



AUDIT COMMITTEE CHARACTERISTICS AND FINANCIAL REPORTING QUALITY OF LISTED FIRMS IN NIGERIA

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Abstract

The issue of transparency in financial reporting has become a vital practice due to financial scandals experienced by the big companies in recent years. As a result of this, the study evaluates the determinants of audit committee transparency on financial reporting quality of listed firms in Nigeria. The study employed ex-post facto research design. The population of the study consists 171 companies listed on the floor of Nigerian Exchange Group. The study covered the period of 2015 to 2025. 56 companies were selected from the total population, using purposive sampling techniques. The study made use of secondary data. The research adopted descriptive statistics to analysis the variables. Panel least square and Generalised Method of Moment(GMM) was used in achieving the objectives. The result of correlation analysis shows that audit independence aids the financial reporting quality (1.042) and t-value of the variable (6.52) indicated that the variable was statistically significant. The audit expertise also contributed to the growth in the financial reporting quality of the firms. The coefficient of 0.595 and t-value of 7.27 indicated that rise in the number of audit expertise aid the financial reporting quality. The frequency of the audit committee meeting enhanced the financial reporting quality of the sampled firms in Nigeria. It aided the financial reporting quality with coefficient value of 0.108 and t-value of 3.64, audit committee expertise and audit meeting have a positive relationship with FRQ of the firm. The study concluded that audit independence, audit expertise and audit meeting, enhanced the financial reporting quality of firms in Nigeria. The study recommends that audit committee of the firms should comprise people who have adequate knowledge of financial activities. Those who can easily identify fraud and creative accounting.

Key words: Audit Committee Independent, Audit Committee Expertise, Audit Committee Meeting, and Financial Reporting.

1. Introduction

The issue of financial reporting has become a vital practice due to financial scandals experienced by the big companies in recent years, and the primacy of corporate financial reporting of firms globally is the provision of useful information that enhances stakeholders' economic decision-making process (Nattawut & Sirilak, 2018; Ogundana, *et al*, 2017). And this information required by the stakeholders are usually presented in financial statements such as the income statement and the statement of financial position (Musa, 2019). More so, it is regulated that all quoted companies should use statements of accounts prepared as one of the major mediums of communicating with shareholders and stakeholders as well (Mbobo & Ekpo, 2016). The financial

crisis in the global market; especially after the events of black September in 1997 and the financial scandals of Enron and some European and American companies in 2001, Worldcom and Tyco scandal in 2002, health south scandal in 2003, American international group (AIG) scandal in 2005, Lehman Brothers in 2008, Satymam scandal in 2009, Cadbury in 2015 and the recent biggest financial and business scandals of 2020 the pandemic which collapsed many companies globally and investors lost billions among others, have undermined investors trust concerning the corporate reports and have introduced several criticisms about corporate financial reporting quality (Akeju & Babatunde, 2017). All these gave the transparency and full disclosure issue a deep interest in the financial reporting possess (Hikmat, et al., 2021).

Bapat and Raithatha (2010) argue that transparency has gained significant prominence in the corporate sector over the years. According to them, transparency has become indispensable for the long-term survival and success of businesses, making it necessary for corporations to conduct their operations in an open and accountable manner to stakeholders. The widespread failure of transparency in corporate financial reporting has heightened demands from investors, regulatory authorities, and other stakeholders for improved financial reporting quality and stronger managerial oversight. This has led to calls for the establishment of effective organizational structures and governance mechanisms that enhance accountability and control. According to the Organization for Economic Co-operation and Development (OECD), financial reporting can be regarded as high quality when it embodies key attributes such as transparency, full disclosure, and effective audit committee oversight. Adegbe et al., (2019). Asserted that several factors could influence the quality of corporate financial reporting which include firm size, profitability, audit committee, leverage, and board independent among others. The effectiveness of these factors in overseeing the financial reporting process could depend on its size and the independence of members. The size of a company's varies in many ways and its worth considering how size affects the financial reported quality of a manufacturing firms. Large companies may face greater political cost relative to small firms because of higher analysis following the investors' scrutiny. Burch-Adiloglu, (2012).. Financial reports of larger firms (which fulfill the criteria of auditing financial statements) are audited by licensed external experts or big audit firms. The present of big audit firms can prevent earnings management initiatives that lead to misrepresentation of financial results.

