Effect of Audit Attributes on the Financial Reporting Quality of Nigerian Insurance Companies

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Abstract
This study investigated the association that exists between the audit attributes and the financial reporting quality of firms listed under insurance sector of Nigerian economy. The study had five objectives that include the investigation of audit type, audit tenure, joint audit, industry specialised audit and audit fee on the financial reporting quality as was measured by discretionary accruals using modified Jones model. The use of ex post facto research design was adopted which necessitated collection of secondary data from the annual report of the twenty two sampled insurance firms, from 2011 to 2020 financial years. The data were analysed using statistical tools like descriptive statistics, correlation analysis, fixed effect and random effect model tests, where Hausman test was used to choose the best between the two models, as a requirement for running panel data regression analysis. The empirical result therefrom indicates that audit type has positive and no significant effect on the financial reporting quality. Further result shows that audit fee has inverse statistical significant effect on financial reporting quality at 1% level. Nonetheless, audit tenure, joint audit and industry specialised audit have negative but no significant effect on financial reporting quality of the listed insurance firms. The study recommendations emanating from the findings among others maintain that the regulatory bodies should reaffirm that audit firms rely on professional benchmark-based fee calculation in every audit engagement, bearing in mind that any compromise or cut in audit fee, possibly as a result of competing for clients, would undermine the quality of financial reporting in the sector.

Key words: *Audit Tenure, Audit Fee, Joint Audit, Industry specialsed Audit, Audit Type*

INTRODUCTION

Several corporate failures across the globe have been attributed to asymmetric information content of the financial statement. The asymmetric financial information footage in the annual report is mostly triggered by the opportunistic tendencies of the managements who attempt by all means to usurp the returns made by the enterprise against the wishes of the shareholders. Pertinently, Mishra and Malhotra (2016) posit that pressures on the enterprise to meet up with the estimated earnings and the analysts' expectations or even to their own targeted level of earnings on the other hand compels the managers to engage in earnings management, which reduces financial reporting quality. Again, Price Water house Coopers (PwC, 2018) Global Economic Crime and Fraud Survey indicates that 49% of financial reports presented by firms do not meet the quality standard. In which case, any financial statement that is materially misstated or contains any deceitful information does not represent qualitative financial reporting, hence the representation of financial reporting quality with earnings management.

Earnings management could involve real earnings management where abnormal cash flow could be generated from operating activities; and accrual earnings management where accounting information (earnings) could be asserted using various accounting estimates, assumptions and accounting standards. Obviously, the financial statement falls short of quality to the extent that it contains earnings management. However, the ability of auditors to discover and disclose the opportunistic behaviour of managers, manifested by ways of earnings management in the financial report depends on the attributes of the auditor (DeAnglo, 1981; Dechow & Dichev, 2002).They continued that some of the attributes of the auditors include audit firm type, audit independence, industry specialized audit, audit fees, joint audit services and audit tenure. Moreover, research has established relationships between the audit attributes and earnings management which impairs financial reporting quality. In line with this, Daferighe and George (2020) empirically analysed the relationships, between audit attributes with financial reporting quality and found that audit fee is significantly associating with financial reporting quality. Another study by Oyedokun, Okwuosa and Isah (2019) has it that audit size and audit tenure have significant association with financial reporting quality after they sampled data from Nigerian listed consumer goods. Also, Ibrahim (2017) noted that industry specialized audit and audit firm type proved statistical association with financial reporting quality when he took samples of 13 consumer goods firms from Nigeria stock market.

Meanwhile, several corporate failures within the last two decades like that of Enron, WorldCom, Cadbury Nig Plc and Intercontinental Bank Plc were not unconnected with auditors'compromises, shown by their inability to discover and report the inherent financial misstatements contained in the annual reports, in which they issued a qualified opinion. To this end, several researches had occupied the center of this study both at home and abroad such as; Olthof (2017) who investigated the effect of audit quality on earnings management on the firms listed on Netherlands Stock Exchange Market; Ibrahim (2017) did his own assessment on audit attributes and earnings quality of listed Consumer Goods firms in Nigeria; while many other scholars had the same investigation between audit committee attributes and quality of financial reports (Karajeh & Ibrahim, 2017; Mishra & Malhotra, 2016; Lin, Li & Yang, 2014; Habbash, 2012; Eyenubo, Mohamed & Ali, 2017). However, no study has taken turn of event on how the audit attribute impact on financial reporting quality of Insurance firms in Nigeria and this is the gap the current study filled. In view of the above, the main objective of the study is to investigate the effect of audit attribute on the financial reporting quality of Insurance firms in Nigeria and the specific objectives are to:

1. To investigate the effect of industry specialised audit on the financial reporting quality of insurance firms in Nigeria.
2. To evaluate the effect of audit tenure on the financial reporting quality of insurance firms in Nigeria,
3. To investigate the effect of audit type on the financial reporting quality of insurance firms in Nigeria,
4. To examine the effect of audit fee on the financial reporting quality of insurance firms in Nigeria,
5. To investigate the effect of joint audit on the financial reporting quality of insurance firms in Nigeria.

