

AUDIT QUALITY AND FINANCIAL REPORTING TIMELINESS OF QUOTED DEPOSIT MONEY BANKS IN NIGERIA



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ABSTRACT

Banks in Nigeria are subject to various audit processes aimed at ensuring the accuracy and reliability of their financial statements. However, concerns persist regarding the quality of these audits, encompassing issues such as auditor independence and the effectiveness of internal control assessments. This study examined the audit quality and financial reporting timeliness of quoted deposit money banks in Nigeria. The population comprises all the 10 deposit money banks quoted on the Nigerian Exchange Group as of December 31, 2022 and filtering criteria was used to arrive at nine (9) sampled firms covering the periods of 2012 to 2022. The data were analysed using Descriptive Statistics, Pearson Correlation, Shapiro-Wilk Normality Test, Variance Inflation Factor, Heteroscedasticity test, Breusch-Pagan Lagrangian Multiplier test, Hausman specification test and Robust Random Effect Model. It was revealed that audit tenure has a significant negative effect on financial reporting lag of quoted deposit money banks in Nigeria. However, the study also revealed that audit fee has an insignificant positive effect on financial reporting lag of quoted deposit money banks in Nigeria while audit firm size has an insignificant negative effect on financial reporting lag of quoted deposit money banks in Nigeria. The study recommends among others, that deposit money banks in Nigeria should hire more of big-four audit firms to audit their financial statements, to increase the timely release of their audit reports and enhance financial reporting quality. Also, the deposit money banks in Nigeria should give a long audit tenure to their external auditor to enhance the timely release of their audit reports and enhance financial reporting quality.

Keywords: Audit Quality, Financial Reporting Timeliness and Quoted Deposit Money Banks

INTRODUCTION

Audit quality represents the degree of assurance stakeholders can place on the financial statements audited by external auditors. High audit quality ensures that financial statements are free from material misstatements and comply with relevant accounting standards. The competence and independence of auditors are fundamental to achieving this objective. As Abbott et al. (2012) posited, well-trained and objective auditors are more likely to identify and resolve irregularities effectively. In addition, rigorous and comprehensive audit procedures contribute significantly to enhancing audit quality and strengthening stakeholders' confidence in financial disclosures.

Building upon this, the timeliness of financial reporting is another critical dimension of corporate accountability. It refers to the promptness with which a company publishes its financial statements after the close of its accounting period. Timely financial reporting not only meets statutory requirements but also demonstrates a company's commitment to transparency and sound governance practices. In Nigeria, the Companies and Allied Matters Act (CAMA, 2020) mandates that companies release their financial statements within 90 days of the financial year's end. This legal provision underscores the importance of timely reporting for effective decision-making, as investors and regulators depend on current and reliable financial information to make informed judgments.

The link between audit quality and financial reporting timeliness is both direct and reinforcing. High audit quality facilitates timely reporting by ensuring that the audit process is efficient, well-planned, and effectively executed. Delays often arise from inadequate audit procedures or insufficient coordination between auditors and management. However, effective planning and execution can substantially reduce the time lag between the audit and the release of financial statements (Domogoun & Awinepoya, n.d.). Therefore, the interplay between audit quality and timeliness of reporting in quoted Deposit Money Banks (DMBs) in Nigeria is central to promoting corporate transparency and ensuring that financial information remains relevant and credible for stakeholders.

Within this framework, the relationship between audit fees and financial reporting timeliness becomes particularly relevant. Audit fees, which represent the compensation paid by firms to their external auditors, reflect the complexity and scope of audit engagements. Striking an optimal balance between cost-effectiveness and quality assurance is essential for achieving timely

financial reporting. Abbaszadeh (2017) emphasized that complex financial transactions often require more extensive audit procedures, greater expertise, and additional time, all of which can influence both audit costs and the speed of report issuance. Hence, while higher audit fees may indicate more thorough audit processes, they may also contribute to potential delays in financial reporting if not efficiently managed.

A related dimension is audit tenure, which concerns the duration of the relationship between auditors and their clients. Longer audit tenures can improve the efficiency of audits, as auditors gain deeper knowledge of the client's operations and internal systems. However, extended relationships may also lead to reduced professional skepticism and compromised independence. Lambe et al. (2022) found that prolonged audit tenures can enhance financial reporting quality through accumulated knowledge, though excessive familiarity might weaken objectivity. Thus, maintaining an optimal tenure is vital to balancing efficiency with independence, ensuring that audit quality supports rather than undermines timely reporting.

In addition to tenure, audit firm size significantly influences the timeliness and quality of financial reporting. Larger audit firms generally possess extensive resources, advanced technological tools, and highly skilled personnel, which facilitate efficient audit execution and timely reporting (Lilik & Ani, 2020). Moreover, their broad experience with complex regulatory frameworks enhances compliance and minimizes reporting delays. Conversely, smaller firms, while often more flexible and client-oriented, may face resource constraints that prolong audit completion. Limited capacity to handle complex financial data or evolving regulatory requirements can hinder smaller firms from meeting strict reporting deadlines. Hence, the choice of audit firm can directly impact how promptly financial information is made available to the public.

