Effect of Corporate Governance Audit on the Quality of Financial Reporting of Deposit Money Banks in Nigeria

Ilu Mohammed Khadijah
Nile University of Nigeria. Email: khadeejahx@gmail.com.

Musa Mohammed Auwal
Department of Economics, Federal University Wukari, Nigeria. Email: mohammedauwalmusah@gmail.com.

Abstract

This study examines the impact of audit-related corporate governance on financial reporting quality (FRQ) in Nigerian deposit money banks (DMBs). It analyzes data from 10 DMBs over a decade (2013-2023), focusing on key governance variables: Audit Committee Independence (ACI), Audit Committee Expertise (ACE), Audit Rotation (AOR), and Key Audit Matters (KAM), with Firm Size (FZ) as a control variable. The study employs a Prais–Winsten regression. The findings reveal a positive and statistically significant effect of audit committee expertise on financial reporting quality, with a coefficient of 2.564 (p-value < 0.01). This suggests that higher levels of expertise within audit committees are associated with better financial reporting quality in Nigerian Deposit money banks. However, the analysis did not find a significant effect of audit committee independence, with a coefficient of 0.339 (p-value = 0.433). Interestingly, the study uncovers a significant negative effect of audit rotation on financial reporting quality, with a coefficient of -0.341 (p-value < 0.01). This implies that more frequent audit rotation is associated with lower financial reporting quality in the Nigerian banking sector. Furthermore, the analysis did not reveal a significant effect of key audit matter disclosures on financial reporting quality, with a coefficient of -0.22 (p-value = 0.325). The control variable, firm size, exhibited mixed effects on financial reporting quality. Firm size had a positive and significant impact, with a coefficient of 0.369 (p-value < 0.05). The findings contradict some existing theories and literature, particularly regarding ACI's lack of significant impact and AOR's negative effect. This raises concerns about the effectiveness of audit committee independence and frequent auditor rotations in Nigerian banking. Based on these results, the study recommends that the Central Bank of Nigeria (CBN) and Nigerian Stock Exchange (NSE) strengthen regulatory frameworks for DMBs. Suggestions include enhancing audit committee independence, ensuring member expertise, defining independence criteria, conducting regular assessments, and imposing penalties for non-compliance. The study also advises a balanced approach to audit rotation policies and promoting effective communication of key audit matters.

Keywords: Audit Committee Independence, Audit Committee Expertise, Audit Rotation, Key Audit Matters, Financial Reporting Quality, Deposit Money Banks, Nigeria.

1.0 Introduction

In the contemporary business environment, the quality of financial reporting has emerged as a critical concern for stakeholders across various sectors. Accurate, reliable, and transparent financial information is fundamental for informed decision-making, fostering investor confidence, and promoting overall market efficiency. Corporate governance practices, particularly those related to audit committees and board independence, have been recognized as crucial factors influencing the quality of financial reporting (Akintayo & Joshua, 2023; Gardi et al., 2023).

The global financial sector has witnessed numerous high-profile scandals and governance failures in recent years, underscoring the importance of robust audit-related corporate governance mechanisms. These incidents have led to increased scrutiny of financial reporting practices and have prompted regulatory bodies worldwide to strengthen governance frameworks and auditing standards. The emphasis on enhancing the quality of financial reporting through improved corporate governance has become a global imperative, driven by the need to safeguard stakeholder interests and maintain the integrity of financial markets.

Theoretical frameworks, such as agency theory and resource dependence theory, provide a foundation for understanding the relationship between audit-related corporate governance and financial reporting quality. Agency theory posits that effective governance mechanisms, including independent audit committees and boards, can mitigate agency conflicts and enhance the reliability of financial reporting (Jensen & Meckling, 1976). Resource dependence theory suggests that diverse and independent boards can provide valuable resources and expertise, contributing to improved financial reporting quality (Pfeffer & Salancik, 1978).

In Nigeria, the banking sector has faced significant challenges related to corporate governance and financial reporting quality. The Central Bank of Nigeria (CBN) has taken proactive measures to address these issues, including the revision of Corporate Governance Codes for Banks and Discount Houses in 2014, 2018, and most recently in 2023. These revisions aim to strengthen governance frameworks, particularly in areas related to auditing and financial reporting. Notable changes include the requirement for the Board Audit Committee (BAC) to be chaired by an Independent Non-Executive Director (INED) and extended auditor rotation periods (CBN, 2023).