The result of the study will be of immense benefit to the Scholars, Insurance industry regulators, Shareholders and Professional Audit Firms. The paper is structured in such a way that next section contains review of related literature, section three houses methodology, the subsequent section is data analysis and interpretation, followed by conclusion and recommendations.

LITERATURE REVIEW

Conceptual review

Audit type and financial reporting quality

Audit type is a situation of categorising external auditors into big four and non-big four audit firms. The big 4 audit firms are thought to be large audit firms with very large human and financial recourses to prosecute any audit assignment given to it by the client. Because of the availability of resources to the big four audit firms against the non-big four audit firms, literature had established link between the two variables thus; Daferighe and George (2020) found positive and no significant association between audit type and financial reporting quality on Nigerian manufacturing firms, when they examined the relationship among the audit attributes and financial reporting quality. Their report directly affirms that audit exercise engaged by the big four would increase the quality of financial report.

Audit fee and financial reporting quality

Audit fee as Kross and Schroeder (1984) noted that audit fee is the totality of the costs of all activities incurred on the execution of audit engagement targeted to enhancing audit quality which is well factored in the fee. Meanwhile, the fees paid to the auditor could hamper on the independence of the auditor and might entice the auditor to compromise the auditing standard which might retard the quality of financial report. There has been an established relationship in literature between audit fees and financial reporting quality. Such work include; Daferighe and George (2020) that found audit fee to have significant negative effect on financial reporting quality when they investigated the association that exists between audit attributes and financial reporting quality of manufacturing firms in Nigeria.

Audit tenure and financial reporting quality

Audit tenure has raised a lot of controversies in literature as regards to how it affects financial reporting quality. Some researchers had argued that longer audit tenure gives the auditor the needed time to understand the business of the client that will enable the auditor facilitate a quality financial reporting of that enterprise. Umaru (2014) revealed that audit tenure in the Nigerian building material sector has positive effect on financial reporting quality. An indication that higher audit fee is a commitment to audit firm for provision of high quality reporting. Affirming supportive position of longer tenure on financial statements, Olthof (2017) found from Netherlands' perspective that higher audit tenure has negative effect on the earnings management and thereby improving the financial reporting quality

Joint audit and financial reporting quality

Joint audit is seen as collaborative audit exercise undertaken by two audit firms for the purpose of sharing both the audit fees and any liability that may arise from that audit assignment. Joint audit assignment is in no doubt instituted to ensure that any misstatement that is unnoticed by one audit will be noticed by the other; hence it is targeted towards ensuring quality financial statements. Even at that some scholars uphold that joint audit is not expected to produce excellent financial report, as they argue that a collaborator in the joint audit may depend on the other firm throughout the entire audit process, in which case, truncating the expected quality financial report. Literature has established a link between these two variables joint audit and financial reporting quality. For instance, Ali, Mohaisen and Hameed (2019) investigated the association of joint audit with the financial reporting quality of Iraqi firms and found out that joint audit between the big 4 audit firms has potentials to increase financial reporting quality whereas joint audit between one big 4 and non-big 4 firms does not increase financial reporting quality of Iraqi firms listed.

Industry specialised audit and financial reporting quality

Industry specialised auditors are believed to have gained industry specific knowledge that would help them unravel industry related risk better than non- industry specialized audit firms. Ibrahim (2017) produced a result that affirmed the assertion as his findings disclosed that industry special audit has positive significant effect on earnings quality of consumer goods firms on the Nigerian stock exchange. Hegazy and El-Deeb (2016) also assess the impact of auditor industry specialisation on the retention and growth of audit client and found that specialised industry audit has more chances to result to auditor's client retention. Their finding however specifies that Big four audit firms have better chances of being retained because of their industry specialisation than local or non-industry specialised audit firms.

Legitimacy Theory

Legitimacy theory is established on the ground that the activity of an organisation is appropriate, right and good in line with the socially build system of norms, values, and beliefs of the society (Suchman, 1995). In a different view, Deegan, Rankin and Voght (2000) posit that legitimacy theory is a function of a social contract between an organization and the society. The social contract is impliedly the varieties of expectations the society has about how an organization should conduct its operations (Deegan, Rankin, & Tobin, 2002). Bearing in mind that every organisation should engage the external auditors, whose responsibility is to issue his opinion of free and fair view of the financial statement and also to detect fraud and error as widely expects by the public. Notably, legitimacy theory targets to managing the relationships among the stakeholders that are of critical importance to the existence and continuity of the enterprise. Hence the reason for the reliability that is placed on the financial statements by all stakeholders the moment it's audited. In effect we built our study on this theoretical foundation.

