Journal of Accounting and Financial Management E-ISSN 2504-8856 P-ISSN 2695-2211
Vol 11. No. 3 2025 www.iiardjournals.org

Audit Committee Characteristics and Financial Reporting Quality of Listed Commercial Banks in Nigeria

OGBODU, Ese[1] & OKOLIE, A.O[2]
[1]M.Sc. Student, Department of Accounting,
Faculty of Management Sciences, Delta State University, Abraka.
[2]Professor of Accounting, Department of Accounting,
Faculty of Management Sciences, Delta State University, Abraka.
DOI: 10.56201/jafm.vol.11.no3.2025.pg36.49

Abstract
This study investigated the relationship between Audit Committee characteristics and financial reporting quality of listed Commercial Banks in Nigeria. To achieve this objective, research questions and hypotheses were designed in line with two specific objectives. Relevant concepts were reviewed along with the review of empirical literature. The study was anchored on Agency theory. In line with the aforesaid, secondary data were obtained from the financials of 11 commercial banks in Nigeria. Relevant statistical tools were however employed to analyze the data and the hypotheses were tested using probit regression analysis. Based on the results from the analytical procedure of this study, it was observed that in testing the relationship between Audit Committee Independence and financial reporting quality measured by Beneish Mscore of listed Commercial banks in Nigeria, the computed value of 10.14 with a corresponding P value of 0.0015 implying that Audit Committee independence has significant impact on financial reporting quality of listed Commercial banks in Nigeria. Additionally, Audit Committee tenure recorded F_{-stat} of 0.12 with a corresponding P value of 0.7345 implying that Audit Committee tenure has insignificant relationship with financial reporting quality of listed Commercial banks in Nigeria. The study therefore recommends that Regulators in banking sector should insist on mandatory professional qualification suggested by Federal reporting council of Nigeria in 2016 draft of suspended National code of Corporate governance in order to strengthen the skill and diligence of audit committee.

Keywords: Audit Committee; Return on assets; Return on equity; Financial reporting quality; Commercial banks

1. Introduction

The quality of financial reporting is essential not only for end-users but also for the overall economy, as it significantly influences financial and investment decisions. The primary goal of financial reporting is to deliver precise, relevant, and reliable information to all users of accounting data. For stakeholders and external users, financial reports serve as a vital and consistent source of accounting information. Corporate financial performance plays a crucial role in shaping business direction and serves as a foundation for decision-making among stakeholders. However, several high-profile corporate failures, such as those of Enron, WorldCom, and Cadbury, have been linked to weaknesses in corporate governance. These incidents have undermined stakeholders' confidence in the existing corporate governance framework and financial reporting systems (Biddle, Hilary & Verdi, 2019). Additionally, they have highlighted the governance challenges faced by corporations, which significantly impact their future growth prospects and business opportunities on a global scale.

Financial reporting examinations play a crucial role in building and maintaining stakeholder trust while also offering valuable insights to organizations. However, due to familiarity and the desire to retain major clients, external auditors often collude with their clients to manipulate financial statements and misrepresent financial positions, ultimately working against shareholders' interests in an attempt to influence the stock market (Bamidele, Ibrahim & Omole, 2020). Corporate financial performance is a key factor in determining a company's direction and serves as a foundation for stakeholder decision-making. However, several widely publicized corporate failures, including those of Enron, WorldCom, and Cadbury, have been attributed to weaknesses in corporate governance. These failures have significantly eroded stakeholders' confidence in the current corporate governance framework and financial reporting systems (Ofoegbu & Okoye, 2021). Furthermore, they have exposed the governance challenges faced by corporations, which substantially impact their future growth prospects and business opportunities on a global scale.

As a result, these crises have prompted a search for effective ways to manage corporate entities while highlighting the connection between a firm's management structure and its overall performance. This has underscored the necessity for sound and effective corporate governance within organizations (Ofoegbu & Okoye, 2021). Given the banking sector's critical role in the economy, the Central Bank of Nigeria (CBN) introduced a Code of Corporate Governance for Banks in Nigeria Post-Consolidation in 2006, which took effect in April of that year. This code defines corporate governance as a system through which corporations are directed and controlled to enhance shareholder value while also meeting the expectations of other stakeholders (CBN, 2006). The code specifically requires banks to establish three key board committees: the Board Credit Committee, Board Audit Committee, and Board Risk Management Committee. These committees are intended to enhance the board's effectiveness in overseeing and regulating management activities and banking operations, ensuring optimal performance. The Board Audit Committee, in particular, is responsible for assessing systems, processes, and procedures that govern operations, as well as reporting the bank's financial status to stakeholders.