These interrelated factors—audit fees, tenure, and firm size—collectively underscore the multifaceted nature of audit quality and its impact on financial reporting timeliness. In Nigeria's evolving financial environment, DMBs serve as critical institutions for resource mobilization and economic stability. Their ability to sustain public trust depends largely on transparent financial reporting and credible auditing practices. Reliable audits not only foster investor confidence but also enhance the resilience and reputation of the banking sector in an increasingly competitive financial landscape.

Nevertheless, despite the regulatory and institutional frameworks guiding audits in Nigeria, concerns persist regarding the overall quality and timeliness of audit outcomes. Issues such as auditor independence, inadequate internal controls, and limited audit resources continue to challenge the efficiency of financial reporting. As Oladejo (2022) observed, resource constraints within DMBs affect both the quality and speed of audit completion. Addressing these challenges requires adequate investment in audit infrastructure, human capacity development, and stronger enforcement of professional standards.

Ultimately, the efficiency of Nigeria's financial markets hinges on the timely availability and reliability of audited financial information. As vital players in the financial system, DMBs must ensure that audit-related variables—fees, tenure, and firm size—are appropriately managed to prevent unnecessary reporting delays. Abbaszadeh (2017) reiterated that audit fee structures have a direct influence on how swiftly and accurately financial statements are released. Since audit fees constitute the remuneration for external verification of financial accounts, they are central to the overall financial reporting process. Thus, ensuring a balance between cost, quality, and timeliness remains essential for promoting transparency, accountability, and investor confidence within Nigeria's banking sector.

In the dynamic and rapidly evolving landscape of the Nigerian banking sector, the relationship between audit tenure and financial reporting timeliness among quoted Deposit Money Banks (DMBs) has increasingly attracted scholarly attention. Audit tenure, defined as the duration for which a company engages the same external audit firm, has long been debated globally due to its potential implications for audit quality, auditor independence, and the overall integrity of financial reporting practices. The central issue revolves around the uncertainty surrounding the extent to which audit tenure influences the promptness of financial report issuance among quoted DMBs in Nigeria. While previous studies such as Domogoun et al. (2022) have offered conflicting perspectives on the impact of audit tenure on financial reporting quality, there remains a notable gap in understanding its specific effects within the Nigerian banking context.

Timely and accurate financial reporting is a cornerstone of transparency and accountability in the financial system. It enhances investor confidence, supports informed decision-making, and promotes the overall stability of the financial market (Rina & Rini, 2018). Within Nigeria's financial environment, DMBs play a pivotal role in mobilizing funds, allocating credit, and sustaining economic growth. Consequently, the speed at which these banks disclose financial information can significantly influence the confidence of stakeholders, including investors, regulators, and the general public. Among the determinants of financial reporting timeliness, the size of the audit firm engaged by banks has also become a pertinent factor. Quoted DMBs in Nigeria employ audit firms that vary in size and capacity—from small indigenous firms to large international audit networks. However, the degree to which the size of an audit firm affects the efficiency and speed of financial reporting in Nigerian DMBs remains insufficiently explored in the literature.

Empirical findings from previous studies reveal noticeable gaps and inconsistencies that further justify the need for renewed inquiry. Notably, research works such as those by Francis and Stephen (2022), Lambe et al. (2023), and Oladejo (2022) on audit quality and financial reporting timeliness, both in Nigeria and other countries, were based on data that were not sufficiently recent, with most limited to the year 2020 and earlier. Moreover, studies conducted specifically within Nigeria (Emmanuel & Emem, 2020; Lambe et al., 2023; Oladejo, 2022) remain scant, whereas a greater number of studies (Abbaszadeh, 2017; Amr-Nazieh et al., 2021; Francis & Stephen, 2022; Murat & Evrim, 2018; Rina & Rini, 2018) were carried out in other jurisdictions. This imbalance in both recency and geographical focus underscores the need for further empirical investigation within the Nigerian banking sector.

Given these limitations, there is a clear justification for updating existing evidence using more recent data that capture the evolving realities of Nigeria's financial reporting environment up to 2022. Consequently, this study seeks to fill the identified gaps by examining the effect of audit quality on financial reporting timeliness among quoted Deposit Money Banks in Nigeria. Specifically, the study was designed to: determine the effect of audit fee on financial reporting lag of quoted DMBs in Nigeria; evaluate the effect of audit tenure on financial reporting lag of quoted DMBs; and assess the effect of audit firm size on financial reporting lag of quoted DMBs. The following null hypotheses were formulated in line with the specific objectives: H_{01} : Audit fee has no significant effect on financial reporting lag of quoted deposit money banks in Nigeria. H_{02} : Audit tenure has no significant effect on financial reporting lag of quoted deposit money banks in Nigeria. H_{03} : Audit firm size has no significant effect on financial reporting lag of quoted deposit money banks in Nigeria.

