Effects of Auditors Report on the Quality of Financial Statements of Selected Cement Manufacturing Firms in Nigeria

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ABSTRACT
This study empirically examines the relationship between Auditors Report and the Quality of Financial Statements of Selected Quoted Manufacturing Companies proxied by Auditor's independence, Auditor's opinion, Level of compliance and Material misstatement. The survey research design was adopted for the study. Descriptive statistics such as simple percentages and tables were used to analyse the responses to the returned questionnaires. Furthermore, the Pearson Product Moment Correlation was adopted by the researcher to test the study's formulated hypotheses at 5% level of significance for a two tailed test. Findings from the study revealed a significant relationship between Auditor's independence, Auditor's opinion, level of compliance, quality of financial report and material misstatement and the quality of financial report of quoted cement manufacturing companies in Nigeria. The study recommends amongst others the need for auditors to remain independent, should not be allowed to provide audit clients with any other advisory services, and at the same time should be periodically rotated to improve their independence. Furthermore, there should be an implementation of peer assessment in order to ensure that audits are carried out with utmost professionalism and mutual respect and at the same time, audit committee should be set up by every limited liability company to evaluate the audit work done.

Key Words: *Auditors' Independence, Auditors' Opinion, Compliance, Material misstatement.*

INTRODUCTION

In our today's business environment, most business organizations are controlled and managed by persons (directors and managers) other than their owners. These persons strive to create wealth and add value to the existing assets of the organization on behalf of its owners and at the same time providing periodic report to stakeholders at periodic intervals in form of financial statements as an expression of stewardship.

Similarly, the owners and investors of these concerns on the hand would want to find out if the directors and managers are honest and fair in handling the affairs of the organization. To do this, they would require the opinion of an independent professional Auditor who will examine the prepared financial statements alongside its supporting evidences and present a report (Adeniji, 2004). In the same vein and in order to buttress the importance of this independent professional report, section 359 subsection 1 of the

Companies and Allied Matters Act (CAMA) 1990 makes it mandatory for the inclusion of such a report in financial statements before they can be published.

Thus, the auditor's professional report is the report given to his client at the end of the audit assignment to accompany the financial statements before they can be published thus making it a core requirement to be met before financial statements can be published and It is against this background that the paper examines the effects the report has on the quality of published financial statements of cement manufacturing firms in Nigeria.

In order to give account of their stewardship, managers at regular intervals give periodic report to stakeholders in form of financial statements which at times are at variant with the state of the concerns they are managing. This act erodes users confidence on such financial statements and in order to restore this confidence and enhance reliance, section 357(1) of CAMA makes it mandatory for the appointment of an independent Auditor to audit the financial statements so prepared while section 359(1) provides for the inclusion of the audited report in financial statements to be published. However, the extent to which the auditor's professional report expresses the auditors independent opinion as regards the level of compliance and material misstatement affect the quality of published financial statements has not been empirically evidenced as especially as regards cement manufacturing companies in Nigeria. Against this backdrop, this study seeks to provide answers to the following research questions.

i. To what extent does the auditors' independence affect the quality of published financial statements of cement manufacturing firms in Nigeria?
ii. To what extent do auditors' opinions affect the quality of published financial statements of cement manufacturing firms in Nigeria?
iii. To what extent do the level of compliance with accounting standards and statutory legislations affects the quality of published financial statements of cement manufacturing firms in Nigeria?
iv. To what extent do material misstatement affects the quality of published financial statements of cement manufacturing firms in Nigeria?

LITERATURE REVIEW

Concept and Overview of Auditor's Report

Audit report is a media of communication between auditor and financial statements' users; it shows the most important part of auditors' activity and expresses the result of financial statements' assessment to users (Salehi and Abedini, 2008).

Concerns regarding the auditor's report date to the early 1900s (Church et al. 2008; King and Case 2003; Koh and Woo 1998; PCAOB 2010). From 1948 through 1988, there was a growing perception that the financial statement users' interpretations of the auditor's report were different from the message auditors intended to convey. The Cohen Commission (1978) identified several areas needing improved communication. In addition to concerns about confusion over management and auditor responsibilities, the Commission indicated concern that the standardized language made the auditor's report a ''symbol'' that users did not carefully read. Nine years later, the National Commission on Fraudulent Financial Reporting (NCFFR) (1987) (the Treadway Commission) suggested that the auditor's report should indicate clearly that the intent is not to provide absolute assurance of no material misstatements resulting from error or fraud in the financial statements, and that the report should inform the user of the extent to which the auditors reviewed and evaluated the system of internal accounting controls (Kneer et al. 1996).

Types of Auditors report

The type of the auditor's report is dependent on the opinion he expresses at the end of his work and the opinion he expresses at the end determines the nature of the report he prepares and presents. Similarly, the auditor's report is classified into two major groups which are unqualified and qualified audit report (Nweke, Ekwueme & Okoye, 1997).

These are basically sub-divided into four types as; clean, reserved, abstention form giving opinion and contrary, and the type of auditor's report will determine the decisions of the users of the financial statements and this depends on their level of trust on the auditor's report and its content (Lennox, 1999).

A AN UNQUALIFIED AUDIT REPORT

An unqualified audit report is a clean audit report. It means that all rules, provisions, procedures and standards had been adhered to as well as their forms and contents. Where the auditor gives a clean report, it discovered deviations are not of a relative significance.

B QUALIFIED AUDIT REPORT

Qualified audit reports are unclean reports. They indicate the presence of an abnormality. Before the introduction of the auditing standard SAS 600, qualified audit report failed to properly covey the meaning of what was intended in most cases but with the introduction of the standard, this issue has greatly been harmonized. Basically, qualified audit report is grouped into three as follows:

i. Outright qualification(contrary opinion),
ii. True and fair view subject to (Reserved opinion), and
iii. Unable to form opinion due to some doubts. **(**Abstention from giving opinion).

Outright qualification (contrary opinion): Is where the Auditor expressly states that the accounts so prepared do not show a true and fair view of the state of affairs of the organization's account been audited. It is an adverse opinion by the Auditor. The auditor gives a contrary report if discovered deviations are physical and essential; namely, they affect all or most of financial statement components which makes the financial statement unfair and misleading. The impacts which the auditors opinion type have (except clean opinion), which the auditor issues is that of confidence and non-confidence in the board of directors, unrealistic project value, depression in stock exchanges(share values), and approval of non-profits distribution.