The code mandates that every bank's board must have an effective and efficient audit committee. It specifies that all members of this committee should be non-executive directors and ordinary shareholders appointed at the annual general meeting. Additionally, some members must have expertise in financial matters and internal control processes. The audit committee plays a crucial role in ensuring the integrity of a bank’s financial reporting while also overseeing the independence and objectivity of external auditors. This function is regarded as a key mechanism for enhancing economic efficiency and strengthening stakeholder confidence in banks through compliance with financial standards. To fulfill these responsibilities effectively, the audit committee must possess certain essential characteristics. These include committee independence, expertise, tenure, size, and the financial knowledge of its members (Mohiuddin & Karbhari, 2020).

The characteristics of the audit committee play a crucial role in addressing the shortcomings and weaknesses inherent in banks' internal control systems, as well as the errors and limitations associated with external audits. This is because internal control and internal audit functions often lack full independence from management, while external auditors are restricted to the information provided to them, which is largely influenced by management. In contrast, audit committees operate independently of management and have the authority to oversee operations, transactions, documents, and all relevant records necessary for carrying out their duties. With these attributes, audit committees are expected to ensure a true and fair representation of banks' financial performance and position, thereby strengthening investor and stakeholder confidence.

This study is driven by two key factors: first, the recurring instances of bank defaults and failures in Nigeria, and second, the lack of sufficient empirical research on the link between audit committees as a corporate governance mechanism and the performance of deposit money banks. Furthermore, considering the numerous transformations the Nigerian banking sector has undergone to achieve stability and growth, these changes have been informed by research findings highlighting the sector's weaknesses in control and monitoring systems, with the audit committee playing a central role.

2. Review of Related Literature

2.1 Financial Reporting Quality

The concept of financial reporting quality appears to be ambiguous and lacks a precise definition. While various definitions and proxies exist for accounting information quality, they all serve the same fundamental purpose: to help users assess the value of financial information. Financial reporting quality is primarily based on the usefulness of information for decision-making. It has been defined in multiple ways, including as the accuracy with which it conveys business activities in relation to expected cash flows, thereby informing shareholders about a company’s operations. Tang (2020) describes financial reporting quality as the extent to which financial statements fairly and accurately represent a company’s financial position and performance. Similarly, Jonas and Blaurchet (2019) define it as the provision of clear and transparent information that does not mislead investors.

According to the IASB (2008), decision-useful information refers to information about a reporting entity that aids current and potential equity investors, lenders, and other creditors in making informed decisions as capital providers. To effectively evaluate financial reporting quality, it is essential to operationalize the qualitative characteristics of financial statements as outlined in the IASB framework. This approach enables the simultaneous assessment of different dimensions of information and helps determine its decision-usefulness. The benefits of this approach include: providing a comprehensive and direct measurement tool for financial reporting quality that encompasses both financial and non-financial information; offering an in-depth evaluation of the quality of specific elements within annual reports; and assessing how the presentation of specific information in annual reports influences users' decision-making.

2.2 Audit Committee Characteristics

Audit committees play a vital role in strengthening the integrity and reliability of financial reporting, risk management, and internal control systems. To prevent conflicts of interest, an audit committee should primarily comprise independent directors, ensuring objective decision-making and impartial oversight of financial reporting and auditing processes (Bedard, 2020). Additionally, at least one member should be a financial expert, as this expertise is essential for understanding complex financial statements, accounting standards, and auditing practices.

Committee members should have relevant industry experience and knowledge to effectively assess organizational risks and operational complexities. They are also expected to stay informed about regulatory changes and emerging risks while remaining actively engaged in their responsibilities (Cohen, 2019). Furthermore, the audit committee should have the authority to consult independent advisors and must be equipped with adequate resources to fulfill its duties efficiently. Regular meetings, along with additional sessions as needed, ensure continuous oversight of financial reporting and auditing activities. Collectively, these attributes enhance the audit committee's effectiveness, contributing to improved corporate governance and financial reporting quality.

