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# EFFECT OF AUDIT QUALITY ON THE FINANCIAL REPORTING QUALITY OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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**Abstract**

*This study examines the effect of Audit Quality on the Financial Reporting Quality of Listed Deposit Money Banks in Nigeria for the period of ten years from 2011-2020. The study adopted correlation research design, and a census sample of 14 out of a population of 14 deposit money banks listed on the floor of Nigerian Stock Exchange as at 31st December, 2020 respectively. Secondary data of the sampled firms was extracted from the annual audited financial reports of the sampled banks. The data were analysed based on the multiple regression. The result reveals that, audit firm tenure and audit firm fee have a negative and insignificant impact on financial reporting quality. While audit firm type has a positive and significant effect on financial reporting quality of listed deposit money banks in Nigeria. The study concludes that audit quality is significantly influencing the financial reporting quality of listed deposit money banks in Nigeria. Based on the findings, the study recommends that, listed deposit money banks in Nigeria should reduce the period of rotation of audit firm; banks should stop paying unnecessary high fees to audit firms with the believe that they will receive high quality financial report.*

**Keywords:** Audit Quality, Financial Reporting Quality, Audit Tenure, Audit Fee

## 1. Introduction

Financial reporting is concepts that emerge first from formal record-keeping by organized business and Government. It is one of the most important mechanisms of an accounting system which is targeted at providing information to guide and help stakeholders' in making informed economic decision (Abdulrahman, 2020). However, quality financial report has grown to strongly be one of the causes of investor distrust at a weak stock market for investment decision. Its risk is associated with the inability to gain access to the information concerning the market situation, investee condition and debts (Knechel & Salterio, 2016).

The International fraudulent practice confronting the accounting profession in recent times has hindered the confidence of users of accounting information. For financial statement transparency, the presentation should not be deceptive while the user can grasp the information presented without much effort (IASB, 2008). Saliu and Adetoso (2018) submitted that financial reporting is the communication of financial data to several users of accounting information to formulate an investment decision, obtain credit facilities, and other financial decisions. Financial reports are official and complete statements describing the financial happenings of business entities while financial reporting quality refers to a wide and multifaceted concept.

Despite numerous measures by the foreign financial institutions to enhance the quality of financial reporting, which reached the peak at the beginning of International Financial Reporting Standards (IFRS) and its succeeding acceptance by a meaningful number of nations, the level of firm fraud and offenses was retained on a universal extent. Particularly, in 2014, Glaxo Smith Kline (GSK) or Glaxo China, after months of an examination was engaged in widespread corporate corruption to the tune of £320m as a result of the low quality of the financial report (Okunbor & Dabor, 2018). The Cadbury Nigeria case in October 2006had been called the Nigeria version of Enron Corporation scandal case. Firstly, the scandal caused Cadbury Nigeria losing a lot of money, it had recorded roughly a loss of $15 million on the year and will continue lose money again in the next year. Cadbury Nigeria shares quickly dropped 5% of their value and writing the shares down over 26% since the scandal. The company shares have been hit hard on the Nigerian Stock Exchange. The corruption of Cadbury Nigeria led to loss of public confidence to do business in the country and has a bad reputation.

Financial institutions including banks have suffered the similar fate. The case happened in 2013 when Intercontinental Bank merged with Access Bank, thereby incorporating intercontinental bank and all its assets. Afribank was sold in 2011 to Mainstreet Bank, which was taken over by Skye Bank in 2014. In 2016, Skye Bank was taken over by Polaris Bank. Access bank and Diamond bank agreed to operate under the new brand from 1st April, 2019 and signal severe issues concerning their FRQ, even when all these banks have one time or the other been issued a financial clean bill of health. The suspension of the CEO, Chairman, and two other directors of Stanbic IBTC Bank by the Financial Reporting Council of Nigeria in 2015 for filing false financial statements during 2013-2014 has affirmed this and also explicitly proven that regulators now considered the matter of financial reporting quality serious. Similarly, bank PHB, Spring bank Plc, Oceanic bank Plc, Intercontinental bank Plc, African petroleum Plc, Levers brother and Cadbury Plc. an investigation into the cause of these firms collapse revealed significant, deep-rooted problems in the account preparation and also the intentional misconduct of managers which led to the concurrent sack of eight (8) bank chiefs by the governor of central bank of Nigeria and the call for an investigation of the efficacy of the monitoring and controlling of managerial and financial behaviour of managers (Ndukwe & Onwuchekwa, 2014, Paulinus, Oluchukwu & Somtochukwu, 2018).