Empirical review

Olthof (2017) differently determined the effect of audit quality on earnings management with evidence from Netherlands. The study used sample of 52 firms listed on the Dutch stock exchange market in 2016. Audit quality in this work was measured by auditor size, auditor independence and auditor tenure. In which case, earnings management was proxy by discretionary accruals estimation method, duly measured with modified Jones model that was introduced by Dechow et al. (1995). The study adopted explanatory research design and their data were collected from the Orbis data base. Data analytical techniques applied included descriptive statistics, Pearson correlation analysis, and multiple regression analysis. Their findings indicate that none of all the auditor attributes predictor used in this study have significant effect on earnings management, hence cannot predict earnings management.

Similarly, Karajeh and Ibrahim (2017) determined the impact of audit committee on the association between financial reporting quality and shareholders' value. They sample 300 firms out of the 814 firms listed on the bursa stock exchange Malaysia for the period of six year starting from 2010 to 2015. The study proxy audit characteristics using independent audit committee, financial and accounting expertise and audit committee size while they applied modified Jones model for the computation of financial reporting quality. More so, they measured shareholders value with stock returns of firms for each year. Secondary data was generated from the annual report of the firms selected and the data was analysed using descriptive statistics and ordinary least square regression analysis. Their result uncovered that independent audit committee, financial and accounting expertise and larger audit committee size should be linked to the financial reporting quality at all times to improve greater shareholders value.

Mishra and Malhotra (2016) took a swipe on the Indian market as they examined audit committee characteristics on earnings management. Using cross sectional research design, they collected data from the annual reports of the firms selected from 2013 to 2015. They employed two stage cluster sampling technique in selecting 130 companies out of the 727 sample universe (population). The independent variable measures include audit committee size, audit committee independence, audit committee audit committee account expertise, audit committee meetings, audit committee multiple directorship. And the dependent variable is the earnings management proxy with discretionary accruals as indicated by Joan's model. Descriptive statistics, correlation and regression analyses were applied for data analysis and the result show that audit committee size, multiple directorships of audit committee members and frequency of audit committee meetings have statistical significant effect on earnings management whereas, audit committee expertise and audit committee independent have no significant effect on earnings management.

In a similar research from a different clime, Lin, Li and Yang (2014) examined the effect of audit committee performance on earnings quality. Their sample consists of 212 publicly held-corporations in USA, and the companies selected are the ones that restated their reported earnings in the year 2000. Their study adopted cross sectional research design and collected data using content analysis from the annual reports of the firms for the year under review. Independent variable was proxy with audit committee size, audit committee independence, audit committee financial expertise, audit committee meetings, and audit committee stock ownership. The dependent variable earnings quality was measured with earnings restatement. The tools for analysis used included correlation analysis and logistic regression analysis where their result reveals that audit committee size has negative association the occurrence of earnings restatement while audit committee independence, audit committee financial expertise, audit committee meetings, and audit committee stock ownership have significant effect on the earnings quality of the firms sampled for the year 2000.

In another study, Habbash (2012) evaluated the relationship that exists among earnings management, audit committee effectiveness and the role of blockholders ownership in UK large firms from 2005 to 2007 financial years. Content method of data gathering was employed in collecting data from the annual reports of the 350 UK firms sampled for three years. The data was dissected using descriptive statistics, correlation and ordinary least square regression analysis. He found out that firms with effective audit committees have less earnings management. His findings continued that the monitoring effectiveness of audit committees is moderated in firms with high blockholders ownership. The study concludes that audit committees are ineffective in mitigating the majority-minority conflict compared to their effectiveness in reducing owners-managers conflicts.

From Iranian perspective, Chalaki, Didar and Riahinezhad (2012) assessed the relationship between corporate governance and financial reporting quality of the firms listed on the Tehran stock exchange from 2003 to 2011 accounting years. The study sampled 136 which and the data was collected from the annual reports of the firms. Corporate governance was measured with board size, board independence, institutional ownership and ownership concentration, while the dependent variable is the financial reporting quality. The control variables used are audit size, firm size and firm age. Analytical technique employed included descriptive statistics, correlation and ordinary least square analysis. The result indicate that no significant relationship exist between corporate governance attributes that include board size, board independence, ownership concentration and institutional ownership with financial reporting quality. The result also indicated that no significant relationship exist between the control variables and financial reporting quality.

Eyenubo, Mohamed and Ali (2017) had an investigation on the title, an empirical analysis on the financial reporting quality of the quoted firms in Nigeria: does audit committee size matter? The study x-rayed the relationship between audit committee size and the financial reporting quality; hence their specific objectives were to determine the effect of audit committee size, firm size and profitability on the financial reporting quality of 189 selected firms, covering 2011 to 2015 financial years. Secondary data were collected from the annual reports of the firms where the data was analysed with the technique of descriptive statistics, correlation and panel regression estimation. And their result implies that audit committee size has positive significant effect on the financial reporting quality of the firms listed on the Nigerian stock exchange.

