, becomes imperative for corporate organizations to use the audit to resolve this principal-agent problem.

The agency theory assumes that the principal and the agent are motivated by self-interest. This assumption of self-interest may result in conflict between the agent and the principal since the agent is more likely to pursue his or her objectives to the detriment of the shareholders or principal's objectives. To ensure that the agents pursue the interest of the principal, their activities need to be monitored and managed more effectively. Anthony, Sridharan, Farshid, and Braendle (2021) argue that agency theory also assumes that if the principal and the agents are mainly concerned about maximizing their wealth, agents are likely going to act their self-interest rather than the interest of the principal. To make agents act in the interest of the principals, there is the need to put in place mechanisms such as an audit to scrutinize and manage the decisions of agents to ensure the objective of such decisions aligns with

shareholders' interests. In relation to the study, the agency theory is considered useful in explaining the effectiveness of corporate owners' strategy of using auditing as a means of reducing managerial excesses and waste of organizational resources. The theory creates confidence in business dealing and enhances the euthenics of the information disclosures by the management of banks as the less informed party will have to demand information.

There is thus an expected positive relationship between audit firm size and quality management system based on the predictions of agency theory.

### **2.3.2 Auditors Theory of Inspired Confidence**

The auditors' theory of inspired confidence as developed by the Limperg Institute in the Netherlands in 1985 offers a linkage between the users' requirement for credible and reliable financial reports and the capacity of the audit processes to meet those needs. It sees through the development of these needs of the public (stakeholders) and the audit processes over time. The theory of inspired confidence states that the auditor, as a confidential agent, derives his broad function in society from the need for expert and independent examination as well as the need for an expert and independent judgment supported by the examinations. Thus, accountants and auditors are expected to know and realize that the public continues to expect a low rate of audit failures. This requires that the auditors must plan

and perform their audit in a manner that will minimize the risk of undetected material misstatements. The accountant is under a duty to conduct his work in a manner that does not betray the confidence that he commands (Limperg Institute, 1985).

The basic assumption of the theory of inspired confidence is that the duties and responsibilities of the auditors are a derivation from the confidence that is bestowed by the public on the success of the audit process and the assurance that the opinion of the accountant conveys. Since this confidence determines the existence of the process, a betrayal of the confidence logically means a termination of the process or function. Carmichael (2021) in discussing the social significance of the audit stated that when the confidence that society has in the effectiveness of the audit process and the audit report is misplaced, the value relevance of that audit is destroyed. Therefore, auditors are expected to maintain reasonable quality assurance especially given that an audit failure is effectively a career-ending event.

Both agency theory and auditors' theory of inspired confidence provide assurance to the owners and management of companies and investors and stakeholders, and along with financial reporting, corporate governance, and regulations, supports confidence in the capital markets.

## **2.4 Empirical Review**

Mustafa and Abdulwahab (2018) examined the nexus between audit firm size and firm performance for listed oil and gas firms in Nigeria. The study employed secondary source of data and the annual reports and accounts serving as the main source of data collection. The study finds that there is insignificant relationship between audit firm size proxies are significantly and positively related to firm value, a measure of audit firm size (audit firm tenure) is found to be negatively related to Tobin's Q.

Ahmad and Qasim(2020) investigate the effects of auditor quality on the firm performance in Kenya. Study analyzed the annual reports for 112 companies for 2021-2023. The auditor quality is measured by big or non-big for audit firm and audit timeliness. The data of the study was collected from secondary source and analyzed using multiple regression techniques. The findings of the study indicate that there are negative and significant relationship between audit timeliness and quality management system of the companies.

Egbunike and Abiahu (2020) examined the effect of audit firm reports on the quality management system of money deposit banks in Nigeria covering the period 2022 through 2024. The study used ex post facto and correlational research design while the data collected were analyzed using multiple regression analysis. The study found that audit firm size has a significant effect on the return on assets of Nigerian banks; audit fee and audit report lag had no significant influence on return on asset, earning per share, and net profit margin of Nigerian banks. The study recommended mandatory rotation of auditors as a significant factor in safeguarding auditor's independence and improving the quality of audit; and the establishment of corporate governance principles that address issues relating to board independence and committee sizes to guide activities in the banking sector.

