

**IMPACT OF AUDIT COMMITTEE ATTRIBUTES ON FINANCIAL
REPORTING QUALITY OF LISTED FINANCIAL INSTITUTIONS IN
NIGERIA**

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**BEING A THESIS PRESENTED AND SUBMITTED TO THE
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AWARD OF MASTER OF SCIENCE (M.Sc.) DEGREE IN ACCOUNTING**

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DEDICATION

This project is dedicated to my wife, Mrs. Abiola Yusuf.

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ABSTRACT

The persistent rise in the reported cases of accounting scandals and failure of firms after disclosure of juicy profit has raised question on the monitoring role of the audit committee in ensuring the quality of published financial report This has adversely affect the stakeholders' confidence on the relevance and reliability of accounting figures in the financial statement as the manipulations went undetected by the audit committee saddled with the responsibility of ensuring the quality of financial statement. Therefore, the broad objective of this study is to examine the impact of audit committee attributes on financial reporting quality of listed financial

institutions in Nigeria. To achieve this objective, the following specific objectives were spelt out; To assess the impact of accounting expertise in the audit committee on the financial reporting quality of listed financial institutions in Nigeria; ii. To ascertain the extent to which tenure of audit committee members affect the quality of financial reporting of listed financial institutions in Nigeria; iii. To examine the impact of busyness of audit committee member on the financial reporting quality of listed financial institutions in Nigeria; iv. To determine the extent to which audit committee meetings attendance influence the quality of financial reporting of listed financial institutions in Nigeria; and v. To examine whether there is difference in the quality of financial reporting among various sub-sectors of listed financial institutions in Nigeria.

Ex-post facto research design was employed as the research design. The population of the study consists of fifty-seven (57) listed financial firms on the floor of Nigeria Stock Exchange from which fifty (50) financial firms were selected as its sample size. Descriptive and panel regression analysis technique was employed in the analysis of the secondary data collected from the annual reports and accounts of sample firms chosen as sample for period of five years (2013-2017).

The study found that audit committee accounting expertise, audit committee busyness and audit committee meeting attendance has significant positive impact on the financial reporting quality of listed financial institutions in Nigeria at 5% significance level. This implies that audit committee accounting expertise, audit committee busyness and audit committee meeting attendance enhance the quality of financial reporting of listed financial institutions in Nigeria. The study also revealed that audit committee tenure has a insignificant impact on financial reporting quality of listed financial institutions in Nigeria at 95% confidence level. This implies that irrespective of the period (shorter or longer) a member of audit committee spent on the audit committee board, it has no influence in determining the quality of financial statement. The study also found out that there is significant difference in the quality of financial reporting among various sub-sectors of the listed financial institutions in Nigeria.

The study therefore concludes that, audit committee attributes have significant positive impact on financial reporting quality of listed financial institutions in Nigeria. The study recommends among others that regulators such as Securities and Exchange Commission (SEC), Central Bank of Nigeria (CBN) and NDIC should emphasize that every audit committee must have at least one member with pure accounting qualifications rather than openness of financial expertise as stated in the Nigerian Code of Corporate Governance (2016).

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The continuous reported cases of accounting scandals and failure of firms after disclosure of juicy profit has raised series of doubts on the oversight functions of audit committee as well as the relevance and reliability of figures in the financial statement. This is evidenced by the collapse of notable firms in the world such as the case of Enron, WorldCom, Tycoon, Parmalat in Italy, and so on where juicy profits were published through manipulations of figures in the financial statement. All these manipulations of accounting figures went undetected neither by the audit committee nor the external auditors.

It was observed that most of the managers and the Chief Executive Officers (CEOs) of these firms were found to have engaged in the manipulation of accounting figures through either artificial transactions or structural transactions which had affected the quality of financial reporting adversely (Baccouche, Hadriche & Omri, 2013). This has necessitated the formulation, revision, modification and tightening of corporate governance code in different countries of the world. For instance, the enactment of Sarbanes-Oxley Act and Code of Corporate Governance in 2002 in the United States of America, United Kingdom Corporate Governance Code, 2010, Malaysian Code of Corporate Governance in 2012, Nigerian Code of Corporate Governance 2003 and so on, were all put in place in order to ensure that the financial statement published is of high quality and present the true financial strength of the organizations (Eriabie & Izedonmi, 2016).

The enactment of corporate governance regulations has placed significant importance on the functions of the audit committee. The formation of audit committee is one of the reforms that can enhance the quality of financial reporting via truthful communication and open relationship with the company's board of directors, internal auditors as well as the external auditor in verifying the reliability of the figures in the financial statement. The aim of formulating audit committee in different parts of the world is the same, that is, it aimed at addressing the weakness of poor financial reporting and prevents corporate failures. However, the size, composition, technical competence and functions of audit committees vary from country to country. The audit committee is a sub-committee of the board and acts as a link between the management, internal and external auditors. The committee has the responsibility of making recommendations for the appointment of external auditors to the board and also monitoring management opportunistic behaviors on behalf of shareholders. Despite these, the committee has been criticized for not being effective at ensuring that external auditors are independent so as to issue high quality audited financial reports (Levitt, 1999).

The need for effectiveness of audit committee in improving reporting quality has gained momentum and drawn the attention of regulators globally in contemporary times. The reason as stated earlier is not far-fetched and this is largely due to accounting fraud and manipulations of financial statements necessitating corporate control initiatives. Defond & Jiambalvo (1991) observed that firms with audit committee are more inclined to preventing overstatement accounting errors. This is in line with the findings of Dechow, Sloan & Sweeney (1996) which confirm that firms with audit committee are less likely to manipulate earnings.

Different audit committee attributes were specified in the different initiatives stated earlier such as the audit committee size, financial expertise/literacy in the audit committee, audit committee

independence, number of meetings of the audit committee, share ownership, audit committee diversity/gender, attendance at meetings, director's network of audit committee members and so on. This study focuses on examining four attributes of the audit committee which are financial expertise, director's network of audit committee members, audit committee tenure and audit committee meeting attendance.

Nigeria has also experienced accounting manipulations scandals which have led to the collapse of notable firms in the country. Examples are the cases of Cadbury Nigeria Plc., Intercontinental Bank, Oceanic Bank, Bank PHB and Afribank Nigeria Plc. in Nigeria. The creation and establishment of an audit committee is made mandatory by the Companies and Allied Matters Act (CAMA) of 2004, Section 359 (3) which states that "the auditor shall in the case of a public company also make a report to an audit committee which shall be established by the public company". According to CAMA, Section 359 (4), the makeup of the audit committee "shall consist of an equal number of directors and representatives of the shareholders of the company (subject to a maximum number of six members)". Section 359 (4) is silent as to whether the directors should be executive or non-executive.

In order to curb the menace of these accounting scandals in Nigeria, different initiatives have been put in place such as the Nigerian Code of Corporate Governance 2003 (which was revised in 2016), the Securities and Exchange Commission Act, the functions and attributes of audit committee as specified in the Companies and Allied Matters Act, (CAMA 2004). All these regulatory frameworks were enacted in order to ensure the audit committee performs its oversight duties as well as ensuring the overall integrity and reliability of the figures in the financial statement. Despite this, the problems of accounting manipulations still persist.

1.2 Statement of the Problem

The continuous rise in the issues of corporate accounting scandals and fraud all over the world, Nigeria in particular, after the publication of rosy profit in the financial statement of firms, has raised serious doubts on the quality of financial reporting of Nigerian financial institutions. This has raised lot of criticisms on the inability of the audit committee to discharge their oversight duties as specified in the code of corporate governance by the Securities and Exchange Commission (SEC) and Companies and Allied Matters Act (CAMA) 2004. This has been evidenced by the collapses of firms in Nigeria such as the cases of Cadbury Nigeria Plc. in 2006 in the manufacturing industry; Afribank Nigeria plc. in 2009; Bank PHB in 2012; Intercontinental bank in 2013; etc. (in the banking industry). These cases have posed serious challenges on the various attributes of audit committee.

The appointment of financial expert who is not an accounting expert as a member of the audit committee could lead to low quality of financial reporting as such member has no understanding of the content of financial statement, making him less likely to identify any errors or manipulations in the financial statement nor constrain earnings management. Furthermore, it is observed that when a member has been part of the audit committee for a longer period of time, he may form friendly alliance with the management; hence, there is less likelihood that they will identify any report against any manipulations in the financial statement. In addition, it is believed that when directors hold multiple committee or board seats, they will be over-committed, lack the time to perform their duties, thereby, preventing them from making full use of their skills and experiences when reviewing the financial statement prepared by the management (such as the case of Cadbury Nigeria plc.). Furthermore, frequent attendance at audit meetings of the audit committee also affect the quality of financial reporting as it usually leads to reverse of decision

taken in earlier meetings which consequently results in increased cost for holding frequent meetings for the company. Different regulatory frameworks guiding the reporting of financial statements among various sub-sectors of the financial institutions have given room for different ways in which accounting figures could be manipulated thereby resulting to low quality of financial reporting.

Previous researchers had examined the effect of audit committee characteristics on the financial reporting quality such as Madawaki (2012); Wakaba (2014); Ibrahim, Bello and Kargi (2015); Kibiya (2016); Jerubet, Chepng'eno and Tenol (2017); Cunningham, Myers & Short (2017) etc. They have used different audit committee variables such as audit committee size, audit committee independence, number of audit committee meetings, audit committee diversity and financial expertise of the audit committee members. It was observed that none of the previous studies have assessed the effect of audit committee tenure and audit committee director's network on financial reporting quality of listed financial institutions in Nigeria. Furthermore, based on the extant of the literatures reviewed, none of these studies has studied the effect of audit committee characteristics on the financial reporting quality of the entire financial service industry in Nigeria. Therefore, this study seeks to fill the gaps identified in the literature.

1.3 Research Questions

Based on the problems identified, the following research questions were raised and answered in the course of the study:

- i. What is the effect of financial expertise in the audit committee on the financial reporting quality of listed financial institutions in Nigeria?

- ii. To what extent does the tenure of audit committee members affect the quality of financial reporting of listed financial institutions in Nigeria?
- iii. How does director's network of audit committee members effect on the financial reporting quality of listed financial institutions in Nigeria?
- iv. To what extent does audit committee meeting attendance influence the quality of financial reporting of listed financial institutions in Nigeria?
- v. What is the difference in the level of financial reporting quality among various sub-sectors of listed financial institutions in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to examine the effect of audit committee attributes on the financial reporting quality of listed financial institutions in Nigeria. To achieve this objective, the following specific objectives were spelt out to:

- i. assess the effect of financial expertise in the audit committee on the financial reporting quality of listed financial institutions in Nigeria.
- ii. ascertain the extent to which tenure of audit committee members affect the quality of financial reporting of listed financial institutions in Nigeria.
- iii. examine the impact of director's network of audit committee members on the financial reporting quality of listed financial institutions in Nigeria.
- iv. determine the extent to which audit committee meeting attendance influences the quality of financial reporting of listed financial institutions in Nigeria.

v. examine whether there is difference in the quality of financial reporting among various sub-sectors of listed financial institutions in Nigeria.

1.5 Statement of Research Hypotheses

The hypotheses below were formulated and tested in the course of the study in order to provide answers to the research questions raised above:

H₀₁: Financial expertise in the audit committee has no significant effect on the financial reporting quality of listed financial institutions in Nigeria.

H₀₂: There is no significant effect of audit committee tenure on the quality of financial reporting of listed financial institutions in Nigeria.

H₀₃: Director's network of audit committee has no significant effect on the financial reporting quality of listed financial institutions in Nigeria.

H₀₄: Audit committee meeting attendance has no significant influence on the financial reporting quality of listed financial institutions in Nigeria.

H₀₅: There is no significant difference in the quality of financial reporting among various sub-sectors of Nigerian listed financial institutions.

1.6 Justification for the Study

This study was motivated due to growing concern of the investors, regulators and loss of public confidence on the quality of the financial reporting of listed financial institutions in Nigeria. As the study provides empirical evidence on the effect of audit committee attributes on the financial reporting quality of listed financial institutions in Nigeria, the result of the study will be of great importance to policy makers, regulators and the academic field of knowledge. The result of this

study will contribute to academic field of knowledge by adding to the scanty literature on the subject matter as well as serving as a body of reference for future researchers in the aspect of audit committee and financial reporting quality.

Policy makers can use the findings of the study to consider the potential benefits of regulating the number of positions a member of the audit committee can hold at a time and other benefits that can accrue to audit committee members (both directors and non-directors) as well the maximum period in which a director can be a member of audit committee. This study will also be useful for regulators such as Securities and Exchange Commission (SEC) and Financial Reporting Council of Nigeria (FRCN) in their supervisory position to the financial statement that reflect the desires of management rather than the underlying performance of the company and to impose appropriate disciplinary penalties on the offenders.

1.7 Scope of the Study

This study focuses on the effect of audit committee attributes on financial reporting quality of listed financial institutions in Nigeria. This is because the financial institutions in Nigeria have experienced different accounting scandals over the past decade through manipulations of loans and advances (such as the cases of bank PHB, Intercontinental bank; Afribank plc and Oceanic bank plc.). The researcher made use of the listed financial institutions for the periods of six (6) years, from 2013 to 2017. This period is chosen because it was within this time that some banks suffered crises which involved accounting manipulations by the managers of such banks despite the review of Nigerian Code of Corporate Governance in 2011 and 2016 while the last audited financial statement of firms is for the year 2017. The study used financial expertise, director's network of audit committee member, audit committee tenure and audit committee meeting

attendance to proxy audit committee attributes, while discretionary accruals was used to proxy the financial reporting quality.

CHAPTER TWO

LITERATURE REVIEW

This chapter deals with the conceptual review (the concepts of the financial reporting quality, audit committee concepts as well as the measurement of audit committee attributes), the theories underpinning the study and the previous empirical studies carried out on the topic.

2.1 Conceptual Review

2.1.1 Concepts of Financial Reporting Quality

The financial statement of any firm is expected to have the required qualitative attributes as stated by the International Financial Reporting Standards which include relevance, reliability, timeliness and comparability (IFRSs 2012). The financial statement should always depict the detailed information about the economic performance of firms (in terms of profit or loss), the statement of financial position, statement of cash flows and statement of changes in equity (IAS 1). This is to ensure that the information provided is of high quality.

Verdi (2006) defines financial reporting quality as the exact manner in which it shows information as regards a business activity as it relates to its anticipated cash flows, with the aim of informing the shareholders about a company's operation. Financial reporting quality is the degree to which financial statement provides us with information that is fair and authentic about the financial position and performance of an enterprise (Tang, Chen & Zhijun, 2008). It could be deduced from the definitions above that for a financial statement to be regarded as possessing high quality attributes, it must have present authentic/genuine information about the economic performance, financial position and the activities of the business in relation to its cash flows

generation with the main purpose of informing the shareholders and other stakeholders that have relationship/interest with the financial reporting of the organization.

The International Accounting Standards Board (2008) states that the main objective of financial statement information is to provide adequate information about the reporting entity that is useful to the shareholders, potential investors, lenders, tax authority as well the government and financial analyst for the purpose of making informed judgment. Therefore, for a financial statement to provide quality information, it must possess some qualitative attributes as stated by the International Financial Reporting Standards (2012). These attributes include relevance, reliability, comparability, timeliness, faithful representation and understandability.

A financial statement is said to be relevant when the information in the financial report can assist users in evaluating, correcting and confirming past and current events as well as influencing their economic decisions (Beest, Braam & Boelems, 2009). Moreover, the information in the financial report must possess the attributes of reliability in order to make it useful for decision making. Information is said to be reliable when the information is free from material misstatement and bias and it is neutral, verifiable and faithful representation of the entity (Cheng, Evans & Wright, 2010). Furthermore, another critical attribute that is required of a financial report is comparability. According to Beest, *et al.* (2009), comparability requires that the same or identical situations in two events should be reflected by identical accounting facts and figures while different events should be reflected by different facts and figures in such a way that the information quantitatively reflects the differences in a comparable and easily interpretable manner. Comparability is therefore the concept of allowing users to compare financial statement in order to (assess the economic performance, financial position and cash flows of the firm)

allow users to compare financial report across time and among other companies in the same period.

Timeliness enhances the quality of financial reporting as it shows that the information provided must be available to decision makers before it loses its good and powerful influences. It is evaluated as the difference between the year-end and the issuing date of the auditors' report (Beest, *et al.*, 2009). When this is released on time, it should be understandable. For a financial report to be understandable, it must be able to pass across effective information because the better understanding of the information from users, the higher the quality it will possess (Cheng, *et al.*, 2010). Another attribute of financial report is faithful representation. This means that the financial report should reflect and represent the real economic position of the financial information reported, that is, the information must show high level of objectivity and balance.

Financial information users rely on the information made available to them through financial report for decision making. Despite its importance, the financial statement may not always be credible and reliable because it may contain material errors, intentional manipulation of accounting figures as well as misrepresentation of earnings (Kibiya, 2016). This arises as the managers do have the opportunistic behavior of manipulating the accounting figures for the purpose of prevention of debt violation, beat earnings benchmark or for bonuses and compensation. This subsequently reduces the quality of financial reporting.