2.3 Audit Committee Independence and Financial Reporting Quality

There is a vast body of empirical research on the independence of audit committees. While one of the key responsibilities of an audit committee is to ensure fair financial statement reviews, its independence is a crucial factor in enhancing financial reporting quality (Oji & Ofoegbu, 2019). The ability of an audit committee to fulfill its role in ensuring high-quality financial reporting largely depends on its independence. This independence refers to the committee's capacity to remain objective despite external pressures that could compromise its responsibilities (Ofoegbu & Okoye, 2021).

In Nigeria, the Central Bank of Nigeria (CBN) Code of Corporate Governance mandates that the majority of audit committee members be non-executive directors to uphold the committee's independence. Independent audit committee members are generally considered more impartial and less likely to overlook financial reporting irregularities or manipulations. Consequently, this research reviews existing literature on the relationship between audit committee independence and financial reporting quality.

For instance, Ohaka and Tom (2018) examined the link between audit committee independence and financial reporting quality in aluminum corrugating companies in Rivers State. Using a sample of 60 firms and analyzing data through the Ordinary Least Squares Method (OLSM) and multinomial logit analysis, their findings revealed a strong correlation between audit committee independence and financial reporting reliability and consistency, though the relationship with report relevance was weaker. They concluded that audit committee independence significantly impacts financial reporting quality in these companies.

Similarly, Umobong and Ibanichuka (2019) investigated the relationship between audit committee independence and financial reporting quality in Nigeria's food and beverage industry from 2011 to 2014. Their study, using data from the Nigerian Stock Exchange, focused on audit committee independence and financial expertise. The findings indicated that independent audit committees positively and significantly influence financial reporting quality in the foodservice sector.

Conversely, Ormin, Tuta, and Shadrach (2019) explored the impact of audit committee independence on financial reporting quality in publicly traded Nigerian deposit money banks. Their results suggested a negative effect of audit committee independence on financial reporting quality in these institutions. However, their study was limited to only six listed deposit money banks, and they recommended expanding the dataset for more robust conclusions. Beyond Nigeria, Mwangi (2020) examined the relationship between audit committee independence and financial reporting quality in Kenya's quasi-governmental businesses. Using multiple regression analysis, the study found a statistically significant positive relationship between audit committee independence and financial reporting quality. The results suggested that a higher proportion of non-executive members in audit committees enhances financial reporting quality.

2.4 Audit Committee Tenure and Financial Reporting Quality

Audit committees play a vital role in overseeing a company's financial reporting process, internal controls, and external audits. Their primary responsibility is to ensure the integrity and transparency of financial reports, which are crucial for investor confidence and market efficiency. One factor that can significantly impact the effectiveness of audit committees is the tenure of their members, which refers to the length of time an individual has served on the committee (Lee & Lee, 2019).

The impact of audit committee tenure on financial reporting quality remains a topic of debate, with arguments both in favor of and against longer tenures. On one hand, extended tenure can enhance experience and provide a deeper understanding of the company's operations and financial practices. More experienced members are better equipped to detect irregularities and navigate complex financial issues (DeFond & Francis, 2019). Some studies suggest that longer tenure is linked to improved financial reporting quality. For instance, Ghosh, Marra, and Moon (2019) found that extended audit committee tenure is associated with a lower incidence of earnings management, indicating higher financial reporting quality.

On the other hand, the benefits of longer tenure may not be straightforward. Lee and Lee (2019) argue that while longer tenure initially provides advantages, after a certain point, it may lead to reduced independence and increased complacency. This highlights the need for companies to strike a balance between expertise and independence. To maintain effectiveness, periodic evaluations and rotation of audit committee members may be necessary.

In the Nigerian context, concerns over audit tenure persist, particularly in relation to weak corporate governance practices and fraudulent activities that undermine investor confidence in financial reporting. According to the AICPA (2012), long-tenured auditors are better positioned to understand, evaluate, and plan audits while considering regulatory requirements and other improvements for listed banks. However, the uncertainty over whether long or short tenure is more beneficial remains a challenge, as it can impact the independence of the auditor-client relationship (James & Izien, 2019).

