EFFECT OF AUDIT COMMITTEE CHARACTERISTICS ON FINANCIAL REPORTING QUALITY OF LISTED AGRICULTURAL COMPANIES IN NIGERIA

BY

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BEING A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, NASARAWA STATE UNIVERSITY KEFFI, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.Sc) DEGREE IN ACCOUNTING

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DECLARATION

I hereby declare that this Dissertation entitled "Effect of Audit Committee Characteristics on Financial Reporting Quality of Listed Agricultural Companies in Nigeria" has been written by me and it is a report of my research work. It has never been presented in any previous application for Master of Science (M.Sc) degree in Accounting. All questions and sources of information indicated in this study are specifically acknowledged by means of references.

17/03/2021

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CERTIFICATION

This Dissertation entitled "Effect of Audit Committee Characteristics on Financial Reporting Quality of listed Agricultural Companies in Nigeria" meets the regulations governing the award of Master of Science (M.Sc) Degree in Accounting, Faculty of Administration, Nasarawa State University, Keffi, for its contribution to knowledge.

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DEDICATION

This dissertation is dedicated to God Almighty the fountain of knowledge and wisdom.

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TABLE OF CONTENTS

CHAPTER TWO

LITERATURE REVIEW

CHAPTER THREE

RESEARCH METHODOLOGY

CHAPTER THREE

DATA PRESENTATION AND ANALYSIS

CHAPTER THREE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Abstract

This study investigates the effect of audit committee characteristics on financial reporting quality of listed agricultural companies in Nigeria for the period of ten years, from 2009-2018. An ex-post facto research design was adopted for the study. The population of the study consists of five (5) agricultural companies listed on the floor of the Nigerian Stock Exchange (NSE). Since the population is not many, this study utilized census sampling technique to take all the firms for the purpose of this study. The data used in this study were secondary data derived from annual reports of agricultural companies that are listed on the NSE. The study used panel regression with respect to the use of Hausman specification test to settle on the use of random effect model. The random effect regression result discovered that audit committee financial expertise has significant positive effect on financial reporting quality, but audit committee frequency of meetings and audit committee gender diversity has no significant effect on financial reporting quality, the study concludes that audit committee characteristics affects financial reporting quality of listed agricultural companies in Nigeria. Therefore, the study recommends that aagricultural companies listed on the floor of the Nigerian Stock Exchange should reduce the number of time audit committee meets by so doing minimizing cost. More so, the study recommends that agricultural companies should increase the number of financial experts in their audit committee for it improves quality of financial reports. Also, agricultural companies listed in Nigeria should reduce the number of female in their audit committee because it does not influence financial reporting quality of listed agricultural companies in Nigeria.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Financial reporting is one of the unique instruments of accounting reporting system that tries to provide necessary information for users to make economic and investment decisions on the evaluation of an economic enterprise's performance. Measuring and providing information that makes it possible to evaluate the past performance and effectively assess and predict the possible future profitability and anticipated activities (Bolo, 2007).

Shareholders in the corporate governance system is to add value and getting them to pursue their interest (maximizing returns) which is expected to improve performance and also improve the quality of financial reports (Mehrani & Safarzade, 2011). The Code of Corporate governance (CG) empowered management to supervise the activities and the decision-making process of an organization, while the board plays a vital role in the implementation of the corporate governance role as they are responsible in deciding the means to direct, control and manage resources in accordance with the company's objective while the shareholders assesses the board of directors' performance through the financial report (Kantudu &Ishaq, 2015). However, the board of directors often manipulates the financial reports in the recordings of the company's book keeping activities which are referred to as earnings management in accounting (Higgs, 2003). It was as a result of the continuous corporate failure of organizations that Companies and Allied Matters Act2004 (CAMA), empowered board of directors to establish committees to facilitate the discharge of their onerous responsibilities. The audit committee plays a key role in assisting the board to fulfil its oversight responsibilities in areas such as an entity's financial reporting, internal control systems, risk management systems and the internal and external audit functions. A good practice of the audit committee is to schedule, at least annually, a meeting with the external auditors without management of the entity present, to enable them to have a discussion about any matters of significance that arose during the audit process.

However, issues of earnings management have attracted the attention of shareholders and researchers following series of corporate failures in companies such as Savannah Bank and African International Bank (Odia, 2007); Wema Bank, Finbank, Spring Bank and Intercontinental Bank Plc (Adeyemi & Fagbemi,2010). The accounting and auditing scandals throughout the world has made the issue of audit committee, audit firm and firm performance to become the subject of debate among politicians, business leaders, and regulators. Corporate scandals such as Enron, Global Crossing, Tyco, and WorldCom, have shaken the investors' confidence and made it difficult for companies to raise equity from the stock market (Agrawal, 2005). In commenting on these scandals, many reports believed that the board of directors and its committees do not have a good supervision on the management. For example, Enron manipulated its financial statements through off-balance sheet financing. Therefore, the board was unable to disclose the distorted statements because the board lacked independence from senior executives (Deakin & Konzelmann, 2004). Moreover, WorldCom materially overstated its earnings and finally filed for bankruptcy. The investigation showed that the audit committee failed to effectively oversee the managements' duties (Weiss, 2005). As a result, these well-publicized corporate scandals together with the Asian financial crisis in 1997 have highlighted the importance of good corporate governance practices for the long-term survival of companies (Mokhtarul, Joher & Ahmed, 2009). These have made investors and regulators to lose confidence in the credibility of the corporate financial reporting in

Nigeria, evidenced by issues of corporate insolvency in the financial sector immediately after the publication of unqualified financial statements by directors. This poses desperate times for stakeholders· as such corporate failures are attributable to earnings management '(Sanusi, 2012).

The relationship between audit committee and external audit is a complex one, stemming from both the demand for audit services by the client and the supply of audit services by the external auditor (Collier & Gregory, 1996). From the demand side, the presence of an audit committee might lead to an increase in audit fees because the committee should ensure that audit hours are at a level that does not compromise the quality of the audit (Jack, 1993; Cadbury Committee, 1992). From the supply side, the audit committee's involvement in strengthening internal control might lead the external auditor to reduce the assessed level of control risk, resulting in less substantive testing (Collier & Gregory, 1996). The Audit Committee (AC) is a central element of one of such reforms that can ensure the reliability and credibility of financial reports through an open and candid communication and a good working relationship with companies' board of directors, internal auditors and external auditors (Mustafa, 2012).

In Nigeria, the Companies and Allied Matters Act (CAMA) of 2004 make the creation and establishment of an audit committee mandatory. 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). What Security and Exchange Commission really mean by number of directors is equal number of Executive and Non-Executive Directors as all corporate governance codes recommend equal number of EDs and NEDs in the Audit Committee composition to ensure a balance of membership. The main objective of an audit committee is to act as a monitoring mechanism and protect the interest of stakeholders with a view of ensuring unbiased financial reports (Ong, 2013). Ramsay (2001) stated that the purpose of establishment of an audit committee is to improve on financial reporting quality practices and ensure quality of earnings. The audit committee is one of the committees that is established by the board of directors and whose major responsibility has to do with financial reporting. Apart from the benefit that is gained from the audit committee establishment, previous studies suggested that the size, composition, expertise and meeting frequency of audit committees may impact their monitoring effectiveness (DeZoort, Hermanson, Archambeault, Reed & Walker, 2004).