The Audit Committee attributes is seen as a vital and prominent player in corporate governance of an organization. In view of this, audit committee maintains and boosts public confidence in the trustworthiness and the neutrality of financial reporting, through improving the reporting practices of published information Shehu (2013)The existence of an audit committee and board independent in an organization is beneficial to management, external and internal auditors since it enhances the quality of the internal control system Eyenubo, et al., (2017). The corporate financial reporting quality globally, especially over the last decade, has been of considerable concern to accounting scholars; however, one of the key problems is how to measure the so-called corporate financial reporting quality using audit committee characteristic as a determinants of transparency in listed companies Scaltrito, (2015). Globally, the issues of transparency by companies in their financial reporting have become a vital practice as a matter of fact; the Security and Exchange Commission (SEC) has included transparency and disclosure in its framework of best practice in 2011.

A thorough indication of previous studies like the study of Monday & Nancy, (2016); Thalassinos *et al.*, (2015); Vovchenko *et al.*, (2017). demonstrated that several studies have been carried out on the transparency of corporate financial reporting in developed nations such as United States of America, United Kingdom, and Canada among others using some selected variables like firm size audit committee and public ownership, but those studies did not holistically examine audit committee characteristics as a determinant drive of transparency and more so few studies exist in developing nations like Nigeria. Okike (2000) Ofoegbu and Okoye, (2006) on corporate financial reporting, have emphatically shown that most annual reports of quoted companies still lack vital information required by their stakeholders to enhance adequate decision making, thus making them very deficient and very bad for investment decision. However, this assertion, could be seen as contradictory, because some studies like Anderson, *et al.*, (2004) find that financial reporting is negatively related to audit committee size. Carcello and Neal (2003) find no association between audit committee size and financial reporting disclosure by management. Previous studies that are in the same spirit with the positive finding are knyazeva and Raheja (2013), Linck, Netter and Yang (2008) and Lehn, Patro, and Zhao (2009). (Soheilyfar *et al.*, 2014; Al-Asiry, 2017). Also conducted studies on some of the determinants of transparency that affecting FRQ relates to specific characteristics of the company which include leverage, firm size, profitability, size of audit firm, and the status of listing, which it does not include audit committee transparency. Hence, this study investigate the influence of audit committee characteristics on financial reporting quality of listed firms in Nigeria. The specific objectives are to;

- i. investigate the extent to which audit committee independent influences financial reporting quality of listed firm in Nigeria;
- ii. determine the effects of audit committee expertise on financial reporting quality of listed firm in Nigeria;
- iii. ascertain the extent to which audit committee meeting affect financial reporting quality of listed firm in Nigeria.

2. Literature Review

Conceptual Review

Financial Reporting Quality

Financial reporting quality refers to the extent to which financial information is accurately prepared and disclosed to management and external stakeholders regarding a company's performance over a given period (Tontiset & Kaiwinit, 2015). Such reports are typically prepared and published on a quarterly, semi-annual, or annual basis. Unlike management reports, which are designed primarily for internal decision-making, financial reports are intended for a broader audience and are often included in the annual reports of publicly traded companies (Grimsley,2015). Corporate financial reporting serves two major purposes. First, it supports management in making informed decisions relating to the achievement of organizational objectives and the formulation of business strategies. The information contained in financial reports enables management to assess the company's strengths, weaknesses, operational performance, and overall financial position. Second, financial reporting provides stakeholder including shareholders, potential investors, customers, creditors, and government regulator with relevant information about the company's financial condition and business activities. Through this process, financial reporting promotes accountability, transparency, and confidence among stakeholders while ensuring that the organization is managed effectively and responsibly (Nattawut & Sirilak, 2018). if a company is publicly traded, it is subject to some very strict reporting

regulations enforced by the Securities and Exchange Commission (SEC) (Grimsley, 2015). The basic objective of financial reporting is concerned with providing useful information for economic decision-making. Financial reporting reliability is defined as the published financial statements that are being prepared reliably in order to provide information useful to users in making economic decisions (Tontiset & Kaiwinit, 2015; Socea, 2012; Shahwan, 2008; Marriner & Nuseiben, 2004).