Despite these regulatory efforts, the Nigerian banking sector has witnessed several high-profile incidents involving corporate governance lapses. In 2021, the CBN took the unprecedented step of sacking the Board of Directors of First Bank of Nigeria due to corporate governance infractions (Adeyemi, 2021). More recently, in March 2024, the regulator dissolved the Boards of Union Bank, Keystone Bank, and Polaris Bank, citing similar governance failures (Opeola, 2024). These incidents highlight the ongoing challenges in implementing effective cooperate governance audit practices within Nigerian Deposit Money Banks (DMBs).

While existing literature has explored various aspects of corporate governance and financial reporting quality, numerous studies have already examined the relationship between audit committees and financial reporting quality both within and outside Nigeria. However, a notable research gap remains in assessing how audit-related governance mechanisms, such as audit committee independence, audit committee expertise, and board independence, influence financial reporting quality when moderated by firm-specific factors such as size and profitability. Furthermore, existing studies on Nigerian DMBs have not sufficiently accounted for potential methodological refinements, such as the use of **Prais–Winsten regression**, to address serial correlation issues and enhance the robustness of findings (Akintayo & Joshua, 2023; Gardi et al., 2023; Setyahuni et al., 2022). While previous research has explored audit quality and corporate governance in Nigerian banks (Ogungbade et al., 2021; Owolabi & Ayobami, 2020), a more nuanced approach incorporating interaction effects and advanced econometric techniques is necessary to provide deeper insights into the dynamics of financial reporting quality.

This research aims to address this gap by investigating the effect of audit-related corporate governance mechanisms on the quality of financial reporting in Nigerian DMBs. Specifically, the study will examine the impact of audit committee independence, audit committee expertise, and board independence on financial reporting quality, while controlling for firm size and profitability. By focusing on these critical aspects of audit-related corporate governance, this research seeks to provide valuable insights for policymakers, regulators, and stakeholders in the Nigerian banking industry, contributing to enhanced financial reporting transparency and accountability.

2.0 Literature Review

2.1 Theoretical Framework

The stakeholder theory, introduced by Freeman (1984), provides a robust theoretical foundation for understanding the effects of audit-related corporate governance on the quality of financial reporting in Nigerian deposit money banks. This theory posits that organizations have a responsibility to consider the interests and expectations of various stakeholder groups in their decision-making processes (Freeman et al., 2010).

In the context of deposit money banks, stakeholder theory suggests that effective corporate governance mechanisms, particularly those related to auditing, are crucial for ensuring the protection of stakeholders' interests and promoting high-quality financial reporting (Collier, 2008). The theory emphasizes the importance of establishing robust audit-related practices, such as independent and competent audit committees, effective internal control systems, and engaging reputable external auditors, to enhance the credibility and reliability of financial reporting (Sharma & Kuang, 2014).

Furthermore, stakeholder theory highlights the significance of stakeholder engagement, accountability, and corporate social responsibility in corporate governance (Donaldson & Preston, 1995). It argues that deposit money banks should actively involve and communicate with stakeholders to understand their concerns and expectations regarding financial reporting quality. This approach can inform the design and implementation of audit-related corporate governance mechanisms, ensuring they align with stakeholders' interests and prioritize transparency and integrity (Freeman et al., 2010). By embracing effective audit-related corporate governance practices, deposit money banks can fulfill their fiduciary duties, meet stakeholder expectations, and contribute to the overall stability and integrity of the financial system.

This theoretical framework is particularly relevant to the study of audit committee independence, audit committee expertise, and board independence, as these variables directly impact the quality of financial reporting and the protection of stakeholder interests in Nigerian deposit money banks.

2.2 Empirical Review

The relationship between audit-related corporate governance and financial reporting quality has been extensively studied across various contexts, with researchers examining different aspects of this complex relationship. A significant body of literature supports the positive impact of corporate governance mechanisms on financial reporting quality. The relationship between audit-related corporate governance and financial reporting quality has been extensively studied, with a particular focus on audit committee attributes. While previous research supports the positive impact of corporate governance mechanisms on financial reporting quality, much of the existing literature examines broader corporate governance aspects that may not directly align with the specific focus of this study. For instance, Babajide (2019) found that audit committee independence and expertise significantly enhanced financial reporting quality in Nigerian firms, highlighting the importance of audit-specific governance mechanisms.