For the purpose of this study, audit tenure (ADT) is defined as the number of years an auditor has served a sample bank. If the tenure exceeds three years, it is assigned a value of 1; otherwise, it is assigned a value of 0 (Ndubuisi & Ezechukwu, 2020). Ndubuisi and Ezechukwu (2020) examined the relationship between audit firm tenure and financial reporting quality in selected Nigerian Deposit Money Banks, using agency and stewardship theory. Their findings indicated a positive and statistically significant relationship between audit committee tenure and financial reporting quality.

2.5 Theoretical Framework

The foundation of this research is rooted in agency theory, a concept popularized by Jensen and Meckling (1976) but originally traced back to the work of Berle and Means (1932). This theory examines the contractual relationship between shareholders (principals) and managers (agents), who are often entrenched in their positions. According to Panda and Leepsa (2020), the agency dilemma arises because principals prefer not to engage in the firm's daily management, leading to information asymmetry—where shareholders may be unaware of whether managers are acting in their best interests or pursuing personal objectives. Corporate governance frameworks aim to mitigate these conflicting interests by ensuring alignment between managers and shareholders.

With the modern separation of ownership and control, conflicts of interest between managers and shareholders have become more pronounced. Ideally, managers are expected to oversee corporate affairs profitably, maximizing shareholder value while safeguarding stakeholder interests. They are also responsible for preparing the organization's financial statements. However, two primary factors contribute to agency problems: self-serving interests and managerial discretion. Managers may prioritize personal goals at the expense of the firm's performance, while incentives tied to earnings targets may encourage earnings manipulation (Leepsa, 2019). Given the authority and informational advantage managers hold, they can exploit accounting earnings to manipulate firm performance.

As a result, information asymmetry and managerial discretion often lead to distrust between stockholders and management. To bridge this gap, shareholders implement governance structures such as board representation and audit committees to verify financial performance and ensure the reliability of management reports. These mechanisms help reduce agency costs arising from the separation of ownership and control (Fama & Jensen, 2019). An effective audit committee enhances oversight, preventing unethical managerial practices. In contrast, weak monitoring may allow managers to engage in opportunistic behavior.

In line with agency theory, audit committees are expected to positively influence corporate performance, ensure regulatory compliance, and boost investor confidence. Empirical studies suggest that audit committee effectiveness is strengthened by factors such as size, industry knowledge, experience, and meeting frequency, which enhance both board and audit committee monitoring functions, ultimately improving market confidence (Krishnan & Lee, 2019). Furthermore, Walker (2019) emphasized that the effectiveness of audit committees depends largely on the expertise, critical thinking abilities, skepticism, and dedication of their members.

3.1 Research Methods

This study focuses on the characteristics of the Audit Committee (AC) and the financial reporting quality of listed Deposit Money Banks in Nigeria. The research adopts an ex-post facto design, which is suitable for analyzing and evaluating secondary data. This approach allows researchers to assess the impact of independent variables on dependent variables without personal bias or manipulation.

Secondary data sources were utilized for this study. These include Annual Reports and Accounts, the Central Bank of Nigeria Statistical Bulletin, internet sources, journals, textbooks, and other relevant materials. However, the primary data source was the annual reports of sampled deposit money banks, as these are validated by recognized regulatory bodies. The study specifically examines AC Independence and AC Tenure as key measures of AC characteristics over the period from 2013 to 2023.

The study population comprises the 21 listed commercial banks in Nigeria, as recorded by the Central Bank of Nigeria (CBN) as of June 30, 2023. A sample size of 11 commercial banks was selected using a purposive sampling technique. This method ensures that companies included in the study meet specific criteria, thereby minimizing issues related to missing data and enhancing the reliability of findings. The selection criteria required that banks had continuous operations from 2014 to 2023 and had published annual reports for at least three years within this period. This approach addresses the common challenge of data gaps in developing economies, particularly in corporate record-keeping systems.

$$FRQ_{it} = a_0 + a_1 ACIND_{it} + a_2 ACTEN_{it} + \mu_t \quad - \quad - \quad - \quad - \quad - \quad \text{-eq.1}$$

Given the above, *FRQ* is defined and measured as: Financial Reporting Quality (*FRQ)* = F (Beneish Mscore); ACC is defined and measured as follows:
Audit Committee characteristics (ACC_{it}) = F (ACIND and ACTEN)
Where:

FRQ_{it}	=	Financial Reporting Quality (Beneish Mscore)
$ACIND_{it}$	=	Audit committee Independence (Dummy variable of 1 where the AC is a Independent, otherwise, 0.)
$ACTEN_{it}$	=	AC Tenure (Dummy variable of 1 where the company's AC Members has stayed for 3 years and above and "0" where the AC Members has not served up to 3 years)
U_t	=	Error Terms
$_{it}$	=	Firms at time t.
$a_0, a_1, a_2,$	=	Regressors.