It was observed that earnings management is the most applied method employed by the managers in altering the figures in the financial statement (Healy & Wahlen, 1999; Madawaki, 2012; Kibiya, 2016; etc.). According to Healy and Wahlen (1999), earnings management arises when managers use judgment in financial reporting and structuring transactions to alter financial reports either to mislead some stakeholders about the underlying economic performance of the

company or to influence contractual outcomes that depend on reported accounting practices. Watts and Zimmerman (1990) observe that earnings management occurs as a result of the loopholes and flexibility of accounting choices that are allowed by the Generally Accepted Accounting Principles (GAAP). These loopholes allow managers to choose judgmental reporting procedures and to make estimations and assumptions that suites their business environment or suite him in order to maximize his wealth by exhibiting opportunistic behavior.

In a situation where managers use judgment in financial reporting to alter financial reports to mislead stakeholders, thereby negatively affecting the quality of financial reporting, discretionary accruals model as a measurement tool for financial reporting quality becomes desirable (Healy & Wahlen, 1999). Abnormal accruals have been used as a proxy for earnings quality to test predictions in almost all of the determinants and consequences categories. The normal accruals are preordained to capture adjustments that reflect fundamental performance, whereas abnormal accruals are inevitable to apprehend distortions induced by application of accounting rules or earnings management. The term “discretionary accruals” is interchangeably used with abnormal accruals, even though it seems more associated with an active choice rather than an outcome of the measurement system or error. These measures are primarily appropriate to accounting researchers as they attempt to directly identify problems with the accounting measurement system. The general understanding of accruals is that if the “normal” component is modeled properly, the abnormal component represents a distortion that is of lower quality.

Prior studies distinguish earnings management based on discretionary accruals. The earnings have two components, cash flows from operations and total accruals. The total accruals are management’s judgments and estimates about cash flows for making accounting earnings better reflect a firm’s underlying economic performance. Total accrual is the sum of discretionary

accruals and non-discretionary accruals. The component of the accrual that is imposed by the accounting regulator in adjusting a firm's cash flows is the non-discretionary accruals. The accruals component managers can choose within the flexibility of accounting regulations in adjusting a firm's cash flows is the discretionary accruals. According to Dechow (1994), discretionary accruals often provide managers the opportunities to manipulate earnings due to the flexibility available.

To detect earnings management, Healy (1985) was the first to introduce discretionary accruals. It was presumed that discretionary accruals fall subject to managerial discretion while non-discretionary accruals is the expected level of accruals in the firm provided there is no manipulation of earnings. Healy (1985) further assumed the discretionary accruals component in a given year represents the total accruals scaled by lagged total assets. This suggests the non-discretionary accruals are zero in expectation, since both components of accruals are unobservable. Healey (1985) found that managers used accruals to maximize their bonus. In 1986, DeAngelo assumed non-discretionary accruals are arbitrary in nature and used the method of this unusual behaviour. The discretionary component of accruals should be reflected from the change in total accruals from previous to current year in detecting earnings management. This effectively sets the expectation of non-discretionary accruals in the current year as the prior year's total accruals. DeAngelo (1986), in a sample of 64 companies whose managers propose to go private by purchasing all publicly held common stock, noticed that managers systematically understate earnings prior to the buyouts. Under Healy (1985) and DeAngelo's (1986) approach, both assumed the non-discretionary accruals component is constant and all earnings management activities can be captured by total accruals. However, this assumption is unlikely to be empirically descriptive. The effect of changes in economic circumstances from period to period

should indicate the change in level of non-discretionary accruals (Kaplan 1986). Although Healy (1985) and DeAngelo (1986) apprehended either income-increasing or income-decreasing techniques that managers have incentives to employ. However, they misclassified all accruals as a discretionary component because they neglected the varying non-discretionary accruals. Thus, these approaches are likely to detect earnings management with error. Jones (1991) introduced a linear regression approach to control non-discretionary determinants of accruals to overcome this limitation.

In 1991, Jones used changes in sales control for non-discretionary accruals of current assets and liabilities. Jones (1991) used property, plant and equipment control for the non-discretionary component of depreciation expense. The justification for this was that a firm's working capital accruals depends upon sales, whereas its depreciation accruals depend on the level of property, plant, and equipment. The proxy for earnings management, that is the discretionary accruals, was estimated as residuals from regression of total accruals on non-discretionary determinants of accruals. During the U.S. import relief investigations, this estimation procedure subsequently detected managers exercised more negative discretionary accruals to reduce income. Although these previous models produce reasonable tests for a random sample and distinguish total accruals between non-discretionary and discretionary components, the power of testing is low and the level of discretionary accruals needs to be enormous relative to earnings to be detected (Dechow *et al.* 1995).

Jones's (1991) Time Series Model was used by Dechow *et al.* (1995) in a sample where earnings were artificially manipulated. They reported, when the induced manipulation exceeds 50% of

total assets, this approach detects earnings management close to the 100% level. On the other hand, if the induced manipulation is equal to 5% of total assets, this model can only detect less than 30% of the manipulation. Dechow *et al.* (1995) introduced a cross-sectional Modified Jones (1991) model, where changes in account receivables is deducted from change in revenues in order to avoid measurement error in case discretion is exercised through non-cash revenues such as account receivables. According to the authors, the modified Jones (1991) model has the highest power of testing earnings management. Similarly, after evaluation of various models in detecting earnings management, Peasnell, Pope and Young (2005) concluded the power to detect earnings management appears to be higher for the cross-sectional Jones (1991) Model. They stated the rejection rates of the null of no earnings management can be as high as 40% of the cases when earnings manipulation equals only 2% of total assets. However, the greater power of the cross-sectional model in detecting earnings management might also be attributable to model misspecification (Jeter and Shivakumar 1999). Moreover, all models lead to unspecified tests when the models are applied in a sample with firm-years experiencing extreme financial performance. Pragmatic studies suggested earnings management behavior based upon discretionary accruals will result in misleading inferences. This is due to this type of model suffering from correlated omitted variable problems, which remain potentially unspecified.

Therefore, this study measured financial reporting quality using discretionary accruals derived from modified-Jones 1991 model bearing in mind that financial reporting comprises both financial and non-financial information. Previous research revealed that Jones Model has frequently employed discretionary accruals to proxy financial reporting quality (Khurana & Reynolds, 2002; Balsam, Krishnan & Yang, 2003; Chung & Kallapur, 2003; Myers & Orner, 2003; Jackson, Moldrich & Roebach, 2008; Chen & Lin, 2008).

2.1.2 Concepts of Audit Committee Attributes

Among the element of corporate governance, audit committee is the key a lement that strengthens and enhances the quality of financial reporting. The audit committee is usually a board committee that is saddle with the responsibility of overseeing the quality of financial reporting (Salehi, Zanjirdar & Zarei, 2012). Robinson and Owen-Jackson (2009) defined audit committee as “selected members of companies who take an active role in overseeing the companies’ accounting and financial reporting quality policies and practices.

Audit committee is an integral part of corporate governance that enhances the integrity of the financial reporting as well as provides support to the board by offering objective advice on the issues that boarder on governance, risk and control of the organization (Eyenubo, *et al.*, 2017).

The committee serves as a bridge between the board of directors and the external auditors as well as facilitating the monitoring process by reducing information asymmetry problem that usually arises between the shareholders and the management. The managers do not usually interact with the shareholders due to distance in terms of trust that may exist as a result of gap in communication, high cost of involvement and in some cases, due to lack of understanding and expertise that may prevent the shareholders of performing such roles (Karbari & Mohibuddin, 2010).

The demand for accountability from the managers needs to be closely monitored for better decision making by the shareholders. An effective audit committee helps in minimizing agency conflicts and protecting shareholders’ interest by aligning the interest of the management with that of the shareholders. According to Bedard, *et al.* (2004); Lee *et al.* (2004); Kibiya (2016); Jerubet, *et al.* (2017), the functions of the audit committee is in two folds which are accountability and oversight functions. The accountability function deals with the management

of accountability to the board and board's accountability to the shareholders. The major function of audit committee stems from the board's oversight function as it oversee both internal and external audit processes of the organization. One of the main roles of audit committee is to review the financial report of the firm on a continuous basis and strengthens internal control system in order to enhance reliability, integrity and relevance of the financial reporting (Companies and Allied Matters Act, 2004).

It has been observed that the audit committee does not only participate in the process of disseminating unbiased information by the management to the auditor by reducing information asymmetry problem but also ensures that statutory auditors are not influence by the management (Jensen & Meckling, 1976). Moreover, the audit committee is responsible for hiring and remuneration of the external auditor and overseeing a good audit quality by lending credibility the financial reporting data. Hence, a properly functioning audit committee is key in ensuring high quality financial reporting quality (Blue Ribbon Committee, 1999).

Audit committee independence is one of the major attributes of corporate governance. The higher the independence of the audit committee, the higher its tendency of providing greater objectivity in monitoring the company's activities. This is because when directors do not depend on the management nor have any personal or economic interest in the company which may reduce their ability to question management, they will be able to put their arguments forward to the management without favour or fear (Abbott, Parker & Peters, 2004). Different studies have discovered that audit committee is an important factor that leads to a higher quality of financial reporting, lower likelihood of fraudulent reporting, lower level of earnings management and lower level of income and increasing abnormal accruals (Beasley, *et al.*, 2000; Klein, 2002; Abbott, *et al.*, 2004; and Bradbury, Mak & Tan, 2006).

2.1.3 Measurement of Audit Committee Attributes

Prior researchers (such as Ghafran, 2013; DeVlaminck, 2014; Jafar, 2016; and so on) have employed different measures to proxy audit committee attributes such as audit committee size, audit committee independence, audit committee financial expertise, gender diversity of the audit committee, director's network/directors' network of audit committee, audit committee remuneration; audit committee tenure, number of meetings of the audit committee, share ownership, and ownership/managerial structure of the audit committee. These attributes were employed to examine the level of audit committee independence and their effects on the financial reporting quality.

The experience and knowledge in accounting and auditing issues have been considered as an important attribute of audit committee. Financial expertise is demonstrated by experience, or certification in accounting and/or finance (Price Waterhouse Coopers, 2000). Audit committee with at least one financial expert can help the audit committee in a long way to be more conversant with financial and operational reports that will enable them to execute their oversight roles effectively (Matlain & Mazlina, 2005) since the major role of the audit committee is to review the financial reporting in order to ensure quality financial report, availability of pure accounting and auditing expertise in the audit committee will increase the efficiency of the audit committee's performance.

As a result of the issue of financial expertise, regulators of different countries in the world have addressed the issue of the inclusion of financial expertise in the audit committee. For instance, Sarbanes-Oxley Act (2002) specified that one audit committee member must have significant, recent and relevant financial expertise. This has been supported by the South Report (2003) in the United Kingdom. In Nigeria, the Companies and Allied Matters Act (2004) is silent on this

issue. However, the Code of Corporate Governance (2003 and 2011) for Public Companies in Nigeria specified that “members of the audit committee should have basic financial literacy and should be able to read financial statement and at least one member should have knowledge of accounting or financial management.

Moreover, the Code of Corporate Governance for Banks and Discount Houses in Nigeria (2014, P.18-19) also reiterates that at least one of the members shall have relevant qualifications and experience in accounting (that is, shall be a qualified accountant or other finance professional with experience in financial and accounting matters). It is therefore observed that none of the regulations above stated whether the financial expert should be a pure accounting expert or financial and other financial field experts. Hence, different researchers had argued on the issue of pure accounting experts and other financial experts in the audit committee.

Another important attribute of the audit committee is the director’s network of audit committee tenure. The audit committee tenure has become a focus of several debates by different researchers. Suward and Kusnadi (2015) as cited by Onyabe, Okpanachi, Nyor, Yahaya and Ahmed (2018) defined audit committee tenure as the tenure of audit committee directors on the board which is an important factor that determines the effectiveness of audit committee in performing the oversight and monitoring roles. The tenure refers to the period of time an audit committee member has serves on the board. Therefore, the firms do face the problem of deciding whether to change its audit committee members within a short period of time or to maintain a long-term relationship with them.

The governance regulators in the United Kingdom do not support excessive lengthy tenure of audit tenure of audit committee directors, the Combined Code (2008, P12) states thus : Any

length of service beyond six years for Non-Executive Directors should be subjected to particularly rigorous review and should take into account the need for progressive refreshing of the Board. Non-Executive Directors may serve longer than nine years (e.g. three year terms), subject to annual re-election. Serving more than nine years could be relevant to the determination of a non-executive director's independence.

The number of positions held concurrently by audit committee members also determines the quality of financial reporting. De-Vlaminck (2014) defines audit committee director's network as a situation whereby members of the audit committee are holding more several directorship positions concurrently. Beasley *et al.* (2009) observed that the more mandate a director has, the more efficient he is. They also documented that members with several audit committee positions are willing to avoid negative repercussion on their reputations and pay more attention to their mission. In the same vein, Yang and Krishnan (2005) opined that audit committee members with other mandates gain more experience which could lead to lower level of earnings management, thereby improving the quality of financial reporting. De-Vlaminck (2014) also documented a positive and significant association between the proportion of audit committee member holding concurrently more than three mandates and financial statement quality.

Fich and Shivdasani (2006) and Sun, Liu and Lan (2011) observed that too many mandates results in lower supervision ability and that monitoring management represents an important workload. They documented that a director having more mandates has less time to spend on each company leading to more manipulations of accounting figures (earnings management). Ghafran (2013) also documented that holding of additional directorships would lead to overstretched of directors which consequently could affect the monitoring role of the director.

Another important audit committee attribute that affect the quality of financial reporting is the number of times audit committee members attend audit committee meetings in a year. Audit committee meeting refers to the number of times audit committee members meet during a year (Eriabie & Adeyemo, 2016). The number of times an audit committee member attend meetings is an indicator of the effectiveness of audit committee. The Nigerian Code of Corporate Governance (2016) states that for audit committee to perform its oversight function and monitor the management's performance, the committee should meet at least once every quarter (that is, four times in a year) and every member/director is required to attend at least two-third of all board meetings. The users of the financial statement perceived audit committee that meets regularly with high turnout of members has the tendency improving the transparency of reported earnings, thereby enhancing the quality financial reporting (Chapple, Jubb & Lee, 2012; Ghafran, 2013;Ormin, Tuta & Shadrach, 2015; Eriabie & Adeyemo, 2016; Umobong & Ibanichuka, 2017).

It has been argued that the ability of audit committee to uncover any financial irregularities and resolve problems in the financial reporting process depends largely on the frequency at which audit committee meets and high attendance at the meetings so as to consider the issues affecting the company (Suarez, Garcia, Mendez and Gutierrez, 2012; Bryce, *et al.*, 2014). More so, audit committee that that have good records of attendance at the meeting meet more frequently with the internal auditors and are better informed about auditing and accounting issues in order to reduce financial fraud, discretionary accruals are less, thereby improving the quality of financial statement. In contrast, too much attendance of audit committee members could lead to increase costs for holding frequent meetings, as well as reverse in decision taking in earlier meetings (Al-Rasas & Kamardin, 2015; Moses, Ofurum & Egbe, 2016; Soliman & Ragab, 2016).

2.2 Theoretical Review

Various theories have been propounded relating to impact of audit committee attributes on financial reporting quality. These theories include the agency theory, theory of inspired confidence, lending credibility theory and signaling theory. The researcher examined the authors of these theories, the philosophy behind the theories, their relevance and how they relate to the study.

2.2.1 Theory of Inspired Confidence

The theory of inspired confidence otherwise called Theory of rational expectation was propounded by Limperg (1932) addresses both the demand and the supply for audit committee services. The demand for audit committee services is the direct consequence of the participation of third parties (interested parties of a company) in the company. These parties demand accountability from the management, in return for their investments in the company. Accountability is realized through the issuance of periodic financial reports that is free from material errors. However, since this information provided by the management may be biased, and shareholders and other outside parties have no direct means of monitoring it, establishment of audit committee is required to assure the reliability of this information. With regard to the supply of assurance, Limperg (1932) suggests that the audit committee should always strive to meet the public expectations.

The Theory of Inspired Confidence links the community's needs for reliability of financial information to the ability of audit committee roles to meet these needs. In developing this theory of Inspired Confidence, Limperg (Limperg Institute, 1985, 16) describes the audit committee's

function as a confidential agent who derives its general function in society from the need for expert and independent oversight role and the need for an expert and independent opinion based on that oversight function. The function is rooted in the confidence that society places in the effectiveness of the audit committee. This confidence is consequently a condition for the existence of that function that is, if the confidence is betrayed, the function, too, is destroyed, since it becomes useless.

