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Audit Quality, Board Independence and Financial Performance of Listed Deposit Money Banks in Nigeria

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Abstract

The paper examined effect of audit quality and board independence on financial performance of listed deposit money banks in Nigeria. The research design adopted was ex-post facto research design. The population of the study was 25 deposit banks listed with national and international authorizations. The sample size was 13, using convenient sampling technique. The descriptive statistics used were mean and standard deviation while the inferential statistics employed was panels corrected standard error regression analysis due to heteroskedasticity in the diagnostic and post estimation tests. The findings showed that audit quality and board independence have positive and significant effect jointly on financial performance of listed deposit money banks in Nigeria. Specifically, audit committee independence has positive and insignificant effect on cash flows to listed deposit money banks in Nigeria. Audit firm size has negative and significant effect while audit tenure has negative and insignificant effect, each on cash flows to listed deposit money banks in Nigeria. Board independence was found to have positive and insignificant effect on cash flows of listed deposit money banks in Nigeria. The major recommendations hold that other audit firms with national spread and affiliations should be engaged in statutory audit without necessarily restricting to big4 audit firms that are more expensive. Audit committee independence and board independence should be more sustained while presence of registrar and executive directors in the respective meetings is put to barest minimum.

Keywords: Audit Quality, Board Independence, Cash Flows, Deposit Banks

Introduction

Audit quality simply refers to a measure of reliability on financial statements which auditor statutorily examines and expresses an

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opinion in annual reports of listed deposit money banks. It translates to public confidence and assurance reporting to users that financial statements audited are free from material misstatements and omissions (Nguyen et al., 2024). Thus, the financial statements reflect true and fair view of the state of affairs of the banks' activities from one reporting period to another. Several yard sticks have been used to measure audit quality. Some of them include auditor's independence, audit fee, audit committee (attributes), audit firm size, audit tenure, audit firm specialization, auditor's post graduate education and auditor rotation, among others (Mesbah & Ramadan, 2022; Kwarbai & Osho, 2021; Awa & Obinabo, 2020).

Auditing standards and guidelines are put in place to assure quality in the professional practice of an auditor. Regulatory bodies such as Financial Reporting Council of Nigeria (FRC), Corporate Affairs Commission (CAC), Central Bank of Nigeria (CBN), Institute of Chartered Accountants of Nigeria (ICAN) and Association of National Accountants of Nigeria (ANAN) are saddled with responsibility of ensuring quality control of audit professional services being rendered to listed deposit banks. Nevertheless, audit quality has not much prevented incidence of infractions and fraudulent attempts in listed deposit money banks' operations.

Akintola et al. (2025) and Akande et al. (2024), in their ex-post facto research designs, establish positive and significant amount of money involved in fraudulent cases against banking financial performance and expected losses within a period of two decades to 2023. Frequency of frauds and banking staff involvement are each found to slightly decelerate expected losses in financial performance appraisals within the period. On January 10, 2024, the CBN informed the general public that the governing boards of Union Bank, Key Stone Bank and Polaris Bank had been dissolved, citing the infractions committed to include involvement in activities outside their operating mandates and such activities were inimical to financial stability of banking operations (Appendix I). The Heritage Bank PLC's operating licenced was revoked on June 3, 2024 by the CBN, on account of breaching Section 12(1) of the Banks and Other Financial Institutions Act, 2020. The Bank was given reprieve for recovery and

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financial performance but the grace period was not reassuring public confidence of the Bank's operations in the financial system (Appendix II).

Financial performance of listed deposit money banks is simply conceived from financial statements presented in annual reports of audited banks under the subheadings which are statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity, statement of value added and five-year financial summary. The study therefore aims at delimiting audit quality to audit committee independence, audit firm size and audit tenure while financial performance is restricted to cash flow of listed deposit money banks in Nigeria. Financial performance transcends measure of profitability which is mostly connoted in several studies and articles.

