Int. j. adv. multidisc. res. stud. 2024; 4(5):208-220

Received: 26-07-2024
Accepted: 06-09-2024

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Evaluation of Audit Report Quality Determinants and Financial Reporting in Listed Deposit Money Banks in Nigeria

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Abstract

The financial reporting quality of deposit money banks is pivotal for transparency and accuracy. This study investigates the impact of audit report quality on financial reporting outcomes, particularly for listed Deposit money banks in Nigeria. The influence of auditor industry specialization, audit committee composition, and auditor tenure on financial reporting quality is examined. Data spanning 2010 to 2022 from annual reports of listed Nigerian deposit money banks was analyzed using proxies like auditor industry specialization, audit committee composition, and auditor tenure. Financial reporting quality is assessed through the Jones Discretionary Accrual method, supplemented by variables like cash flow from operations. Employing correlation analysis, pooled OLS regression, hierarchical regression, and the Hausman Specification test, the study revealed intriguing insights into the audit report quality and financial reporting nexus for listed deposit money banks in Nigeria. While auditor industry specialization insignificantly affects reporting quality, a notable negative influence was revealed by audit committee composition, suggesting a correlation between higher committee member numbers and improved reporting. Additionally, longer auditor engagement is significantly linked to enhanced reporting quality. The study underscores the complex interplay between audit report quality and financial reporting in Nigerian deposit money banks. To promote transparent financial reporting, organizations are recommended to strengthen audit committee structures and extend auditor tenures.

Keywords: Audit Report Quality, Financial Reporting, Deposit Money Banks, Auditor's Industry Specialization, Audit Committee Composition, Auditor's Tenure

JEL Classification: M41, G32, G21, O55

1. Introduction

Financial reporting quality has been a critical issue globally, especially in the wake of financial scandals and corporate failures in recent years (Wang *et al*., 2021). In response, regulatory bodies have introduced several measures aimed at enhancing financial reporting quality, including the adoption of International Financial Reporting Standards (IFRS) and the strengthening of audit requirements (Ghosh & Mondal, 2021). Despite these measures, there are still concerns about the quality of financial reporting, especially in emerging economies like Nigeria, where the banking sector has been plagued by several cases of financial mismanagement and fraudulent activities. The accuracy and reliability of financial reporting are essential for maintaining investors' confidence and promoting financial stability. The determinants of audit quality are critical factors that can influence financial reporting quality.

Several studies have identified the determinants of financial reporting quality in the banking sector for instance Adeyemi *et al*. (2021) [3] examined the impact of audit committee characteristics, including size, independence, financial expertise, and meetings frequency, on financial reporting quality in Nigerian deposit money banks, the results reveal that the audit report determinants significantly promotes FRQ. Also, Ghosh and Mondal (2021) explore the relationship between auditor industry specialization and financial reporting quality in the Indian banking sector. The findings reveal that there was a positive influence between the auditor industry specialisation and financial reporting quality. In the same vein, Wang *et al*. (2021)

focused on the relationship between auditor industry specialization and financial reporting quality in Chinese listed banks. The results show a significant relationship between industry specialization and financial reporting quality. In a study of US-listed companies, Chan *et al.* (2015) found that higher audit quality and higher audit fees were associated with lower earnings management, suggesting that investing in higher audit quality and paying higher audit fees could improve financial reporting quality. Olumide and Oyewo (2020) [40] stated that, there is a need to investigate the impact of the determinants of audit quality on financial reporting in Nigeria given the challenges faced by auditors in the country, such as the lack of standardization in auditing practices and the prevalence of corruption.

One way to address the lingering problems of financial reporting in deposit money banks in Nigeria is to examine the determinants of audit quality that have been found to be relevant in prior research. Specifically, this study will focus on the impact of audit committee characteristics, auditor industry specialization, and auditor tenure on financial reporting quality in deposit money banks in Nigeria. Previous studies have found that audit committee characteristics, such as independence, expertise, and size, can have a significant impact on audit quality (Abbott *et al*., 2016; Chen *et al*., 2018) [1, 10]. Similarly, auditor industry specialization has been found to positively affect audit quality, as it enhances the auditor's knowledge and understanding of the client's business and industry (Francis *et al*., 2014; Gul *et al*., 2018) [23, 27]. Finally, auditor tenure has been found to have a mixed effect on audit quality, with some studies finding a positive effect and others finding a negative effect (Francis *et al*., 2015; Krishnan & Krishnan, 2016).

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The existing literature on the determinants of financial reporting quality in the banking sector has made significant contributions. However, there remains a notable gap in the literature when it comes to the evaluation of audit reporting quality determinants and their impact on financial reporting in listed deposit money banks in Nigeria. While previous studies have explored the relationship between audit quality and financial reporting quality in Nigerian listed companies (Oladeji & Abiola, 2020) [38] and investigated financial management practices and the performance of selected Nigerian deposit money banks (Adeyemi *et al*., 2021) [3], there is a dearth of empirical evidence concerning the specific determinants of audit report quality and their influence on financial reporting within Nigeria's listed deposit money banks.

This research gap necessitates a comprehensive study that specifically focuses on the evaluation of audit reporting quality determinants and their relationship with financial reporting in the context of Nigeria's listed deposit money banks. By examining the unique factors influencing audit report quality and their subsequent impact on financial reporting, this study aims to contribute to the existing literature by shedding light on the specific determinants that influence the quality of financial reporting within the Nigerian banking sector. Such insights will enhance our understanding of the factors that contribute to financial reporting quality and provide valuable implications for regulators, auditors, and stakeholders in the banking industry. In addition to the introduction, this study is divided into four other sections: the second section reviews relevant and existing literature; the third section discusses methods; the fourth section features data analysis and interpretation of results; and the fifth section, which is the concluding section, states conclusions and recommendations of the study.

2. Literature Review

2.1 Conceptual Review

This section explained the definitions of the concepts of this study and thereby showing the link between audit report quality determinants and financial reporting.

2.1.1 Audit Report Quality Determinants

Krishnan and Krishnan (2016) define audit reporting quality determinants as factors that influence the quality of the audit report, including auditor expertise, independence, and objectivity. Also, DeAngelo (1981) [16] defines audit reporting quality determinants as those factors that affect the likelihood that an auditor will produce a report that correctly reflects the financial statements of the client. Audit quality determinants refer to various factors that are associated with the effectiveness of an audit in ensuring the accuracy and reliability of financial statements. Some commonly identified audit quality determinants include auditor expertise, auditor independence, audit firm size, audit tenure, audit fees, and the quality of the audit committee.

