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MODERATING ROLE OF AUDIT COMMITTEE ON RELATIONSHIP BETWEEN AUDIT FIRM ATTRIBUTES AND FINANCIAL REPORTING QUALITY OF LISTED DMBs IN NIGERIA

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Abstract

The study analyses the Moderating role of Audit Committee on the relationship between Audit Firm Attributes and Financial Reporting Quality of Listed Deposit Money Banks in Nigeria spanning the period 2010-2021. The study adopted correlation and ex-post facto research design and a census sample of 14 listed deposit money banks on the floor of Nigerian Stock Exchange. Secondary data of the sampled firms was extracted from the annual audited financial reports of the sampled banks. The data was analyzed using the multiple regression model where in both the direct and indirect relationship, the generalized least square (FGLS) result reveals that, audit firm tenure, audit firm compensation, moderating effect of audit committee on audit compensation, audit firm size and audit firm independence are insignificantly influencing the financial reporting quality of listed DMBs in Nigeria. Whereas, audit firm size, audit firm independence, audit committee and moderating effect of audit committee on audit firm tenure revealed a statistical significant relationship on the financial reporting quality of listed DMBs in Nigeria for the period. The study concludes that audit firm attributes has significant effect on the financial reporting quality of listed DMBs in Nigeria. Based on the findings, the study recommended, listed DMBs in Nigeria should reduce the period of rotation of audit firms; banks should stop paying unnecessary high fees to audit firms with the mindset that they will receive high quality financial report; the listed banks should maintain the services of the Big 4 firms as it is shown to be doing more than the smaller firms and auditors should be monitored and there should be adequate regulatory provision to encourage the independence of the audit firms.

Keywords: Moderating, Audit, Committee, Deposit Money Bank, Financial Reporting

1. Introduction

Globally, financial misreporting practices are common. For example, Price Water House Coopers (PwC, 2018) Global Economic Crime and Fraud Survey indicate that 49% of financial reports presented by firms do not meet the quality standard. PwC itself was banned for two years in India for failure to detect inflated revenues by Satyam (Mundy, 2018). Financial reporting is one of the most crucial components of an accounting system which aims at giving information to guide and assist various stakeholders' in decision making (Farouk, 2014).

The main objective of financial reporting is to provide high quality financial information about economic entities that is useful for economic decision making. According to International Accounting Standard Board (2008) high quality financial reporting is critical to investors and other stakeholders in making investment, credit and similar decision. DMBs generally are motivated to have a high quality financial statement, 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 reporting is quality auditing of their financial statements, which is for public consumption (Ugwu, Aikpitanyi & Idemudia, 2020).

In a study of financial reporting quality, Shehu (2012) opined that quality financial reporting could be achieved by full disclosure and higher level of transparency; and regarded corporate transparency as the widespread availability of relevant and reliable information about the periodic financial information that is free from errors and misstatements. The researcher further discloses that, the quality of financial reporting is to promote transparency and deliver high quality annual report through comprehensive disclosure. As such regulators and financial statements analysts as well as auditors should ensure that financial statements information is true, fair and free from opportunistic and unethical judgments, which destroy the quality of financial reporting. The turbulent effects of the global financial crisis have highlighted the critical importance of credible high-quality financial reporting. Thus, achieving quality financial reporting depends on the role that the external auditor plays in supporting the quality of financial reporting of listed Deposit Money Banks (DMBs).

Given the pivotal role of DMBs in any economy, the banking industry is essential in any national economy for 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).

One of the major variables that influence the quality of financial report is audit firm tenure. The issue of audit firm rotation otherwise known to as audit tenure has been termed as one of the critical issues in an audit practice. 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 Johnson, Khurana and Reynolds (2002); Ghosh and Moon (2005); Chen et al (2009) and Kwon, Lim and Simnett (2014) states that rotation of auditor improves financial reporting quality of firms.

Financial reports are meant to provide relevant and reliable information to the stakeholders of an organization for informed decision making. It is therefore important that banks report should convey true and accurate information; however, in a situation where financial information does not represent true and accurate economic position of the entity, shareholders and all prospective investors will make wrong assessment about the organization which will affect their decisions.