Given the pivotal role of financial institutions in any economy, its role in terms of deposit mobilization, financing activities and as an instrument for the regulation of the economy, full disclosure by this industry is therefore very essential than any other sector of the economy as information about their activities need to be disclosed so as for the investors and depositors to take rational decision at every point in time. Despite the importance of this sector to the Nigerian economy, it has the largest reported cases of accounting scandals in the last decade (Aminu, Niki, Djoko & Erna, 2018).DMBs generally are expected to have a high financial performance, which will attract more investors. Auditors are most likely to affect the quality of accounting information of DMBs; they can affect it positively or negatively depending on the quality of their work and their firm. One of the factors that can trigger their financial performance is quality auditing of their financial statements, which is for public consumption (Ugwu, Aikpitanyi & Idemudia, 2020).

One of the major variables that influence the quality of financial report is audit firm tenure. The issue of audit firm tenure otherwise refers to as audit rotation has been termed as one of the critical issues in the audit practice. Audit tenure is the length at which an audit firm has been auditing financial report of a company. Some researchers such as Zawawi (2007) attributed the very famous corporate failures in various part of the world to the issues of audit firm rotation. In his study Asein (2007) suggested that rotation of external auditors can solve the potential problem of familiarity between the audit firm's personnel and their client. Similarly, other studies like Chen et al (2009); Ghosh and Moon (2005); Johnson, Khurana, and Reynolds (2002); and Kwon, Lim, and Simnett (2014) reveal that there is a positive correlation between rotation of auditor and financial reporting quality of firms.

However, audit firm fee paid to auditors is found to be related with financial reporting quality (DeAngelo, 1981); according to this belief, quality may decrease with fee dependence if marginal forces associated with managerial influence overwhelm those associated with the scope of activities involved (Frankel, Marilyn & Karen, 2002; and Francis, 2004). In this context, audit fees and non-audit fees relate to knowledge spillover that is, transfers of knowledge from non-audit to audit services. Moreover, increase in audit fees as a result of non-audit services may enhance auditor's incentives to stay independence.

Another audit quality commonly associated with the financial reporting quality is audit firm type (Big 4 audit firms). Audit firm type is conceived as financially independent and highly experienced, thus less likely to be subjected to any pressure from the clients to look the other way in their role in discovering accounting irregularities (DeAngelo, 1981). Therefore, the appointment of Big 4 auditors enables firms to detect larger losses earlier and thus reduce the amount of tampering with earnings. When a firm is audited by a Big 4 auditor, it mirrors the firm's concerted effort to produce high FRQ and thus give stockholders proprietary and confidential information, and in turn lessen the range of accounting misrepresentations (Palea, 2007). It would be expected that being audited by a big auditor would reduce this gap and improve company trust. The outcome of George (2017) research reveals that firms audited by a Big 4 auditor are able to detect huge losses earlier and that therefore lead to less financial reporting quality issue. Therefore, the Big 4 may help to influence the FRQ.

Therefore, this study is motivated by the critical role that the auditors have in firm's financial reporting regarding accounting irregularities and misstatements dealing with earnings management, which impair financial reporting quality and threaten the going concern of corporate entity particularly associating with DMBs which deals in heavy assets and large volumes of transactions and as such, its management can use these large transactions to hide accounting irregularities, misstatement and earnings management, which will have an adverse effect on financial performance. Therefore, the adverse consequence of poor financial performance and the need to ensure high-quality financial reporting motivated the cause for this study.

