



**AUDIT COMMITTEE CHARACTERISTICS AND EARNINGS MANAGEMENT
AMONG LISTED DEPOSIT MONEY BANKS IN NIGERIA**

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Abstract

Unethical financial reporting practice may be linked to audit committee characteristics; hence this study investigated the impact of audit committee characteristics on earnings management among listed deposit money banks in Nigeria. The study adopted an ex-post facto research design, with the population comprising twenty-four (24) deposit money banks listed on the Nigerian Exchange Group as of December 31, 2022. However, nine banks were selected for the study based on data availability. Data from audited annual reports of the sampled banks spanning from 2015 to 2022 were used for analysis. The data underwent relevant preliminary tests before being analyzed using a Robust Fixed Effect Regression Model. Empirical findings revealed that audit committee independence (ACIA) and audit committee financial expertise (ACFA) have substantial positive and negative impact on earnings management (EMA) respectively, while the impact of audit committee size (ACSA) was observed to be positive and insignificant. It is concluded that audit committee size (ACSA) and audit committee independence (ACIA) are not likely to reduce earnings management practice (EMA), whereas possession of adequate financial expertise by members of audit committee will possibly reduce cases of aggressive earnings management. Hence, it is advised to prioritize financial expertise when selecting members for audit committees, as this is expected to help mitigate and decrease earnings management practice.

Keywords: *Earnings management, audit committee characteristics*

JEL: M41

INTRODUCTION

Within the corporate environment, the characteristics of audit committee play a pivotal role in shaping the prevalence of earnings management practices. These specific characteristics possess the capacity to either augment or diminish the overall quality of financial reports. A well-structured audit committee is expected to yield a positive effect on the broader landscape of corporate governance within the organization, thereby mitigating the potential for earnings management. The audit committee serves as an integral element in the mechanisms that companies, particularly those publicly listed, are mandated to establish for overseeing and curbing potential overreach by the board of directors. Among the critical responsibilities of the audit committee is ensuring the establishment of a robust accounting system and effective internal control procedures (Kaoje, Alkali & Moddibo, 2023). This is instrumental in guaranteeing the accuracy, integrity, and reliability of financial reports generated by the corporate entity. The committee is further tasked with preserving the independence and objectivity of external auditors, implementing strategies for effective risk management, and ensuring rigorous compliance with all legal requirements and ethical standards within the organization. Diligent execution of these procedures and practices can significantly reduce the prevalence of unethical activities such as creative accounting or earnings

management, thereby facilitating the production of high-quality financial statements (Salah & Mostafa, 2022).

Baasley and Salterio (2001) posited that audit committee efficacy is contingent upon surpassing the minimum prescribed threshold of non-executive directors within the committee. Earnings management, at its core, entails presenting the financial performance of an organization in a manner that diverges from actual reality. This manipulation is often executed through the selective application of accounting methods, resulting in inflated or deflated profit figures. Typically orchestrated by management, such practices aim to secure personal benefits or foster a positive perception of the organization's performance among stakeholders. The attainment of this favorable perception may contribute to an exaggerated corporate image, potentially leading to an overvaluation of the company's shares. Rahman et al. (2013) contended that earnings management encompasses the intentional efforts of management to manipulate reported earnings through the selective application of various accounting methods. This manipulation can take various forms, including the deferral of expenses and revenue, recognition of capital expenditure as revenue expenditure, acknowledgment of capital income as revenue, overstatement of expenses, overstatement of revenue, understatement of expenses, and understatement of revenue in the income statement. In the Nigerian context, the discourse surrounding corporate governance has become increasingly contentious, especially within academic circles, regulatory authorities, and institutions. This heightened debate has emerged in response to recent high-profile financial scandals that unfolded in the country (Madawaki & Noor, 2013).