Discretionary Accrual

Accrual model examines the level of transparency as proxy for determining financial reporting quality (Beest, Bream & Boelens, 2009). This model is founded on the concept of transparency in financial reporting. Financial reporting quality is often viewed in the literature as the extent to which financial reports faithfully represent a firm's economic activities without managerial manipulation for private benefits. One of the most widely adopted approaches for measuring financial reporting quality is the Jones Model and its modified versions. These models are commonly used to estimate discretionary accruals, which serve as an inverse measure of earnings quality and, by extension, financial reporting quality (Dowdell & Krishnan, 2004). Similarly, Dechow and Dichev (2002) developed the Accrual Quality Model, which evaluates the extent to which accruals correspond with actual cash flows. They defined accrual quality as the error variance obtained from regressing working capital accruals on past, current, and future cash flows. A lower error variance indicates higher accrual quality and, consequently, better financial reporting quality. Another important approach to assessing financial reporting quality is the value relevance model. This model examines the relationship between financial reporting information and transparency in order to evaluate the relevance, reliability, and usefulness of accounting information to investors (Morais & Curto, 2008). Value relevance is typically measured by the statistical association between accounting information disclosed in financial statements and market-based indicators such as share prices or stock returns. The underlying assumption of the value relevance approach is that earnings and other accounting figures are of high quality when they effectively explain a firm's market value (Ewert & Wagenhofer, 2010). Consequently, value relevance models are designed to determine whether specific accounting numbers provide information that investors consider useful when valuing a company's equity. Due to their ability to link accounting information directly to market outcomes, value relevance models and their subsequent modifications have become some of the most widely used frameworks in financial reporting quality research.

Timeliness of Financial Reporting Quality

Timeliness is an important attribute of financial reporting quality and refers to the speed with which accounting information is made available to users after the end of a reporting period. It is closely linked to the usefulness of financial information for decision-making by investors, creditors, regulators, and other stakeholders (IASB, 2008). Information that is reported promptly is more relevant and valuable because it can influence economic decisions before circumstances change. In empirical studies, timeliness is commonly measured using the natural logarithm of the number of days between a firm's financial year-end and the date on which the auditor signs the audit report (IASB, 2008). According to the International Accounting Standards Board (IASB), timeliness is one of the enhancing qualitative characteristics of useful financial information. It emphasizes the need to provide information to decision-makers while it remains relevant and capable of influencing their decisions.

Audit Committee Characteristics

The audit committee is responsible for the external auditing of the firm financial statements. Due to the existence of remuneration and audit committees monitor of board performance, it is expected that board will be motivated to improve performance, and investors will gain more confidence in the value of firm's financial statement (Laing & Weir, 1999). According to (Ruigrok, Peck et al. 2006) the presence of a nomination committee⁴ is expected to improve the quality of financial statements through ensuring that each nominated director has the required skills and experience. Furthermore, Adams (2000) suggests that the frequency of board meetings is an important mechanism to ensure the effectiveness of board performance to their duties which includes overseeing the behavior of the managers. An audit committee is the section of an organization's board of directors that is in charge of monitoring an organization's financial reporting and authenticating its accuracy (Abbadi, et al., 2016).

Audit Committee Independence

Zábojníková (2016) explained that the independence of the audit committee is the proportion of independent directors over the total number of directors sitting in an audit committee. There is a general expectation that the independent directors of the audit committee can improve the board characteristics environment and effectively assist in the supervision of the company's financial reporting process and facilitates effective monitoring of external audits (Carcello& Neal, 2003). Auditor independence refers to the auditor's ability to maintain an objective and unbiased attitude when making professional judgments throughout the audit and financial reporting process. It is a critical element of audit quality because it enhances the credibility and reliability of financial statements. When an auditor's independence is compromised, stakeholders may perceive the auditor as lacking objectivity, thereby reducing confidence in the audit process. Consequently, an auditor who is not independent may be less willing to report identified irregular (Babatolu, Aigienohuwa & Uniamikogbo, 2016).