It has been found in the extant literature review that some of the studies were conducted in a different country while this study is in Nigeria which has an economic and political difference with those countries and so this constitutes an environmental gap that the study filled. Again, some of the studies periods stopped at 2019, this study on the other hand extending the scope to 2020 which form a period gap that was filled in this study. Furthermore, the most recent issues associated to corporate distress that have led to merger and acquisition among Nigerian DMBs in 2018 (Skye Bank and Diamond Bank) will form the practical gap of the study. This is important as it enables the research to present more current issues connected to the financial reporting quality among listed DMBs in Nigeria. Therefore, this paper attempted to examine the impact of audit quality on the financial reporting quality of list deposit money banks in Nigeria using audit firm tenure, audit firm fee and audit firm type as proxies for audit quality while abnormal loan loss provision (Chang et al, 2008 is a proxy for financial reporting quality with data from DMBs audited annual reports. To answer the above problem, the question, to what extent does audit quality influence financial reporting quality of listed DMBs in Nigeria? Which the objective is to determine the impact of audit quality influence financial reporting quality of listed DMBs in Nigeria.

## 2. Literature Review

This section reviewed the concepts of all variables of the study presented. Numbers of empirical literatures relevant to the study were reviewed. Also, the theories underpinning the study were also discussed.

### Conceptual Issues

Amah and Ekwe (2021)defined financial reporting as the faithfulness of information conveyed in both the financial and non-financial reporting process. These financial reports are one of the information channels where listed companies are expected to provide information in the stock market. In the stock market, listed companies are information providers; the investors receive and use this information in their decision-making process (Thi, Phuong & Hung, 2020).

Gholami, Mansouri and Yazdifer (2020) defined financial reporting as the reporting of financial statements and other information disclosed by a business unit to third parties, such as shareholders, creditors, customers, governmental organizations and the general public. Undoubtedly the most important element of financial reporting is the usefulness of financial reporting. Financial reports must be relevant, reliable, and understandable.

This study however, define financial reporting quality as the presentation of financial statement in such a way that it is free of misstatement, presenting the true and fair financial performance of an organizations to enable stakeholders make a sound business decision.

Audit firm tenure otherwise refers to as audit rotation has been termed as one of the critical issues in an audit practice. Audit tenure is the length at which an audit firm has been auditing financial report of a company. There are two arguments in relation to auditor's independence in the audit client relationship (Odia, 2015). Lys and Watts (1994) are of the opinion that as audit client-relationship lengthens, independence will be impaired leading to poor audit quality. While others like Ling and Nopmance (2015) are of the opinion that as the audit client-relationship lengthens auditors' gain better understanding of their client business and there by develop their expertise.

Audit firm rotation is defined in this study as the length an auditor is appointed by a firm to audit its financial report over a given period of time.

Daferighe and George (2020) defined audit fees are monies expended on audit engagement by the management of a company. These monies are agreed upon between the management of a company and the auditors appointed by the Board of Directors for the company. These fees are given to the auditors on completion of the engagement or otherwise.Likewise, Hoitash, Markelevich and Barragato (20017) states that the comprehensive audit fees are the amount that covers all costs for auditor.

Contrarily, Lyon and Maher (2005) confirmed that there is difference in the amount of the fee, which depends on the complexity of the audit process and audit size. In addition, Turley and Wellekens (2008) suggested three composite factors which contribute to the establishment of audit fees, namely: complexity, client size and associated risk. While, Choi (2009) sees audit fees as the amount paid to the auditors for the cost of the effort shown by the public editors and litigation risks.

This study defined audit compensation as the total cost of audit paid to external auditors or audit firms as a remuneration for the audit services provided to business firms by those auditors or audit firms.