Earning management is an unethical accounting practice that fakes financial reporting, thereby eroding the quality, credibility, and integrity of financial information. If this practice is not prevented, managers in corporate organizations can hide under it to scheme and carry out a large-scale fraud capable of collapsing a company. Hence, unrestricted earning management may account for most of the corporate failures that have been recorded so far in the corporate world, and this might have been made possible by certain factors, such as small audit committee size, lack of independence of audit committee members and poor financial/accounting literacy of audit committee members. From the previous relevant literatures reviewed for the purpose of this study, mixed results were observed among the various authors which means that there is no definitive or conclusion yet about how audit committee characteristics affect earning management. For instance, Kaoje, Alkali, and Moddibo (2023); Galal, Soliman, and Bekheit (2022); Ahmad, Abubakar, Peter and Baba (2021) reported negative relationship while positive relationship was reported by Kariuki and Oluoch (2020); Mamta and Amarjeet (2016). Also, Salah and Mostafa (2022); Ahmad, Abubakar, Peter and Baba (2021) found negative relationship between audit committee independence and earnings management whereas positive relationship was reported by Kaoje, Alkali, and Moddibo (2023); Galal, Soliman, and Bekheit (2022); Mohammed and Man (2021). Moreover, Kaoje, Alkali, and Moddibo (2023); Galal, Soliman, and Bekheit (2022) revealed negative relationship between audit committee financial expertise and earnings management, meanwhile positive relationship was reported by Kibiya et al (2016). All these constitute a gap in the previous studies, thereby necessitating new research in the related area to confirm or invalidate the findings of the previous authors. It is on this backdrop that the current study examined the impact of audit committee characteristics on earnings management among listed deposit money banks in Nigeria.

LITERATURE REVIEW

Audit Committee Size and Earnings Management

Lipton and Lorsch (2011) posit that as the size of audit committee members increases, their effectiveness in fulfilling their responsibilities is expected to improve. Vafeas (2015) supports this notion, explaining that when the number of audit committee members falls significantly below the considered minimum, their oversight function may weaken, particularly if their capacity is stretched, leading to ineffectiveness. Conversely, an excess of audit committee members beyond what is necessary, as noted by Jensen (2019), may result in coordination challenges, and weakened control. The continuous expansion of the audit committee can introduce complications in their operational processes, potentially hindering timely and high-quality decision-making, thereby diminishing the quality of information presented in the financial statements by the reporting entity (Anderson et al., 2004). Supporting this perspective, Mansi and Reeb (2004) argue that an excessive number of audit committee members may lead to the allocation of significant resources to ensure the accuracy of financial reports, a commitment that may not be justified when considering the actual quality achieved. Drawing from the agency theory, it can be hypothesized that an audit committee comprising a larger number of non-executive directors is likely to be more effective in its oversight role, ensuring the integrity of financial reports due to perceived independence (Fama & Jensen, 1983). In line with the views of Keasey and Wright (1993), the composition of the audit committee significantly influences the credibility of financial reports.

Based on the research conducted by Kaoje, Alkali, and Moddibo (2023), which investigated the impact of audit committee characteristics on earnings management among listed firms in Nigeria, it was found that there is a negative correlation between audit committee size and earnings management. Similarly, Galal, Soliman, and Bekheit (2022) found a significant adverse relationship between the size of the audit committee and earnings management in their study. However, Salah and Mostafa (2022) found in their statistical investigation into the impact of audit committee characteristics on earnings management in listed firms within emerging economies that the influence of audit committee size on earnings management is not statistically significant. Ahmad, Abubakar, Peter, and Baba (2021) also conducted a statistical analysis, revealing a negative influence of audit committee size on earnings management. Contrarily, in the research conducted by Kariuki and Oluoch (2020) on the Nairobi Stock Exchange, it was found that larger audit committee size is associated with improved financial reporting quality. Kristian and Siswanto (2020) found no positive impact of audit committee size on distress avoidance in their investigation. Additionally, Mamta and Amarjeet (2016) discovered a positive and significant relationship between audit committee size and earnings quality in their study in India. Based on these findings, the following null hypothesis is formulated to guide the study:

H₀₁: Audit committee size has no significant impact on earnings management among listed deposit money banks in Nigeria.