One important citation concerning the Theory of Inspired Confidence (Limperg Institute, 1985, 18) is that members of the audit committee are obliged to carry out their oversight work in such way that they do not betray the expectations of the society. Hence, it could be concluded that the Theory of Inspired Confidence does not prescribe definite rules about the behavior of the audit committee in each particular case; the principle-based approach, signaled by Carmichael (2004, 129). This theory expects from the member of the audit committee that in each special case, they ascertain what expectations the expectation required of them and realizes the tenor of the confidence that they inspire with the fulfillment of each specific function (Limperg Institute, 1985, 19).

According to the Theory of Inspired Confidence (Limperg Institute, 1985), changes in the needs of the community and changes in the audit committee result in changes in the audit committee's function. Assessing this statement, Carmichael (2004) states that the touchstone for the audit committee is always to perform their oversight work and obtain the evidence necessary to provide the assurance that society needs and reasonably expects. The limitation of this theory to the present study is that it only looks at the society's need but does not consider the shareholders' protection.

2.2.2 Agency Theory

Agency theory was first propounded by Mitnick in 1973. He defined agency theory to be the study of the agency relationship and the issues that arise from this, particularly the dilemma that the principal and the agent, while working towards the same goal, may not always share the same interests. Jensen and Meckling (1976) explain further that the agency relationship is one in which one or more persons (the principals) engage another person (the agent) to perform some services on their behalf which involves delegating some decision making authority to the agent. Agency theory explains the agency problem which is due to the agent (management) acting in their own benefit and in an opportunistic manner on the expense of the principal (owners/shareholders) (Jensen & Meckling 1976).

Conflicts and dissimilar interests lead to information asymmetries between the two parties. The existence of information asymmetries results in two major agency problems, namely, moral hazard and adverse selection problems (Okoh, 2015). Moral hazard problems are associated with the problem of hidden actions when agents have the incentive to pursue self-interested behaviour. They arise when principals are unable to observe actions that are undertaken by the agents. Formally, an agent is expected to maximize the principal's wealth through their actions and decisions. However, agents tend to pursue their own interests. By contrast, adverse selection problems are associated with hidden information, where the agent has more information than the principal. Both problems may create the phenomenon of earnings management that, in turn, may cause shareholders, debt holders to be unable to distinguish the true economic value of a firm.

According to agency theory, since the managers or agents are inspired by extrinsic motivations (Sundaramurthy & Lewis, 2003), the principals had to identify ways to motivate the agents and to ensure that they act in the best interest of the principals. Jensen & Meckling (1976) suggest

that agency cost can be an alternative way to reduce agency conflict and they define agency cost as consisting of monitoring cost, bonding cost and residual loss. Monitoring costs are the costs that are associated with the appointment of appropriate agents, such as external auditors, and with mechanisms that control the agents' behaviour, such as the roles played by the board. Bonding cost is the cost that is associated with contracting in order to ensure that agents always make decisions that support the principal's wealth. These costs include those that are related to the agent's compensation system. Residual loss is the agency loss that is associated with the imbalance between monitoring and bonding costs or, in other words, it is the reduction in principals' welfare that arises from an imperfect alignment of interest between agents and principals (Jensen & Meckling, 1976).

The monitoring roles of audit committee are studied as the mechanism that mitigates agency conflicts. Zahra and Pearce (1989) argue that agency theory is the most comprehensive theory that clarifies the audit committee oversight functions and highlights the importance of their controlling role. Solomon (2007) claims that one of the functions of audit committee is to improve a firm's internal control system and that it provides a check and balance system that helps shareholders to monitor and control the management's activities. Given the separation of ownership from management, the directors are required to report on their stewardship by means of the annual reports and financial statements sent to the shareholders. The audit committee provides an objective check on the way in which the financial statements have been prepared and presented, and it is an essential part of the checks and balances required. Hence, it can be argued that agency theory is essential to this study since it recognizes the monitoring role of audit committee as mechanism to control management opportunistic behaviors.

2.2.3 Lending Credibility Theory

The lending credibility theory suggests that the primary function of the audit committee is to add credibility to the financial statements. In this view, the service that the audit committee members are selling to the clients is credibility. Audited financial statements are seen to have elements that increase the financial statement users' confidence in the figures presented by the management (in the financial statement). The users are perceived to gain benefits from the increased credibility. These benefits are typically considered to be that the quality of investment decisions when they are based on reliable information.

2.2.4 Signaling Theory

Wallace (1980) posits that signaling is a kind of implicit guarantee. Signaling through effective audit committee rests on the agency theory, and is a manner by which managers and/or directors may impart to the market, additional information about their company and their own behaviour. Signaling theory suggests that companies with good performance use financial information disclosure to send signals to the market. Craven & Marston (1999), show that firms will attempt to accept the same level of disclosure as similar firms operating in the same industry since if a firm does not keep up with the same level of disclosure as others, it may be perceived by stakeholders that it is hiding bad news or negative information. As the types of financial statements produced have become standardized, potential information differentiation that a company can use to send a signal to the market through its financial statements is reduced. Companies are thus provided an incentive to signal, other than through transparency in their notes to the accounts and other voluntary disclosures, through their choice of auditor. Moreover, even voluntary disclosures that may be used as signals achieve enhanced credibility in the presence of a quality auditor.

An effective audit committee with accounting expertise sends a signal to the market that the financial statements are more credible than those reviewed by audit committee with non-accounting experts. It has been shown that the market's perception of the quality of the company's auditor influences that company's share price. As such, directors and management may want to signal to the stakeholders that their interests are being well monitored. Therefore, signaling should, theoretically, affect the demand for audit committee over and beyond the monitoring and oversight functions. The positive signal of transparency and credibility it sends to the market and the assurance it provides to stakeholders about the quality of earnings performance disclosures suggest a positive association between market price per share and audit committee's effectiveness.

2.3 Empirical Review

This sub-section covers the review of empirical studies on the relationship between financial reporting quality and the various proxies of audit committee attributes employed in this study. The objective is to critically examine the contribution of earlier researchers on the subject matter.

2.3.1 Financial/Accounting Experts on Financial Reporting Quality

2.3.1.1 Empirical Studies from Developed Countries

Carcello, Hollingworth, Klein and Neal (2012) determined the effect of audit committee financial expertise on earnings management in a post-Sarbanes-Oxley world in the United States of America. Data collected from the financial reports of two hundred and eighty-three (283) firms chosen as sample for the year 2003 were analyzed through multiple regression analysis. The result of the study depicts that earnings management declines after an accounting financial

experts join the audit committee but no association between financial expertise and real earnings management.

Toh (2013) investigated the relationship between audit committee characteristics and earnings management with evidence from New Zealand listed companies. The data sourced from the annual reports of one hundred and two (102) companies chosen as sample for the period 2011 to 2012 was analyzed with the use of multiple regression analysis. The study revealed that detection and control of earnings management relies more on the presence of financial expertise in the audit committee to generate quality discussions and monitoring duties.

Ghafran (2013) assessed the impact of audit committee characteristics on financial reporting quality of United Kingdom companies. Data was sourced from the annual reports of FTSE 350 firm listed on the London Stock Exchange for the periods 2007 to 2010. The result of the multivariate regression analysis shows that audit committee financial expertise has a negative significant impact on financial reporting quality of the sample firms.

John, Brooke, Adi and Chad (2014) investigated the association between characteristics of audit committee accounting experts, audit committee chairs and financial reporting timeliness of firms in the United States. Data were sourced from the financial reports of S&P 500 firms for the years 2006 to 2008 and was analyzed with the use of panel regression analysis. The study shows that audit committee financial expertise has significant negative association with financial reporting timeliness.

De Vlamincx (2014) assessed the relationship between audit committee characteristics and financial statement quality with evidence from Belgium. The data collected from Amadeus database on seventy-seven (77) Belgian firms for the years 2008 and 2009 was analyzed through

Ordinary Least Square regression analysis. The result of the study revealed that there is no significant association between audit and accounting expertise and earnings management.

Bryce, Ali and Mather (2014) assessed the impact of audit committee effectiveness on the accounting quality in the pre/post IFRS adoption with evidence from Australia. Data was sourced from the OSIRIS and Bloomberg databases for two hundred (200) companies for the periods 2003 to 2008 and was analyzed with the use of panel regression analysis. The study found out that audit committee with finance experts report higher accruals quality in the post-IFRS adoption period.

Badolato, Donelson and Ege (2014) assessed the relationship between audit committee financial expertise and earnings management in the United States of America. The data sourced from the BoardEx on the sample firms for the periods 2001 to 2008 and was analyzed with the use of panel regression analysis. The result of the study revealed that financial expertise in the audit committee has significant negative effect on earnings management.

Al-Shaer, Salama and Toms (2017) examined the impact of audit committee on financial reporting quality with evidence from United Kingdom environmental accounting disclosures. Data sourced from the United Kingdom FTSE three hundred and fifty (350) companies' financial statement for the periods 2007 to 2011 was analyzed with the use of multiple regression analysis. The study found out that audit committee financial expertise significantly increases the quality of financial reporting of the sample firms rather than the volume of environmental accounting disclosure.

2.3.1.2 Empirical Studies from Developing Countries

Rani (2011) studied the effect of audit committee characteristics on the value relevance of information with evidence from New Zealand. The data collected from the financial reports of one hundred and five (105) companies listed on the New Zealand Stock Exchange during 2007 to 2009 were analyzed through panel regression analysis. The result revealed that audit committee expertise has negative effect on the value relevance of accounting earnings.

Toh (2013) evaluates the relationship between audit committee characteristics on earnings management of New Zealand listed companies. Data was sourced from one hundred and fifty-eight (158) companies listed on the New Zealand Stock Exchange (NZX) for the financial years 2011 and 2012 and were analyzed with multiple linear regression analysis. The study found out that audit committee financial expertise has significant negative effect on earnings management.

Risda and Maleka (2013) examined the effectiveness of audit committee in relation to financial reporting fraud in Johor. The data sourced from the annual reports of one hundred and sixteen (116) companies listed on the Bursa Malaysia for the periods 2005 to 2010 was analyzed with the use of multiple regression analysis. The result of the study shows that when audit committee members are financially literate, they are more competent to curb fraudulent financial reporting.

Kamarudin, Wan Ismail, Alwi and Risda (2014) examine the effects of audit committee attributes on fraudulent financial reporting of Malaysian companies. The data sourced from the financial reports of one hundred and sixteen (116) fraudulent and non-fraudulent firms listed on Bursa Malaysia for the years covering 2005 to 2010 were analyzed through multiple regression analysis. The result shows that expertise of members of the audit committee is negatively associated with corporate fraud.

Adhikary and Mitra (2016) examined the determining factors of the audit committee independence in the financial sector of Bangladesh. Cross-sectional regression analysis was employed in analyzing the data collected from the annual reports of seventy-two (72) companies listed on Dhaka Stock Exchange for the fiscal year 2012. The study revealed that the presence of financial expertise in the audit committee has no significant association with quality of financial statement and quality monitoring roles.

Jafar (2016) investigates the director's network of audit committee and its relationship with financial reporting quality in Malaysia. Data was sourced from the annual report and accounts of top one hundred and fifty (150) top companies listed on Malaysian Stock Exchange and were analyzed with regression analysis. The result of the study revealed found out that overlapping committee membership of audit committee financial experts is significant and negatively related to financial restatement.

In the study of Omar (2017) on the impact of audit committee characteristics on earning management with evidence from Bahraini listed companies, data for the study were collected through the annual reports of thirty-one (31) companies listed on the Bahrain Bourse for the periods 2012 to 2014 was analyzed with the use of multivariate regression analysis. The result of the study shows that audit committee financial expertise has no significant relationship with discretionary accruals.

Karajeh and Ibrahim (2017) assessed the impact of audit committee on the association between financial reporting and shareholders' value. Data was sourced from the annual reports of three hundred (300) companies listed on the floor of Bursa Malaysia for the periods 2010 to 2015. The result of the panel regression analysis shows that the presence of financial and accounting expertise have significant impact on financial reporting quality.

Mohammed and Ahmed (2017) studied the impact of audit committee and external auditor characteristics on financial reporting quality among Malaysian firms. Data collected from the annual reports of one hundred (100) performing firms according to Bursa Malaysian Stock Exchange for the year 2014 and was analyzed with the use of panel regression analysis. The result of the study shows that audit committee with financial expertise has significant positive effect on the financial reporting quality of the sample firms in Malaysia.

Mwafag, Omar and Ali (2017) examined the impact of audit committee's properties on the quality of information in the financial reports of Saudi Arabia commercial banks. The data collected through questionnaire administered to one hundred and ten (110) respondents was analyzed with the use of Analysis of Variance (ANOVA). The result indicates that the availability of the banking and accounting experience of members of the audit committee have significant negative impact on the quality of financial reporting of Saudi Arabia commercial banks.

In the study of Omar (2017) on the impact of audit committee characteristics on earnings management in the pre- and post-Bahraini corporate governance code 2011, data was collected from the financial reports of thirty-one (31) Bahraini companies listed on the Bahraini Bourse for the year 2010 and 2012 (one year before and one year after implementing the BCGC, 2011) and were analyzed with the use of ordinary least square (OLS) regression analysis. The result revealed that audit committee financial expertise has no significant impact on the earnings management in the pre- and post-Bahraini corporate governance code, 2011.

Jamil (2018) investigated the effectiveness of GLCs transformation program, audit committee and financial reporting quality with evidence from Malaysia. A logistic regression analysis was employed in analyzing the data collected from DataStream database and financial reports of

twenty (20) GLCs companies for the periods 2003 to 2009. The study found out that the presence of accounting expert in the audit committee has no significant effect on the financial reporting quality of the GLCs firms in Malaysia.

Amin, Lukviarman, Suhardjanto and Setiany (2018) evaluate the effect of audit committee characteristics on earnings quality of firms in Indonesia. Data were sourced from the financial reports of one hundred and twenty-two (122) manufacturing companies listed on the Indonesian Stock Exchange for the periods 2011 to 2014. The result of moderating regression analysis indicates that audit committee financial expertise has significant positive effect on earnings quality of the sample firms in Indonesia.

Gebrayel, Jarrar, Salloum and Lefebvre (2018) assessed the effective association between audit committees and the internal audit function and its impact on financial reporting quality of Omani listed firms. Panel regression analysis was employed to analyze the data collected from the annual reports of seventy-one (71) non-financial firms listed on the Muscat Securities market during the periods of 2013 and 2014. The result shows that audit committee financial expertise has no significant impact on financial reporting quality.

2.3.1.3 Empirical Studies from Nigeria

Madawaki (2012) examined the impact of audit committee characteristics on financial reporting quality of Nigerian listed companies. Data were sourced from the annual reports of the sample firms for the periods of 2010 to 2014 and was analyzed with the use of regression analysis. The result shows that there was significant association between audit committee financial expertise and financial reporting quality.

Miko and Kamardin (2015) assessed the impact of audit committee and audit quality on preventing earnings management in the pre- and post-Nigerian Corporate Governance Code 2011. Multiple regression analysis was employed to analyze the data sourced from the annual report and accounts of the sample firms. The result shows that audit committee financial expertise has significant effect on preventing earnings management in the pre- and post-Nigerian corporate governance code 2011.

Ibadin and Afensimi (2015) examined the effect of audit committee attributes on earnings management with evidence from Nigeria. Panel regression analysis was employed to analyze the data collected from the financial reports of fifty (50) companies used as sample for the periods covering 2006 to 2013. The result of the study revealed that audit committee financial expertise has an inverse and significant relationship with earnings management.

Ibrahim, Bello and Kargi (2015) examined the effect of audit committee attributes in deterring real activities manipulation of listed manufacturing firms in Nigeria. The data sourced from the annual report and accounts of twenty (20) listed manufacturing firms in Nigeria for the periods 2008 to 2013 was analyzed with the use of multiple regression analysis. The study revealed that financial literacy of audit committee is effective in restraining real activities manipulation.

Kibiya, Ahmad and Amran (2016) investigated the effect of audit committee characteristics on the quality of financial reporting of Nigerian non-financial listed firms. Multivariate regression analysis was employed to analyze the data collected from the annual report of one hundred and one (101) firms selected as sample. The result of the study shows that financial expertise in the audit committee has positive and significant effect on the financial reporting quality of listed non-financial firms in Nigeria.

In the study of Ozoanigbo, Orjinta and Ofor (2016) on the effect of audit committee effectiveness on the financial reporting timeliness of quoted pharmaceutical industry in Nigeria, the data sourced from the financial reports of nine (9) quoted pharmaceutical companies for the periods 2011 to 2015 was analyzed with multiple regression analysis. The finding of the study revealed that audit committee financial expertise has no significant effect on financial reporting timeliness of quoted pharmaceutical companies in Nigeria.

Moses, Ofurum and Egbe (2016) assessed the influence of audit committee characteristics on the quality of financial reporting of quoted Nigerian banks. Multiple regression analysis was employed to analyze the data collected from the annual report and accounts of fifteen (15) banks selected as sample for the year 2014. The study found out that audit committee financial expertise has no significant influence on the quality of financial report of quoted banks in Nigeria.