A number of prior study have acknowledged that some audit committee characteristics can improve monitoring functions of the board, but up to date there is no agreement as to what combination of audit committee characteristics can establish effective monitoring of financial reporting process. Therefore, this study evaluates the effect of audit committee characteristics on financial reporting quality of agricultural companies listed on the Nigerian stock exchange.

1.2 Statement of the Problem

The purpose of financial statements is to deliver useful information about the financial position, performance and changes in financial position of an entity that is valuable to a wide range of users in making economic and investment decisions. The statements prepared also show the results of the management's stewardship. The number of cases of creative accounting practices in recent times, seems to be increasing as some corporate organizations in the globe and even in Nigeria are being investigated (Akenbor & Ibanichuku, 2012). However, the collapse of corporate entities such as; Intercontinental bank Plc, Oceanic bank Plc, Savannah bank Plc,Fin Bank Plc, Afric bank Plc, Bank PH Plc, the sack of five (5) banks managers have been linked to financial reporting misstatement in Nigerian corporate companies (Odia & Ogiedu, 2013). Thesehave resulted in hampering of the growth of efficient equity markets. According to Shehu (2011), a common complaint among investors in Nigeria is that financial reports on company's performance is either unavailable or, if provided, lacks credibility.

Prior studies have shown that audit committee characteristics influence the financial reporting quality of companies (Bedard, Chtourou & Courteau, 2004; Iyengar, Land & Zampelli, 2010; Njoroge, 2016; Samuel, Mudzamir & Mohammad, 2017; Titus, 2017; Ahmed, Maysam & Naim, 2018), few of these studies used audit committee frequency of meetings, audit committee financial expertise and audit committee gender diversity but used other sectors other than agricultural sector in their study.

The studies in Nigeria, such as Shehu and Ahmad (2013), investigated the association between audit committee characteristics and financial reporting quality in listed manufacturing firms. But, their study covered only a period of five years (2006-2010). More so, Uwalomwa, Uwuigbe and Okorie (2015), assess the effect of audit committee characteristics on earnings management of listed companies, but considered only twenty listed firms and only cover a period of five years (2006-2010). John, Nkiru and luka (2017) examine the determinants of financial reporting quality but considered only listed natural resources firms in Nigeria and the study utilized modified Jones model by Dechow (1995) to measure discretional accruals. While, Olowokure, Muhammad and Terzungwe (2016) in their study on firm structural characteristics and financial reporting quality of listed deposit money banks in Nigeria, they considered only banking industry of the economy

In order to close these existing gaps, and expand the frontier of knowledge in this area of study, this research work on audit committee characteristics and financial reporting quality of listed agricultural companies in Nigeria utilized five (5) firms and covers the period of ten (10) years

(2009-2018). Thus, this study used modified Jones (1995) model to calculate discretional accruals. There is no agreement in the findings of previous studies, there is need to investigate the effect of audit committee characteristics on financial reporting quality of listed Agricultural companies in Nigeria and the study environment which other studies has not explored.

In the light of previous studies' results, this study highlights the role that the audit committee frequency of meetings, audit committee expertise and audit committee gender can play in the financial reporting quality of listed agricultural companies listed on the Nigeria Stock Exchange. The need for such study is to bridge the gap in literature since these relationships have not been researched extensively in Nigeria. Thus, this study focused on audit committee frequency of meetings, audit committee expertise and audit committee gender to determine their effect on financial reporting quality of agricultural companies listed on the Nigerian stock exchange.

1.3 Research Questions

This study provides answers to the research questions asked below:

i. To what extent does audit committee frequency of meetings influence financial reporting quality in listed agricultural companies in Nigeria?

ii. What is the effect of audit committee expertise on financial reporting quality of listed agricultural companies in Nigeria?

iii. To what degree does audit committee gender diversity influence financial reporting quality of listed agricultural companies in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to determine the effect of characteristics of audit committee on financial reporting quality in Nigerian listed agricultural companies. The specific objectives are to:

i. determine the extent to which audit committee frequency of meetings affects financial reporting quality in Nigeria listed agricultural companies.
ii. examine the effect of audit committee expertise on financial reporting quality of listed agricultural companies in Nigeria, and
iii. investigate the degree to which audit committee gender diversity influence financial reporting quality of listed agricultural companies in Nigeria

1.5 Research Hypotheses

Based on the review of literature, the following hypotheses are formulated in their null form and it will guide the study analysis:

H_{01}: Frequency of audit committee meetings does not have significant influence on financial reporting quality of listed agricultural companies in Nigeria.

H_{02}: Audit committee expertise has no significant effect on financial reporting quality of listed agricultural companies in Nigeria.

H_{03}: Audit committee gender diversity has no significant effect on financial reporting quality of listed agricultural companies in Nigeria.

1.6 Significance of the Study

The study gets its significance from the relationship between audit committee characteristics and financial reporting quality. Therefore, the findings of this study will be of interest to policy makers, professional, researcher as well as existing and potential investors.

The findings from this study is expected to have an important policy implication for Central Bank of Nigeria (CBN), Security and Exchange Commission (SEC), Nigerian Stock Exchange (NSE) and other stakeholders in agricultural companies

The findings of this study would also assist auditors in their duties and responsibilities with regards to financial reporting, as to the factors that are of eminent importance in achieving high financial reporting quality.

The findings of this study could also educate both existing and potential shareholders of listed agricultural companies in Nigeria on audit committee attributes that improve financial reporting quality. While at the same time may be of great benefit to researchers, since it may provide empirical evidence on the relationships between audit committee attributes and financial reporting quality of listed agricultural companies in Nigeria.

1.7 Scope of the Study

This study evaluates the effect of audit committee characteristics on financial reporting quality of agricultural companies listed on the Nigerian stock exchange for the period of ten (10) years from 2009 - 2018. This period is chosen because it covers the period all companies listed on the Nigerian stock exchange were mandated to adopt and comply with International Financial Reporting Standards (IFRS). The work focused on the audit committee frequency of meeting, audit committee financial expertise and audit committee gender diversity, the earning quality is measured by discretional accruals (DAC) modified Jones (1995) was used.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Audit Committee

The concept of audit committee differs according to the goals, functions, and responsibilities assigned to them. The major goal behind forming the audit committee is to increase auditing quality. Arens and Loebbecke (2009) defined it as a group of persons selected from members of the board of directors who are responsible for coordinating audit activity and providing an enabling atmosphere for the auditor. Researchers have defined audit committee in a variety of ways. According to Cadbury Committee (1992), audit committee is a formal institution used by corporate owners to discipline organizations. Morrin and Jarrell (2001) argued that an audit committee is a special group of experts, which controls and safeguards the interests of the capital market investors, corporate owners, managers, employees, suppliers, creditors among others.

An audit committee is an important corporate governance mechanism in firms to protect the interests of shareholders and oversee financial reporting (Mallin, 2007). An audit committee can strengthen intra-company control and can reduce opportunistic behaviours and lower the asymmetry of information, so it has a positive impact on the high quality of disclosed information (Li & Qi, 2008). The main function of an audit committee is monitoring the firm's financial performance and financial reporting. In this sense, it is expected that audit committees should strongly affect the selection, removal and remuneration of auditors, the content and extent of audit work, auditor independence, and the resolution of disputes between auditors and executive management. Also audit committees should review and agree upon chosen accounting policies. As well as they tend to persuade a company's approach to financial reporting, levels of disclosure, and adherence to standard practice. Also, besides monitoring the reliability of the company's accounting processes, audit committees should ensure the compliance with corporate legal and ethical standards, including the maintenance of preventive fraud controls (Turley & Zaman, 2004).