For example, DeAngelo (1981) [16] argues that auditor size is a determinant of audit quality, as larger audit firms are better equipped to provide higher quality audits. Similarly, Krishnan and Krishnan (2016) suggest that auditor tenure can be a determinant of audit quality, as longer tenure can improve the auditor's knowledge of the client's operations and enhance the auditor's ability to identify potential issues with the client's financial statements. Other studies have examined the impact of factors such as audit fees and the quality of the audit committee on audit quality (e.g., Abbott *et al*., 2016; Chen *et al*., 2018) [1, 10]. The identification and measurement of audit quality determinants is an important area of research that can help to improve the effectiveness of audits and promote greater transparency in financial reporting.

2.1.2 Financial Reporting

Wahlen *et al*. (2020) define financial reporting as the process of communicating financial information to users through financial statements that are prepared in accordance with generally accepted accounting principles (GAAP). While According to Penman (2013), financial reporting is the process of summarizing financial data through the preparation and distribution of financial statements to users of that information. Penman notes that financial reporting is essential for investors, creditors, and other stakeholders in order to assess the financial health and performance of a company. Financial reporting is a process of summarizing and communicating a company's financial information to various stakeholders such as investors, creditors, and regulators. The financial reporting process involves preparing financial statements in accordance with generally accepted accounting principles (GAAP), which include the balance sheet, income statement, and cash flow statement (Wahlen *et al*., 2020).

Financial reporting is a critical component of corporate transparency, as it enables stakeholders to evaluate a company's financial performance and make informed decisions about investing or lending to the company. In addition, financial reporting provides valuable information for regulatory and legal compliance purposes (Barth *et al*., 2008). In the context of Nigeria's deposit money banks, financial reporting plays a vital role in enhancing transparency, accountability, and confidence in the banking sector. It facilitates the effective allocation of capital, enables informed investment decisions, and supports regulatory oversight and prudential supervision.

According to Adeyemi *et al*. (2019) [3] financial reporting quality in Nigerian deposit money banks is influenced by factors such as the accuracy and reliability of financial statements, adherence to accounting standards, transparency in disclosures, and timeliness in reporting. Oladeji and Abiola (2020) [38] emphasize the importance of financial reporting integrity and the need for proper corporate governance mechanisms to ensure the reliability and credibility of financial information in Nigerian banks. Financial reporting in deposit money banks is subject to regulatory oversight and scrutiny. The Central Bank of Nigeria (CBN) sets accounting and reporting standards for banks, including the adoption of International Financial Reporting Standards (IFRS). Compliance with these standards is essential to ensure consistency, comparability, and transparency in financial reporting practices (Emevwohinmi & Okoye, 2021).

The quality of financial reporting can be influenced by various factors such as the regulatory environment, the quality of internal controls, and the competence and integrity of the company's management and external auditors (Ball & Shivakumar, 2008; Christensen *et al*., 2015). Ensuring high-quality financial reporting is essential for maintaining the credibility and trustworthiness of financial markets, which is critical for the functioning of a healthy economy. Financial reporting plays a critical role in the business world, providing important information to stakeholders and promoting transparency and accountability in corporate reporting.

2.1.3 Audit Committee Characteristics and Financial Reporting

Audit committee characteristics are an important factor in ensuring effective corporate governance and financial reporting, as they can influence the quality of financial information, the independence and objectivity of external auditors, and the transparency and accountability of the company's operations. Audit committee characteristics refer to the attributes that affect the committee's ability to effectively fulfill its oversight responsibilities. These attributes may include the size, independence, expertise, and diligence of the committee, as well as the frequency and quality of its meetings and interactions with management and external auditors" (DeZoort & Salterio, 2017). Audit committee characteristics can also be broadly defined to include the composition, structure, processes, and behaviors of the committee. These characteristics can influence the effectiveness of the committee's oversight role, as well as the quality of financial reporting and audit quality (Khurana *et al*., 2017).

Audit committee characteristics can have a significant impact on the quality of financial reporting in the banking industry. As noted by Zaman and Stuebs (2017), audit committees are responsible for overseeing the external audit process, ensuring the integrity and reliability of financial reporting, and promoting transparency and accountability in the company's operations. Key characteristics of effective audit committees in the banking industry may include: Size, Independence, Expertise, Frequency and quality of meetings, Interactions with management and external auditors. The effectiveness of audit committee characteristics can play a crucial role in promoting high-quality financial reporting in the banking industry, which can enhance transparency, accountability, and investor confidence.

2.1.4 Auditor Industry Specialization and Financial Reporting

Auditor industry specialization refers to the concentration of audit firms in particular industries, such that they develop expertise in the specific accounting practices, regulations, and risks associated with those industries (Chyz *et al*., 2018). Also, Auditor industry specialization refers to the extent to which an audit firm has expertise in auditing clients within a specific industry, as measured by the proportion of the audit firm's clients within that industry (Chan *et al*., 2019). Both of these definitions highlight the importance of auditor industry specialization in providing high-quality audits that are tailored to the unique needs of clients in specific industries.

Auditor industry specialization in the context of the banking industry refers to the concentration of audit firms in the banking sector, which allows them to develop expertise in auditing banks and financial institutions. This specialization enables auditors to better understand the unique accounting practices, regulations, and risks associated with the banking industry, and to provide higher quality audits that are tailored to the needs of bank clients. Research has shown that auditor industry specialization in the banking industry can lead to higher audit quality and better financial reporting. For example, Chyz *et al*. (2018) found that audit firms with higher levels of banking industry specialization are associated with higher earnings quality for bank clients. Similarly, Fang *et al*. (2019) found that auditor industry specialization is positively related to the quality of bank financial statements.

However, there are also concerns that auditor industry specialization in the banking industry could lead to conflicts of interest and reduced auditor independence. For example, Malafronte and Verrecchia (2019) argue that auditor industry specialization could create a bias towards preserving the banking industry's reputation and result in auditors being less willing to report adverse findings. Auditor industry specialization can have both positive and negative implications for the banking industry, and it is important for regulators and stakeholders to carefully consider the effects of this specialization on audit quality and financial reporting.

2.1.5 Auditors' Tenure and Financial Reporting

Auditors' tenure refers to the length of time an audit firm has been engaged to provide audit services to a particular client. It represents the duration of the auditor-client relationship and is considered as an important determinant of audit report quality. (Francis *et al*., 1999) [24]. It is a measure of the longevity of the auditor-client relationship and has implications for audit quality. (Lennox *et al*., 2012) [33]. Auditor tenure refers to the length of time an audit firm has been engaged to provide audit services to a particular client. It represents the duration of the auditor-client relationship and is considered as an important determinant of audit report quality.

Research by Carcello *et al*. (2013) conceptualizes auditor tenure as the duration of the continuous relationship between the audit firm and the client. They argue that auditor tenure influences the auditor-client dynamics and can affect audit quality. Longer auditor tenure allows auditors to develop a better understanding of the client's operations, business environment, and accounting systems, which can lead to increased efficiency and effectiveness in the audit process. Similarly, Krishnan (2003) defines auditor tenure as the length of time an auditor has served a particular client and emphasizes the importance of auditor-client familiarity. According to Krishnan, longer auditor tenure provides auditors with institutional knowledge about the client, facilitating better risk assessment and improved communication with management, which can positively impact audit quality. While there are differing views of auditor tenure, it is recognized as an important factor that warrants examination in the context of audit quality and financial reporting.