Onaolapo and Ajulo (2020) examined the effect of audit fees on audit firm size in Nigeria using a sample of listed cement companies on the floor of the Nigerian Stock Exchange. In specific terms, the study investigates the relationship between audit fee, audit tenure, client size, leverage ratio, and audit quality. The Ordinary Least Square Model estimation technique was

employed to analyze the relationship between the explanatory variables and the dependent variable. Secondary data derived from the published annual reports of the selected companies for six years (2022-2015) was used for the study. Findings from the study show that audit fee, audit tenure, client size, and leverage ratio exhibit a joint significant relationship with audit firm size given coefficient of determination ( $R^2$ ) being 0.6006 and a combined p-value of 0.001 and  $F_{calc}=7.14$ . This implies that the predictive power of the independent variables as used to explain changes in audit firm size is about 60%. Audit fee in particular shows a significant positive impact on audit firm size with  $t$  and  $p$ -values of (4.04 and 0.001) respectively as well as a high positive correlation coefficient of 0.7513 with audit quality. The study recommends that Government through the various professional bodies should develop robust policies that will help improve audit firm size in Nigeria.

Ilechukwu, (2020) examined the effect of audit fees on audit firm size using a sample of selected firms from the consumer goods sector in Nigeria within the period of 2023 and 2022. The core explanatory variables employed were the audit fee and audit tenure. Added to these explanatory variables were the control for firm size, profitability, and leverage. The pooled data OLS regression technique was employed for data analyses. The results showed that audit fees and other explanatory variables determine 38% of the audit firm size of the selected firms. Specifically, the study found that audit fees, client profitability, and financial leverage have a positive but insignificant effect on audit firm size in the consumer goods sector of quoted firms in Nigeria. However, audit tenure and client size have a significant positive effect on audit firm size in the consumer goods sector of quoted firms in Nigeria. The study thus concludes that the quality of firm audit is significantly enhanced by the length of audit tenure and client size, much

more than the amount of audit fee, firm profit, and leverage. It is recommended that firms should contract audit firms for longer than three years to encourage the quality of audit reports. Fitriany and Anggraita (2022) investigated the economic bonding between auditor and client by examining the association between abnormal audit fees and audit quality. The study employed the natural log of actual fees paid to auditors for their financial statement audits as a dependent variable while the independent variables included total assets (firm size), number of business segments, number of geographic segments, inventory and receivables,

number of employees, firm report a loss, leverage, return on assets, firm liquidity, the use of the Big4 auditors, tenure, book-to-market ratio, and sales change. The multiple regression model showed that positive abnormal audit

fees are negatively associated with audit firm size and imply that the audit fee premium is a significant indicator of compromised auditor independence due to the economic auditor–client bonding. Audit fee discounts could also

increase audit quality, maybe due to the mandatory audit firm rotation and high audit market competition in Indonesia, so that the auditor must keep their independency and high audit firm size to maintain a good reputation.

Okolie and Izedonmi (2024) inquired whether Audit firm size has any significant relationship with Market Value per Share of companies in Nigeria. Archival data were extracted from annual reports of 57 companies quoted on the Nigerian Stock Exchange (NSE) between 2006 and 2023. Audit firm size was estimated using Audit Firm Size, Audit Fees, Auditor Tenure, and Audit Client Importance. Market Price per Share (MPS) was derived directly from CSCS Cash – Craft. Multiple regression analyses were conducted on the data. The results of the tests show that Audit Quality exerts significant influence on the MPS of quoted companies in Nigeria. To improve the quality of audit and minimize earnings manipulations by firms in Nigeria, the study recommended that regulatory agencies - professional

accountancy bodies, Financial Reporting Council of Nigeria, the National Assembly, and Securities and Exchange Commission should issue authoritative standards and framework for audit quality; companies should improve their

earnings quality only through sales growth, cost control, and cost reduction strategies; companies in Nigeria should present distinct statements of earnings quality while auditors should conduct earnings quality assessment and issue

Integrated Audit firm size Assurance Report by adapting or adopting current best practices statutorily backed by earnings monitoring of companies in Nigeria.

Dibia and Onwwuchekwa (2023) studied an examination of the audit report lag of companies quoted in the Nigeria stock exchange for the period 2022 to 2023. The investigation was conducted on a pooled sample of 60 firms across industries (Construction, Breweries, Oil & Gas, Health care, Packaging, Insurance, Publishing, Food Products, Automobiles, Hotel &

Tourism, Real Estate, Mortgage, ICT, Agro-Allied, Building Materials, Conglomerates, Courier and Banking). The results show that the age of a company and total asset has a significant impact on audit report lag in Nigeria. However, the result indicates that Firm size and firm switch have no significant relationship with audit report lag in Nigerian companies. The recommended that further research area on audit report lag should increase the sample size and also the number of years under investigation. Also, Policymakers should look into the audit report lag of quoted companies in Nigeria and formulate policies to enforce compliance. This will assist in boosting investors' confidence and also guide them in taken timely quality decisions either to invest or de-invest.