The main functions of an audit committee are to meet regularly with the external and internal auditors to review the financial statements, audit process and internal controls of the firm. This helps to lessen agency problems by the timely release of unbiased accounting information by managers to shareholders and others who rely on such information for making decisions, thus reducing information asymmetry between insiders and outsiders.

Many studies have discussed the importance of audit committees. For instance, Wild (1996) stated that forming an audit committee enhances investors' expectancy of receiving improved financial reports. As a result, the firm will more likely experience an increase in its earnings response coefficients. Similarly, McMullen (1996) found that companies with an audit committee are less likely to experience errors, irregularities and other indicators of unreliable financial reporting. It is widely believed that good audit committee practices are an important factor in improving effectiveness of the companies, especially in developing countries and during the period of the global economic crisis. However, the audit committee activities are different in the various countries due to disparate corporate governance structure resulting from dissimilar social, economic and regulatory conditions (Abdurrouf, Siddique & Rahaman, 2010).

Literatures on audit committee suggest that the roles of regulatory and controlling authorities are mainly important in improving the market value of the firm. Good audit committee is focused on the protection of the rights of shareholders and plays an important role in the development of capital markets by protecting investor interests (Abdurrouf, 2010). The role of an audit committee is important also in implementing corporate governance principles. These principles suggest that audit committee should work independently and perform their duties with professional care. In case of any financial manipulation possibilities, the audit committee is held accountable for their actions as the availability of transparent financial information reduces the information asymmetry, which can be helpful for improvement of the value of the firm (Bhagat & Jefferis, 2002). Besides, an audit committee is the entity that safeguards public interest. The board usually delegates responsibility for the oversight of financial reporting to the audit committee to enhance the breadth of relevance and reliability of annual report. Thus, an audit committee can be a kind of monitoring mechanism that improves the quality of information flow between firm owners (actual and potential shareholders) and managers. The audit committee serves many important corporate governance functions and provides advice on operational and regulatory matters (Menon & Williams, 1994). It helps to alleviate agency problems by facilitating the timely release of unbiased accounting information by managers to shareholders, creditors, thus reducing information asymmetry between insiders and outsiders (Klein, 1998).

The Audit committee, thus, is considered to be an additional internal governance mechanism whose impact is to improve the quality of financial management of a company and hence its performance. In this respect, an audit committee has three main characteristics that should be considered in this study, these are; audit committee financial expertise, audit committee gender diversity and audit committee meetings.

In recommending that all listed companies should establish an audit committee, the Cadbury Committee (1992) followed the US National Commission on Fraudulent Financial Reporting

(Treadway Commission, 1987) and the Canadian Macdonald Commission (1988). In Nigeria, audit committee is a child of the Companies and Allied Matters Act (CAMA, 1990). In addition to providing an audit report to the members, the auditor shall in the case of public company also make a report to an audit committee which shall be established by the public company (section 359 (3), CAMA, 1990)

The audit committee consists of an equal number of directors and representatives of the shareholders of the company (subject to a maximum number of six members) and shall examine the auditor's report and make recommendations thereon to the annual general meeting as it may think fit. Provided, however, that such member of the audit committee shall not be entitled to remuneration and shall be subject to re-election annually. Any member may nominate a shareholder as a member of the audit committee by giving notice in writing of such nomination to the secretary of the company at least twenty-one days before the annual general meeting. (SEC 359 (4-5); CAMA, 1990). Subject to such other additional functions and powers that the company's articles of association may stipulate, the objectives and functions of the audit committee shall be to:

i. ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethnical practices;
ii. review the scope and planning of audit requirements;
iii. review the findings on management matters in conjunction with the external auditor and departmental responses thereon;
iv. keep under review the effectiveness of the company's system of accounting and internal control;

v. make recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the company; and

vi. authorize the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee. (SEC 359 (6), CAMA 1990)

2.1.2 Audit Committee Characteristics

In this study, audit committee characteristics such as audit committee number of meetings and audit committee independence are considered. This is because though a considerable number of studies exist on audit committee around the globe, there is dearth of evidence using audit committee frequency of meetings and audit committee expertise from Nigeria.

2.1.2.1 Audit Committee Frequency of Meetings

Audit committee meeting is important in conducting effective oversight functions in monitoring the performance of managers (Bala & Kumai, 2016; Soliman & Ragab, 2014). Beasley (1996) suggested that audit committee meetings should at least be conducted once to review the interim report. This is because, high frequency of audit committee meeting tends to reduce financial problem (Menon & Williams, 1994). Also, based on agency theory perspective, the results of previous studies have shown that frequency of audit committee meeting can improve earnings quality (Bamahros & Wan-Hussin, 2011; Garcia et al., 2010; Yusof, 2010). Furthermore, several empirical studies have tested the relationship between the frequency of audit committee meeting and earnings quality and found positive significant results (Salleh & Haat, 2014; Soliman & Ragab, 2014; Garcia et al., 2010; Yusof, 2010). In contrast, other previous studies (Bala & Kumai, 2015; Baxter & Cotter, 2009; Chandrasegaram et al., 2013; Hamdam et al., 2013; Mohamad et al., 2012) have found insignificant relationship between audit committee meeting and earnings quality.

Audit committee meetings refer to the frequency by which the committee meets together. It is expected that more active audit committees that meets often will be more effective. An audit committee that rarely meets (considered inactive) may be less likely to monitor management effectively. The average number of audit committee meetings refers to the level of audit committee activity (Xie, Davidson & DaDalt, 2001; Menon & Williams, 1994). Bedrad, Chtourou and Courteau (2004) stated that in order for the audit committee to carry out its function of control it must maintain a certain level of activity through increased frequency of meetings.

The numbers of audit committee meeting are considered to be an important attribute for their monitoring effectiveness (Lin, Li & Yang, 2006). Anderson, Mansi and Reeb (2004) noted that audit committee monitors the internal control and provides reliable information to the shareholders. Therefore, audit committee number of meetings strengthens the internal auditing function and oversees management's assessment of business risk (Hsu, 2007). The number of audit committee meetings is considered as an indicator for audit committee activity (Xie, Davidson & DaDalt, 2003). Therefore, the audit committee that meets more frequently with the internal auditors is better informed about auditing and accounting issues. When an important auditing or accounting issue arises, the audit committee can direct the proper level of internal audit function to address the problem promptly. Therefore, an audit committee that meets frequently can reduce the possibility of financial fraud (Raghunandan, Rama &Scarbrough,1998; Abbott, Parker & Peters, 2004). Inactive audit committees with fewer numbers of meetings are unlikely to supervise management effectively (Menon & Williams, 1994).

Beasley, Carcello, Hermanson and Lapides (2000) found that fraudulent firms with earning misstatements have fewer audit committee meetings than non-fraud firms. An active audit committee with more meetings has more time to oversee the financial reporting process, identify management risk and monitor internal controls. As a result, firm performance increases with audit committee activity. More importantly, there have been very few studies that examined the effect of audit committee meeting on firm performance. For example, Hsu (2007) found that there is a positive relationship between audit committee meeting and firm performance.

Previous studies suggested that firms with the higher number of audit committee meetings experience less financial restatement (Abbott, Parker & Peters, 2004), are less likely to be sanctioned for fraud as well as aggressive accounting (Abbott et al., 2000; Beasley, Carcello, Hermanson & Lapides, 2000) and are associated with lower earnings management incidence (Xie, Davidson & DaDalt, 2003). These studies suggested that audit committees that meet regularly during the financial year are associated with effective monitoring. The more frequent they meet, the more efficient they discharge their oversight responsibilities.

