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AUDIT QUALITY AND FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS (A COMPARATIVE STUDY OF NIGERIA AND UNITED KINGDOM)

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Abstract

Recent major collapses and takeovers which occurred around the globe have raised fears about the reliability of the financial reporting practices. However, if the audit is done to enhance the financial results, the audited financial statements must be credible which brought about the need for this study. The study examined the effect of audit quality on the financial performance of listed deposit money banks in Nigeria and United Kingdom. Specifically, the study examined the effect of auditors 'tenure, mandatory audit firm rotation, audit fee and audit report lag as variables for audit quality and dividend per share as variable of financial performance and also included a control variable of firm size. This study adopted the ex post facto research design. The correlational research design is employed in a sample of Ten (10) listed banks on the Nigerian Stock Exchange (NSE) and London Stock Exchange (LSE) from 2009 to 2019, (11) years. The study used the nature of association among the variables tested using the Pearson correlations matrix and variance inflation factor to examine the multicollinearity among the variables; the findings revealed that audit quality has a significant effect on the dividend per share of listed deposit money banks in Nigeria and with the inclusion of the control variable, the results do not change which shows that the control variable does not cause any changes to the model. For UK, the findings of the study reveals that audit quality has no significant effect on dividend per share and the results also do not change with the inclusion of the control variable.

Keywords: Audit quality, dividend per share, audit fee, audit tenure, mandatory audit firm rotation and audit report lag.

Introduction

Due to the global financial crisis's volatile impact over the last decade, the need for high-quality financial reporting became increasingly important. Companies have been

liquidated, consolidated, or sold to organizations as a result of the crisis. The growing number of accounting scandals in the capital markets, according to Hamdan, Mousa, Bahaa, and Gagan (2012), has raised awareness of the importance of audit quality. Academics and practitioners agree that auditing has a huge effect on assessing capital market outcomes, so the audit process's effectiveness must be improved. For both clients and consumers of financial statements, the audit process is invisible. According to (Irungi, 2013), financial statement auditing is an oversight tool designed to protect shareholders' interests and minimize knowledge asymmetry in order to ensure that financial statements are free of mistakes and material misstatements. The auditor's ability to detect errors and misstatements, which is a competence issue, and the auditor's ability to report the errors and misstatements, which is an independence issue, decides audit quality. As a consequence, auditors must have an objective assessment.

Company owners and investors anticipate a good return on their investments; the company's development is a significant factor contributing to economic and industrial growth, as well as demonstrating the company's management performance in their market Afza and Nazir (2014). These outcomes of the company's growth can be seen in the company's results. When a business makes a profit or a loss, it reports it in its financial statements. A company's lifeline is dependent on investors pouring capital into the organization, and if a company's performance is poor, investors will stop putting money into the organization, leading to the organization's failure. This condition is what causes the organization's managers to distort its financial statements in order to attract more investors, thus deceiving investors.

According to Ado, Rashid, Mustapha, and Ademola (2020), when financial reports are prepared in compliance with accounting principles and the law, they become more relevant, transparent, and dependable, and when audit requirements are followed, opinions are established on them. Banks are economic entities that are the lifeblood of any surviving economic growth and development. Banks mobilized surplus unit savings and channeled them to the deficit unit for profitable investments (Masoyi, Abubakar & Peter, 2015). Banks have recently been restructured; many deposit money banks have been taken over or combined as a result of operational and financial problems. The audited financial report details these organizational and financial issues. As a result, it is critical to ensure that the bank's audit process is transparent in order to prevent mistakes, misappropriations, misstatements, and fraud.

Issues have also been presented as a result of the organization's management or administrators using creative accounting to cover up their finances in order to make money. Examples include Enron in 2001, Allied Nationwide Finance in New Zealand, and Cadbury Plc, which struggled after reporting a healthy profit in its annual report, which was audited by a major auditor, Akintola Williams Delloite (Okaro, Okafor & Ofoegbu, 2018). Also recently, the Assets Management Corporation of Nigeria (AMCON) acquired Skye Bank, and Diamond and Access banks merged, also the RBS bank in UK was partly taken over by its government. These issues prompted the need for this study to determine whether audit quality (audit fee, audit tenure, mandatory audit firm rotation, and audit report lag) affects financial performance (audit report lag) (Dividend per share). This analysis also includes a size control variable to determine if the size of the bank influences the impact audit quality has on the financial performance of listed deposit money banks in Nigeria and the United Kingdom. Most researches have been published in either a developed or emerging economy, for example, Ogungbade, Adekoya, and Olugbodi (2021) conducted a study in

Nigeria, Hazaea, Tabash, Khatib, Zhu, and Al-Khuli (2020) conducted a study on Yemeni commercial banks, but this study will be conducted in both developed (UK) and developing (Nigeria) economies.

Objectives of the study

The main objective of this study is to evaluate the effect of audit quality on the financial performance of listed deposit money banks in Nigeria and United Kindom while the specific objectives are to:

i. evaluate the influence of audit quality and dividend per share of listed deposit money banks in Nigeria and United Kingdom.
ii. Determine how firm size controls the effect of audit quality on financial performance of listed deposit money banks in Nigeria and United Kingdom

Research Questions

i. To what extent does audit quality affects the dividend per share of listed deposit money banks in Nigeria and United Kingdom.
ii. Does audit firm size control the effect of firm size on audit quality and dividend per share of listed deposit money banks in Nigeria and United Kingdom?