Problem Statement

Listed deposit money banks in Nigeria are statutorily required for annual audit. The statutory audit is being carried out with the audit report in each of the banks' annual reports. Auditors, through the audit assignment, are required to guarantee public confidence on the banks' annual reports for users to make informed and sound decisions. Auditors through their functions are however mandated to make whistle blower where infractions and ultravires have been committed by the banks' managements and directors. This whistle blower was not made in the public domain until the Central of Nigeria (CBN), the banks regulatory body, in the 2024 proclaimed to the public that certain banks' boards of directors were dissolved due to infractions and conduct of activities outside the banking mandates. One of the banks was even liquidated in the year by the CBN as its operating performance was not adequate of public assurance. Therefore, the problem statement focuses on audit quality, board independence and financial performance (cash flows) of listed deposit money banks in Nigeria.

Literature Review

Audit quality is being defined by several measures. Jayeola et al. (2017) use joint audit, audit tenure, audit industry specification and auditor independence to define audit quality. Eriabie and Dabor (2017) measure audit quality with audit fees and auditor change. Nwoye et al. (2021) perceive audit quality in audit firm size, audit

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tenure, audit committee independence, audit committee financial literacy and audit fee. Soyemi et al. (2023) add audit committee experience and client firm size as measures of audit quality. Olorunsola and Ali-Momoh (2025) include Audit Committee meetings, audit committee size and Audit gender diversity in the definition of audit quality. Hence, audit quality in this study is conceptualized in three proxies – audit committee independence, audit firm size and audit tenure. Audit committee independence has to do with appointing individuals with wealth of business and financial experience in various sectors of the economy. These individuals are required not to engage in operating activities of the banks that appoints them but they can hold shares in the banks. Section 404(3) of the Companies and Allied Matters Act (CAMA) promotes audit committee independence to comprise three shareholders and two non-executive directors in each of the listed deposit money banks for the purpose of statutory audit of financial statements presented in the annual reports (Federal Republic of Nigeria [FRN], 2020). Audit committee independence is mostly desirable to safeguard auditor's independence, his scope of audit assignment and basis of determining audit fee and auditor's reimbursable expenses.

Audit firm size is understandable in terms of strength and physical presence of audit firm's structure and offices across a nation and other countries. Audit firm size is popularly described as big4 for large audit firms with international reputation and networks while other audit firms are described as non-big4. The big4 have been Kylynveld Peat Marwick Goereler (KPMG), Ernst and Young (E &Y), PricewaterhouseCooper (PwC) and Deloitte and Touche (from 2017, following the retirement of Akintola Williams). The strength of the big4 audit firms has been drawn from reputation for strict compliance with regulatory standards and guidelines, stock of seasoned experts across various audit specializations, peer review of audit work done, and meeting reporting deadline while safeguard against advocacy threats from the bank management is not compromised (Arowoshegbe et al., 2017). Comfort and Otuedon (2019) have differently measured audit firm size with audit firm revenue and audit quality as a separate variable in their study was measured with big4 and non-big4 audit firm size binary representation. In their empirical findings,

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audit firm size has positive and significant effect on audit quality, implying higher audit firm revenue attracting more engagement of big4 audit firms in statutory audit.

Audit tenure has to do with number of years an audit firm spends consecutively in statutory audit of a company. Audit firms engaging in statutory audit assignment for not more three consecutive years are described to have short term audit tenure. Asma'u et al. (2023) see long term of audit tenure in statutory engagement with minimum of five consecutive years. Musa (2022) and Alghadi (2019) measure long audit tenure from minimum of three consecutive years and above in statutory audit engagement. Comfort and Otuedon (2019) measure audit tenure in the length of years an auditor spends consecutively in a client company. Code of corporate governance in Nigeria provides long term of audit tenure in 10 consecutive years of statutory audit. The audit firm engaging in this long tenure can be reappointed through tendering process after seven years of its retirement and that another audit firm has taken over. In the case of joint audit, a further period of 14 consecutive years is allowed to make a total of 24 years.