Audit Committee Independence and Earnings Management

The Cadbury committee recommends the predominant inclusion of non-executive directors in audit committees, as they are perceived to possess greater independence both in mindset and appearance regarding corporate matters (Cadbury, 1992). It is commonly assumed that non-executive directors exhibit the courage and capability to scrutinize the actions of executive directors, preventing potential unethical behaviors and ensuring decisions are made in the best interest of the owners (Weir & Laing, 2001). Upholding the integrity and credibility of financial

reports by the audit committee contributes to the overall effectiveness of corporate entities (Joseph et al., 2011). Helen and Arnold (2011) further assert that the quality of the audit committee has a direct impact on the efficiency of the audit process and internal control systems. In a Nigerian context, Kaoje, Alkali, and Moddibo (2023) conducted an empirical investigation into the influence of audit committee characteristics on earnings management within listed firms. The results unveiled a significant positive correlation between audit committee independence and earnings management. In Egypt, a study by Galal, Soliman, and Bekheit (2022) delved into the statistical relationship between the characteristics of audit committees and earnings management. The results brought to light a noteworthy and positive correlation between audit committee independence and earnings management.

Salah and Mostafa (2022) statistically investigated how the characteristics of audit committees influence earnings management in listed firms within emerging economies. The findings revealed a noteworthy and negative association between audit committee independence and earnings management. In the Nigerian scenario, Ahmad, Abubakar, Peter, and Baba (2021) conducted an analysis to examine how audit committee attributes influence real earnings management. Their findings unveiled a detrimental impact of audit committee independence on earnings management. Shifting the focus to Russia, Nikulin, Sviridov, and Bandalyuk (2022) delved into the connection between audit committee characteristics and earnings management within listed companies. The results suggested a negative relationship, emphasizing that audit committee independence is linked to adverse effects on earnings management. Meanwhile, in Palestine, Mohammed and Man (2021) explored the repercussions of audit committee characteristics on the value of firms. The observations indicated that audit committee independence has a positive and statistically significant effect on the value of firms. Based on this, the following null hypothesis is formulated to guide the study:

H₀₂: Audit committee independence has no significant impact on earnings management among listed deposit money banks in Nigeria.

Audit Committee Financial Expertise and Earnings Management

Possessing strong financial acumen among members of the audit committee is crucial in preventing and detecting unchecked manipulation of financial reports by management (Abbott, Parker, & Peters, 2014). A higher level of financial expertise within the audit committee contributes to strengthening internal control procedures and reducing instances of creative accounting. Accounting and financial knowledge are pivotal attributes for audit committee members, enabling them to proactively address corporate issues concerning the integrity of financial statements (Li, 2010). Krishnan (2008) contends that there is a direct correlation between financial expertise and the integrity of financial statements. Additionally, Krishnan et al. (2011) establish a positive association between legal expertise and the quality of financial statements. In summary, having a substantial presence of financial experts on the audit committee is likely to enhance the overall integrity of financial statements. In the Nigerian context, Kaoje, Alkali, and Moddibo (2023) conducted an empirical investigation to assess how audit committee characteristics affect earnings management among listed firms. The findings pointed to a notable negative influence of audit committee financial expertise on earnings management.

Shifting focus to Egypt, Galal, Soliman, and Bekheit (2022) delved into the statistical relationship between audit committee characteristics and earnings management, unveiling a significant

negative association between audit committee financial expertise and earnings management. In a more extensive examination covering emerging economies, Salah and Mostafa (2022) conducted a statistical exploration into the impact of audit committee characteristics on earnings management among listed firms, revealing a significant and negative effect of audit committee financial expertise on earnings management. Similarly, in Nigeria, Ahmad, Abubakar, Peter, and Baba (2021) scrutinized the impact of audit committee attributes on real earnings management, finding a negative influence of audit committee financial expertise on earnings management.