2. Literature Review

2.1 Conceptual Issues

Financial Reporting Quality: The International Accounting Standard Board (IASB) posited that the financial reporting quality determines fundamental qualitative characteristics and enhances qualitative characteristics (IASB, 2015). The board defines enhancing qualitative characteristics as comparability, verifiability, timeliness, and understandability of financial statements. Moreover, financial reporting quality according to Herath and Albarqi (2017) refers to financial and non-financial information useful for decision-making.

Audit Firm Attributes: Audit quality refers to the extent to which an auditor's independence, integrity, and objectivity impact auditors' opinions on the quality of financial statements (Baah & Fogarty, 2018). From firms' perspective, the audit firm is a continuous process that recognizes crucial matters that affect audit performance, analyses conditions formulate responses, and monitors and strengthen performance (Martin, 2013).

Audit Firm Compensation: Erasmus and Micah (2021) defines audit fees as a direct payments made to the auditor that relates directly to the audit function, non-audit fee is concerned with payments for other non-audit services rendered by the auditor.

Audit Firm Size: An auditor’s independence is an important factor that could ultimately guarantee financial reporting quality in any given organization. Mautz and Sharaf (1961) posited that there are two aspects of independence namely: First; Real independence as an independence of the individual which constitute of the attitude that an individual auditor exhibit in the conduct of his / her job that would bring about the provision of an opinion without being influenced or compromise judgment, and to also allowed the individual auditor to act with objectivity, integrity, and professional skepticism. Secondly, apparent independence as a result of the auditors’ image derived from member of a professional group.

2.2 Empirical Review

Erasmus and Akani (2021) investigated the relationship between audit quality and market value of quoted banks in Nigeria. The population of this study consists of fourteen quoted banks in Nigeria. The study adopts judgmental sampling techniques to select twelve banks as sample size. Secondary data were obtained from audited annual financial report of quoted banks in Nigeria from 2006-2019. Hypotheses were tested using panel least squares regression through pooled effect, fixed effect and random effect determined by Hausman test, fixed effect was accepted, with the aid of E-views 10 econometric statistical software. Findings shows that audit fees have negative and insignificant impact on market price per shares. Empirical evidence indicates that audit tenure had negative and significant impact on market price per shares. Empirical evidence suggests that audit firm size had negative and insignificant impact on market price per shares.

Qawqzeh et al (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 companies listed in ASE. The data were analyzed 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, and the auditor tenure as the factors that positively and significantly affect the 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).

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. Their findings 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.

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 analyzing 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.

Ogungbade et al (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 analyze 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. The study only used a sample of eleven banks whereas the present study will use a sample size of fourteen banks in Nigeria.

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 corporates 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.

Kalabeke, Sadiq and Keong (2019) examines whether firms with longer audit firm tenures are more engaged in accrual-based earnings management activities in Pakistani. The population of the study consists of 280 non-financial listed firms in Pakistan Stock Exchange (PSE) during the period of 2008-2017. The results exemplify that firms with longer audit firm tenures are more negatively associated with accrual-based earnings management activities, and showing better financial reporting quality. Moreover, the study shows that non-mandatory audit firm rotation is associated with accrual-based earnings management activities, and showing poor financial reporting quality.

Nyoni and Mahambo (2019) investigated the effect of audit firm tenure on audit quality in Botswana. The study was descriptive in nature and a sample of 3 Accounting Firms and 12 Accountants from companies was drawn from the list of accredited auditors and listed companies on the Botswana Stock exchange. Data collected was analyzed using statistical analyses software package, SPSS version 21 in order to determine the audit quality level in relation to audit tenure. Audit quality was determined from the analysis of different factors affecting audit report quality, frequency tables where used to analyze the responses of the sample population.

Abdulrahman et al (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 analyzed 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.

2.3 Theoretical Framework

Agency Cost Theory: Eilifsen and Messier (2000) argue that the demand for auditing arises from the auditor's monitoring role in the principal-agent relationship. According to agency theory, an agency relationship is a contract under which one or more principals engage an agent to perform some service on the principals' behalf and delegate some decision-making authority to the agent (Jensen & Meckling, 1976). As such when there are conflicts between the interests of the principal and the agent, the agent may not act in the best interests of the principal. In order to avoid or minimize such divergences from his or her interests, the principal can establish monitoring systems. The financial statement audit is a monitoring mechanism that helps reduce information asymmetry and protect the interests of the principals, specifically, the existing and potential stockholders, by providing reasonable assurance that management's financial statements are free from material misstatements (Watts & Zimmerman, 1981).