The long tenure of auditor's engagement in statutory audit of these deposit money banks is believed to be promoting better understanding and experience on his client's business and operations environment and the risks that are usually associated with the quality of bank audit. Conversely, the long tenure of audit engagement is viewed from the likelihood of auditor's independence being compromised as a result of familiarity with the bank environment and senior staff there for a number of years, particularly at the stocktaking of cash varieties.

Board independence involves having directors who do not partake in the executive management of listed deposit money banks in Nigeria. These directors are further described as non-executive and independent. Those ones, who do not involve in the operational activities of banks but may be holding shares in the banks or having interests in the awards of banks' contracts, are described as non-executive. Those directors who come from outside and do not hold shares of the banks and also do not have interest in the contract awards are known as independent non-executive directors (First Bank of Nigeria [FBN], 2016; United Bank for Africa [UBA], 2024; Access Bank, 2021).

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Financial performance has been mostly referred to profitability from which all expenses and short-term obligations are being settled from one banking year to another. Profitability has been taken as a major indicator of healthy operations for sustainable meeting needs of various stakeholders. Other proxies being used to measure financial performance include liquidity / financial capital, share value, price-earnings ratio, earnings management and cash flows / cash holdings (Soyemi et al., 2023; Tsetim et al., 2024; Ifeanyichukwu and Ifeoma, 2023; Musa, 2022; Daferighe & Ikpantan, 2019; Okolie, 2014).

Policeman Theory of Audit Quality applies to auditor's fiduciary responsibility of protecting public interest in the course of discharging his statutory duty independently. He is required to be much concerned with divulging issues around frauds and any form of irregularities discovered on customers' deposits and shareholders' fund. He is by circumstance required to shelve confidentiality of records and audit evidence in the deposit money banks, so as to enable whistle blower prevail and necessarily motivate forensic accounting and audit. Ultimately, several allegations are put to trial in courts of competent jurisdiction while regulatory authorities thereof take actions on the nature and gravity of established infractions. Agency Theory on Board Independence requires outside directors to be acting in the best interest of banks' shareholders in the financial performance and cash flows from one reporting year to another. Their meetings in various committees should be solely promoting increase in cash flows to the firms in operating activities, financing activities and investing activities. These outside directors are known as not partaking in the executive management in the day-to-day activities. Thus, they are required to have higher level of interest in promoting improved financial performance and cash flows in annual reports sustainably. They are required to be in firm directive of approvals to executive management on cash spending, transparency of liquidity and adequacy of working capital management.

Manoel et al. (2025) examined effect of audit quality by big4 on market value of cash holding in listed firms across six countries of Latin America with a sample of 3,253 observations. The descriptive statistics employed were mean, median, quartiles and

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standard deviation while the inferential statistics used was panels regression analysis. The findings revealed that every $1USD has an increased market value of $0.451USD while the audit quality by big4 has positive and significant effect on market value of cash holding in Latin America. Hussein and Jassim (2024) assessed effect of audit committee on free cash flows among listed banks sampled on the Iraqi Stock Exchange. The period of study was 10 years (2012 – 2021). The study was written in Arabic with abstract in English. The findings revealed that audit committee (with proxies: independence, size, meeting, financial expertise and share ownership) has positive and significant effect on free cash flows of the listed banks sampled on the Iraqi Stock Exchange.

Tahmasbi et al. (2020) investigated effect of audit quality on market value of cash holding of listed companies on the Tehran Stock Exchange, Iran. Audit quality was measured in auditor's expertise and audit tenure. 175 listed companies were sampled for a period of six years (2008 – 2014). Regression analysis was run on the panel data for the study. One of the findings revealed that long audit tenure does not decrease market value of cash holding among those listed firms on Tehran Stock Exchange. The statistical evidence to this finding proves positive and insignificant effect of audit tenure on market value of cash holding. Alghadi (2019) examined the impact of board characteristics, ownership structure and audit quality on cash holdings of listed companies in Jordan. The population of the study was 92 firms covering industry and service sectors (excluding finance sector) on the Amman Stock Exchange. 87 of the firms were conveniently sampled for a period of seven years (2011 – 2017) with 609 observations. The descriptive statistics used were mean, median, standard deviation, frequency counts and percentages. The inferential statistics employed was multivariate regression analysis. The findings revealed among others that audit committee independence, audit firm size and audit tenure were each having positive and significant impact on cash holdings of listed companies in Jordan.