Ibrahim (2017) similarly assessed the effect of audit attributes on earnings quality of listed consumer goods firms in Nigeria. His study took a sample of 13 consumer goods firms out of the total of 27 of them quoted on Nigeria stock exchange, using filtering method of sample selection technique, for the periods ranging from 2007 to 2014 accounting years. The independent variable was proxy with industry specialised auditor, audit compensation, audit tenure and audit firm type (big four), where earnings quality was proxy with accrual quality. The study employed correlational research design and secondary data was sourced from the financial statements of the firms selected. The data generated were analysed with descriptive statistics, correlation analysis and ordinary least square regression technique alongside some robust tests. The empirical findings show that industry specialised auditors and audit firm type have positive significant effect on earnings quality while, audit tenure and audit compensation have no significant effect on earnings quality of consumer goods firms studied. His recommendation entails the sector to engage specialised industry auditor and big four audit firms for improved financial reporting quality.

Umobong and Ibanichchuka (2017) also investigated the audit committee attributes and the financial reporting quality of foods and beverage firms in Nigeria from 2011 to 2014. Their sample consisted of firms listed under food and beverage firms on the Nigeria stock exchange, the data was generated from the financial statement of those firms sampled. The panel data was analysed with descriptive statistics and the hypotheses were tested using ordinary least square regression analysis, being panel data analysis Hausman test was conducted to choose the better of fixed effect and random effect models. The independent variable was proxy with audit committee financial expertise and audit committee independence, where audit committee size, firm size, audit committee meetings, firm age and audit tenure were used as the control variable. The empirical findings disclosed that audit financial expert and audit committee independent have positive no-significant effect on financial reporting quality of food and beverage firms listed on the Nigerian stock exchange.

Jerry and Saidu (2016) seized the opportunity from insurance industry perspective to investigate the impact of audit firm size on financial reporting quality of listed insurance companies in Nigeria. The study selected 13 insurance firms using judgmental sampling technique from the 32 firms listed under insurance industry of Nigeria stock exchange. Non survey research design was adopted by the researchers and data was collected from annual reports of the firms selected. The dependent variable was proxied by some qualitative characteristics of financial reporting quality namely relevance, faithful representation, understandability, comparability and timeliness while independent variable was proxied by audit firm size as measured by big four audit firms. Several statistical analytical techniques were used to analyse the data generated which include descriptive statistics, correlation and multiple regression analyses. The result generated implied that audit firm size as represented by big four has positive statistical significant effect on financial reporting quality of listed insurance firms in Nigeria.

Aderemi, Osarumwense, Kehide and Egbide (2016) sought to know the impact of audit committee attributes on the financial reporting quality of Nigerian quoted companies ranging from 2006 to 2012 financial years. The study adopted panel data research design and collected data from 131 companies quoted on the Nigerian stock exchange out of the total 194 companies quoted using Taro Yamane method of sample size determination. The independent variables of the study were audit committee frequency of meetings, audit committee financial literacy, audit committee independence, audit committee size and audit committee meeting attendance which were regressed against financial reporting quality measured with discretionary accruals. The data were analysed using descriptive statistics, correlation and regression analyses with the accompanying post regression tests. The result indicate that audit committee frequency of meetings, audit committee financial literacy, audit committee independence, audit committee size and audit committee meeting attendance all have positive statistical significant effect on the financial reporting quality of companies quoted on the Nigerian stock exchange.

Ayemere and Elijah (2015) evaluated the effect of audit committee attributes on the earnings management of companies quoted on the Nigeria stock exchange which cut across 2006 to 2013 financial years. They sampled 50 firms quoted on the stock market and data was generated from the annual reports of the firms. The independent variable was measured with audit committee size, audit committee financial literacy, audit committee attendance at meetings, audit committee independence and audit meetings frequency of meeting, whereas discretionary accruals was used as a proxy for the dependent variable (financial reporting quality). They employed cross sectional research design which informed their choice of panel data regression analysis. The study found out that audit committee financial expert, audit committee size, audit committee independence and audit committee diligence have negative and significant effect on earnings management. In their conclusion, they maintained that companies should strengthen the audit committee attributes that guarantees their effectiveness.