The data analysis package STATA 18 was used to analyze the data. In addition, quantitative data was analyzed using inferential and descriptive statistics. Data analysis approaches such as descriptive analysis (mean, standard deviations, correlation analysis) diagnostic tests (variance inflator factor and probit regression analysis. Quantitative data was presented via tables.

4. **Results**

Table 1: Summary of Descriptive Statistics of the Variables of the Study

Variable	Obs	Mean	Std. Deviation	Minimum	Maximum
FQR	121	0.6115702	.4894197	0	1
ACIND	121	.5206612	.5016502	0	1
ACTEN	121	.677686	.4693058	0	1

Source: STATA 18.0

The descriptive statistics for all variables, both independent and dependent, are presented in Table 1, covering 121 observations corresponding to 11 banks over 11 years. The table provides key statistical measures, including the mean, minimum, maximum, and standard deviation for each variable.

For the dependent variable, Financial Reporting Quality (FRQ), the mean value is 0.6115702, with a standard deviation of 0.4894197. The mean represents the average value recorded across observations, while the standard deviation indicates the degree of variability in the data. The minimum and maximum values for all observations are 0 and 1, respectively.

Regarding the independent variables, which capture Audit Committee (AC) characteristics, AC Independence (ACIND) and AC Tenure (ACTEN) recorded mean values of 0.5206612 and 0.677686, respectively. Their corresponding standard deviations are 0.5016502 and 0.4693058. Additionally, both independent variables have positive minimum and maximum values, indicating variability in audit committee characteristics among the sampled banks.

Table: 2 Result of Correlation

Variables	FRQ	ACIND	ACTEN
FQR	1.0000		
ACIND	0.2875	1.0000	
ACTEN	0.0309	0.0816	1.0000

Source: STATA 18.0

The correlation analysis reveals that the relationships between pairs of independent variables are either positive or negative. A closer examination of the results in Table 2 indicates no evidence of multicollinearity among the variables. This conclusion is based on the Pearson Correlation (Pearson R) values, which range from 0.0309 to 0.2875. Specifically, the lowest Pearson R value of 0.0309 was observed between Financial Reporting Quality (FRQ) and Audit Committee Tenure (ACTEN), while the highest Pearson R value of 0.2875 was found between FRQ and Audit Committee Independence (ACIND). Since none of the independent variables exhibit a Pearson R value near or above 0.80, it can be inferred that multicollinearity is not a concern in this study. This ensures the reliability of the regression analysis results, as multicollinearity could otherwise distort the estimated relationships between variables.

Table 3: Variance Inflator Factor Results

Variable	*ACIND*	*ACTEN*	*Mean VIF*
VIF	1.01	1.01	1.01
1/VIF	0.993339	0.993339	

Source: STATA 18.0

From Table 3, the range of VIF for the independent variables did not exceed the standardized VIF level (1.01<10.00). Overall, the mean VIF obtained is 1.01 which suggests the absence of multicollinearity among the independent variables. This result further confirms the fitness of the specified models in this study.

Table 4: Breusch and Pagan Lagrangian Multiplier result

Breusch-Pagan/Cook-Weisberg Test for Heteroskedasticity	
$Chi^2(1)$	1.09
Prob> chi^2	0.2955

Source: STATA 13.0

The Breusch-Pagan/Cook-Weisberg test examines for heteroskedasticity in a regression model. The results indicate a significant chi-squared value of 1.09 with a p-value of 0.2955 (higher than a typical significance level of 0.05), suggesting strong evidence that there is no heteroscedasticity.