Nouri and Gilaninia (2017) assessed effect of audit quality on the relationship between surplus free cash flows and earnings management among listed companies in Iran. The population of the study was 102 companies and the period of the study was

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five years (2010 – 2014). Regression analysis was used and the findings revealed that audit quality has negative and significant effect on the relationship between surplus free cash flows and earnings management. Lie and Yang (2016) assessed effect of board independence on cash holdings and cash spending among US public firms. The extracts of major findings reveal that board independence has positive and significant effect on cash holdings. Board independence is also found to have positive and significant effect on cash spending each by Research and Development (R & D) and dividends. Furthermore, board independence is established to have negative and significant effect on cash spending through each of capital expenditure and share repurchases among US public firms.

Okolie (2014) examined audit firm size and cash-based earnings management of quoted companies in Nigeria. The population size was 342 companies on the Nigerian Stock Exchange in a period of six years (2006 – 2011). Regression analysis was used and the findings showed that audit firm size has negative and significant effect on cash-based earnings management in Nigeria quoted companies. Benjamin and Karrahemi (2013) had a test of audit committee characteristics and free cash flows among firms listed in the trading and services sectors of Bursa Malaysian Stock Exchange. The population of the study was 186 firms out of which 120 firms were randomly sampled for a period of four years (2005 – 2008). 480 observations were made. The descriptive statistics used were mean, median and standard deviation while the inferential statistics was multiple regression analysis. The findings revealed that audit committee has positive and significant effect on free cash flows at 0.01 level of significance with adjusted R-Square 0.465. Relatively, audit committee independence has positive and significant effect on free cash flows.

Seo et al. (n. d.) assessed board independence and corporate cash holding of firms listed on New York Stock Exchange both at pre-Sarbanes-Oxley and post-Sarbanes-Oxley Act enactment. 849 firms listed on the Exchange were sampled for a period of four years (2001 – 2004) with 8,059 observations. Regression analysis was used on the panel data generated. Some of the major findings revealed that firms with no financial constraints have positive and significant effect of their non-executive directors on

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cash flow to firms at post-Sarbanes-Oxley law enactment. Firms with financial constraints and degree of monitoring were found with outside directors having positive and insignificant effect on cash flow to firms listed on the New York Stock Exchange.

Research Gap

Several empirical studies have been read through while few ones relevant to the current study have been cited and referenced. Most literature on the dependent variable and the independent variables are found from other climes outside Nigerian domain for the current study. Most authors in Nigerian domain write more on audit quality and earnings management (mostly measured in discretionary accruals) or board characteristics and earnings management. From the previous studies reviewed, only Okolie (2014) has been cited on audit firm size and cash-based earnings management. Other Nigerian authors write much on cash flows and financial performance (measured in profitability), which are outside this study.

Research Objectives

From the introduction and the literature review, the objective of the study is to examine effect of audit quality and board independence on financial performance of listed deposit money banks in Nigeria. Specifically, the study aims to assess effect of:

i. Audit committee independence on cash flows to listed deposit money banks in Nigeria;

ii. Audit firm size on cash flows to listed deposit money banks in Nigeria;

iii. Audit tenure on cash flows to listed deposit money banks in Nigeria; and

iv. Board Independence on cash flows to listed deposit money banks in Nigeria.

Hypotheses

Hypotheses for the study are formulated in null form from the research objectives as follows:

H_{01}: Audit committee independence does not have significant effect on cash flows to listed deposit money banks in Nigeria.

H_{02}: Audit firm size does not have significant effect on cash flows to listed deposit money banks in Nigeria.

H_{03}: Audit tenure does not have significant effect on cash flows to listed deposit money banks in Nigeria.

H_{04}: Board independence does not have significant effect on cash flows to listed deposit money banks in Nigeria.