2.1.2.2 Audit Committee Financial Expertise

The audit committee oversees financial reporting and disclosure. Thus, audit committee member with accounting and finance background will aid in effective monitoring of management and the review of financial statements of a firm (Badolato et al., 2014) as well as in monitoring transfer pricing manipulations such as EM (Lo et al., 2010). When audit committee have members with requisite expertise in accounting and finance, the audit committee will be effective in monitoring and there will be good financial reporting. It will also limit opportunistic management and protect the interests of shareholders and stakeholders thereby reducing agency problems and enhance earnings quality (Badolato et al., 2014; Marra et al., 2011).

The requirement to have at least one financial expert in the audit committee assumes that such members enhance the committee's effectiveness. Financial experts are expected to lead the audit committee to identify and ask knowledgeable questions that challenge management and external auditors to a greater extent and consequently enhance FRQ. However, even the BRC admits that "a director's ability to ask and intelligently evaluate answers to such questions may not require expertise (BRC, 1999). Similarly, AIMR argues that people without formal training in accounting or finance can be as insightful (and in some cases more so) than people with formal training (AIMR, 1999). A more critical argument is that audit committee members with financial expertise may actually be less effective than members with other credentials, such as practical management experience (AIMR, 1999). Moreover, financial experts and literates provide different but complementary viewpoints to the assessments of FRQ (McDaniel *et al.*, 2002; Thornton, 2002).

Several studies have found significant positive relationships between audit committee expertise and earnings quality (Badolato et al., 2014; Marra et al., 2011; Salleh et al., 2007; Yusof, 2010). However, other past studies found insignificant relationships between audit committee expertise and earnings quality (Carcello et al., 2006; Hamdan et al., 2013; Lo et al., 2010).

Hence, an audit committee composed of solely financial experts or high proportion of financial experts may be less effective at monitoring financial reporting than a more balanced board.

2.1.2.3 Audit Committee Gender Diversity

Gender is another type of power relationship affected by the corporate environment in which it exists (Scott, 1999). When management control is strong, traditional feminine characteristics such as conservatism and obedience may reduce a woman's influence on the committee and may diminish her ability to positively affect corporate governance.

Many authors used data from the developed world have also addressed research questions pertaining to the efficacy of the board (Fondas & Sassalos, 2000; Huse & Grethe-Solberg, 2006; Miller & del Carmen Triana, 2009; Nielson & Huse, 2010) and audit committee when women are members. Stewart and Munro (2007) argue that female representatives on audit committees demonstrate superior communication skills and are better prepared for meetings. In comparison to committees that are totally male, a woman's presence makes members more diligent (Thiruvadi, 2012) and reduces fees (Ittonenet al., 2010). Kuang and Chen (2011) suggest that a feminine presence on the Chinese corporate board is associated with demands for higher quality external auditing. As the percentage of female board members' increases, these will reduce bias decision and interest of every stakeholder will be considered in the meetings of the committee (Gao & Zhang, 2011).

Khan (2010) states that the diversity of the audit committee will bring a positive impact on performance. The existence of women as members of the audit committee may be a significant variable in the audit committee (Carter, Betty & Gary, 2003). Although Khan has not been able to find the influence of the audit committee of women for voluntary disclosure, but Khan (2010) revealed a higher efficacy of the audit committee in the presence of women as members of the audit committee will increase the number of meetings and attendance that will encourage the disclosure of intellectual capital. The study of Carter, Betty and Gary (2003) found that companies with two or more women board members have a value higher than the number of women who are less than two. Catalyst (2007) found from the financial perspective of the average financial performance of the company with the percentage of women in the board composition has improved outcomes in banking. In Indonesia, where women are supported by a system of emancipation of women in Indonesia is growing, so that its presence can be recognized and aligned. Ittonen, Miettinen and Vahamaa (2007) in their study found that female members of the audit committee are able to reduce the inherent risk of misstatement because most women in the audit committee have high competence and hard work. It can be concluded that the presence of women in increasing the effectiveness of the audit committee, which in turn increases the effectiveness of corporate governance.

2.1.3 Concept of Financial Reporting Quality

According to Verdi (2006), financial reporting quality is defined as the exact manner by which it shows information as regards a business activity as it relates to its anticipated cash flows with the aim of informing shareholders about a company's operations. Another definition by Tang, Chen and Zhijun (2008) sees financial reporting quality as the degree to which financial statements provide us with information that is fair and authentic about the financial position and performance of a company. However, a commonly accepted definition is provided by Jonas and Blaurchet (2000) who asserted that financial reporting quality is complete and unambiguous information that is not designed to misinform users. IASB (2006, 2008) opined that the objective of financial reporting is to provide financial information about the reporting enterprise that is useful to potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers.

In order to ensure high financial reporting quality, the International Accounting Standards Board (IASB) indicated in its framework the guidelines for the preparation and presentation of financial statements under the assumption of four principal qualitative characteristics, namely: understandability, reliability comparability and relevance.

The users of financial reports are shareholders, customers, suppliers, creditors, lenders, employees and government agencies. These users have varying information needs. The financial reports quality is relevant to the particular information needs of each of the stakeholder for the purpose of making informed decisions. Financial reporting embodies two types of information, namely: quantitative and non-quantifiable information. Both types of information are of immense importance to users of financial statements for decision making. It is to be noted that financial reporting quality and quality of financial reporting are used interchangeably.

There are different determinants used by previous researchers as indicators for financial reporting quality in their studies. Among the indicators that have been used are compliance with accounting standards (McMullen, Horton & Serafeim, 2010; Song & Windram, 2004; Abbott, Park & Parker, 2000; Beasley, 1996), accuracy of accounts (Abbott, Parker & Peters, 2004), manipulation of accounting treatments (Davidson, Stewart & Kent, 2005; Klien, 2000b; Rahman & Ali, 2006; Xie, Davidson & Dadalt, 2002; Yang & Krishnan, 2005) and disclosure (Hung & Subramanyam, 2007; Alsaeed, 2006; Haniffa & Cooke, 2002; Craig & Diga, 1998). Furthermore, measuring relevance using the incremental approach, they found that the adjustments to the balance sheet data generated due to the adoption of IAS were relevant, while adjustments to the earnings were not.

In same vein, Jermakowicz, Prather-Kinsey and Wolf (2007) and Bartov, Goveldberg and Kim (2005) identify an increase in the degree of relevance of earnings of companies adopting voluntarily the IAS. Barth, Landman and Lang (2008) used a larger sample than previous research and examined 319 companies from 21 countries that voluntarily adopt IFRS identified inter alia that the degree of relevance of firms adopting IAS is higher.

Bandyopadhyay, et al. (2010) and Richardson, Sloan, Soliman and Tuna (2005) measured the degree of reliability through the ability of current earnings to predict the earnings of the following period. This is based on the argument that the error arising from accruals is incorporated to the process of calculating the earnings, consequently weakening the relationship between successive earnings. In other words, the larger the error in the current earnings is, the lower the correlation to future earnings, leading to a lower degree of persistence or predictive power.