Research Hypothesis

H_0: Audit quality does not have significant effect on dividend per share of listed deposit money banks in Nigeria and United Kingdom.

H_0: Firm size has no significant control on the effect of audit quality on the dividend per share of listed deposit money banks in Nigeria and United Kingdom.

Literature review

Audit Quality

According to (Oladejo, Olowookere & Yinus, 2020), Audit quality has been regarded as a dynamic topic with no universal description or analysis. Researchers agree that quality audit is most likely to be achieved when an auditor's opinion on the financial statements can be relied upon and can be based on sufficient appropriate audit evidence obtained by an engagement team that exhibited appropriate standards, morals, and attitudes; sufficiently knowledgeable and experienced and has had sufficient time allocated to perform the audit work; applied a rigorous audit process and quality control procedures; provided valuable and timely reports; and, interacted appropriately with a variety of different stakeholders.

According to Knechel, Krishnan, Shefchik, and Velury (2013), Users of the reports may believe that a high-quality audit entails the absence of material misstatements. The auditor conducting the audit will characterize a high quality audit as completing all tasks satisfactorily as prescribed by the firm's audit methodology. The audit company defines a high-quality audit as one that can be justified in an inspection or a court of law. Regulators can also consider it to be in accordance with professional standards. Finally, a high-quality audit can be regarded by society as an audit that prevents economic difficulties for a business or the industry. Finally, a lot of different points of view propose interventions. In his research (DeAngelo, 1981), he characterized audit quality as the market-assessed joint likelihood that an auditor would find and disclose material misstatements discovered during the audit process.

Saputra (2015) described audit quality as "an audit performed in compliance with generally acceptable auditing standards that can detect and disclose material misstatements in financial statements, including reports caused by a mistake, fault, or fraud, and is able to provide assurance of internal controls, and is capable of providing going concern warnings."

However, if an auditor's independence is compromised, they are less likely to report breaches, lowering the audit's level. Audit quality will be assessed in this study by audit fee, auditor tenure, mandatory audit firm rotation, and audit report lag.

Regulatory frameworks of audit quality

The UK financial reporting council established five key drivers of audit quality, which are described below:

i. The culture of the company
ii. the audit partners and staff skills and personal characteristics
iii. The audit process effectiveness
iv. The audit process usefulness, transparency and reliability.
v. Factors outside the auditors control that affects audit quality.

To clarify the above-mentioned audit quality drivers, the leadership of an audit firm should: Create an atmosphere where achieving audit quality is respected, invested in, and rewarded; and ensure that financial factors do not influence staff actions and decisions. It may also be when audit personnel receive adequate training and recognize and conform to underlying auditing and ethical principles, ensuring successful audit work review, and requiring proper audit documentation, among other things. FRC (2008)

IAASB framework on Audit quality

A quality audit is possible, according to (IAASB 2013), because the auditor's opinion on the financial statements can be relied on because it was based on sufficient relevant audit evidence collected by an engagement team that:

i. Exhibited appropriate principles, ethics, and behavior;
ii. Was fairly knowledgeable and skilled, and had enough time to complete the audit work;
iii. Stringent auditing and quality management procedures were put in place.
iv. Generated useful and timely reports;
v. Professionally interacted with a diverse variety of stakeholders.

Measures of Audit Quality

Audit fee

This is the amount charged by the auditor for the performance of the audit process for the client's firm. The audit fee covers the actual expense of the audit, as well as risk compensation and benefit demand (Liu 2017). An abnormal audit fee, according to Oladipupo and Monye-Emina (2016), is one that is greater than the average or standard audit fee; a positive abnormal audit fee is one that is greater than the average or regular audit fee. A negative irregular audit fee is one that is less than the usual or average audit fee, or what the auditor would have charged in the normal course of business. They go on to state that the unique audit fee is explained by the auditors' access to their clients' private information, which might not be readily available to other stakeholders. The audit fee charged by the company to the auditors following their audit engagement will be the only factor included in this report.

Audit Tenure

The audit tenure, also known as the audit commitment period, is the amount of time a corporation or issuer retains audit services from the same public accounting firm. The length of the auditor-client partnership is referred to as audit tenure. A long relationship between the auditor and his client will jeopardize independence because personal

relationships and familiarity may develop between the parties, resulting in less transparency on the part of the auditor and even an obliging attitude toward the company's top management. Auditor tenure investigates whether the length of auditor-client relationships has a direct effect on auditor independence.

According to certain scholars, if the auditor and the client collaborate for a prolonged period of time, the risk of familiarization increases, and as a result of this familiarization, the auditor's independence can be reduced. According to (Odia, 2015), auditor tenure has two dimensions: the tenure of the audit-firm and the tenure of the individual engagement partner in the audit, especially the engagement partner. Since it is difficult to determine the engagement partner, the audit-firm tenure has received more attention.

Mandatory Audit Firm Rotation

A mandatory audit firm rotation policy would force businesses to rotate their independent auditor on a regular basis, and it would limit the number of years and audit firms that could audit a given company's accounts (Cameran, Prencipe & Trombetta, 2014). Audit rotation is classified into two types: audit company rotation and audit partner rotation. The audit company rotation has already been discussed, but the audit partner rotation occurs when the lead auditor changes after a certain period of time and another partner from the same firm takes over the audit. Following the consolidation of the banking sector of the economy by the nation's apex regulatory bank, the Central Bank of Nigeria (CBN), from 89 to 25, and now 24 deposit money banks, there was a need to institute corporate best practices in these banks, including the rotation of external auditors, to comply with international standards (Ujah, 2006). To support these efforts and protect auditor independence, the CBN integrated external auditor rotation into its Code of Corporate Governance for post-consolidation banks (2006). According to the codes article 8.2.3: “Auditors in a given bank shall be for a maximum period of ten years after which the audit firm shall not be reappointed in the bank until after a period of another ten years” (Kighir, 2013).