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Methodology

The study adopted ex-post facto research design with secondary source of data collection. The population size of the study was 25 listed deposit money banks in Nigeria, with national and international authorizations as at 31st December, 2025. The sample size was 13 listed deposit money banks, using convenient sampling. The period of study was 13 years (2012 – 2024) with 169 observations. The diagnostic tests were carried out in terms of normality of data distribution, multi-co-linearity and heteroscedasticity. The Shipro-Wilk W test established that the data are not normally distributed. The Variance Inflation Factor (VIF) is found at tolerance level to uphold absence of multi-co-linearity. The Cameron-Trivedis' IM test reveals presence of heteroscedasticity with P-value 0.000. In view of heteroscedasticity, robust test was carried out and reported after the random effects and fixed effects tests, through Panels Corrected Standard Errors (PCSE). The descriptive statistics of the study were mean and standard deviation while the inferential statistics used was regression analysis. The model of the study is thus given as: $CFs = \bar{\alpha}_0 + \beta_1 ACI_{it} + \beta_2 AFS_{it} + \beta_3 ADT_{it} + \beta_4 BID_{it} + \varepsilon_{it}$;

Where:

CFs = Cash Flows (measured as cash and cash equivalents for the year-end divided by the total assets of the bank in the year; Manoel et al., 2025).

$\bar{\alpha}$ = intercept (alpha) which is constant;

ACI = Audit Committee Independence (measured by number of the members in the meetings and not partaking in the executive functions of the banks divided by the total number of the members in the meetings; Bawuah, 2024; Benjamin & Karrahemi, 2013);

AFS = Audit Firm Size (measured by big4 and non-big4 audit firms, big4 represented with 1 and non-big4 represented with 0; Bawuah, 2024; Alghadi, 2019, Osariemen et al., 2018);

ADT = Audit Tenure (measured by numbering audit consecutive years of an audit firm engaged in statutory audit; Comfort & Otuedon, 2019);

BID = Board Independence (measured by number of outside directors not partaking in the operational activities divided by the total number of directors on the board; Ngo et al., 2023);

$\beta_0 - \beta_4$ = coefficients of the independent variables;

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ε = standard error;

i = number of firms observed (13); and

t = period of the study, 13 years (2012 – 2024).

Results

Table 1 (Descriptive Statistics)

Variable	Obs	Mean	Std. Dev.	Min.	Max.
CFs	169	0.1210876	0.1078059	-0.0628	0.7271 1
ACI	169	0.9019568	0.1628955	0	1
AFS	169	0.8934911	0.3094046	0	10
ADT	169	4.1005920	2.4559090	0	0.9375
BID	169	0.6694024	0.6694024	0	

Source: STATA 17 Outputs

From the Table 1, the minimum cash flows show that there is a least bank with loss of 6 Kobo from every ₦1 of total assets while the maximum cash flows reveal a bank with highest gain of 73 Kobo to every ₦1 of total assets. ACI and AFS are each indicating maximum perfection at 100% of the banks selected while ADT indicates average highest audit tenure among the banks as 10 years. BID has highest stance of 94% in the period being studied

Table 2

(Normality Test)

Variable	Obs	W	V	z	p-value
CFs	169	0.80396	25.274	7.368	0.00000
ACI	169	0.50620	63.662	9.475	0.00000
AFS	169	0.91845	10.513	5.367	0.00000
ADT	169	0.96222	4.870	3.611	0.00015
BID	169	0.89790	13.164	5.880	0.00000

Source: STATA **17** Outputs

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From the Table 2, the p-value of each of the variables hints significance of null hypothesis advocating non-normality of the data. Therefore, the data are not normally distributed.

Table 3

Variance Inflation Factor

Variable	VIF	I/VIF
ACI	1.04	0.9633
AFS	1.02	0.9844
ADT	1.03	0.9721
BID	1.04	0.9572
Mean	1.03	

Source: *STATA 17 Outputs*

From the Table 3, the VIF is relatively and jointly greater than 1 but less than 5. These results hint tolerance range and absence of heteroskedasticity. Therefore, there is no multi-co-linearity among the variables.