Hussaini and Gugong (2015) conducted an empirical analysis on the relationship between audit committee characteristics and earnings quality of listed food and beverage firms in Nigeria which span through 2009 to 2014. The study was set to achieve four (4) objectives namely; to ascertain the effect of audit committee size, audit committee independence, audit committee financial expertise and audit committee meeting on financial reporting quality as measured by earnings management using Modified Jones model. Secondary data were generated from the financial statements of the eight (8) firms' samples while descriptive statistics, correlation and ordinary least square regression analysis were analytical tools applied. The results there from prove that audit committee size, audit committee financial experts have negative significant effect on earnings quality whereas, audit committee independence and audit committee meetings have positive significant effect on earnings quality of the firms. The study recommends that the firms should adhere to the regulations of Companies and Allied Matters Act, as well as the SEC code of corporate governance on audit committee.

Dabor and Dabor (2015) with title, auditor attributes and earnings quality in the Nigerian banking sector, examined the influence of auditor characteristics on the earnings quality of the sector under review. They used simple random sampling technique to select 13 out of the 18 banks quoted on Nigerian stock exchange and their study span from 2006 to 2014 financial years. They proxy auditor attributes with auditor independence and auditor tenure, using firm size and firm age as the control variables of the study, the response (earnings quality) variable was abnormal loan loss provision. Data for the study was got from annual reports of the selected firms and it was analysed using correlation and regression analysis. The result shows that audit tenure and audit independence have significant effect on earnings quality of the banks studied.

Umaru (2014) took up firms listed under building material sector of the stock exchange in Nigeria to examine the effect of audit attributes on financial reporting quality. His study employed correlational research design which enabled him gather data from the annual reports of the four (4) sampled firms of the sector from 2002 to 2011. The study proxy audit attributes with audit fee, audit firm independence, auditor type, and joint audit while financial reporting quality was measured with accruals and earnings quality. The panel data collected was analysed using ordinary least square regression estimation technique that led to the finding that audit fee and audit firm independence have positive significant effect on the financial reporting quality of listed building material sector while audit type and joint audit have no significant effect on the building material firms studied.

METHODOLOGY

The study used quasi-experimental research design for ascertainment of cause and effect relationship between the dependent and independent variables. The population of this study consists of all the Insurance firms listed on the Nigerian Exchange Group. There are twenty three (23) insurance firms listed on the Nigerian Exchange Group as at 2020 financial year and they are; African Alliance, Insurance, AIlCO Insurance, AXA Mansard Insurance, Consolidated Hallmark Insurance, Cornerstone Insurance, Goldlink Insurance, Guinea Insurance, International Energy Insurance, Lasaco Assurance, Law Union and Rock Insurance, Linkage Insurance,Mutual Benefit Insurance,NEM Insurance,Niger Insurance, Prestige Assurance Co, Regency Alliance Insurance, Sovereign Trust Assurance, Staco Insurance, Standard Alliance Insurance, SUNU Assurance Nigeria, Universal Insurance, Veritas Kapital Assurance, Wapic Insurance. (https://ngxgroup.com). But because Law Union and Rock Insurance was delisted from the Nigerian Exchange Group as at October 2020, it was removed as it does not measure up with our requirement any more, therefore, leaving us with twenty two (22) Insurance firms that formed our sample size. The study generated panel data from annual reports of the firms for the periods 2011 to 2020 financial years. The data were analysed with descriptive statistics, correlation analysis and panel regression analysis components of Fixed Effect (FE) and Random Effect (RE) models, where

Hausman test was applied to determine the better of FE or RE model to use for making inferences.

Model specification
FRQ = f (AUDTY, AUDFE, AUDTE, JAUDT, INDAUD)
The model is presented in econometric form as follows;
$FRQ_{it}= \beta_0 + \beta_1 AUDTY_{it} + \beta_2 AUDFE_{it} + \beta_3 AUDTE_{it} + \beta_4 JAUDT_{it} + \beta_5 INDAUD_{it} + \varepsilon_{it}$
Where;
FRQ = Financial reporting Quality of firm *i* in year *t;* AUDTY = Audit type of firm *i* in year *t;* AUDFE = Audit fee of firm *i* in year *t;* AUDTE = Audit tenure of firm *i* in year *t;* JAUDT = Joint audit of firm *i* in year *t;* INDAUD = Industry specialised audit of firm *i* in year *t;* BIG4 = Big4 audit firms; IND = Auditor independence; TEN = Auditor tenure; SIZE = Firm size; LEVR = Firm leverage; SG = Sales growth; INDUSTRY= Industry classification; ε_{it}= Stochastic variable (Error term); β_0 = Intercept/ Constant; $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Parameters or coefficients of determination.
Variable specification