For instance, Akintayo and Joshua (2023) found that adherence to corporate governance principles positively influenced financial reporting quality in Nigerian public sector institutions. Similarly, Gardi et al. (2023) demonstrated that corporate governance practices, mediated by IFRS adoption, enhanced financial reporting quality in Iraqi banks. These findings align with those of Setyahuni et al. (2022), who reported a positive relationship between internal audit quality, corporate governance, and financial reporting quality.

The role of specific corporate governance attributes in influencing financial reporting quality has been a focus of several studies. Board characteristics, in particular, have received significant attention. Yu-Lin and Yang (2022) found that larger board sizes helped mitigate the negative impact of the COVID-19 pandemic on reporting quality. This is consistent with Kabwe's (2022) findings in the Zambian context, where a statistically significant positive relationship between board size and financial reporting quality was observed. However, Adewale and Babajide (2019) presented contrasting results in the Nigerian context, reporting that board size negatively affected financial reporting quality. These divergent findings suggest that the impact of board size may be context-dependent and influenced by other factors.

Board independence has also been a subject of scrutiny, with mixed results across studies. Kothbudeen and Vikneswaran (2022) identified a significant positive impact of board independence on financial reporting quality in Malaysia. However, Kaawaase et al. (2020) found no significant relationship between board independence and financial reporting quality in Ugandan financial institutions. These contrasting findings highlight the complex nature of board independence's influence and suggest that its impact may vary across different institutional and cultural contexts.

Audit committee characteristics have consistently emerged as significant factors influencing financial reporting quality. Kothbudeen and Vikneswaran (2022) found a positive impact of audit committee independence on financial reporting quality. This aligns with Adewale and Babajide's (2019) findings in Nigeria, where the audit committee had a positive and significant impact on financial reporting quality. Bala et al. (2019) proposed a conceptual framework emphasizing the importance of audit committee attributes such as size, independence, meetings, and expertise in influencing financial reporting quality.

The role of audit quality in mediating the relationship between corporate governance and financial reporting quality has also been explored. Hasan et al. (2020) found that audit quality mitigated aggressive earnings management practices in Malaysian companies. Similarly, A.Shazly et al. (2022) reported a significant positive influence of corporate governance on audit quality, which in turn affected investment decisions. These findings underscore the interconnected nature of corporate governance, audit quality, and financial reporting quality.

Ownership structure has emerged as another important factor influencing financial reporting quality. Ngoc et al. (2023) identified government ownership, supervisory board ownership, and major shareholders' ownership as significant factors affecting accounting information quality in Vietnam. Kothbudeen and Vikneswaran (2022) found positive impacts of institutional ownership and state ownership on financial reporting quality in Malaysia. These findings highlight the role of diverse ownership structures in shaping financial reporting practices.

While most studies report positive associations between corporate governance mechanisms and financial reporting quality, some research has yielded contrasting results. Shahwan (2021) found that audit quality and governance variables did not significantly impact earnings management, suggesting that external factors may have limited influence on certain aspects of financial reporting quality. Such divergent findings underscore the need for context-specific research and caution against overgeneralization of results across different institutional environments.

While existing literature has explored various aspects of corporate governance and financial reporting quality, numerous studies have already examined the relationship between audit committees and financial reporting quality both within and outside Nigeria. However, a notable research gap remains in assessing how audit-related governance mechanisms, such as audit committee independence, audit committee expertise, and board independence, influence financial reporting quality when moderated by firm-specific factors such as size and profitability. Furthermore, existing studies on Nigerian DMBs have not sufficiently accounted for potential methodological refinements, such as the use of **Prais–Winsten regression**, to address serial correlation issues and enhance the robustness of findings (Akintayo & Joshua, 2023; Gardi et al., 2023; Setyahuni et al., 2022). While previous research has explored audit quality and corporate governance in Nigerian banks (Ogungbade et al., 2021; Owolabi & Ayobami, 2020), a more nuanced approach incorporating interaction effects and advanced econometric techniques is necessary to provide deeper insights into the dynamics of financial reporting quality.

Based on the above reviews and gap in literature, the following hypothese are developed;

Ho1: There is no significant effect of audit committee independence on the financial reporting quality of deposit money banks in Nigeria.

Ho2: There is no significant effect of audit committee expertise on the financial reporting quality of deposit money banks in Nigeria.