It is also worth noting that auditor tenure has been a topic of debate in the literature, with arguments suggesting both positive and negative effects. Some studies, such as those by Johnson *et al*. (2002) and Ashbaugh-Skaife *et al*. (2007), suggest that longer auditor tenure may lead to reduced auditor independence and increased client reliance, potentially compromising audit quality. However, other studies, such as those by Carcello *et al*. (2013) and Krishnan (2003), propose that longer auditor tenure can enhance audit quality through improved client-specific knowledge and expertise.

2.2 Theoretical Review

The theory of Agency was propounded by Jensen and Mecklyn in 1976. According to agency theory, there is a principal-agent relationship between shareholders (the principals) and management (the agents) of a company. The agents are responsible for managing the company and making decisions that affect its financial performance, while the principals are responsible for monitoring the actions of the agents and ensuring that their interests are aligned with those of the company. Agency theory assumes that there is a fundamental conflict of interest between shareholders and management, and that this conflict can be mitigated through effective monitoring mechanisms such as the audit committee. The quality of financial reporting is seen as a key outcome of this monitoring process, and can be influenced by a range of factors related to the audit reporting quality determinants. In the context of the banking industry, the audit committee is the agent responsible for overseeing the financial reporting process and ensuring that it is accurate and transparent. Auditor industry specialization and auditor tenure are factors that can affect the quality of the audit committee's monitoring activities, and therefore have an impact on the quality of financial reporting.

The theory provides a useful lens through which to understand the relationship between audit reporting quality determinants and financial reporting in listed deposit money banks in Nigeria. It is used as an underpinning theory for the study Agency theory is a well-established theoretical framework that can help to explain the relationship between audit reporting quality determinants and financial reporting in listed deposit money banks in Nigeria. Research has shown that agency theory is a useful framework for understanding the determinants of audit reporting quality and financial reporting in the banking industry. For example, Elikai *et al*. (2020) used agency theory to examine the effect of board independence and audit committee expertise on financial reporting quality in the banking industry in Ghana. Similarly, Wang *et al*. (2021) used agency theory to investigate the relationship between auditor tenure and financial reporting quality in Chinese listed banks.

Agency theory is highly relevant to this study as it provides a theoretical framework for understanding the relationship between principal-agent conflicts and financial reporting quality in deposit money banks. The theory emphasizes the divergence of interests between principals (shareholders) and agents (management), highlighting the potential for agency problems that can impact the quality of financial reporting. In the context of this study, agency theory helps explain how the determinants of audit report quality, such as auditor industry specialization, audit committee characteristics, and auditor tenure, influence the actions and behavior of agents (management) in deposit money banks. It provides insights into the incentives, monitoring mechanisms, and contractual arrangements necessary to mitigate agency conflicts and ensure accurate and reliable financial reporting.

Moreover, agency theory has been widely applied in numerous studies across different industries and countries. For example, in the banking sector, studies have used agency theory to investigate issues such as CEO compensation, board independence, and internal controls, and their impact on financial reporting quality (Khan & Park, 2019; Islam *et al*., 2020). These studies have contributed to our understanding of how agency problems can affect financial reporting outcomes and have provided valuable insights for regulators, auditors, and policymakers in enhancing corporate governance practices.

The application of agency theory in other studies including the banking sector, financial reporting quality, earnings management, and corporate governance has led to the identification of various mechanisms to align the interests of principals and agents, such as the establishment of effective governance structures, the implementation of compensation schemes tied to performance, and the strengthening of internal controls and monitoring systems. These studies have also examined the role of external auditors as independent agents in mitigating agency conflicts and enhancing financial reporting quality.

One criticism of agency theory in the context of this study is that it tends to focus on the relationship between managers and shareholders, without fully taking into account the broader institutional and cultural factors that can shape corporate behavior in different contexts. For example, in some countries, the legal and regulatory environment may be weak or ineffective, making it more difficult to enforce good corporate governance practices. Another criticism of agency theory is that it tends to assume that all actors in a firm are rational and self-interested, which may not always be the case in practice. In reality, managers and other stakeholders may have a range of motivations and may not always act in ways that are aligned with the interests of shareholders. Despite these criticisms, agency theory remains a widely used and influential framework for understanding corporate governance and financial reporting issues, and it provides a useful starting point for analyzing the determinants of audit reporting quality and financial reporting in listed deposit money banks in Nigeria.

The criticisms of agency theory remind this study to take a holistic approach, considering the complexities of relationships, socio-cultural factors, and a broader range of influences beyond formal contracts. By incorporating these considerations, the study can enhance its understanding of the determinants of audit report quality and financial reporting in Nigerian deposit money banks, and contribute to a more comprehensive understanding of financial reporting quality in the banking industry.

2.3 Empirical Review

Oyedokun *et al*. (2017) [42] empirically ascertained the relationship between audit quality attributes and financial reporting quality of listed consumer goods companies in Nigeria. The study adopted a correlational research design and adopted 12 out of the entire population of 17 quoted companies in the industrial goods sector using purposive sampling technique to determine sample size. The result of the panel regression with the aid of STATA indicated that audit firm size has a negative significant relationship, auditor tenure has a positive insignificant relationship while audit fees has a negative insignificant relationship with financial reporting quality of quoted industrial goods companies in Nigeria. However, the study's focus on a limited sector and a small sample size of 12 firms may affect the generalizability of the findings.

Amahalu *et al*. (2018) [7] ascertain the determinants of audit quality with a focus on healthcare firms listed on the floor of Nigeria Stock Exchange from 2010-2016. The study made use of secondary data obtained from fact books, annual reports and account of selected healthcare firms under study. The relevant data were subjected to statistical analysis using Pearson coefficient of correlation, Ordinary Least Square (OLS) and Granger causality test with the aid of E-view 9.0. The result of the study revealed that there is a positive and statistically significant relationship between audit independence, audit tenure, audit firm size and audit quality of healthcare firms listed on the floor of Nigerian Stock Exchange at 5% level of significance. The research relies on a limited sample size of healthcare firms, potentially limiting the generalizability of the findings to other sectors.

Khoufi and Khoufi (2018) [32] investigate the determinants of delay in publishing audited reports. The study was conducted on a sample of French listed companies, covering the period of five years (from 2010 to 2014). The authors use pooled ordinary least squares regression analysis, modeling audit delay as a function of the following explanatory variables relating to the attributes of companies and their auditors. A statistically significant association was found between audit delay and type of audit firm, audit opinion, firm size, the month of year-end and profitability. The study relies on pooled OLS regression analysis and only focuses on French listed firms, limiting the applicability of the findings to other contexts.