Moutinho (2021) examined the relationship between audit fees and firm performance using a sample of US publicly traded non-financial firms covering the period from 2000 to 2022. The study employed a fixed-effects model to estimate firm operating performance. The model included standard control variables such as size, leverage, sales growth, and research and development intensity. The study found a significant relationship between audit fees and firm performance. The study recommended the need to increase audit fees to enhance firm performance.

Yuniarti (2023) examined audit firm size, audit fee, and audit firm size of 24 Bandung firms in 2021 using the ordinary least square regression method that was stated in its multiple forms. The study found that higher audit fee increases and improve audit firm size due to auditor's effort. The study recommended that accounting firms should enhance the amount of audit fees that lead to higher audit quality.

Umaru, (2023) examined the impact of audit firms' attributes on the financial reporting quality of quoted building material firms in Nigeria. The study employed a correlation research design using a sample of four listed building material firms for the period of ten years (2002-2023). The Ordinary Least Square (OLS) multiple regression techniques were employed in the analysis of the panel data collected for the study. The study found that audit compensation and audit firm independence have a significant and positive impact on the financial reporting quality of quoted building material firms in Nigeria at a 99% confidence level.

Oladipupo (2023) investigated the extent of audit lag in Nigeria covering forty selected companies. Both univariate and multivariate analyses were performed on the data collected.

The study observed that; audit delay ranged from 16 to 284 days; Nigeria listed companies take approximately four months on the average beyond their balance sheet date before they are finally ready for the presentation of the audited accounts to the shareholders; That profitability, total assets, total debt, total equity, audit fees, and industry type have no significant impact on audit delay.

Matokeand omwenga (2022) examined the relationship between audit firm size and quality management system of listed companies in Nairobi securities Exchange with prime intention of establishing the influence of size of the audit firm on the quality management system of listed companies in NSE Data from the ICPAK indicates that there are a total of 826 CPAs working in the 9 listed companies in Kenya. The study used simple random sampling to select 89 respondents since the study population was homogeneous. Both primary and secondary was used. Data was analysed by multiple linear regression analysis. Findings of the study indicate that the effect of audit firm size on quality management system is positive and significant.

Amir, Einhorn and kama (2022) investigated the impact of audit firm size on the performance of firms in international setting. They found that international choice of home based big 4 or 5 specialist auditors is positively associated with audit quality, capital intensity and membership in a regulated industry. The study also documents that performance of the firms is negatively affected by audit report time lines. In a similar empirical study, Kanageretnam, Lim and Lobo (2022) also investigate the effects of audit firm size on performance of firms, using 29 countries, the finding of the study reveal that audit report time lines has a significant and positive relationship with performance of firms.

Tarak (2022) conducted a study to examine the relationship between audit systematic process as of the factors of audit and accounting profit of a sample of Tunisian firm listed on the TSE for the period of 2005 to 2019. The findings of the study revealed a positive and significant relationship between the Big 4 auditors and the quality of the accounting profits as measured by the results management the profit relevance and the accounting conservatism. This means that the large audit firms produce higher quality service because they have better techniques and well – informed human skills.

Kareem, Ani and Mohamed (2015) examined the relationship between audit firm size and financial performance. Audit firm size was measured using auditor size and audit firm

size meeting frequency. The result shows that audit firm size has both a direct effect as well as a mediated effect through audit size on . The results imply that measures of audit firm size are not merely symbolic but they contribute to financial performance.

Anginer, Nararayan, Schipani and Seyhun (2015) examined the relationship between audit systematic process and performance of firms in new zealand employing three multi regression models for a sample of new zealand companies, this study discovered that the size of the audit firm has a positive and significant relationship with the quality management system of the firms. This implies that the performance of companies audited by big unit firms increase for better than those firms audited by small audit firms.

Sayyar et al (2015) examined the relationship between audit firm size and firm performance of sample 542 listed companies listed on bursa Malaysia over a period of ten years which comprise 2003 to 2021. The data of the study was collected from the annual reports of the sampled companies. The data was analyzed using ordinary least square of estimation and the finding of the study showed that audit fees is significantly and negatively related to return on assets as a measure of firm performance. Furthermore. The findings of the study showed that audit firm rotation is significantly and mega there related to return on assets and insignificantly related to firm value, suggesting that companies that have audit firm rotation are more unlikely to have higher return on assets.

