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# Impact of Audit Committee Attributes on Financial Reporting Quality of Listed Deposit Money Banks in Nigeria

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## ABSTRACT

Financial report of Deposit Money Banks is helpful for various decisions making by the users, for the report to be relevant in enhancing decision making; the preparation of financial report depends on the effectiveness of corporate governance mechanisms put in place in the organization. This study examines impact of audit committee attributes on financial reporting quality of listed Deposit Money Banks in Nigeria. A descriptive research design was utilized to achieve the objective of this study. The population of this study consists of all Deposit Money Banks (DMBs) listed on the Nigerian Stock Exchange and operating as at 31st December, 2017. Data were collected from the annual reports and accounts of fifteen (15) sampled DMBs spanning from 2012 to 2017. The findings of the study disclosed that Audit committee size, audit committee meetings, and audit committee independence have an insignificant positive effect on financial reporting quality, while Audit committee expertise has a significant positive effect on the financial reporting quality of listed Deposit Money Banks in Nigeria. Based on the above findings, the study recommends that the regulators of the code of corporate governance in Nigeria for listing requirements (Nigerian Stock Exchange), as well as the DMBs' management, should as a matter of requirement, revisit practices of corporate governance and ensure that all board committees (especially audit committee) attributes are effectively put in place and efficiently monitored to ensure quality financial report of listed DMBs in Nigeria.

**Keywords:** Audit Committee, DMBs, Financial Reporting Quality

## 1. INTRODUCTION

Deposit Money Banks (DMBs) as the largest financial intermediary in the Nigerian capital market protect the interest of shareholders by providing safety and returns to their investment, while government and the public are more interested in a safe and stable banking systems and the employees are more interested in sustained employment. The disclosure of financial report by the DMBs plays an important role in providing high quality financial information about the company's financial position and performance that is useful to potential investors, shareholders, creditors, employees, management, financial analysts, regulators and other stakeholders for efficient economic decisions (International Accounting Standard Board, 2013). The quality of financial reporting is a function of the quality of corporate governance mechanism and the corresponding regulatory enforcement (Samaila, 2014). Audit committee is an operating committee of the board of directors that is charge with the overseeing financial reporting and disclosure (Choi, Han, & Lee (2014). The AC ensures that the quality of the financial reporting of the company, oversees whether the financial statement of the company presents the main activities and resources of the company, It also oversees whether the financial statement is prepared fairly by using the personal experience and skills of its members as well as recruiting internal and external auditors to help it enhance the Financial Reporting Quality of the company and the AC assists the Board of Directors in fulfilling its legal duties related to the issues of accounting, auditing, internal control, and financial reporting (Annuar & Abdul Rashid, 2015).

The DMBs through the corporate mechanism protect the interest of shareholders by providing safety and returns to their investment, government and the public are more interested in a safe and stable banking systems and the employees are more interested in sustained employment. The reverse has been the case, the inability of these DMBs in Nigeria and elsewhere around the world to perform adequately their duties have been attributed to ineffective corporate governance (Sunusi, 2011). Inadequate reporting framework, weak capacity and enforcement and resorting to creative accounting by managers to boost figures in financial statements are other problems that hinder the compliance with standards (IMF, 2013; Sanusi & Izendonmi, 2014). In a similar fashion, Imeokparia (2013) consider inadequate financial report disclosure and non-compliance with requirements of financial reporting standards attributed the crisis in Nigerian DMBs. Eriabie and Izendonmi (2016) and Al-Shaer, Salama, and Toms (2017) consider Enron and WorldCom in the US and other high profile financial scandals like the Afribank in Nigeria. Based conflicting results on the review of related literatures on the impact of audit committee attributes on the

financial reporting quality, this study therefore, examined impact of audit committee attributes on the financial reporting quality of listed DMBs in Nigeria.