Table 5: Results of Model I (ACIND and FRQ)

Variables	*Symbol*	*Coefficient*	*Std. Err.*	*t-Statistics*	*P>(t)*
Constant	_CONS	-.0865434	.1647924	-0.53	0.599
AC Independence	ACIND	.7485975	.2375869	3.15	0.002
Number of Obs				121	
LR chi^2 *(1)*				10.14	
Prob> chi^2				0.0015	
Pseudo R2				0.0627	

Source: STATA 18.0 * significant at 1% level; ** at 5% level

The results for the test of Hypothesis One, as presented in Table 5, indicate that Audit Committee Independence (ACIND) has a positive impact on Financial Reporting Quality (FRQ). The standard error and coefficient for ACIND are 0.2375869 and 0.7485975, respectively, suggesting a positive relationship between ACIND and FRQ. Furthermore, ACIND recorded a t-statistic of 3.15 with a p-value of 0.002, indicating statistical significance at the 1% level. This implies that, on an individual basis, ACIND has a significant positive relationship with FRQ among listed commercial banks in Nigeria. Given that the computed p-value (0.0015) is below the conventional significance thresholds (1%, 5%, or 10%), the null hypothesis stating that Audit Committee Independence has no significant impact on Financial Reporting Quality is rejected. In summary, the findings suggest that Audit Committee Independence plays a crucial role in enhancing the quality of financial reporting in Nigeria's listed commercial banks.

Table 6: Results of Model II (ACTEN and FRQ)

Variables	*Symbol*	*Coefficient*	*Std. Err.*	*t-Statistics*	*P>(t)*
Constant	_CONS	.2268854	.2025793	1.12	0.263
CEO Tenure	ACTEN	.083724	.246738	0.34	0.734
Number of Obs				121	
LR chi^2 *(1)*				0.12	
Prob> chi^2				0.7345	
Pseudo R2				0.0007	

Source: STATA 18.0 * significant at 1% level; ** at 5% level

The results for the test of Hypothesis Two, as presented in Table 6, indicate that Audit Committee Tenure (ACTEN) has a positive but insignificant relationship with Financial Reporting Quality (FRQ). The standard error and coefficient for ACTEN are 0.246738 and 0.83724, respectively, suggesting a positive association between ACTEN and FRQ. However, ACTEN recorded a t-statistic of 0.34 with a p-value of 0.734, which is not statistically significant at conventional thresholds (1%, 5%, or 10%). This indicates that, on an individual basis, ACTEN does not have a meaningful impact on FRQ among listed commercial banks in Nigeria. Given that the computed p-value (0.7345) is considerably higher than standard significance levels, the null hypothesis stating that Audit Committee Tenure has no significant impact on Financial Reporting Quality is accepted. In conclusion, the findings suggest that while Audit Committee Tenure may have a positive association with Financial Reporting Quality, this relationship is not statistically significant, implying that tenure alone does not meaningfully influence financial reporting quality in Nigeria's listed commercial banks.

5. Discussion

The regression analysis provides compelling insights into the relationship between Audit Committee Independence (ACIND), Audit Committee Tenure (ACTEN), and Financial Reporting Quality (FRQ) in listed commercial banks in Nigeria. The key findings indicate that while ACIND significantly impacts FRQ, ACTEN does not exert a meaningful influence.

The probit regression model used in the study confirms that ACIND is positively and significantly associated with FRQ, with an F-value of 10.14 and a p-value of 0.0015. This aligns with previous empirical studies, such as Raweh et al. (2019) and Ohaka & Abio (2019), reinforcing the idea that greater independence in audit committees enhances financial reporting quality by reducing bias and improving oversight.

On the other hand, ACTEN does not exhibit a statistically significant relationship with FRQ, as evidenced by an F-value of 0.12 and a p-value of 0.7345. This finding suggests that the length of tenure does not necessarily enhance or diminish the quality of financial reporting in Nigerian commercial banks. While some studies, such as Bratten, Causholli, and Omer (2019), have found a positive link between audit tenure and reporting quality, your study's findings contrast with Oji & Ofoegbu (2018), who argued otherwise.