In a study conducted by Antonio and Arquimedes (2024) to examine the relationship between audit firm size and firm performance. The study used secondary data in the process of data collection that is annual reports and financial statements of 300 largest firm listed on the Sanpaolo stock, commodities and futures exchange (BM&F Bovespa) between 2021 and 2023 were employed the data of the study was analyzed by descriptive statistics, correlation matrices of the variables and regression was run. The finding of the study revealed that there is significant positive relationship between audit fees and firm performance. This implies that as audit fees increases, the performance of firm also increases

Onwuchekwa. Erah and Zedonmi(2021) conducted a study to examine the relationship between quality management system and quality management systemand its impact on the quality management system of an organization the data of the study was generated from both primary and secondary data and percentage was used in the analysis for the data. The finding of the



study revealed that mandatory quality management system has positive and significant relationship with independence of auditors and quality management system of the firms therefore, they recommended that quality management system improve independence of auditors and auditor's rotation should be mandatory since it will impact on the quality management system of organization.

Enekwenwoha and Udeh (2020) also provided empirical evidence on the relationship between audit firm size and performance using a sample size of 24 out of a total of 80 quoted manufacturing firms. Audit firm size measures that were adopted are auditor independence size of audit committer audit fees while ROA measures firm performance. Leverage, systematic process and cash flow from operating activities were adopted as central variables auditor independence size of audit committer display positive and significant relationship while audit fees bear negative and significant association with firm financial performance. Control variables of leverage depict negative and significant but audit report lag and cash flow from operating activities bear positive and significant relationship with firm performance.

Hind Duai and Essia (2021) studied the effect of audit fees on audit firm size on Nigeria using a sample of NSE listed cement businesses. The study compares audit fee, tenure. Client size, leverage ratio and audit firm size analyzing the link between explanatory variables and the dependent variables used the ordinary least squares model. The study analyzed secondary data from 2022 – 2015 annual reports of chosen companies. Audit firm size audit tenure client size and leverage ratio demonstrate a shared significant commotion with audit firm size audit firm size has a favorable impact on audit firm size with at and p-values of (4.04 and 0.001) and a positive cumulation of 0.7513. the study purposes that the government adopt comprehensive policies to improve Nigeria's audit quality.

Babatunde, Adedeji and Adegbite (2021) examine the impact of audit firm size on the performance of deposit money banks (DMBS) in Nigeria. The result revealed that both audit firm size and auditor size show a positive and significant relationship with accounting measure of banks performance (ROA). Conversely, the audit fees and size have positive but not significant effect on market measure of performance; Tobin's Musa and Sushi (2024) in their research reveal that the final statement audit is an important tool for reducing information asymmetries and maintaining an efficient market environment. The study is descriptor in nature

and the correlational and ex-post facto designs were adopted in carrying out this research. Data were obtained basically from the published annual reports and accounts, and notes to the financial statement of the study. The data collected were quantified and presented in tables. Multiple regression analysis using the SPSS version 15.0 was employed in analyzing and data and testing the stated hypothesis. The result of the finding shows that auditor sizes and auditor independence have significant impacts on the quality management system of quoted cement firms in Nigeria. However, auditor independence has more influence than auditor size on financial performance.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter present research method and procedures adopted, the tasks involved on the research have been carefully designed. The research methodology is vital part of the research report because according to Oscula (2019) it is the background against which the reader evaluates the findings and the conclusion

#### **3.2 Research design**

The study employed correlation research design to determine the assessment of corporate geomancer and dividend policy of listed Nigeria deposit money banks. The choice of this design is consistent with the research objective to investigate the relationships between variables and to observe the effects of the independent variables on the dependent variable so as to establish the casual relationship or otherwise.

#### **3.3 Population of the study**

The population of this study consists of all DMB listed on the floor of Nigeria stock exchange (NSE) as at 31 December 2024 and are operation during the period of the study l.e 2018 to 2023(six years). Census approach in which all the population member are chose. The total number of listed in Nigeria bank as December 31, 2024 is 33 based on the information from the NSE

#### **3.4 Sample size and sampling Techniques**

The sample size for the study is restricted to three listed DMB in Nigeria which include First bank plc, FCMB, and Access Bank , FCMB, and Access Bank , FCMB, and Access Bank and it covers a period of six (6) years from 2018 to 2023. The listed DMBs in Nigeria are; Guaranty trust bank plc, include First bank plc, FCMB, and Access Bank , FCMB, and Access Bank , FCMB, and Access Bank etc the period is considered afforested to give the latest period of the study in Nigeria. The justification for taking this period is to determine the impact of audit firm size on return assets from the most recent financial crisis that has bedeviled the banking sector from 2018 to 2023.