## 2. LITERATURE REVIEW

Marx (2009) defines audit committee as a sub-committee of the board of directors that consists of independent non-executive members with financial and other expertise. The committee is charged with the oversight role: to serve as a focal point for communication between the Directors, external auditor and Internal Audit Department, to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, and monitoring and reviewing the effectiveness of the Group's internal controls and the adequacy of the external and internal audits, to review the appointment of external auditor on an annual basis as well as to oversee the relationship with the external auditor to ensure continuing auditor independence, to review the Group's assessment of corruption risks and related mitigating controls. Ruzaidah and Takiah (2004) showed that audit committees of companies with good reporting meet more frequently than those companies with poor reporting. Hollingsworth and Neal (2006) showed that the presence of at least a member of the audit committee with financial expertise increased disclosure of earnings in formativeness thereby lowering the possibility of destructive earnings.

### 2.1 Qualities of Financial Reporting Quality

Financial reporting is considered as having a good quality if it fulfills the qualitative characteristics as aforementioned. The qualitative characteristics, the study uses the IASB (2013) and IFRS (2010) frame work literature which defines financial reporting quality in terms of fundamental and advance enhancing qualitative characteristics underlying decision usefulness. The fundamental qualitative characteristics which are relevance and faithful representation are most important and determine the content of financial reporting information. The enhancing qualitative characteristic of understandability, comparability, verifiability and timeliness also improve decision usefulness when the fundamental qualitative characteristics are established as:

Financial statements that are made public are usually been exposed to scrutiny by an independent external person who guarantees and validates the contents, it is expected that such financial statement can reasonably be relied upon (El-Maude *et al.*, 2015). Faithful representation is the second fundamental qualitative characteristics and to faithfully represent economic phenomena that purport to represent, annual reports must be complete, neutral, and free from material error. Consistent with prior studies, faithful representation is measured using five items referring to neutrality,

completeness, free from material error, verification and verifiability (Jonas & Blanchet, 2000; Cohen *et al.* 2004).

Understandability is referred to, when the quality of information enables users to comprehend their exact meaning (IASB, 2013). Classified and characterized information refers to how well-organized it is easier to comprehend where to search for specific information (Jonas & Blanchet, 2000).also, disclosure information, and in particular the notes to the statement of financial position and statement of profit or loss and other comprehensive income, may be appreciated in terms of explaining and providing more insight into earnings figures (Bozzolan, 2004). The users have a reasonable knowledge of business and economic activities though may lack accounting background, but nonetheless the accounting information should be understandable to them (Samaila, 2014).

Comparability refers to the quality of information that enables users to identify similarities and differences between two sets of economic phenomena (IASB, 2013). In other words, similar situations should be presented the same, while different situations should be presented differently. A difference exists between comparability and uniformity.

Timeliness as one of the qualities of financial reporting refers to the time it takes to disclose the DMBs financial information that is general usefulness to the users for related decision making (IASB, 2010). Accounting information should be made available as at when due and in time for it to be used effectively. Dima (2013), timeliness refers to the fact that if there is undue delay in reporting the information, it may lose its relevance and the management may need to choose between the relative value of the reporting at a certain time and providing reliable information.

## **2.2 EMPIRICAL REVIEW**

Under this sub-section, relevant literature relating to audit committee and financial reporting quality were reviewed: the study of Liu, Tiras, and Zhuang (2014) found that the presence of accounting experts in an audit committee reduced manipulation in the audited financial statement of DMBs in Nigeria. Holtz and Neto (2014) in “effects of board of directors’ characteristics on the quality of accounting information in Brazil” showed that board independence and separation of the roles of chairman and executive director positively influenced the quality of accounting information. These findings imply that stronger governance structures have a positive impact on the quality of reported accounting information. Eriabie and Izedonmi (2016) showed that audit committee attributes, such as frequency of meetings, financial literacy, independence, size, and meeting attendance had a positive and significant effect on