Previous studies have also used accruals accounting manipulation as indicator for financial reporting quality. Rahman and Ali (2006), Yang and Krishnan (2005), Davidson, Stewart and Kent (2005), Xie, Davidson and Dadalt (2002), Klien (2002) had implemented the level of accruals as indicator for their financial reporting quality, in which firms with higher level of accruals are identified as having low financial reporting quality and vice versa. In the same vein, research by Alsaeed (2006), Haniffa and Cooke (2002) and Craig and Diga (1998) had used the level of voluntary disclosures as their indicator for financial reporting quality. This is based on the argument that since there is inadequacy of compulsory information, the voluntary disclosures provide investors with necessary information to make more informed decisions (Alsaeed, 2006). For the purpose of this research, the level of accruals was used to proxy financial reporting quality through adoption of modified Dehow and Dechev (1995) model of short time accruals.

2.2 Empirical Review

This section reviewed literature from prior scholars regarding audit committee attributes and quality of financial reporting from various contexts to provide a critical assessment of the sources and identify the gaps in the literature addressed in this work. The scholar's articles, books, and dissertations on the various variables of this research was surveyed, reviewed, assessed and evaluates to ascertain its reliability, validity and gaps.

2.2.1 Audit Committee Frequency of Meetings and Financial Reporting Quality

Ame and Onu (2018) evaluated the relationship between audit committee characteristics and earnings quality of seventeen (17) food and beverage firms listed on the Nigerian Stock Exchange of which eight (8) were selected as the sample size and the study period was 2012 to 2017. The study adopted experimental research design. The study used the discretionary accruals model by Kothari et al. (2005) to measure the level of earnings quality and result was further regressed using fixed effect model. The result of the study revealed that audit committee frequency of meeting has an insignificant and negative relationship with earning quality. The study is considered good and done within the boundaries of the current study in terms of economy and environment. However, the present study differs with respect to the period covered.

Osarumwense and Aderemi's (2016) study focused on the impact of frequency of meetings of members of audit committee on financial reporting quality in Nigerian quoted companies. Data for the study was derived from annual reports of one hundred and thirty-one (131) companies quoted on the Nigerian Stock Exchange over the period of 2006 to 2012. The data was analyzed using descriptive, correlation and OLS regression analysis. The multivariate regression technique was utilized to estimate the model. The findings showed that audit committee frequency of meetings had a positive significant influence on financial reporting quality. The study focused sectorial and used OLS regression analysis.

Eriabie and Odia (2016) examined the effect of characteristics of audit committee on earnings management in Nigerian quoted companies. Data for the study were sourced from annual reports of one hundred and thirty –one (13) companies quoted on the Nigerian Stock Exchange over the period of 2008 – 2014. The data were analysed using descriptive, correlation and Ordinary Least square (OLS). The multivariate regression technique was utilized to estimate the model. The choice of this approach was based on the fact that the data are both time series and cross sectional. The study findings indicate that audit committee frequency of meetings had a negative significant effect on earnings management. This implies that audit committee frequency of meetings is useful in reducing to the barest minimum, management's tendencies for opportunistic behaviour to manipulate earnings.

Zábojníková (2016) assessed the impact of audit committee characteristics on financial reporting quality. The study analysed the impact of audit committee characteristics proxy by audit committee frequency of meeting on financial reporting quality using the evidence from non-financial UK companies listed on the London Stock Exchange. The main findings of this study suggested that the audit committee frequency of meetings have an impact on UK firm financial reporting quality. The study assessed the impact of audit committee characteristics on firm financial reporting quality using the evidence from non-financial UK companies listed on the London Stock Exchange while the current study focused on effects on audit committee characteristics in agricultural companies on financial reporting quality, therefore addressing the contextual gap.

Aryan (2015) examined the relationship between audit committee characteristics frequency of meetings and financial reporting quality. The study used listed industrial firms on Jordanian Stock Exchange for the period 2009 - 2014, which included 91 companies, only 69 companies were included in the study. multiple regression was used to analyse the data and the result showed positive relationship between financial reporting quality and audit committee frequency of meetings. The study focused on industrial firms (sector) in Jordan, while the present study focused on the agricultural companies (sector) in Nigeria which is different in sector from the of Aryan (2015).

Malai (2015) evaluated the impact of audit committee characteristics effectiveness on financial reporting quality of listed companies in stock exchange in Thailand from the period 2008- 2012. Audit committee characteristics effectiveness was measured by audit committee frequency of meeting and data were collected from the form 56 -1 and financial statements of the listed companies. In addition, three industry groups from stock exchange of Thailand were sampled. Data were analyzed by using panel fixed effect model. The outcome showed that effectiveness of audit committee has impact on financial reporting quality, because it showed that audit committee frequency of meeting is having a significant positive relationship with financial reporting quality.

Furthermore, Lifschutz, Jacob and Feldshtein (2010) examined the effect of audit committee frequency of meeting on financial reporting quality in large public companies in Israel. The study used multiple regression analysis on 100 largest public companies on the Tel-Aviv Stock Exchange. The study finds that frequency of audit committee meeting is positively and significantly associated with financial reporting quality. The study finding is relevant only to Isreal. Frequent audit committee meetings with auditors to review their auditing processes and audit reports are to ensure continuous communication between external auditors and audit committee toward audit quality (Habbash, 2010). This study covers 2009 to 2018.

Hoitash and Hoitash (2009) studied the association between audit committee frequency of meetings and financial reporting quality. The study was conducted in Australia and data were collected using questionnaires on 2,393 public companies audited by large and small auditors in the year 2004. The study employed regression analysis in analyzing data collected. The finding reveals that frequency of audit committee meeting is positively associated with financial reporting quality and that strong audit committee might choose to authorize less non- audit services in order to contribute to audit quality.

Ahmed and Jawhar (2005) examined internal and external audit attributes, audit committee characteristics, ownership concentration and earnings quality in Malaysia. The study has a sample size of five hundred and eight (508) listed firms in Malaysia main market, and the study period covered from 2009 – 2012.. The researcher used two models of discretionary accruals, modified Jones model by Dechow et al. (1995) and extended modified Jones model by Yoon, Okomus, Zang, Shin and Ha (2006). The study found that audit committee frequency of meeting has an association with earnings quality. The study used both modified Jones model by Dechow et al. (1995) and extended modified Jones model by Yoon, Okomus, Zang, Shin and Ha (2006) which are good models to measure discretionary accruals.

2.2.2 Audit Committee Financial Expertise and Financial Reporting Quality

Umobong and Ibinachuka (2017) examined the relationship between audit committee financial expertise and financial reporting quality of listed food and beverage firms in Nigeria from 2011 – 2014. The sample size is fifty percent of the population of the study. the study used modified discretionary accruals model by Jones to calculate firms level of earnings quality and regress the data collected by using ordinary least square. The finding revealed that audit committee financial expertise has a positive significant relationship with earnings quality among food and beverage firms in Nigeria. Data for the study was between 2011 – 2014, while the data for the present study covers the period 2009 – 2018 and the fact that this study used agricultural sector which is different from the previous study.

The study of Musa, Oluntoba and Awolabi (2014) examined the effect of audit committee financial expertise on financial reporting quality of listed banks in Nigeria. The study sample size was seven (7) banks listed on the Nigerian stock exchange. The employed multiple regression in analyzing data collected from reports and accounts of the banks under study. the finding shows that audit committee financial expertise has a positive significant effect on the financial reporting quality of the seven (7) banks sampled in Nigeria. The study was carried out on seven banks while this study examined agricultural companies listed on the Nigerian stock exchange for the period 2009 – 2018.