Recently, there have been some criticism targeted towards the contents of the auditor's report and this criticism were because of the inadequacy non-financial information which should be included in the auditor's report in order to increase the level of usefulness and significance of their report content.

In order to increase the usefulness of the auditor's report, the Australian Institute of Chartered Accountants (ICAA) stressed and recommend that the auditor's report content be extended to include areas and subjects, such as illegal act discovery, and evaluation of internal controls, and the evaluation of the firm's continuity ability in order to increase investors' confidence.

In response to these growing criticisms and yearnings, the International auditing and Assurance Standards board on the 25/3/2005 issued two International Auditing and Assurance Standards drafts (705)and (706) suggesting some modifications on auditors report to take effect from 31/12/2006.

True and fair view subject to (Reserved opinion)**:** is where the Auditor expresses a positive opinion on the account prepared with exception on some immaterial issues which do not affect the presented account in any fundamental way. Circumstances that warrant the auditor to give this kind of report in several cases, is where the auditor's work scope has been narrowed.

Unable to form an opinion due to some doubts (Abstention from giving opinion): Is where the Auditor is not able to form an opinion due to some uncertainties such as the absence of books of accounts, record of titles of assets, etc. Where the auditor gives this kind of report in several cases, the most important of it, is the auditor's work scope narrowing.

Financial Statements

According to Grewal (2008), "The term financial statements used in accounting refers, at least to two statements (i) Profit and Loss Account and (ii) Balance Sheet" To him, these statements are prepared at the end of a given period of time for a business concern. The Balance Sheet exhibits the assets, liabilities and capital of the business on a particular date. It is also called "statement of financial position" under the IFRS while the profit and Loss Account which shows the result of operations i.e. profit and loss during a given period is also known as the statement of comprehensive income under the IFRS. To Gbede (2008), Financial Statements include "the profit and loss account, the Balance Sheet, the statement of source and uses of funds, etc."

Again, Pandey (1999) believes that financial statements are basically classified into the income statement (Profit & Loss Account) and the position statement (Balance Sheet). He opines that these two are the basic instruments of an accounting system to communicate financial information to users.. He opines that these two are the basic instruments of an accounting system to communicate financial information to users. To this, the accountant's role is to ensure that the information provided is useful for making decisions. For external users, the accountant achieves this by providing a general – financial statement that complies with statute and is reliable. For internal users this is done interfacing with the user and establishing exactly what financial information is relevant to the decision that is to be made (Bary and Jamie, 2005).

Similarly, the IFRS considers financial statements as; statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity etc, but for the purpose of this research work, financial statement are basically classified into four as: statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity.

Theoretical framework

This section of the chapter provides the relevant theories that the study is anchored on.

Entity theory: The business firm is considered to have a separate existence, to the extent that it has a personality of its own. The entity theory is based on the equation that Assets are equal to equity plus liabilities which suggests that the valuing of the rights of the creditors can be determined independently of other valuations if the firm is solvent, while the rights of stockholders are measured by the valuation of assets originally invested plus the valuation of reinvested earnings and subsequent revaluations. The rights of the stockholders to receive dividends and share in net assets upon liquidation are, however, rights as equity holders, rather than as owners of specific assets. The liabilities are specific obligations of the firm, and the assets represent the rights of the firm to receive specific goods and services or other benefits (Hendriksen, 1982).

Enterprise theory: The Enterprise Theory is a broader concept than entity theory, but less well defined on its scope and application. According to the enterprise theory, accounting may be thought of as a social theory of accounting, that is, the firm is considered to be a social institution operated for the benefit of many interested groups. From an accounting point of view this would mean that the responsibilities of proper reporting would not only extend to stockholders and creditor, but also too many other groups and the general public. This concept of the firm is, according to Hendrikson (1982), most applicable to the large modern corporation that has been obliged to consider the effect of its actions on various groups and on the society as a whole.

Proprietary theory: In the proprietary theory the proprietor or owner is at the center of interest. In the balance sheet format this is stated as follows: Assets minus liabilities are equal to proprietorship's. The assets are assumed to be owned by the proprietor, and liabilities are the proprietor's obligations. Revenues are increases in proprietorship and expenses are decreases. The net income accrues directly to the owners; that is it represents an increase in the wealth of the proprietors. The proprietorship is considered to be the net value of the business to the owners. It is wealth concept (Hendriksen, 1982).

Residual equity theory: In the residual equity theory, changes in asset valuation, changes in income and in retained earnings, and changes in interest of other equity holders are all reflected in the residual equity of the common stockholders. The specific equities include the claims of creditor and the equities of preferred stockholders. The balance sheet equations become as follows: Assets minus specific equities are equal to Residual equity. The equity of the common stockholders in the balance sheet should be presented separately from the equities of preferred stockholder and other specific equity holders. According to Hendriksen (1982), the residual equity of view is concept somewhere between the proprietary theory and the entity theory.

The objective of the residual equity approach is to provide better information to common stockholders for making investment decisions. In a going-concern situation, the current value of common stock is dependent primarily upon the expectation of future dividend. Future dividends are dependent upon expectations of total receipts less specific contractual obligations, payments to specific equity holders, and requirements for reinvestment. Since financial statement are not generally, prepared on the basis of possible liquidation, the information provided regarding the residual equity should be useful in predicting possible future dividends to common stockholders including liquidation dividends (Hendriksen 1982).

Contingency theory: Contingency theory has become prominent in both organization theory and management accounting. It has also been suggested that the contingency approach is implicit in accounting policy making. The contingency framework is extended to corporate reporting and it is argued that this may provide a means of explaining and predicting such systems. The contingent variables are conceptualizes as falling into four classes which consist of: (1) Societal variable (ii) the environment of the enterprise; (3) organizational attributes; and (4) user characteristics and others sources of information. These are shown to be associated with particular attributes of corporate reporting system.

Empirical Review

There exist a plethora of studies that seeks to examine the effect of audit report on the quality of financial statements, this section of the chapter review these studies.