financial reporting quality in Nigerian companies. Furthermore, the numerical size of the board of directors also showed a positive relationship with the quality of financial reports released by the banks. with a coefficient of regression value of 0.00323 which indicates that one unit increase in size of board of directors will lead to 0.00323 units increase in quality of financial reports and vice versa. This implies a very weak effect of the size of the board of directors on the quality of financial reporting. This finding contradicts the findings of Kipkoech and Rono (2016) attempted to establish the effect of audit committee size and experience on firm performance among listed firms Kenya. The research which covered the period 2006 to 2011 utilized the multiple regression analyses hypotheses testing. The findings revealed that having audit members with experience reduced financial misrepresentation and enhanced quality monitoring. The findings further showed that audit committee size and experience significantly affected the performance of the firms. The study results have conflicted with the study of Moses, Ofurum, and Egbe (2016) in “audit committee characteristics and quality of financial reporting in quoted Nigerian banks” used five years documentary records from the annual reports and accounts of fifteen banks which were analyzed using correlation and modified Jones model. The findings indicated no significant impact between audit committee size and the quality of financial reporting in quoted Nigerian banks. Among other things, the paper recommended that audit committee size be considerably enlarged with members having accounting and finance knowledge making up the majority.

According to Daghsni, Zouhayer, and Mbarek (2016), “the board independence is considered the most important factor influencing the effectiveness of the board of directors in reducing the discretionary and opportunistic actions of the manager”. Moses, Ofurum, and Egbe, (2016) examined the influence of audit committee characteristics on quality of financial reporting in listed Nigerian banks. The study used documentary records gotten from the financial statements of fifteen twelve monthly reports and accounts of the banks whose stocks are traded in the Nigerian Stock Exchange. The research utilized correlation. The outcomes of the study depicted that audit committee independence has no significant effect on earnings management in quoted Nigerian banks. The above study has only examined one of the characteristic of audit committee neglecting other features of the audit committee which are also very important in influencing the financial reporting quality of the DMBs in Nigeria.

Umobong and Ibanichuka (2017) examined the audit committee characteristics and financial reporting quality of food and beverage firms using secondary data obtained from the Nigeria Stock Exchange. Financial expertise and Audit committee independence were regressed against financial reporting quality measured by

relevance and reliability. The findings showed that an increase in audit committee independence, financial expertise of members, firm age and frequency of meetings increases financial reporting quality. While the increase in audit committee size and firm size decreases reporting quality. The weaknesses of audit committees in particular and other corporate governance mechanism in general were highlighted by several financial disgraces in the world (e.g. Enron, Parmalat) at the turn of the millennium (Bajra & Cadez, 2017).

Umobong and Ibanichuka (2017) who confirmed in their research that an increase in audit committee independence, financial expertise of members, firm age and frequency of meetings increases financial reporting quality. While the increase in audit committee size and firm size decreases reporting quality. Similarly, study of Adebisi (2017) showed that board composition had a positive relationship with the quality of financial reports of commercial banks, with a coefficient of regression value of 4.0558 which indicates that higher numbers of independent members represented in the board of directors will lead to higher levels of quality of financial reports.

Ibrahim and Jehu (2018) examined board composition and financial reporting quality of Nigerian firms between 2011 and 2016 using multivariate regression analyses, the results suggested that the proportions of non-executive directors, as well as that of the independent non-executive directors, have a negative and significant relation with abnormal accruals, which in turn improves the quality of financial reporting. However, the board size was not statistically significant. This study uses period before adoption of IFRS in Nigeria and it used on audit size and compositions as proxies to financial reporting quality. Thus, this study is looking at both Audit and Risk management committees and using both size, experts, independence and audit meeting on financial reporting quality.

Onyabe, Okpanachi, Nyor, Onipe, and Mohammed (2018) examined the effect of the audit committee meeting and expertise on financial reporting quality of banks in Nigeria. The study obtained data from the NSE fact-books and the financial statements of fifteen DMBs, cross sectional and time series research design over a period of ten years from 2007-2016. Financial reporting quality was measured using the modified Jones (1991) model. The findings showed that the audit committee meeting had a positive but statistically insignificant effect on financial reporting quality. Also, that audit committee expertise had a negative effect on the financial reporting quality of the banks, while the audit committee composed of more independent members has a positive effect on the financial reporting quality of commercial banks in Nigeria. This study also covered period before IFRS adoption.