The work of Kusnadi, Leong, Suwardy and Wang (2014) evaluated the relationship between audit committee financial expertise and financial reporting quality of firms in Singapore. The study sampled five hundred and thirty – nine (539) non-financial firms and had study period of 2010. The proxy for financial reporting quality was accruals quality. Ordinary least square analysis was carried out on data collected. The result shows that the inclusion of financial experts in the audit committee increases the financial reporting quality of firms in Singapore.

Muhammed, Ayoib and Noor (2016) investigated the influence of audit committee financial expertise on financial reporting quality of listed non-financial firms for the period 2010-2014. The study sample size of one hundred and one (101) firms and modified Dechow and Dechev (2002) was used as proxy for financial reporting quality. The finding revealed that audit committee financial expertise has a positive and significant influence on financial reporting quality. The study data collection stopped at 2014, while this study data extends to 2018.

2.2.3 Audit Committee Gender Diversity and Financial Reporting Quality

Umobong and Ibinachuka (2017) examined the relationship between audit committee gender diversity and financial reporting quality of listed food and beverage firms in Nigeria from 2011 –

Malai (2015) evaluated the impact of audit committee gender diversity on financial reporting quality of listed companies in stock exchange in Thailand from the period 2008- 2012. Data were collected from the form 56-1 and financial statements of the listed companies. In addition, three industry groups from stock exchange of Thailand were sampled. Data were analyzed by using panel fixed effect model. The outcome showed that effectiveness of audit committee gender diversity has impact on financial reporting quality.

The study of Musa, Oluntoba and Awolabi (2014) examined the effect of audit committee gender diversity on financial reporting quality of listed banks in Nigeria. The study sample size was seven (7) banks listed on the Nigerian stock exchange. The employed multiple regression in analyzing data collected from reports and accounts of the banks under study. The finding shows that audit committee gender diversity has a positive significant effect on the financial reporting quality of the seven (7) banks sampled in Nigeria. The study was carried out on seven banks while this study examined all agricultural companies listed on the Nigerian stock exchange for the period 2009 – 2018.

Oscar and Daniel (2013) studied Swedish listed companies within the period 1999 – 2007. In order to measure earnings quality, the study used extended Dechow and Dichev model by McNichols (2002), and performance –matched abnormal accruals were used. While boardroom gender diversity was measured as the proportion of female directors on the board. The study found no association between boardroom gender diversity and earnings quality.

Nik and Mohd (2013) examined the relationship between audit committee gender diversity and earnings management in Malaysia from 2005 – 2008. The sample for the study was drawn from two hundred and eighty (280) firms and multivariate regression analysis was used to test the research hypotheses earlier stated. Modified Jones model was used as discretionary accrual. The study found a negative relationship between audit committee gender diversity and discretionary accruals.

Gavious, Segev and Yosef (2012) used a sample consisting of sixty (60) Isreali high- technology firms listed on the USA stock exchange from 2002 – 2009 to investigate whether gender diversity on the board affects earnings quality. The study used four earnings quality metrics of which two are ex-post measures (abnormal accruals and non-operating accruals) and two are ex-ante measure (presence of a big four auditor and financial leverage). The study found that female presence on the board is associated with better earnings quality.

Bunamin et al. (2011) assessed the impact of audit committee gender diversity on discretionary accruals of top 100 companies in Malaysian corporate governance index. Regression analysis was used to analyse data have been collected. Finding shows that women on the board have positive impact on discretionary accruals that is increases in the proportion of women in the board would lead to increase in earnings management.

Lifschutz, Jacob and Feldshtein (2010) examined the effect of audit committee gender diversity on financial reporting quality in large public companies in Israel. The study used multiple regression analysis on 100 largest public companies on the Tel-Aviv Stock Exchange. The study finds that audit committee gender diversity is positively and significantly associated with financial reporting quality. The study finding is relevant only to Isreal and this study covers 2009 to 2018.

Ye et al. (2010) investigated if the presence of female directors on the audit committee board promotes higher earnings quality in Chinese firms, and collected data of firms listed on the Chinese stock exchange from 2001 – 2006. The study used Dechow and Schrand (2004) and consider earnings to be of high quality when they are persistent, indicative of future cash flows, and related to current stock performance. Results from the analysis revealed that the presence of female directors on the board have no significant influence on eaerning quality.

2.3 Theoretical Framework

There are several theories that explain the relationship between audit committee characteristics and financial reporting quality in the literature of accounting. Some of these theories that are related to this study are agency theory. For the purpose of this study, Agency theory serves as a leading theory since attainment of financial reporting quality is our bases of the study.

2.3.1 Agency Theory

The agency theory was propounded by Jensen and Meckling in 1976. The agency theory assumes that there is an imaginary contract between the managers of a firm and its shareholders. The managers are labelled as the 'agents'. They perform their tasks and run the firm on behalf of the 'principal', the firm's shareholders (Jensen &Meckling, 1976). So according to this theory, managers are expected to act according to the will of the shareholders. However, the agency theory points out that this is often not the case, as the two groups might have different interests. This is called the 'principal-agent problem'.

The principal-agent problem consists of two central problems: self-interest and information asymmetry. When the interests of management are not aligned with the interests of the shareholders, management might follow a strategy in order to maximize its own wealth at the cost of the returns to the shareholders. Information asymmetry exists when managers have more information than shareholders do. This way, it is difficult for the shareholders to ensure that management is acting in line with the shareholders' interests.

In order to reduce management's self-interest and information asymmetry, agency costs have to be incurred. Agency costs are composed of monitoring costs, bonding costs and residual loss. The former is the cost of shareholders monitoring managers' activities. Bonding costs are paid by the agents to assure the principal that their actions will not negatively affect shareholder value. Residual loss is the difference between management's choices and the decisions that would have led to shareholder welfare maximization (Shehata, 2014).

Moreover, there are costs of risks and rewards. Suppose that the interests of managers and shareholders are perfectly aligned, in that case, managers make decisions with the purpose to maximize shareholder value. Many firms apply an incentive system for managers. When shareholder value rises, manager compensation increases. Therefore, when managers' decisions turn out to be profitable, there are costs of reward for the firm, as manager compensation increases. However, there is always the risk that management makes the wrong choices. In that case, shareholder value declines. This is called the cost of risks.

The agency theory advocates that the independent of directors and institutional shareholding have a positive association with good earnings quality.

Audit committee is an agency cost and a measure of monitoring the managers' activities and earning management to ensures that information disclosed is free from bias. This is to avoid information asymmetry. The presence of the audit committee, will reduce the manager's self-interest and information asymmetry therefore ensuring quality financial report are disclosed.

This work evaluates the influence of audit committee frequency of meetings, financial expertise and gender diversity reduces the managers' self-interest, information asymmetry and shape practices and improves the financial reporting quality.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This study adopts ex-post facto research design. This study made use of ex-post facto research design because it relied heavily on secondary data that are quantitative in nature. This study also made use of ex-post facto research design since it is based on past events in form of post mortem in view of the nature and purpose of the study

3.2 Population, Sample and Sampling Techniques

The population of this study consists of five (5) agricultural companies listed on the Nigerian Stock Exchange (NSE) over the ten years (2009-2018) period. Information available to the researcher from the Nigerian Stock Exchange Fact book of 2018, revealed a total of five (5) agricultural companies in Nigeria.

The list of five (5) agricultural companies in Nigerian Stock Exchange considered for this study is listed below:

Table3.1; Population of the study

S/N	Name of Companies
1	Ellah Lakes PLC
2	FTN Cocoa Processors PLC
3	Livestock Feeds PLC
4	Okomu Oil Palm PLC
5	Presco PLC

Source: Generated from NSE, Fact book December, 2018.