Dandago and Abdullahi, (2014) studied an examination into the quality of audited financial statements of money deposit banks in Nigeria. The study used simple percentage to analyse data and analysis of variance (ANOVA) to test hypotheses. The study concludes that consistency and reliability can be absolutely achieved if external Auditors are independently auditing financial statements on money deposit banks based purely on the established auditing standards and guidelines. The study recommends that audit committees of money deposit Banks should be more strict in their investigations and should initiate move for suing of Auditors where they are found wanting.

Ogbonna and Ebimobowei, (2012) studied effects of ethical accounting standards on the quality of financial report of banks in Nigeria. The study adopted econometric-view (E-view) for data analysis, and ordinary least squares were used for hypotheses testing. The study found that ethical accounting standards is significantly related to the quality of financial reports of Banks in Nigeria, and also that ethical accounting standards are fundamentally necessary for accountants to provide quality financial reports free from material misstatements. The study recommended that professional accountants as custodian and producers of accounting information should adhere to the code of the profession.

Olagunji, (2011), studied an empirical analysis of the impact of auditor's independence on the credibility of financial statements in Nigeria. The study adopted simple percentages and tables for data analysis while Chi-square was used for testing of hypotheses. The result shows that auditors' independence affects the credibility of financial statements and the improvement in the credibility of the financial statements can reduce manipulation in the financial statements. The study concluded that auditors' independence and the credibility of financial statements are to be significantly impaired when non-audit services are conducted and there is a positive relationship between independence of an auditor and credibility of finical statements, therefore the independence of an auditor is fundamental to the credibility of financial statement. The study recommended that there should be rotation of auditors to improve the auditors independence, implementation of peer assessment in order to ensure that audit are carried out with outmost professionalism and mutual respect and that auditors should not be allowed to provide audit client with any other advisory services.

Ebibowei and Bineabi, (2013), studied an examination of the effectiveness of auditing of local government financial report in Bayelsa state in Nigeria. The study adopted descriptive statistics and spearman's rank correlation. The study found out that auditing ensures proper standard ship reporting, administrative interface and inadequate qualified manpower does retard proper auditing of local government accounts in Bayelsa state. The study concluded that auditing of local government account is fundamental for the effective and efficient stewardship reporting by council officials without political and administrative interference of the financial activities of the councils with adequately qualified audit staff. The study recommended that objectivity, integrity and transparency should be observed by auditors and council officials, restructuring of the various anti-corruption agencies in Nigeria, an improvement of auditors remuneration and fringe benefits to enhance performance.

Kabajeh et al (2012) studied the information contents of the Auditor's report and its impact on making decisions from lenders and management's view in the Jordanian industrial public firms. The adopted simple percentages and standard deviation in analyzing data and testing the hypotheses. The results indicated that the auditor's report content found to be inappropriate, insufficient and not completely neutral for decision making by both of the management of the Jordanian industrial public firms and there lenders, and lenders found that this report do not contribute positively in lending decisions. Also, the auditors repot content was not in compliance with international auditing standards in the past and now, and these standards were not activated, and there is no recording to the subsequent event. Finally, the result indicated that there is no contest between local legislation and the international auditing standards.

Miller, et al, (1993) conducted an experimental study in the USA to compare ability of the new audit report introduced by SAS 58 “Reports on Audited Financial Statements” in banks' Accreditation decisions with the old audit reports. Respondents were divided into groups and given either a new or old form of audit report, joined by a set of questions asking them about their comprehensions of the reports. They suggested that the US Auditing Standards Board (ASB) had successfully refined the ability of the audit report to communicate between independent accountants and the financial statements' users. The study concluded that the new report was able to enhance the communication process in some areas, such as the differentiation between the auditor’s and management’s responsibilities; and the intensification of the communications due to the audit scope limitations. However, the results also indicated that the perception of the respondents in respect of the scope limitations could be influenced by the size of the bank.

METHODOLOGY

The research design for this study is survey research design. The research design was considered appropriate since data would be collected from the element or subjects without imposing any condition or treatment on them. Therefore the various elements of this research would not be under the control of the researcher and so the researcher can only describe, explain and predict the event without interfering in their functioning. More so, the adoption of this research design allows the researcher to use questionnaire as a method of data collection.

The population of this study comprises all the 8 cement manufacturing firms that are quoted on the Nigerian stock exchange. They include: Ashaka Cement Company (Lafarge South Africa), BCC (Dangote), CCNN (BUA), Edo Cement (BUA), Ibeshe (Dangote), Lafarge WAPCO (Lafarge South Africa), Obajana Cement (Dangote), UniCem (Holcim/Lafarge S.A./Flour Mills).

The study adopts the non-probability sampling technique by which purposive sampling was used to select the 3 Cement manufacturing firms: BCC (Dangote), Obajana Cement (Dangote) and Ibeshe (Dangote) as the samples. The element of the study comprises the management and senior staff of the sampled cements manufacturing firms which totalled 156.

The main instrument of data collection for this study will be the questionnaire. The independent variables of the study (auditor’s independence, auditor’s opinion, level of compliance, and material misstatement) and the dependent variable (Quality of financial statement) were captured by means of a 5-point likert scale questionnaire as follows; SA-5 (strongly agree), A-4 (agree), U-3 (undecided), D-2 (disagree) and SD-1 (strongly disagree).

In order to achieve the set objectives of this study, the study employed descriptive statistics like tables, frequencies, and simple percentages to summarize the collected data in a clear and understandable way using numerical approach.

The study further employed the use of simple linear regression to determine the effect of the independent variable on the dependent variable. The choice of simple linear regression is because it minimizes the error sum of squares and has a number of advantages such as unbiasedness, consistency, minimum variance and efficiency; it is widely used based on its property of BLUE (Best, Linear, Unbias, Estimate), simple and easy to understand (Koutsoyannis, 1971; Gujarati, 2004). Data analysis will done using the Statistical Package for Social Science (SPSS) version 20.0, a computer programme.

Models Specification

The study establishes the following models to serve as guide in the investigation.

QFR =α +β₁IOA +ei*-------------------------------------*{Model 1}

QFR =α +β₁AO + ei*-------------------------------------*{Model 2}

QFR =α +β₁LOC + ei*-----------------------------------*{Model 3}

QFR =α +β₁MM + ei*------------------------------------*{Model4}

Where;

QFR = Quality of financial statement, IOA = Independence of auditors, AO = Auditors Opinion, LOC = Level of Compliance, MM = Material misstatement, α =Model Constant , β_1 = Coefficient of independent variable, ei = Error term or the stochastic variable

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

This section presents and analyses data generated for this study. The chapter first of all presents the data and the reliability test of the data, test of research hypotheses and discussion findings. The test of research hypotheses here are performed with the aim of empirically providing evidence to answer the research questions earlier raised in this study. A total number of 156 questionnaires containing twenty (20) questions were administered. Only 140 were returned and this analysis is based on these 140 returned questionnaire.