Moreover, in Russia, Nikulin, Sviridov, and Bandalyuk (2022) investigated how the characteristics of audit committees influence earnings management among listed companies. The findings suggested that audit committee financial expertise exerts a negative impact on earnings management. Transitioning to Palestine, Mohammed and Man (2021) explored the impact of audit committee characteristics on the value of firms. The observations unveiled a positive and statistically significant effect of audit committee financial expertise on firms' value. Additionally, Ibrahim et al. (2019) empirically tested how audit committee characteristics affect earnings management in listed deposit money banks in Nigeria, revealing a significant and negative impact of audit committee financial expertise on earnings management. In an examination of the impact on financial reporting quality among quoted companies in Nigeria, Kibiya et al. (2016) found that the influence of audit committee financial expertise is positive and significant. Lastly, Hussaini and Gugong (2015) empirically studied audit committee characteristics and earnings quality of quoted companies in Nigeria, indicating a negative impact of audit committee financial expertise on earnings management to some extent. Based on this, the following null hypothesis is formulated to guide the study:

H₀₃: Audit committee financial expertise does not have any significant impact on earnings management among listed deposit money banks in Nigeria.

Conceptual framework

The diagram below illustrates the relationships between independent variables (audit committee size, audit committee independence, and audit committee financial expertise) and the control variable (firm size) with the dependent variable (earnings management).

Independent variables

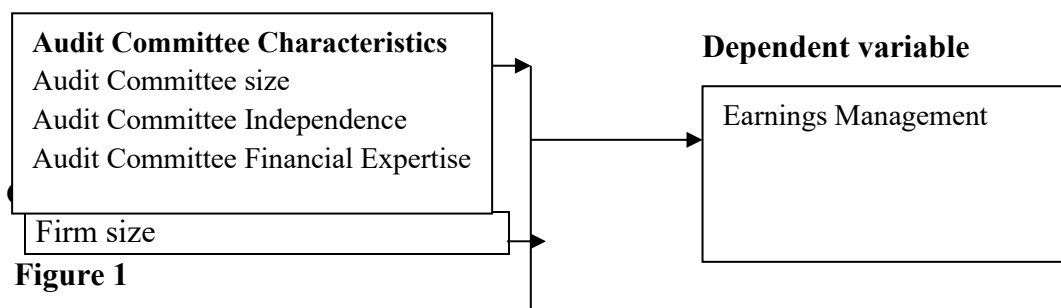


Figure 1

METHODOLOGY

In conducting this study, an ex-post facto research design was chosen due to the nature of the data, which primarily consisted of secondary sources. The study focused on all deposit money banks listed on the Nigerian Exchange Group as of December 31, 2022. However, nine banks were

selected for the study using purposive sampling, based on the availability of required data. The data covered the period from 2015 to 2022 and were obtained from the annual reports and accounts of the sampled banks listed on the Nigerian Exchange Group (NGX). The reason for the selection of this period is that it relates to the last political administration in Nigeria.

Model Specification

To examine the impact of audit committee characteristics on earnings management among listed deposit money banks in Nigeria, the study utilized a statistical model similar to that used by Hussaini and Gugong (2015) in their research. The original model is stated below.

$$DAC_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BM_{it} + \beta_3 BC_{it} + \beta_4 BE_{it} + \beta_5 WD_{it} + \beta_6 FS_{it} + \epsilon_{it}$$

Where:

β_0 = Constant

DAC = Earnings Management

BS = Board Size of firm i in time t

BM = Board Meetings of firm i in time t

BC = Board Composition of firm i in time t

BE = Board Financial Expertise of firm i in time t

WD = Women Directorship of firm i in time t

FSIZ = Firm Size of firm i in time t

However, the adapted model is specified as below.

$$EMA_{it} = \beta_0 + \beta_1 ACSA_{it} + \beta_2 ACIA_{it} + \beta_3 ACFEA_{it} + \beta_4 FSA_{it} + \epsilon_{it}$$

Where:

EMA = Earnings Management

ACSA = Audit Committee Size

ACIA = Audit Committee Independence

ACFEA = Audit Committee Financial Expertise

FSA = Firm's Size

ϵ = Error term

β_0 = intercept

$\beta_1 - \beta_4$ = the various slope coefficients of the explanatory variables

i = period

t = time

Measurement of variables

Table 3.1: Measurement of Variables

Variable Name	Type	Measurement
Earnings Management (EMA)	Dependent	Measured by discretionary accruals (Hussaini & Gugong, 2015)
Audit Committee Size (ACSA)	Independent	Measured as the total number of audit committee on the board (Galal, Soliman, & Bekheit, 2022)
Audit Committee Independence (ACIA)	Independent	Measured by dividing the number of non-executive audit committees by the total number of audit committee size (Salah & Mostafa, 2022)
Audit Committee Financial Expertise (ACFEA)	Independent	Measured as the ratio of audit committee member with accounting and finance

		knowledge on the board to audit committee size (Galal, Soliman, & Bekheit, 2022)
Firm's Size (FSA)	Control	Measured as log of total asset (Hussaini & Gugong, 2015)

Source: Author

RESULTS AND DISCUSSION

Descriptive Statistics

Table 4.1 below shows descriptive statistics for dependent variable (earnings management), independent variables (audit committee size, audit committee independence and audit committee expertise) and control variable (firm's size).

Table 4.1: Descriptive Statistics

Variables	Obs.	Mean	Std. Dev.	Min.	Max.
EMA	63	6.9473	0.6213	4.8901	7.9922
ACSA	63	4.8254	0.7304	4.0000	6.0000
ACIA	63	0.5725	0.1255	0.4000	0.7500
ACFEA	63	0.3712	0.2067	0.1700	0.8300
FSA	63	9.1674	0.4059	8.1945	9.8026

Source: Author's Computation (2024)

The table above reveals that earnings management records 6.9473 mean value, 0.6213 standard deviation, 4.8901 minimum value and 7.9922 maximum value. Audit committee size records 4.8254 mean value, 0.7304 standard deviation, 4.0000 minimum value and 6.0000 maximum value. Audit committee independence records 0.5725 mean value, 0.1255 standard deviation, 0.4000 minimum value and 0.7500 maximum value. Audit committee financial expertise records 0.3712 mean value, 0.2067 standard deviation, 0.1700 minimum value and 0.8300 maximum value. Firm's size records 9.1674 mean value, 0.4059 standard deviation, 8.1945 minimum value and 9.8026 maximum value. From above, it can be encapsulated that audit committee financial expertise records the lowest mean value while firm's size records the highest mean value. It is also evident that audit committee independence records the lowest standard deviation while audit committee size records the highest standard deviation. This implies that audit committee size is more stable than any other variable in value within the study horizon.

Normality Test

To obtain statistical evidence about the normality of the data collected and used for the study, Shapiro Wilk test of normality is adopted, and test statistics are presented in table 4.2 below.

Table 4.2: Result

	Obs	W	V	Z	Prob>z
EMA	63	0.8945	5.9620	3.8590	0.0001
ACSA	63	0.9890	0.6230	-1.0210	0.8464
ACIA	63	0.9907	0.5280	-1.379	0.9161
ACFEA	42	0.9143	3.5170	2.654	0.0040

FSA	62	0.9590	2.2900	1.790	0.0368
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Source: Author's Computation (2024)

Table 4.2 above indicates that data relating to earnings management, audit committee financial expertise and firm's size are normally distributed around mean value because their probability value is below 0.05. Meanwhile, it is statistically evident in the table above that data relating to audit committee size and audit committee independence are not normally distributed around the mean value because their probability value is more than 0.05. The two variables in the study whose data are not normally distributed make it necessary for the study to use robust effect regression model because the normality assumption of linear regression has been violated.

Pearson Correlation

To assess the relationship among the study variables, Pearson correlation analysis was conducted, and the results are presented in table 4.3 below. According to the table, the association between audit committee size and earnings management is 12.89%, indicating a very weak positive correlation. The association between audit committee independence and earnings management is -36.89%, indicating a weak negative correlation. Audit committee financial expertise and earnings management show an association of 17.68%, also indicating a very weak positive correlation. Additionally, the table indicates a 31.28% association between firm size and audit committee size, suggesting a weak positive correlation between these variables.