**Empirical Review**

Qawqzeh, Endut, Rashid and Dakhlallh (2020) investigate the influences of the external auditor's effectiveness on the financial reporting quality, as well as the mediating effect of the external audit quality on this relationship in the Jordanian firms. The study population was 180 Jordanian companies. The data were analysed using the Causal Steps Method. The findings of the result revealed that the auditor size has an insignificant impact on FRQ, whereas the industry specialization has significantly a positive impact on FRQ through preventing the EM practices, as well as the auditor tenure has significantly a negative impact on FRQ. The results also revealed that the auditor size has a negative influence on the audit quality, the industry specialization, while audit tenure is positively and significantly influence audit quality. Regarding the mediation effect, the results indicated that the relationship between the auditor's effectiveness and FRQ is partially mediated by the audit quality (fees). The study did not look at external auditor along with the corporate governance mechanisms which plays critical and vital role on external audit quality in all accounting and financial issues related to the firms and all related-parties' transactions.

Ugwu, Aikpitanyi and Idemudia (2020) examines the impact of audit quality on the financial performance of all the 15 listed DMBs in Nigeria from 2011-2017. The population of the study was the fifteen DMBs in Nigeria. The study used the multiple regression techniques in analysing the data of the study. Findings of the study revealed a significant and positive relationship between audit firm size and ROA, negative and significant relationship between joint audit and ROA and negative and insignificant relationship between audit fee and ROA.

Shiri, Mahmood, Ghadrdan, and Hajar al-Sadat, (2019) examined the role of internal auditors' rotation on the quality of financial reporting. The data used in this study were extracted from the sources of corporate board reports, audited financial statements for the six-year period 2011-2016, as well as through interviews with senior executives of internal audit unit, 50 sample companies. The results showed that there is no significant relationship between the systematic rotation of auditors towards management position and also the rotation of internal audit staff within the audit unit with the quality of financial reporting; and the oversight of the Audit Committee and the financial expertise of internal auditors are also unaffected.

Daferighe et al. (2020) examined the impact of audit firm attributes on the financial reporting quality of quoted manufacturing firms in Nigeria. The population of the study is sixteen (16) firms. Multiple regression analysis was employed in analysing the data and testing the stated hypotheses. The results of the findings showed that auditor fees have significant influence on the financial reporting quality of quoted manufacturing firms in Nigeria. However, it was discovered that audit firm size and audit delay have insignificant impact on the financial reporting quality of manufacturing firms in Nigeria. This study was able to study only sixteen manufacturing firms out of the many we have in Nigeria and so not sufficient enough to generalized findings.

Ogungbade, Adekoya and Olugbodi (2020) examine the effect of audit quality on financial reporting quality of deposit money banks listed on the Nigerian Stock Exchange. The study extracted data through secondary source from the audited annual reports of a population of eleven (11) deposit money banks listed on the Nigerian stock exchange for ten years. The study used panel multiple regression to analyse the data. Findings revealed that audit firm size, audit tenure, and audit fees affect financial reporting quality (FRQ), but only the effect of audit fees was statistically significant.

Abdulrahman, Idowu, Raji and Oke (2019) examined the relationship between audit attributes and financial reporting quality (FRQ) of listed Food and Beverages firms in Nigeria. The study considers fourteen (14) Food and Beverages firms listed in the Nigerian Stock Exchange for a period of seven years (2012-2018). Data for the sample firms were collected through secondary method and analysed using descriptive and inferential statistics (correlation analysis and panel data regression) with the aid of e-views statistical package. The result of the study shows a positive significant relationship exists between ACS and FRQ, a negative insignificant relationship exists between AFS on FRQ also ARE had a negative insignificant relationship on FRQ. Hence the study concluded that audit committee size has positive relationship with financial reporting quality while audit firm size and audit remuneration had negative relationship with financial reporting quality.

Ugwu, Aikpitanyi and Idemudia (2019) examine the impact of audit quality on the financial performance of all the 15 listed DMBs in Nigeria. Secondary data were used, which were extracted from the financial statements of the listed DMBs. The study employed correlation and ex-post facto research designs and multiple regressions were used for data analysis. The study revealed significant and positive relationship between audit firm size and ROA, negative and significant relationship between joint audit and ROA and negative and insignificant relationship between audit fee and ROA. Smaller audit firm should be encouraged as they are likely to carry out a more thorough audit assignment, because most of the DMBs engaged the service of the bigger audit firm.