Data Reliability Test

Table 1: Reliability Statistics in respect to QFR, IOA, AO, LC and MM

Cronbach's Alpha	N of Items
.997	5

Source: Researchers' Computation Using SPSS Version 20

In order to ensure the internal reliability and validity of the data and the instrument used, the Cronbach's alpha is computed using SPSS version 20. The value of Cronbach's Alpha in respect to all the variables employed in the study (Quality of financial statement (QFR), auditor's independence (IOA), auditor's opinion (AO), level of compliance (LC), and material misstatement (MM)) is 0.997 as shown in the table 4.1 above. The value is above the standard value 0.70 proposed by Nunnally, (1978). This indicates that our data and instrument is reliable and we can confidently apply different statistical tests and interpret the results with confidence.

Table 2: Auditors Independence

Items	Auditors in this company are not only seems to be independent but are actually independent from management and directors		Auditors in this company act and carry out their duties without hindrance or interference from management and directors		Head auditors in this company are rotated every five years		Auditors in this company are restricted from holding board positions	
Scale	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**
SA	87	62.1	50	35.7	89	63.6	78	55.7
A	41	29.3	73	52.1	38	27.1	50	35.7
U	2	1.4	4	2.9	3	2.1	4	2.9
D	7	5.0	9	6.4	5	3.6	6	4.3
SD	3	2.1	4	2.9	5	3.6	2	1.4
Total	140	100.0	140	100.0	140	100.0	140	100.0

Table 2 shows that 87 respondents representing 62.1% strongly agree that auditors in the company are not only seems to be independent but are actually independent from management and directors, 41 respondents representing 29.3% agree, 2 respondents representing 1.4% were undecided, 7 respondents representing 5.0% disagree while 3 respondents representing 2.1% strongly disagree. On whether auditors in this company act and carry out their duties without hindrance or interference from management and directors, 50 respondents representing 35.7% strongly agree, 73 respondents representing 52.1% agree, 4 respondents representing 2.9% were undecided, 9 respondents representing 6.4% disagree while 4 respondents representing 2.9% strongly disagree.

More so, 89 respondents representing 63.6% strongly agree that head auditors in this company are rotated every five years, 38 respondents representing 27.1% agree, 3 respondents representing 2.1% were undecided, 5 respondents representing 3.6% disagree while 5 respondents representing 3.6% strongly disagree.

Finally, the table above also shows that 78 respondents representing 55.7% strongly agree that auditors in the company are restricted from holding board positions, 50 respondents representing 35.7% agree, 4 respondents representing 2.9% was undecided, 6 respondents representing 4.3% disagree and 2 respondents representing 1.4% strongly disagree.

Table 3: Auditor's Opinion

Items	Auditors in this company always expressed an independent opinion the reflect a true and fair view of dealings in the company		Auditors in this company give an unqualified audit report		This company's auditor opinion are reliable		Auditors opinion in this company provides a degree of confidence with the information in financial statement	
Scale	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**
SA	76	54.3	70	50.0	70	50.0	79	56.4
A	52	37.1	55	39.3	58	41.4	48	34.3
U	3	2.1	4	2.9	1	.7	3	2.1
D	6	4.3	8	5.7	6	4.3	6	4.3
SD	3	2.1	3	2.1	5	3.6	4	2.9
Total	140	100.0	140	100.0	140	100.0	140	100.0

Table 3 further shows that 76 respondents representing 54.3% strongly agree that auditors in their company always expressed an independent opinion the reflect a true and fair view of dealings in the company, 52 respondents representing 37.1% agree, 3 respondents representing 2.1% were undecided, 6 respondents representing 4.3% disagree while 3 respondents representing 2.1% strongly disagree.

On whether auditors in this company give an unqualified audit report, 70 respondents representing 50.0% strongly agree, 55 respondents representing 39.3% agree, 4 respondents representing 2.9% were undecided, 8 respondents representing 5.7% disagree while 3 respondents representing 2.1% strongly disagree.

More so, 70 respondents representing 50.0% strongly agree that their company's auditor opinion are reliable, 58 respondents representing 41.4% agree, 1 respondent representing 0.7% were undecided, 6 respondents representing 4.3% disagree while 5 respondents representing 3.6% strongly disagree.

Finally, the table further shows that 79 respondents representing 56.4% strongly agree that auditors opinion in their company provides a degree of confidence with the information in financial statement, 48 respondents representing 34.3% agree, 3 respondents representing 2.1% were undecided, 6 respondents representing 4.3% disagree while 4 respondents representing 2.9% strongly disagree.

Table 4: Level of Compliance

Items	Auditors in this company ensure that financial reports are in accordance with accounting standards (GAAP, SAS, IFRS)		Auditors in this company ensures compliance with auditing standards in performing his duty		Auditors in this company with SEC regulations		Auditors in this company comply with labour and productivity	
Scale	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**
SA	87	62.1	61	43.6	69	49.3	73	52.1
A	38	27.1	65	46.4	58	41.4	55	39.3
U	2	1.4	3	2.1	3	2.1	1	.7
D	11	7.9	8	5.7	5	3.6	7	5.0
SD	2	1.4	3	2.1	5	3.6	4	2.9
Total	140	100.0	140	100.0	140	100.0	140	100.0

Table 4 reveals that 87 respondents representing 62.1% strongly agree that auditors in the company ensure that financial reports are in accordance with accounting standards (GAAP, SAS, IFRS), 38 respondents representing 27.1% agree, 2 respondents representing 1.4% were undecided, 11 respondents representing 7.9% disagree while 2 respondents representing 1.4% strongly disagree.

Also, on whether auditors in this company ensures compliance with auditing standards in performing his duty, 61 respondents representing 43.6% strongly agree, 65 respondents representing 46.4% agree, 3 respondents representing 2.1% were undecided, 8 respondents representing 5.7% disagree while 3 respondents representing 2.1% strongly disagree.