In the study of Adeyemo, Eriabie, Adetiloye and Ben-Caleb (2016) on the impact of audit committee characteristics on financial reporting quality of quoted companies in Nigeria, multivariate regression analysis was employed in analyzing the data collected from the annual reports of one hundred and thirty-one (131) companies quoted on the floor of the Nigerian Stock Exchange over the periods of 2006 to 2012. The findings of the study show that audit committee financial literacy had a positive significant effect financial reporting quality.

Kibiya (2016) studied the effect of audit committee characteristics on financial reporting quality of non-financial listed firms in Nigeria. Multiple regression analysis was employed in analyzing the data sourced from the annual reports of one hundred and one (101) companies selected as sample for the periods 2010 to 2014. The study revealed that audit committee financial expertise has significant positive association with financial reporting quality.

In the study of Eyenubo, Mohammed and Ali (2017) on the impact of audit committee effectiveness on financial reporting quality of listed companies in Nigeria, using conceptual approach to analyze the data sourced from the annual reports of listed companies, the study depicts that audit committee financial expertise enhanced financial reporting quality of Nigerian listed firms.

Umobong and Ibanichuka (2017) evaluate the relationship between audit committee attributes and financial reporting quality of food and beverage firms in Nigeria. Data was sourced from the annual report and accounts of the sample firms for the periods 2011 to 2014. The result of the panel regression analysis shows that audit committee financial expertise has no significant relationship with financial reporting quality of food and beverage firms in Nigeria.

2.3.2 Audit Committee Director's network and Financial Reporting Quality

2.3.2.1 Empirical Studies from Developed Countries

Ghafran (2013) assessed the impact of audit committee characteristics on financial reporting quality of United Kingdom companies. Data was sourced from the annual reports of FTSE 350 firm listed on the London Stock Exchange for the periods 2007 to 2010. The result of the multivariate regression analysis shows that holding of additional directorship (audit committee member director's network) has significant positive impact on the quality of financial reports of the sample firms in the United Kingdom.

Baccouche, Hadriche and Omri (2013) studied the impact of audit committee multiple directorships on earnings management with evidence from France. Data were sourced from the annual reports and websites of eighty-eight (88) non-financial French listed companies for the year 2008 and analyzed with the use of multiple regression analysis. The result of the study

revealed that audit committee multiple directorships has no significant effect on discretionary accruals.

John, Brooke, Adi and Chad (2014) investigate the association between characteristics of audit committee accounting experts, audit committee chairs and financial reporting timeliness of firms in the United States. Data was sourced from the financial reports of S&P 500 firms for the years 2006 to 2008 and was analyzed with the use of panel regression analysis. The study shows that multiple directorships of audit committee have insignificant association with financial reporting timeliness.

De Vlaminck (2014) assessed the relationship between audit committee characteristics and financial statement quality with evidence from Belgium. The data collected from Amadeus database on seventy-seven (77) Belgian firms for the years 2008 and 2009 were analyzed through Ordinary Least Square regression analysis. The result of the study shows that company with higher proportion of members having a seat in more than three audit committee tend to have a higher financial statement quality.

Mendez, Garcia and Pathan (2016) examined the influence of multiple board directorships and boards' committee memberships on earnings management. Panel regression analysis was employed in analyzing the data collected from the financial reports of one hundred and twenty-two (122) non-financial companies listed on the Spanish Stock Exchange over the periods of 2004 to 2011. The result of the study shows that busy directors are detrimental to the monitoring capability of the board in the Spanish context.

Omer, Shelley and Tice (2016) examined the effect of board of directors' connectedness on financial reporting quality of firms in the United States. Data was obtained from the BoardEx

database for the period 2004 to 2011 and was analyzed with the use of multiple regression analysis. The result shows that there is significant effect of audit committee director's network on the financial reporting quality of the sample firms.

Cunningham, Myers and Short (2017) evaluate whether CFO outside directorship affect home firm's financial reporting or not in the United States. Data sourced from the annual report and accounts of five hundred and thirty-eight (538) firms selected as sample for the periods 2003 to 2014 were analyzed with the use of regression analysis. The result of the study indicates that CFO outside board service is not detrimental to the home firm, even when the required time commitment is high.

2.3.2.2 Empirical Studies from Developing Countries

Jafar (2016) investigated the director's network of audit committee and its relationship with financial reporting quality in Malaysia. Data were sourced from the annual report and accounts of top one hundred and fifty (150) top companies listed on Malaysian Stock Exchange and were analyzed with regression analysis. The result of the study revealed that multiple directorship of audit committee member is found to be statistically significant.

Almaqoushi and Powell (2017) examined the relationship between audit committee quality indices, firm value, internal control and financial reporting quality in Dublin. Panel regression analysis was employed in analyzing the data sourced from the COMPUSTAT for 12,301 firms over the period of 2002 to 2012. The study found out that audit committee director director's network has significant negative impact on financial reporting quality.

2.3.2.3 Empirical studies from Nigeria

Based on the reviewed literature and to the best of the researcher's knowledge, no study has been conducted on the impact of audit committee director's network on financial reporting quality in Nigeria.

2.3.3 Audit Committee Tenure and Financial Reporting Quality

2.3.3.1 Empirical Studies from Developed Countries

Baccouche, Hadriche and Omri (2013) studied the impact of audit committee multiple directorships on earnings management with evidence from France. Data was sourced from the annual reports and websites of eighty-eight (88) non-financial French listed companies for the year 2008 and was analyzed with the use of multiple regression analysis. The result of the study revealed that audit committee tenure has insignificant effect on discretionary accruals.

Ghafran (2013) assessed the impact of audit committee characteristics on financial reporting quality of United Kingdom companies. Data were sourced from the annual reports of FTSE 350 firm listed on the London Stock Exchange for the period 2007 to 2010. The result of the multivariate regression analysis revealed that audit committee members serving longer on the boards do not prefer to purchase high amount of non-audit services and this has negative impact on financial reporting quality of the sampled firms in the United Kingdom.

John, Brooke, Adi and Chad (2014) investigate the association between characteristics of audit committee accounting experts, audit committee chairs and financial reporting timeliness of firms in the United States. Data were sourced from the financial reports of S&P 500 firms for the years 2006 to 2008 and analyzed with the use of panel regression analysis. The study shows that audit committee tenure has no significant effect on timeliness of financial reporting.

2.3.3.2 Empirical Studies from Developing Countries

2.3.3.3 Empirical Studies from Nigeria

Onyabe, Okpanachi, Nyor, Yahaya and Ahmed (2018) evaluate the effect of audit committee tenure on financial reporting quality of listed deposit money banks in Nigeria. Panel regression analysis was employed in analyzing the data sourced from the financial statement of fourteen (14) listed deposit money banks selected as sample for the periods 2007 to 2016. The result of the study shows that audit committee tenure has an insignificant effect on financial reporting quality of listed deposit money banks in Nigeria.

2.3.4 Audit Committee Meeting and Financial Reporting Quality

2.3.4.1 Empirical Studied from Developed Countries

Suarez, Garcia, Mendez and Gutierrez (2012) determined the effectiveness of audit committee on the quality of accounting information in Spain. Data were sourced from the audited reports of the Spanish non-financial listed companies for the periods 1998 to 2007 and were analyzed using panel regression analysis. The result of the study revealed that the number of audit committee meetings is directly related to improvements in the quality of accounting information.

Chapple, Jubb and Lee (2012) examined audit committee effectiveness in a mandatory disclosure environment in Australia. Ordinary Least Square (OLS) regression analysis was employed to analyze the data sourced from the Connect4 Boardroom Database for top two hundred (200) Australian listed companies for the periods 2004 to 2007. The study found out that meeting frequency of audit committee has significant positive effect on disclosure frequency.

Gahfran (2013) examined the impact of audit committee characteristics on financial reporting quality of large United Kingdom companies. Multivariate analysis was employed to analyze the data collected from the annual reports of the sample firms listed in the United Kingdom for the periods 2007 to 2010. The findings of the study revealed that audit committee meeting has significant positive impact on the quality of reported earnings.

Baccouche *et al.* (2013) examined the impact of audit committee multiple directorship on earnings management with evidence from France. The data collected from the financial reports of the eighty-eight (88) non-financial French listed firms for the period 2008 was analyzed using multiple regression analysis. The result of the study indicates that audit committee meeting has no significant impact on earnings management.

Bryce *et al.* (2014) investigate the impact of audit committee effectiveness on accounting quality in the pre/post IFRS adoption with evidence from Australia. Data was sourced from the OSIRIS and Bloomberg databases for two hundred (200) companies selected as sample and were analyzed with the use of panel regression analysis. The study found out that audit committee was found to have a significant relationship with the accounting quality of Australian firms.

2.3.4.2 Empirical Studies from Developing Countries

Alwi, Risda and Melaka (2013) investigate the relationship between audit committee and financial reporting fraud. Data was collected from the annual reports of one hundred and sixteen (116) fraud and non-fraud companies listed on Bursa Malaysia for the periods 2005 to 2010 and were analyzed using regression analysis. The study found out that audit committee meeting has no relationship with financial reporting fraud.

Hamdan, Mustapha and Al-Sartawi (2013) examined the relationship between audit committee characteristics and the earnings quality of Jordanian firms. The data collected from the financial statement of fifty (50) Jordanian firms chosen as sample for the financial years 2004 to 2009 were analyzed through pooled panel regression analysis. The result of the study revealed that number of audit committee meetings has no significant relationship with earnings quality.

Kamarudin and Wan Ismail (2014) examined the relationship between audit committee attributes and fraudulent financial reporting. The data collected from the annual reports of one hundred and sixteen (116) fraudulent and non-fraudulent firms listed on Bursa Malaysia for the periods 2005 to 2010 and were analyzed using logistic regression analysis. The study found out that audit committee meeting has no relationship with financial reporting fraud.

Al-Rasas and Kamardin (2015) examined the association between internal and external audit attributes, audit committee characteristics, ownership concentration and earnings quality of Malaysian firms. The data sourced from the annual reports of five hundred and eight (508) firms listed on the Malaysian main market for the periods 2009 to 2012 were analyzed using OLS regression analysis. The study found out that audit committee meetings associates with lower earnings quality.

Malai (2015) investigates the impact of audit committee effectiveness and audit quality on financial reporting quality of listed companies in Thailand Stock Exchange. Panel regression analysis was employed in analyzing the data collected from the financial statement of companies in three industries for the period 2008 to 2012. The result revealed that audit committee meeting has no correlation with financial reporting quality of companies in all the three groups.

Juhmani (2017) assessed the impact of audit committee characteristics on earnings management in the pre- and post-Bahraini corporate governance code, 2011. The data collected from the financial statement of all Bahraini companies listed on the Bahrain Bourse (BB) for the year 2010 and the year 2012 was analyzed through regression analysis. The result of the study indicates that the effectiveness of the audit committee in curbing earnings management is enhanced through frequency of audit committee meetings.

Amin, Lukviarman, Suhardjan and Setiany (2018) assessed the impact of audit committee characteristics on earnings quality. Data was sourced from the financial statement of one hundred and twenty-two (122) companies listed on Indonesian Stock Exchange for the periods 2011 to 2014. The result of the multiple regression analysis revealed that audit committee meeting has negative effect on earnings quality.

2.3.4.3 Empirical Studies from Nigeria

Madawaki and Amran (2013) examined whether audit committee characteristics are associated with improved financial reporting quality of Nigerian companies prior to and after corporate governance code (2003). The data collected from annual reports of seventy (70) companies listed on the floor of Nigerian Stock Exchange chosen as sample for the financial year 2011 were analyzed with the use of panel regression analysis. The result of the study shows that frequency of audit committee meetings has no significant effect on financial reporting quality.

Ormin, Tuta and Shadrach (2015) examined the influence of audit committee independence, meeting frequency and attendance on financial reporting quality of listed deposit money banks in Nigeria. Data were generated from the annual report and accounts of six (6) sample banks for the periods 2003 to 2012 and was analyzed using regression analysis. The result of the study shows

that audit committee meeting frequency and audit committee attendance have positive and significant influence on financial reporting quality.

Ibrahim *et al.* (2015) examined the effect of audit committee attributes in deterring real activities manipulations of listed manufacturing firms in Nigeria. Multiple regression analysis was employed to analyze the data obtained from the annual report and accounts of twenty (20) listed manufacturing firms for the periods 2008 to 2013. The result of the study shows that audit committee meeting was found to be less effective in constraining real activities manipulation practice.

Moses (2016) investigates the effect of audit committee's number of meetings on the quality of financial reporting of quoted Nigerian banks. Multiple regression analysis was employed in analyzing the data collected from the annual report and accounts of fifteen (15) listed banks in Nigeria for the period 2014. The study concludes that number of meetings has no significant influence on financial reporting quality of quoted banks in Nigeria.

Eriabie and Adeyemo (2016) evaluate the impact of financial literacy and frequency of meetings of audit committee on financial reporting quality in Nigerian quoted companies. Data for the study were sourced from the annual reports of one hundred and thirty-one (131) companies quoted on the floor of the Nigerian Stock Exchange for the periods 2006 to 2012. The result of the panel regression analysis revealed that audit committee frequency at meeting had a positive and significant influence on financial reporting quality.

In the study of Mbobo and Umoren (2016) on the influence of audit committee attributes on the quality of financial reporting of Nigerian banks, data was sourced from the audited annual reports of ten (10) selected banks for the periods 2006 to 2013 and was analyzed through

regression analysis. The finding of the study shows that audit committee meeting attendance has significant influence on the quality of financial reporting.

Moses, Ofurum and Egbe (2016) examined the influence of audit committee characteristics on quality of financial reporting of quoted banks in Nigeria. Data was sourced from the annual reports of fifteen (15) listed banks for the period 2014 and was analyzed using multiple regression analysis. The study found out that the frequency of audit committee meetings has insignificant negative influence on financial reporting quality.

Eriabie and Izedonmi (2016) examined the impact of audit committee attributes on financial reporting quality of Nigerian quoted companies. Data for the study was obtained from the annual reports of one hundred and thirty-one (131) companies quoted on the floor of Nigerian Stock Exchange for the period 2006 to 2012. The result of the panel regression analysis shows that frequency of audit committee meetings has significant positive effect on financial reporting quality.

In the study of Umobong and Ibanichuka (2017) on the relationship between audit committee characteristics and financial reporting quality of food and beverage firms in Nigeria, data were collected through the financial reports of the sample companies for the periods 2011 to 2014 and was analyzed using multiple regression analysis. The study found out that frequency of audit committee meetings improves the quality of financial reporting.

In the study of Akhor and Oseghale (2017) on the relationship between audit committee attributes and financial reporting lag in Nigerian banking sector, data was sourced from the annual reports of quoted banks for financial years 2011 to 2015. The result of the Ordinary Least

Square (OLS) regression analysis revealed that the frequency of audit committee meetings has no significant relationship with financial reporting lag.

2.4 Summary and Gap Identified in the Literature

This sub-chapter provides a review on the conceptual, theoretical and empirical matters relating to the subject matter and research study. The empirical review shows that there still exist some gaps in the literature in the developing countries, Nigeria in particular. The body of literature reviewed on the effect of audit committee attributes on financial reporting showed that there is no empirical study on the effect of audit committee director's network on the financial reporting quality in Africa and Nigeria. Moreover, the literatures reviewed also indicated that study on the effect of audit committee tenure has not been examined in the developing countries as the literatures reviewed were from the developed nations. The only study carried out in Nigeria on audit committee tenure looked at it from the perspective of auditor's tenure and not actually on the audit committee tenure. This shows that previous studies were largely carried out in the developed economies.

In addition, it was discovered that none of the previous studies has examined the difference in the quality of financial reporting among the various sub-sectors of the financial institutions in Nigeria. Therefore, this study also filled this gap in the literature. Furthermore, it was discovered that none of the studies reviewed covered up to 2017 financial statement of their various sample firms. This shows that there are still unanswered questions on the effect of audit committee attributes on financial reporting quality in the developing economies, Nigeria in particular. Therefore, this study provides further empirical evidences in order to fill the gaps identified in the literature.

2.5 Theoretical Framework

The theoretical basis for this study is the agency theory. The agency theory addresses the problems that usually arise between the principal (shareholders/equity holders) and the agent (the management) as result of information asymmetry. The information asymmetry arises because the management always have more information than the shareholders and therefore, the management always use this opportunistic behavior to manipulate the accounting figures in order to either meet earnings benchmark or for better bonuses and compensation.

Moreover, the shareholders seldom meet with the management, therefore there is need for an independent committee that will be meeting with the management regularly by performing an oversight function, ensure that the financial statement prepared by the management is free from material errors and manipulations as well as aligning the interests of the owners with the management's interest. The establishment of audit committees is aimed at resolving agency problems by monitoring management's opportunistic behaviours and ensuring the quality of financial reporting.