Oyedokun, Okwuosa and Isah (2019) examined the effect of audit characteristic on financial reporting quality of listed consumer goods companies in Nigeria for the period 2009-2018. The study adopted Ex-post facto research design. The population for this study was the twenty-one (21) consumer good firms listed on the Nigerian Stock Exchange (NSE). The study adopted the use of empirical analysis tools including descriptive statistics and using ordinary least squares (OLS) panel regression technique to determine the relationships between the research variables. Finding shows that Audit type has no significant effect on the financial reporting quality of quoted consumer goods firms in Nigeria. Also the study reveals that Audit tenure has significant negative effect on the financial reporting quality of listed consumer goods companies in Nigeria.

Soyemi and Olawale (2019) examined the impact of firm's characteristics on the quality of financial reporting of listed manufacturing firms in Nigeria. The population of the study comprises of 25 non-financial firms listed on the Nigeria stock exchange. Multiple regression was adopted to examine the model of the study. The result revealed that firm size has positive significant effect on financial reporting quality. Tangibility has negative significant effect on audit financial reporting quality. Firm's profitability has also been argued to have a positive influence on the quality of financial reporting while firm growth has negative significant effect on financial reporting quality. This study is only limited to non-financial firms in Nigeria.

**Theoretical Framework**

The study is anchored on both agency theory and the theory of inspired confidence theory as the former links shareholders and the management who are the providers of financial statements to be audited by audit firms and the latter anchored managers and audit firms that plays a prominent role in ensuring quality of financial reporting.

## 3. Methodology

Correlation and ex-post facto research design was used for this study. The correlation research design enable the researcher examine the association of the dependent and independent variables while, the ex-post facto ensures the predictability of independent variables on dependent variables. A census sampling technique was adopted to select all the fourteen (14) listed Deposit Money Banks on the floor of the Nigerian Stock Exchange as at 31st December, 2020 as sample size of the study. Secondary data was extracted from the audited financial reports of the sample banks on the Nigerian Stock Exchange (NSE) for the periods of ten years (2011-2020). The data was extracted based on the parameters of the variables and the respective ratios taken from the sampled banks in order to test the hypotheses of the study. In view of the panel nature of the data, the study employed Ordinary Least Square model, fixed effect model and Random Effect model. The Hausman specification test and Breusch Langragian Multiplier test were also applied in order to have a suitable model for the study. Additional tests for normality, heteroscedasticity and multicollinearity were carried out in order to comply with the classical assumption of regression analysis. The data was analysed with the aid of STATA 13 software.

The following models were employed in testing the hypotheses formulated for the study and model is specified based on empirical framework using the variables to be studied as explained: The study employed the loan loss provision as proxy for financial reporting quality which is measured in line with (Chang et al. 2008) as;

$$LLP = \alpha_0 + \alpha_1 LLAB + \alpha_2 NPLAB + \alpha_3 \Delta NPL + \alpha_4 NBLW + \alpha_5 \Delta TOTL + \varepsilon \text{ ------------- } 1$$

Therefore, the dependent and independent variables is mathematically represented thus:

$$FRQ_{it} = \beta_0 + \beta_1 AUDT_{it} + \beta_2 AUDF_{it} + \beta_3 AUDB4_{it} + \beta_4 AUDIN_{it} + \varepsilon_{it} \text{ ------------------- } 2$$

Where:

FRQ = Financial Reporting Quality measured by abnormal loan loss provision (Chang et al, 2008).

AUDT = Audit Firm Tenure measure using dichotomous variable, 1 if there is a change in audit firm during a year and 0 otherwise. Usman (2014).

AUDF = Audit Firm Fee measure as total audit and non-audit fees paid to an auditor at the end of accounting period to total assets of the firm. Usman (2014).