Audit partner rotation has been required in the United Kingdom for several years, and the maximum time for rotation of the lead partner was reduced from seven to five years in January 2003. Given these laws, auditors are opposed to mandatory audit firm rotation. According to PWC 2007, the mandatory audit firm rotation rule, for example, prevents an efficient working partnership with management, audit committees, and boards of directors. Furthermore, auditors are concerned that mandated firm rotation increases the risk of audit failure during the period when auditors are unable to develop company-specific expertise (FRC, 2010).

Audit report lag (ARL)

According to Pizzini, Lin, and Ziegenfuss, the audit report lag is the number of days between the end of the fiscal year and the signing and publication of the financial statements to interested parties (2015). ARL can reduce the usefulness of financial statement information because timely information support is needed for decision making. Financial statements in Nigeria must comply with the Declaration of Accounting Standards (SAS) published by the Nigerian IAASB (NASB) (now known as the Financial Reporting Council of Nigeria, FRCN) and the audit must be performed in accordance with Generally Accepted Auditing Standards (GAAS). It also mandates that audited financial statements be sent to the Corporate Affairs Commission (CAC) within 42 days of the annual general

meeting and that audited financial statements be published in at least one national daily newspaper for all public limited liability companies. (CAMA 2004).

After the implementation of the Fourth Directive in 1978, all restricted companies in European member countries have been required to generate annual reports and deposit them in a central registry in the United Kingdom for public inspection. Companies House (CH) is the UK registry, and it also manages regulatory compliance, such as late filing.

All UK companies must file their accounts with CH, after which they are made public. In our review, the main point of concern is that the Act was revised, resulting in a reduction in the deadline for filing accounts from 10 to 9 months for private companies with fiscal years beginning on or after April 6, 2008. By introducing significant financial penalties for reports delivered late, the UK legislation provides clear incentives for businesses to report their annual accounts before the statutory deadline (Green & Santiale, 2009).

Financial Performance

Financial performance and its measures have been explained by different authors. First of all, there are various aspects of performance, each of which contributes to an organization's overall performance. According to Phan, Lai, Lei, Tran and Tran, (2020), Performance evaluation is critical in every market. It not only helps to enhance the overall functioning of a company, but it also contributes to increased productivity. Financial performance of companies listed on the stock exchange market plays an important role, this is a premise to attract capital and minimize capital cost of a company. Investors will value a company with a good financial performance. On the other hand, investors and managers on the stock exchange will depend on audited financial statements to determine the financial performance of listed companies. Therefore, good quality of financial statements in companies listed in the stock exchange will positively impact to financial performance of the companies. However, the measure of financial performance in this study is the dividend per share (DPS).

Dividend per share:

Dividends per share equals the sum of the total amount of dividends paid out for a year divided by the total number of average shares held; this provides a view of the total amount of operating income sent out of the company as a benefit shared with shareholders that does not need to be reinvested.

$$DPS = \frac{\text{Dividends}}{\text{Number of shares}}$$ (Balakrishnan, 2016).

Control Variable

Firm Size

According to (Warnida, 2011), firm size is the size or extent of a company and is an indicator that may signify a company's condition or characteristics. According to (Hartono, 2016), firm size is also characterized by the size of assets, which is used as a proxy for the size of the business. Large companies are considered to be less risky than small businesses. The explanation for this is that large firms are thought to have greater access to capital markets, so they are thought to have a lower risk. So it can be said that the size of the firm is measured as the log of total assets is able to distinguish the quality of audits carried out by the auditor for his clients depending on the size and scope of the company.

Theoretical Framework

The Signaling Theory is the theoretical foundation for this research. According to signaling theory, businesses that perform well use financial information disclosure to send signals to the market. According to Craven and Marston (1999), firms will attempt to accept the same level of discourse as similar firms operating in the same industry because if a firm does not keep up with the same level of disclosure as others, stakeholders may perceive that it is hiding bad news or negative information. When a company reports its earnings or dividends, it sends a signal to investors, and if they respond as predicted, the share prices of the company listed on the stock exchange will change (Nyabundi 2013). As a result, signaling could potentially influence audit quality demand in addition to the monitoring feature. The positive signal of openness and reputation it sends to the market, as well as the assurance it gives to stakeholders about the consistency of earnings performance disclosure, indicates that dividend per share and audit quality are positively related. As a result, Deposit Money Banks will do a better job of predicting and signaling to investors the legitimacy of their financial statements.

Empirical Review

Mitton (2004) discovered that companies audited by the Big Five accounting firms tend to pay higher dividends to shareholders. Furthermore, in his research, Allen, Antonio, and Ivo (2000) proposed that dividend payment is a signal of a firm's efficiency. A company that raises dividends to shareholders always needs to demonstrate its superiority. According to Deshmukh (2003), when everything else is constant, the higher the amount of asymmetric knowledge that can be demonstrated by poor audit quality of financial reports, the lower the dividends paid to stockholders. According to pecking order theory, this is due to underinvestment.