REVIEW OF RELATED LITERATURE

In the context of quoted Deposit Money Banks (DMBs) in Nigeria, the timeliness of financial reporting has become increasingly dependent on the quality of audits conducted by external auditors. As stakeholders continue to emphasise the need for transparent, accurate, and prompt financial disclosures, several audit-related variables such as audit quality, audit fee, audit tenure, and audit firm size have emerged as crucial determinants of both the speed and reliability of financial reporting. Understanding how these variables interact provides valuable insight into how audit dynamics influence the efficiency of financial reporting processes and shape investor confidence within the banking sector.

Audit quality has been widely discussed in accounting literature as a cornerstone of reliable financial reporting. It is generally defined as the probability that an auditor will detect and appropriately report material misstatements in a client's financial statements. DeFond and Zhang (2014), Simunic (1984), Palmrose (1986), and Lennox (1999) emphasised that audit quality encompasses both the detection of irregularities and the effective communication of findings. Similarly, Gramling et al. (2004) asserted that issuing an appropriate audit opinion is an essential component of audit quality. Within the banking sector, high audit quality ensures that financial statements reflect the true and fair financial position of institutions, thereby strengthening investor trust, enhancing market integrity, and supporting overall financial system stability.

Closely linked to audit quality is the concept of audit fee, which represents the monetary remuneration paid by a company to its external auditors for professional assurance services rendered. According to the International Standards on Auditing (ISA, 2011), audit fees constitute the compensation for the examination and certification of financial records. Ezinado (2020) and Izedonmi et al. (2021) observed that audit fees are largely determined by factors such as the scope, complexity, and duration of the audit engagement. While higher fees may enable auditors to conduct more extensive and meticulous reviews, an excessive dependence on client-generated fees could compromise auditor independence. This tension underscores a delicate balance: audit fees that are too low may limit audit quality due to insufficient resources, whereas excessively high or client-dependent fees may threaten objectivity, ultimately affecting both audit quality and the timeliness of financial reporting.

Another important determinant is audit tenure, which refers to the length of time an auditor continuously serves a particular client. Conceptual clarifications by Hartadi (2009), Raghunandan and Rama (2006), DeAngelo (1981), and Lennox and Pittman (2010) converged on the dual implications of audit tenure. On one hand, extended auditor-client relationships may erode independence and reduce professional skepticism; on the other hand, shorter tenures might limit the auditor's familiarity with the client's operations, systems, and internal controls. Ettredge et al. (2005) further linked audit tenure to audit quality, suggesting that tenure duration influences both the depth of audit examination and the efficiency of reporting. For the purpose of this study, audit tenure is categorized as short (1 year), medium (2–3 years), and long (3–5+ years), recognizing that tenure length can shape the nature and timeliness of audit outcomes among Nigerian DMBs.

Furthermore, audit firm size has been identified as a significant factor influencing audit quality and financial reporting timeliness. Larger audit firms, particularly the Big Four are generally associated with greater technical expertise, broader human resources, and standardised audit methodologies. Studies by DeAngelo (1981), Simunic (1984), and Palmrose (1986) link firm size with audit capacity, specialisation, and geographical reach, while Francis and Wilson (1988) and Abbott et al. (2003) noted that large

audit firms, though well-equipped, may sometimes encounter internal coordination and control challenges. In the Nigerian context, the dominance of Big Four firms underscores their central role in shaping audit practices and timelines across the banking industry. Their global networks and compliance structures often facilitate faster, more reliable reporting compared to smaller, locally based firms that may face resource or expertise limitations.

The concept of financial reporting lag, defined as the time interval between a firm's fiscal year-end and the date of the auditor's report serves as a direct measure of reporting timeliness. Habib and Bhuiyan (2011), Hassan (2016), and Knechel and Payne (2001) have employed this measure to assess audit efficiency and reporting effectiveness. Prolonged reporting lags reduce the informational value of financial statements (FASB, 2008) and hinder timely decision-making (Adediran et al., 2020). Conversely, prompt reporting mitigates the risks of insider trading and misinformation (Owusu & Yeoh, 2005), reduces information asymmetry (Leventis et al., 2005), and enhances a firm's public image (Jaggi & Tsui, 1999).

A considerable number of empirical studies have examined the nexus between audit quality and financial reporting timeliness, particularly focusing on audit tenure, audit fees, firm size, and audit delay. Lambe et al. (2023) investigated the relationship between audit tenure and financial reporting quality among listed industrial goods firms in Nigeria between 2011 and 2020 using an ex-post facto research design with panel regression analysis. Their findings revealed a positive and significant association between audit tenure and discretionary accruals, suggesting that longer auditor-client relationships enhance reporting quality through accumulated firm-specific knowledge. The authors recommended that auditor retention should be based on performance rather than statutory limitations. However, the study's dataset, which ended in 2020, does not capture recent developments in Nigeria's post-pandemic financial environment.