Wiyantoro and Usman (2018) examine the effect of audit tenure, audit quality, and Non-Audit Service on audit report lag (ARL). The authors will test how the influence of industry specialization auditor moderates the relationship between audit tenure with audit report lag and test how the influence of auditor specialization industry moderates the relationship between audit qualities with audit Report lag on banking companies in Indonesia. The study used secondary data derived from the annual financial statements of listed companies listed on the Indonesia Stock Exchange between 2012 and 2016. The research used purposive sampling method and multiple linier regression analysis. The results of the study indicates that tenure audit has a negative and significant impact on audit report lag. Quality audit has a negative impact on audit report lag. Non-audit services have a negative effect on audit report lag. However, the research uses secondary data and may not fully capture all relevant determinants of audit report lag.

Elewa and El-Haddad (2019) [20] examine the effect of audit quality on firm performance. It uses financial statements of non-financial firms listed as EGX 100. The population studied consists of thirty non-financial firms. The study covers a five year period 2010-2014. It applies panel data analysis. Independent Variables are Auditor Experience (measured by Big-4) and Auditor Independence (measured by auditor Rotation ROT). Dependent Variables are Return on Assets ROA and Return on Equity ROE. In accordance with the Random Effect Model results, BIG 4 and ROT have an insignificant impact on the ROA and ROE of the firm. External and internal financial statement users may benefit from the study only when dealing with high-profit firms. However, the sample size is limited to thirty firms, which may affect the generalizability of the findings. Additionally, the study covers a five-year period, which might not capture long-term effects adequately.

Ghazalia and Shafie (2019) [25] undertook a study on the Relationship between audit committee, political influence and financial reporting quality: Malaysian evidence. The study examines the relationship between audit committee, political influence and financial reporting quality of Malaysian listed companies. This study methodology consists of pool data of 3,215 firm-year observations listed on the Main Board of Bursa Malaysia from year 2010 to 2014. The study uses logistic regression to test the association between audit committee, political influence and financial reporting quality. The results are also robust with the inclusion of Firth logit analysis. The findings from the study indicate that audit committee’s independence and the frequency of audit committee meetings are effective in controlling for both real earnings management and accounting misstatements. While the methodology seems robust, the study relies on self-reported data, which might be subject to biases.

Handoyo and Maulana (2019) [29] analyzed the factors that affect ARL on the Conventional Bank Companies listed in the Indonesia Stock Exchange. The sample consisted of 84 companies listed in Indonesia Stock Exchange (IDX) which submitted financial reports to OJK (the Financial Service Authority) in the period of 2013-2015. The data used in this research was selected by using purposive sampling method and analysis used multiple linear regression. Based on the analytical results, Profitability, Auditor Opinion, and Firm Reputation had negative significant effect toward ARL. Then Auditor Switching, Complexity, and Board of Size of Director had positive significant effect toward ARL. However, the sample size of 84 companies might limit the generalizability of the results, and the study does not explore other determinants that could influence ARL.

Hategan (2019) investigated the factors influencing the quality of financial audit. The purpose of the paper is to show the importance of the quality of audit services both for investors and for professional accountants and auditors. Audit quality factors can be structured according to several criteria and were represented by the size of the auditor, rotation, duration of the contract, types of services provided. In order to support this hypothesis, the correlation between the variables was tested on the basis of a sample of seven companies listed at Bucharest Stock Exchange in the energy field and utilities included in index BET, for period 2013 - 2018. The data was collected from the annual financial statements and reports issued by financial auditors. The results show that there is a correlation between variables, but of different intensities depending on the indicators chosen. The small sample size might limit the generalizability of the findings, and the study's focus on a specific industry may restrict the applicability to other sectors.

Kalabeke *et al*. (2019) [31] examine the relationship between audit firm tenure and financial reporting quality. Particularly, this study examines whether firms with longer audit firm tenures are more engaged in accrual-based earnings management activities in Pakistani. Current study measures auditor tenure as the number of consecutive years that the client has retained the audit firm. This study selected sample data from 280 non-financial listed firms in Pakistan Stock Exchange (PSE) during the period of 2008-2017, which comprise of 2,800 firm-year observations. 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. The study covers a substantial sample size, but it focuses only on accrual-based earnings management, leaving out other dimensions of financial reporting quality.

Oraka *et al*. (2019) [41] conducted a study on the determinants of financial reporting timeliness: an empirical study of Nigerian deposit money banks. The main objective of the study was to assess the association between the determinants of financial reporting timeliness of Nigerian deposit money banks. The study determined the effect of bank size and audit firm type on the timeliness of financial reporting in Nigeria. Ex-Post facto research design was adopted. The population of the study consists of sixteen (16) quoted banks on the Nigerian Stock Exchange. Regression analysis was employed to test the formulated hypotheses with aid of SPSS version 20.0. The study discovered that bank size, age of bank, audit firm type and bank performance have effect on the timeliness of financial reporting in Nigerian banks. The research covers sixteen banks but relies on a limited set of determinants, potentially overlooking other crucial factors influencing reporting timeliness.

Oladejo *et al*. (2020) [39] appraised the determinants of external audit quality and the relationship with the users' confidence in the financial report of selected Deposit Money Banks (DMBs) in Nigeria. Secondary data were used as obtained from the financial information of seven banks purposively selected out the fifteen quoted deposit DMBs in Nigeria as at 31st of December 2017. Data collected were analyzed using descriptive statistics such as Pearson Product Moment Correlation Coefficient (PPMCC), used to test the formulated hypothesis at 95% confidence level. The overall results showed that technical training and proficiency (TTP), auditor size (AUDS), engagement performance (EP), and auditor independence (AUDIN) were significant determinants of external audit quality. The study uses secondary data and relies on proxy variables for audit quality, which may not fully capture the complexities of external audit quality.

Taddesse (2020) [44] carried out a study on the determinants of Financial Reporting Quality in Ethiopia Private Banking Sector. The main purpose of the study was to examine the determinants of financial reporting quality in Ethiopian private banks. Ten years data from 2010 to 2019 were collected from National bank of Ethiopia and banks audited financial statements of ten sampled banks with total of 100 observations by using simple random sampling method,. The study used financial reporting quality as a dependent variable and eight firm specific attributes as independent variables; they are profitability, liquidity, leverage, non-performing loan, bank size, bank age, auditor change and IFRS adoption. Based on empirical evidence obtained the quality of accounting information of Ethiopian private banks can be influence by liquidity, bank size and IFRS adoption positively and leverage, profitability, non-performing loan and bank age negatively. Therefore, the above variables have a significant impact on financial reporting quality of Ethiopian private banks. The sample size of ten banks and the period of only ten years may limit the robustness of the results.

