

**MODERATING ROLE OF AUDIT QUALITY ON CORPORATE
GOVERNANCE AND SUSTAINABILITY REPORTING OF
LISTED DEPOSIT MONEY BANKS IN NIGERIA**

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Abstract

This study investigated the moderating role of audit quality on corporate governance (board size and board financial expertise) and sustainability reporting of 14 listed deposit money banks (DMBs) in Nigeria over a ten-year period (2015–2024). Census sampling technique was applied where the entire population was studied. The multiple regression technique was used for the analysis where findings revealed that board size and board financial expertise significantly and positively affect sustainability disclosure levels of listed deposit money banks in Nigeria. However, the interaction effects of audit quality show positive but insignificant influence on corporate governance variables. Therefore, the study recommended that Deposit Money Banks should maintain an optimal and diversified board composition that ensures a balance between managerial control and accountability, prioritize the appointment of financially literate and professionally qualified individuals to the board and audit committees, and not depend solely on the reputation of external auditors but rather focus on strengthening internal control mechanisms and ensuring auditor independence.

Keywords: audit quality, board size, financial expertise, sustainability reporting, listed deposit money banks

1. Introduction

Corporate governance (CG) and sustainability reporting (SR) have gained increasing attention globally, especially in emerging markets such as Nigeria, where corporate transparency and accountability remain key concerns. Sustainability reporting, refers to the systematic disclosure of an organization's environmental, social, and governance (ESG) impacts resulting from its operational activities. It enables firms to communicate their commitment to sustainable development while enhancing stakeholder trust and long-term performance (García-Sánchez et al., 2022; Orazalin & Mahmood, 2021).

In the context of Nigerian Deposit Money Banks (DMBs), sustainability reporting has become increasingly vital due to the sector's central role in economic growth and financial intermediation. However, the quality and consistency of such disclosures have remained questionable, with many banks producing generic reports that lack depth and verifiability (Uwuigbe et al., 2020).

Corporate governance is instrumental in enhancing the credibility and quality of sustainability disclosures. Among the governance attributes, board size and board financial expertise are recognized as critical factors influencing a firm's reporting behavior. A well-constituted board with diverse expertise and an optimal size can offer better oversight, reduce agency conflicts, and ensure that sustainability disclosures are comprehensive and reliable (Khan, et al, 2013).

Extant literatures have reported that board size has significant positive relationship with sustainability reporting in Nigeria (Mbonu and Okoye, 2023). Their study confirmed that firms with larger boards would more likely disclose environmental data. This is attributed to the broader range of perspectives and an enhanced oversight that come with larger boards. Conversely, the study of Ayuba, et al. (2024) further confirmed that board size has a positive but statistically insignificant in predicting sustainability reporting quality among listed companies in Nigeria. This suggests that while larger boards may offer potential governance benefits, their effectiveness depends on other structural and behavioral factors such as board engagement and commitment.

On the study variable, board financial expertise, the study of Saheed et al. (2021) found that board members with financial competence positively and significantly influenced environmental disclosure quality in Nigerian manufacturing firms. Although their study focused on manufacturing firms, the implication is equally valid for banks given their complex financial and sustainability reporting obligations. Similarly, Olanrewaju et al. (2020) highlighted that board financial and environmental expertise had a positive impact on corporate social responsibility practices. Financially knowledgeable board members can bridge the gap between financial performance and non-financial disclosures, enabling the firm to provide high-quality sustainability information that meets stakeholders' expectations.

Audit quality is typically associated with the Big 4 audit firms or auditors with strong reputational capital that can enhance the reliability of sustainability reports by verifying that disclosed information aligns with actual corporate performance and sustainability metrics (Ogundajo & Okubote, 2023). It also serves as an external control mechanism that may either strengthen or dilute the relationship between board attributes and sustainability disclosures (Muttakin et al., 2018). Therefore, audit quality is posited to moderate the effects of board size and board financial expertise on sustainability reporting. Understanding how audit quality interacts with governance structures to influence sustainability reporting is of paramount importance, particularly in an emerging economy like Nigeria, where regulatory enforcement is often weak and corporate transparency varies widely (Adegbie & Fakile, 2021).

In Nigeria, the banking sector, particularly listed Deposit Money Banks (DMBs), plays a pivotal role in driving economic activities, necessitating greater emphasis on transparent and responsible reporting practices (Ofoegbu, 2020). Nonetheless, the growing awareness of sustainability issues, the extent and quality of sustainability reporting among Nigerian banks remain uneven and sometimes superficial (Uwuigbe et al., 2018).

In recent years, Nigeria has witnessed a resurgence of corporate governance failures and sustainability reporting inadequacies among its key financial institutions and corporate entities. A number of corporate scandals and governance breakdowns have raised serious concerns regarding transparency, accountability, and ethical standards in both financial and



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non-financial sectors. For instance, the Central Bank of Nigeria in January 2024 dissolved the boards and management of Union Bank, Keystone Bank, and Polaris Bank over non-compliance with banking regulations and persistent corporate governance failures (Lagos Metropolitan, 2024).