Variables/ specifications	Expected signs	Measurements	Authors
Financial reporting Quality (FRQ)		Proxied by discretionary accruals computed using modified Jones Model by Dechow et al. (1995)	Hussaini and Gugong (2015); **Olthof (2017)**
Audit type (AUDTY)	+	Proxy with dichotomous variable "1" if the firm is audited by Big 4 audit firms. But if by non-Big 4 audit firms we assign "0".	Umaru (2014); **Olthof (2017)**
Audit fee (AUDFE)	+	The total amount of remuneration paid to the audit firm for audit work done as reported in the financial statement.	Rashid, Ibrahim and Othman (2012)
Audit tenure (AUDTE)	-	Number of years the auditor has audited the financial statement.	**Olthof (2017)**
Joint audit of firm (JAUDT)	+	Audit by two audit firms were assigned "1", otherwise "0"	Umaru (2014)

Industry specialised audit (INDAUD)	+	We used dichotomous variable where "1" is assigned if the audit firm had audited more than 20% of the firms in the industry otherwise we assign "0".	Ibrahim (2017)
Firm size	-	Log of total assets	**Olthof (2017);** Hussaini and Gugong (2015)
Leverage	-	Total Debt divide by total equity	**Olthof (2017);** Hussaini and Gugong (2015)

Source: Researcher's compilation (2022)

DATA ANALYSIS AND INTERPRETATION

Table 4.1 – Descriptive Statistics

stats	AUDFE	AUDTY	JAUDT	AUDTE	INDAUD	FRQ
mean	.3631005	.4784689	.0047847	.6076555	.7155963	-.0129249
p50	.23855	0	0	1	1	-.0083771
max	2.4729	1	1	1	1	.0323102
min	.0463	0	0	0	0	-.1018602
sd	.3508287	.5007356	.0691714	.4894451	.4521682	.0173471
N	216	209	209	209	218	219

Source: Researcher's computation using Stata 13

The table 4.2 above shows that FRQ has a mean score of 0.01, which indicates that the listed Insurance firms sampled have very low element of earnings management that translates to high financial reporting quality. The maximum value is 0.032, the minimum is -0.101 while the standard deviation is 0.017. The value of standard deviation that is greater than the mean value indicates high variation on the earnings management cum financial reporting quality of the firms within the sector and years under review. The table also shows that industry specialised auditor (INDAUD) mean is 0.715 with standard deviation of 0.45, implies that on the average, 72% of the firms sampled have used industry specialised auditors.. Nevertheless, the audit fee (AUDFE) is shown on the table has mean value of 0.36, minimum value of 0.46, maximum of 2.47 and standard deviation of 0.35. Again, auditor tenure (AUDTE) has mean value of 0.607 and standard deviation of 0.489. Pertinently, the figure is an indication that about 61% of the firms maintain short tenure for their auditor services. The joint audit service (JAUDT) value of 0.004 and the standard deviation of 0.069 indicates the wide variation that exists on the usage of joint audit services by insurance firms sampled. Lastly, audit type (AUDTY) that was measured by Big 4, was engaged by the firms to carry out audit assignments for 48% of the total firm year observations.

Table 4.2 – Normality test result

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
FRQ	219	0.84577	24.906	7.431	0.00000
AUDFE	216	0.74068	41.373	8.598	0.00000
AUDTY	209	0.99930	0.109	-5.107	1.00000
JAUDT	209	0.50458	76.800	10.011	0.00000
AUDTE	209	0.99821	0.278	-2.955	0.99843
INDAUD	218	0.99104	1.440	0.843	0.19952

Source: Researcher's computation using Stata 13

The study applied Shapiro Walk method in the test of normality of data distribution. Shapiro Walk tests the null hypothesis that the data is normally distributed on the population. The result as presented on the table above shows that financial reporting quality, audit fee and joint audit are normally distributed at 1% significant level, while audit type, audit tenure and industry specialised audit are not normally distributed.

Table 4.3 – Correlation Matrix

	FRQ	AUDFE	AUDTY	JAUDT	AUDTE	INDAUD
FRQ	1.0000					
AUDFE	-0.2448	1.0000				
AUDTY	0.2623	0.1882	1.0000			
JAUDT	-0.0687	-0.0155	-0.0664	1.0000		
AUDTE	-0.0161	-0.1024	-0.1327	-0.0863	1.0000	
INDAUD	0.1505	-0.0709	0.3537	-0.1093	-0.1200	1.0000

Source: Researcher's computation using stata 13

From the correlation matrix above, it is evident that none of the correlation coefficient is up to 0.4, hence the variables are lowly and weakly related to themselves as shown in the table. This is an indication that no strong correlation exists among the independent variables of the study.

Table 4.4- Multicollinearity test using Variance Inflation Factor (VIF)

Variable	VIF	1/VIF
AUDTY	1.21	0.823705
INDAUD	1.19	0.838996
AUDFE	1.07	0.934214
AUDTE	1.04	0.956981
JAUDT	1.02	0.975754
Mean VIF	1.11	

Source: Researcher's computation using Stata 13

The table above shows that the mean VIF is 1.11. It is however, the rule of VIF to place a benchmark mean of 10 for acceptance level. Therefore, our study has no presence of multicollinearity in our data.