Furthermore, 69 respondents representing 49.3% strongly agree that auditors in this company with SEC regulations, 58 respondents representing 41.14% agree, 3 respondents representing 2.1% were undecided, 5 respondents representing 3.6% disagree while 5 respondents representing 3.6% strongly disagree.

Finally, the table further reveals that 73 respondents representing 52.1% strongly agree that auditors in the company comply with labour and productivity, 55 respondents representing 39.3% agree, 1 respondent representing 0.7% were undecided, 7 respondents representing 5.0% disagree while 4 respondents representing 2.9% strongly disagree.

Table 5: Material Misstatement

Items	Level of assurance is being provided with respect to other information is appropriate		Audited financial statements may be materially misstated		Audited financial statements contain information that is incorrect, unreasonable or inappropriate		Financial activities in this company transcend beyond the company financial strength	
Scale	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**
SA	87	62.1	80	57.1	82	58.6	82	58.6

A	41	29.3	44	31.4	43	30.7	45	32.1
U	2	1.4	3	2.1	4	2.9	0	0
D	7	5.0	9	6.4	8	5.7	7	5.0
SD	3	2.1	4	2.9	3	2.1	6	4.3
Total	140	100.0	140	100.0	140	100.0	140	100.0

Table 5 confirms that 87 respondents representing 62.1% strongly agree that the level of assurance is being provided with respect to other information is appropriate, 41 respondents representing 29.3% agree, 2 respondents representing 1.4% were undecided, 7 respondents representing 5.0% disagree while 3 respondents representing 2.1% strongly disagree.

On whether audited financial statements may be materially misstated, 80 respondents representing 57.1% strongly agree, 44 respondents representing 31.4% agree, 3 respondents representing 2.1% undecided, 9 respondents representing 6.4% disagree while 4 respondents representing 2.9% strongly disagree.

Additionally, 82 respondents representing 58.6% strongly agree that audited financial statements contain information that is incorrect, unreasonable or inappropriate, 43 respondents representing 30.7% agree, 4 respondents representing 2.9% were undecided, 8 respondents representing 5.7% disagree while 3 respondents representing 2.1% strongly disagree.

Finally, the table above also shows that 82 respondents representing 58.6% strongly agree that financial activities in their company transcend beyond the company financial strength, 45 respondents representing 32.1% agree, none of the respondents were undecided, 7 respondents representing 5.0% disagree and 6 respondents representing 4.3% strongly disagree.

Table 6: Quality of Financial Report

Items	Reports presented contains accuracy of information		Financial report presented reflect a true and fair view		Financial reports in this company are presented timely for decision making		Financial reports are presented in line with statutory standards	
Scale	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**
SA	78	55.7	87	62.1	80	57.1	74	52.9
A	48	34.3	41	29.3	47	33.6	54	38.6
U	4	2.9	2	1.4	3	2.1	2	1.4
D	5	3.6	7	5.0	4	2.9	7	5.0
SD	5	3.6	3	2.1	6	4.3	3	2.1
Total	140	100.0	140	100.0	140	100.0	140	100.0

Table 6 presents 78 respondents representing 55.7% strongly agree that reports presented contains accuracy of information, 48 respondents representing 34.3% agree, 4 respondents representing 2.9% were undecided, 5 respondents representing 3.6% disagree while 5 respondents representing 3.6% strongly disagree.

Also, on whether auditors in financial report presented reflect a true and fair view, 87 respondents representing 62.1% strongly agree, 41 respondents representing 29.3% agree, 2 respondents representing 1.4% were undecided, 7 respondents representing 5.0% disagree while 3 respondents representing 2.1% strongly disagree.

More so, 80 respondents representing 57.1% strongly agree that financial reports in this company are presented timely for decision making, 47 respondents representing 33.6% agree, 3 respondents representing 2.1% were undecided, 4 respondents representing 2.9% disagree while 6 respondents representing 4.3% strongly disagree.

Finally, the table above also shows that 74 respondents representing 52.9% strongly agree that financial reports are presented in line with statutory standards, 54 respondents representing 38.6% agree, 2 respondents representing 1.4% were undecided, 7 respondents representing 5.0% disagree while 3 respondents representing 2.1% strongly disagree.

Presentation and Interpretation of Regression Result

In order to determine the effect of auditor report on the quality of financial statement, regression analysis was computed. Regression analysis is the main tool used for data analysis in this study. Regression analysis shows how one variable relates with another. This section of the chapter therefore presents result of regression in respect to each hypothesis.

Regression Result for Model 1 (QFR =α +β_1IOA +ei)

To compute the regression result for this model which will be used to test hypothesis one, research questions 1-4 and 17-20 was used.

Table 7: Model 1 Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.990[a]	.979	.979	.53937	.979	6472.032	1	138	.000	.404

a. Predictors: (Constant), IOA

b. Dependent Variable: QFR

Source: Researchers' Computation Using SPSS Version 20

Table 7 above presents the model summary of the predictor variable: independence of auditors (IOA) regressed with the dependent variable: Quality of financial report (QFR). The results of the computed statistics are explained in the paragraphs that ensued.

The R value of 0.990 shows that, there is a very strong relationship between IOA and the QFR of quoted companies in Nigeria. Also the R^2 stood at 0.979. The R^2 otherwise known as the coefficient of determination shows the percentage of the total variation of the dependent variable (QFR) that can be explained by the independent or explanatory variable (IOA). Thus the R^2 value of 0.979 indicates that 97.9% of the variation in the quality of financial report of quoted companies can be explained by a variation in the independent variable (IOA) while the remaining 2.1% (i.e. 100-R^2) could be accounted by other variables not included in this model.

Our indicator of generalizability is the adjusted R Square value, which is adjusted for the number of variables included in the regression equation. This is used to estimate the expected shrinkage in R Square that would not generalize to the population because the solution is over-fitted to the data set by including too many independent variables (Gujarati & Sangeetha, 2007). If the adjusted R Square value is much lower than the R Square value, it is an indication that our regression equation may be over-fitted to the sample, and of limited generalizability. For the problem we are analyzing, R Square = 0.979 or 97.9% and the Adjusted R Square = 0.979 or 97.9. These values are same, thus indicating absence of shrinkage based on this indicator (Gujarati & Sangeetha, 2007). This there implies that if the entire population is considered for this study, this result will still remain the same (i.e. 97.9–97.9). This implies that the quality of financial report of quoted companies is to a greater extent very responsive to auditor's independence. This is why it accounts for most of its variation.