Similarly, the Economic and Financial Crimes Commission (EFCC) in 2025 arraigned Oba Otudeko, former Chairman of Honeywell Group, alongside the former Managing Director of First Bank, over an alleged ₦12.3 billion fraud, exposing deep weaknesses in board oversight and internal control mechanisms (Western Post, 2025). Further evidence of governance lapses is seen in the First City Monument Bank (FCMB), which reported a 637.99% rise in fraud and forgery expenses between 2022 and 2023, suggesting internal control deficiencies (ICIR Nigeria, 2024). Likewise, Union Bank was in 2025 embroiled in a ₦9.3 billion system breach and fraud case linked to poor cyber-governance and oversight structures (Afripost, 2025).

Despite regulatory efforts by the Financial Reporting Council of Nigeria (FRCN), the Central Bank of Nigeria (CBN), and the Nigerian Exchange (NGX) Group to enforce better corporate governance and sustainability practices, many listed DMBs still exhibit governance failures, weak board oversight, and unreliable Environmental, Social and Governance (ESG) disclosures (Arowoshegbe & Emmanuel, 2022). Further magnifying the governance crisis is the ongoing turmoil at FBN Holdings Plc., where shareholder disputes over board leadership and concentration of power have raised alarms about institutional instability (Ugwu, 2025). The lack of clarity around board legitimacy and decision-making structure threatens both the direction and integrity of the firm's ESG strategy.

Prior studies have predominantly focused on the direct relationship between corporate governance and sustainability reporting, often overlooking the potential moderating effect of audit quality (Hummel & Schlick, 2016). Yet, in a setting characterized by institutional weaknesses, the assurance provided by high-quality audit firms may be necessary to reinforce the effectiveness of governance structures. Therefore, it is unclear whether the influence of board characteristics - board size and board financial expertise - on sustainability reporting outcomes is strengthened or weakened depending on the quality of the external audit as studies inconsistency results.

Consequently, this study introduced a moderating variable to study the indirect relationship of these variables. Without empirical insight into this moderating effect, regulatory initiatives and managerial strategies aimed at improving sustainability reporting may be insufficient or misdirected. Thus, in the context of listed Deposit Money Banks (DMBs) in Nigeria, the dual crises of insider loan scandals and boardroom instability create an urgent problem: sustainability reporting is being seriously compromised by poor corporate governance structures and weak audit oversight. This crisis underscores the necessity of examining how corporate governance - board size and financial expertise, affect sustainability reporting, and how audit quality moderates these relationships in order to ensure credibility and stakeholder trust.

The main objective of the study examines the moderating role of audit quality on corporate governance and sustainability reporting of listed deposit money banks in Nigeria. The specific objectives were to:



- i. determine the effect of board size on the sustainability reporting of listed deposit money banks in Nigeria.
- ii. evaluate the effect of board financial expertise on the sustainability reporting of listed deposit money banks in Nigeria.
- iii. ascertain the effect of audit quality on the sustainability reporting of listed deposit money banks in Nigeria.
- iv. examine the moderating effect of audit quality on the relationship between board size and sustainability reporting of listed deposit money banks in Nigeria.
- v. investigate the moderating effect of audit quality on the relationship between board financial expertise and sustainability reporting of listed deposit money banks in Nigeria.

In line with the above objectives, the following hypotheses have been formulated in null form:

- H₀₁: Board size has no significant effect on sustainability reporting of listed deposit money banks in Nigeria.
- H₀₂: Board financial expertise has no significant effect on sustainability reporting of listed deposit money banks in Nigeria.
- H₀₃: Audit quality has no significant effect on sustainability reporting of listed deposit money banks in Nigeria.
- H₀₄: Audit quality has no significant moderating effect on board size and sustainability reporting of listed deposit money banks in Nigeria.
- H₀₅: Audit quality has no significant moderating effect on board financial expertise and sustainability reporting of listed deposit money banks in Nigeria.

2. Literature Reviews

Conceptual Review

The definitions by various authors on the variables (sustainability reporting, corporate governance, board size, board financial expertise and audit quality) used in this study is presented in this section.

Sustainability Reporting

According to Orazalin et al. (2019) sustainability reporting, which is also known as the triple bottom line (TBL), is a framework for evaluating the performance of a company in terms of social, economic, and environmental factors (SEE). SR signifies a departure from the traditional focus of businesses on maximizing wealth to a more holistic societal welfare. It provides stakeholders with information to evaluate a company's SEE actions (Orazalin et al., 2019) and helps managers communicate with all stakeholders about sustainability initiatives. It empowers businesses to take care of the surroundings and the community in which they function. SR has gained importance due to the increased demand for comprehensive financial and nonfinancial disclosure in recent years, driven by global demands for sustainability disclosure and stakeholder requests (Masud, et al., 2019).

The concept of Sustainability Reporting has been defined by researchers and international organizations as the process of disclosing firms' economic, social and environmental impact on the geographical location where they operate in a particular period of time (Asaolu et al., 2011; Awodiran, 2019; GRI, 2019; Aifuwa, 2020; Christofi et al., 2012; Musa et al., 2020; Gold et al., 2021). Sustainability Report shows firms'



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commitment toward meeting the need of stakeholders and improving the performance (Aifuwa, 2020).

Uwuigbe et al. (2018) define sustainability reporting as a tale disseminated by a firm about the environmental, social and societal efforts brought about by its ordinary exercises. According to Global Reporting Initiative, G.R.I (2021), sustainability reporting is defined as an organization's practice of reporting publicly on its economic, environmental, and/or social impacts, and hence its contributions - positive or negative - towards the goal of sustainable development.