Uduak, Onomuhara, and Osemwegie (2016) investigated the impact of abnormal audit fees on stock prices in Nigerian banks between 2012 and 2016. The study determined the relationship between earnings per share, book value per share, dividend per share, and abnormal audit fee of banks listed on the Nigerian Stock Exchange, using multiple regression and the Ordinary Least Square (OLS) method of estimation.

It was discovered that there is a negative and non-significant relationship between book value per share and abnormal audit fees; that there is a negative and significant relationship between earnings per share EPS and abnormal audit fees and that there is a positive and insignificant relationship between dividend per share DPS and abnormal audit fees. (Nguyen, 2012) examined the dividend policy determinants in Vietnam, an emerging stock market that was officially founded in July 2000. The paper investigates whether the characteristics of companies and their corporate governance influence dividend payments. Profitability (ROA, DPS), company size, debt level, liquidity, asset structure, market type, growth opportunities, and business risk are all characteristics of firms; corporate governance includes management ownership, ownership concentration, and the board of directors, as well as audit quality. The author draws on a survey of 116 companies listed on the Hochiminh Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) in Viet Nam in 2009. Profitability has been found to have a positive effect on dividend disbursement in Vietnam, while market risk has a negative impact. Furthermore, there are correlations between industry form, audit efficiency, and dividend payments.

Model Specification

A multiple regression equation is set up to investigate the hypothesized relationships between the dependent, independent and control variables in this study. The econometric form of equation is given below:

Model 1

$DPS_{it}= \beta_{0it}+\beta_1 AF_{it}+\beta_2 AT_{it}+\beta_3 MAFR_{it}+ \beta_4 ARLit+\beta_5 \mu$

Model 2

$DPS_{it}= \beta_{0it}+\beta_1 AF_{it}+\beta_2 AT_{it}+\beta_3 MAFRit+ \beta_4 ARL_{it}+\beta_5 FS_{it}+ \beta_{6\mu}$

Where;

DPS= Dividend per share
AF= Audit fee
AT= Audit tenure
MAFR= Mandatory audit firm rotation
ARL= Audit report lag
FS= Firm size

Table 1: Descriptive statistics

NIGERIA							UNITED KINGDOM					
Variabl	DPS	AF	ARL	MAFR	AT	FS	DPS	AF	ARL	MAFR	AT	FS
Mean	64.06	338665.8	82.20	0.110	0.779	21.27	1.239	35609	65.1	0.818	0.8090	12.743
Std. Dev	79.49	222231	34.72	0.3144	0.416	0.699	6.817	35682	13.574	0.2753	0.3948	1.8890
Min	0	66000	31	0	0	19.648	-0.21	10000	43	0	0	8.7027
Max	300	1009000	365	1	1	22.689	58	15700	107	1	1	14.814

Source: Researcher's Work, 2021

Dividend per share is reported with minimum values of 0 and -0.21, and maximum values of 300 and 58 respectively, showing a wide gap between the minimum and maximum values. This is further confirmed by the mean with values of 64.06 and 1.239 and standard deviation values of 79.49 and 6.817. The value of standard deviation which is higher than the mean value shows a wide variation, indicating that this variable is volatile. Implying that some year's dividend was not paid and the highest dividend paid was 300 and 58 respectively. The minimum values of audit fee (AF) indicated that the audit fee paid by companies was a minimal value of 66,000 and 100,000, and a maximum value of 1,009,000 and 157,000. This can be further confirmed by the wide variation between the mean values of 338665.8 and 35609 and standard deviation of 222231 and 35682 indicating that the variables is volatile which shows that the maximum fees paid to the audit firms are 1,009,000 and 157,000. Also, looking at that of Audit report lag (ARL) shows that the days between the financial year end and when the auditor signs or publishes the report is within a minimum of 31 and 43 and a maximum of 365 and 107 days.

This can be further confirmed by the wide variation between the mean values of 82.20 and 65.1 and values of standard deviation of 34.72 and 13.574 indicating that the variable is volatile which implies that the maximum days taken to publish the audit report is 365 and 107 days. The length of days of the audit report lag of 365 and 107 days seemed abnormal and could be related to several factors which need to be addressed. Companies should communicate the no of days they want the report to be ready to the audit firm. The

mandatory audit firm rotation in this study indicated the minimum values is both 0 and the maximum value is 1 means that audit firms should at least be rotated once in ten years for transparency and also would help to reduce the problem of familiarity threat between the auditor and the companies. This can be further enhanced by the wide variation of 0.110 and 0.818 and standard deviation of 0.3144 and 0.2753 indicating the volatility between the mean and standard deviation. For audit tenure, the minimum value for both countries is 0, and the maximum value is also 1.

This could further be enforced by the wide variation between the mean values of 0.779 and 0.8090 and standard deviation of 0.416 and 0.3948. This shows that the tenure of auditors in the bank shouldn't be more than a year, but this goes against the rule that says an auditors tenure should be at least 3 years, this result of this study will speak to familiarity threat between the auditors and the employees of the company and also reduce the level of impairment of auditors independence. Firm size is reported with minimum values of 19.648 and 8.7027, and maximum values of 22.689 and 14.814 respectively, suggesting that there is a wide gap between the minimum and maximum values. This is further confirmed by the mean with values of 21.27 and 12.743 and standard deviation with values of 0.699 and 1.8890. The gap between the mean and standard deviation suggests that there is a wide variation, indicating that this variable is volatile. Indicating the company's firm size at maximum was 22.689 and 14.814 respectively.