In a 2014 study co-authored with Famous O.I. Izedonmi and Augustine O. Enofe, titled "Audit Quality and Cash-Based Earnings Management of Quoted Companies in Nigeria," Okolie examined the relationship between audit quality and earnings management practices. The research utilized archival data from 342 company-year observations listed on the Nigerian Stock Exchange (NSE). The findings indicated that higher audit quality is associated with a significant reduction in cash-based earnings management among quoted companies in Nigeria. The study recommended that professional accountancy bodies and regulatory authorities in Nigeria should issue authoritative codes for audit quality to enhance financial reporting quality. Another study by Okolie, Izedonmi, and Enofe in 2013, titled "Audit Quality and Accrual-Based Earnings Management of Quoted Companies in Nigeria," explored the impact of audit quality on accrual-based earnings management. The research found that high-quality audits are effective in constraining accrual-based earnings management, thereby improving the reliability of financial reports. The study emphasized the importance of engaging reputable audit firms to enhance financial reporting quality. Overall, Professor Okolie's research contributions provide valuable insights into how audit characteristics affect financial reporting quality in Nigeria, offering guidance for policymakers, practitioners, and academics in the field of auditing and financial reporting.

The lack of a significant impact of ACTEN on FRQ implies that while experience gained from longer tenures might be beneficial, it does not automatically translate into improved financial reporting quality. This may be due to factors such as regulatory frameworks, institutional differences, or the possibility that extended tenures lead to complacency and reduced scrutiny over time. The study adds to the existing body of knowledge by providing evidence specific to Nigeria's banking sector, reinforcing the importance of independence in audit committees while questioning the assumed benefits of longer tenure.

6. Conclusion and Recommendations

The issue of financial reporting quality gained prominence in academic discussions following the high-profile collapse of major corporations worldwide. The downfall of companies such as Enron and WorldCom in the U.S., alongside Nigerian financial institutions like Oceanic Bank, Intercontinental Bank, and Heritage Bank, significantly weakened investor confidence in audited financial reports as a basis for investment decisions. These corporate failures led to extensive regulatory reforms aimed at strengthening corporate governance, with Nigeria implementing several reforms, the most recent being the 2020 Nigerian Code of Corporate Governance. A key focus of these regulatory measures has been enhancing the role and composition of the board of directors to improve financial reporting quality. Empirical studies indicate that weak corporate governance and ineffective board oversight contribute to corporate failures and accounting scandals. Consequently, corporate governance codes across various jurisdictions have stressed the need to address financial reporting quality concerns.

1. Regulatory authorities in the banking sector should mandate professional qualifications for audit committee members, as suggested in the 2016 draft of the suspended National Code of Corporate Governance (NCCG) by the Financial Reporting Council of Nigeria (FRCN). This will enhance the skills and diligence of the audit committee, enabling a more effective review of financial reports, particularly given the complexities introduced by Nigeria's adoption of International Financial Reporting Standards (IFRS).

2. Banks should prioritize maintaining and improving their existing financial reporting practices without focusing excessively on audit committee tenure.

7. References

Abbott, L. J., Parker, S., & Peters, G. F. (2014). Audit committee characteristics and restatements. *Auditing: A Journal of Practice & Theory*, 23(1), 69-87.

Aderemi, K.A, Osarumwense, E.S, Kehinde, A & Ben-Caleb, E. (2016). Audit committee attributes and financial reporting quality in Nigerian quoted firms. *International business management*, 10 (22), 5326-5335.

Bamidele, M. M., Ibrahim J., & Omole I.I. (2020). Financial Reporting Quality and its Effect on Investment Decisions by Nigerian Deposit Money Banks. *European Centre for Research Training and Development UK (www.eajournals.org)*. ISSN 2053-4086 (Print), ISSN 2053-4094 (Online). Vol. 6, No. 4, pp. 23-34.

Bedard, J., Chtourou, S. M., & Courteau, L. (2020). The Effect of Audit Committee Expertise, Independence, and Activity on Aggressive Earnings Management. *Auditing: A Journal of Practice & Theory*, 23(2), 13-35.

Biddle, A. S. Hilary, R; and Verdi, A. (2019). Audit committee characteristics and restatements, Auditing: *A Journal of Practice & Theory*, 23(2004), 69-87.

Cohen, J., Krishnamoorthy, G., & Wright, A. (2019). The Corporate Governance Mosaic and Financial Reporting Quality. *Journal of Accounting Literature*, 23, 87-152.