This study defined sustainability reporting as the process by which an organization publicly discloses information about its environmental, social, and governance impacts and performance. The sustainability reporting measured a disclosure index derived from the GRI Standards, focusing on economic, environmental, and social indicators. A binary scoring approach (1 = disclosed, 0 = not disclosed) will be applied to relevant items, and a sustainability reporting index (SRI) was computed as the proportion of items disclosed by each bank annually.

Corporate Governance

Corporate governance is all activities associated with the leadership process of an individual or a group of individuals in a specific enterprise in order to require the enterprise to operate according to its desires (Nguyen & Nguyen, 2024). Additionally, corporate governance refers to the systems and processes by which a company is directed and controlled to achieve its objectives (Owusu & Garr, 2024).

According to Cadbury, corporate governance is a system of structures and controls to satisfy stakeholders' interests while complying with legal requirements and regulations (Kiptoo et al., 2021) and overseeing the company's operations. Corporate governance is viewed as the internal measures to run and control a company, relating to the relationships between the board of directors, shareholders, and stakeholders (Do et al., 2021).

Corporate Governance refers to the system of rules, practices, processes, and structures by which corporations are directed, controlled, and managed (Ahmed, et al., 2023). It encompasses the relationships among various stakeholders involved in the company, including shareholders, management, the board of directors, employees, customers, suppliers, and the broader community (Aluoch, 2023).

The primary goal of corporate governance is to ensure transparency, accountability, fairness, and integrity in the decision-making processes and operations of a corporation. Effective corporate governance helps to safeguard the interests of shareholders, promote responsible corporate behavior, mitigate risks, enhance performance, and build trust with stakeholders (Balagobei & Keerthana, 2023). It involves establishing mechanisms for oversight, risk management, compliance with laws and regulations, ethical conduct, and strategic planning to achieve the organization's objectives while balancing the interests of different stakeholders (Jonah, 2023).

Board Size

According Githaiga and Kosgai (2022) board size refers to the total number of directors that serve on a corporate board. Larger boards are often characterized by greater diversity in terms of experience, financial expertise and capabilities to solve problems, improving firm reputation and image. Board size refers to the number of individuals who serve as members of a company's board of directors. It is a key aspect of corporate



governance that determines the composition and structure of the board (Dada, et al., 2023). Board size can vary widely depending on factors such as the size and complexity of the company, industry norms, regulatory requirements, and corporate governance best practices (Nguyen, et al., 2023).

Generally, smaller companies tend to have smaller boards, while larger corporations may have larger boards to accommodate the need for diverse expertise and perspectives. The optimal board size is often a subject of debate, with proponents arguing for smaller boards to enhance efficiency and decision-making agility, while others advocate for larger boards to ensure broader representation and oversight. The appropriate board size for a company depends on various factors, including its strategic objectives, organizational culture, and governance framework (Dagunduro, et al., 2023; Odhiambo, 2021). This study defines board size as the total number of directors serving on a company's board of directors at a given time. Board size will be measured as total number of directors on the board for each year.

Board Financial Expertise

Prior studies conceptualize board financial expertise as the proportion of board members with educational and work experience in the financial and accounting fields (Al-Matari, 2020; Aladwey et al., 2021). Generally, board financial expertise is the proportion of board members with either an academic or professional background in accounting, auditing or auditing (Githaiga & Kosgai, 2022). Financial expertise enhances the board's ability to understand and interpret financial reports and frame vital financial decisions of the firm.

Sidki et al. (2022) define board expertise as the individual talents and knowledge possessed by board members. These outcomes are derived from a diverse array of experiences and educational backgrounds. Board member expertise is the number of members that are expert insurance, accounting, finance and other related fields in the board of directors of a firm (Joshua, et al., 2019). Saheed et al. (2021) defined board financial expertise as the presence of directors with financial literacy and professional accounting or financial management experience. Such expertise enhances the board's capacity to understand and evaluate the economic implications of sustainability activities and disclosures.

The study sees board financial expertise as the presence of directors on a company's board who have strong knowledge, skills, and experience in financial matters e.g. accounting, auditing, financial reporting, risk management, and corporate finance. It will be measured as proportion of board members with formal accounting, finance qualifications, or related experience.

Audit Quality

Audit quality refers to the extent to which an audit is performed in accordance with applicable auditing standards and is capable of detecting and reporting material misstatements in financial statements. A high-quality audit enhances the credibility of financial reports, thereby strengthening investor confidence.

One of the most commonly used proxies for audit quality in recent empirical research is audit firm type, particularly distinguishing between Big 4 (or now Big 6, depending on mergers) and non-Big 4 firms. Big 4 firms - Deloitte, PricewaterhouseCoopers



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(PwC), Ernst & Young (EY) and Klynveld Peat Marwick Goerdeler (KPMG), are generally assumed to deliver higher audit quality because of their stronger reputation, greater expertise, global networks, and more substantial resources (Al-Shammari & Al-Ajmi, 2023).

The study of Nguyen et al., (2024) argued that larger audit firms are more likely to detect material misstatements and resist client pressure due to their higher litigation risk and brand reputation concerns. Furthermore, big audit firms often invest more in auditor training, technology, and quality control systems, factors that collectively contribute to enhanced audit quality (Chen, 2025).