Ho3: There is no significant effect of audit rotation on financial reporting quality of deposit money banks in Nigeria

Ho4: There is no significant effect of key audit matter on financial reporting quality of deposit money banks in Nigeria

3.0 Methodology

3.1 Research Design

This study used quantitative research methods, adopting an ex post facto design, a non-experimental technique that compared pre-existing groups on dependent variables. The study used econometrics models and was both time series and cross-sectional. Panel data analysis was used, as it was most efficient when the sample included time series and cross-sectional data and considered unobservable and constant heterogeneity (Andres & Vallelado, 2008).

3.2 Population, Sample Size and Sampling Technique

For the purpose of this study, the population was defined as all the deposit money banks listed on the floor of the Nigerian Stock Exchange as of December 2022. A total of thirteen (13) deposit money banks were listed on the Nigeria Exchange Group listed before 2013 and remained listed to 2022.

Using the filtration condition, the study sampled the ten (10) out of the thirteen (13) listed deposit money banks in Nigeria through a purposive sampling technique. The sample of deposit money banks was guided by the filtration conditions, which required that the banks on the list be listed by the year before December 2022 and have consistent financial reports. And also, the selected banks provide unique insights into contemporary governance trends, the transition to a holding company, long-term governance effects, structural changes, modern governance frameworks, historical data, and strong governance practices. This comprehensive examination ensures a comprehensive understanding of audit-related corporate governance's impact on financial reporting quality.

Table 1: sample List of Quoted Banks in the Nigeria Stock Exchange as at 2022

S/N	Banks	Year of Listing	Date of Incorporation
1	Access Holdings Plc	March 28, 2022	February 10, 2021
2	Ecobank Transnational Incorporated	September 11, 2006	October 3, 1985
3	First Bank of Nigeria Holdings Plc	November 26, 2012	August 13, 2012
4	First City Monumental Bank (FCMB) Group Plc	June 21, 2013	November 20, 2012
5	Fidelity Bank Plc	May 17, 2005	November 19, 1987
6	Guaranty Trust Holding Company Plc	June 24, 2021	July 24, 2020
7	Sterling Financial Holdings Company Plc	April 6, 2023	October 13, 2021
8	Skye Bank Nigeria Plc	2006	1990
9	United Bank For Africa Plc	March 31, 1970	February 23, 1961
10	Zenith Bank Plc	October 21, 2004	May 30, 1990

Source: Nigerian Exchange Group Plc. Website (2024)

3.3 Sources of Data

The data for this study were hand-extracted from the annual reports and financial statements of the sampled deposit money banks (DMBs) in Nigeria, covering the period from 2013 to 2023. This timeframe was selected to capture the evolving impact of corporate governance reforms, particularly the implementation of the Nigerian Code of Corporate Governance (2023) and other regulatory changes affecting financial reporting practices. The selection of variables is justified based on existing literature and identified research gaps, ensuring a comprehensive analysis of factors influencing financial reporting quality.

Financial reporting quality (FRQ), the dependent variable, is proxied by discretionary accruals, which reflect the extent of earnings management and transparency in financial reporting. Prior studies, such as Babajide (2019), emphasize the relevance of accrual-based measures in assessing reporting quality. Among the independent variables, audit committee independence (ACI) is included as it captures the extent to which audit committees function autonomously, free from undue management influence. Literature suggests that independent audit committees enhance monitoring effectiveness and mitigate financial misreporting (Adewale & Babajide, 2019). Similarly, audit committee expertise (ACE) is examined as it strengthens financial oversight and reduces earnings manipulation, with previous research indicating that audit committees with financial expertise improve financial reporting credibility (Bala et al., 2019).

Additionally, audit rotation (AOR) is incorporated, as periodic auditor rotation is linked to improved audit quality and reduced familiarity threats, thereby fostering greater transparency in financial reporting (Hasan et al., 2020). The study also considers key audit matters (KAM), which have gained prominence in financial disclosure standards. KAM disclosures enhance transparency by highlighting critical areas of financial reporting, aligning with global best practices (A. Shazly et al., 2022).

To account for firm-specific characteristics that may influence financial reporting quality, the study includes firm size (FZ) and profit after tax (PAT) as control variables. Larger firms are generally subject to stronger governance mechanisms and greater regulatory scrutiny, which can impact financial reporting quality. Profit after tax serves as a proxy for firm profitability, controlling for the potential effect of financial performance on reporting practices.