#### **3.5 Method and Source of Data Collection**

There are two main source of data which are primary source of data and secondary sources of data. Secondary source of data; the secondary sources used include data from text books magazines, newspaper, financial standards business times, dictionary and internet. The information collected through these sources was mainly used in the literature review and data analysis of the study.

### **3.6 Instrument of data collection**

Data were obtained from secondary gourds extracted from the audited annual reports and account of the selected deposit money banks in Nigeria.

### **3.7 Method of data analysis**

The study adopted panel multiple regression technique is examining the relationship that exist among the variables. Tobit regression was used in estimating the coefficients of the model. The technique was chosen in order to account for the restricted nature of the dependent variable that move to the right of zero only and the use of ordinary least squares (OLS) will be biased in capturing such effect. The OLS also estimated in order to conduct diagnostic tests like heteroskedasticity test and multicollinearity test while the to bit was performed in order to capture the effect of zero dividend.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Introduction

Since the nature of this study tend to based on pure secondary data. Thus, this chapter based and arranged with annual report of First bank plc, FCMB, and Access Bank , FCMB, and Access Bank 2018-2024 six years respectively. Multiple regression techniques were employed to test the relationship of the independent in and dependent variables. Analysis of the result obtained from descriptive statistics presented in tabular form followed by correlation result, regression result also presented in a tabular form, hypotheses are tested so as to determine whether or not reject the null hypotheses.

#### 4.2 Results and Discussion

This section deals with the presentation, analysis and discussion of results of the processed data collected for the purpose of testing empirically the hypotheses of the study. Results of descriptive statistics, correlation matrix, diagnostic and post estimation tests; regression results and their interpretation for the two models are presented in this section. Descriptive statistics for all variables (dependent, independent and control) of the study is shown in Table 2. Table 2:

Table 4.1 : Descriptive Statistics

Variable	Observation	Mean	Standard Deviation	Minimum	Maximum
AFS	80	23.163	17.777	2.2	125.95
AF	80	0.703	0.458	0	1
ARL	80	0.561	0.162	0.17	0.83
SCF	80	3.861	0.573	3	5
CFA	80	9.576	1.995	4.220	12.815
SCF	80	3.279	3.169	1	12

Source: Stata 11 Output based on data

Audit firm size (AFS) measured by audit fees in Table 4.1 indicate mean value of 19.163; standard deviation value of 17.777; minimum value of 2.2 and maximum value of 125.95. it means on average the audit fees paid by a company was ₦ 23.163 million with a close dispersion of ₦ 17.163 million as standard deviation per listed deposit money banks in First bank plc, FCMB, and Access Bank , FCMB, and Access Bank . The minimum and maximum audit fees are ₦ 2.2 million and ₦ 125.95 million respectively.

Audit firm size (AF) measures by auditors' tenures with dichotomous variables of 0 and 1 showing minimum of three (3) years and above deposit money banks in First bank plc, FCMB, and Access Bank, FCMB, and Access Bank spent above three (3) years in office. Standard deviation of 0.458 indicates little wide dispersion from mean.

On the Quality management system (ARL), the mean value of 0.561 is an indication that on the average 56.1% of the audit firm size members of listed deposit money banks in Nigeria has financial expertise with wide dispersion of 0.162 from mean as indicated by standard deviation. ARL has minimum values of 0.17 and 0.83 respectively. Statement of Cash Flow on the other hand indicate minimum and maximum meetings of 3 and 5 per year respectively. On the average about 4 meeting being held as shown by mean value 3.861 with 5 respectively. The mean value of 9.576 and standard deviation value logarithm of audit fee (CS) indicates minimum and maximum values of 1 and 12 respectively. The mean and standard deviation values of 3.279 shown by correlation matrix in Table 3.