DeFond, M. L., & Francis, J. R. (2019). Audit research after Sarbanes-Oxley. *Auditing: A Journal of Practice & Theory*, 24(s-1), 5-30.

Fama, P. and Jensen, O. (2019). The modern industrial revolution, exist and the failure of internal control systems, *Journal of Finance*, 48(1993), 831-880.

Garba, J.O. (2015). Audit committee effectiveness and audit quality of Nigerian money deposit banks, Department of Accounting, Nasarawa State University, Keffi.

Garcia, J., Barbadillo, E., & Perez, R. (2018). Audit committee and internal audit and the quality of earnings: Empirical evidence from Spanish companies. *Journal of Management & Governance*, 16(2), 305-331.

Ghosh, A., Marra, A., & Moon, D. (2019). Corporate boards, audit committees, and earnings management: Pre- and post-SOX evidence. *Journal of Business Finance & Accounting*, 37(9-10), 1145-1176.

Jonas, G. & Blanchet, J. (2015). Assessing quality of financial reporting. Accounting Horizons, 14(3).

Krishnan, J. and Lee, J.E (2019). Audit committee financial expertise, litigation risk and corporate governance, *Auditing: A Journal of Practice and Theory*, 28(1) , 241-261.

Lee, H. Y., & Lee, J. E. (2019). Do Big 4 audit firms improve the value relevance of earnings and equity? *Corporate Governance: An International Review*, 22(4), 308-317.

Maher, S.A. and Anderson, O. (2015) Board characteristics, accounting report integrity and cost of debt, *Journal of Accounting and Economics*, 37(3) (2004), 315- 342.

Mohd Naimi , M.N, Shafie, R. & Wan, N.W.H.(2020). Corporate governance and audit report lag in Malaysia. Asia Academy of management. 6(2),109- 119

Ohaka, J., & Abio, I. T. (2019). Audit committee independence and corporate financial reporting quality in aluminum corrugating companies in rivers state. *International Journal of Economics and Financial Management, 3*(1), 2545-9566.

Ofoegbu, G. N., & Okoye, J. M. (2019). *Effect of Audit Committee Characteristics on Financial Reporting Quality of Quoted Companies in Nigeria*. Journal of Economics and Finance, 10(1), 59-69.

Oji, O., & Ofoegbu, G. N. (2019). Effect of audit committee qualities on financial reporting of listed companies in Nigeria: A perspective study. *International Journal of Scientific and Research Publications, 7*(10), 278-290.

Okolie, A. O., Izedonmi, F. I. O., & Enofe, A. O. (2014). *Audit Quality and Cash-Based Earnings Management of Quoted Companies in Nigeria*. Research Journal of Finance and Accounting, 5(2), 1-14. Available at IDEAS RePEc.

Okolie, A. O., Izedonmi, F. I. O., & Enofe, A. O. (2013). *Audit Quality and Accrual-Based Earnings Management of Quoted Companies in Nigeria*. Journal of Accounting and Finance Research, 2(1), 123-132.

Panda, H., & Lespsa, G. (2020). *Audit Committee Characteristics and Financial Reporting Quality of Listed Firms in Nigeria*. European Journal of Business and Management, 7(8), 29-40.

Raweh, N. A. M., Kamardin, H., & Malik, M. (2019). Audit committee characteristics and audit report lag: Evidence from Oman. *International Journal of Accounting and Financial Reporting, 9*(1), 152-169.Available at: https://doi.org/10.5296/ijafr.v9i1.14170.

Raweh, N. A. M., Kamardin, H., & Malik, M. (2019). Audit committee characteristics and audit report lag: Evidence from Oman. *International Journal of Accounting and Financial Reporting, 9*(1), 152-169.Available at: https://doi.org/10.5296/ijafr.v9i1.14170.

Tang, Q; Chen, H; & Zhijun, A. (2020). Financial reporting quality and investor protection: A global investigation, Working Paper

Umobong, A. A., & Ibanichuka, E. (2019). Audit committee attributes and financial reporting quality of food and beverage firms in Nigeria. *International Journal of Innovative Social Sciences and Humanities Research, 5*(2), 1-13.

Walker, J.O. (2019). Audit committee effectiveness and audit quality of Nigerian money deposit banks, Department of Accounting, (2012), Nasarawa State University, Keffi.