The table further shows an F-statistics of 6472.032 which indicates that the set of independent variables were as a whole contributing to the variance in the dependent variable and that there exist a statistically significant relationship at 0.000 (0%) between QPR and the set of predictor variable (IOA) indicating that the overall equation is significant at 0% which is below 5% level of significance.

Table 8: Model 1 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-.338	.096		-3.510	.001	-.529	-.148					
	IOA	1.034	.013	.990	80.449	.000	1.008	1.059	.990	.990	.990	1.000	1.000

a. Dependent Variable: QFR

Source: Researchers' Computation Using SPSS Version 20

The regression coefficient result as presented in table 8 above to determine the impact of auditor's report (proxied by IOA) and the quality of financial report shows that when auditor's report surrogate is not a factor to be considered; the quality of financial report is estimated at -0.338. This simply implies that when auditor's report surrogated by IOA is held constant, the quality of financial report will be very poor. The negative sign in the result signifies a decrease in the quality of the financial report so prepared by management. This may be occasioned by variables not incorporated in this study. These factors may arise from management sharp practices which could be surreptitiously perpetuated without the knowledge of owners due to absence of auditor's report.

However, the independent variable (IOA) reflects a beta coefficient of 0.990 at a level of significance of 0.000. This implies that a unit variation in the independence of auditors will lead to a significant improvement in the quality of audit report by 99%. This thus leads to the conclusion that the independence of auditors significantly affects the quality of financial report.

Regression Result for Model 2 (QFR =α +β_1AO +ei)

Research questions 5-8 and 17-20 were used to computes the regression result for this model which will be used to test hypothesis two.

Table 9: Model 2 Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.989[a]	.978	.978	.55087	.978	6198.901	1	138	.000	.670

a. Predictors: (Constant), AO

b. Dependent Variable: QFR

Source: Researchers' Computation Using SPSS Version 20

Table 9 above presents the model summary of the predictor variable: auditors' opinion (AO) regressed with the dependent variable: Quality of financial report (QFR). The results of the computed statistics are explained in the paragraphs that ensued.

The R value of 0.989 shows that, there is a very strong relationship between AO and the QFR of quoted companies in Nigeria. Also the R^2 stood at 0.978. The R^2 otherwise known as the coefficient of determination shows the percentage of the total variation of the dependent variable (QFR) that can be explained by the independent or explanatory variable (AO). Thus the R^2 value of 0.978 indicates that 97.8% of the variation in the quality of financial report of quoted companies can be explained by a variation in the independent variable (AO) while the remaining 2.2% (i.e. 100-R^2) could be accounted by other variables not included in this model.

Our indicator of generalizability is the adjusted R Square value, which is adjusted for the number of variables included in the regression equation. This is used to estimate the expected shrinkage in R Square that would not generalize to the population because the solution is over-fitted to the data set by including too many independent variables (Gujarati & Sangeetha, 2007). If the adjusted R Square value is much lower than the R Square value, it is an indication that our regression equation may be over-fitted to the sample, and of limited generalizability. For the problem we are analyzing, R Square = 0.978 or 97.8% and the Adjusted R Square = 0.978 or 97.8. These values are same, thus no shrinkage based on this indicator (Gujarati & Sangeetha, 2007). This thus implies that if the entire population is considered for this study, this result will still remain the same (i.e. 97.8–97.8). This result shows that the quality of financial report of quoted companies is to a greater extent very responsive to auditor's opinion. This is why it accounts for most of its variation.

The table further shows an F-statistics of 6198.901 which indicates that the set of independent variables were as a whole contributing to the variance in the dependent variable and that there exist a statistically significant relationship at 0.000 (0%) between QPR and the set of predictor variable (AO) indicating that the overall equation is significant at 0% which is below 5% level of significance.

Table 10: Model 2 Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	Correlations	Collinearity Statistics

		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-.185	.097		-1.917	.057	-.377	.006					
	AO	1.002	.013	.989	78.733	.000	.977	1.027	.989	.989	.989	1.000	1.000

a. Dependent Variable: QFR

Source: Researchers' Computation Using SPSS Version 20

The regression coefficient result as presented in table 10 above to determine the effect of auditor's report (proxied by AO) on the quality of financial report shows that when AO is not a factor to be considered; the quality of financial report is estimated at -0.185. This simply implies that when auditor's report surrogated by AO is held constant, there will be an adverse improvement in the quality of financial report of cement companies in Nigeria. This may be occasioned by variables not incorporated in this study. These factors may arise from management sharp practices which could be surreptitiously perpetuated without the knowledge of the owners due to absence of auditor's report.

However, the independent variable (AO) reflects a beta coefficient of 0.989 at a level of significance of 0.000. This implies that a unit variation in the auditors' opinion will lead to a significant improvement in the quality of audit report by 98.9%. This thus leads to the conclusion that the auditors' level of compliance significantly affects the quality of financial report.

Regression Result for Model 3 (QFR =α +β_1LOC+ei)

Regression result computation for this model here will be done using research question 9-12 and 17-20. This result will also be used to test hypothesis three.

Table 11: Model 3 Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.984[a]	.968	.968	.66889	.968	4160.074	1	138	.000	.421

a. Predictors: (Constant), LOC

b. Dependent Variable: QFR

Source: Researchers' Computation Using SPSS Version 20

Table 11 above presents the model summary of the explanatory variable: level of compliance (LOC) regressed with the explained variable: Quality of financial report (QFR). The results of the computed statistics are explained in the paragraphs that ensued.

The R value of 0.984 indicates that, a very strong relationship exists between LOC and the QFR of quoted cement companies in Nigeria. Also the R^2 stood at 0.968. The R^2 otherwise known as the coefficient of determination shows the percentage of the total variation of the dependent variable (QFR) that can be explained by the independent or explanatory variable (LOC). Thus the R^2 value of 0.968 indicates that 96.8% of the variation in the quality of financial report of quoted companies can be explained by a variation in the independent variable (LOC) while the remaining 3.2% (i.e. 100-R^2) could be accounted by other variables not included in this model.