Similarly, Oladejo (2022) examined Nigerian Deposit Money Banks (DMBs) over the period 2013–2019 using the Random Effects model. The study reported a positive and significant relationship between audit tenure and financial reporting quality, lending support to the learning effect theory which posits that extended auditor engagement improves efficiency and accuracy. Despite its relevance, the dataset's scope ending in 2019 makes the findings less reflective of contemporary financial and regulatory dynamics. Francis and Stephen (2022), adopting the Dao and Pham (2014) model, explored audit tenure, auditor specialization, and audit report lag in Ghana from 2014 to 2020. They found that shorter audit tenures were associated with longer audit delays, and that audit delay increased with firm size but decreased with leverage. Although the study employed a rigorous methodology, its external validity to Nigeria is limited due to differences in regulatory frameworks and market structures.

In a related context, Amr-nazieh et al. (2021) analysed 80 Saudi-listed non-financial firms between 2015 and 2018 using OLS regression. Their results indicated that audit reputation, firm size, and audit committee expertise negatively affected audit report lag, implying that reputable audit firms and expert committees enhance reporting timeliness. Nonetheless, contextual disparities between Saudi Arabia and Nigeria constrain the applicability of these findings. Emmanuel and Emem (2020) examined audit firm characteristics and financial reporting quality among quoted manufacturing firms in Nigeria from 2011 to 2015 using multiple regression. They observed that audit fees significantly influenced reporting quality, while firm size and audit delay were statistically insignificant. Although contextually relevant, the study's time frame renders its conclusions less representative of present-day realities in Nigeria's banking sector.

Additionally, Rina and Rini (2018) evaluated audit tenure, firm size, and audit delay using data from Indonesian consumer goods firms (2014–2016). The study revealed that both audit tenure and firm size had no significant impact on audit delay, though audit delay itself significantly influenced reporting timeliness. They suggested that future studies should incorporate additional firm-level variables to capture the complexity of timeliness determinants. Similarly, Murat and Evrim (2018) investigated auditor characteristics and audit report lag in Turkey between 2008 and 2013. Their study found that female and highly educated signing auditors were associated with longer audit delays, while engagements with Big 4 firms yielded timelier reporting. Despite its methodological rigor, the results' transferability to Nigeria remains limited due to contextual and regulatory differences.

Finally, AbbasZadeh (2017) explored audit fees, risk, and reporting quality among Iranian family firms (2012–2015) and found that audit risk and litigation risk were positively related to reporting delay, while higher audit fees reduced audit lag. The study, though insightful, is geographically and temporally distant from the Nigerian context.

Theoretical Underpinnings

This study was anchored on two closely related theories, namely: the Timeliness–Information Content Trade-off Theory and the Disclosure Quality Theory, both of which offer vital conceptual foundations for understanding how audit quality affects the timeliness of financial reporting among quoted Deposit Money Banks (DMBs) in Nigeria. These theories collectively emphasise the inherent tension between speed and accuracy in financial disclosure, providing insights into how audit-related factors such as audit fee, audit tenure, and audit firm size shape reporting outcomes and stakeholder confidence.

The Timeliness–Information Content Trade-off Theory, originally proposed by Ashton and Lennox (1998), posits that financial reporting involves a trade-off between the promptness of report release and the depth or accuracy of the information disclosed. While stakeholders such as investors, creditors, and regulators demand timely financial information for decision-making, accelerated reporting processes may lead to errors, omissions, or estimations that compromise reliability. Thus, timeliness enhances the relevance of information but may reduce its precision if the verification process is constrained by time.

The theory rests on several core assumptions. First, timeliness is vital because the decision usefulness of financial information declines as time passes in a fast-changing economic environment (Ashton & Lennox, 1998). Second, it assumes that users of financial statements have varying priorities—investors and analysts tend to emphasize promptness, whereas auditors and regulators prioritize accuracy and compliance. Third, management is viewed as responsible for balancing this trade-off, ensuring that reporting deadlines are met without undermining material credibility. Additionally, the theory acknowledges the role of accounting standards and regulatory frameworks in shaping reporting behavior, especially in developing economies like Nigeria where regulatory timelines exert pressure on financial reporting processes. In instances where complete verification cannot be achieved before deadlines, firms are encouraged to disclose provisional yet relevant information to maintain stakeholder trust (FASB, 2008).

The Disclosure Quality Theory, advanced by Healy and Palepu (2001) and further supported by O'Brien (1987), focuses on how the quality of financial disclosures mitigates information asymmetry between management and external stakeholders. The theory asserts that transparent, comprehensive, and accurate disclosures enhance market efficiency by enabling investors and regulators to make informed economic decisions. It assumes that for information to be useful, it must satisfy the attributes of relevance, reliability, understandability, and timeliness. In this context, disclosure quality encompasses completeness, fair presentation, and compliance with accounting standards, which together foster confidence in financial statements.