3. Methodology

A correlational and ex-post facto research design is considered for this study. The correlation enables the researcher to examine the association of the variables (independent and dependent variables) while, the ex-post facto ensures the predictability of the moderating role of audit committee on the relationship between audit firms' attributes (independent variables) and financial reporting quality (dependent variable) among the listed DMBs in Nigeria.

3.1 Population and Sample of the Study

The population of the study consists of the 14 listed DMBs on the floor of the Nigerian Stock Exchange (NSE) as at 31st December, 20221. A census sampling techniques of determining a sample size is adopted where all the DMBs as shown in table 1 below were used as sample size of the study. The study also used only the banks that were present on the NSE throughout the study period and have available data to ensure a balanced panel data set is obtained.

Table 1: List of Sample Banks

SN	Bank Names	Year of Listing	Year of Incorporation
1	Access Bank	1998	1989

2	Eco Bank	2006	1986
3	Fidelity Bank	2005	1987
4	First Bank of Nigeria Plc	1971	1894
5	First City M. Bank Plc.	2004	1982
6	Guarantee Trust Bank Plc	1996	1990
7	JAIZ Bank Plc	2017	2011
8	Stanbic IBTC	2005	1989
9	Sterling Bank	1993	1960
10	Union Bank	1972	1969
11	United Bank for Africa Plc	1970	1961
12	Unity Bank	2005	1987
13	Wema Bank	1990	1945
14	Zenith Bank	2004	1990

Source: Nigerian Stock Exchange and Websites, 2021

3.2 Sources and Methods of Data Collection

The study adopted secondary method of data collection where data was extracted from the audited financial reports of the sample banks on the NSE for the periods 2010-2021. The data is extracted based on the measurement of the variables in order to test the hypotheses of the study. The data covered for financial reporting quality, audit firm tenure, audit firm compensation, audit fir firm size, audit firm independence and audit committee.

3.3 Techniques of Data Analysis

The study employed a multiple regression model of analysis to analyze the data and to establish the relationship between the dependent and independent variables. Multiple regression model is considered appropriate in view of the fact that it helps in not only establishing relationship between variables, but shows the effect and causes of their relationships.

3.4 Model Specifications

The study employs two different models for the purpose of elaborateness and total comprehension. The first model encapsulates the direct relationship between independent variables and dependent without moderation while the second model captured the indirect relationship between the independent variables and dependent variable being moderated by audit committee meeting (ACM) as moderating variable. Moderating role of the audit committee on the relationship between audit firms' attributes and financial reporting quality has been described as an interaction which affects the strength and direction of the relation between dependent and independent variables (Cohen, Jacob, Cohen, Patricia, Leona, Aiken & West, 2003). In regression analysis, a basic moderator influence represents an interaction between independent variable and dependent variable as appropriate (Baron & Kenny 1986). The first model that anchored the direct relationship between the independent variables are; audit firm tenure (AUDT), audit firm compensation (AUDC), audit firm size (AUDFS) and audit firm independence (AUDIN) as regressed against the dependent variable financial reporting quality (FRQ) is specified as thus:

The proxy of financial reporting quality for the study is loan loss provision as will be measured in line with (Chang et al 2008) as;

$LLP = \beta_0 + \beta_1 LLAB + \beta_2 NPLAB + \beta_3 \Delta NPL + \beta_4 NBLW + \beta_5 \Delta TOTL + \varepsilon$ ……………………….1

Where:

LLP= Loan Loss Provision, LLAB= Loan Loss at Beginning, NPLAB= Non–Performing Loan at Beginning, ΔNPL= Change in Non – Performing Loan, NBLW= Net Bad Loans Written Off, ΔTOTL= Change in Total Loan Loss, ε = Error Term

$FRQ_{it} = β_0 + β_1AUDT_{it} + β_2AUDC_{it} + β_3AUDFS_{it} + β_4AUDIN_{it} + β_5ACM_{it} +ε_{it}$ ………………2

Where:

FRQ = Financial Reporting Quality, $β_0$= Constant, $β_1$ - $β_4$= Coefficient of independent variable, ε =error, term, i = firms, t = times, AUDT= Audit Firm Tenure, AUDC= Audit Firm compensation, AUDFS= Audit Firm Size, AUDIN= Audit Firm Independence, ACM= Audit Committee Meeting

The second model of the study is specified as indirect relationship between the independent variables which include; audit firm tenure (AUDT), audit firm compensation (AUDC), audit firm size (AUDFS) and audit firm independence (AUDIN) as regressed against the dependent variable financial reporting quality (FRQ) which would be moderated with audit committee meeting (ACM) as a moderating variable as:

$FRQ_{it} = β_0 + β_1AUDT_{it}+ β_2AUDC_{it}+ β_3AUDFS_{it}+ β_4AUDIN_{it}+ β_5ACM_{it} + β_6AUDT_{it} × ACM_{it} + β_7AUDC_{it} × ACM_{it} + β_8AUDFS_{it} × ACM_{it} + β_9AUDIN_{it} × ACM_{it} + ε_{it}$ ……………………………………….3

Where:

FRQ= Financial Reporting Quality, i = Firms, t = Times, $β_0$ = Intercept, $β_1$ – $β_9$ = Coefficient of the explanatory variable, AUDT = Audit Firm Tenure, AUDC = Audit Firm Compensation, AUDFS = Audit Firms Size, AUDIN = Audit Firm Independence, ACM = Audit Committee Meetings, AUDT x ACM = Audit tenure as moderated by audit committee meetings, AUDC x ACM = Audit firm compensation as moderated by audit committee meetings, AUDFS x ACM = Audit firms size as moderated by audit committee meetings, AUDIN x ACM = Audit Firm Independence as moderated by audit committee meetings, ε= Error Term of the model

4. Presentation and Analysis of Results

4.1 Correlation Matrix

The correlation matrix explains the degree of relationship between the dependent and independent variables of the study as well as the independent variables among themselves. The summary of the associations among the variables of the study is presented in table 2.

Table 2: Correlation Matrix

Variables	FRQ	AUDT	AUDC	AUDFS	AUDIN	ACM	AUDTAC	AUDCAC	AUDFSAC	AUDIAC
FRQ	1.0000									
AUDT	-0.1258	1.0000								
	0.7711									
AUDC	-0.2506	-0.0703	1.0000							
	0.9955	0.4266								
AUDFS	-0.138	0.1336	-0.3434	1.0000						
	0.6675	0.1296	0.0001							
AUDIN	-0.2865	0.0971	-0.6616	0.7072	1.0000					
	0.328	0.2718	0.0000	0.0000						
ACM	0.1941	0.0955	-0.1711	0.0209	0.1832	1.0000				

	0.0269	0.2797	0.0516	0.8133	0.0369					
AUDTAC	-0.0554	0.9375	-0.0772	0.1253	0.1134	0.229	1.0000			
	0.5312	0.0000	0.383	0.1556	0.1991	0.0088				
AUDCAC	0.0647	-0.0336	0.8855	-0.2877	-0.5507	0.2476	0.0036	1.0000		
	0.4647	0.7047	0.0000	0.0009	0.0000	0.0045	0.9676			
AUDFSAC	0.1084	0.1655	-0.2962	0.7714	0.6022	0.6179	0.249	-0.0217	1.0000	
	0.2196	0.0599	0.0006	0.0000	0.0000	0.0000	0.0043	0.8065		
AUDINAC	0.1799	0.1068	-0.2404	0.1096	0.3037	0.9916	0.2386	0.1743	0.6793	1.0000
	0.0405	0.2264	0.0059	0.2146	0.0004	0.0000	0.0063	0.0473	0.0000	

Source: STATA Output, 2022

The result in Table 2 above shows a weak correlation coefficient of -0.1258 and a p-value of 0.7711 which implies that there is a negative insignificant correlation between AUDT and financial reporting quality (FRQ). If AUDT increases, FRQ will decrease. More so, AUDC is insignificantly and negatively associated with FRQ. The table shows a moderate correlation coefficient of -0.2506 with an insignificant p-value of 0.9955 between audit committee and financial reporting quality implying that FRQ will decrease with increase on fees paid to external auditors.