The indicator of generalizability is the adjusted R Square value, which is adjusted for the number of variables included in the regression equation. This is used to estimate the expected shrinkage in R Square that would not generalize to the population because the solution is over-fitted to the data set by including too many independent variables (Gujarati & Sangeetha, 2007). If the adjusted R Square value is much lower than the R Square value, it is an indication that our regression equation may be over-fitted to the sample, and of limited generalizability. For the problem we are analyzing, R Square = 0.968 or 96.8% and the Adjusted R Square = 0.968 or 96.8. These values are same, thus absence of shrinkage based on this indicator (Gujarati & Sangeetha, 2007). This there implies that if the entire population is considered for this study, this result will still remain the same (i.e. 97.8–97.8). This result shows that the quality of financial report of quoted companies is to a greater extent very responsive to auditor's opinion. This is why it accounts for most of its variation.

The table further shows an F-statistics of 4160.074 which indicates that the set of independent variables were as a whole contributing to the variance in the dependent variable and that there exist a statistically significant relationship at 0.000 (0%) between QPR and the set of predictor variable (LOC) indicating that the overall equation is significant at 0% which is below 5% level of significance.

Table 12: Model 3 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-.247	.119		-2.075	.040	-.481	-.012					
	LOC	1.001	.016	.984	64.499	.000	.970	1.031	.984	.984	.984	1.000	1.000

a. Dependent Variable: QFR

Source: Researchers' Computation Using SPSS Version 20

Table 12 above presents the result of the regression coefficient to determine the effect of auditor's report (proxied by LOC) on the quality of financial report shows that when LOC is not a factor to be considered; the quality of financial report is estimated at -0.247. This simply implies that when auditor's report proxied by LOC is held constant, there will be an adverse improvement in the quality of financial report of cement companies in Nigeria. This may be occasioned by variables not incorporated in this study. These factors may arise from management sharp practices which could be surreptitiously perpetuated without the knowledge of the owners due to absence of auditor's report.

However, the independent variable (LOC) reflects a beta coefficient of 0.984 at a level of significance of 0.000. This implies that a unit variation in the level of compliance will lead to a significant improvement in the quality of audit report by 98.4%. This thus leads to the conclusion that the auditors' level of compliance with laid down standards significantly affects the quality of financial report.

Regression Result for Model 4 (QFR =α +β$_1$MM+ei)

Regression result computation for this model here will be done using research question 13-16 and 17-20. This result will also be used to test hypothesis four.

Table 13: Model 4 Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.988[a]	.977	.976	.57215	.977	5736.296	1	138	.000	.558

a. Predictors: (Constant), MM

b. Dependent Variable: QFR

Source: Researchers' Computation Using SPSS Version 20

Table 13 above presents the model summary of the explanatory variable: material misstatement (MM) regressed with the explained variable: Quality of financial report (QFR). The results of the computed statistics are explained in the paragraphs that ensued.

The R value of 0.988 indicates that, a very strong relationship exists between MM and the QFR of quoted cement manufacturing companies in Nigeria. Also the R^2 stood at 0.977. The R^2 otherwise known as the coefficient of determination shows the percentage of the total variation of the dependent variable (QFR) that can be explained by the independent or explanatory variable (MM). Thus the R^2 value of 0.977 indicates that 97.7% of the variation in the quality of financial report of quoted companies can be explained by a variation in the independent variable (MM) while the remaining 2.3% (i.e. 100-R^2) could be accounted by other variables not included in this model.

Our indicator of generalizability is the adjusted R Square value, which is adjusted for the number of variables included in the regression equation. This is used to estimate the expected shrinkage in R Square that would not generalize to the population because the solution is over-fitted to the data set by including too many independent variables (Gujarati & Sangeetha, 2007). If the adjusted R Square value is much lower than the R Square value, it is an indication that our regression equation may be over-fitted to the sample, and of limited generalizability. For the problem we are analyzing, R Square = 0.977 or 97.7% and the Adjusted R Square = 0.977 or 97.7. These values are same, thus absence of shrinkage based on this indicator (Gujarati & Sangeetha, 2007). This therefore implies that if the entire population is considered for this study, this result will still remain the same (i.se. 97.7–97.7). This result shows that the quality of financial report of quoted companies is to a greater extent very responsive to the level material misstatement. This is why it accounts for most of its variation.

The table further shows an F-statistics of 5736.296 which indicates that the set of independent variables were as a whole contributing to the variance in the dependent variable and that there exist a statistically significant relationship at 0.000 (0%) between QPR and the set of predictor variable (MM) indicating that the overall equation is significant at 0% which is below 5% level of significance.

Table 14: Model 4 Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	Correlations	Collinearity Statistics

		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.287	.095		3.016	.003	.099	.475					
	MM	.957	.013	.988	75.738	.000	.932	.982	.988	.988	.988	1.000	1.000

a. Dependent Variable: QFR

Source: Researchers' Computation Using SPSS Version 20

Table 14 above presents the result of the regression coefficient to determine the effect of auditor's report (proxied by MM) on the quality of financial report shows that when MM not a factor to be considered is; the quality of financial report is estimated at -0.287. This simply implies that when auditor's report proxied by MM is stationary, there will be an adverse improvement in the quality of financial report of cement companies in Nigeria. This may be occasioned by variables not incorporated in this study. These factors may arise from management sharp practices which could be surreptitiously perpetuated without the knowledge of the owners due to absence of auditor's report.

However, the independent variable (MM) reflects a beta coefficient of 0.988 at a level of significance of 0.000. This implies that a unit variation in the level of material misstatement will lead to a significant improvement in the quality of audit report by 98.8%. This thus leads to the conclusion that the level of material misstatement significantly affects the quality of financial report.

Test of Hypotheses

This section of the chapter provides a test of research hypotheses earlier formulated in the study. Table 4.8, 4.10, 4.12 and 4.14 displays standardized coefficients for each independent variables regressed with the dependent variable. These beta coefficients shall be used to test the studies hypotheses at 5% level of significance to enable a decision to be made as to accept or reject the study's formulated hypotheses. The results of Table 4.8, 4.10, 4.12 and 4.14 therefore provide evidence for the rejection of the study null hypotheses and the subsequent acceptance of the alternative hypotheses. The study therefore concludes that.