This theory is particularly pertinent to the current study as it illuminates the mechanism through which audit quality strengthens disclosure credibility. The external auditor's role in scrutinising and verifying financial statements contributes directly to disclosure reliability and user confidence. High audit fees may indicate greater audit effort and resource commitment, thereby reducing the likelihood of compromised audit quality (ISA, 2011; Ezinado, 2020). Similarly, audit tenure can influence auditor independence and familiarity risk, longer engagements may improve auditor understanding of the client but could also impair objectivity (DeAngelo, 1981; Ettredge et al., 2005). Furthermore, larger audit firms typically possess superior technical capacity, manpower, and experience, enabling them to conduct thorough audits and ensure timely issuance of audit reports (Simunic, 1984; Palmrose, 1986; Abbott et al., 2003).

Collectively, the Timeliness–Information Content Trade-off and Disclosure Quality Theories provide a coherent framework for explaining how audit quality variables affect financial reporting timeliness in Nigerian DMBs. They underscore that while timely disclosure enhances information relevance, it must be balanced against the need for accuracy and reliability to maintain market integrity. In the Nigerian context where regulatory oversight, investor sensitivity, and competitive pressures are high, these theories highlight the pivotal role of audit quality in ensuring that financial reports are both timely and trustworthy. Thus, the integration of these theoretical perspectives reinforces the study's focus on understanding how audit-related attributes jointly shape the timeliness and credibility of financial reporting among quoted banks.

METHODOLOGY

This study employed a descriptive research design, specifically the *ex post facto* approach, to investigate the relationship between audit quality and financial reporting timeliness among quoted deposit money banks in Nigeria. This design is appropriate for exploring statistical relationships between variables without manipulating the study environment. The population comprised all ten deposit money banks listed on the Nigerian Exchange Group as of December 31, 2022. Based on defined selection criteria, including continuous operation in Nigeria, listing prior to the 2012 adoption of International Financial Reporting Standards (IFRS), and consistent trading activity—nine banks were purposively selected for the sample, covering the period from 2012 to 2022.

Data used in the study were obtained from secondary sources, specifically the audited annual reports and accounts of the sampled banks. They were structured as panel data to capture both cross-sectional and time-series variations. Analysis was conducted using the Robust Random Effect Model to account for unobserved heterogeneity across firms. This method, implemented through STATA 15 software, was deemed suitable due to its ability to provide efficient and unbiased estimates even in the presence of heteroskedasticity and serial correlation. The econometric model was adapted from the works of Emmanuel and Emem (2020) and Oladejo (2022), ensuring methodological alignment with prior relevant studies.

In terms of model specification, financial reporting timeliness was measured by financial reporting lag and is a function of three explanatory variables such as Audit Fee (AUFEE), Audit Tenure (AUTEN), Audit Firm Size (AFZ) with firm size (FSZ) as a control variable. Table 1 captures variables, types, measurement indicators and justifications.

Therefore;

$$FRL = f(AUFEE, AUTEN, AFZ, FSZ)$$

The expression in the equation is expressed econometrically as follows into a model:

$$FRL_{it} = \alpha_0 + \beta_1 AUFEE_{it} + \beta_2 AUTEN_{it} + \beta_3 AFZ_{it} + \beta_4 FSZ_{it} + e_{it} \dots \dots \dots (1)$$

Where:

$\beta_1, \beta_2, \beta_3, \beta_4$ are parameters to be estimated with a-priori expectations < 0 .

FRL = Financial Reporting Lag

AUFEE = Audit Fee

AUTEN = Audit Tenure

AFZ = Audit Firm Size

FSZ = Firm Size

α = Constant

e = Error term

i = Firms

t = Periods

Table 1: Variables Measurement and Justification

Variable	Acronym	Type of variable	Measurement	Justification
Financial Reporting Lag	FRL	Dependent Variable (DV)	The total number of days between the firm financial year end and the time external auditors sign the financial reports.	Francis and Stephen (2022) and Rina and Rini (2018).
Audit Fee	AUFEE	Independent Variable (IV)	Audit Fee was proxy using natural log of Audit Fees paid.	AbbasZadeh (2017) and Emmanuel and Emem (2020).
Audit Tenure	AUTEN	Independent Variable (IV)	Audit Firm Tenure was measured using Length of years in which auditor audit their client (sampled financial firms). Auditor's tenures of above five years equal one (1) and zero (0) if not.	Francis and Stephen (2022), Lambe <i>et al.</i> (2023) and Rina and Rini (2018).
Audit Firm Size	AFZ	Independent Variable (IV)	Audit firm size was proxy using audit big four and non-big four. A firm audited by audit big four is (1) and if otherwise zero (0).	Amr-nazieh <i>et al.</i> (2021) and Francis and Stephen (2022).
Firm Size	FSZ	Control	This is the natural logarithm of total assets.	Francis and Stephen (2022).

Source: Researcher's Compilation, 2023.