Audit Committee Expertise

Audit committee expertise is an important factor that enhances the effectiveness of corporate governance and the quality of financial reporting. The expertise of audit committee members can generally be classified into three major categories: outside directorship expertise, financial and accounting expertise, and industry expertise. Outside directorship expertise refers to the experience gained by audit committee members who serve on the boards of other organizations. Such external board appointments expose members to diverse governance practices, broaden their professional knowledge, and strengthen their oversight capabilities. Consequently, firms with audit committee members who possess outside directorship experience are often associated with higher levels of financial reporting quality (Vafeas, 2005). Financial and accounting expertise relates to a member's knowledge and experience in accounting and financial matters. A financial expert is typically an individual who possesses a sound understanding of Generally Accepted Accounting Principles (GAAP) and financial statements, has experience in the preparation or auditing of financial reports, understands internal control systems, and is knowledgeable about the roles and responsibilities of audit committees.

Audit Committee Meeting

CAMA (2004) states that the audit committee shall constitute at least three members of who shall be non-executive directors, a majority of whom shall be independent non-executive directors.

Audit committee with large size is expected to be more effective because more committee members bring greater resources to the monitoring process and a broader knowledge base on which to draw (Karamanou& Vafeas, 2005). This implies that the more the size of audit committees, the more the likelihood to discover potential problems in financial reporting system (Raghuandan& Rama, 2007). Audit committee meeting is one of the initiatives by the board to perform its oversight function on the management (agent); this is in tandem with the agency theory in which the board members act as the principal. Audit committee meeting serves as a platform to share knowledge and information among experts. This is a crucial and critical resource for the organization. Prior studies suggest that frequency of the Audit committee meeting is credited to the number of meetings held annually by the audit board of directors. As indicated by Chen et al. (2006).

Theoretical Review

Agency Theory

Agency theory was developed by Jensen & Meckling (1976). This study adopts the agency theory as a framework for this research because it gives insight into the agent behavior and the agent-principal relationship. Management (agent) in playing their role of disclosing financial information to the shareholders (owners) and other stakeholders may give misleading information mainly due to their selfish gains. The issue of corporate financial reporting arose from the activities of managers or agents in sharp practices, which usually are not in the principals (owners of the business) interest. Over time, situations have risen where the directors do not take action in shareholders' best interest. This problem forms the core issue which agency theory addresses. This problem arises because of the disassociation of the control of a firm from ownership of such firm; hence the directors control the firm while the shareholders are the owners. This arrangement invariably gives birth to a conflict of interest amongst ownership (shareholders) and control (directors). This conflict of interest is the foremost problem that the principle of corporate governance intends to address. Companies should, therefore, seek to limit this principal-agent problem through a solid and effective corporate governance policy. Corporate governance through the corporate governance mechanisms can be used to check and monitor the activities and operations of the agent, thereby ensuring that they are in line with the principals' interests. This enables the owners to overcome the issues of lack of credible information.

Empirical Review

Cohen et al. (2013) reported that audit committee with industrial and accounting expertise reports quality financial statements than those with accounting expertise. Audit committee size has association with the regulatory compliance of corporate governance code and reduces error in the financial statements Barko et al. (2006). Nyor (2013) examined the quality of annual reports and accounts of Nigerian firms from the perspective of users of accounting information. The findings showed that the quality of annual reports and accounts of Nigerian firms is only moderate. Ahmad (2013), Shehata, et al. (2014) however reported a negative significant relationship. Aljifri, Alzarouni, Ng & Tahir (2014) found an insignificant relationship in their study. This study would however hypothesize that liquidity has a positive influence on financial reporting quality of listed Agriculture and Natural Resources firms in Nigeria. The Audit Committee is seen as a vital and prominent player in corporate governance of an organization. In view of this, audit committee maintains and boosts public confidence in the trustworthiness and the neutrality of financial reporting, through improving the reporting practices of published information. Elham and

Mohammed (2015) investigated the relationship between financial reporting quality measuring discretionary accruals and debt maturities and under investments in companies of Tehran Stock Exchange. Using a sample of 108 companies recognized by Tehran Stock Exchange market between 2007 and 2012. The result reveals that there is a negative relationship between financial reporting quality and discretionary accruals. The study also shows the effect of the number and mixture of the shareholder on investment efficiency should be examined.