Chalevas *et al* (2021) [13] conducted a study on evaluating the role and effectiveness of the audit committee on the quality of financial reporting: evidence from Greek PIEs.The study investigated the impact of the adoption of the new audit law on the quality of financial reporting. The study used variables derived from the major law requirements and were measured appropriately using the responses of audit committees to a structured questionnaire developed to capture the compliance of the entities with the new law provisions. The study sample was randomly selected and consists of 138 public interest entities (PIEs) for the year 2018 and concerns firms of various sizes and sectors. The study model contains a set of variables, solely derived from the new audit law. Audit committee composition and skills seem to significantly improve the quality of financial reporting. The study focuses solely on the Greek context, limiting the generalizability of the findings to other countries.

Hariani and Fakhrorazi (2021) [28] conducted a study on the determinants of financial reporting quality: an empirical study among local governments in Indonesia. The study aims to examine the determinants of Financial Reporting Quality (FRQ). An empirical study was conducted across local governments in Indonesia to test the hypothesis**.** In the study, 302 qualified questionnaires were collected from local government employees through self-administered surveys. The Partial Least Square-Structural Equation Modelling (PLS-SEM) technique was used for data analysis.

The result showed that Internal Control System (ICS), Effective Information Technology Governance (ITG), Regulation on Performance Measurement (RPM), and Political Influence (PIN), as well as Transparency (TRS), have a relationship with FRQ. Meanwhile, the hypothesis that Commitment to Organization (COR) strengthens the effect of ICS, ITG on FRQ was rejected. The study uses self-administered surveys with a sample of 302 local government employees, which may introduce response biases.

Madugba *et al*. (2021) [36] examined the effect of audit committee quality on the quality of financial reporting of deposit money banks in Nigeria. A descriptive research design was adopted and secondary data sourced from annual accounts of seven deposit money banks for seven years were used. The dependent variable in this study is financial reporting quality measured with accrual model. In contrast, the independent variables are the number of members on the audit committee with accounting and finance knowledge, the size of the audit committee, the number of audit committee meetings held in a year and audit committee independence. Descriptive statistics, normality test, a multicollinearity test and regression analysis were used to examine the data. A notable outcome revealed that except for several audit committee meetings held in a given year the other independent variables were found to be insignificant and are not, therefore, determinant of financial reporting quality in deposit money banks in Nigeria. However, the sample size of seven banks might not be representative of the entire sector, and the use of a single financial reporting quality proxy may limit the study's insights.

Akinyomi and Joshua (2022) [6] examined the determinants of audit quality in the context of the Nigerian listed consumer goods companies. Using the ex-post facto research, a sample of six (6) companies were randomly selected from a population of twenty existing companies as at 31st December 2020. Necessary data for the study was spooled from the audited annual financial statement of the considered companies for an eight-year period from 2012 when IFRSs became operational in Nigeria to the 2019 financial year. Correlation and regression analysis were carried out using SPSS version 22. The outcome of the study revealed a statistically non-significant but positive relationship with the board size as a proxy for corporate governance, audit firm size and company size on one hand, and audit quality on the other hand. However, a negative and statistically insignificant relationship is established between the tenure of the audit firm and audit quality in the Nigerian consumer goods sector. In view of findings, the small sample size of six companies might affect the representativeness of the findings.

2.4 Gap in Literature

The existing literature on the determinants of financial reporting quality in the banking sector has limited recent empirical evidence specifically focusing on the evaluation of audit report quality determinants and financial reporting in listed deposit money banks in Nigeria. The most recent studies addressing these determinants and financial reporting quality in the Nigerian context were conducted by Oladeji and Abiola (2020) [38] and Adeyemi *et al*. (2021) [3]. However, there is a significant time gap since these studies were conducted, which raises concerns about the applicability of their findings to the current banking landscape in Nigeria. Therefore, a more up-to-date investigation is necessary to capture the recent developments and changes in the banking sector, ensuring the relevance and validity of the study findings.

Additionally, there is a notable methodology gap in the literature regarding the combined effects of auditor industry specialization, audit committee characteristics, and auditor tenure on financial reporting quality in the banking industry of Nigeria. While some studies have separately examined these determinants in relation to financial reporting quality, there is a scarcity of research that integrates them within a single comprehensive study. Therefore, a methodological advancement is required to address this gap by employing a holistic approach that considers the simultaneous impact of these determinants on financial reporting quality in the context of listed deposit money banks in Nigeria.

2.5 Research Hypotheses

H_0: Audit committee characteristics does not have significance effect on financial reporting in listed Nigeria's DMBs.

H_0: Auditor industry specialization does not have significant effect on Financial Reporting in Listed Nigeria's DMBs.

H_0: Auditor tenure does not have significant effect on financial reporting in listed Nigeria's DMBs.

3. Methodology

The study utilized ex-post facto research design to investigate the determinants of audit reporting quality and financial reporting in listed deposit money banks in Nigeria. The approach was employed, allowing data to be gathered from existing sources such as annual reports and financial statements of the listed banks. A purposive sampling technique was employed to select a sample of fifteen listed deposit money banks in Nigeria, considering factors such as bank size, data availability, and regional representation. Data were collected from secondary sources, including annual reports, financial statements, and relevant documents of the selected banks. The study covered a twelve-year time period from 2010 to 2022, with 2010 serving as the base year due to its significance in the post-financial crisis recovery and regulatory reforms in the Nigerian banking industry. This allowed for a comprehensive understanding of changes and developments in the sector. The collected data were analyzed using appropriate statistical techniques, such as descriptive and regression analysis, to examine the relationships between the independent variables and the dependent variable, which is financial reporting quality

3.1 Model Specification

The study aims to investigate the relationship between audit report quality determinants (specifically, auditor industry specialization, audit committee characteristics, and auditor tenure) and financial reporting in listed deposit money banks in Nigeria and therefore adapted the model used by Elewa and El-Haddad (2019) [20] who examined the effect of audit quality on firm performance. Stating the model as follows:

ROA= $\beta 0 + \beta 1EAit$ (Auditor Experience) + $\beta 2AIit$ (Auditor Independence) + ε_{it}.

Therefore the model for the current study is stated as follows:

Financial Reporting = Audit report quality determinants

$$FR = f\,(AIS, ACC, AT) \quad (i)$$

$$ROA = \beta0 + \beta1AIS_{it} + \beta2ACC_{it} + \beta3AT_{it} + \varepsilon_{it} \quad (ii)$$

Where:
FR = Financial Reporting which represents the dependent variable, which is a measure of the quality of financial reporting in deposit money banks.
ROA= Return on assets
AIS = Auditor Industry Specialization is an independent variable representing the level of expertise and experience of auditors in the banking industry.
ACC= Audit Committee Characteristics is an independent variable capturing the attributes of the audit committee, such as independence, financial expertise, and diligence.
AT = Auditor Tenure is an independent variable denoting the length of time the audit firm has served as the external auditor for the bank.
β0 = the intercept, which captures the constant term in the model.
β1, β2, and β3 = the coefficients that measure the impact of each independent variable on financial reporting.
ε = the error term, accounting for the unexplained variation in the dependent variable.