The table above shows the five (5) listed agricultural companies available on the NSE, are the population of this study, based on the availability of records, this study utilized all of them as sample of the study.

3.3 Methods of Data Collection

For the purpose of this study, secondary data was extracted from the financial statements of the sampled agricultural companies listed on the Nigerian Stock Exchange under consideration within the period (2009 - 2018). The use of secondary data in this study is justified based on the fact that the study is based on quantitative research methodology and hence requires quantitative data.

3.4 Technique for Data Analysis and Model Specification

The study adopts the use of panel regression for the listed sampled agricultural companies on the Nigerian Stock Exchange in the estimation of the regression equation under consideration. Descriptive data for the dependent and independent variables generated in this study was analysed using the mean scores.

While inferential analysis entails bivariate and multivariate analyses, which were used in hypotheses testing. The null hypotheses stated in this study were tested at 5% level of significance using both the linear regression analysis and the multiple regression analysis. The linear regression analysis was used in testing the individual hypothesis while the multiple regression analysis was used in testing the holistic impact of the independent variable (audit committee characteristics) on the dependent variable (financial reporting quality). These statistical techniques seem appropriate considering the parametric nature of the data that is generated and the nature of the research hypotheses, which are intended to measure the impact of one variable on the other. These analyses will be conducted with the aid of the STATA.

Model Specification

In order to estimate the relationship between audit committee characteristics and financial reporting quality, financial reporting quality which is the dependent variable, is modeled as a function of audit committee frequency of meetings, audit committee expertise and audit committee gender diversity. Econometrically, this is specified as:

$$FIREQU_{it} = \beta_{0it} + \beta_1 ACFRQU_{it} + \beta_2 ACFEXP_{it} + \beta_3 ACGEDI_{it} + e_{it}$$

Where:

FIREQU	=	Financial Reporting Quality
ACFRQU	=	Audit Committee Frequency of Meetings
ACFEXP	=	Audit Committee Financial Expertise
ACGEDI	=	Audit Committee Gender Diversity
β_0	=	Intercept
β_{1-3}	=	Coefficient of the independent variables
e	=	Error term
i	=	Industry type (firm)
t	=	Year

Calculation of Financial Reporting Quality

This study used modified Jones (1995) model to account for discretional component of accruals. Total Accruals (TACC) is defined as the difference between Net Income (NI) and Cash Flow from Operating Activities (OCF). i.e.

$$TACC = NI - OCF \ldots I$$

$$TACC_{it}/A_{it-1} = \alpha_t(1/A_{it-1}) + \beta_{1i}[(\Delta REV - \Delta REC)/A_{it-1}] + \beta_{2i}[(PPE_{it})/A_{it-1}] + \varepsilon_{it} \ldots ii$$

Where:

TACC = Total Accruals (NI − OCF)

ΔREV = Change in Revenue

ΔREC = Change in Receivable

PPE = Property, Plant and Equipment

A_{it-1} = Year-end assets for company I in year t-1

ε_{it} = error term/residual

The value of earnings management is measured by the discretionary accruals.

The higher the value of discretionary accrual the higher is the presence of earnings management (Hassan & Ahmed, 2012). The model for discretional accrual is stated below by making the error term in equation 2 the subject of the formula:

$$DA = TACC_{it}/A_{it-1} - \left[\alpha_t(1/A_{it-1}) + \beta_{1i}[(\Delta REV - \Delta REC)/A_{it-1}] + \beta_{2i}[(PPE_{it})/A_{it-1}]\right]$$

On other hand, earning quality was computed using the following formula:

$$FRQ = TACC - NDA$$

The justification of this framework is based on the assumption that a relationship exists between audit committee characteristics and financial reporting quality. This implies that a change in degree of audit committee characteristics (that is audit committee frequency of meetings, audit committee expertise and audit committee gender diversity) brings about a change in earning quality as proxy for financial reporting quality.

3.4.1 Measurement of Variables

The choice of measurement of variables in this study was made through a critical review of extant literature after which the items to be used in operationalizing the variables were established. In this study, the variables of measurement are the dependent variable and the independent variable. While financial reporting quality is the dependent variable, audit committee characteristics are the independent variable.

Table 3.2: measurement of variable

S/N	VARIABLE	MEASUREMENT	SOURCE
1	Financial Reporting Quality	The proxy used for financial reporting quality in this study is earnings quality and it was measured by discretional accruals (DAC) using modified Jones (1995) model. However, based on prior literatures, the accrual approach to earnings quality was adopted. This is because, the estimation of the scope of earnings quality is better served with accrual models though the use of discretional line items best used for accuracy in detection.	John, Nkiru and Luka (2017)
2	Audit Committee Frequency of Meetings	Number of times the audit committee meets in a year	Abbott, Parker and Peter (2004).
3	Audit Committee Expertise	Assigned one (1) if some of the members have relevant and recent financial experience and assigned (0) if otherwise.	Temple,Ofurum and Solomon (2016).
4	Audit Committee Gender diversity	Number of females in the committee	Aryan (2015), Malai (2015),Musa, Oluntoba and Awolabi (2014)

Source: Researcher's Compilation

3.5 Justification of Methods

This study makes use of descriptive research design since this study relies heavily on secondary data that are quantitative in nature. Secondary source of data collection was utilized because Hair, Anderson, Tatham and Black (2007) assert that some of the advantages of using secondary data are that it saves time and cost of acquiring the information generated. It is helpful to acquire the actual state of phenomenon under study.

This study utilized multiple panel regression model to examine the relationship between audit characteristics and financial reporting quality - the key variables of the study. While, audit committee characteristics is the explanatory (predictor) variable, the dimensions are audit committee frequency of meetings, audit committee expertise and audit committee gender diversity; financial reporting quality, the criterion variable is measured by discretional accruals. The use of discretional accruals as proxy for financial reporting quality is consistent with previous studies such as Uwuigbe et al. (2014). Since this study used panel data, which is quantitative in nature, hence, analysing the data with the use of panel regression analysis is the best method because this study involves the panel data used to bring out the effect, impact, influence, etc and to show its strength and significance. Hence, panel regression is appropriate.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

This chapter presents the result of data analysis and tests of hypotheses formulated earlier in chapter three. First, descriptive statistics, followed by the correlation matrix table and then the summary of Regression Result are presented and analyzed, and then discussion of findings. The data used for this study are presented in appendix A, these data are Audit committee frequency of meetings (ACFRQU), audit committee financial expertise (ACFEXP), audit committee gender diversity (ACGEDI) and financial reporting quality (FIREQU).

4.2 Data Analysis and Results

4.2.1 Descriptive Statistics of Variables

Table 4.1: Descriptive Statistics

Statistics	FIREQU	ACFRME	ACFEXP	ACGEDI
Mean	0.421180	3.720000	0.580000	1.760000
Max	0.072100	4.000000	1.000000	3.000000
Min	0.011700	2.000000	0.000000	1.000000
Sd	0.015192	0.858095	0.498569	0.656521
Skewness	-0.117498	-0.410951	-0.324176	0.283950
Kurtosis	2.292021	2.635420	1.105090	2.272899
JB	1.159287	1.684255	8.356342	1.773302
Prob	0.560098	0.430793	0.015327	0.412033
Observation	50	50	50	50

Source: E-view Output, 2019

The table 4.1 above indicates the rundown of the descriptive statistics. It revealed the entirety of 50 observations which comprised of 5 agricultural companies listed on the Nigerian Stock Exchange for 10 years, that from 2009-2018. The table shows the average value of financial reporting quality (FIREQU) to be 0.421180 which indicates a low financial reporting quality.