Furthermore, some literature suggests that the audit firm size quality relationship might be context-specific. For instance, in environments with weaker enforcement mechanisms or high client importance, even large firms may compromise audit quality (Ogunleye & Bello, 2025). Thus, audit firm type (Big 4 vs. non-Big 4) is widely used as a proxy for audit quality because it captures differences in resources, incentives, and capabilities that directly influence the quality of the audit outcome.

Empirical Reviews

Board Size and Sustainability Reporting

Echobu et al. (2025) investigated the effect of corporate boards and sustainability reporting: Evidence from environmentally sensitive firms in Nigeria. A sample size of eleven firms from agriculture and oil & gas (2019-2023) were studied. The findings prove that board size has a negative but statistically insignificant effect on SR, whereas stakeholder engagement, sustainability committees, and director remuneration featured significant positive impacts.

Jimoh, et al. (2024) investigated corporate board size and corporate social responsibility disclosure among eleven listed industrial goods firms in Nigeria from 2011 to 2021 using panel regression on CSR disclosure scores. They found that board size positively and significantly influences CSR reporting, suggesting that an effective board size enhances supervisory functions and transparency. While their results support the link between board size and reporting quality, the focus on CSR (rather than integrated SR) and the narrow industrial goods context limit broader applicability.

Lewa et al. (2024) evaluate the influence of board attributes on sustainability reporting. Using a multinomial logistic regression model, the study assessed 110 non-financial firms listed in 10 Sub-Saharan African countries from 2016 to 2021. Secondary data was used for the study. The result indicates that board size, board meetings, board independence, and board gender diversity have a positive influence on sustainability reporting.

Almaqtari et al. (2024) investigates the influence of board attributes and environmental teams on environmental and sustainability performance. The study uses panel data of a sample of 8,094 Asian and European corporations from 2016 to 2021. The findings reveal that board attributes positively influence sustainability performance, except for frequent meetings and tenure that negatively influence sustainability performance. Further, environmental teams significantly moderate the association between board attributes and sustainability performance, which is more effective in European than Asian corporations.



Sitorus et al. (2024) analyze the influence of company size, board of directors and leverage on sustainability report disclosure with profitability as a moderating variable in LQ45 (45 most liquid) companies on the Indonesia Stock Exchange from 2018-2022. The sampling technique in this research is the purposive sampling method with 21 companies as sample size. The analysis technique used is multiple linear regression analysis and moderated regression analysis. The research results show that company size has no effect on sustainability report disclosure. The board of directors has a positive and significant influence on sustainability report disclosure.

In the oil and gas sector, Adahosa and Udeh (2023) examined the effect of board characteristics including board size, on environmental disclosure across fourteen years (2008-2021) for Nigerian listed oil and gas firms. Their Panel Least Squares regression showed that board size has a positive and significant effect on environmental disclosure.

In Ajepe et al. (2021) board characteristics and sustainability reporting of listed non-financial firms in Nigeria, a fixed-effects panel regression of thirty non-financial firms listed on the Nigerian Exchange Group between 2010 and 2018 was studied. The result revealed that board size significantly enhances sustainability reporting. However, their findings are limited to non-banking firms and have moderate effect size, prompting caution in generalization.

Nwude and Nwude (2021) utilized panel regression to analyze board structure and corporate social responsibility of Nigerian deposit money banks from 2007 to 2018, using CSR disclosures as proxies for SR. They reported a positive but statistically insignificant relationship between board size and CSR reporting. The study recommended that slight board enlargement might benefit oversight. The study is limited old data and banking-specific context.

Adebayo, et al. (2020) investigated the influence of board characteristics and ownership concentration on corporate sustainability growth among listed manufacturing companies in Nigeria. The sample size used was thirty manufacturing firms from 2011 to 2020, and using regression to assess corporate sustainability growth. They reported a positive relationship between board size and sustainable growth, arguing that diverse and larger boards support resilience and reporting integrity during crises. While the study emphasizes sustainable growth rather than direct SR, its findings imply relevance to governance structures underlying disclosure potential.

Board Financial Expertise and Sustainability Reporting

Meanwhile, Echobu et al. (2025) examined the effect of corporate boards and sustainability reporting in Nigeria focusing on 11 environmentally sensitive firms from 2019-2023. The findings of the study revealed that while board size was insignificant, firm performance in SR was significantly explained by existence of sustainability committees and the presence of board members with relevant professional expertise, including finance professionals.

Ngadi et al. (2025) studied board attributes and sustainability reporting quality and moderated by audit quality of listed manufacturing firms (2013-2022) and tested board audit expertise as a moderator in SR quality. While audit quality positively moderated board independence and diversity, it did not significantly moderate board expertise's effect on SR. This suggests that board financial expertise contributes to SR directly, but its effect may not be amplified by audit quality in that context.



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In the industrial goods sector, Eke et al. (2024) investigated effect of board attributes on sustainability reporting responsiveness of 13 listed industrial goods firms in Nigeria from 2015 to 2022. The study used panel least squares regression. The result confirmed that board education, particularly formal financial or accounting qualifications boosted SR responsiveness.

Alshareef and Sulimany (2024) evaluates the effects of board financial expertise on the financial sustainability of Saudi non-financial listed companies. The research sampled data from 97 companies covering 2013 to 2022 and analyzed the data using different econometric models. The research findings indicated a strong and positive impact of board financial expertise on sustainable performance. Practically, the results indicated that Saudi-listed firms should emphasize employing financial specialists on their boards to boost their value and attain sustainable growth.