Table 3: Correlation matrix

	AFS	AF	ARL	LA	CS	SCF
AFS	1.0000					
AF	0.1035 0.1860	1.0000				
ARL	0.0847 0.02795	-0.1078 0.1681	1.0000			
SCF	0.2337 0.005	-0.0425 0.5876	0.0694 0.3754	1.0000		
AC	0.6679 0.0000	0.0343 0.6615	0.1035 0.1857	0.1787 0.0216	1.0000	
SCF	0.4738 0.0000	-0.0098 0.9004	0.0214 0.77854	0.0316 0.6868	0.4702 0.0000	1.0000

Source: Stata 11 Output based on data

Based on Pearson Correlation Coefficient of the variables presented in Table 3 at 5% level of significance, AFS has positive relationship with AF; ARL; LA; CS and SCF which are all significant except with AF and ARL which are not significant as shown by coefficient values of 0.1035; 0.0847; 0.2337; 0.6679; 0.4738 and P values of 0.1860; 0.2795; 0.0025; 0.0000; and 0.0000 respectively. AF on the other hand has positive relationship with Cs with coefficient value of 0.0343 and P-value of 0.6615 which is not significant. It also has negative relationships with ARL, LA and SCF as indicated by coefficient values of 0.-0.1078, -0.425 and -0.0098 which are not significant.

ARL has positive correlation coefficient values of 0.0694, 0.1035 and 0.0214 with LA, CS and SCF respectively which are not significant as indicated by P value of 0.3754, 0.1857 and 0.7854 to LA, CS and SCF respectively. LA has positive correlation coefficient values of 0.1787 and 0.0316 with CS and SCF respectively which is significant with CS (P-value 0.216) but not significant with SCF (P-value 0.6868). CS on the other hand has positive correlation coefficient value of 0.4702 with SCF which is significant (P-value 0.0000). table 4 shows the values of Vif and 1/VIF of independent and control variables of the study.

Table 4.3 Variance Inflation Factor

Variance	VIF	1/VIF
CS	1.34	0.745192
SCF	1.29	0.775415
LA	1.04	0.962082
ARL	1.01	0.985823

Mean VIF 1.17

Source: Stata 11 Output based on data

Variance Inflation Factors value which should be between 1 and 4 and tolerance values (1/VIF) of less than 1 test multicollinearity in data. The VIF values of 1.34; 1.29; 1.04 are variables CS; SCF;AF and ARL respectively. The tolerance value indicates 0.775192; 0.775415; 0.962082 and 0.985823 for CS; SCF; LA and ARL respectively. The VIF mean is 1.17. The VIF and tolerance values indicate that autocorrelation level of the data within the period under review may not have statistical significant impact.

Table 4.4 Shapiro-wilk W Test

Variable	Observation	Prob>z
AFS	80	0.00000
AF	80	0.28265
ARL	80	0.24869
SCF	80	0.68273
AC	80	0.00000
SCF	80	0.00000

Source: Stata 11 Output based on study data (2025)

Shapiro-wilk W Test in table 4.4 for normal data at 5% level of significant indicate z values for all variables. Data set for AF, ARL and AFwre normally distributed as shown by values of  $\text{prob} > z$  0.28265, 0.24869 and 0.68273 were respectively which not significant. On the other hand AFS, CS and SCF data sets were not normally distributed as indicated by values of  $\text{Prob} > z$  0.00000 for the three variables which are significant. The lack of normal distribution of variables data sets call for robustness of regression technique. The heteroskedasticity test for appropriateness of OLS regression for the study model is shown in table 5.

Table 4.5: Breusch-Pagan /Cook-weisberg

Variables	Chi2 (1)	Prob>chi2
AFS	118.7	0.0000
AF	98.00	0.0000

Source: Stata 11 Output based on study data (2022)

Breusch-Pagan /Cook-weisberg for heteroskedasticity rule of thumb states that data is heteroskedasticity when  $\text{Prob} > \text{chi}^2$  value is significant, and there is absence of hottest if the Pvalue of  $\text{Chi}^2$  is not significant. Model 1 heteroskedasticity test indicates  $\text{Chi}^2$  (1) value of 118.17 which was significant with  $\text{Prob} > \text{chi}^2$  value of 0.0000. Hence ,the AFS data was heteroskedastic. Model 2 heteroskedastic test shows  $\text{Chi}^2$  (1) value of 98.00 which was also significant at  $\text{Prob} > \text{chi}^2$  value of 0.0000. in the same vein, AF data was also heteroskedastic. The results show presences of hottest indicating OLS regressions are not appropriate for the two models.

The Hausman specification tests in choosing between FE and RE for the two models are shown in table 6.