3.2 A-priori Expectation

The *A priori* expectation is stated as follows;

$$B1 > 0, \beta2 > 0, \beta3 > 0$$

3.3 Measurement of Variables

Table 1

S. No	Variables	Type	Description	Measurement	Sources
1	Financial Reporting	Dependent	Report card of a company's financial performance. It helps stakeholders, such as investors, creditors, and regulators, understand how well a company is doing financially,	financial ratios, such as ROA, can be used to assess the financial performance and risk profiles of the banks under study	Wang *et al.* (2019)
2	Audit industry specialisation	Independent	Level of expertise and experience of auditors in the banking industry.	Examined by the proportion of clients from the banking industry	Abbass *et al.* (2016)
3	Audit Committee Characteristics	Independent	The attributes and composition of a committee responsible for overseeing financial reporting and audit processes, including factors such as independence, expertise, and experience of its members.	Measured by frequency of meetings of the committee.	Adeyemi *et al.* (2021) [3]
4	Auditor tenure	independent	The length of time an auditor has served a particular client or organization.	Measured by calculating the number of consecutive years or periods that an auditor has been engaged by a client or organization.	Zhang *et al.* (2020)

Source: Author's Compilation (2023)

4. Data Analysis and Discussion of Findings

The study investigates the effect of audit report quality on financial reporting by employing samples from listed deposit money banks in Nigeria between the periods of 2010-2022. In this study, auditors' industry specialization, audit committee composition, and auditor's tenure are the audit report quality proxies employed in this study. Financial reporting quality is measured in terms of Jones Discretionary Accrual. Furthermore, in line with related extant literature, the study adopts cashflow from operations ratio as the control variable. In this section of the study, the pre-regression test was conducted which include descriptive statistics and normality test. The study also test for the association between the variables using the spearman correlation. This is followed by regression analyses and the test of hypotheses as well as the discussion of findings.

4.1 Descriptive Analysis

In this section, the study examines the descriptive statistics for both the explanatory and dependent variables of interest. Each variable is examined based on the mean, standard deviation, maximum and minimum. Table 1 below displays the descriptive statistics for the study. From the table 1, it is observed that the mean of financial reporting as proxied by jones discretionary accrual was -0.07 with a standard deviation of 0.16. Also, Jones discretionary accrual had a minimum and maximum values of -1.11 and 0.50 respectively. In the case of the independent variables, the study finds that auditor's industry specialization has a mean of 0.85 with a standard deviation of 0.36. The result implies that about 85% of the auditors of the banks under study were industry specialist. Furthermore, we find that the mean of audit committee composition was 5.97 with a standard deviation of 0.53. The result implies that on the average, the audit committee of the deposit money banks under study composed of 6 members during the period under study. The study also finds that the mean of auditor's tenure was 0.67 with a standard deviation of 0.52 indicting that on average, about 67% of the external auditors of the banks under study audited the books of their clients for over 3 years. Finally, in the case of the control variables, we find that the mean of cashflow to asset ratio was 0.03 with a standard deviation of 0.12.

Table 1: Descriptive Statistics

Variables	Mean	SD	Min	Max	No. Obs.
FRQ	-0.07	0.16	-1.11	0.50	157
AIS	0.85	0.36	0	1	157
ACC	5.97	0.53	4	8	157
AT	0.67	0.52	0	1	157
CFOA	0.03	0.12	-0.37	0.75	157

Source: Author's Computation (2023)

4.2 Test of Variables

4.2.1 Normality Test

One of the assumptions of ordinary least squares regression is that the data is normally distributed. In other words, the observations follow a normal (Gaussian) distribution. Therefore, it is assumed that the population from which the samples are collected is normally distributed. However, the null hypothesis is that the sample distribution is normal. If the test is valid (significant), the distribution is non-normal. The study follows the results of (Mendes & Pala, 2003) and they concluded that the Shapiro-Wilk test is the most powerful normality test. Therefore, the researchers conducted a residual normality test using the Shapiro Wilkson Test since the observation is nowhere near 2000 against which the Jaque & Berra Skewness and Kurtosis test would have been preferred.

Table 2: Normality Test

Variables	No. Obs.	W	V	Z	PROB<Z
FRQ	157	0.84	18.72	6.655	0.00000
AIS	157	0.95	6.13	4.118	0.00002
ACC	157	0.97	3.60	2.911	0.00180
AT	157	0.83	20.37	6.847	0.00000
CFOA	157	0.89	13.13	5.849	0.00000

Source: Author's Computation (2023)

From the table above, we find that the dependent variables of financial reporting as measured by Jones discretionary accrual (prob>z = 0.00000) is not normally distributed since the probability of the z-statistics as reveal by the Shapiro-Wilk test is significant at 1% significant level. The same can be said of the independent variables of auditor's specialization (prob>z = 0.00002), audit committee composition (prob>z = 0.00180), auditor's tenure (prob>z = 0.00000), as well as for the control variable of cash flow from operations (prob>z = 0.00000) since the probabilities of the z-statistics as reveal by the Shapiro-Wilk test are significant at 1% significant level. However, we proceed with the ordinary least square regression but carefully interpreting the probability statistics against the t-statistics in line with the recommendation of (Gujarati, 2004).

4.2.2 Correlation Analysis

In examining the association among the variables, we employed the Pearson Correlation Coefficient (correlation matrix), and the results are presented in the table below. In the case of the correlation between audit report quality and financial reporting, the above results show that there exists a negative and weak association between financial reporting and auditor's industry specialization (-0.0482). There also exists a negative and weak association between financial reporting and audit committee composition (-0.0433). However, there is a positive association between financial reporting and auditor's tenure (0.0453). In the case of the control variables, we find that cashflow to asset (-0.9224) has a negative association between financial reporting during the period under study. However, to test the hypotheses a regression results will be needed since correlation test does not capture cause-effect relationship

Table 3: Correlation Analysis

	FRQ	AIS	ACC	AT	CFOA
FRQ	**1.0000**				
AIS	**-0.0482**	**1.0000**			
ACC	**-0.0433**	**0.0678**	**1.0000**		
AT	**0.0453**	**0.1130**	**0.0732**	**1.0000**	
CFOA	**-0.9224**	**0.0880**	**0.0182**	**-0.0624**	**1.0000**

Author's Computation (2023)

4.2.3 Regression Analysis

Specifically, to examine the cause-effect relationships between the dependent variables and independent variables as well as to test the formulated hypotheses, we used a pool OLS regression analysis since there is no variances in the error term. The OLS pooled results obtained is presented and discussed below. The table below represents the results obtained from the multivariate regression analysis for this study. The result indicates that the pool OLS regression had an R-squared value of 0.8977. This implies that the independent and control variables of the study could explain about 90% of the systematic changes in the dependent variable of financial reporting of the pool deposit money banks during the period under study. However, the unexplained part of financial reporting as measured in terms of Jones Discretionary Accrual has been captured by the error term. The result of the F-statistics (331.32) of the pool OLS regression model for the sample deposit money banks in Nigeria with their associated p-value of 0.0000 indicates that the pool OLS regression models on the overall is statistically fit at 1% level of significance and can be employed for statistical inferences. However, to further validate the estimates of the pool OLS results, this study also tests multicollinearity and heteroscedasticity.