Table 2: Variance Inflation Factor

	NIGERIA		**UK**	
Variable	**VIF**	**1/VIF**	**VIF**	**1/VIF**
AF	1.05	0.95	1.03	0.97
MAFR	1.37	0.72	1.65	0.60
AT	1.41	0.71	1.72	0.58
ARL	1.01	0.99	1.04	0.95
FS	1.36	0.74	1.35	0.74
	Mean=1.24		Mean=1.36	

The results of the variance inflation factor are presented in table 2. Baltagi (2015) in his opinion said that the variance inflation factor's mean is 5.0, while the reverse factor for the individual is 1. Since the variance inflation factor values are greater than one but less than 5, it implies that there is no problem of multicollinearity between the variables of both countries.

Test of hypothesis one

Research objective:

Audit quality has no significant effect on dividend per share of listed deposit money banks in Nigeria and the United Kingdom.

Hypotheses H_0: Audit quality does not significantly affect the dividend per share of listed deposit money banks in Nigeria and the United Kingdom

Research question:

Does audit quality have a significant effect on dividend per share of listed deposit money banks in Nigeria and United Kingdom?

Table 3

	UK	NIGERIA

	MODEL ONE				MODEL ONE			
	POOLED OLS WITH CLUSTER STD.				POOLED OLS WITH CLUSTER			
Variable	Coeff	Std.Err	t-test	Prob	Coeff	Std.Err	t-test	Pr
Constant	-144.16	073.42	-1.96	0.002	-12.40	8.29	1.50	0.
AT	19.89	14.68	1.36	0.175	1.81	2.18	0.83	0.
MAFR	9.59	19.65	0.49	0.626	0.66	3.06	0.22	0.
AF	17.32	5.64	3.07	0.002	-0.83	0.54	-1.53	0.
ARL	-0.56	0.21	-2.67	0.008	-0.011	0.049	-0.23	0.
Adj. R^2	21.01				-0.71			
F-Stat	$F_{(2, 4)}$=21.59				$F_{(2, 6)}$ 1.30			
Probability of F-Stat	0.0002				0.8612			
Hausman Test	$Chi^2_{(4)}$= 9.29 (0.0543)				$Chi^2_{(4)}$= 2.659 (0.62)			
Pearson's Test	-0.729 (0.4659)				0.567(0.456)			
Heteroskedasticity Test	$Chi^2_{(1)}$= 0.05(0.083)				$Chi^2_{(1)}$= 81.94 (0.000)			
SerialAuto-Correlation	$F_{(1, 9)}$= 86.570 (0.0000)				$F_{(1, 9)}$= 7.829(0.000)			
Breusch and pagan LM	$Chibar^2_{(01)}$= 103.58 (0.000)				$Chibar^2_{(01)}$ = 2.44(0.059)			
Test parm	$F_{(10,85)}$= 102.3(0.02)				$F_{(10,85)}$=212.3(0.74)			

Source: (Researcher's output, 2021)

Dependent variable: DPS

Diagnostic Tests

Hausman tests for both models determining the most appropriate estimating technique between Fixed Effect and Random Effect were conducted at significance level of 5 per cent. For UK, the result of the test with ρ-values of 0.054 which is higher than the chosen significant level showed that it is random and the confirmatory test done by the Breusch and Pagan LM showed a significant figure of 0.000 showed the inappropriateness of the random effect, therefore the Pooled OLS is the most appropriate for this study. In Nigeria, the results of the tests with ρ-values of 0.62 which is higher than the chosen significant level reveals that random effect is the most appropriate estimator according to its null hypothesis which states there is presence of unsystematic difference in the model constraints; thus the study accepts the null hypothesis. The confirmatory test was done using the Breusch and Pagan LM of 0.059 which is also higher than the chosen significant level which confirms the appropriateness of the random effect, and is the most appropriate and used for the analysis of the model. Breusch-Pagan/Cook-Weisberg Test with ρ-values of 0.83 and 0.000 indicated that there is no presence of heteroskedasticity problem in both models, which implies that the variations in the residuals of the model over the period "t" in both models are constant over time. The existence of associations among the coefficients of the model and its residuals were tested using Wooldridge test for serial autocorrelation as an unhealthy association result to the error terms being smaller than expected and the co-efficient of determination being higher than normal. The statistics derived with ρ-values of 0.00 and 0.00 negate the null hypothesis which states that there is no first order autocorrelation. This implies that there is autocorrelation problem among the series in both models.

Based on the results of the diagnostic tests carried out; both Model two are estimated using Pooled Ordinary Least Square with Cluster Standard Errors.