The implication of these results is that the tenure of audit committee members is not important when considering the financial reporting quality of deposit money banks in Nigeria while Bajra, and Cadez (2018) examine whether Audit Committees are associated with an improved financial reporting quality. The sample of the study is the Nigerian listed companies for the year ended 2010. Data was gathered from annual reports. Findings show that there was a weak association between the characteristics of audit committee and improved financial reporting quality. The audit committee independence and expertise are found to significantly associate with improved financial reporting quality. Audit committee meets 4 to 5 times a year and audit committee size consists of 4 members. The result also shows that 70% of the sample firms employed Non-Big 4 auditors. These findings provide evidence on the mandatory audit committee requirement under the NSE listing rules on how the companies respond towards the Code.

The recent study of Moses (2019) investigates the relationship between audit committee composition, the board of directors' characteristics and the quality of financial reports of commercial banks in Nigeria. The data for the study was collected from the annual reports of fifteen (15) commercial banks a period of ten (10) years from 2009 to 2018. The Jones quality of accruals model and the ordinary least square method of regression were used to analyze the data for the study. The findings of the research showed that the audit committee composition and size have a positive effect on financial reporting quality. Finally, the findings showed that board composition has a positive relationship with the quality of financial reports. Hence, it is concluded that the audit committee composition effect on the quality of financial reporting even though in the right direction is much too weak to deliver the desired results. In addition, the effect of the size and composition of the board of directors does not have much effect on the quality of financial reports of commercial banks. This study is on the relationship not impact and the study examined only audit size and audit composition relationship on financial reporting quality of commercial banks. These studies reviewed on audit committee above have conflicting results in assessing the effect of audit committee attributes and the studies failed to examine the effect of Audit committee on financial reporting quality of the DMBs being a compulsory board committees. This study therefore, examined the effect of Audit committee (size, experts, independence and meeting) on the financial reporting quality of the DMBs in Nigeria.

### 3. METHODOLOGY

This study adopted descriptive research design where the population of this study comprised all sixteen (16) DMBs listed on the Nigerian Stock Exchange and operating as at 31st December 2017. Purposive sampling technique was used where sample size of the study was drawn from the population using listing as criteria of filtering. Base on the year of listing of 2012 considered by this study, Jaiz Bank was dropped as not listed as at that year. Data was sourced through the annual reports and accounts of the listed DMBs. Multiple regression technique was used to analyse the data based on the application of panel data from listed DMBs using STATA version 14 software, this is because the OLS-multiple regression explained the variation of the dependent variable due to variation in any of the independent variables. Hair, Black, Babin and Anderson (2010) insisted that multiple regression analysis is the best framework for use with a single dependent variable and multiple independent variables as in this study. Stata software was selected for this study because it is free of errors and one of the most commonly used software in panel data study. The panel data methodology was employed because panel data are more informative, more efficient with higher degree of freedom and lesser collinearity. This is in consistence with the prior studies of Amoako & Asante, (2012); and Hossain, (2014).

### 4. RESULTS AND DISCUSSION

In the quest to achieve the stated objective of this study, data were presented analysed and results were discussed in this subsection. Table 4.1 presents the descriptive statistics involving the mean, minimum, maximum, standard deviation, skewness and kurtosis of the independent and the dependent variables of the study.

**Table 4.1: Descriptive Statistics of the Study Variables**

Variables	Obs	Mean	Std. Dev.	Min	Max	Skewness	Kurtosis
IFRS7-C	90	0.553	0.169	0.29	0.85	0.067	1.663
FRQ	90	3.341	0.287	3.044	4.007	1.310	3.527
ACSZE	90	6.000	1.209	4.000	8.000	-0.077	2.021
ACEXP	90	0.218	0.053	0.090	0.340	0.135	2.536
ACMET	90	3.956	2.016	1.000	8.000	0.375	2.045
ACIND	90	0.756	0.138	0.5000	1.000	-0.022	1.986
PROFT	90	0.113	0.104	-0.028	0.353	0.891	2.370
LEVRG	90	0.743	0.287	0.001	0.995	-1.940	5.093
AUDQL	90	0.467	0.502	0	1	0.134	1.018