Consequently, effective audit committees will lead to an improved financial reporting quality. Emanating from this agency theory, the presence of accounting experts in the audit committee will improve the quality of financial report due to his/her knowledge in accounting and auditing areas. Furthermore, an audit committee member that holds multiple directorship seat will use his connectedness and experience from outside directorship in improving the quality of the company's financial statement. In addition, an audit committee member serving on the committee for a longer period would have gathered more experience about any logical issues as

well as understand the policies and procedures used in preparing the financial reporting of that firm.

Hence, the multiple independent variables were considered with a view to examining the impact of these explanatory variables (audit committee accounting expertise, audit committee director's network, audit committee tenure and audit committee meeting attendance) on financial reporting quality.

2.6 Conceptual Model

Figure 2.1 shows the two variables used in the study. The dependent variable used was financial reporting quality proxy with discretionary accruals while the independent variable was audit committee attributes and was proxy with audit committee accounting expert, audit committee members' director's network and audit committee tenure. The control variable was proxy with audit firm size, firm's size and firm's leverage.

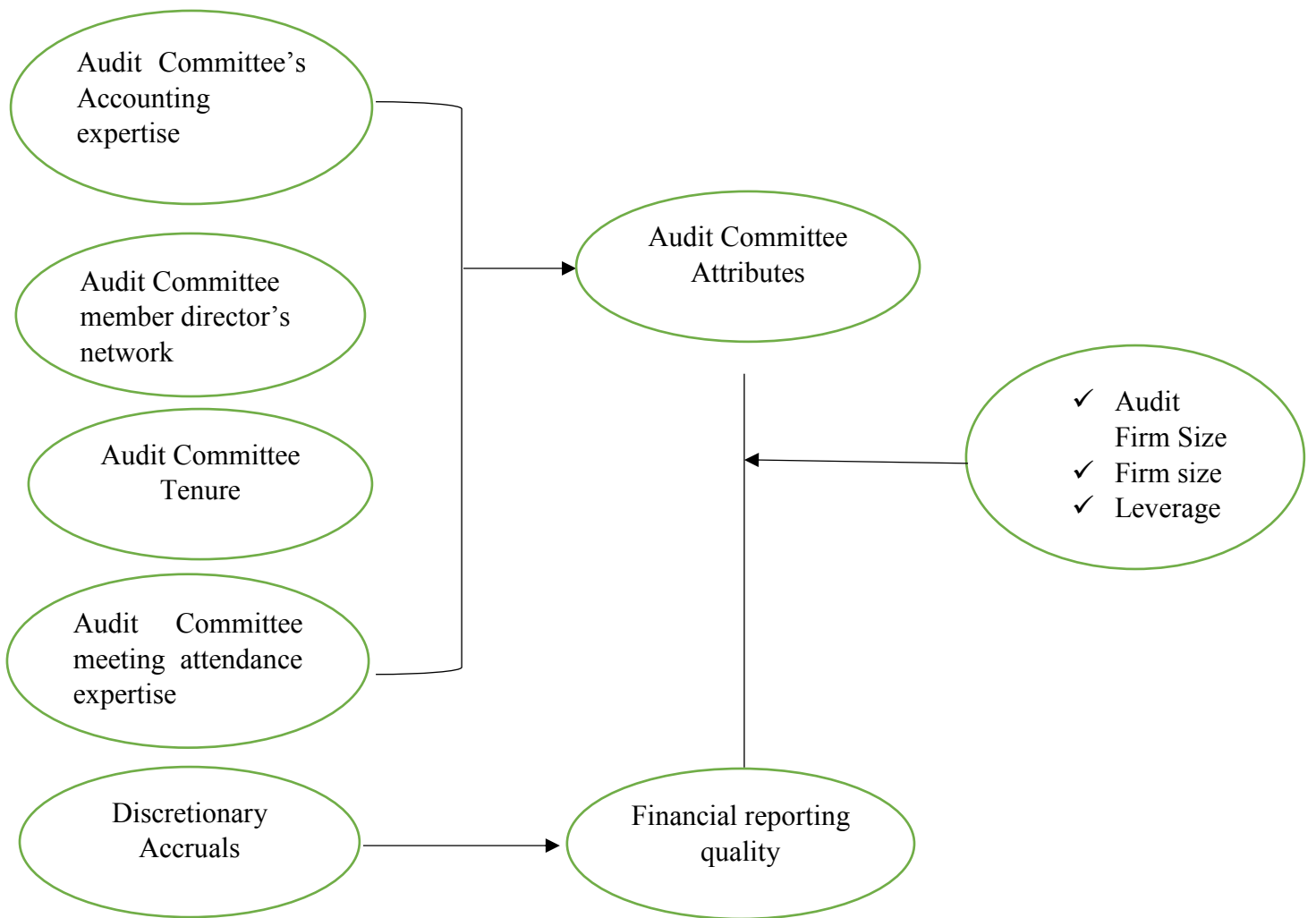


Figure 2.1

Source: Author's Survey (2018).

The diagram shows the conceptual model guiding the study.

CHAPTER THREE

METHODOLOGY

This chapter discusses the procedures used in collecting data for the study and the technique employed in analyzing the data collected. It also discusses the population of the study, the sample size and the sampling technique used, the definition and measurement of variables and model specification of the study.

3.1 Research Design

This study employs ex-post facto research design. Ex-post facto is a type of research that is undertaken after the event has already taken place, and data are already in existence and cannot be manipulated nor controlled (Osuala, 2006). The reason for this research design is because the data used were already in existence in the sample firms' financial statement and cannot be manipulated by the researcher. Therefore, this research study is conducted after the period under review. It looks at how independent variables affect the dependent variable.

3.2 Population of the Study

The population of this study comprises of all the listed firms on the floor of the Nigerian Stock Exchange as at 31st December, 2017. As at that date, there were fifty-seven (57) financial institutions listed on the floor of Nigerian Stock Exchange (Nigerian Stock Exchange Fact book, 2017).

3.3 Sampling Size and Sample Technique

The sample size of this study was fifty (50) financial service firms. The smaller the population (for example, less than 100 population size), the larger the sample size will proportionally be

(Jeovany, M.M., David A.G., Jaoo, L.B., Renan, R.B. & Rodrigo, P.D., 2014) The sample size of the study was determined through Taro Yamane (1967) statistical method of determining sample size (see appendix 1). The financial service industry was stratified into developmental banks; Nigerian Money Deposit Banks; Insurance firms; and micro finance banks (NSE Fact book, 2017). The sample size was chosen based on the population size of each stratum to the total population of fifty-seven. Simple random sampling technique was employed in selecting the final sample of the study. To avoid bias, numbers were assigned to each firm in each stratum, written in pieces of papers, put in a container and were chosen without replacement.

Computation of sample size from each sub-sectors

Sub-sectors	Population of each sub-sector	Percentage of each sub-sector to total population	Number of firms to be chosen as sample based on percentage	Number of companies chosen as sample
Developmental banks	6	$6/57 \times 100 = 12.28\%$	$12.28\% \times 50 = 5.14$	5 companies
Nigerian money deposit banks	16	$16/57 \times 100 = 28.07\%$	$28.07\% \times 50 = 14.035$	14 companies
Insurance Companies	30	$30/57 \times 100 = 54.38\%$	$54.38\% \times 50 = 27.19$	27 companies
Microfinance banks	5	$5/57 \times 100 = 6.76\%$	$8.77\% \times 50 = 4.35\%$	4 companies
Total	57			50 companies

Source: Author's Computation (2018)

The result of the calculation shows that five (5) companies were chosen from the Developmental banking sector; fourteen (14) companies were selected from the Nigerian Money Deposit Banks;

twenty seven (27) firms were chosen from insurance sector; and four (4) companies were chosen from Microfinance banking sector. The final sample was chosen based on the percentage of the population of each stratum to the total population of fifty seven.

3.4 Sources and Method of Data Collection

The study made use of the annual reports and accounts of the sampled companies as its main source of its data. Quantitative data was extracted from the annual reports and accounts. The quantitative data are the figures in the financial statement of the sample firms. This is due to the fact that annual reports are readily available and accessible by various users. The data collected is for the years 2013 to 2017.

3.5 Data Analysis and Estimation Technique

The study employed both descriptive and inferential statistics in analyzing the data collected. The descriptive statistics employed were the mean, standard deviation, minimum and maximum values in order to show the snapshot of the data collected for the study. The statistical analysis technique employed in analyzing the data collected as well as testing the hypothesis stated in chapter one were panel regression analysis and Analysis of Variance (ANOVA). Panel regression analysis was adopted in testing hypotheses one to four while Analysis of Variance (ANOVA) was employed in testing the hypothesis five.

Panel regression analysis was employed because the data collected was in form of longitudinal data which comprises of time series and cross-sectional data i.e. (fifty companies over five years). This method of analysis was adopted because it assumed that the data of the companies selected varied and the variation could either be fixed effect or random effect. This was determined by post estimation test of Hausman test. Least Significant Difference (LSD) post-hoc

test was conducted in order to establish the difference between the level of financial reporting quality among various sub-sectors of the listed financial institutions in Nigeria as well as confirming the result of Analysis of Variance (ANOVA). STATA statistical package was employed in running the data and 5% significance level was used in the acceptance or rejection of the hypotheses stated in chapter one.

Prior to inferential analysis, normality test was conducted to test the reliability of the data collected with the use of skewness and kurtosis. Multi-collinearity test, heteroskedasticity test, F-Statistics and coefficient of determination (R^2) test was carried out in order to test the extent of the collinearity between the dependent and the independent variables.

3.6 Definition and Measurement of Variables

This study used two variables which are dependent and independent variables. The dependent variable for the study is the financial reporting quality which was measured through discretionary accruals. The discretionary accruals were measured through the Modified Jones Model (1991). Discretionary accruals depend on managerial preferences that are not reflected in current cash flow. Thus, the discretionary accruals ratio is a tool that measures the extent of management interference in financial reporting quality. The discretionary accruals adopted from the modified Jones Model (1991) are determined as the difference between the total accruals and non-discretionary accruals. The model is shown below:

$$DAC_{it} = [TAC_{it}/A_{i,t-1}] - [NDAC_{it}] \text{ -----equation (1)}$$

$$[TAC_{it}/A_{i,t-1}] = \beta_1[CFO_{it}/A_{i,t-1}] + \beta_2[REV_{i,t}/A_{i,t-1}] + \beta_3[PPE_{i,t}/A_{i,t-1}] + \varepsilon_{it} \text{ ----- equation (2)}$$

$$[NDAC_{i,t}] = \beta_{0i}[1/A_{i,t-1}] + \beta_{1i}[(Rev_{i,t} - \Delta Rec_{i,t})/A_{i,t-1}] + \beta_2[(PPE_{i,t})/A_{i,t-1}] + \varepsilon_{it} \text{ ----- equation (3)}$$

Where:

TAC_{it} = total accrual of company i in year t

CFO_{it} cash flow from operations for company i in year t;

$\Delta Rev_{i,t}$ = change in revenues of company i between year t and t-1

A_{i, t-1} = total assets of company i at the end year t-1

PPE_{i,t} = each company's gross value of property, plant and equipment

NDAC_{i,t} = non-discretionary accruals for company i in year t

$\Delta Rec_{i,t}$ = change in account receivables of company i, between year t and t-1

The independent variable for the study was audit committee attributes proxy with audit committee accounting expertise; director's network of audit committee members; and audit committee tenure.

The table shows the measurement of the two variables used in this study.

Table 3.6 Definition and Measurement of Variables

Variables	Definition and Measurement	Previous Researchers
Dependent variable		
Financial reporting quality	Measured with Discretionary accruals (through Modified Jones Model, 1991)	Eriabie and Adeyemo (2016); Karejah and Ibrahim (2017); Juhmani (2017).
Independent		

Variables		
Accounting expertise	Proportion of audit committee members with ICAN/ANAN or other accounting certificates to the total number of audit committee members	Carcello, <i>et al.</i> , (2012); De Vlaminck (2014); Mendez, <i>et al.</i> , (2016) and Jamil (2018).
Director's network of audit committee	Dichotomous variable, 1 if a member of the audit committee is part of another committee, 0 if otherwise.	Ghafran (2013); Omer, <i>et al.</i> , (2016); Cunnigham, <i>et al.</i> , (2017) and Almaquoshi and Powell (2017).
Audit committee tenure	Dummy variable, 1 if a member has been on audit committee for more than three years, 0 if otherwise	Baccouche, <i>et al.</i> , (2013); Ghafran (2013); Adi, <i>et al.</i> , (2014) and Onyabe, <i>et al.</i> , (2018).
Audit committee meeting attendance	Number of meetings attended divided by total number of meeting to be attended	Malai (2015); Ormin, <i>et al.</i> , (2015); Mbobo and Umoren (2016) and Akhor and Oseghale (2017)
Control variables		
Audit firm size	Dichotomous variable, 1 if a firm is audited by one of the Big4 audit firm, 0 if otherwise.	Madawaki and Amran (2013); Malai (2015); Hamdan, <i>et al.</i> , (2015); Mbobo and Umoren (2016) and Juhmani (2017).
Firm size	It was measured with natural logarithm	Bryce, <i>et al.</i> , (2014); Ibadin and

	of total assets of the firm at the year end	Afensinmi (2015) and Salawu, <i>et al.</i> , (2017)
Leverage	Measured with total liabilities to total equity ratio of the firm for the year	Bryce, <i>et al.</i> , (2014); Wiralestari and Tanzil (2015) and Karejah and Ibrahim (2017)

Source: Field Survey, 2018

Previous empirical studies have revealed that there are some external factors that could affect the quality of financial reporting of firms, such as the company/firm's size, leverage, audit firm size, audit fee and so on. The control variables used in this study were employed to represent these external factors aside from the major audit committee variables and they include the audit firm size, firm's size and leverage. The audit firm size may affect the quality of financial reporting because companies that are audited by one of the big4 audit firms provide better audit service due to the availability of resources at their disposal, reputation and market share, thereby providing audit service that can make the financial statement free from material error and misstatement resulting to higher earnings quality reported (Madawaki & Amran, 2013; Hamdan *et al.*, 2013; Wiralestari & Tanzil, 2015; Malai, 2015; Mbobo & Umoren, 2016; Kusnadi, Leong, Suwardy & Wang, 2016). It has also been observed that the larger the size of a firm, the higher the likelihood that managers will avoid engaging in the manipulation of financial statement because they will want to present financial statement that is free from misstatement and error in order to protect the image of the firm (Madawaki & Amran, 2013; Hamdan *et al.*, 2013; Wiralestari & Tanzil, 2015; Malai, 2015; Mbobo & Umoren, 2016; Salawu, *et al.*, 2017). It has also been argued that firms with high leverage have high tendency of manipulating the financial statement figures due to debt covenant violations. Therefore, firms with high leverage are more

likely to choose accounting procedures and methods that will support income increasing methods through discretionary accruals (Hamdan, *et al.*, 2013; Madawaki & Amran, 2013; Al-Shaer, *et al.*, 2011; Malai, 2015).

3.7 Model Specification

The model of Eyenubo, Mohamed and Ali (2017) was adopted and modified in order to achieve the objective of the study. The model of Eyenubo, *et al.* (2017) was written as:

$$FRQ_{it} = \beta_0 + \beta_1 ACSIZE_{it} + \beta_2 FSIZE_{it} + \beta_3 PROF_{it} + \varepsilon_{it}$$

The model of this study is a modification and an extension of Eyenubo, *et al.* (2017) model. The reason is that their model includes only one variable of audit committee characteristics and three control variables. The present model made use of four audit committee variables and three control variables.

The model of the present study is written as:

$$FRQ = f(\text{Audit committee attributes})$$

$$FRQ = f(\text{audit committee accounting expertise, audit committee director's network, audit committee tenure and audit committee meeting attendance})$$

The model is written in an explicit form as:

$$FRQ_{it} = \beta_0 + \beta_1 ACAEX_{it} + \beta_2 DNAC_{it} + \beta_3 ACT_{it} + \beta_4 ACM_{it} + \beta_5 AFS_{it} + \beta_6 FS_{it} + \beta_7 LEV_{it} + \varepsilon_{it}$$

Where:

FRQ_{it} = Financial Reporting Quality of firm i in year t

$ACAEX_{it}$ = Accounting Expertise in audit committee of firm in year t

DNAC_{it} = Director's network of audit committee member of firm in year t

ACT_{it} = Audit Committee tenure of firm in year t

ACM_{it} = Audit Committee Meetings attendance of firm in year t

AFS_{it} = Audit Firm Size of firm in year t

FS_{it} = Firm size in year t

LEV_{it} = Leverage of firms in year t

β_0 = intercept or constant of the coefficient

$\beta_1 - \beta_4$ = the parameters of the estimate

$\beta_5 - \beta_7$ = control variables

$\varepsilon_{it} = \mu_i + V_{it}$

μ_i = Unobserved individual specific effect. μ_i is not time variant and accounts for any individual specific effect that is not included in the regression.

V_{it} : -Remainder disturbance; it varies with individual and time and is considered the usual disturbance in the regression.