Table 4

Imtest for Heteroskedasticity

Variable	Chi^2	Df	p-value
Heteroskedasticity	71.45	13	0.0000
Skewness	21.93	4	0.0002
Kurtosis	2.51	1	0.1132
Total	95.88	18	0.0000

Source: STATA 17 Outputs

From the Table 4, the imtest was conducted for heteroskedasticity since the data are described as not normally distributed in the Table 2. The p-value for heteroskedsaticity is 0.0000, suggesting that the null hypothesis is rejected and heteroskedasticity is established

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as present. This presence of heteroskedasticity further leads to correction between fixed effects and random effects models of regression analysis. The corrected model known as Panel Corrected Standard Errors (PCSEs) is thus presented in the Table 5 as follows:

Table 5

Panels Corrected Standard Errors Regression Coefficients for CFs

Variables	**Coefficient**	**Std. Err.**	**Z**	**p-value**	**0.05**	**interval**
Constant	0.1771	0.0808	2.19	0.028	0.0187	0.3354
ACI	0.0707	0.0573	1.23	0.217	-0.0416	0.1831
AFS	-0.1516	0.0362	-4.19	0.000	-0.2226	-0.0807
ADT	-0.0029	0.0031	-0.92	0.356	-0.0089	0.0032
BID	0.0410	0.0381	1.07	0.283	-0.0338	0.1157
R^2	Wald Chi^2	Prob. > Chi^2				
0.2159	24.74	0.0001				

Source: STATA 17 Outputs

CFs = 0.1771 + 0.0707ACI – 0.1516AFS - 0.0029ADT + 0.0410BID + 0.808

From the Table 5, the R-Square known as coefficient of determination is 0.2159, implying that audit quality and board independence jointly have 21.59% effect on cash flows to the listed deposit money banks in the period being studied. The remaining 78.41% effect on cash flows is attributable to other variables which are outside the current study. The p-value shows that audit quality and board independence jointly have positive and significant effect on cash flows to listed deposit money banks in Nigeria. The ACI coefficient 0.0707 hints that audit committee independence promotes increase in every ₦1 cash flows at 7.07%. The AFS coefficient -0.1516 implies decrease in Cash flows at 15.16% for mostly engaging big4 audit firm size. The ADT coefficient -0.0029 suggests decrease in cash flows at 0.3% for mostly applying long term audit tenure of the auditors engaged in the listed banks. The BID coefficient 0.0410 suggests increase in every ₦1 cash flows to the listed banks at 4.10% as a result of outside directors in the

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corporate management of cash holding and spending.

Discussion

Policeman Theory of Audit and Agency Theory on Board Independence are both strongly supported by the findings. The positive and significant effect of audit quality and board independence on financial performance jointly allude equipment of executive management with due care and diligence within approval limits of cash holdings and cash spending in the banks' operating, investing and financing activities from one reporting year to another in the study. This overall finding is in contrast with Nouri and Gilaninia (2017) who establish that audit quality has negative and significant effect on surplus free cash flows and earnings management in Iran.

Hypothesis One holds that audit committee independence does not have significant effect on cash flows to listed deposit money banks in Nigeria. The Hypothesis One is accepted as the findings show ACI to have positive and insignificant effect on cash flows to listed deposit money banks in Nigeria. This finding is partially similar to Hussien and Jassim (2024) who establish audit committee with positive and significant effect on free cash flows to listed banks sampled on Iraqi Stock Exchange. This finding also has partial agreement with Alghadi (2019) and Benjamin and Karrahemi (2013) who uphold positive and significant effect of audit committee on cash holdings / free cash flows in Jordan and Malaysia respectively. Hypothesis Two states that audit firm size does not have significant effect on cash flows to listed deposit money banks in Nigeria. The Hypothesis Two is rejected as the finding shows that audit firm size has negative and significant effect on cash flows to listed deposit money banks in Nigeria. This finding perfectly agrees with Okolie (2014) and totally disagrees with Manoel et al. (2025) and Alghadi (2019) that audit firm size has positive and significant effect on cash holdings in Latin America and Jordan respectively. This significantly negative result of audit firm size on cash flows speaks expensiveness of audit fees and reimbursable expenses the banks incur in engaging the big-4 audit firms. The long-term engagement of each of them to 10 years certainly compromises their independence, familiarity and physical presence with executive management, especially during stock taking of cash and inspection of banks' assets. The

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managements always expect letters of comfort in the domestic reports and unqualified audit reports in the banks' annual reports. The executive directors, on one hand, protect their career through expensive spending and gratifications while the auditors, on the other hand, protect their marketing services at the clients' satisfaction of audit reports.