A number of empirical studies have examined the relationship between audit committee independence and financial reporting quality". Ilaboya and Ohiokha (2014), this study empirically examines the impact of audit firms' characteristics on audit quality. They proxy the dependent variable (audit quality) using the usual dichotomous variable of 1 if big 4 audit firm and 0 if otherwise. Data for the study were sourced from the financial statements of 18 food and beverage companies listed on the Nigerian Stock Exchange market within the period studied (2007-2012). They adopted multivariate regression technique with emphasis on Logit and Probit method in analyzing their data for the study. Their study revealed there is a positive relationship between firm size, board independence and audit quality whereas there is a negative relationship between auditor's independence, audit firm size, audit tenure and audit quality. Ahmad-Zaluki and Wan-Hussin (2010) provided that audit committee size is positively associated with the quality of financial information disclosure. In particular, disclosure quality is often measured using the accuracy of management earnings forecasts during initial public offerings (Ahmad-Zaluki & Wan-Hussin, 2010). It is generally argued that a larger audit committee tends to enhance performance because it provides a wider pool of expertise and members to share responsibilities and carry out oversight functions effectively. Furthermore, research indicates that a larger audit committee can strengthen the committee's influence and status within an organization, enabling it to access more resources and exercise greater authority (Nedal & Ihab, 2016). In addition, larger committees have been linked to financial benefits such as a reduction in the cost of debt financing (Anderson et al., 2004).

Marra and Moon (2010) in their studies corporate boards, audit committee and earnings management: pre and post-SOX evidence find that audit committee size is influencing discretionary accruals at the pre-period and not at the post period. Fodio *et al.* (2013) find that audit committee size is significance and negatively associated with discretionary accruals. Enofe, Mgbame, Efayena, and Edegware, (2014) examine the impact of company audit firm characteristics on audit quality in Nigeria by incorporating audit firm's characteristics and audit firm technology. They obtain data from 393 firms listed on the Nigerian Stock Exchange over a period of three years from 2010 to 2014. Their results show that firm size, firm's financial condition, audit approach (degree of structure), degree of diversification, and audit opinion are significant explanatory variables for audit quality in Nigeria. Abdulla (1996) finds a significant relationship between timeliness and firm size, profitability, and distributed dividends. A review of the related literature on the effectiveness of the audit committee in strengthening the financial reporting system by Bédard and Gendron (2010) indicates that the associations between audit committee size, independence, competency and meetings with the quality of financial reporting are stronger in the US than other countries. Based on their review, they show that the characteristics of the audit committee that have the greatest impact (with the figures in parentheses indicating the proportion of studies/analyses reviewed that show positive association between the characteristic and audit committee effectiveness) are existence (69%), followed by independence (57%),

competence (51%), number of meetings (30%) and size (22%). They conclude that the effectiveness of audit committee practices may vary with environmental factors such as concentration of ownership, enforcement level and exposure to lawsuits and mimicking the best US practices regarding audit committees may not deliver the desired effect

3. Methodology

This study employed *ex-post facto* research design since the data that the study intends to use already exists and the researcher has no intention to manipulate the data. Secondary data was used for this study via annual report and accounts of the sampled companies in Nigeria quoted companies as stated in the corporate website. the study used purposive sampling technique to select the sample size from the companies listed on the floor of Nigeria Exchange Group (NEG). This study obtained data from the secondary source through the extract of information from the annual reports of the selected companies for the period of 2015 – 2025 The population of this study consists of (177) one hundred and seventy-seven companies listed on the floor of Nigerian Exchange Group (NXG). as at December 31, 2025, for the period of Eleven (11) years from (2015 to 2025). The sample size for this study were Fifty-Six (56) companies listed on the floor of Nigeria Exchange Group.