The study used 5% level of significance.

a-priori expectation

The *a-priori expectation* of the study is that $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ and $\beta_7 > 0$

The researcher expects that the presence of member of audit committee with pure accounting qualification, audit committee members that have more than one directorship seat, members of the audit committee that have spent longer periods on the committee seat and high punctuality of

audit committee members at meetings, will improve the quality of the financial statement prepared.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

This chapter deals with the analyses of the data collected, interpretation of the empirical results and hypotheses testing using panel regression analysis. It also dealt with the discussion of findings and policy implications of the results.

4.1 Descriptive Analyses

Table 4.1 depicts the descriptive analysis and of the summary of the data collected through mean, standard deviation values and maximum values so as to summarize the data in a concise manner.

Table 4.1 Descriptive Statistics

Variable	Mean	Standard deviation	Minimum value	Maximum value
FRQ	3.386	30.233	-0.396	338.440
ACCEXP	0.266	0.221	0	0.67
DNAC	0.956	0.206	0	1
ACT	0.904	0.295	0	1
ACM	0.825	0.186	0.33	1
AFS	0.596	0.492	0	1
FS	7.616	1.247	0.732	10.38
LEV	2.033	3.594	0.001	4.4

Source: STATA Output, 2018. (Appendix 1)

The result from table 4.1 reveals that financial reporting quality measured through discretionary accruals has an average value of 3.386 with standard deviation of 30.233 and minimum and maximum values of -0.396 and 338.440 respectively. The standard deviation of 30.23 implies that there is a wide dispersion of the data from the mean values. The large difference in the standard deviation is as a result of large difference between the minimum value and the maximum value.

The table 4.1 shows that audit committee meeting has an average value of 0.825 with a standard deviation of 0.186 while the minimum and maximum values are 0.33 and 1 respectively. The value of 0.825 implies that most members of the audit committee of the sample firms attended audit committee up to 82.5% in the years under review. This is in line with the regulation of the audit committee meeting as stated in the Nigeria code of corporate governance (2016) that each member of the audit committee must attend the committee's meeting up to two-third in a year. The standard deviation of 0.186 signifies that the data is dispersed from the average value of the selected sample financial institutions by 18.6%.

The result in table 4.1 also reveals that the mean value of audit committee accounting expertise is 0.266 while the standard deviation value is 0.221 with minimum value of 0 and maximum value of 0.67. The mean value of 0.266 implies that the number of audit committee with pure accounting experts in the audit committee of the sample financial institution is 26.6% of the total number of the audit committee. The standard deviation result of 0.221 signifies that the data deviate from the mean value of the sample financial institutions by 22.1%. The minimum value of 0 indicates that some sample firms did not have accounting experts in their committee while some of them have 67% of the committee members with pure accounting qualification.

More so, the result in the 4.1 also shows that the audit committee director's network has an average value of 0.956 with standard deviation of 0.206. It also revealed that the audit committee director's network has minimum value and maximum value of 0 and 1 respectively. This is because audit committee director's network signifies that 95.6% of the member of audit committee of the sample financial institution members is also members of other committee board. This is in line with the code of corporate governance for financial and other discount house (2014) that there is no limit to the number of committee in which a director or representative could be involved. The result of the standard deviation revealed that the data is 20.6% deviate from the mean value of the sample financial companies.

Furthermore, table 4.1 depicts that audit committee tenure has an average value of 0.904 and standard deviation of 0.295 while the minimum and maximum values are 0 and 1 respectively as it was measured with dummy variable of 0 and 1. The average value 0.904 implies that 90.4% of the audit committee member retained their seat in the committee within the sample periods of 2013 to 2017, while the standard deviation result implies that the data is widely dispersed from the mean value of the sample financial firms by 29.5%.

For the control variables, the result in table 4.1 above reveals that the audit firm size has mean value of 0.596 with standard deviation of 0.492 while the minimum and maximum values are 0 and 1. The average value of 0.596 implies that 59.6% of the sample financial firms employed one of the big four audit firms as their auditors during the study periods. While the standard deviation of 49.2% signifies that the data is widely dispersed from the average value of the sample financial institutions.

Table 4.1 above also reveals that firm size has an average value of 7.616 with standard deviation of 1.247 while the minimum and maximum values are 0.732 and 10.38 respectively. The average

value of 7.616 signifies that the total asset of the sample firms has average total asset value of 7.616 billion naira because the total assets values were stated in billions naira while the standard deviation of 1.247 implies that the data is widely deviation from the mean values of the sample financial firms.

In addition, the result in table 4.1 above shows that leverage has a mean value of 2.033 and standard deviation of 3.594 while the minimum values is 0.001 and maximum values is 4.4 the result of the average of 2.033 implies that the sample financial institutions are highly geared as their debt to equity ratio is greater than one (1). This signifies that the sample financial firms are largely funded with external sources.

4.2. Preliminary Analyses

The preliminary tests were conducted prior to testing of hypotheses in order to test the validity and reliability of the data collected. The preliminary tests carried out for this study include the multi-collinearity test (through Variance Inflation Factor), the Breusch Pagan test for testing the heteroskedasticity problem in the model and Hausman test was conducted to test the model that is appropriate (between the fixed effect and the random effect) in testing the hypotheses.

4.2.1 Multi-collinearity Test (Variance Inflation Factor)

Table 4.2.1 Multi-collinearity Test – Variance Inflation Factor

Variables	VIF	1/VIF
Financial Reporting Quality (FRQ)	2.00	0.5
Audit Committee Expertise(ACCEXP)	1.05	0.95

Audit Committee Director's network(DNAC)	1.14	0.87
Audit Committee Tenure(ACT)	1.13	0.89
Audit Committee Meeting(ACM)	1.40	0.72
Audit Firm Size (AFS)	1.36	0.73
Firms Size (FS)	1.39	0.72
Leverage (LEV)	1.97	0.51
Mean VIF	1.43	

Source: STATA OUTPUT (2018) (Appendix 2)

The table 4.2.1 shows the result of the multi-collinearity test. The Variance Inflation Factor (VIF) indicates the impact of other independent variables on the standard error of the regression coefficient. The result in table 4.2.1 reveals that there is absence of multi-collinearity problem among the independent variables as indicated by average VIF is less than 10 and the 1/VIF for each variable also exceeds the significance level of 0.05. Multi-collinearity problem is said to arise if the variance inflation factor (VIF) is greater than 10 (Woodridge, 2004).

4.2.2 Breusch Pagan Test for Heteroskedasticity

Variable	Chi ²	p-value
Model	2.147	0.076

Source: STATA OUTPUT (2018) (Appendix 3)

Table 4.2.2 above was used to check if there is problem of heteroskedasticity, that is, to test if the error term is distributed in an independent and identical manner or are different. The result in table 4.2.2 shows that the model of the study does not face heteroskedasticity problem as it has a

p-value of 0.076, which is greater than 5% significance level. Gujarati (2004) states that heteroskedasticity problem arises if the p-value of the Breusch Pagan result shows a p-value that is less than 5% level of significance.

4.2.3 Hausman Test

Variable	Chi ²	P-value
Model	14.62	0.041

Source: STATA OUTPUT (2018) (Appendix 4)

Table 4.2.3 above shows the result of the Hausman test which was computed in order to test for the model that is appropriate between fixed effect and random effect. If a significant p-value is generated, the null hypothesis is rejected and fixed effect model is opted for, and random effect is selected if otherwise. The result of the Hausman test in table 4.2.3 shows a p-value of 0.041 which is less than 5% level of significance. This implies that fixed effect model is the most appropriate in testing the hypotheses. Hence, this study used the result of the fixed effect regression model to test the research hypotheses stated in chapter one.

4.3 Restatement and Test of Hypotheses

The result in table 4.3 was used to provide answers to the research questions as well as testing the hypotheses stated in chapter one.

Table 4.3 Result of the Regression Model

Variable	Coefficient	Standard Error	t-statistics	Prob.
ACCEXP	2.173	1.092	1.989	0.044
DNAC	0.385	0.073	5.285	0.017
ACT	-0.692	1.538	-0.450	0.654
ACM	3.468	1.153	3.008	0.003
AFS	-0.282	0.502	-0.562	0.575
FS	0.322	0.119	2.708	0.040

LEV	-0.103	0.097	-1.058	0.292
C	-6.974	2.495	-2.795	0.006
R-squared	0.375			
Adjusted R-squared	0.118			
F-statistic	13.308			0.001

Source: Author's Computation (2018)

Table 4.3 above reveals the linear relationship between audit committee attributes and financial reporting quality of listed financial institutions in Nigeria for the periods 2013 to 2017. The result indicates that the value of coefficient of determination (R^2) is 0.375. This implies that the independent variables of the model explained around 38% of the variation in the dependent variable (financial reporting quality) of the sample listed financial institutions in Nigeria. The result in the table also shows that the model is fitted as evidenced by F-statistics of 13.308 with p-value of 0.001 which is less than 5% significance level. Following the fitness of the model, testing of hypotheses was carried out and beta coefficients were utilized.

4.3.1 Restatement and Test of Hypothesis One

H₀₁: Financial expertise in the audit committee has no significant impact on the financial reporting quality of listed financial institutions in Nigeria.

Based on the result shown in table 4.3 above, the result shows that audit committee with accounting expertise has significant positive impact on the financial reporting quality of the sample listed financial institutions in Nigeria as indicated by beta coefficient 2.173 with p-value of 0.044 at 5% significance level. The result leads to the rejection of null hypothesis which states that accounting expertise in the audit committee has no significant impact on the financial reporting quality of listed financial institutions in Nigeria, thereby leading to the acceptance of the alternative hypothesis. The result implies that if audit committee has a member with pure

accounting qualification(s), it will increase and enhance the quality of financial reporting of listed financial institutions by 217%. This signifies that audit committee member that has pure accounting qualification(s) will be highly independent as well as having the experience in checking through the financial statement thoroughly, resulting to reduction in the manipulation of financial figures by the management which subsequently lead to better financial report.

4.3.2 Restatement and Test of Hypothesis Two

H₀₂: There is no significant effect of audit committee tenure on the quality of financial reporting of listed financial institutions in Nigeria.

The result in table 4.3 above also reveals that audit committee tenure (ACT) has insignificant negative influence on the financial reporting quality of listed financial institutions in Nigeria as indicated by coefficient (-0.692) with p-value of 0.65 at 5% level of significance. This result leads to the acceptance of null hypothesis which states that there is no significant effect of audit committee tenure on the quality of financial reporting of listed financial institutions in Nigeria. This implies that irrespective of the period (shorter or longer period) a member spent in the audit committee, it has no influence on whether the quality of the financial reporting will be improved or worsened.

4.3.3 Restatement and Test of Hypothesis Three

H₀₃: Director's network of audit committee has no significant impact on the financial reporting quality of listed financial institutions in Nigeria.

The result in table 4.3 above indicates that the director's network of audit committee member has significant positive impact on the financial reporting quality (measured with discretionary accruals) of listed financial institutions in Nigeria as indicated by beta coefficient of 0.385 and p-

value of 0.02 at 5% level of significance. The result leads to the rejection of the null hypothesis which states that director's network of audit committee has no significant impact on the financial reporting quality of listed financial institutions in Nigeria, leading to the acceptance of the alternative hypothesis. This result implies that when member of the audit committee holds multiple directorship position concurrently, it will improve the quality of the financial reporting by 38%. This signifies that member of the audit committee holding different board positions at the same period, the member can bring their wealth of experience from their outside directorship in improving the quality of financial reporting, leading to decrease in the chances of manipulating the figures in the financial statement by the management.

4.3.4 Restatement and Test of Hypothesis Four

H₀₄: The frequency of Audit committee meetings has no significant influence on the financial reporting quality of listed financial institutions in Nigeria.

The result in table 4.3 reveals that audit committee meeting attendance has significant and positive impact on the quality of financial reporting of listed financial institutions in Nigeria. The result shows a beta coefficient of 3.468 with p-value of 0.003 at 5% significance level. This result leads to the rejection of the null hypothesis, which states that audit committee meetings attendance have no significant influence on the financial reporting quality of listed financial institutions in Nigeria, leading to the acceptance of alternative hypothesis. This implies that punctuality at audit committee meeting makes the members to perform their monitoring roles, reviewing the decisions made by the organization as well as providing necessary advice on the issues of internal control and monitoring activities.

The control variables used in this study include the audit firm size, firms' size and leverage. The result in table 4.3 above shows that audit firm size has insignificant negative impact on the financial reporting quality of listed financial institutions in Nigeria as indicated by beta coefficient of (-0.282) with p-value of 0.57. This implies that whether a firm employs one of the big4 audit firms or non-big4 audit firm, it has no effect on the quality of financial reporting presented by the sample financial institutions in Nigeria. The result does not conform to *a priori* expectations as the researcher expects that audit firm size would have significant positive effect on the quality of the financial statement.

Furthermore, the result also depicts that firm size (company's size) has significant positive effect on the financial reporting quality of listed financial institutions in Nigeria as revealed by beta coefficient of 0.322 and p-value of 0.04 at 5% level of significance. This implies that the larger the firm, the better the quality of the financial reporting presented. This signifies that larger firms do not conceal information by engaging in manipulation of their accounting reports due to the negative reaction of stakeholders in the capital market to firms that have bad image. The result in table 4.3 also reveals that leverage has no significant impact on financial reporting quality of listed financial institutions in Nigeria as indicated by coefficient of (-0.103) with p-value of 0.29 at 5% level of significance. This implies that leverage (the level of firm's debt to equity ratio) of the financial institutions in Nigeria has no relationship with the quality of financial reporting of financial institutions in Nigeria.

Overall, the results from the above analyses implied that the higher the monitoring activities of the audit committee, the better the quality of financial reporting of listed financial institutions in Nigeria.

4.3.5 Restatement and Test of Hypothesis Five

H₀₅: There is no significant difference in the quality of financial reporting of sub-sectors of Nigerian listed financial institutions.

Table 4.4 Analysis of Variance (ANOVA) Result

The result in the table 4.4 was used to test whether there is significance difference in the quality of financial reporting among various sub-sectors of the listed financial institutions in Nigeria in order to answer research question five stated in chapter one.

ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	21195.067	3	7065.022	7.676	.003
Within Groups	200683.033	76	2640.566		
Total	221878.100	79			

Source: SPSS Output (2018)

The result in table 4.4 depicts the level of the quality of financial reporting of the various sub-sectors of listed financial institutions in Nigeria through the use of the Analysis of Variance (ANOVA). The result revealed that there is significant difference in the level of financial reporting quality among various sub-sectors of the listed financial institutions in Nigeria as indicated by F-statistics of 7.676 with p-value of 0.03. This leads to the rejection of the null hypothesis, which states that there is no significant difference in the quality of financial reporting of sub-sectors of Nigerian listed financial institutions, leading to the acceptance of the alternative hypothesis. This implies that the quality of financial statement presented by each sub-sector (Nigerian Money Deposit banks; Microfinance banks; Mortgage banks; and Insurance companies) is different from one another.

Table 4.4.1 Least Significant Difference (LSD) Result

Multiple Comparisons

Sub-sectors	Financial reporting Quality
Financial reporting quality in the Nigerian money deposit banks	2.775 (0.021)
Financial reporting quality in the Nigerian microfinance banks	38.428 (0.031)
Financial reporting quality in the Nigerian mortgage banks	35.652 (0.021)
Financial reporting quality in the Nigerian insurance companies	0.094 (1.00)

Source: SPSS Output (2018)

*. The mean difference is significant at the 0.05 level.

() : denotes Prob. while the value denotes mean difference

Table 4.4.1 shows the result of the least significant difference (LSD) in order to establish the difference between the levels of financial reporting quality among various sub-sectors of the listed financial institutions in Nigeria.

The result in table 4.4.1 reveals a significant difference in the quality of financial reporting quality of sub-sectors (NDMB, Microfinance, Mortgage and Insurance companies) of listed financial institutions in Nigeria as indicated by the mean value of 2.775, 38.428, 35.652, and 0.094 at 5% significance level of 0.021, 0.031, 0.021 and 1.000 respectively. The result of the mean difference of the whole LSD is at 5% level of significance. This result confirmed the result of the Analysis of Variance (ANOVA) in table 4.4 above. This implies that the financial statement reported by the various sub-sectors of the financial institutions in Nigeria is different.

Table 4.4.2**Comparison of Each Sub-Sectors**

FRQ		Mean Difference (I-J)	Sig.
NMDB	MICRO	2.775	0.865
	MORT	38.427*	0.021
	INSU	0.009	1.000
MICRO	NMDB	2.775	0.865
	MORT	35.652*	0.031
	INSU	2.766	0.865
MORT	NMDB	38.427*	0.021
	MICRO	35.652*	0.031
	INSU	38.418*	0.021
INSU	NMDB	.009	1.000
	MICRO	2.766	0.865
	MORT	38.418*	0.021

Source: SPSS Output (2018)

Comparing the sub-sectors separately, it could be seen from the result in table 4.4.2 that there is no significant difference between the quality of the financial reporting of Nigerian Money Deposit banks and the financial statement quality of microfinance banks and insurance companies as indicated by p-value of 0.865 and 1.000 respectively. The result in the table also revealed that there is significant difference in the financial reporting quality of Nigerian money Deposit banks as indicated by p-value of 0.021.