Table 6: Hausman specification tests

Model	Chi2 (1)	Prob>chi2
AFS	3.10	0.5419
AF	20.08	0.0005

Source: Stata 11 Output based on study data (2025)

Hausman specification tests were conducted in choosing FE and RE regressions for the two models. The decision rile indicates that if the value of hausman  $P > \text{chi}^2$  is significant FE regression is used. But if otherwise, that is,  $P > \text{chi}^2$  is not significant  $\text{Prob} > \text{chi}^2$  value of 0.0005 which Re regression is applied. Nmodel (AFS) Hausman test reveals  $\text{Chi}^2$  (4) value of 20.08



is significant. Fixed Effect (FE) regression was adopted. Model 1 in table 7 show audit firm size (AFS) measures by audit fees as independent variable. Independent variables made up of Quality management system (QMS) and audit quality, while control variable include Statement of cash flow (SCF) and Natural Logarithm of audit fee (CS).

Table 7:  
Model 1 RE Regression Result

<b>AFS</b>	<b>Coefficient</b>	<b>Robust Std. Error</b>	<b>Z</b>	<b>P&gt;(Z)</b>
AC	2.377194	2.769122	0.86	0.391
LA	2.468495	2.042714	1.21	0.227
CS	6.236129	2.150592	2.90	0.004
SCF	0.5617678	0.6268561	27.29	0.5419
Constant	-53.26092	22.90991	-2.32	0.020

Source: Stata 11 Output based on study data (2025)

Table 4.7 shows Hausman specification test value of  $P > \chi^2(4) = 0.5419$  which was not significant at 5% level of significance, RE regression is the most appropriate for model 1. The RE regression was also robust due to lack of normal distribution of all variables data based on Shapiro-wilk test (see Table 4) conducted.

The robust RE regression result shows multiple coefficient of determination R-squared value of 0.6599 indicating that independent and control variables explained 65.99% of the variations in audit firm size (AFS). In addition, the robust RE was also fitted as evidenced by F-Statistics value of 27.29 with  $\text{Prob} > F$  value of 0.0000 which was significant at 5% level of significance. The independent variable ARL of the model has z-value of 0.86 and  $P > (z)$  value of 0.391 at 5% level of significance. It means Financial Performance (ARL) has positive non-significant effect on audit firm size measured by audit fees in listed consumer-goods companies in Nigeria during the period under review. In the same vein, LA has z-value of 1.21 with  $P > (z)$  value of 0.227 at 5% level of significance. This is an indication that audit quality also has positive non-significant effect on audit firm size measured by audit fees in listed consumer-goods companies in Nigeria.

Table 8 shows model 2 that has audit firm size (AF) measured by auditors' tenure as dependent variable. Independent variables include Quality management system (ARL) and Audit quality (LA), Control variables are Statement of cash flow (SCF) and natural logarithm of Audit fee (CF).

Table 8 Model 2 FE regression result

<b>AFS</b>	<b>Coefficient</b>	<b>Robust Std. Error</b>	<b>T</b>	<b>P&gt;(T)</b>
AC	2.187781	2.824642	0.77	0.451
LA	1.274868	1.274868	1.01	0.329
CS	7.467178	3.208391	2.33	0.035
SCF	-0.3561719	2.898209	-0.12	0.904
Constant	-57.38449	26.54741	-2.16	0.048

Source: Stata 11 Output based on study data (2025)

The Hausman specification test  $P > \chi^2$  value of 0.0005 which was significant at 5% level of significance indicated appropriateness of Fixed Effect (FE) regression for model 2 which was robust due to lack of normal distributions of all variables data based on Shapiro-Wilk test (see Table 4) for normal data conducted.

The robust FE regression result shows independent variables ARL and AFt-values of 0.77 and 1.01 respectively that signifies positive effects of Quality management system and meetings on audit quality. Also ARL and AFhave  $P > (t)$  values of 0.451 and 0.329 at 5% level of significance. These are indications that audit firm size expertise and meetings have no significant effect on audit firm size measured by auditors' tenure in First bank plc, FCMB, and Access Bank , FCMB, and Access Bank .

### 4.3 DISCUSSION OF FINDINGS

On the test of hypothesis (H1), the findings of the two models show positive and non-significant of Quality management system on audit quality. Therefore, the study has no sufficient evidence to reject the null hypothesis that state, audit firm size has no significant effect on quality management system of First bank plc, FCMB, and Access Bank , FCMB, and Access Bank . The result did not agree with the studies of Goodwin-Stewart and Kent (2006) and Yadirichukwu and EbimpSCFwei (2023) but agreed with the study of Rainsbury, Bradbury and Cahan (2019). The positive and non-significant effect of audit firm size and quality management system of First bank plc, FCMB, and Access Bank , FCMB, and Access Bank , as minimum of one member is required to have finance independent in the committee.