Panel data regression

Hausman test

```
. hausman FEFFECT REFFECT

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |    FEFFECT      REFFECT       Difference          S.E.
-------------+----------------------------------------------------------------
       AUDFE |   -.0082495     -.010295        .0020455        .0014553
       AUDTY |    .0027842     .0050904       -.0023062        .0012901
       JAUDT |   -.0178898    -.0170556       -.0008342        .0015633
       AUDTE |   -.0016999    -.0014854       -.0002145        .0000825
      INDAUD |   -.0030798    -.0021293       -.0009505         .000994
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =        8.13
                Prob>chi2 =      0.1490
```

Hausman test has a rule that fixed effect result is preferable when the probability value of Chi^2 is less than 5% critical level and random effect result preferable when the probability value of chi^2 is not significant at 5%. Looking at the table as presented above, the probability value of chi^2 (Prob>Chi^2) is 0.149 which is higher than 5% critical level. Therefore, resolution is made that random effect model result is preferable since the P-value is not significant. So our hypotheses testing, inferences and generalisation shall be based on the random effect model.

Random Effect Model Result

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Random-effects GLS regression                   Number of obs      =       209
Group variable: panel_10_p~s                    Number of groups   =        22

R-sq:  within  = 0.0378                         Obs per group: min =         8
       between = 0.2653                                        avg =       9.5
       overall = 0.1374                                        max =        10