When comparing the financial reporting quality of Microfinance banks with other sub-sectors, the result in table 4.4.2 also revealed that a significant difference in the financial reporting quality of microfinance banks and the financial statement quality of mortgage banks as shown with p-value of 0.031 but insignificant with the financial reporting quality of Nigerian Money Deposit bank and insurance companies in Nigeria as shown by p-value of 0.865 and 0.865 respectively.

The table 4.4.2 shows that there is significant difference between the quality of financial statement reported by listed Nigerian mortgage banks and the quality of the financial statement reported by listed Nigerian Money Deposit banks, microfinance banks and insurance companies in Nigeria as indicated by p-value of 0.021, 0.031 and 0.021 respectively. The result in table 4.4.2 also depicts that there is significant difference in the quality of financial reporting of listed insurance companies and the financial reporting quality of listed mortgage banks in Nigeria as indicated by p-value of 0.021 but has significant difference with the financial reporting quality of listed NDMBs and microfinance banks as indicated by p-value of 1.000 and 0.865 respectively.

4.4 Discussion of Findings

From the empirical analysis and the hypotheses tested, the empirical results showed that audit committee attributes proxy with audit committee accounting expertise, audit committee director's network, audit committee tenure and audit committee attendance at meeting have significant positive impact on the financial reporting quality of listed financial institutions in Nigeria. The empirical result of the study shows that audit committees accounting expertise, audit committee director's network and audit committee meeting attendance have significant positive impact on financial reporting quality while audit committee tenure has no significant effect on financial reporting quality of financial institutions in Nigeria.

Specifically, the study found out that audit committee accounting expertise has significant positive effect on the quality of financial reporting. This confirmed the argument of the agency theory which posits that the presence of audit committee member with accounting qualification(s) would have detailed knowledge and experience in improving the quality of financial reporting. The result implies that an audit committee member with pure accounting qualification(s) has high tendency in identifying any misstatement or material error(s) in the

financial statement due to their vast knowledge in the field of accounting, which subsequently lead to better financial statement. The result also support the *a-priori* expectation as the researcher expects that audit committee accounting expertise would lead to improved financial reporting. The finding of this study corroborates with the findings of Risda and Maleka (2013); Bryce *et al.* (2014); Adeyemi *et al.* (2016); Al-Shaer *et al.* (2017); Karejah and Ibrahim (2017); Amin *et al.* (2018) where they found significant positive relationship between audit committee financial/accounting expertise and financial reporting quality. The result is in contrast with the findings of Toh (2013); Kamarudin, *et al.* (2014); Jafar (2016); Mwafang *et al.* (2017) as they found out that financial reporting expertise of audit committee worsen the quality of the financial statement.

The empirical also shows that director's network of audit committee members has significant and positive impact on the quality of financial reporting. This implies that the more multiple directorship positions hold at the same time, the more efficient he is. The result also signifies that members holding several board positions gain more experience outside the audit committee directorship and this experience can be brought to his audit committee role which will improve the quality of financial reporting leading to lower level of accounting manipulations. The result support the argument of the regulators that members of audit committee holding multiple positions concurrently are willing to protect their image and pay more attention to their audit committee. The result also supports the *a-priori* expectation as the researcher expects that director's network of audit committee member would enhance the quality of financial reporting. The findings of this study is in line with the results of Ghafran (2013); DeVlaminck (2014); Omer *et al.* (2016); Jafar (2016) and Cunningham, *et al.* (2017) where they found out that audit committee director's network has significant positive effect on financial reporting quality. The

finding of this study contradicts the results of Mendez *et al.* (2016) and Almaqoushi and Powell (2017) as they revealed that audit committee director's network is detrimental to the monitoring capability of the audit committee member.

Furthermore, the result of the study revealed that audit committee tenure has insignificant negative impact on the quality of financial reporting. This implies that whether a member serves on the audit committee board for a shorter or longer period of time, it has no influence on the quality of financial reporting. The result does not conform to the *a priori* expectation. The result corroborates with the findings of Baccouche, *et al.* (2013); John, *et al.* (2014) and Onyabe, *et al.* (2018) where they found out that audit committee tenure has no significant effect on financial reporting quality. The result is in contrast with the findings of Vafeas (2005) and Ghafran (2013) as they report significant relationship between the audit committee tenure and financial reporting quality.

In addition, the study revealed that audit committee meeting (attendance) has significant and positive effect on financial reporting of listed financial institutions in Nigeria. This implies that punctuality of audit committee members at the meeting will improve the quality of financial reporting as different member can provide better opinion and advice as well as increasing their monitoring roles. The result is in line with the assumption of the agency theory as it posits that level of manipulations of financial statement figures would reduce if members of the audit committee attend the board meeting regularly. This implies that punctuality can make audit committee to iron out difficult matters and provide advice on the issue relating to internal control system and other matters relating to financial reporting, thereby improving the quality of financial statement. The result is in tandem with *a priori* expectation as the researcher expects that punctuality of the audit committee members at the meeting would improve the quality of

financial reporting. The finding of this study confirmed the results of (Eriabie & Adeyemo, 2016; Mbobo & Umoren, 2016) where they found out that audit committee would improve the quality of financial reporting. The result contradicts the findings of (Hamdan, *et al.*, 2013; Malai, 2015; Moses, *et al.*, 2016) as their results show that audit committee meeting reduces financial reporting quality.

The result of the study also reveals that there is significant difference in the level of financial reporting quality of the various sub-sectors of the listed financial institutions in Nigeria. This implies that the financial statement reported by various sub-sectors has more quality than the other. This may be due to the different regulatory frameworks guiding the sub-sectors such as the Prudential guidelines, Bank and Other Financial Institutions Act (1991) and the Securities and Exchange Commission Code guiding the preparation of financial statement of Nigerian money deposit banks while the SEC Code and the Nigerian Deposit Insurance Corporation Act provide regulatory framework on the preparation of the financial reporting quality of insurance companies in Nigeria. The microfinance bank is being guided by the regulatory and supervisory framework for microfinance banks in Nigeria (2013). These differences in the regulatory framework could be said to have led to affect the quality of financial reporting presented by the various sub-sectors of the listed financial institutions in Nigeria.

4.5 Policy Implication of Findings

The implications of the findings of this study are:

- i. The study found out that audit committee financial expertise increases the quality of financial statement of listed financial institutions in Nigeria. The implication of this is that the presence of audit committee with pure accounting qualifications such as ICAN and ANAN are well equipped

and have vast knowledge and experience in examining the figures and contents of the financial statement than any member with other financial expertise or non-accounting expertise., therefore, audit committee with pure accounting qualification(s) has high tendency of improving the quality of financial reporting.

ii. The study also revealed that director's network of audit committee enhances the financial reporting quality. This implies that if the regulatory authorities attempt to limit or reduce the number of directorship positions that can be held by a member of audit committee concurrently, it could reduce the experience and positive advice a member brings from the outside directorship which may subsequently lead to poor financial reporting by the management.

iii. The study also found out that audit committee tenure has nothing to do with the quality financial reporting of listed financial institutions in Nigeria. The implication of this is that if the regulatory authority does not address the issue of longer period each member spends on the audit committee, it could worsen the quality of financial reporting of firms as the members of the audit committee could force a friendly relationship with the management, thereby leading to reporting of financial statement full of errors.

iv. The study also revealed that audit committee attendance improves the quality of financial reporting of listed financial institutions in Nigeria. This implication of this is that the regulatory bodies should not reduce the number of audit committee meeting attendance stated in the Nigerian code of corporate governance as this could reduce the opportunity of the audit committee in performing their oversight functions effectively. This could create room for management in manipulating and presenting financial statement full of errors and manipulations.

v. The study also revealed that there is significant difference in the quality of financial statement reported by various sub-sectors of the listed financial institutions in Nigeria. This implies that each sub-sectors produces financial statement that is free from material error(s) or manipulation than their counterparts thereby providing better information for various decision making to different stakeholders.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The persistent rise in the reported cases of accounting manipulations globally (such as the cases of Enron, Xerox, WorldCom, Parmalat, Cadbury Nig. Plc., Lever Brothers Plc, Bank PHB, Intercontinental bank, and so on) which has resulted to failure and collapse of corporate organizations in the world, has raised series of questions on the effective monitoring roles of the audit committee members of firms. Hence, this study investigates the impact of audit committee attributes on financial reporting quality of listed financial institutions in Nigeria. To achieve this objective, three specific objectives were developed to proffer answers to the research questions and they include: to assess the impact of financial expertise in the audit committee on the financial reporting quality of listed financial institutions in Nigeria; ascertain the extent to which tenure of audit committee members affect the quality of financial reporting of listed financial institutions in Nigeria; and examine the impact of director's network of audit committee member on the financial reporting quality of listed financial institutions in Nigeria.

The study reviews different literatures on audit committee and financial reporting quality. The literature review was divided into three sub-chapters; the conceptual review; theoretical framework and the empirical review. The study critically examines the concepts of financial reporting quality; concepts of audit committee attributes; and measurement of audit committee attributes. The study was anchored on the agency theory. The agency theory studied the agency problem that arises due to the agent (management) acting in their own benefit and in an opportunistic manner on the expense of the principal (owners/shareholders) (Jensen and Meckling 1976). Conflicts and dissimilar interests lead to information asymmetries between the

two parties and the principals had to identify ways to motivate the agents and to ensure that they act in the best interest of the principals. Therefore, agency theory is essential to this study as it recognizes the monitoring role of an audit committee attribute as a mechanism in controlling management opportunistic behaviors. The results of the previous studies were empirically reviewed and were divided into international and local studies. The international studies were further sub-divided into studies in the developed and developing nations for easier understanding.

The study adopted ex-post facto research design. The population of the study comprised the listed financial institutions in Nigeria as at 31st December, 2017. As at that date, the total financial institutions listed on the floor of the Nigerian Stock Exchange was fifty-seven firms. The sample size was determined using Yamane (1967) statistical method of determining sample size. The sample size of the study was fifty (50) listed financial institutions. The data was sourced from the financial reports of the sample listed financial institutions. The data collected was analyzed through the descriptive and inferential statistics. The hypotheses formulated were tested using panel regression analysis technique. The study adopted the model of Eyenubo, *et al.*, (2017) was adopted and modified in order to include some of the variables not included in their study. Financial reporting quality (dependent variable) was measured through discretionary accruals while the audit committee attributes (independent variable) was proxy with audit committee accounting expert, audit committee director's network, audit committee tenure and audit committee meeting attendance.

The study found amongst others that audit committee attributes through audit committee accounting experts, audit committee director's network and audit committee meeting attendance have significant positive impact on financial reporting quality. This indicates that audit

committee accounting experts, audit committee director's network and audit committee tenure improved the quality of financial reporting which consequently constrain the practice of accounting manipulations in the listed financial institutions in Nigeria. The study also revealed that audit committee tenure has insignificant negative influence on financial reporting quality of listed financial institutions in Nigeria. This means that audit committee tenure has no relationship with the quality of financial reporting of listed financial institutions in Nigeria.

5.2 Conclusion

Based on the empirical results of the hypotheses tested in chapter four, the study therefore concludes that audit committees accounting experts, audit committee director's network and audit committee meeting attendance have significant positive impact on financial reporting quality of listed financial institutions in Nigeria. This assures the stakeholders that the financial statement reported by the listed financial institutions in Nigeria in the years under review can be relied upon as not containing material error or manipulation of figures. The study also concludes that audit committee tenure has no impact on the quality of the financial reporting of the listed financial institutions in Nigeria. This is supported by insignificant negative impact of audit committee tenure on the quality of the financial reporting.

On a final note, this study concludes that audit committee attributes have significant positive impact on financial reporting quality of listed financial institutions in Nigeria.

5.3 Recommendations

The following recommendations are hereby made based on the empirical findings of this study in order to improve the audit committee oversight functions in the Nigerian financial institutions:

- i. Based on the result of the hypothesis one which shows that audit committee with accounting expertise improves the quality of financial reporting of listed financial institutions, this study

recommends that regulators such as Securities and Exchange Commission (SEC), Central Bank of Nigeria (CBN) and NDIC should emphasize that every audit committee must have at least one member with pure accounting qualifications rather openness of financial expertise stated in the Nigerian Code of Corporate Governance (2016) which include other fields of management.

ii. Based on the result of hypothesis two, which shows that audit committee director's network enhances the quality of financial reporting of listed financial institutions in Nigeria, this study therefore recommends that policy makers and regulators should make policies that one of the audit committee members should have a member that is serving in another board committee or serving on the audit committee of another company so that his/her experience from outside directorship would continue to help in improving the financial reporting quality.

iii. Based on the empirical result of the audit committee tenure and financial reporting quality, the study recommends that the regulatory bodies in Nigeria (such as SEC, CBN and NDIC) should issue a framework or guideline which will clearly specify the number of years an audit committee member can serve on the board in order for every member to contribute positively to the monitoring of financial report by the management of Nigerian financial institutions.

iv. Based on the result of audit committee meeting attendance, the study recommends that Securities and Exchange Commission and the Central Bank of Nigeria should put in place a stringent regulation that will ensure that audit committee members conform to the two-third laid rules in the Nigerian Code of Corporate Governance. It is recommended that the number of meetings attended should be tied to retaining of audit committee seat in the following year in order to curtail the practices of "just there to complete the audit committee size without active attendance and participation at meetings.

v. Based on the result of differences in the level of financial reporting quality among various sub-sectors of listed financial institutions in Nigeria, the study recommends that there should be a uniform regulatory framework guiding the preparation of the financial statement of all the sub-sectors of the listed financial institutions in Nigeria.

5.4 Limitations and Delimitation to the Study

The findings of this study are limited to four audit committee variables of the sample listed financial institutions in Nigerian. This is because there are other attributes of audit committee that are not captured in this study. Another limitation is that, the study did not conduct a survey of opinions from the stakeholders in the Nigerian listed financial institutions which could have increased the robustness and acceptability of the results. However, these limitations did not affect the empirical findings of this study as a result of the adequate empirical supportive evidence available in the study as the results are reliable and fit for policy formulation.

5.5 Contribution to Knowledge

This study examined the impact of audit committee attributes on financial reporting quality of listed financial institutions in Nigeria. Prior academic researchers have investigated various audit committee attributes that can influence financial reporting quality. Based on the extant literature reviewed, it was discovered that none of these studies has examined the impact of audit committee director's network on financial reporting quality in Nigeria. More so, the only study conducted on the impact audit committee tenure was on listed deposit banks only but this study extended the research by looking at all the financial firms in the Nigerian financial institutions. Therefore, this study is unique as it examined the impact of audit committee tenure and audit committee director's network on the financial reporting quality in Nigeria. This study also

contributes to knowledge as it examined the difference in the quality of financial reporting among the various sub-sectors of the financial institutions in Nigeria.