Oyerogba, et al. (2024) ascertains whether corporate governance (CCG) index is related to the sustainability reporting quality of listed banks in Nigeria. The study use used 19 quoted banks for a period of ten years (2012–2021) as sample size. The results show that corporate governance mechanisms have a statistically significant influence on the quality of sustainability reporting.

Wibisono and Honggowati (2024) examine the impact of good corporate governance on sustainability report disclosures, through analyzing size of the Board of Commissioners (BoC), president of BoC's education level, size of the Audit Committee (AC), and financial expertise of AC members. This study found that president of BoC's education level positively impacts sustainability report disclosures, while financial expertise of AC members has a negative effect on sustainability report disclosures. The size of the BoC and size of the AC do not affect sustainability report disclosures. The study is limited by a shorter duration.

In their study of corporate governance mechanisms and sustainability reporting practices of 51 listed non-financial firms in Nigeria between 2011 and 2020, Razaq, et al (2023) uncovered a significant positive effect of board financial expertise on sustainability reporting, even after controlling for board size and diversity (random-effects panel regression). They recommend regulators require firms to include board members with accounting or finance credentials to drive improved SR quality. However, the study is limited to non-financial firms; may not generalize to banks; audit quality not considered.

Kumo (2023) investigate corporate governance attributes and firm-specific features as determinants of sustainability initiatives of listed financial and non-financial companies in Nigeria. The study's population covers all listed 168 financial and non-financial entities on the Nigerian Stock Exchange, both financial and non-financial. The time frame for the research is six (6) years, from 2016 to 2021. This study adopted a purposive sampling technique in drawing its samples. Thus, twenty-six (26) corporations in Nigeria have taken a stance on corporate social responsibility, which forms the sample of this study. The result shows that the LT and STs are unsupported because the company's BSZE and BGD have no meaningful influence on SI. BOIND, on the other hand, is associated favorably with SI. Therefore, the level of SI rises as the number of independent directors grows. Positive and statistically significant effects of CSZE and firm age on SI are also shown.

Ashafoke and Ogbebor (2023) examined the impact of corporate governance characteristics on sustainability reporting quality for selected listed firms in the Nigerian

manufacturing sector. The study selected a sample of 20 companies over a seven-year span (2015-2021) from the Nigerian manufacturing sector using Burley's formula, a method for determining sample size. Additionally, the study employed the ordered least square regression technique to assess the hypotheses. The study's results indicate a significant positive association between the size of the board and the quality of sustainability reporting. Similarly, there's a significant positive association between board gender diversity and the quality of sustainability reporting. Nonetheless, the research also unveiled a significant negative link between a company's board independence and the quality of its sustainability reporting. Board financial expertise, audit committee meeting and audit committee financial expertise exhibited an insignificant negative relationship with sustainability reporting quality.

Razaq et al. (2023) examined the effect of corporate governance mechanisms on sustainability reporting of listed non-financial firms in Nigeria. The study measured corporate governance attributes with board size, board independence, board gender diversity, board financial expertise and sustainability reporting was measured by sustainability disclosures metrics in line with Global Reporting Initiative (GRI) standards. The study adopted correlation research design relying on secondary data obtained from annual reports of the population, which comprised of 116 non-financial firms listed on Nigeria Exchange Group (NGX) as at 31st December 2020 with a sample size of 51 firms, covering the period of 2011-2020. The study employed multiple regression panel model to analyze the data with the aid of E-view 10 statistical tool. The results of random effect regression, board size and board members' financial expertise have positive and significant effect on sustainability reporting. Based on the findings, the study concluded that corporate governance attributes have the capacity to effectively enhance the sustainability reporting of firms

Adegboye et al. (2021) analyzed 120 listed firms, covering board expertise among other governance metrics, and found that board expertise was significantly associated with higher SR quality (ordered logistic regression). They highlight that firms with board members possessing finance or accounting qualifications tended to score higher in GRI-based SR scoring, especially when combined with audit committee supervision.

3. Methodology

Research Design

This study used a correlational research design, which is consistent with the positivist research paradigm. The choice of this design is premised on its ability to identify causal relationships between variables under investigation (Turkson, 2011). Specifically, the design facilitates an examination of the causative and consequential relationships between corporate governance attributes and sustainability reporting, alongside the moderating role of audit quality.

Population and Sample Size of the Study

The population of the study comprises the fourteen (14) listed deposit money banks [DMBs] (*see appendix 1*) on the floor of the Nigerian Exchange Group (NGX), covering the period from 2015 to 2024 which was selected using the census sampling technique. The study focuses exclusively on DMBs that have remained listed throughout the entire study



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period and for which complete data are available. The financial sector was selected due to its pivotal role and vibrancy within the Nigerian economy.

Sources and Methods of Data Collection

The study employs secondary data sourced from the audited financial statements of the 14 DMBs over ten-year period. These financial reports were obtained from the NGX fact books, as well as the annual reports and accounts of the listed banks. The use of secondary data is appropriate given the quantitative nature of the research and the accessibility of relevant information from publicly available financial documents.

Techniques of Data Analysis

The study utilizes the multiple regression analysis technique. This method is deemed suitable for establishing relationships between the dependent and independent variables, as well as examining the effects and causal links among them. The statistical analysis is conducted using STATA software.