All variables were sourced from the published financial statements of the sampled DMBs, ensuring data reliability and consistency with standard financial reporting practices. The selection of these variables is grounded in existing research, addressing gaps in the literature while aligning with the study's objective of evaluating the role of audit-related governance mechanisms in shaping financial reporting quality in Nigerian banks.

3.4 Model specification

Based on the conceptual framework in chapter two, the independent variables are conceptualized as Audit Committee Independence (ACI), Audit Committee Expertise (ACE), Audit rotation (AOR) and Key Audit Matter (KAM). The dependent variable is financial reporting quality (FRQ) proxy by discretionary accruals.

The models was specified as

$$FRQ_{it} = \beta_0 + \beta_1 ACI_{it} + \beta_2 ACE_{it} + \beta_3 AUR_{it} + \beta_4 KAM_{it} + \beta_5 FE_{it} + \mu_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.1)$$

Where, FRQ_{it} is financial reporting quality as the dependent variable proxy by discretionary accruals, ACI_{it} Audit Committee Independence, ACE_{it} Audit Committee Expertise, AUR_{it} audit rotation, and KAM_{it} is key audit matters as the independent variables. While, FZ and the Firm size are the control variable. However, i and t denote number of cross sections (banks) and time, respectively, ε_{it} is the error term and β represents the estimated coefficients of all independent variables.

3.5 Method of Data Analysis

The study utilized multiple linear regression techniques to estimate the effects of Audit Committee Independence (ACI), Audit Committee Expertise (ACE), Audit Rotation (AOR), and Key Audit Matter (KAM) on financial reporting quality (FRQ). Firm size (FZ), is the control variables. The study covered the period from 2013 to 2023, using the annual financial reports of deposit money banks. Panel regression analysis and correlation analysis were employed, and Prais–Winsten regressions, model was used for data analysis with the aid of statistical software STATA version 17.

3.6 Description and Measurement of Variables

This aspect gives a proper measurement of the variables used in this study. This is necessary because of proper understanding of interpretation of results from the estimations as concern to the variables used in the study. The measurements of the variables used in this study are presented in table 3.3 below;

Table 2: Measurement of variables and sources

Variables	Type	Measure
Financial reporting (FRQ)	Dependent variable	Measured by Discretionary Accruals
audit committee independence (ACI)	Independent variable	The proportion of number of non-executive director on audit committee members and total number of Audit committee member
audit committee expertise (ACE)	independent variable	It is calculated as the proportion of audit committee members who have accounting or finance expertise.

Audit rotation (AOR)	independent variable	Divide the number of consecutive years the audit firm has served by the maximum allowable audit tenure. This gives you the AOR score ranging from 0 to 1.
Key Audit Matters (KAM)	independent variable	No of key audit matters discussed by the banks board executives
Firm Size (FZ_t)	Control variable	Measured as a natural Log of total assets

Source: Generated from literature (2024)

4.0 Data Analysis and Interpenetration

4.1 Descriptive Statistics

The table presents descriptive statistics for various variables used in a study examining the effect of audit-related corporate governance factors on the quality of financial reporting of deposit money banks in Nigeria from 2013 to 2023 for 10 deposit money banks.

Table 3 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FRQ	110	3.598	3.774	41057	3.958
ACI	110	1.036	.703	0	2
ACE	110	1.018	.717	0	3
AOR	110	10.673	2.89	5	19
KAM	109	2.56	1.075	1	5
FZ	110	10.57	2.703	5.112	15.653

Source computed by the researcher using STATA Version 17 (2024).

The dependent variable, FRQ, represents financial reporting quality, proxied by discretionary accruals, with a mean of 3.598e+17 and a considerable standard deviation of 3.774e+18, indicating substantial variation across observations. The study's independent variables include ACI (Audit Committee Independence), ACE (Audit Committee Expertise), AOR (Audit Rotation), and KAM (Key Audit Matters). While ACI and ACE have means close to 1, suggesting a reasonable level of audit committee independence and expertise, AOR has a mean of 10.673, among the sampled Deposit money banks. KAM, with a mean of 2.56, suggests that key audit matters were moderately disclosed by the auditors. The control variables, FZ (Firm Size), capture the potential effects of firm size on financial reporting quality. FZ has a mean of 10.57,.

4.2 Correlation Analysis

The correlation matrix presents the relationships between the variables used in the study examining the effect of audit-related corporate governance factors on the quality of financial reporting of deposit money banks in Nigeria from 2013 to 2023.