Table 4.3: Correlation Matrix

	EMA	ACSA	ACIA	ACFEA	FSA
EMA	1.0000				
ACSA	0.1289	1.0000			
ACIA	-0.3689	-0.4422	1.0000		
ACFEA	0.1768	-0.0809	0.0714	1.0000	
FSA	0.3128	0.2858	-0.0526	0.3414	1.0000

Source: Author's Computation (2024)

Furthermore, the table shows that the association between audit committee independence and audit committee size is -44.22%, indicating a moderate negative correlation between the two variables. The association between audit committee financial expertise and audit committee size is -8.09%, indicating a very weak negative correlation. The association between firm size and audit committee size is 28.58%, indicating a weak positive correlation between the variables. The association between audit committee financial expertise and audit committee independence is 7.14%, indicating a very weak positive correlation. The association between firm size and audit committee independence is -5.26%, indicating a very weak negative correlation between the variables. Lastly, the association between firm size and audit committee financial expertise is 34.14%, indicating a weak positive correlation between the variables. In summary, the results indicate no multicollinearity in the study because the correlation coefficient between each pair of independent variables is less than 0.5.

Multicollinearity Test

To further assess the presence of multicollinearity, the study calculated the variance inflation factor (VIF) and tolerance values for each independent variable, as shown in Table 4.4 below. The table

indicates that the VIF and tolerance values for audit committee size, audit committee independence, audit committee financial expertise, and firm size are within the recommended range (Hair et al., 1995), suggesting the absence of multicollinearity among the independent variables in the study.

Table 4.4: Result of Multicollinearity Test

Variable	Variance Inflation Factor	Tolerance
ACSA	1.40	0.712889
ACIA	1.25	0.798494
ACFEA	1.18	0.848748
FSA	1.28	0.779993

Source: Author's Computation (2024)

Heteroscedasticity Test

In panel data analysis, the variance of regression residuals is required to be constant, and to provide statistical evidence about whether this assumption is fulfilled, the study carried out Heteroscedasticity test with results presented in table 4.5. From the table, Chi2 of the regression residuals is 2.38 with probability value of 0.1232 which indicates absence of heteroscedasticity.

Table 4.5: Result of Heteroscedasticity Test

Type of test	Chi2	P-Value
Heteroscedasticity Test	2.38	0.1232

Source: Author's Computation (2024)

Hausman Specification Test

Table 4.6 below presents Hausman Specification Test result. The result in the table indicates that fixed effect model is the most suitable in the study as p-value of the Chi2 calculated is 0.0000 which is below 0.05.

Table 4.6: Result of Hausman Specification Test

Chi2	26.31
Prob. Chi2	0.0000

Source: Author's Computation (2024)

Robust Fixed Effect Regression Model

The results of the regression analysis are presented in Table 4.7 below. The table shows that the R-squared (R2) value of the regression model is 0.4019, indicating that 40.19% of the changes in earnings management can be predicted by audit committee size, audit committee independence, audit committee financial expertise, and firm size combined in the regression model, while 59.81% may be attributed to other variables outside the model. Moreover, the F-statistic is 4.1200 with a probability value of 0.0608, indicating that the regression model effectively combines the independent variables (audit committee size, audit committee independence, and audit committee financial expertise) and the control variable (firm size) to predict the dependent variable (earnings management).

Table 4.7: Results of Robust Fixed Effect Regression Model

Variables	Coefficients	T-value	Prob.
ACSA	0.3368	1.56	0.1690
ACIA	2.4685	2.63	0.0390
ACFEA	-3.0965	-3.26	0.0170
FSA	-1.6638	-1.94	0.1000
Constant	17.8098	2.42	0.0520
R ²	0.4019		
F-Statistics	4.1200		
Prob. >F	0.0608		