UK

$DPS_{it}= \alpha_0+\alpha_1 AT_{it} + \alpha_2 MAFR_{it} + \alpha_3 AF_{it} + \alpha_4 ARL+ \varepsilon_{it}$……Model 2

DPS_{it}= -144.16+19.89AT_{it}+9.59$MAFR_{it}$+17.32AF_{it}-0.056ARL_{it}+ ε_{it}……Model 2

Interpretation

The result of the regression model presented in table 4.2.2 (Model Two) evidenced that Audit Tenure (AT) has a positive insignificant effect on dividend per share (DPS) (α =19.89, ρ=0.175); an increase in AT would result to 19.89% increase in ROA while Mandatory audit firm rotation (MAFR) positively and insignificantly influences DPS with (α =9.59, ρ=0.626),which shows that an increase in the number of years for rotation would insignificantly affect the DPS, Audit fee (AF) also has a positive and significant effect on DPS (α =17.32, ρ=0.02), which means that an increase in the amount of audit fee would significantly increase the DPS by 17.32% and Audit report lag (ARL) negative and significant influence on DPS (α =-0.56, ρ=0.008) means that an increase in the number of days of publishing the audited financial statement would affect the DPS by 56%. The explanatory powers of the independent variables reflect that the joint variations in the independent variables yield 21% variation in the DPS, while the remaining 79% are changes in the DPS caused by other factors not captured in this model. The probability of F-test (ρ-values of 0.002) showed that Audit quality measured as Audit fee, audit tenure, mandatory audit firm rotation and audit report lag significantly affects the probability of deposit money banks in UK.

Nigeria

DPS_{it}= α_0+α_1AT_{it} + α_2MAFR_{it} + α_3AF_{it} + α_4ARL+ ε_{it}……Model 2

DPS_{it}= 12.40+1.81AT_{it}+0.66$MAFR_{it}$-0.83AF_{it}-0.011ARL_{it}+ ε_{it}……Model 2

Interpretation

The result of the regression model presented in table 4.2.2 (Model Two) evidenced that Audit Tenure (AT) has a positive insignificant effect on return on asset (DPS) (α =1.81, ρ=0.41); an increase in AT would result to 18.1% increase in DPS while Mandatory audit firm rotation (MAFR) positively and insignificantly influences DPS with (α =0.66, ρ=0.83), Audit fee (AF) also has a negative and insignificant effect on DPS (α =-0.83, ρ=0.13), which means that an increase in the audit fee would reduce the DPS by 83% and Audit report lag (ARL) showed a negative and insignificant influence on DPS (α =-0.011, ρ=0.82). this shows that an increase in the number of days of the audited financial statement to be publish would affect the DPS by 11%. The explanatory powers of the independent variables reflect that the joint variations in the independent variables yield -0.71% variation in the ROA, while the remaining 99.29% are changes in the DPS caused by other factors not captured in this model. The probability of F-test (ρ-values of 0.861) showed that Audit quality measured as Audit fee, audit tenure, mandatory audit firm rotation and audit report lag insignificantly affects the probability of deposit money banks in Nigeria.

Comparative Analysis for Model One

Using the coefficients to interpret the models; In UK, it was found out that the audit tenure had a 20% while Nigeria has a coefficient of 1.8% which shows that in this study, the audit tenure has a larger magnitude on the dependent variable in UK than Nigeria which shows that the audit tenure is complied with more in the UK. While the mandatory audit firm rotation has a coefficient of 9.59% in UK and 6.6% in the Nigeria which shows that the UK complies more with the mandatory audit firm rotation. The audit fee coefficient for UK is 17.32% in UK while for Nigeria, it showed a negative value of -8.3% which means that UK

has a larger magnitude in the payment of audit fee, this could be so because of the economy and the exchange rate in both countries. Lastly, the audit report lag showed -5.6% in UK while in Nigeria, audit report lag showed a negative of 1.1%. The results show that both countries have a negative coefficient in the use of audit report lag.

Conclusion

At a significant level of 0.05, it was discovered that for Nigeria, Audit quality significantly affects the dividend per share with a p-value of 0.002 while for the U.K; audit quality does not significantly affect the DPS because the p value of 0.8612 is higher than the given level of significance.

Test of Hypotheses two (Control variable)

Research objective:

Evaluate how firm size control the effect of audit quality on dividend per share of listed deposit money banks in Nigeria and United Kingdom

Research questions:

To what extent does firm size control the effect of audit quality on dividend per share of listed deposit money banks in Nigeria and United Kingdom?

Hypotheses H_0: Firm size has no significant control on the effect of audit quality on the dividend per share of selected quoted deposit money banks in Nigeria and United Kingdom

Table 4

	NIGERIA				UK			
	MODEL FIVE				MODEL FIVE			
	POOLEDOLSWITH CLUSTER STD.				POOLED OLS WITH CLUSTER			
Variable	Coeff	Std.Err	t-	Prob	Coeff	Std.Er	t-test	Prob
Constant	-1031.6	275.8	-3.74	0.00	17.85	8.47	2.11	0.04
AT	11.48	9.743	1.18	0.24	2.17	2.14	1.02	0.31
MAFR	2.83	8.39	0.34	0.74	0.78	2.99	0.26	0.79
AF	-2.04	3.07	-0.67	0.51	-0.17	0.60	-0.28	0.78
ARL	0.12	0.079	1.52	0.13	-0.06	0.05	-1.12	0.27
FS	51.9	13.22	3.92	0.00	-0.96	0.42	-2.29	0.024
Adj. R^2	12.06				41.7			
F-Stat	$F_{(2, 4)}$= 21.13				$F_{(2, 5)}$ 8.27			
Probability of F-Stat	0.0017				0.1422			
Hausman Test	$Chi^2_{(5)}$=4.10(0.535)				$Chi^2_{(5)}$= 3.20(0.034)			
Pearson's Test	0.198(0.084)				0.34(0.213)			
Heteroskedasticity	$Chi^2_{(1)}$= 3.60(0.0577)				$Chi^2_{(1)}$= 188.03(0.000)			
SerialAuto-	$F_{(1, 9)}$= 53.047(0.000)				$F_{(1, 9)}$= 435 31(0.000)			
Breusch and pagan	$Chibar^2_{(01)}$= 120.36(0.000)				$Chibar_{(2,1)}$ = 113.65(0.00)			

Source: (Researchers output, 2021). **Dependent variable: DPS**

Diagnostic Tests

Hausman tests for both models determining the most appropriate estimating technique between Fixed Effect and Random Effect were conducted at significance level of 5 per cent.