Table 1

Variable Measurement, Definition and Sources

Variable	Measurement	Definition	Sources
Dependent Variable:			
Sustainability Reporting (SR)	Sustainability Reporting Index (SRI), GRI-based checklist (scored 0-1 per item)	The extent to which a firm discloses environmental, social and governance information.	GRI Standards; Kansal et al. (2014); Orazalin and Mahmood, (2018); Ejuhmani, (2014)
Independent Variable:			
Board Size (BSZ)	Natural log of the number of board members	Total number of directors on the company's board	Ahmed and Che-Ahmad (2016); Said et al. (2009); Khan, et al. (2013)
Board Financial Expertise (BFE)	Proportion of board members with accounting/finance qualification or experience	The presence of board members with financial or accounting expertise	Fodio et al (2013); Ismail et al. (2008)
Moderating Variable:			
Audit Quality (AUDFT)	Dummy variable: 1 if bank is audited by a Big 4 (PwC, Deloitte, EY and KPMG) auditor, 0 if otherwise.	Quality of external audit services provided, often link to reputation and credibility.	Okezie and Oyediran (2020)

Source: Author's Compilation, (2025)

Model Specification

The model for the study is specified to capture the relationships between corporate governance variables, sustainability reporting, and the moderating effect of audit quality.

$SR_{it} = \beta_0 + \beta_1 BSZ_{it} + \beta_2 BFE_{it} + \beta_3 AUDFT_{it} + \beta_4 BSZ \times AUDFT_{it} + \beta_5 BFE \times AUDFT_{it} + \epsilon_{it}$; where: SU = Sustainability Reporting; I = Firms (DMBs); T = Period (2015-2024); β_0 = Intercept; $\beta_1 - \beta_5$ = Coefficient of the explanatory variable; BSZ = Board Size; BFE = Board Financial Expertise; AUDFT = Audit Firm Type (BIG4); BSZ x AUDT = Board Size as moderated by Audit Firm Type; BFE x AUDT = Board Financial Expertise as moderated by Audit Firm Type; ϵ = Error Term.

Diagnostic Tests

To make better the validity and reliability of all statistical inferences drawn from the study, the study conducted a diagnostic test. The test includes normality test, multicollinearity test, heteroskedasticity test.

4. Results and Discussion

Descriptive Statistics

Table 2 presents the descriptive statistics for the study variables: Sustainability Reporting (SR), Board Size (BSZ), Board Financial Expertise (BFEX), Audit Firm Type (AUDFT), and their interaction terms (BSZAUDFT and BFEXAUDFT).

Table 2

Descriptive Result

Variable	OBS.	Min	Max	Mean	SD	Kurtosis	Skewness
SR	140	55.2	92	72.3207	7.8448	2.7027	0.2374
BSZ	140	8	18	12.3286	3.1519	1.8911	0.3099
BFEX	140	2	7	4.6429	1.6754	1.7667	-0.2819
AUDFT	140	0	1	0.6786	0.4687	1.5848	-0.7647
BSZAUDFT	140	0	18	8.0857	6.1661	1.7015	-0.1849
BFEXAUDFT	140	0	7	3.2357	2.6215	1.4306	-0.0731

Source: Authors Computation using STATA 13 Software (2025)

The results show that Sustainability Reporting (SR) has a minimum value of 55.2 and a maximum of 92, with a mean score of 73.32, indicating that on average, firms in the sample exhibit a relatively high level of sustainability disclosure during the period of the study. The standard deviation of 7.94 suggests a moderate variation in sustainability reporting practices across firms.

Board Size (BSZ) ranges from 8 to 18 members, with an average of 12.33 and a standard deviation of 3.15. Board Financial Expertise (BFEX) shows a minimum of 2 and a maximum of 7 financially literate directors, with an average of 4.64 and a standard deviation of 1.68.

Audit Firm Type (AUDFT), a binary variable coded as 0 or 1, has a mean value of 0.6786 and a standard deviation of 0.4687. This suggests that approximately 68% of the firms engage the services of a Big 4 audit firm. The variable is negatively skewed (-0.7647) and platykurtic (kurtosis = 1.5848), consistent with expectations for binary variables. For the interaction terms, BSZAUDFT and BFEXAUDFT, the mean values are 8.0857 and 3.2357 respectively.

Correlation Matrix

Table 3 below presents the correlation matrix result of the study where the degree of association between the dependent variable and the independent variables is determine.



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Table 3

Correlation Result

	SR	BSZ	BFEX	AUDFT	BSZAUDFT	BFEXAUDFT
SR	1.0000					
BSZ	0.4372	1.0000				
	0.0000					
BFEX	0.5307	0.0292	1.0000			
	0.0000	0.7320				
AUDFT	0.2081	-	0.1093	1.0000		
		0.1910				
	0.0136	0.0238	0.1987			
BSZAUDFT	0.3630	0.1784	0.1158	0.9057	1.0000	
	0.0000	0.0349	0.1730	0.0000		
BFEXAUDFT	0.4085	-	0.5206	0.8526	0.7830	1.0000
		0.1418				
	0.0000	0.0947	0.0000	0.0000	0.0000	0.0000

Source: Authors Computation using STATA 13 Software (2025)

(The upper value in each cell is the correlational coefficient while the lower value on each cell is the p-value)

It can be observed from Table 3; a moderate positive association exists between board size and sustainability reporting of the listed DMBs in Nigeria evident by the coefficient value of 0.4372. This signifies that board size is significantly correlated with sustainability reporting of the banks for the period under review. However, a strong positive and significant correlation exists between board financial expertise and sustainability reporting of the listed banks in Nigeria. The coefficient value and the p-value of capital adequacy is 0.5307 and 0.0000 respectively.