Independent variables: ACSA, ACIA, ACFEA, FSA

Dependent variable: EMA

Discussion

Table 4.7 reveals that audit committee size has coefficient of 0.3368 with probability value of 0.1690. This indicates that one unit increase in audit committee size will lead to 0.3368 increase in earnings management insignificantly because its probability value is lower than 0.05. The result implies that the larger the audit committee size, the more the tendency for earnings management practice among the studied firms. A large audit committee size can generate conflicting opinions among members on financial reporting issues, this, however, can make it difficult to have a resolution on what represents quality financial reporting, thereby giving chances for unethical financial accounting practice to flourish in the organization. Meanwhile, a smaller audit committee size can facilitate timely resolution among the committee members on financial accounting issues, thereby leading to quality financial reporting while minimizing earning management practice. The result is consistent with the outcome of the study conducted by Kariuki and Oluoch (2020); Mamta and Amarjeet (2016), but inconsistent with the results of Kaoje, Alkali, and Moddibo (2023); Galal, Soliman, and Bekheit (2022); Ahmad, Abubakar, Peter and Baba (2021).

Moreover, table 4.7 shows that audit committee independence has coefficient of 2.4685 with probability value of 0.0390. This indicates that increase in audit committee independence by one unit will possibly trigger 2.4685 increase in earnings management practice significantly as its probability value is below 0.05. The result implies that the higher the audit committee independence, the more the possibility of earnings management practice among the sampled firms. This result may be due to some hidden factors because it is expected that audit committee independence will reduce earning management practice and improve financial reporting quality. Increase in the level of audit committee independence tends to promote unbiased judgment among the committee members on financial reporting issues. This, however, is expected to result in a good ethical financial accounting practice, and consequently reduce cases of earning management. The result is consistent with the findings of Kaoje, Alkali, and Moddibo (2023); Galal, Soliman, and Bekheit (2022); Mohammed and Man (2021), but inconsistent with the results obtained by Also, Salah and Mostafa (2022); Ahmad, Abubakar, Peter and Baba (2021) in their studies.

Meanwhile, table 4.7 reveals that audit committee financial expertise has coefficient of -3.0965 with probability value of 0.0170. This indicates that a unit rise in audit committee financial expertise tends to reduce earnings management practice by 3.0965 significantly as its probability value is lower than 0.05. The result implies that the more the audit committee financial expertise, the less the tendency for earnings management practice among the sampled firms. Possession of adequate financial knowledge will help members of audit committee to make better contributions and offer quality opinions on financial reporting matters in the organization. It will also enable them to easily discover and resolve cases of unethical financial practice in the financial statements, thereby minimizing the level of earning management practice among the studied banks in Nigeria. The result corroborates the results obtained by Kaoje, Alkali, and Moddibo (2023); Galal, Soliman, and Bekheit (2022) who revealed negative relationship between audit committee financial expertise and earnings management. However, the result is inconsistent with the findings of Kibiya et al (2016) who observed a positive relationship in their study. Moreover, the result in table 8 reveals that firm's size has coefficient of -1.6638 with probability value of 0.1000. This indicates that the control variable (firm's size) does not have any significant influence on the relationship between audit committee characteristics and earnings management among listed deposit money banks in Nigeria.

CONCLUSION AND RECOMMENDATIONS

Based on the results of the study presented above, it is concluded that a larger audit committee size will possibly increase unethical financial reporting, while a smaller audit committee size can reduce such unethical corporate practice to some extent. The study also concludes that increase in audit committee independence will likely increase the level of unethical financial reporting, while a lower level of audit committee independence tends to reduce the unethical practice. Moreover, it is concluded that the higher the number of audit committee members with financial literacy, the lower the level of unethical financial reporting and the lower the number of audit committee members with financial literacy, the higher the level of unethical financial reporting. Finally, the study concludes that the larger the firm size, the lower the level of earnings management, and the lower the firm size, the higher the level of earning management among the sampled deposit money banks in Nigeria.

Based on the conclusions above, the study recommends that listed deposit money banks should maintain a moderate audit committee size, avoiding both excessively large and small committees. Additionally, despite the positive impact of audit committee independence, it is recommended that listed deposit money banks should ensure the independence of audit committee members to minimize the possibility of earnings management practices. Furthermore, the study suggests that listed deposit money banks should have enough audit committee members with adequate knowledge of accounting and finance. All this would help to reduce cases of earnings management practices and improve the credibility of financial reports.

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