In Nigeria, the results of the tests with ρ-values of 0.535 which is higher than the chosen significant level reveals that random effect is the most appropriate estimator

according to its null hypothesis which states there is presence of unsystematic difference in the model constraints; thus the study accepts the null hypothesis. The confirmatory test was done using the Breusch and Pagan LM, which shows a ρ-value of 0.000 showed that it is significant therefore the Pooled OLS is the most appropriate for this study. In UK, the result of the test with ρ-values of 0.034 which shows that it is significant level for the study reveals that the fixed effect is the most appropriate. But using the confirmatory test of the Testparm which showed a value of 0.34 which is not significant showed that the Pooled OLS is the most appropriate method for this study.

Breusch-Pagan/Cook-Weisberg Test with ρ-values of 0.00 and 0.00 indicated that there is presence of heteroskedasticity problem in both models; which implies that the variations in the residuals of the model over the period "t" in both models are trending. The existence of associations among the coefficients of the model and its residuals were tested using Wooldridge test for serial auto-correlation as an unhealthy association result to the error terms being smaller than expected and the co-efficient of determination being higher than normal. The statistics derived with ρ-values of 0.00 and 0.00 negate the null hypothesis which states that there is no first order autocorrelation. This implies that there is autocorrelation problem among the series in the model.

Nigeria

$DPS_{it}= \alpha_0+\alpha_1 AT_{it} + \alpha_2 MAFR_{it} + \alpha_3 AF_{it} + \alpha_4 ARL + {}_{\alpha 5} FS + \varepsilon_{it}$……Model 5

$DPS_{it}= -1031.6+11.48AT_{it}+2.83MAFR_{it}-2.04AF_{it}+0.12ARL_{it}+ 51.9FS_{it}+\varepsilon_{it}$…….Model 5

Interpretation

The result of the regression model presented in table 4.2.5 (Model five) evidenced that Audit Tenure (AT) has a positive insignificant effect on dividend per share (DPS) (α =11.48, ρ=0.24); an increase in AT would result to 11.48% increase in DPS while Mandatory audit firm rotation (MAFR) positively and insignificantly influences DPS (α =2.83, ρ=0.74), Audit fee (AF) also has a negative and insignificant effect on DPS (α =-2.04, ρ=0.51) and Audit report lag (ARL) shows a positive and insignificant influence on DPS (α =0.12, ρ=0.13). The control variable firm size (FS) shows a positive and significant effect on DPS (α =51.9, ρ=0.00). The explanatory powers of the independent variables reflect that the joint variations in the independent variables yield 12.06% variation in the DPS, while the remaining 88% are changes in the DPS caused by other factors not captured in this model. The probability of F-test (ρ-values of 0.002) showed that Audit quality measured as Audit fee, audit tenure, mandatory audit firm rotation and audit report lag controlling for firm size significantly affects the probability of listed deposit money banks in Nigeria.

The comparative analysis of the two models (with and without control variables) with multiple coefficient of determination of 21% and 12.06% signified the controlling effect of firm size in the model which implied that 9% reduced variation in DPS is an indication that inclusion of FS as control variable did not cause any change in the result of the model without the control variable. The 9% reduction in the coefficient of variables evidenced that Firm Size (FS) did not control the relationship between audit quality (AQ) and Dividend per share (DPS) of Deposit Money Banks in Nigeria.

Comparative Analysis for Model Two

Using the coefficients to interpret the models; In Nigeria, it was found out that the audit tenure had a 11.48% while UK has a coefficient of 2.17% which shows that in this study, the audit tenure has a larger magnitude on the dependent variable in Nigeria than UK. The mandatory audit firm rotation has a coefficient of 2.83% in Nigeria and 7.8% in the

UK which shows that UK has a larger magnitude of effect on the dependent variable than Nigeria. The audit fee coefficient for Nigeria is -2.04% while for UK, it showed a negative value of -0.17% which means that both countries have a negative magnitude of effect on the dependent variable. The audit report lag showed 1.2% in Nigeria, and a negative value of .06% in UK. This shows that the Nigeria has a larger magnitude effect in the use of audit report lag on the dependent variable. Lastly, the firm size showed a positive value of 51.9% in Nigeria and a negative value of .96% in the UK. This clearly shows that Nigeria has more magnitude o effect on the dependent variable.