*Note:* IFRS7-C=International Financial Reporting Standard-7 Compliance; FRQ=Financial Reporting Quality; ACSZE=Audit Committee Size; ACEXP=Audit Committee Expertise; ACMET=Audit Committee Meeting; ACIND=Audit Committee Independent; PROFT=Profitability; LEVRG=Leverage; AUDQL=Audit Quality



From the result of the descriptive statistics in Table 4.1, it is evident that financial reporting quality of the listed DMBs in Nigeria is averagely moderate with the (mean=3.341), minimum value 3.044 (moderate), maximum is 4.007 (Good Financial Reporting Quality). This is an indication that there is adequate financial reporting quality in the listed Deposit Money Banks in Nigeria.

In addition, the descriptive statistics result shows that Audit Committee Size (ACSZE), has a mean value of 6, minimum of 4, maximum of 8 and a standard deviation of 1.209. Moreover, Audit Committee Expertise (ACEXP) has a mean value of 0.218(21.8%), a minimum value of 0.090(9.0%), maximum value of 0.340 (34.0%) and a standard deviation of 0.053. Audit Committee Meeting (ACMET) has a mean value of 3.9 times with a minimum of 1 time and a maximum of 8 meetings, a standard deviation of 2.016. Further, the result from Table 4.1 portrays that audit committee independence (ACIND) has an average value of 0.756(75.6%), minimum value of 0.50(50%), a maximum of 1.00 (100%), with a standard deviation of 0.138. This indicates that Audit Committee members are highly independent and capable of affecting the quality of financial reporting of listed Deposit Money Banks in Nigeria.

In consideration to the control variables in this study, profitability (PROFT) has a mean values of 0.113 at (11.3%), a minimum value of -0.028 at (-2.8%), a maximum value of 0.353 at (35.3%), with a standard deviation of 0.104. leverage (LEVRG), its mean score is 0.743, minimum score is 0.001, while the maximum score is 0.995, and the standard deviation stood at 0.287. For audit quality (AUDQL), the mean score is 0.467(46.7%), minimum of 0(non-big 4) and maximum of 1(big4), with a standard deviation of 0.502.

**Table 4.2: Pearson Correlation Matrix**

Variables	1	2	3	4	5	6	7	8	9
1. FRQ	1								
2. ACSZE	0.030	0.164	1						
3.ACEXP	0.004	0.287***	0.027	1					
4.ACMET	0.150	0.096	0.094	-0.146	1				
5. ACIND	-0.122	0.165	0.146	-0.232**	0.365***	1			
6. PROFT	0.188*	0.034	0.004	0.282***	0.352***	-0.032	1		
7.LEVRG	-0.203	-0.094	0.014	0.159	0.526***	0.238**	0.032	1	
8.AUDQL	-0.068	-0.151	0.001	0.105	-0.193	-0.136	0.276***	0.008	1

*Note:*\*\*\*, \*\*, \* indicate statistically significant at 1%, 5% and 10%, respectively. FRQ=Financial Reporting Quality; ACSZE=Audit Committee Size; ACEXP=Audit Committee Expertise; ACMET=Audit Committee Meeting; ACIND=Audit Committee Independent; PROFT=Profitability; LEVRG=Leverage; AUDQL=Audit Quality.

The correlation result from Table 4.2 shows that audit committee size (ACSZE), audit committee expertise (ACEXP), and audit committee meeting (ACMET) have insignificant positive relationship with financial reporting quality. Audit committee independence (ACIND), leverage (LEVRG), and audit quality (AUDQL) are negative and insignificantly associated with financial reporting quality as shown in Table 4.2. Equally important, none of the correlation coefficient of the explanatory variables is above 0.80, as such, the data in this study is free from multicollinearity problem (Gujarati, 2009).

#### 4.1 Discussion of Multiple Regression Results

Although the main regression result utilized in this study is Fixed Effect (FE) model since the result of Hausman specification test favoured Fixed Effect model on Random Effect model. The reason is to examine how the variables have behaved under the Fixed Effect and Random Effect models. But the main concern of the result interpretation lays on the result of Fixed Effect model. Worthy of note, the Random Effect model assumes that individual effect is characterized as random and inference relating to the population from which a sample was drawn randomly (Baltagi, 2008). Moreover, Baltagi added that the random effect model is the most fitting specification where  $N$  individuals are drawn randomly from a large population. Hence, the results of Fixed Effect and Random Effect models are presented in table 4.3.