DATA PRESENTATION AND ANALYSIS TECHNIQUES

The data of nine (9) deposit money banks regarding the Financial Reporting Lag (FRL), Audit Fee (AUFEE), Audit Tenure (AUTEN), Audit Firm Size (AFZ) and Firm Size (FSZ) covering 2012 to 2022 are presented in appendix B. The data were analysed with the aid of Stata 15 software using Descriptive Statistics, Shapiro Wilk Normality Test, Pearson Correlation, Variance Inflation Factor (VIF), Heteroscedasticity test, Breusch-Pagan Lagrangian Multiplier Test, Hausman Specification Test and Random Effect Regression Model based on the data attached in appendix B and the detailed results are equally attached in appendix C.

Descriptive Statistics

Table 2 summarises the descriptive statistics of the entire data set.

Variable	Obs	Mean	Std. Dev.	Min.	Max.
FRL	99	85.24	20.75	55	145
AUFEE	99	8.29	0.299	7.255	9.255
AUTEN	98	0.63	0.48	0	1
AFZ	98	0.63	0.49	0	1
FSZ	99	9.14	0.665	6.27	10.07

Source: Researcher's Computation using STATA 15 software

Table 2 presents the descriptive statistics for the variables used in the study. Financial reporting lag (FRL) ranged from 55 to 145 days, with a mean of 85.24 and a standard deviation of 20.75, indicating a moderate spread and relatively stable behaviour over the study period. Audit fee (AUFEE) has values between 7.255 and 9.255, with a mean of 8.29 and a standard deviation of 0.299, suggesting minimal fluctuations. Audit tenure (AUTEN) and audit firm size (AFZ) both range between 0 and 1, with means of 0.63 and standard deviations of 0.48 and 0.49, respectively, implying a fair distribution across the sample. Firm size (FSZ) varies between 6.27 and 10.07, with a mean of 9.14 and a standard deviation of 0.665, showing relatively stable growth.

To assess data normality, the Shapiro-Wilk test was applied, supported by a normal distribution curve (Table 3 and Figure 2). According to the decision rule, if the p-value is greater than 0.05, residuals are normally distributed; if less than or equal to 0.05, they are not. This test ensures the suitability of the regression model for inference, validating assumptions for further analysis.

Table 3: Normality Distribution Using Shapiro-Wilk Test

Variable	OBS	W	V	Z	Prob>Z
Residual	97	0.967	2.580	2.099	0.017

Source: Researcher's Computation using STATA 15 software

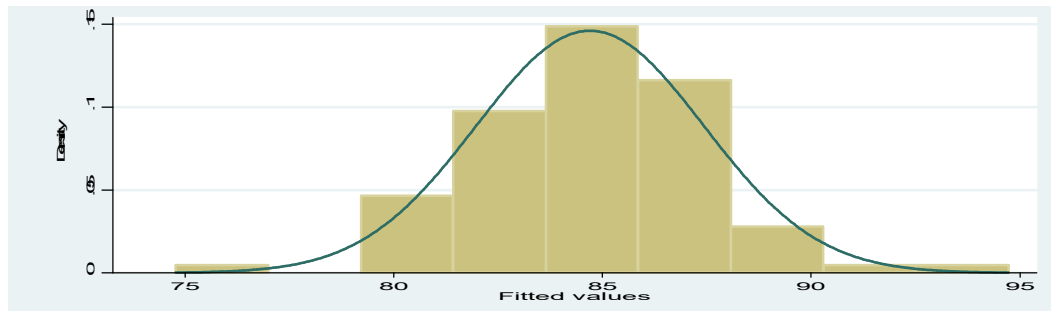


Figure 2: Normal Distribution Curve

Source: Researcher's Computation using STATA 15 software

Table 3 above presented the residual and the z-value of 2.099 and the corresponding probability of value of 0.017 that is less than 0.05 which signifies that the residual is not normally distributed around the mean. This result is further collaborated by the normal distribution curve presented in figure 2 above. This implies that one of the basic assumptions of linear regression technique which allows only normally distributed residual has been satisfied.

Pearson Correlation

Table 4 below is the Pearson correlation matrix for the data set to show the extent of associations between the variables. The decision rule is that if a pair or more of the independent variables is equal to or above 0.85, there is a presence of multicollinearity in the model but if the independent variables is less than 0.85, there is no presence of multicollinearity in the model.

Variable	FRL)	AUFEE	AUTEN	AFZ	FSZ
FRL)	1				
AUFEE	0.1446	1			
AUTEN	-0.0169	-0.0202	1		
AFZ	-0.0325	0.0443	0.1166	1	
FSZ	0.0574	0.5076	0.2061	0.1195	1

Source: Researcher's Computation using STATA 15 software

The correlation matrix determines the degree of relationships between the proxies of an independent variable and the dependent variable. It is also used to show whether there are associations among the proxies of independent variables themselves, to detect if a multicollinearity problem exists in the model. The result from table 4 shows that there exist 15% positive and weak relationship between audit fee (AUFEE) and financial reporting lag (FRL) of deposit money banks in Nigeria from the correlation

coefficient of 0.1446. The table also shows that there is 2% negative and weak relationship between audit tenure (AUTEN) and financial reporting lag (FRL) of deposit money banks in Nigeria from the correlation coefficient of -0.0169.