Furthermore, there is also an insignificant and weak negative association between AUDFS and FRQ of the listed DMBs in Nigeria as indicated by a coefficient value of -0.1380 and a p – value of 0.6675. This means that financial reporting quality will change in opposite direction with audit firm size (BIG4). Audit firm independence and financial reporting quality are insignificantly and negatively correlated. The correlation coefficient between them is -0.2865 and the p-value of 0.3280 suggesting that financial reporting quality decreases as audit firm independence of the sample banks' increases.

However, on the moderating variable, audit committee meetings a weak and significant correlation exists with the financial reporting quality of the firms. Furthermore, among the interaction between the audit committee meetings and audit firm tenure, audit firm compensation, audit firm size and audit firm independence is a negative correlation between tenure and financial reporting quality while others revealed a very weak and insignificant correlation with financial reporting quality of the listed deposit money banks in Nigeria for the period.

4.2 Diagnostic Test

To make better the validity of all statistical inferences to be drawn from the study, this study conducted and discusses the diagnostics test conducted. The diagnostic tests include multicollinearity test, heteroscedasticity test, Hausman specification test and normality test. Table 3 below report the tests.

Table 3: Diagnostic Test Result

Variables	VIF	Tolerance	MODEL 1		MODEL 2	
			Coefficient	P-Value	Coefficient	P-Value
AUDIN	3.42	0.292332				
AUDFS	2.19	0.456853				
AUDC	1.89	0.530357				

ACM	1.07	0.933416				
AUDT	1.03	0.972425				
Mean VIF			1.92			
Hettest			6.19	0.0129	10.76	0.0010
Hausman Test			1.24	0.8721	6.22	0.3992
Lagr. M. Test			23.66	0.0000	23.05	0.0000

Source: Extracted from STATA 13 Output

The Shapiro Wilk tests otherwise the Swilk statistics result shows that the dependent variable and the independent variables of the study are all significant; hence, the residuals of the study are not normal and further parametric test should not hold. However, the Gaoshen theory (1929) and classical linear regression model assumption number seven posited that the abnormality of the study data will not distort the statistical inference of the study; hence the study should proceed with the other test.

A multicollinearity test was carried out to check whether there is a strong or perfect correlation between the study's independent variables. Variance Inflation Factor (VIF) was employed. The test indicated that there is absence of extreme association among the variables as all the tolerance values of the variables are smaller than 1.0 and all the factors are below 10. The VIF mean stood at 1.92 which signifies there was no multicollinearity problem (Tobachnick & Fidell, 1996; Cassey & Anderson, 1999).

More so, the test of heteroscedasticity was conducted to assess whether or not the variability of error term is constant. The result obtained from the heteroscedasticity test shows chi-square value of 6.19 and a p-value of 0.0129 significant at 5% level of significance, which indicates that heteroscedasticity was present necessitating further test and suggesting that the original OLS regression is not suitable for the study.

4.3 Regression Result

This section presents the result of the regression for the dependent, independent and the moderating variable on the independent variables. Table 4 below presents the summary of model 1 regression result.

Table 4 Model 1 Regression Results

Variables	Model 1		Model 2	
	Coefficient	P-Value	Coefficient	P-Value
Constant	5.9828	0.000	7.706651	0.035
AUDT	-0.0442	0.603	0.5209	0.043
AUDC	-272.0382	0.330	209.2013	0.858
AUDFS	0.1112	0.053	-0.0334	0.938
AUDIN	-0.0702	0.065	-0.1322	0.327
ACM	0.5392	0.009	-0.3657	0.659
AUDTAC			-0.1282	0.019
AUDCAC			-164.9784	0.597
AUDFSAC			0.0368	0.693
AUDINAC			0.0153	0.613
R^2		0.2659		0.2476
Wald Chi^2		9.17		17.32
Prob. > Chi^2		0.0124		0.0440