Furthermore, the second findings of the study which are used test hypothesis (H2) also revealed positive and non-significant effect of audit firm size on quality management system measured by money deposit banks tenures. Hence, the null hypothesis of audit firm size has no significant effect on financial perormance of First bank plc, FCMB, and Access Bank , FCMB, and Access

Bank is here accepted. The result agrees with the study of Hoitash and Hoitash (2019) but disagrees with the study of Lifschuts, Jacob and Feldshtein (2022). This is an indication that audit firm size have no significant effect on quality management system of First bank plc, FCMB, and Access Bank , FCMB, and Access Bank .

(Ho3) The study is conducted due to wide criticisms on the importance and relevance of audit firm size in improving statutory quality management system of First bank plc, FCMB, and Access Bank , FCMB, and Access Bank . Hence, we undertake to examine the effect of expertise and meeting characteristics of audit firm size on audit firm size using First bank plc, FCMB, and Access Bank , FCMB, and Access Bank as our research domain.

In view of the above finding, this study contributes to debate on how audit firm size of independent and affect quality management system of published financial statements of companies in Nigeria. It is also an indication to regulatory authority for necessary amendment to code of corporate government in Nigeria by improving a setting minimum bench mark of members qualifications above the present required only financial ,experience and number of meeting of audit committees respectively. This is to enhance and improve on audit firm size contributions to statutory quality management system of First bank plc, FCMB, and Access Bank , FCMB, and Access Bank .

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary**

This study assessed the effect of audit firm size on quality management system of quoted deposit money banks in Nigeria. This study obtained data from annual reports and account and publications from Nigeria stock exchange for the conglomerates that operated during 2018-2024. In addition, the effects of specific audit quality, such as audit firm size size, audit firm size independence and audit firm size financial expertise on return on assets were assessed. To determine the relationship that exists amongst the variables and the effect thereof, Pearson correlation coefficient and panel least square regression estimate were employed. This study revealed that audit firm size size, audit firm size independence and audit firm size financial expertise have a significant positive effect on return on assets at 5% significant level respectively.

#### **5.2 Conclusion**

Based on the discussion of findings, the following are the derivable conclusion:

- i. Audit firm size (QSS) have significant impact on earnings per share of DMB as the p-value t-statistics is below 5% significant level. Also Audit firm size (QSS) and quality management system(ARL) also have significant impact on earnings per share of deposit money banks as the p-value t-statistics are below 5% significant level. Globally the p-value for the three firms under study is below 5% significant level. The study thereby accept the alternate hypotheses  $H_A$  and conclude that audit firm size have significant impact on earnings per share of quoted deposit money banks in Nigeria.
- ii. The significant relationship between auditor independence and quality management system implies that audit effort increases with the amount of audit fees paid and leads to more commitment and monitoring on the part of the of the auditors, thereby decreasing the propensity of a firm to incur losses through non-adherence to accounting principles and unnecessary waste of funds by management.
- iii. The normality test for model one (1) in table 4.2.2 unveils that the series distribution for deposit money bank are normal, therefore we conclude by accepting  $H_0$  that the variables are

normally distributed, which is desirable and the series distribution for deposit money bank is not normally distributed, we therefore conclude by rejecting  $H_0$  for deposit money banks.

### **5.3 Recommendations**

Against the backdrop of the findings, the following are recommended:

1. Director of quoted firms in Nigeria can improve the quality management system and quality management system of their firms by increasing the amount of audit fees paid to the audit firm. This might seem like a profit reducing decision in the short run, but the benefits it will bring to the firm far outweighs the cost. This will help ensure that all financial transactions are in order; give the users of the financial statements more trust and confidence in terms of the quality of audited reports. The auditing firm would be obliged to send experienced auditors who will not be in a rush to finish the audit process considering the amount being paid. It should be remembered that audit firms normally bill their clients based on the number of the hours worked. Thus, quoted firms who pay high remunerations to their auditors are more likely to get audit firm size when compared to those who pay relatively low remunerations to their auditors.
2. It is recommended that the management of quoted firms should employ the services of one of audit firms because their character and integrity is beyond question. Audit firms who have a solid reputation will be less likely to employ auditors who will be willing to compromise their stand; the audit firm itself would not like to engage in any activity that will affect its name negatively. This is an added advantage for the management of firms and the shareholders alike, because they become rest assured, their interests will be duly protected.
3. There is need to allow appropriate remuneration for audit firm sizemembers, and the determination of appropriate membership tenure, this will foster their commitment.

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