On the interaction of the moderating variable, audit firm type with the independent variables, (board size and board financial expertise) the relationships with sustainability reporting shows a moderately significant correlation with coefficients and p-values as 0.3630 and 0.0000 and 0.4085 and 0.0000 respectively.

Diagnostic Test

This Table presents and discusses the diagnostic test conducted so as to determine by comparison, the best alternative model for reliability and validity of the inferential statistics from the regression model. The test consists of multicollinearity test (that is tolerance value and variance inflation factor VIF), Breusch-Pagan / Cook-Weisberg test for heteroskedasticity and Shapiro-Wilk test for normality of the data.

Table 4

Data Diagnosis Result

Variables	VIF	Tolerance
BSZ	1.04	0.960994
BFEX	1.01	0.985455
AUDFT	1.05	0.950326
Mean VIF	1.04	-
Hettest Chi ²	-	1.45
Hettest Sig	-	0.2286

Source: Authors Computation using STATA 13 Software (2025)

From the test, the tolerance values and also the variance inflation factor (VIF) are competent measures of assessing the presence or not of multicollinearity. The test as indicated by the VIF in Table 3 shows that there is absence of extreme association as all the tolerance values are smaller than 1.0 and all the factors are below 10. The VIF mean was 1.04.

The test for heteroskedasticity as indicated in Table 4 above revealed an absence of heteroskedasticity for both the moderated is justified by the rule of thumb that p-values greater than 0.05 confirm constant error variance. The Hausman test suggested that the Random Effect model should be interpreted but a further test of Breusch and Pagan Lagrangian Multiplier test of Random Effect considered the Ordinary Least Square (OLS) as suitable and appropriate model for the study.

Regression Analysis

This Table presents and discusses the results of the OLS regression model. It also draws conclusions in line with the research hypotheses. Thus, the summary of the regression results attained from the regression models of the study is presented in Table 5.

Table 5

OLS Regression Result

	Coefficient	Std. Error	P-Value	Hypotheses
Constant	45.8318	4.3133	0.000	Reject
BSZ	1.1548	0.2846	0.000	Reject
BFEX	2.0289	0.4979	0.000	Reject
AUDFT	2.0581	5.0883	0.687	Fail to Reject
BSZAUDFT	0.0197	0.3369	0.953	Fail to Reject
BFEXAUDFT	0.3942	0.6051	0.516	Fail to Reject
R ²	-	-	0.5178	
Adjusted R ²	-	-	0.4998	
F-Statistics	-	-	28.78	
Prob. F.	-	-	0.0000	

Source: Authors Computation using STATA 13 Software (2025)

Discussion of Findings and Hypotheses Testing

In Table 5, it was reported that the result of regression analysis carried out by regressing sustainability reporting on corporate governance variables moderated by audit quality (audit firm type) revealed a F- Statistics coefficient value of 28.78 and a probability of 0.0000 which suggests that the model is statistically significant and fitted. Furthermore,



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the R^2 of the regression model is 0.5178 indicating that 51.78% of the variations in sustainability reporting of the listed banks are jointly explained by the corporate governance variables (BSZ, and BFEX) while the remaining 48.22 is explain by other variables not captured in this model.

Board Size and Sustainability Reporting

H₀₁: Board size has no significant effect on sustainability reporting of listed deposit money banks in Nigeria

The estimated parameters, particularly that board size as indicates in Table 5 is seen to be positive and statistically significant with sustainability reporting of listed deposit money banks in Nigeria as indicated by a coefficient of 0.1.1548 and a p-value of 0.000. This means that an increase in the number of board members of the bank will causes sustainability reporting to also increase. This signifies that board size before been moderated with audit firm type contributes towards the sustainability reporting of listed DMBs in Nigeria.

The finding of the study is in agreement with the studies of Alshareef and Sulimany (2024), Oyerogba, et al., (2024), Razaq, et al., (2023). While the studies of Ashafoke and Ogbebor (2023), Wibisono and Honggowati (2024) shared a contrary finding with the current study. Hence, the study rejects the null hypothesis which states that, board size has no significant effect on sustainability reporting of listed deposit money banks in Nigeria.

Board Financial Expertise and Sustainability Reporting

H₀₂: Board financial expertise has no significant effect on sustainability reporting of listed Deposit money banks in Nigeria

Table 5 shows a positive coefficient value of 2.0289 and p-value of 0.000 which is significance at 1% level between board financial expertise and sustainability reporting. This implies that board financial expertise is positive and statistically significant with sustainability reporting of listed DMBs in Nigeria. This implies that for every 1 increase in the number of board members with knowledge in finance will in the same vein increase sustainability reporting. This indicates that having board members with knowledge in finance may be a reason for sustainability reporting quality found in some banks.

The finding is in line with the studies of Lewa, et al., (2024), Almaqtari, et al., (2024), Oyerogba, et al., (2024), Razaq, et al., (2023). But disagree with the findings of Sitorus, et al., (2024). Hence, the study rejects the null hypothesis which states that, board financial expertise has no significant effect on sustainability reporting of listed deposit money banks in Nigeria.