Table 4 Correlation Matrix

Variables	Logfrq	ACI	ACE	AOR	KAM	FZ
logfrq	1.000					
ACI	0.192	1.000				
	(0.045)					
ACE	0.447	0.108	1.000			
	(0.000)	(0.262)				
AOR	-0.248	-0.098	-0.077	1.000		
	(0.009)	(0.309)	(0.425)			
KAM	-0.090	0.015	-0.121	-0.004	1.000	

	(0.351)	(0.879)	(0.210)	(0.965)		
FZ	0.202	0.183	0.270	-0.424	-0.078	1.000
	(0.034)	(0.056)	(0.004)	(0.000)	(0.420)	

NB: Figures in parentheses are P-values .

Source computed by the researcher using STATA Version 17 (2024).

The dependent variable, logfrq (log of financial reporting quality), exhibits a positive and statistically significant correlation with ACI (Audit Committee Independence) at the 5% level and ACE (Audit Committee Expertise) at the 1% level. This suggests that higher audit committee independence and expertise are associated with better financial reporting quality among the sampled Deposit money banks.

On the other hand, logfrq has a negative and significant correlation with AOR (Audit Rotation) at the 1% level, implying that more frequent audit rotation is related to lower financial reporting quality. The correlation between logfrq and KAM (Key Audit Matters) is negative but insignificant, indicating no clear relationship between key audit matter disclosures and financial reporting quality.

The control variable FZ (Firm Size) exhibits a positive and significant correlation with logfrq at the 5% level, suggesting that larger firms tend to have better financial reporting quality.

Among the independent variables, ACE has a positive and significant correlation with FZ at the 1% level, while AOR has a negative and significant correlation with FZ at the 1% level. This indicates that larger firms tend to have more audit committee expertise but less frequent audit rotation.

4.3 Panel Regression Analysis

The table presents the results of a Prais-Winsten regression analysis with heteroskedastic panels corrected standard errors, examining the effect of audit-related corporate governance factors on the quality of financial reporting of deposit money banks in Nigeria from 2013 to 2023. The dependent variable is logfrq, which represents the log of financial reporting quality proxied by discretionary accruals.

Table 5 Prais–Winsten regressions, heteroskedastic panels corrected standard errors

DV:	**Logfrq**			
Variables	**Coefficient**	**S.E**	**t-values**	**P-Value**
ACI	.339	.433	0.78	0.433
ACE	2.564	.403	6.36	0.000
AOR	-.341	.127	-2.69	0.007
KAM	-.22	.224	-0.98	0.325
FZ	.369	.169	2.18	0.029
Constant	14.134	2.76	5.12	0
Mean dependent var	16.752	SD dependent var	4.569	
R-squared	0.876	Number of obs	109	
Chi-square	79.577	Prob > chi2	0.000	

*The asterisks ***, ** and * indicate significance at 1%, 5% and 10% respectively.*

Source computed by the researcher using STATA Version 17 (2024).

The model's overall fit is satisfactory, with an R-squared value of 0.876 and a significant chi-square statistic (p-value < 0.001), indicating that the independent variables collectively explain a substantial portion of the variation in financial reporting quality.

The regression results indicate that ACE (Audit Committee Expertise) has a positive and statistically significant effect on financial reporting quality at the 1% level. The coefficient of 2.564 suggests that higher audit committee expertise is associated with better financial reporting quality among the sampled Deposit money banks. This finding highlights the importance of having knowledgeable and experienced individuals on the audit committee to ensure effective oversight and monitoring of the financial reporting process.

On the other hand, AOR (Audit Rotation) has a negative and significant effect on financial reporting quality at the 1% level, with a coefficient of -0.341. This implies that more frequent audit rotation is related to lower financial reporting quality, which could be attributed to the potential disruption caused by frequent changes in auditors and the associated learning curves.

The control variable FZ (Firm Size) exhibits a positive and significant effect on financial reporting quality at the 5% level, suggesting that larger firms tend to have better financial reporting quality, potentially due to their greater resources and more robust governance structures. However, the effects of ACI (Audit Committee Independence), KAM (Key Audit Matters), on financial reporting quality are found to be insignificant in this regression analysis.