**Table 4.3: Result of Fixed Effect and Random Effect Regression Models**

Variables	Fixed effect model		Random effect model	
	Coef.	t-stat.	Coef.	t-stat.
Constant	5.8232	4.83***	5.4572	4.61***
<i>Independent:</i>				
IFRS7-C	0.3567	1.37*#	0.2749	1.05
ACSZE	0.7493	0.63	0.043	0.34
ACEXP	0.2512	2.65***	0.1979	2.07**
ACMET	0.0627	0.26	0.0639	0.29
ACIND	0.0244	0.31	-0.0397	-0.54
<i>Control:</i>				
PROFT	-0.9962	-2.45**	-0.8579	-2.12**
LEVRG	-0.0109	-0.28	-0.0474	-1.24
AUDQL	-0.0605	-1.80*	-0.0212	-0.65
Observations	90		Obs.	90
Categories	15		Categories	15

Variables	Fixed effect model	Random effect model	
F (11, 64)	3.01	Wald chi2 (12)	38.98
Prob>F	0.0022***	Prob>chi2	0.0001***
R <sup>2</sup>	0.7638	R <sup>2</sup>	0.3417
Adj. R <sup>2</sup>	0.6663		

**Note:**\*\*\*, \*\*, \* indicate statistically significant at 1%, 5% and 10%, respectively; # = significant @ 10% two-tailed. ACSZE=Audit Committee Size; ACEXP=Audit Committee Expertise; ACMET=Audit Committee Meeting; ACIND=Audit Committee Independent; PROFT=Profitability; LEVRG=Leverage; AUDQL=Audit Quality.

From the regression result in Table 4.3, the R<sup>2</sup> value under the Random Effect model is 0.3417, indicating that the explanatory variables in this study accounted for 34.17% of the variations in the dependent variable (Financial Reporting Quality). In addition, the model is significant based on the Wald chi2 (38.98,  $p < 0.01$ ), indicating a goodness of fit and validity of the model. The result also shows that under the RE model, audit committee expertise (ACEXP) has a significant positive effect on FRQ at 5% level of significance ( $\beta = 0.1979$ ;  $p < 0.05$ ). Other explanatory variables have insignificant positive and negative impact on FRQ as shown by the regression result under the RE model. Specifically, audit committee size (ACSZE), and audit committee meeting (ACMET) have insignificant positive effect on FRQ While audit committee independence (ACIND) has an insignificant negative impact on FRQ. In consideration to the control variables in this study, the result for RE model shows that profitability (PROFT) has a significant negative effect on FRQ at the 0.05 significant level ( $\beta = -0.8579$ ;  $p < 0.051$ ), whereas, leverage (LEVRG) and audit quality (AUDQL) have insignificant negative effect on FRQ.

More importantly, the main regression result utilized by this study is that of Fixed Effect Model as shown in Table 4.3. The result shows that the Fixed Effect (FE) model has a R<sup>2</sup> value of 0.7638, indicating that the explanatory variables in this study accounted for 76.38% of the variations in Financial Reporting Quality (FRQ). Moreover, the model has an adjusted R<sup>2</sup> value of 0.6663, signifying that only those explanatory variables that are significant have accounted for 66.63% of variations in the financial reporting quality of listed Deposit Money Banks in Nigeria. Equally important, the model as a whole is statistically significant ( $F = 3.01$ ,  $p < 0.01$ ), showing the goodness-of-fit and the validity of the model utilized which is good for statistical inference. Additionally, the Fixed Effect regression result from Table 4.3 portrays that audit committee size (ACSZE) has positive, but insignificant effect on Financial Reporting Quality of listed deposit Money Banks in Nigeria ( $\beta = 0.7493$ ;