Table 4: Regression Result

	FRQ Model (Pool OLS)	**FRQ Model (Fixed Effect)**	**FRQ Model (Random Effect)**	**FRQ Model (HIR. Regression)**
CONS.	-0.001 {0.979}	0.006 {0.904}	0.002 {0.959}	-0.001 {0.979}
AIS	-0.000 {0.974}	-0.007 {0.636}	-0.004 {0.773}	-0.052 {0.152}
ACC	-0.005 {0.546}	-0.005 {0.562}	-0.005 {0.550}	-0.011 {0.000} ***
AT	0.001 {0.943}	-0.004 {0.610}	-0.003 {0.744}	-0.002 {0.000} ***
CFOA	-1.256 {0.000} ***	-1.272 {0.000} ***	-1.266 {0.000} ***	-1.256 {0.000} ***
F-Stat/W-Stat	331.32 {0.0000}	303.81 (0.0000)	1313.55 (0.0000)	331.32 (0.0000)
R- Squared	0.8977	0.8967	0.8966	0.8977
VIF Test	1.02			
Hettero. Test	41.44 {0.0000}			
FE/RE		**Yes {2.92 (0.0017)}**	**Yes {12.22 (0.0002)}**	
Hausman			**1.26 {0.8688}**	

Source: Author's Computation (2023)

Note: (1) bracket { } are p-values; (2) **, ***, implies statistical significance at 5% and 1% levels respectively

4.2.4 Test for Multicollinearity

Multicollinearity can mainly be detected with the help of tolerance and its reciprocal, called variance inflation factor (VIF). The result as observed from table 4 indicates that the mean VIF is 1.02 indicating the absence of multicollinearity and which further shows that none of the independent variables should be dropped from the model.

4.2.5 Test for Heteroscedasticity

The result of the heteroscedasticity is also presented in table 4 as extracted from appendix A. The assumption of homoscedasticity states that if the errors are heteroscedastic then it will be difficult to trust the standard errors of the least square estimates. Hence, the confidence intervals will be either too narrow or too wide. The result shows a chi2 value of 41.44 with a p-value of 0.0000. The result shows a significant p-values indicating that the assumption of homoscedasticity of the pool OLS regression results have been violated. Hence, the study re- specifies the model to control for this violation by employing the twin panel regression of fixed and random effects as recommended by (Greene, 2003).

4.2.6 Panel Fixed and Random Effect Regression

The result from the panel fixed effect as presented in table 4 shows an F-statistics value of 303.81. The probability value of 0.0000 indicates that on the overall, the fixed effect regression model is fits for statistical inference. The result indicates that the fixed effect regression had an R-squared value of 0.8967. This implies that the independent and control variables of the study could explain 90% of the systematic changes in the dependent variable of financial reporting of the pool deposit money banks during the period under study. However, the unexplained part of financial reporting as measured in terms of Jones Discretionary Accrual has been captured by the error term. Similarly, the result from the panel random effect as presented in table 4 shows a Wald statistics value of 1313. The probability value of 0.0000 indicates that on the overall, the random effect regression model is fits for statistical inference.

The result indicates that the random effect regression had an R-squared value of 0.8966. This implies that the independent and control variables of the study could explain 90% of the systematic changes in the dependent variable of financial reporting of the pool deposit money banks during the period under study. However, the unexplained part of financial reporting as measured in terms of Jones Discretionary Accrual has also been captured by the error term. However, to decide on which regression technique to rely on for interpretation and policy recommendation between the fixed and the random effect regression for the respective countries, the Hausman Specification test is employed.

4.2.7 Hausman Specification Test

The Hausman is based on the null hypothesis that the random effect model is preferred to the fixed effect model. Specifically, a look at the p-value of the Hausman test for {1.26 [0.8688]} implies a non-significance at 1% or 5% level. This implies that the study should adopt the random effect panel regression results in drawing the conclusion and recommendations. This also implies that the random effect results tend to be more appealing statistically when compared to the fixed effect. Following the above, the discussion of the random effect results became imperative in testing the hypotheses. However, random effect in itself is a problem due to the present of unobserved variances in the variables. Hence, the study employed the Hierarchical regression to control for the unobserved variances in the variables in the random effect regression.

4.2.8 Hierarchical Regression

As Cohen, (2008) and Wampold & Freund, (1987) noted, hierarchical regression has been designed to test such specific, theory-based hypotheses. In hierarchical regression, the focus is on the change in predictability associated with predictor variables entered later in the analysis over and above that contributed by predictor variables entered earlier in the analysis. Change in R^2 (ΔR^2) statistics are computed by entering predictor variables into the analysis at different steps. A predetermined, theoretically based plan for the order of predictor variable entry, held at the discretion of the researcher, is imposed on the data. Statistics associated with predictor variables entered in later steps are computed with respect to predictor variables entered in earlier steps. Thus, ΔR^2 and its corresponding change in F (ΔF) and p-values are the statistics of greatest interest when using hierarchical regression (Wampold & Freund, 1987).

The corresponding ΔF value for ΔR^2 would allow a researcher to determine if the ΔR^2 statistics significantly improve the model's ability to predict the effect of the independent variable on the dependent variable. With a focus on ΔR^2, rather than on β or structure coefficients (Courville & Thompson, 2001; Thompson & Borrello, 1985), less attention is given to how predictor variables are re-evaluated on the basis of their corresponding βs and structure coefficients when other predictors are added to the analysis, as was often done in stepwise regression. Based on this, the study employed the hierarchical regression for policy interpretation.

4.3 Test of Hypotheses

Following the above, the discussion of the hierarchical regression results became imperative in testing our hypotheses. Below is a specific analysis for each of the independent variables using the hierarchical regression as it relates to the model.

4.3.1 Hypothesis One: Auditor's Industry Specification has no Significant Effect on the Financial Reporting of Listed Deposit Money Banks in Nigeria.