BIG4 = Audit Firms Type measured using dichotomy ('1' if audited by any of the big4 (Deloitte, PWC, Ernst & Young and KPMG) audit firm and '0' if otherwise).Usman (2014).

**4. Result and Discussion**

This section analyses and interprets the results obtained for the study. It presents the diagnostic test result and the regression results and discusses the findings in light of previous studies.

To make better the validity of all statistical inferences to be drawn from the study, this section discusses the robustness test conducted. The robustness test included multicollinearity test, heteroscedasticity test, Hausman specification test and normality test. Table 1 below report the tests.

**Table 1 Diagnostic Test**

| Variables | VIF | Tolerance | |
|---|---|---|---|
| **BIG4** | 2.14 | 0.467903 | |
| **AUDF** | 1.88 | 0.530818 | |
| **AUDT** | 1.02 | 0.981197 | |
| **Mean VIF** | | | **1.09** |
| **Hettest Sig.** | | | **0.0002** |
| **Hausman** | | | **0.9290** |
| **Lagr. M. Test** | | | **0.0000** |

**Source: Extracted from STATA 13 Output**

Diagnostic test was conducted so as to determine by comparison the best alternative for reliability and validity of the inferential statistics from the regression model. The test consists of Multicollinearity test (that is tolerance value and variance inflation factor VIF), Breusch-Pagan / Cook-Weisberg test for heteroscedasticity and Shapiro-Wilk test for normality of the data, hausman test and of Lagrangian Multiplier (LM test). The Multicollinearity test as indicated by variance inflation factor (VIF) indicated that there is the absence of extreme association as all the tolerance values are smaller than 1.0 and all the factors are below 10. The VIF mean stood at 1.09. More so, the test for heteroscedasticity was administered. Findings from the test revealed an existence of heteroscedasticity evidenced from the probability of 0.0.0002 which is significantat 1%.Furthermore, the Hausman and Lagrangian Multiplier (LM Tests) revealed a prob>chi$^2$ 0.9290 in favour of Random Effect model result. A further test of LM test, revealed a significant value (p-value < 0.0000) show that panel effect exists, thus random effect regression model is appropriate for the study. But because of the presence of heteroscedasticity, it therefore leads this work to run for generalized least squares regression (FGLS) which is considered suitable for this study.

**Table 2: Regression Results**

| Variables | Coefficient | Z-Value | P-Value |
|---|---|---|---|
| **Constant** | 6.385419 | 3.28 | 0.001 |
| **AUDT** | -0.0370002 | -0.60 | 0.550 |
| **AUDF** | -258.0669 | -1.97 | 0.330 |
| **BIG4** | 0.1780461 | 1.93 | 0.003 |
| **$R^2$** | | | **0.2638** |
| **Wald Chi2** | | | **85.03** |
| **Prob. Chi2** | | | **0.0031** |

**Source: STATA Output, 2021**

The functional relationship between the dependent and independent variables is:

FRQ = 6.385419 - 0.0370002AUDT - 258.0669AUDF + 0.1780461BIG4 --------------- 3

The result shows that $R^2$ which is the combined coefficient of determination indicates the extent to which the independent variables jointly explain the total variation in the dependent variable and remaining. Thus, it signifies that 26.38% (0.2638) of the total variation in financial reporting quality of listed DMBs in Nigeria is caused by audit firm tenure, audit firm fee and audit firm type while the remaining 73.62% is explain by other factors not captured in this model. However, the Wald chi2of 85.03 signifies that the model of the study is fit.

Furthermore, based on the regression result, audit firm tenure has a coefficient value of -0.037, and an insignificant p-value of 0.550. This implies that audit firm tenure is negatively and insignificantly influencing the financial reporting quality of listed DMBs in Nigeria. This signifies that for every increase in audit tenure period, the quality of the banks report will also decrease by 2%. This result shows that there is an insignificant relationship between audit firm tenure and financial reporting quality of listed DMBs in Nigeria. The result agreed with prior studies of (Kalabeke, Sadiq & Keong, 2019; Onyabe, Okpanachi, Nyor, Yahaya & Ahmed, 2018 and Qawqzeh, Endut, Rashid, Johari, Hamid & Rasit, 2018). Conversely, the study did not agree with the findings of (AlRajabi & Warrad, 2017).