                                                Wald chi2(5)       =     11.59
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0409
```

FRQ	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
AUDFE	-.010295	.0035668	-2.89	0.004	-.0172858	-.0033041
AUDTY	.0050904	.0028685	1.77	0.076	-.0005317	.0107125
JAUDT	-.0170556	.0129307	-1.32	0.187	-.0423993	.0082881
AUDTE	-.0014854	.0017734	-0.84	0.402	-.0049612	.0019905
INDAUD	-.0021293	.0027981	-0.76	0.447	-.0076136	.0033549
_cons	-.0097349	.0037438	-2.60	0.009	-.0170727	-.0023971
sigma_u	.01167679					
sigma_e	.01204794					
rho	.4843601	(fraction of variance due to u_i)				

The result as shown in table above indicates that F-statistics is 11.59 with the corresponding P-value of 0.040 which is lower than 5% critical value implies that the model is valid and can be reliably used for the inference. Additionally, the R^2 value of 0.265 shows the goodness of fit of the model. It implies that the variables of our model can explain 27% of the changes on the financial reporting quality of firms in insurance sector whereas the 73% is contained outside our model.

Test of hypotheses

Hypothesis one - Audit type does not have statistical significant effect on the financial reporting quality of insurance firms in Nigeria.

From the random effect regression result, it was observed that audit type (AUDTY) has regression coefficient of 0.005 which shows that, the Big4 audit services have positive effect on financial reporting quality of insurance firms in Nigeria as measured by discretional accruals. This result means that increase in the Big4 audit firms that provide auditing services to insurance sector by 1 unit, will cause 0.005 unit change to the quality of financial reporting of the industry. The table again shows that P-value of audit type is 0.07 which means that the Big4 audit services are not significant at 5%, but significant ay 10% level. Therefore the study fails to reject null hypothesis and concludes that audit type does not have significant effect on the financial reporting quality of insurance firms in Nigeria. This finding is in agreement with the result by Olthof (2017) that found that auditor size (Big4) does not have significant effect on audit quality in Netherlands. The result is however in disagreement with the finding by Ibrahim (2017), who's result indicate that audit firm type in consumer goods sector has significant effect on their earning quality.

Hypothesis two - Audit fee does not have significant effect on the financial reporting quality of insurance firms in Nigeria.

The table as above has it that the coefficient of audit fee (AUDFE) is -0.01, which means that audit fee has negative effect on the financial reporting quality of insurance companies in Nigeria. This indicates that the higher the audit fee collected by audit firms from their clients, the lesser the discretional accruals that amount to higher quality of financial reporting of the firm. The p statistics has a value of 0.004. This value is lesser than 5% critical value therefore, the study fails to reject the alternate hypothesis and conclude that audit fee has statistical significant effect on the financial reporting quality of insurance firms in Nigeria. This study result corroborates the findings by Kolawole (2019) that found that audit fee has statistical significant effect on financial reporting quality of deposit money banks in Nigeria. The study on the other hand disagrees with the finding made by Olthof (2017) that found that auditor independence does not have significant effect on audit quality in Netherlands.

Hypothesis three - Audit tenure has no significant effect on the financial reporting quality of insurance firms in Nigeria.

The regression table above, more so, provides information that audit tenure (AUDTE) has coefficient -0.001, which is negatively affecting financial reporting quality of insurance firms in Nigeria. Furthermore, the figure implies a unit increase or decrease in the tenure of the auditors will cause 0.01% unit decrease or increase to the discretional accruals of the firms under review respectively. The corresponding probability value of 0.42 is higher than 5% critical value hence not significant. Therefore the study resolve to affirm the null hypothesis that audit firm tenure has no statistical significant effect on the quality of financial reporting of listed insurance companies in Nigeria stock exchange group. This result is in conformity with the result of Olthof (2017), whose result shows that auditor tenure does not have any significant effect on audit quality in Netherlands; Ibrahim (2017) that found audit tenure to have no significant effect on earnings quality of consumer goods firms in Nigeria. Their result on the other hand, contradicts that generated by Kolawole (2019), that auditor tenure has statistical significant effect on the financial reporting quality of listed money deposit banks in Nigeria.

Hypothesis four - Joint audit does not have significant effect on financial reporting quality of insurance firms in Nigeria.

Pertinently, the above table shows that joint audit practices (JAUDT) has regression coefficient of -0.017. This value signifies that combining more than one audit firms in audit engagement is reducing the discretionary accrual inherent in financial statement, invariably improves quality of financial report. It is evidence that single audit partner provides better quality financial statement. The probability value of 0.18 that is greater than critical value of 0.05 indicates the existence of no significant association. Hence, the study retains null hypothesis that states that joint audit has no statistical significant effect on the reporting financial quality of insurance firm listed on the Nigeria stock exchange group. The study's finding is in concordance with that of Umaru (2014) whose result shows that joint audit has no significant effect on financial reporting quality of listed building material firms in Nigeria.

Hypothesis five - Industry specialized audit has no significant effect on financial reporting quality of insurance firms in Nigeria.

From the table above, the regression coefficient is -0.002 and the P-value is 0.44 for industry specialised audit (INDAUD). The result implies that industry specialised audit firms pay greater and meticulous attention to their assignments because of their acquaintance and broader knowledge of the accounting practices in the sector, hence they produce more quality financial report. The analysis provides that a unit increase in industry specialised audit could cause 0.002 unit decrease in the discretionary accrual, which translates to increase in financial reporting quality, when all other variables are held constant. Finally the p-value that is greater than the critical value means that industry specialised audit is not significant in determining the level of financial reporting quality of insurance companies listed on the Nigerian market. There from, the study accepts null hypothesis that argues that industry specialised audit has no statistical significant effect on the financial reporting quality of insurance firms listed on the Nigerian stock exchange group. This result dissents from the result obtained by Ibrahim (2017), which found industry specialised audit to be significantly affecting the earnings quality of consumer goods firms in Nigeria.

CONCLUSION AND RECOMMEDATION

This study took to investigate the features of auditor that could help restore the fast eroding quality of financial statement using the sample of firms in insurance sector. The study made anchor on certain attributes that include joint audit, audit tenure, audit fee, industry specialised audit and audit type where earnings management as measured by discretional accruals using modified Jones model was applied, where panel data regression estimation technique was used to ascertain the cause effect relationship on the variables for the ten year empirical data generated from 2011 to 2020 financial years. It was deduces from the empirical findings of the study that only 27% of the factors that determine quality of financial reporting, are contained in our model and in specific terms, only audit fee proves to be significant in determining quality of financial reporting. Meanwhile, audit type as a measure of Big4 proved near significant at 10% level, hence attention should as well be given to it, when considerations are placed on a decision table for matters of financial reporting quality. The study therefore recommends that;

1. The sector could encourage its member firms to adopt the use of Big4 audit firms as threshold for statutory audit engagement to help minimize and if possible eliminate discretionary accruals in financial report, in that case improve audit and financial reporting quality.
2. The regulatory bodies should ensure that audit firms use the professional benchmark as a basis of calculating audit fee, noting that slashing audit fee as a way of attracting or winning audit assignment/ contracts due to competition would only lead to compromise, in the quality of service delivery.
3. The regulatory authority is to ensure a moderate audit tenure of may be 5years, to enable the audit firm time to understand clients business, give thorough audit and reduce discretionary accruals in financial report.
4. Let there be a policy formulation by the statutory body to mandate the firms to engage joint audit firms who would share audit proceeds and liability if any, and also a policy binding on the audit firms not to inflate the audit fee because of joint engagements.
5. The firms in the sector is also encouraged to make use of the audit firms that have gathered a lot of experience in audit assignments of the industry, who is believed to have acquired the necessary knowledge and peculiar challenges of the industry, as added measure to reducing discretionary accruals in the financial report.

Suggestion for further study

The study encourages the prospective researchers interested in conducting research in this area to include more independent variables that have capacity of affecting financial reporting quality in their model to be able to raise R^2 to a greater height. We suggest that other variables like audit committee be used jointly with auditor attribute to see how they affect FRQ.

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