Ho_1: Auditors Independence significantly affects the quality of financial report of quoted cement manufacturing companies in Nigeria.

Ho_2: Auditor's opinion significantly affects the quality of financial report of quoted cement manufacturing companies in Nigeria.

Ho_3: Level of compliance significantly affects the quality of financial report of quoted cement manufacturing companies in Nigeria.

Ho_4: Material misstatement significantly affects the quality of financial report of quoted cement manufacturing companies in Nigeria.

Discussion of findings

This study was carried out with the main aim of studying the effect of auditor's report on the quality of financial reports of selected cement manufacturing firms in Nigeria. To effectively do this, auditor's report was proxied by four major variables (auditor's independence, auditor's opinion, level of compliance and material misstatement). These variables were regressed with quality of financial report in order to determine their effect and the degree of the relationship existing among them. These findings are discussed in the subsequent paragraph.

In the test of hypothesis one, result from the SPSS analysis revealed that there is a significant relationship between auditor's independence and the quality of financial report of quoted companies Nigeria. The result of the regression analysis also revealed that a unit variation in the independence of auditors brings about a significant improvement in the quality of audit report.

The purpose of an audit is to enhance the credibility of the financial statements by given reasonable assurance from an independent source that they present a true and fair view in accordance with an accounting standard. Independence is fundamental to the credibility and reliability of auditor's report and if the reports are not credible, the investor would have little confidence in them if auditors are not independent in both fact and appearance. This means that when an auditor is independent, he will be able to present true and fair result for the management and which will make its financial statement credible and reliable. This finding corroborates findings of Olagunju, (2011) who carried out an Empirical Analysis of the Impact of Auditors Independence on the Credibility of Financial Statement in Nigeria and found a significant effect of auditor's independence on the credibility of financial statements.

Also, the result obtained from the test of hypothesis two reveals a significant effect of auditors' opinion on the quality of financial report. The result of the regression analysis also revealed that a unit variation in auditor's opinion brings about a significant improvement in the quality of audit report. This finding agrees with Opinion of Adeniji, (2004) the quality of financial report is wholly dependent on opinion expressed by auditors. This finding also agrees with SAS 600.1 which states that Auditors' reports on financial statements should contain a clear expression of opinion, based on review and assessment of the conclusions drawn from evidence obtained in the course of the audit. The auditor's opinion will set out the scope of the audit, the accountant opinion of the procedure and records used to produce the statement and the accountant's opinion of whether or not the financial statements present an accurate picture of the company's financial condition. Auditing which involves an independent examination of the financial statement of an enterprise that is prepared by the management of that enterprise by an appointed person called the auditor in order to express a professional opinion whether or not those financial statement show a true and fair view position of the enterprise as at the end of the financial period in accordance with the auditors terms of engagement as well as other relevant statutory and professional regulation. Users of audited report also believe that an auditors opinion on the financial statement of a company can be relied upon which makes it credible.

In the test of the third hypothesis of the study, the result of the regression analysis reveals a significant effect of level of compliance on the quality of financial report of quoted cement manufacturing companies. The result of the regression analysis also revealed that a unit variation in level of compliance brings about a significant change in the quality of audit report. This finding is consistent with submissions of Dandago & Rufai, (2014) who carried out an examination into the Quality of Audited Financial Statements of Money Deposit Banks in Nigeria and found that Compliance to auditing guidelines has positive and significant effect on the quality of audited financial statement of money deposit banks in Nigeria.

Finally, in the test of hypothesis four, the regression result also reveals a significant effect of material misstatement on the quality of financial report of quoted cement manufacturing companies in Nigeria. Also the result of the regression analysis reveal that a unit change in material misstatement will lead to a significant improvement in the quality of audit report. This finding is inconsistent with the finding of Dandago & Rufai, (2014) who carried out an examination into the Quality of Audited Financial Statements of Money Deposit Banks in Nigeria and conclude that Material misstatement does significantly affect the quality of audited financial statements of money deposit banks in Nigeria. The discrepancies in our findings and that of Dandago & Rufai, (2014) could be due to industrial sector variation. While their study focuses on banking sector, ours focus on cement manufacturing sector.

Conclusion

From the discussion presented in the preceding section of this study, the following conclusions were made:

i. That it is crystal clear from the study's findings that the auditors' independence is fundamental to the credible quality of the financial statements of cement manufacturing firms.
ii. That the Auditors opinion on financial statement to a large extent determine the quality of the financial statements of cement manufacturing firms and at the same time serve as a fundamental basis for which users of financial statements use in making their decisions.
iii. That the level of compliance with laid down accounting standards and rules as well as other statutory regulations in force impacts positively on the quality of financial statements of cement manufacturing firms in Nigeria.
iv. That the level of material misstatement has a significant effect on the quality of financial statements of cement manufacturing firms in Nigeria and accordingly, the more the level of material misstatement, the less the credibility and the quality of financial statements of cement manufacturing firms in Nigeria.

Recommendations

This study has investigated many issues, both empirically and in literature and based on the findings, certain conclusion have been drawn and this section further extends the frontiers of this study by putting up some recommendations which are generally intended towards the improvement of the auditor's report that will enhance the credibility of the financial statements and as such, The following specific recommendations have been made.

i. That for auditors to remain independent, they should not be allowed to provide audit clients with any other advisory services, and at the same time, auditors should be periodically rotated to improve their independence. Furthermore, there should be an implementation of peer assessment in order to ensure that audits are carried out with utmost professionalism and mutual respect and An audit committee should be set up by every limited liability company to evaluate the audit work done.
ii. The opinion paragraph of the auditor's report should clearly indicate the financial reporting framework used to prepare the financial statements and state the auditor's opinion as to whether the financial statements give a true and fair view (or are presented fairly, in all material respects,) in accordance with the financial reporting framework and, where appropriate, whether the financial statements comply with statutory requirements.
iii. Regulatory agencies should ensure that cement manufacturing firms in Nigeria do strictly comply with laid down rules and legislations in force and take appropriate punitive measures against the Directors where they fail to comply and in addition, the professional bodies should always watch governmental actions and raise alarm on policies that can hinder smooth and efficient discharge of the Auditors' responsibility.

iv. Audit committees should be more strict in their investigations and should be empowered to sue Auditors where they are found wanting and also they should always call for management report(s) to determine the issues of material misstatements raised therein.

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