Audit firm fee is found to be negatively and insignificantly impacting on the financial reporting quality of listed DMBs in Nigeria. Audit firm fee (AUDF) showed a coefficient value of -258.0669 with a p-value of 0.330. This signifies that audit fee is statistically negative and insignificantly influencing the financial reporting quality of listed DMBs in Nigeria. This implies that for every ₦1 fee paid to external auditors by the sample banks, will lead to a decrease in quality of financial report by 293.9562. The study finding is only in tandem with study of (Shiri, Mahmood, Ghadrdan & Hajar al-Sadat, 2019 and Ugwu, Aikpitanyi & Idemudia, 2019). But a contrary result was found with that of Daferighe et al., 2020; Ogungbade, Adekoya & Olugbodi, 2020); Bala, Amran & Shaari, 2018; Olanisebe, Ekundayo & Adeyemo, 2018 and Onaolapo, Ajulo & Onifade, 2017).

However, the study reveals a positive and significant impact between audit firm type and financial reporting quality of listed DMBs in Nigeria. The audit firm type has a coefficient value of 0.1781 and p-value of 0.003. This indicates that audit firm type has a positive and significant impact on the financial reporting quality of listed DMBs in Nigeria. This signifies that for every unit increase in BIG4, quality of the financial report of the bank will also increase by 17.8%. This finding meets the researcher's prior expectation that audit firm type will influence the financial reporting quality of the sample banks. Therefore, the study fails to accept the null hypothesis of the study. This finding also agreed with the studies of (Qawqzeh, Endut, Rashid & Dakhlallh, 2020 and Oyedokun, Okwuosa & Isah, 2019). But a contrary result was found with that of (Ugwu, Aikpitanyi & Idemudia, 2020 and Soyemi & Olawale, 2019). Thus, the result validates the agency theory.

**5. Conclusion and Recommendations**

Several literatures were reviewed for the purpose of this study and their findings were contradictory. The inspired confidence and agency theory were used to anchor this study. Correlational and expo-facto research design was also used. The population of the study consists of 14 deposit money banks in the Nigerian Stock Exchange as at 31st December, 2020. Data was extracted purely from the audited annual reports of the sampled listed deposit money banks in Nigeria from 2011-2020 given a ten-years periods. A multiple regression was employed to empirically investigate the relationship among the variables where the Generalized Least Square (FGLS) was considered suitable for the study. The result revealed that audit firm tenure and audit firm fee have an insignificant negative relationship with financial reporting quality of the listed deposit money banks which audit firm type revealed a positive and significant relationship with financial reporting quality of banks in Nigeria. Therefore, the study concludes that audit quality is significantly influencing financial reporting quality of listed DMBs in Nigeria.

In line with the conclusion of the study, the study therefore recommended thus:

i. The DMBs in Nigeria should reduce the tenure of audit firm as it has a negative and insignificant influence on their financial reporting quality. The more an audit firm stays with a particular bank, the more acquainted and can help the bank in the manipulation of reports, therefore it is advised that they should reduce the audit tenure.

ii. The study shows that audit fee does not determine the quality of financial reporting of listed reporting in Nigeria. Hence, it is recommended that banks should stop paying unnecessary high fees to audit firms with the mindset that they would receive high quality financial report (i.e. the higher the audit fee the higher the quality of financial reporting). High audit fee does not guarantee high quality of financial reports.

iii. Based on the positive significant impact of audit firm type on the financial reporting quality of listed reporting in Nigeria, it is recommended that banks should consider engaging the BIG4 audit firms as it has proven to guarantee better financial reporting quality of listed DMBs than the smaller audit firms.

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