Model Specification

In the light of the research hypotheses a multiple regression model was used for this study. The study makes use of the original Jones model because the modified Jones model does not require identification of set of sample which can be classified as clean from accounting manipulations (Abdul & Aziz, 2004). In testable form, the model is thus specified:

FRQ proxy by Discretionary Accrual model

$$\frac{TAC_{ijt}}{A_{ijt}} = \alpha_j \left(\frac{1}{A_{ijt-1}} \right) + \beta_{1j} \left[\frac{\Delta REV_{ijt}}{A_{ijt-1}} \right] + \beta_{2j} \left[\frac{PPE_{ijt}}{A_{ijt-1}} \right] + \varepsilon_{ijt}$$

Where;

- TAC_{ijt} = Total accruals i.e. working capital minus depreciation and charge in short-term debt for firm I industry j and year t-1 to year t.
- A_{ijt-t} = Total assets for firm I, industry j and year t-1.
- ΔREV = changes in revenue for firm I, industry j, from year t-1 to year t.
- PPE = gross property, plant and equipment firm I, industry j, and year t.
- α_jβ_{1j}β_{2j} = Specific parameters for industry j, and
- ε = Error term

The model is structured based on the panel regression analysis. The model is an adaptation and modification of Eyenubo, Mohamed and Ali (2017).

FRQ = f (Audit Committee Characteristics).

Consequently, the model is shown thus:

FRQ = f (Audit Committee Characteristics)i

FRQ = f (Audit independent, Audit Committee expert, Audit meeting)

The result is presented in the following linear equation:

FRQ_{it} = U₀ + U₁AINDP_{it} + U₂ACE_{it} + U₃AMT_{it}.....ii

FRQ_{it} = U₀ + U₁AINDP_{it} + U₂ACE_{it} + U₃AMT_{it} + £_{it}

Where

U_0 = is the constant of the model, $U_1 - U_{12}$ = coefficient of model parameters, ε = stochastic term, FRQ = Financial reporting quality; AINDP = Audit independence, ACE = Audit committee expert, AMT = Audit meeting

The estimation technique that was employed in this study is panel regression technique, with emphasis on the fixed and random effect model. The choice of this exact model will be dependent on the result of the Hausman test. Prior classical regression assumption test was carried out to ensure the adequacy of our model. The Jargu-Bera test was conducted to test the normality of the regression variables. The Bransch-pagan Godfrey test of Heteroskedasticity was conducted to test the nature of error variance. The serial correlation test was conducted using the Braeusch-Godfrey test. The accuracy of our regression model was tested using the Ramsey Resent test. In any case, we use the Hausman test to select between fixed and random panel estimation techniques.

The econometric technique employed in this study is the balanced panel data regression approach. Specifically, the Hausman specification test is used to determine whether a fixed or random effects model is most appropriate for estimating the relationships among the variables. The results of the panel regression are evaluated using both the individual statistical significance test (t-test) and the overall model significance test (F-test). In addition, the explanatory power of the model is assessed using the coefficient of determination (R-squared), which shows how well the independent variables explain variations in the dependent variable. To ensure the reliability of the estimates, several diagnostic tests are considered, including the Breusch-Pagan-Godfrey test for heteroskedasticity, tests for serial correlation, the Ramsey RESET test for model specification, and normality tests for the distribution of residuals. Finally, the study tests the stated hypotheses using a 5% level of significance. The decision rule is to reject the null hypothesis when the p-value is less than 0.05, and to fail to reject the null hypothesis when the p-value is greater than 0. The variables of this study are; audit committee characteristics and financial reporting quality as dependent. The audit committee characteristics proxies with audit independence, audit expertise and audit meeting. The financial reporting is measure using the discretionary accruals model.

4. Results and Discussions

Descriptive Statistics

The report of the descriptive statistics of the variables was reported in this section. The result of the descriptive statistics was captured in Table 1. The average value for audit expertise was 0.354 and the standard deviation was 0.151 with maximum of 0.60 and 0.166. This implies that all the firms have at least 2 financial experts on their board. Also, the value of the greater than the standard deviation, shows that the values are clustered around average values More so, the statistics on the audit independence showed that the audit committee of the firms had at least three independent directors on the committee and the standard deviation of 0.10 and mean value of 0.461 showed that most of the firms exhibit the same characteristics of the number of independent directors on the audit committee. An approximate of 4 meetings were held across the firms with minimum of 3 and maximum of 4. The least number of board member was 4, while the maximum was 20. In average 10 individuals constitute the member of board of the firms. There was low dispersion in the number of board member across the sampled firms. In the like manner, Furthermore, Audit committee expert, Audit independence, Audit meeting were positively skewed, while Financial reporting quality were negatively skewed. The kurtosis of Audit committee expert. Audit independence, Audit meeting, showed that they exhibit platykurtic, The

Jarque-Bera of the variables showed that they were not normally distributed at 5% level of significance.