Also, the table shows 3% negative and weak association between audit firm size (AFZ) and financial reporting lag (FRL) of deposit money banks in Nigeria from the correlation coefficient of -0.0325. Furthermore, the table shows approximately 6% positive and weak association between firm size (FSZ) and financial reporting lag (FRL) of deposit money banks in Nigeria from the correlation coefficient of 0.0574. Finally, the relationships between proxies of independent variables themselves suggest being mild as all coefficients are below the threshold of 0.80 as suggested by (Guadarati, 2003) which implies that there is no presence of multicollinearity in the model.

Variance Inflator Factor (VIF) Results

Table 5: Variance Inflator Factor (VIF)

Variable	VIF	1/VIF
FSZ	1.43	0.700919
AUFEE	1.36	0.734686
AUTEN	1.08	0.929979
AFZ	1.02	0.977573
Mean VIF	1.22	

Source: Researcher's Computation using STATA 15 software, 2022.

In a bid to further test the absence of multicollinearity problem among the exogenous variables, colinearity diagnostics test were observed. The decision rule is that if the values of VIF and 1/VIF are up to 10 and 1 and above, there is a presence of multicollinearity in the model but if the values of VIF and 1/VIF are less than 10 and 1 respectively, there is no presence of multicollinearity in the model. The results of Variance Inflation Factors (VIF) and the Inverse Variance Inflation Factors (1/VIF) values portray no multicollinearity problem in the data as their values are less than 10 and 1 respectively (Guadarati, 2003) as presented in table 5. This point to the fact that the variables are well selected and fitted in the same regression model because the multicollinearity problem is absent in the model, which is one of the requirements for regression analysis.

Table 6: Heteroscedasticity test

Type of test	Chi2	P-Value
Heteroscedasticity Test	0.55	0.4569

Source: Researcher's Computation Using STATA 15 software

To establish that the data for this study was robust for the model, a heteroscedasticity test was carried out and the result is shown in Table 6. The decision rule is that if the P-value ≤ 0.05 , there is a problem of heteroscedasticity but if the P-value > 0.05 , there is no problem of heteroscedasticity. The study revealed that the data is heteroscedastic; as such the basic linear regression model is violated. This is confirmed from the heteroskedasticity result in table 6 which revealed the chi2 value of 0.55 with a p-value of 0.4569. This failed to satisfy the classical linear regression assumption of homoskedasticity (constant error variance) which further necessitates a robust regression model.

Pooled Effect vs. Random Effects Models: Breusch-Pagan Lagrangian Multiplier test

This is the first stage of the panel data analysis involving how to determine the best panel approach to be used. The decision to use the pooled effect model or random effect model is by conducting the Breusch-Pagan Lagrangian Multiplier test for random effects. The Lagrangian Multiplier test examines the present of unobserved effects in the random effect model. If the calculated value of the test exceeds the critical value (in other words significant of chi-square), null hypothesis is rejected and the random effects model of panel data is chosen or vice versa.

Breusch-Pagan Lagrangian Multiplier Test

Table 7 below presents the result of the Breusch-Pagan Lagrangian Multiplier test conducted.

Variable	Chibar2	P-Value
FRL)	192.05	0.000

Source: Researcher's Computation using STATA 15 software

Table 7 shows that the calculated Breusch-Pagan Lagrangian Multiplier test with χ^2 value of (192.05) and the corresponding probability of (0.00) is equal to the critical value for all the models ($p=0.000$), thus the null hypothesis is accepted. The significance of the chi-square of the Lagrangian Multiplier test signifies that the variance of the random effect model is zero (0). Hence, Random Effect Regression Model (REM) is more suitable than of pooled effect Model.

Hausman Specification Test

Table 8 below presents the result of a Hausman specification test conducted.

Chi2	11.35
Prob. Chi2	0.220

Source: Researcher's Computation using STATA 15 software

The data for this study is panel and panel data can lead to an error that is clustered and possibly correlated over time. This is because each financial firm may have its entity-specific characteristic that can determine its audit quality (i.e. unobserved heterogeneity). And this may bias the outcome variable or even the explanatory variables. As such, there is a need to control for that. The Hausman test was conducted and shows that the random effect model is more appropriate than the fixed effect model. This can be confirmed by the χ^2 value of 11.35 with a p-value of 0.220 in table 8 which is not significant at 5% level of significance.

Results of Random Effect Regression Model

Table 9 below is the robust random effect regression model conducted for the estimation of this model.