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APPENDIX 1

APPENDIX 2

```
. xtset id year
panel variable: id (strongly balanced)
time variable: year, 2013 to 2017
delta: 1 unit
```

```
. xtsum FRQ ACM ACCEXP DNAC ACT AFS FS LEV
```

Variable		Mean	Std. Dev.	Min	Max	Observations
FRQ	overall	3.386018	30.23294	-.3959644	338.4395	N = 250
	between		21.73107	-.0456948	153.6147	n = 50
	within		21.19853	-138.2614	188.2108	T = 5
ACM	overall	1.20132	6.022815	.08	96	N = 250
	between		2.701184	.35	19.882	n = 50
	within		5.393989	-17.93068	77.31932	T = 5
ACCEXP	overall	.27248	.2375685	0	1	N = 250
	between		.2364077	0	1	n = 50
	within		.038053	.00848	.57648	T = 5
DNAC	overall	.956	.2055065	0	1	N = 250
	between		.199141	0	1	n = 50
	within		.056682	.156	1.156	T = 5
ACT	overall	.904	.2951822	0	1	N = 250
	between		.1947893	.2	1	n = 50
	within		.2231573	.104	1.704	T = 5
AFS	overall	.596	.4916818	0	1	N = 250
	between		.4823243	0	1	n = 50
	within		.113364	-.204	1.196	T = 5
FS	overall	7.615728	1.247332	.732	10.38	N = 250
	between		1.15551	4.9	10.224	n = 50
	within		.4920193	2.421328	10.02773	T = 5
LEV	overall	2.03318	3.593737	.001	44	N = 250
	between		2.459164	.007	9.23	n = 50
	within		2.639055	-6.74882	36.87118	T = 5

```
. pwcorr FRQ ACM ACCEXP DNAC ACT AFS FS LEV
```

	FRQ	ACM	ACCEXP	DNAC	ACT	AFS	FS
FRQ	1.0000						
ACM	0.0765	1.0000					
ACCEXP	0.0175	0.0158	1.0000				
DNAC	0.0222	0.0072	0.0968	1.0000			
ACT	-0.1391	-0.1912	0.0910	-0.0699	1.0000		
AFS	-0.1327	-0.0790	0.2097	0.2208	0.0084	1.0000	
FS	0.0323	0.0762	0.0580	-0.1240	0.0494	-0.1659	1.0000
LEV	-0.0414	-0.0146	0.0728	-0.1623	0.0550	0.0173	0.1519
LE							
LEV	1.0000						

Date: 07/25/18 Time: 13:19

Sample (adjusted): 6 250
 Included observations: 239 after adjustments
 Trend assumption: Linear deterministic trend
 Series: FRQ__DAC ACM ACCEXP DNAC ACT AFS FS LEV
 Lags interval (in first differences): 1 to 4

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.278687	303.1464	159.5297	0.0000
At most 1 *	0.241800	225.0692	125.6154	0.0000
At most 2 *	0.178074	158.9122	95.75366	0.0000
At most 3 *	0.142933	112.0432	69.81889	0.0000
At most 4 *	0.115983	75.18005	47.85613	0.0000
At most 5 *	0.093223	45.71642	29.79707	0.0004
At most 6 *	0.057009	22.32827	15.49471	0.0040
At most 7 *	0.034129	8.299343	3.841466	0.0040

Trace test indicates 8 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Dependent Variable: LDAC

Method: Dynamic Least Squares (DOLS)

Date: 07/25/18 Time: 13:17

Sample (adjusted): 6 249

Included observations: 169 after adjustments

Cointegrating equation deterministic: C

Fixed leads and lags specification (lead=1, lag=4)

Long-run variance estimate (Bartlett kernel, Newey-West fixed bandwidth = 5.0000)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACM	3.468277	1.153141	3.007679	0.0032
ACCEXP	2.172598	1.092338	1.988942	0.0490
DNAC	0.384584	0.072775	5.284498	0.0165
ACT	-0.692218	1.537950	-0.450091	0.6535
AFS	-0.282107	0.502306	-0.561624	0.5754
FS	0.322428	0.119064	2.708018	0.0402
LEV	-0.102575	0.096916	-1.058394	0.2920
C	-6.973552	2.494923	-2.795097	0.0061
R-squared	0.375109	Mean dependent var		-2.448819
Adjusted R-squared	0.117800	S.D. dependent var		1.741517
S.E. of regression	1.635728	Sum squared resid		318.3972
Long-run variance	3.203184			

Dependent Variable: D(LDAC)

Method: Least Squares (Gauss-Newton / Marquardt steps)

Date: 07/25/18 Time: 13:27

Sample (adjusted): 20 228

Included observations: 56 after adjustments

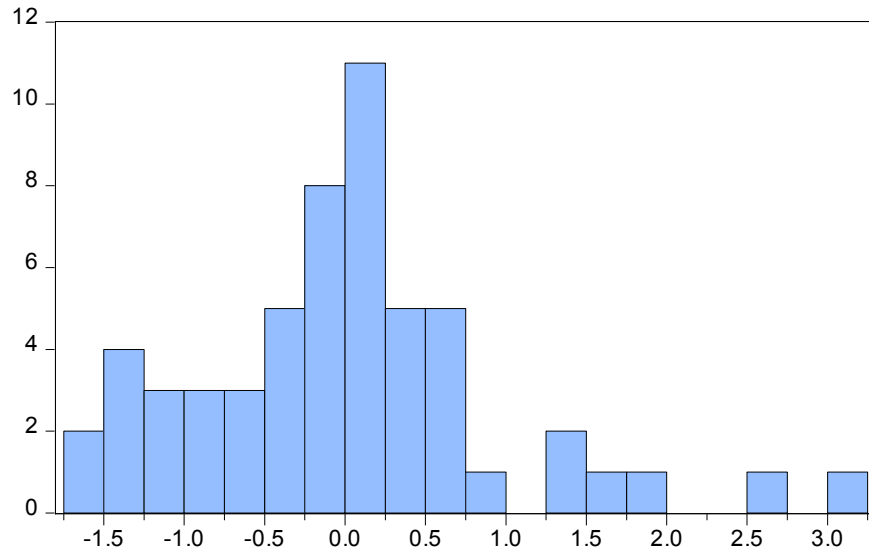
$$\begin{aligned}
D(LDAC) = & C(1) * (LDAC(-1) + 29.5482505383 * ACM(-1) - 9.81702424436 \\
& * ACCEXP(-1) - 7.39211970694 * DNAC(-1) + 1.06539580206 * ACT(-1) + \\
& 5.6379027751 * AFS(-1) - 2.25525859231 * FS(-1) - 0.60012336498 \\
& * LEV(-1) - 1.7573862884) + C(2) * D(LDAC(-1)) + C(3) * D(LDAC(-2)) + \\
& C(4) * D(LDAC(-3)) + C(5) * D(LDAC(-4)) + C(6) * D(ACM(-1)) + C(7) \\
& * D(ACM(-2)) + C(8) * D(ACM(-3)) + C(9) * D(ACM(-4)) + C(10) * D(ACCEXP(\\
& -1)) + C(11) * D(ACCEXP(-2)) + C(12) * D(ACCEXP(-3)) + C(13) \\
& * D(ACCEXP(-4)) + C(14) * D(DNAC(-1)) + C(15) * D(DNAC(-2)) + C(16) \\
& * D(DNAC(-3)) + C(17) * D(DNAC(-4)) + C(18) * D(ACT(-1)) + C(19) * D(ACT(\\
& -2)) + C(20) * D(ACT(-3)) + C(21) * D(ACT(-4)) + C(22) * D(AFS(-1)) + C(23) \\
& * D(AFS(-2)) + C(24) * D(AFS(-3)) + C(25) * D(AFS(-4)) + C(26) * D(FS(-1)) + \\
& C(27) * D(FS(-2)) + C(28) * D(FS(-3)) + C(29) * D(FS(-4)) + C(30) * D(LEV(\\
& -1)) + C(31) * D(LEV(-2)) + C(32) * D(LEV(-3)) + C(33) * D(LEV(-4)) + C(34)
\end{aligned}$$

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-0.151518	0.031692	-4.780897	0.0432
C(2)	-0.169280	0.237273	-0.713439	0.4831
C(3)	-0.224977	0.247939	-0.907389	0.3740
C(4)	-0.018249	0.293764	-0.062120	0.9510
C(5)	0.146031	0.206814	0.706096	0.4875
C(6)	-2.634419	2.558169	-1.029806	0.3143
C(7)	0.008480	2.315052	0.003663	0.9971
C(8)	-0.013347	0.051147	-0.260951	0.7966
C(9)	-0.025172	0.030395	-0.828141	0.4165
C(10)	-1.705598	2.191895	-0.778138	0.4448
C(11)	2.447289	2.118559	1.155166	0.2604
C(12)	-0.692104	2.622956	-0.263864	0.7943
C(13)	-0.585903	1.826939	-0.320702	0.7515
C(14)	1.028636	2.320444	0.443293	0.6619
C(15)	1.716992	2.268440	0.756904	0.4571
C(16)	4.185061	3.204093	1.306161	0.2050
C(17)	4.840558	2.481423	1.950718	0.0639
C(18)	-1.177241	1.306147	-0.901308	0.3772
C(19)	-0.506904	1.308495	-0.387395	0.7022
C(20)	-1.186225	1.678726	-0.706622	0.4872
C(21)	-1.605188	1.376111	-1.166468	0.2559
C(22)	-1.122631	1.035253	-1.084403	0.2899
C(23)	0.029074	1.022645	0.028430	0.9776
C(24)	0.855022	0.945676	0.904138	0.3757
C(25)	0.696094	0.919174	0.757303	0.4569
C(26)	0.270093	0.554884	0.486756	0.6312
C(27)	-0.456909	0.551002	-0.829233	0.4159
C(28)	0.192380	0.588357	0.326978	0.7468
C(29)	0.216929	0.295351	0.734478	0.4704
C(30)	-0.184501	0.175771	-1.049665	0.3053
C(31)	-0.405244	0.123537	-3.280347	0.0034
C(32)	-0.218754	0.210802	-1.037722	0.3107
C(33)	-0.561745	0.170635	-3.292090	0.0033
C(34)	0.195459	0.269282	0.725852	0.4756

R-squared	0.583503	Mean dependent var	0.134318
Adjusted R-squared	-0.041241	S.D. dependent var	1.522417
S.E. of regression	1.553493	Akaike info criterion	3.998865
Sum squared resid	53.09346	Schwarz criterion	5.228543
Log likelihood	-77.96822	Hannan-Quinn criter.	4.475608
F-statistic	0.933987	Durbin-Watson stat	1.647495

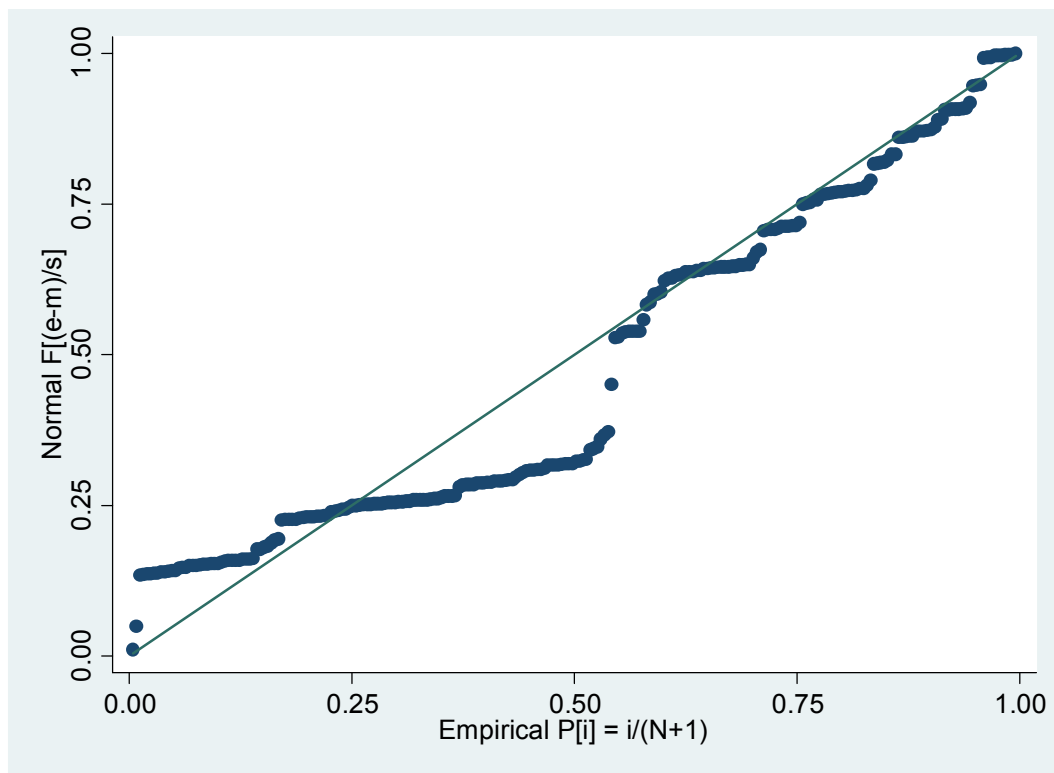
Prob(F-statistic)

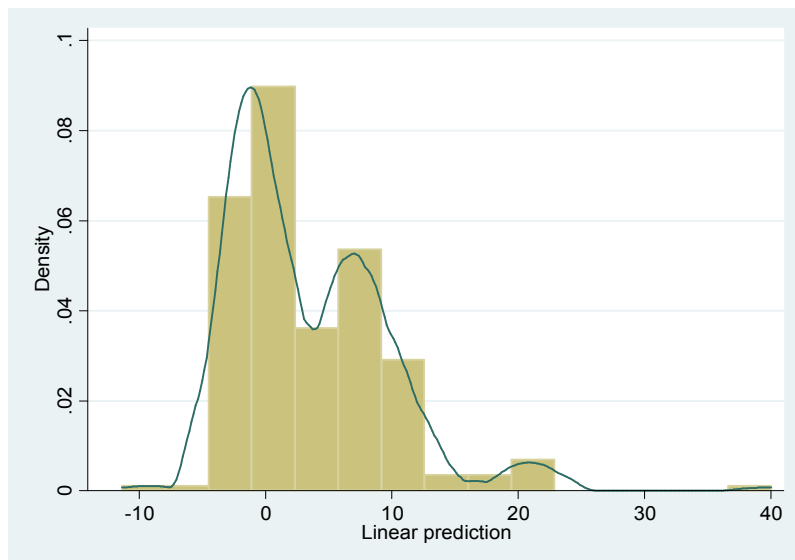
0.579376



Series: Residuals
Sample 20 228
Observations 56

Mean	9.12e-17
Median	-0.000246
Maximum	3.162947
Minimum	-1.740476
Std. Dev.	0.982515
Skewness	0.834315
Kurtosis	4.434273
Jarque-Bera	11.29676
Probability	0.003523





Breusch-Godfrey Serial Correlation LM Test:

F-statistic	3.117111	Prob. F(2,20)	0.0663
Obs*R-squared	13.30767	Prob. Chi-Square(2)	0.0013

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	2.146689	Prob. F(40,15)	0.0757
Obs*R-squared	47.67225	Prob. Chi-Square(40)	0.1889
Scaled explained SS	12.63397	Prob. Chi-Square(40)	1.0000

Test Equation:

Dependent Variable: RESID^2

Method: Least Squares

Date: 07/25/18 Time: 14:55

Sample: 20 228

Included observations: 56

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.495214	11.10566	-0.224679	0.8253
LDAC(-1)	-0.132630	0.216211	-0.613427	0.5488
ACM(-1)	0.479698	3.530316	0.135880	0.8937
ACCEXP(-1)	5.532044	2.694486	2.053098	0.0579
DNAC(-1)	3.114126	2.481755	1.254808	0.2287
ACT(-1)	-0.089546	1.348524	-0.066403	0.9479
AFS(-1)	1.190984	0.999337	1.191774	0.2519
FS(-1)	-0.686872	0.740027	-0.928171	0.3680
LEV(-1)	-0.036092	0.204583	-0.176417	0.8623
LDAC(-2)	-0.557922	0.267570	-2.085145	0.0546

LDAC(-3)	0.343955	0.400020	0.859846	0.4034
LDAC(-4)	-0.317584	0.244381	-1.299543	0.2134
LDAC(-5)	-0.596761	0.237845	-2.509029	0.0241
ACM(-2)	-4.086718	2.940598	-1.389757	0.1849
ACM(-3)	7.434253	2.561070	2.902792	0.0109
ACM(-4)	0.101641	0.045148	2.251273	0.0398
ACM(-5)	0.026952	0.031800	0.847569	0.4100
ACCEXP(-2)	-6.458243	3.105097	-2.079884	0.0551
ACCEXP(-3)	-5.179323	2.916617	-1.775798	0.0961
ACCEXP(-4)	7.861075	3.069585	2.560957	0.0217
ACCEXP(-5)	0.118455	2.096170	0.056510	0.9557
DNAC(-2)	3.360973	2.622245	1.281716	0.2194
DNAC(-3)	6.926647	3.140973	2.205255	0.0435
DNAC(-4)	-7.435410	3.453903	-2.152756	0.0480
DNAC(-5)	-6.188945	2.402058	-2.576518	0.0211
ACT(-2)	3.177030	1.281415	2.479314	0.0255
ACT(-3)	-0.180738	1.675792	-0.107852	0.9155
ACT(-4)	1.167230	1.917226	0.608812	0.5518
ACT(-5)	1.342088	1.522460	0.881526	0.3919
AFS(-2)	-3.869105	1.096387	-3.528958	0.0030
AFS(-3)	2.481302	0.961843	2.579737	0.0209
AFS(-4)	0.940844	1.071864	0.877765	0.3939
AFS(-5)	-0.882357	0.910104	-0.969513	0.3477
FS(-2)	0.655943	0.710999	0.922566	0.3708
FS(-3)	0.455924	0.687671	0.662997	0.5174
FS(-4)	-1.731785	0.798520	-2.168742	0.0466
FS(-5)	0.030093	0.360574	0.083460	0.9346
LEV(-2)	0.101626	0.173884	0.584444	0.5676
LEV(-3)	-0.435184	0.218851	-1.988494	0.0653
LEV(-4)	0.112195	0.182638	0.614302	0.5482
LEV(-5)	1.129642	0.198888	5.679802	0.0000

R-squared	0.851290	Mean dependent var	0.948098
Adjusted R-squared	0.454731	S.D. dependent var	1.772895
S.E. of regression	1.309148	Akaike info criterion	3.523614
Sum squared resid	25.70802	Schwarz criterion	5.006461
Log likelihood	-57.66119	Hannan-Quinn criter.	4.098511
F-statistic	2.146689	Durbin-Watson stat	1.366889
Prob(F-statistic)	0.055745		