Table 1: Descriptive Statistics

	ACE	AINDP	AMT
Mean	0.364	0.461	3.497
Median	0.400	0.500	3.000
Maximum	0.600	0.600	4.000
Minimum	0.166	0.333	3.000
Std. Dev.	0.151	0.102	0.500
Skewness	0.122	0.162	0.009
Kurtosis	1.716	1.544	1.000
Jarque-Bera	57.883	75.446	135.666
Prob.	0.000	0.000	0.000
Obs	814	814	814

Sources: Author Computation (2025)

Pairwise Correlation Analysis

The result of the pairwise correlation shows that firm size had weak positive correlation with the profitability($r=0.160$). Positive correlation was also observed between firm size and board size with value of 0.416. More so, firm size had positive correlation with board independence (0.194), board gender diversity (0.271) and firm financial reporting quality($r=0.482$). Profitability had negative correlation with the board size with correlation value of -0.138. Board size and board gender diversity were positively related. Pownship and board size exhibited positive correlation. Frnownship had statistical significant correlation with the Pownship

Table 2 Pairwise correlations

Variables	(1)	(2)	(3)	(4)
(1) aindp	1.000			
(2) ace	0.042	1.000		
(3) amt	-0.046	-0.036	1.000	
(4) frq	-0.032	0.045	0.013	1.000

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Author Computation (2025).

Unit Root Test of the Variables

The proposed methodology is ideal for individuals which are integrated at zero. This means that the variables must be stationary at level. The study assessed the order of integration of the variables using the Levin, Lin and Chu t^* and Im, Pesaran and Shin W -stat. The result of the test shows that all the adopted variables exhibit zeroth degree of integration at level. This showed that the variables were stationary at level.

Table 3: Unit root test

	Levin, Lin and Chu t*		Im, Pesaran and Shin W-stat		Remarks
	Test statistics	p-value	Test statistics	p-value	
FRQ	-11.5593	0.0000	-7.41672	0.0000	Stationary at level
AMT	-21.3578	0.0000	-15.9160	0.0000	Stationary at level
AINDP	-26.4831	0.0000	-19.1596	0.0000	Stationary at level
ACE	-24.0566	0.0000	-16.7090	0.0000	Stationary at level

Sources: Author Computation (2025)

Variance Inflation factors

The study obtained the variance inflation factors with a view to assessing the degree of multicollinearity having discovered that weak correlation exist among some variables. The value of VIF must be less than 10, in order to be free from the violation of assumption of no multicollinearity. The result of the test in Table 4.4 reported that all the variables exhibited VIF less than 5, which indicates that the variables were devoid of multicollinearity. VIF test serves as sufficient test, while correlation was a necessary test to assess the degree of the variable collinearity.

Table 4: Variance Inflation Factors

Variable	Coefficient Variance	Centered VIF
ACE	0.380487	1.015953
AINDP	0.854201	1.026615
AMT	0.035042	1.011466
C	1.439671	NA

Sources: Author Computation (2025)

The extent to which audit committee attributes affect financial reporting quality of listed firm in Nigeria

This section reports the extent to which audit committee attributes affect financial reporting quality of listed firm in Nigeria. The result of the Hausman test indicated that random effect was the most appropriate. However, none of the variable exhibit statistical significance at 5% level. This could be attributed to the underneath problem of endogeneity and therefore another modelling technique needs to be adopted. In views of this outcome the study estimate the relationship between audit committee attributes and financial reporting quality of listed firm in Nigeria using the GMM technique. The result of the model as presented in Table 5 showed that audit independence aids the financial reporting quality (1.042) and t-value of the variable (6.52) indicated that the variable was statistically significant. Audit independence was seemed to be most

important variable among the sampled audit characteristics because of the size of the coefficient. The result corroborated the submission of Zájbojníková (2016) who explained that the independence of the audit committee is critical to the degree of financial information disclosure of listed firms.