Source: STATA Output, 2022

In Table 4 it was reported that the estimates from the regression analysis that was first carried out by regressing the indirect relationship between audit committee meeting, audit firm attributes and financial reporting quality shows a Wald-Chi^2 value of 9.17 and Probability chi value of 0.0124 indicates that the model is statistically significant. Additionally, the R-squared (R^2) of the regression model is 0.2659 implying that about 26.59 per cent of the audit firm attributes and audit committee meeting variables are jointly explaining about 26.59 per cent of variations in financial reporting quality of the listed deposit money banks in Nigeria while the remaining 73.41 are explain by other variables not capture in this model. On the hand, when the result of regression analysis carried out by regressing financial reporting quality as presented in Table 4, the Wald-Chi^2 shows a coefficient value of 17.32 and a p-value of 0.0442 which suggests that the model is again statistically significant and fitted. Again, the R-squared of the regression model is 0.2476 (i.e. 24.76 per cent) indicates that about 24.76 per cent of the variations in financial reporting quality are jointly explained by audit firm attributes variables as moderated by audit committee meetings. Comparing the R-squared of Model 1 to R-squared of Model 2, it is clear that the R-squared in Model 2 has reduced. In other words, Model 1 has more explanation power than the Model 2.

Audit Tenure and Financial Reporting Quality

Based on the regression result in Table 4, audit tenure has a coefficient value of -0.0442 and an insignificant p-value of 0.603. 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 tenure period, the quality of the banks report will also decrease by 4%. This result shows that there is an insignificant relationship between audit firm tenure and financial reporting quality of listed DMBs in Nigeria. This means that, inspired confidence theory is invalidated. 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 Compensation and Financial Reporting Quality

Furthermore, audit firm compensation found a statistical negative and insignificant impact on financial reporting quality of listed deposit money banks in Nigeria with coefficient value of -272.0382 and a p-value of 0.330 respectively. This signifies that audit firm compensation 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 272.0382. This result is in conflict with the agency theory which expects appropriate compensation should address audit report problem. 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).

Audit Firm Size (BIG4) and Financial Reporting Quality

The result reveals a positive and significant impact between audit firm size and financial reporting quality of listed DMBs in Nigeria. The audit firm size has a coefficient value of 0.1112 and p-value of 0.053. This indicates that audit firm size has a positive and significant impact on the financial reporting quality of listed DMBs in Nigeria. This signifies that for every unit increase in in the engagement of the services of BIG4 audit firms, quality of the financial report of the bank will also increase by 11.12%. This finding meets the researcher's prior expectation that audit firm size will influence the financial reporting quality of the sample banks. 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.

Audit Independence and Financial Reporting Quality.

Table 4 also revealed audit firm independence has a statistical negative coefficient value of -0.0723 but a significant p-value of 0.065. This evidences that audit firm independence is negatively but significantly influencing the financial reporting quality of listed DMBs in Nigeria. It shows that an increase in independence, will lead to 7% decrease in financial reporting quality. This result is in agrees with the inspired confidence theory which claims independence of auditors is to demand for synchronizing the stakeholders and the managers interest in accountability. The result agreed with the studies of (Hasan, Kassim & Hamid, 2020 and Kwanbo, 2020). However, the result did not agree with the finding of (Aifuwa, Musa & Gold, 2020).

Audit Committee Meeting and Financial Reporting Quality.

The moderating variable, audit committee meeting result reveals a positive beta coefficient of 0.5392 and a statistically significant p-value of 0.009 which is at 5% significant level. This implies that the number of board of audit committee meetings significantly causes an increase in financial reporting quality of the listed deposit money banks in Nigeria. The existence of the AC itself particularly its number of meetings is able to contribute to high-quality financial report. Hence, it is worth noting that such meetings may positively help in strengthening the quality of the financial report of banks, which can also reduce the irregularity of information between the corporation and its stakeholders.

5. Conclusion and Recommendations

First, audit firm tenure is found to have a negative and insignificant impact on financial reporting quality of listed DMBs in Nigeria. The study, therefore, concluded that audit tenure is not a contributing factor to financial reporting quality of listed DMBs in Nigeria. Secondly, the study revealed a negative and insignificant influence of audit firm compensation and reporting quality of listed deposit money banks in Nigeria. Thus, the study concludes that fees paid to external auditors do not change the financial reporting quality of listed DMBs in Nigeria. Based on the findings of the study, the following recommendations were made to benefit certain individuals and organisations that are involved in ensuring audit quality interaction with financial reporting quality:

- **i.** The DMBs in Nigeria should reduce the period of rotation of audit firm as it has clearly show not be significantly influencing the financial reporting quality. The study shows that audit firm compensation does not determine the quality of financial reporting of listed reporting in Nigeria. 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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