Audit Quality and Sustainability Reporting

H₀₃: Audit quality has no significant effect on sustainability reporting of listed deposit money banks in Nigeria

On the moderating variable, audit quality proxy by audit firm type, the analysis reveals a positive coefficient of 2.0581 and a statistically insignificant p-value of 0.687. This implies that when a bank is audit by any of the Big 4 audit firms does not mean that sustainability reporting will be affected. Based on the result of the variable, the study therefore failed to reject the null hypothesis which states that, audit quality has no significant effect on sustainability reporting of listed deposit money banks in Nigeria.

Board Size, Audit Quality and Sustainability Reporting

H₀₄: Audit quality has no significant moderating effect on board size and sustainability reporting of listed deposit money banks in Nigeria

The interaction of audit firm type with board size and sustainability reporting reveals a statistically insignificant p-value of 0.953 and a positive coefficient value of 0.0197 as established in Table 5, indicating an insignificant relationship exists between audit firm type as moderated with board size and sustainability reporting of the listed DMBs in Nigeria. This implies that the relationship between board size, audit quality and sustainability practices does not materially vary according to the type of audit firm engaged by the banks.

Based on the result of the variable, the study therefore failed to reject the null hypothesis which states that, Audit quality has no significant moderating effect on board size and sustainability reporting of listed deposit money banks in Nigeria.

Board Financial Expertise, Audit Quality and Sustainability Reporting

H₀₅: Audit quality has no significant moderating effect on board financial expertise and sustainability reporting of listed deposit money banks in Nigeria

Board financial expertise when moderated with audit firm type and sustainability reporting has a p-value of 0.516 and a coefficient of 0.3942 which is positively significant. Table 5 shows that audit firm type and sustainability reporting has changed from significant to an insignificant after the moderator was introduced. This implies that board financial expertise and audit firm type may does not influence the sustainability reporting of listed banks in Nigeria.

Based on the result of the variable, the study therefore failed to reject the null hypothesis which states that, audit quality has no significant moderating effect on board financial expertise and sustainability reporting of listed deposit money banks in Nigeria.

5. Conclusion and Recommendations

This study examined the effect of corporate governance (board size and board financial expertise) on sustainability reporting, as well as the moderating role of audit quality. The empirical results revealed that: Board size and board financial expertise have a significant positive influence on sustainability reporting, indicating that larger boards and those with greater financial expertise are more likely to enhance transparency and accountability through sustainability disclosures. However, audit quality, as proxied by Big 4 audit firms, showed an insignificant moderating effect on the relationship between the independent variables and sustainability reporting. This suggests that the presence of a high-quality external auditor does not significantly strengthen or weaken the influence of board characteristics on sustainability reporting practices of listed DMBs in Nigeria. These findings imply that internal governance mechanisms (such as board composition and expertise) are more crucial in shaping sustainability reporting practices than external audit quality.

Based on the empirical findings, the following recommendations are proposed to enhance corporate governance effectiveness and improve firm reporting quality in Nigeria:

- i. The study found that board size has a positive and significant influence on bank sustainability reporting. This implies that larger boards contribute to more effective decision-making, broader strategic perspectives, and improved oversight.



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- Therefore, banks should maintain an optimal and diversified board composition that ensures a balance between managerial control and accountability.
- ii. The result revealed that directors with financial expertise significantly enhance reporting quality. Consequently, banks should prioritize the appointment of financially literate and professionally qualified individuals to the board and audit committees. Periodic financial and risk management training should be provided to existing directors to strengthen their ability to interpret complex financial information and ensure more transparent disclosure practices.
 - iii. Although the coefficient of audit firm type was positive, it was statistically insignificant, suggesting that the prestige of engaging a Big Four audit firm does not automatically translate into superior reporting quality. Banks should therefore not depend solely on the reputation of external auditors but rather focus on strengthening internal control mechanisms and ensuring auditor independence.
 - iv. The insignificance of the moderating effect of audit firm type on board size indicates that external audit characteristics do not enhance the governance contribution of board size. Hence, banks should not rely on external auditors to reinforce internal board effectiveness. Instead, board committees should be empowered to exercise stronger oversight, improve monitoring functions, and ensure that governance practices are embedded internally rather than externally driven.
 - v. Similarly, the insignificant moderating effect of audit firm type on board financial expertise suggests that the effectiveness of financially skilled directors depends primarily on internal governance structures rather than the external auditor. Banks should therefore strengthen collaboration and information flow between directors and auditors through transparent reporting channels, periodic review meetings, and performance audits, to maximize the benefits of board expertise.

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Appendix 1

Population and Sample Size of the Study

S/N	Bank Name	Year of Incorporated	Year of Listing
1	Access Bank	1989	1998
2	Eco Bank	1986	2006
3	Fidelity Bank	1987	2005
4	First Bank of Nig. Plc.	1894	1971
5	First City Monument Bank Plc.	1982	2004
6	GT Bank Plc.	1990	1996
7	JAIZ Bank Plc.	2011	2017
8	Stanbic IBTC	1989	2005
9	Sterling Bank Plc.	1960	1993
10	Union Bank Plc.	1969	1972
11	United Bank for Africa Plc.	1961	1970
12	Unity Bank Plc.	1987	2005
13	Wema Bank Plc.	1945	1990



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14	Zenith Bank Plc.	1990	2004
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Source: Nigerian Exchange Group and Websites (2025)