The audit expertise also contributed to the growth in the financial reporting quality of the firms. The coefficient of 0.595 and t-value of 7.27 indicated that rise in the number of audit expertise aid the financial reporting quality. The frequency of the audit committee meeting enhanced the financial reporting quality of the sampled firms in Nigeria. It aided the financial reporting quality with coefficient value of 0.108 and t-value of 3.64. The sargan test and Abond test showed that the model is statistically robust. In general, Enofe *et al* (2014), Abdulla (1996), Al-Thuneibat *et al* (2011) and Bédard and Gendron (2010) also claimed that audit committee attributes played significant role in the quality of financial reporting. This assertion agreed with the expectation of the study and also corroborated the fact that audit characteristics influence the financial report quality of the firms.

Table 5: Model of the extent to which audit committee attributes affect financial reporting quality of listed firm in Nigeria

	(Pooled)	(Fixed Effect Model)	(Random Effect Model)	(GMM)
	Frq	Frq	Frq	Frq
Aindp	-0.985 (-0.95)	-1.787* (-2.01)	-1.618 (-1.83)	1.042*** (6.52)
Ace	0.936 (1.34)	1.017 (1.68)	1.004 (1.67)	0.595*** (7.27)
Amt	0.076 (0.36)	0.0679 (0.37)	0.0651 (0.36)	0.108*** (3.64)
L.frq				-0.0885*** (-36.25)
_cons	4.910*** (5.22)	5.281*** (6.50)	5.205*** (6.30)	6.213*** (63.82)
R ²	0.203	0.450	0.4032	
F-value	15.917.	8.27	6.09	.
P(f-value)	0.000	0.000	0.007	.
Hausman Test		1.8608(p=0.6018)		
Wald Chi2				1781.90
P(Wald Chi2)				0.000
Sargan Test				55.351(p=0.386)
Abond test				1.263(p=0.206)

Sources: Author Computation (2025).

Discussion of findings

The effect of audit committee characteristics on the financial reporting quality, the study discovered that audit committee size, audit independence, and audit committee expertise had positive effect on the financial reporting quality of listed firms in Nigeria. Audit committees are a significant part of the corporate governance context of listed firms. They are accountable for the control of financial reporting process, which ensuring compliance with accounting standards and principles, and providing independent oversight of the external audit procedure. The quality of the audit committee was found to have a positive effect on financial reporting quality in Nigeria, according to studies of Monday (2013). Audit committee size is the most important factor that positively affects financial reporting quality. Larger audit committees tend to have more diverse skills and expertise, which can enhance the quality of financial reporting. The finding that audit committee size positively affects financial reporting quality is consistent with other studies (Otuya, 2019; Kibiya, Che-Ahmad, and Amran, 2016). Similarly, audit independence has been found to have a positive effect on financial reporting quality. An independent audit committee is less likely to be influenced by management or other internal stakeholders, which can lead to more objective and reliable financial reporting.

The finding that audit independence positively affects financial reporting quality is consistent with other studies (Otuya, 2019; Kibiya, Che-Ahmad, and Amran, 2016). More so, audit committee expertise has been found to have a positive effect on financial reporting quality. Expertise in financial reporting, accounting, and auditing can enhance the quality of financial reporting by providing greater oversight and understanding of the financial reporting process. The finding that audit committee expertise positively affects financial reporting quality is consistent with other studies (Otuya, 2019; Kibiya, Che-Ahmad, and Amran, 2016). The audit committee size, audit independence, and audit committee expertise are important factors that positively affect the financial reporting quality of listed firms in Nigeria. The findings in this study, have significant implications for policymakers, researchers, regulators and investors. who are concerned about the quality of financial reporting in Nigeria. Policymakers and regulators should encourage firms to establish and maintain high-quality audit committees, while investors should consider the quality of the audit committee when making investment decisions and strengthen the overall governance of the Nigerian economy.

5. Conclusion and Recommendation

From the findings and empirical analysis, the study concluded that: audit committee attributes are imperative to the transparency of the firms and independent audit committee tends to ensure compliance with the rule and also presence of accounting expert on the committee enhance the financial reporting quality in the listed firms in Nigeria. The study recommend that audit committee of the firms should comprise people who have adequate knowledge financial activities. Those who can easily identify fraud and creative accounting.

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