Uk

$DPS_{it}= \alpha_0+\alpha_1 AT_{it} + \alpha_2 MAFR_{it} + \alpha_3 AF_{it} + \alpha_4 ARL+ {}_{\alpha 5}FS+_{\varepsilon it}$……Model 5

$DPS_{it}= 17.85+2.17AT_{it}+0.78MAFR_{it}-0.17AF_{it}-0.06ARL_{it}-0.96FS_{it}+_{\varepsilon it}$……Model 5

Interpretation

The result of the regression model presented in table 4.2.5 (Model five) evidenced that Audit Tenure (AT) has a positive insignificant effect on dividend per share (DPS) (α =2.17, ρ=0.31); an increase in AT would result to 2.17% increase in DPS while Mandatory audit firm rotation (MAFR) positively and insignificantly influences DPS (α =0.78, ρ=0.79), Audit fee (AF) also has a negative and insignificant effect on DPS (α =-0.17, ρ=0.78) and Audit report lag (ARL) shows a negative and insignificant influence on DPS (α =-0.06, ρ=0.27). The control variable firm size (FS) has a negative and significant effect on DPS (α =-0.96, ρ=0.0024). The explanatory powers of the independent variables reflect that the joint variations in the independent variables yield 41.7% variation in the DPS, while the remaining 58.3% are changes in the DPS caused by other factors not captured in this model. The probability of F-test (ρ-values of 0.142) showed that Audit quality measured as Audit fee, audit tenure, mandatory audit firm rotation and audit report lag controlling for firm size does not significantly affects the probability of listed deposit money banks in U.K.

The comparative analysis of the two models (with and without control variables) with multiple coefficient of determination of -0.71% and 41.7% signified the controlling effect of firm size in the model which implied that 40.28% additional variation in DPS is an indication that inclusion of FS as control variable did not cause any change in the result of the model without the control variable. The 40.28% increment in the coefficient of determination prior and after the Bank Size (BS) as control variables evidenced that Firm Size (FS) controlled the relationship between audit quality (AQ) and Dividend per share (DPS) of Deposit Money Banks in U.K.

Conclusion

At a significant level of 0.05, it was discovered that for Nigeria, Firm size significantly controls the effect of Audit quality on dividend per share with a p-value of 0.002 while for the U.K; firm size does not significantly control the effect audit quality has on DPS because the p value of 0.142 is higher than the given level of significance.

Discussion of Findings

Audit Quality and Dividend per Share (DPS) in Nigeria and United Kingdom

The findings of this study showed a positive and significant effect of audit quality on dividend per share in Nigeria which is in line with the study of Hossein, (2012) that conducted a study in Tehran and found a significant relationship between the audit quality variables and dividend per share in these banks.

While on the other hand the United Kingdom shows an insignificant influence on the effect of audit quality on the dividend per share of the listed banks. This goes in line with the study of Nguyen (2012) who conducted a study in Vietnam and found an insignificant relationship between audit quality variables and dividend per share, this was found because of the industry type difference, this study was conducted on the vietname stock exchange market fir the manufacturing firms.

Audit Quality, Firm Size and Dividend per Share in Nigeria and United Kingdom

Upon introducing the control variable of firm size, the results for both countries show to be significant and positive which means that the firm size controls the effect of audit quality on the financial performance (DPS) of listed deposit money banks in Nigeria and United Kingdom. There is a paucity of literature in the use of dividend per share as a measure of financial performance for audit quality therefore there is no study to support or disagree with the above result. The decrease in the coefficient of multiple determinations from 21.01% in model one to 12.06% in model five evidenced that the firm size did not significantly control the relationship between audit quality and financial performance of deposit money banks in Nigeria. While for the U.K, the coefficient of determination increased from -2.39% to 41.7% showed that firm size significantly moderated the relationship between audit quality and financial performance of deposit money banks.

The results of this study are in line with the results of research conducted by Febriyanti and Mertha (2014) that the size of the client company has a positive effect on audit quality, the larger the size of the client company, the better the audit quality produced by the auditor. The larger the company, the higher the agency cost. So, large-sized companies tend to choose professional, independent, and reputable auditor services to produce better audit quality but the results of this study are not in line with the results of research conducted by Wahono and Setyadi (2014) that the client company size does not affect audit quality.

Conclusion

The study focused on audit quality (Audit tenure, mandatory audit firm rotation and audit report lag) and financial performance (dividend per share) with the inclusion of a control variable of (firm size) in listed deposit money banks in Nigeria and UK, for eleven (11) years each.

The results shows that audit quality has a significant effect on dividend per share in Nigeria and with the introduction of the control variable of firm size, the results stay the same which shows that the control variable causes no effect on the model.

In the UK, the audit quality has no significant effect on dividend per share, with the introduction of control variable of firm size, the result also stays the same that the control variable doesn't cause any change to the main model.

Recommendations

Based on the results of this report, it is recommended that:

1. Banks should adhere to the rule that an auditor's tenure in an organization may not exceed three years, as the auditor can form close relationships with clients and become more likely to behave in favor of management.
2. Policy makers should make standard rules regarding the number of days between the fiscal number of years and the date where the auditor signs the report.
3. Management should ensure that shareholders dividends are paid and as at when due.

Suggestion for Further Studies

This study focused on audit quality and financial performance of listed deposit money banks in Nigeria and United Kingdom. The study considered Audit Fee (AF), Auditor's Tenure (AT), Mandatory Audit Firm Rotation (MAFR) and Audit Report Lag (ARL) as a measure of audit quality while, dividend per share (DPS) and served as proxy for financial performance. Also the Firm Size (FS) was used as control variable. The study covered eleven (11) years resulting in 121 balanced panel data of banks quoted on the Nigerian and U.K stock exchange market website. Based on the limitation above, further studies should also focus on comparing different economies because there is a paucity of literature on this. In addition, further studies should expand the scope in terms of the time span covered to extend beyond the eleven (11) years used in this study.

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