Auditor's industry specialization {-0.052 (0.152)} as an independent variable to financial reporting appears to have a negative and insignificant influence on financial reporting as measured by Jones discretionary accrual. This therefore means the study should accept the null hypothesis {H01: Auditor's industry specification has no significant effect on the financial reporting of listed deposit money banks in Nigeria}. This implies that an increase in the engagement of an auditor, who is an industry expert, by the listed deposit money banks will insignificantly decrease Jones Discretionary Accrual and thus improve financial reporting during the period under study.

4.3.2 Hypothesis Two: Audit Committee Composition has no Significant Effect on the Financial Reporting of Listed Deposit Money Banks in Nigeria.

Audit committee composition {-0.011 (0.000)} as an independent variable to financial reporting appears to have a negative and significant influence on financial reporting as measured by Jones discretionary accrual. This therefore means we should reject the null hypothesis {H02: Audit committee composition has no significant effect on the financial reporting of listed deposit money banks in

Nigeria}. This implies that an increase in the number of audit committee members will significantly decrease Jones Discretionary Accrual and thus improve financial reporting during the period under study.

4.3.3 Hypothesis Three: Auditor's Tenure has no Significant Effect on the Financial Reporting of Listed Deposit Money Banks in Nigeria.

Auditor's tenure {-0.002 (0.000)} as an independent variable to financial reporting appears to have a negative and significant influence on financial reporting as measured by Jones discretionary accrual. This therefore means we should reject the null hypothesis {H03: Auditor's tenure has no significant effect on the financial reporting of listed deposit money banks in Nigeria}. This implies that an increase in the number of years of auditor's engagement will significantly decrease Jones Discretionary Accrual and thus improve financial reporting during the period under study.

4.4 Discussions of Findings

This study provides evidence on the effect of auditor's report quality on the financial reporting of listed deposit money banks in Nigeria. Since, the study is an extension of existing studies, only few findings in literature are not in agreement with the current positions of this study. We find that auditor's industry specialization has a negative and insignificant influence on financial reporting as measured by Jones discretionary accrual. This implies that an increase in the engagement of an auditor, who is an industry expert, by the listed deposit money banks will insignificantly decrease Jones Discretionary Accrual and thus improve financial reporting during the period under study. The result is inconsistent with those of Gramling, Johnson, and Khurana (2001) who found a positive relation between auditor industry experience and the ability of client earnings to predict future cash flows and increase financial reporting quality.

Furthermore this study is inconsistent with those of Dunn and Mayhew (2001) who found a positive relation between auditor industry specialization and analyst (AIMR) rankings of disclosure quality in unregulated industries. These studies came to a consensus that industry specialist auditors may constrain earnings management not only through the audit of financial statements but also through their interaction with the client's internal corporate governance mechanisms including board of directors. However, we also find inconsistency with the studies of Balsam *et al*. (2003) who examine the association between auditor industry specialization and earnings quality. They find that auditor industry specialization is negatively associated with absolute discretionary accruals and is positively associated with earnings response coefficients.

The results as it specifically relates to audit committee composition reveals that audit committee composition has a negative and significant influence on financial reporting as measured by Jones discretionary accrual. This implies that an increase in the number of audit committee members will significantly decrease Jones Discretionary Accrual and thus improve financial reporting during the period under study. The Audit committee has for a long time been viewed as indispensable in the organization in helping with the oversight of executive management by administering the oversight responsibilities in respect of accounting, finance, and internal audit functions. Hence, we find consistency with the studies of Calomiris and Carlson, (2016) whose study noted that one of the primary reasons for the setting up of audit committee is to further improve the earnings and financial reporting. Particularly, the study note that with respect to resource dependence theory audit committee size has been considered too highly resourceful, thereby improving the financial reporting as a result of diverse skill expertise and experience they share amongst themselves.

However, the study found inconsistency with the studies of Bronson (2009) who found negative relationship between audit committee size and financial reporting. They report that the benefits of audit committee independence and size are consistently achieved only when the audit committee is completely independent, providing support for the Combined Code (2008) & SOX (2002) requirements. Finally, the study found that auditor's tenure has a negative and significant influence on financial reporting as measured by Jones discretionary accrual. This implies that an increase in the number of years of auditor's engagement will significantly decrease Jones Discretionary Accrual and thus improve financial reporting during the period under study. The study confirms that the main purpose of the audit is to determine whether the information presented in the financial statements reflects the results of performance and financial position fairly. Hence, the study find consistency with the studies of Patterson *et al*., (2019) who argued that auditors can gain a great deal of experience and knowledge of the company's operations and system processes over time, thereby increasing financial reporting quality.

Furthermore, there was a consistency with the studies of DeFond and Zhang (2014) who reviewed the auditor tenure literature and concluded that the results of previous research indicate that long tenure can enhance financial reporting quality. However, the study negate the studies of Farhangdoust and Sayadi, (2020) whose study find that an important factor that can diminish the financial reporting quality is auditor tenure, because as auditor tenure increases, the auditor becomes more dependent on the client and financial reporting quality decreases.

5. Conclusion and Recommendations

The study delved into the impact of audit report quality on financial reporting using samples from listed deposit money banks in Nigeria spanning 2010 to 2022. Auditor industry specialization, audit committee composition, and auditor tenure were the proxies for audit report quality, while financial reporting quality was measured through Jones Discretionary Accrual. Employing panel hierarchical regression analysis, the research scrutinized the cause-and-effect relationships between these variables and tested formulated hypotheses.

Empirical findings regarding the study's objectives are as follows: Auditor industry specialization exhibited a negligible and non-significant influence on financial reporting (coefficient -0.052, p-value 0.152). In contrast, audit committee composition showed a significant and negative impact on financial reporting (coefficient -0.011, p-value 0.000). Similarly, auditor tenure revealed a significant negative relationship with financial reporting (coefficient -0.002, p-value 0.000). This study firmly established a connection between audit report quality determinants and financial reporting. Specifically, it concluded that increased engagement of industry-specialist auditors insignificantly reduces Jones Discretionary Accrual, thus enhancing financial reporting. Moreover, a higher number of audit committee members significantly improves financial reporting. Similarly, longer auditor tenure contributes positively to financial reporting quality.

Based on the findings of this study, several recommendations were offered to enhance financial reporting quality in the context of listed Nigerian deposit money banks:

1. It is advised that banks should consider engaging auditors with industry-specific expertise. While the impact might not be substantial, industry-specialist auditors could contribute valuable insights that might help improve financial reporting accuracy and transparency.
2. The banks should focus on strengthening and diversifying their audit committees. Increasing the number of audit committee members can contribute to better oversight, governance, and ultimately lead to enhanced financial reporting.
3. To mitigate potential complacency or familiarity threats, deposit money banks should periodically rotate external auditors. A fresh perspective can help maintain a high standard of financial reporting and prevent undue influences that prolonged auditor tenure might inadvertently bring

6. References

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