$p > 0.10$ ). This result opposes the findings of Vafeas (2005) and the proposition of agency theory but supports Hypothesis one (Ho1) which states that audit committee size has no significant effect on financial reporting quality of listed Deposit Money Banks in Nigeria. Contrastingly, the result from Table 4.3 shows that audit committee expertise (ACEXP) has a significant positive effect on financial reporting quality (FRQ) at 1% statistical significance ( $\beta = 0.2512$ ;  $p < 0.10$ ). This outcome supports the findings of Anderson *et al.* (2004) alongside agency and resource dependence theory but opposes hypothesis one (Ho1) of this study which states that audit committee expertise has no significant effect on financial reporting quality. This is an indication that any increase in the expertise of members of audit committee will lead to an increase in the quality of financial reports of listed Deposit Money Banks in Nigeria.

Furthermore, audit committee meeting (ACMET) and audit committee independence (ACIND) are found to be positive, but insignificantly impacting on financial reporting quality of listed Deposit Money Banks in Nigeria with ( $\beta = 0.0627$ ;  $p > 0.10$ ) and ( $\beta = 0.0244$ ;  $p > 0.10$ ) respectively. These results supported hypothesis (Ho1) (which states that audit committee meeting has no significant effect on FRQ of listed DMBs) and (which states that audit committee independence has no significant effect on financial reporting quality of listed DMBs in Nigeria). These results collaborate with the findings of Lin *et al* (2006) but contradict both agency and resource dependence theories.

For the control variables in this study, the regression result in Table 4.3 shows that profitability (PROFT) has a significant negative effect at 5% statistical significance ( $\beta = -0.9962$ ;  $p < 0.05$ ) on the financial reporting quality of listed Deposit Money Banks in Nigeria. In the same vein, audit quality (AUDQL) has a significant negative effect at 10% statistical significance ( $\beta = -0.0605$ ;  $p < 0.10$ ) on the financial reporting quality of listed DMBs in Nigeria. Nevertheless, based on the regression result in Table 4.3, leverage has an insignificant negative effect ( $\beta = -0.1076$ ;  $p > 0.10$ ) on the financial reporting quality of listed Deposit Money Banks in Nigeria.

## 5. CONCLUSION AND RECOMMENDATIONS

Based on the major findings presented on the effect of Audit Committee on financial reporting quality of listed Deposit Money Banks in Nigeria, this study concludes that:

1. Audit Committee size, Audit committee Meeting, have insignificant positive effect on financial reporting quality of listed Deposit Money Banks in Nigeria. This implies that whatever the size and number of meetings of the audit committee will not improve the quality of financial reporting of DMBs in Nigeria. These findings opposed the agency and resource dependence

theories, but supported the hypotheses of the study which states that audit committee size and meeting do not have effect on the financial reporting quality of listed DMBs in Nigeria.

2. Audit Committee experts have a significant positive effect on financial reporting quality of listed Deposit Money Banks in Nigeria. This portrays that an increase in Audit Committee experts would result to an increase in the FRQ of the listed Deposit Money Banks in Nigeria. This finding support agency and resource dependence theories, but do not supported hypotheses of this study which states that audit committee experts do not have effect on the financial reporting quality of listed DMBs in Nigeria.

Based on the finding and conclusions of this study, the following recommendations were made:

1. The supervisors of code of corporate governance in Nigeria for listing requirements (Nigerian Stock Exchange) and best practices for DMBs (Central Bank of Nigeria), as well as the DMBs management, should as a matter of requirements, revisit their practice of corporate governance and ensure that all board committees (especially audit committee and risk management committee) assign to effectively and efficient committee members at the right time to carrying out their duties. This is on the ground that most of the audit committee characteristics have no significant influence on the quality of financial reports of Deposit Money Banks listed in Nigerian.
2. The overseers of Code of Corporate Governance in Nigeria should also, from time to time review the exiting code where necessary to meet the requirements of the global best practice of Code of Corporate Governance without conflicting the Nigerian company laws. This will help in ensuring that corporate governance codes are effectively observed in the operations of the listed Deposit Money Banks in Nigeria, especially in relation to the board of directors and their standing committees.

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