Variable	Coefficients	z-value	Prob.
Cons.	7.007	7.44	0.000
AUFEE	0.002	1.72	0.085
AUTEN	-0.098	-1.90	0.052
AFZ	-0.009	-0.19	0.846
FSZ	0.126	1.14	0.256
R-sq overall	0.5327		
Wald chi2	110.44		
Prob. >chi2	0.000		

Source: Researcher's Computation using STATA 15 software

Table 9 above shows that 53% variation of financial reporting lag (FRL) is predicted by the combined effect of audit fee (AUFEE), audit tenure (AUTEN), audit firm size (AFZ) and firm size (FSZ) with (Overall R-sq of 0.5327). The Wald χ^2 value of 110.44 with a Prob. > χ^2 of 0.000 signified that the model is fit for the study. This indicates that the model of the study is fit and the independent variables are properly combined and used.

Test of Hypotheses

To examine audit quality and financial reporting timeliness of quoted deposit money banks in Nigeria, the formulated hypotheses were tested using a robust random effect regression model.

The results in Table 9 above showed that the z-value of 1.72 and the corresponding p-value of 0.085 shows that audit fee (AUFEE) has an insignificant positive effect on financial reporting lag of quoted deposit money banks in Nigeria for the period under review. Based on this, the null hypothesis one which says that audit fee (AUFEE) has no significant effect on financial reporting lag of quoted deposit money banks in Nigeria is accepted.

Table 9 also indicated that the z-value of -1.90 and the corresponding p-value of 0.052 shows that audit tenure (AUTEN) has a significant negative effect on financial reporting lag of quoted deposit money banks in Nigeria for the period under review. Based on this, the null hypothesis two which says that audit tenure (AUTEN) has no significant effect on financial reporting lag of quoted deposit money banks in Nigeria is rejected. It equally revealed that the z-value of -0.19 and the corresponding p-value of 0.846 shows that audit firm size (AFZ) has an insignificant negative effect on financial reporting lag of quoted deposit money banks in Nigeria for the period under review. Based on this, the null hypothesis three which says that audit firm size (AFZ) has no significant effect on financial reporting lag of quoted deposit money banks in Nigeria is accepted.

Discussion

The findings of this study indicated that audit fee (AUFEE) has an insignificant positive effect on the financial reporting lag (FRL) of quoted deposit money banks in Nigeria, suggesting that a rise in audit fees slightly increases the time taken to release audited reports by 0.002 units. This contradicts the researcher's a-priori expectation but aligns with the timeliness-information content trade-off theory, which emphasises balancing prompt reporting with accuracy. The result supports the finding of AbbasZadeh (2017) but contrasts with Emmanuel and Emem (2020).

The study also showed that audit tenure (AUTEN) has a significant negative effect on financial reporting lag, indicating that longer auditor-client relationships reduce reporting delays by -0.098 units. This aligns with the a-priori expectation and supports the timeliness-information content trade-off theory. Longer tenure likely improves auditor familiarity and efficiency, thereby reducing audit delay. This finding is consistent with Francis and Stephen (2022), Lambe et al. (2023), and Oladejo (2022), but contrasts with Rina and Rini (2018).

Lastly, audit firm size (AFZ) was found to have an insignificant negative effect on reporting lag, with a marginal reduction of -0.009, implying that larger audit firms may report slightly faster. This supports expectations and reflects the potential advantage of audit capacity. The result aligns with Emmanuel and Emem (2020), Francis and Stephen (2022), and Rina and Rini (2018), but differs from the findings of Amr-nazieh et al. (2021) and Murat and Evrim (2018), who found larger firms or certain auditor characteristics to increase delays.

CONCLUSION AND RECOMMENDATIONS

The increase in the amount of money spent as audit fee increase audit delay of quoted deposit money banks of Nigeria. The deposit money banks in Nigeria must reduce the amount of audit fee pay to their external auditors on audit assignment to reduce the audit delay, as large audit fee encourages long financial reporting lag. The long audit tenure reduces audit delay of quoted deposit money banks in Nigeria. An increase in audit tenure will directly result in timely release of audit reports of quoted deposit money banks in Nigeria. Therefore, deposit money banks in Nigeria must encouraged long audit tenure to reduce audit delay and enhance timely release of their financial statements.

The size of the audit firm has a negligible negative effect on the financial reporting lag of quoted deposit money banks in Nigeria. Therefore, the use of big audit firm will reduce audit delay of quoted deposit money banks in Nigeria. However, it is important to note that the effect of this increase is deemed insignificant, implying that other factors might have a more substantial influence on the audit delay of these banks.

The following actionable recommendations are provided below:

- (i) The deposit money banks in Nigeria should pay adequate and appropriate amount of audit fee to their external auditors based on the audit assignment to make them release the audit report on time and reduce financial reporting lag.
- (ii) The deposit money banks in Nigeria should give a long audit tenure to their external auditor to enhance the time release of their audit reports and enhance financial reporting quality.
- (iii) The deposit money banks in Nigeria should hire more of big-four audit firms to audit their financial statements, to increase the timely release of their audit reports and enhance financial reporting quality.

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