Hypothesis Three states that audit tenure does not have effect on cash flows to listed deposit money banks in Nigeria. The Hypothesis Three is accepted as the finding reveals negative and insignificant effect of audit tenure on cash flows to listed deposit money banks in Nigeria. This insignificant effect is in consonance with Tahmasbi (2020) but in diversity that audit tenure is positive. The finding again totally disagrees with Alghadi (2019) who establishes that audit tenure has positive and significant effect on cash holdings of listed firms in Jordan. Hypothesis Four states that Board Independence does not have effect cash flows to listed deposit money banks in Nigeria. The Hypothesis Four is accepted, as Board Independence has positive and insignificant effect on cash flows to listed deposit money banks in Nigeria. This finding partially agrees with Lie and Yang (2016) and Seo et al. (n. d.) who find board independence to be having positive effect on cash holdings among listed firms in the US. But the study disagrees that the positive effect is not significant, particularly on firms without financial constraints. As for the firms identified with financial constraints and they are under a degree of monitoring, the finding agrees with Seo et al. (n. d.) that board independence has positive and insignificant effect on cash holdings among firms listed on the New York Stock Exchange.

Conclusion

Audit quality and board independence are inseparable determinants of public confidence in financial reports and performance of listed deposit money banks in Nigeria, particularly when incidences of infractions and frauds have necessitated regulatory authorities to invoke sections of the laws and sanction erring banks. Audit quality by big4 audit firm engagement has always been expensive on the administrative costs and long tenure of auditor's engagement in the banks' statutory audits slightly affect their cash flows in the period. Outside directors on the banks' boards in majority influence adherence to approval

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limits of cash holdings and cash spending in the executive management of banking operations, with a view to minimizing defalcations and forms of irregularities raising public concerns.

Recommendations

From the findings and the conclusion reached, it is pertinent to give the following recommendations:

i. Audit committee composition should be sustained as spelt out in the Section 404(3) of the CAMA 2020 of the FRN that the committee should comprise three shareholders and two directors, all of whom do not partake in the executive management of bank's operational activities. The instance of bank's registrar or one executive director partaking in the audit committee meetings should be refrained totally in order to safeguard influence of decisions around appointment, scope of duties, audit fees and independence of statutory auditors.

ii. The expensiveness of big4 audit firm fees and reimbursable expenses strongly affect cash flows to listed deposit money banks in Nigeria. Other audit firms with national spread and affiliations should be engaged in statutory audit as a sole auditor or joint auditors in the case of banks with international authorizations, for meeting annual report deadline. Or alternatively, statutory audit engagement should be rotated between big4 and non-big4 auditors while audit quality is assured in the work-scope assigned to them.

iii. The long tenure of audit firms engaged for statutory audit slightly affects cash flows to listed deposit money banks in Nigeria. The Financial Reporting Council (FRC) of Nigeria and other regulatory bodies in the country are enjoined to review shorter the ten-year length of audit consecutive engagement of an audit firm to five years. This becomes necessary in order to safeguard over-familiarity with the executive management and probably irresistible gratification advances engrossing banks' administration expenses in the annual profit declaration.

iv. The board independence should be sustained with more independent directors and non-executive directors over executive directors in the strategic resolutions and decisions around cash holdings and cash spending in banking operations, investments and financing. This sustenance of more non-partaking directors enables putting in check defalcations and misappropriations

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perpetrated by executive directors and senior executives constituting infractions to banking operation mandates and for regulatory authorities to sanction erring banks.

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