5.0 Discussions, Conclusions and Recommendations

5.1 Discussions

The study reveals a complex relationship between audit-related corporate governance mechanisms and financial reporting quality in Nigerian Deposit money banks. Audit Committee Independence (ACI) shows a positive but statistically insignificant effect on financial reporting quality, aligning with Kothbudeen and Vikneswaran's (2022) findings in Malaysia. This suggests that independence alone may not suffice for high-quality reporting. Conversely, Audit Committee Expertise (ACE) demonstrates a highly significant positive effect, consistent with Ngoc et al.'s (2023) research, emphasizing the crucial role of knowledgeable oversight. Audit Rotation (AOR) exhibits a significant negative effect, supporting Akintayo and Joshua's (2023) emphasis on stable governance practices, while Key Audit Matters (KAM) show a negative but insignificant effect, contrasting with Yu-Lin and Yang's (2022) findings on board size impact during the COVID-19 pandemic.

These findings align with stakeholder theory, suggesting that proper corporate governance mechanisms can mitigate information asymmetry and improve reporting quality. The significant positive impact of audit committee expertise supports the idea that knowledgeable oversight can reduce agency problems. The results also resonate with Stakeholder Theory, emphasizing the need for transparency and accountability to meet various stakeholders' expectations. The mixed effects of audit committee independence and audit rotation highlight the complexities of implementing effective governance practices that satisfy both theoretical frameworks. These findings imply that while certain governance mechanisms are crucial for enhancing financial reporting quality, their effectiveness may depend on specific contextual factors and implementation strategies. This underscores the need for a nuanced approach to corporate governance in Nigerian Deposit money banks, focusing on expertise development and balanced rotation policies while considering the broader stakeholder environment.

5.0 Conclusions

Audit Committee Independence (ACI):- The study finds that audit committee independence does not significantly influence the financial reporting quality of Nigerian deposit money banks. This contradicts agency theory and expectations in existing literature, raising concerns about the effectiveness of independent audit committees in enhancing transparency and accountability.

Audit Committee Expertise (ACE):- The findings indicate that audit committee expertise has a significant positive effect on financial reporting quality in Nigerian deposit money banks..

Audit Rotation (AOR):- The study reveals that frequent audit rotation negatively affects financial reporting quality in Nigerian deposit money banks. This suggests that constant changes in audit firms may lead to disruptions and a loss of institutional knowledge, which can compromise reporting accuracy and consistency..

Key Audit Matter Disclosures (KAM):- The study finds no significant impact of key audit matter disclosures on financial reporting quality in Nigerian deposit money banks. This challenges the stakeholder theory's emphasis on transparency and engagement, suggesting that KAM disclosures may take time to become fully effective.

5.0 Recommendations

To enhance audit-related corporate governance and improve financial reporting quality in Nigerian Deposit Money Banks, the following recommendations are proposed:

Strengthening Audit Committee Independence: The Central Bank of Nigeria (CBN) and the Nigerian Stock Exchange (NSE) should enhance regulatory oversight to ensure that audit committee independence contributes meaningfully to financial reporting quality. This includes setting clear independence criteria, requiring periodic assessments, and enforcing penalties for non-compliance. Banks should also be required to disclose measures taken to safeguard audit committee independence in their financial statements, improving transparency and investor confidence.

Enhancing Audit Committee Expertise: Given the significant impact of audit committee expertise on financial reporting quality, the CBN and NSE should establish mandatory qualification standards for audit committee members. These should include minimum educational requirements, relevant industry experience, and continuous professional development. Additionally, banks should disclose the qualifications and competencies of audit committee members in their financial reports, and regulatory authorities should conduct periodic audits to ensure compliance.

Optimizing Audit Rotation Policies:-While audit rotation is essential for maintaining auditor independence, excessive rotation can negatively impact financial reporting quality due to the loss of institutional knowledge. The CBN, NSE, and professional accounting bodies should develop balanced audit rotation policies that consider both independence and continuity. Banks should implement structured knowledge transfer mechanisms during auditor transitions to minimize disruptions and maintain reporting accuracy**.**

Improving the Effectiveness of Key Audit Matter (KAM) Disclosures: Although KAM disclosures did not show a significant impact on financial reporting quality, they remain crucial for transparency and stakeholder confidence. The CBN and NSE should issue guidelines to ensure that KAM disclosures are clear, relevant, and effectively communicated. Awareness campaigns, training programs, and collaboration with professional bodies should be implemented to improve the quality of KAM disclosures, ensuring they contribute meaningfully to financial reporting quality.

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