The minimum value of FIREQU is 0.011700with maximum value of 0.072100 and standard deviation of 0.015192. It indicates that the agricultural sector in Nigeria has an average FIREQU of 0.421180. The standard deviation value of 0.015192 is less than the mean value of 0.421180, it means that the data are not widely dispersed from the mean value. Further, the results of skewness, kurtosis and Jarque-Bera explain the pattern of distribution of the series. Based on the general assumption (Hinton, Brownlow, McMurray & Cozen, 2004; Pallant, 2011; Muijs, 2010), a distribution with 0 skewness is considered to be symmetrical above its mean. Hence, a closer look at the distribution, it could be concluded that financial reporting quality value of skewness is almost 0. Similarly, a maximum value of 3 for kurtosis is expected to ensure the normal distribution (Blundel & Bond, 2000). The kurtosis value for financial reporting quality is 2.292021, it indicates the possibility of leptokurtic nature of the variable.

Also, the table reveals that the average value of audit committee frequency of meetings (ACFRME) is 3.720000, the maximum value of 4.000000, minimum value of 2.000000, standard deviation value of 0.858095. It shows that the average value or industry value of ACFRME of the agricultural sector is 3.720000. The standard deviation of the ACFRME is less than the average value, it indicates that the data are not widely dispersed from the mean. The skewness value of the variable is -0.410951 which is close to zero, it means that the distribution of the variables is symmetric in nature. The Kurtosis values of ACFRME is 2.635420 which is close to 3, it indicates that the shape is normally distributed in nature.

The descriptive statistics exhibits the mean value of audit committee financial expertise (ACFEXP) to be 0.580000, maximum value of 1.000000, the minimum value of 0.000000, and standard deviation value of 0.498569. The average number of audit committee financial expertise in the agricultural sector is approximately 0.580000, the standard deviation value of 0.498569 is less than the mean value of 0.580000 which indicates that the data are not widely dispersed from the mean. The skewness value of the variable is -0.324176 which is close to zero, it means that the distribution of the variables is symmetric in nature. The Kurtosis values of the variable is 1.105090 which is below 3, it indicates that the data is leptokurtic.

Also, the table reveals that the average value of audit committee gender diversity (ACGEDI) is 1.760000, the maximum value of 3.000000, minimum value of 1.000000, standard deviation value of 0.656521. It shows that the average value or industry value of ACGEDI of the agricultural sector is 1.760000. The standard deviation of ACGEDI is less than the average value, it indicates that the data are widely dispersed from the mean. The skewness value of the variable is 0.283950 which is close to zero, it means that the distribution of the variables is symmetric in nature. The Kurtosis values of ACGEDI is 2.272899 which is below 3, it indicates that the shape is leptokurtic in nature.

This study uses the Jarque-Bera test for normality, the results of the test indicate that the data are not normally distributed because their P-value is less than 0.05. However, the Guasian theorem (1929) and Shao (2003) suggest that normality of data does not in any way affect the inferential statistics estimate to the BLUE.

This implies that the null hypothesis has been rejected at the 5% significance level. In other words, the data does not come from a normal distribution. A value of 0 indicates the data is normally distributed. Stephanie Glen (2016)

4.2.2 Correlation Matrix

Correlation is a statistical method used to assess a possible linear association between two continuous variables. That is the degree to which a pair of variables are linearly related. Correlation is measured by a statistic called the correlation coefficient, which represents the strength of the putative linear association between the variables in question. A correlation coefficient of zero indicates that no linear relationship exists between two continuous variables, and a correlation coefficient of -1 or +1 indicates a perfect linear relationship. The strength of relationship can be anywhere between-1 and + 1.

The stronger the correlation, the closer the correlation coefficient comes to +-1. If the coefficient is a positive number, the variables are closely related. In the other hand, if the coefficient is a negative, the variables are inversely related (Mukaka, 2012).

Table 4.2

VARIABLES	FIREQU	ACFRME	ACFEXP	ACGEDI
FIREQU	1.000000			
ACFRME	-0.181353	1.000000		
ACFEXP	0.305863	0.101130	1.000000	
ACGEDI	-0.049687	-0.157945	-0.002494	1.000000

Source: E-view Output, 2019

The table above shows the correlation values between the independent variables. The correlation matrix is used to determine the existence of a relationship between independent variables of the study. It is observed that the variables correlate fairly well (between -0.15 and 0.57). There is no correlation coefficient greater than 0.8, hence there is no problem of collinearity of data (Neter, Kutner, Nachtsheim & Wasserman, 1996; Cassey et. al., 1999; Wallace & Naser, 2005).

4.2.3 Variance Inflation Factor

Table 4.3

Variable	VIF	1/VIF
C	NA	1.403256
ACFRME	1.036371	0.062001
ACFEXP	1.010523	0.179081
ACGEDI	1.025778	0.104836

Source: E-view Output, 2019

The tolerance values and the variance inflation factor are two good measures of assessing multicolinearity between the independent variables in a study. The result shows that variance inflation factor was consistently smaller than ten (10) indicating complete absence of multicolinearity (Neter et . al; 1996; Cassey et 'al., 1999). This shows the suitability of the study model been fit with the six independent variables. Also, the tolerance values were consistently smaller than 1.00, therefore extend the fact that there is complete absence of multicolinearity between the independent variables (Tobachmel & Fidell, 1996).

4.2.4 Random Effect Model Regression Results

Table 4.4

Variable	Coefficient	Standard Error	t-statistics	Prob
C	6.115327	1.196670	5.110288	0.0000
ACFRME	-0.290606	0.251539	-1.155311	0.2539
ACFEXP	0.882035	0.427494	2.063266	0.0448
ACGEDI	-0.176644	0.327085	-0.540055	0.5918
R^2	0.45			
Adj. R^2	0.39			
F-Statistics	4.1324			
Prob(F-Statistics)	0.0000			
Hausman Chi2	2.9797			
Hausman Prob>Chi2	0.3948			
Obs R-squared	0.5194			
Heteroskedasticity Sig	0.9146			
Br-GodfreyLM Stat	9.75284			
Breusch-Godfrey Ob. R	0.0005			

Source: Eview Output, 2019

Dependent variable: FIREQU

Audit Committee Frequency of Meetings and Financial Reporting Quality

The regression line shows that FIREQU = 6.115327 – 0.290606ACFRME + 0.882035ACFEXP - 0.176644CGEDI this means that financial reporting quality (FIREQU) will decrease by 0.29 units for every unit increase in audit committee frequency of meetings (ACFRME). The significant value or P-value of ACFRME is 0.2539, this significant value or P-value is more than the t-value of 0.05, which indicates that ACFRME has no significant effects on FIREQU of listed agricultural companies in Nigeria.

Audit Committee Financial Expertise and Financial Reporting Quality

The regression line reveals that FIREQU will increase by 0.88 units for every unit increase in audit committee financial expertise (ACFEXP). The significant value or P-value of ACFEXP is 0.0448, this significant value or P-value is less than the t-value of 0.05, likewise, the coefficient value of ACFEXP is positive which indicates that ACFEXP has positive significant effect on FIREQU of listed agricultural companies in Nigeria.

Audit Committee Gender Diversity and Financial Reporting Quality

The regression line portrays that FIREQU will decrease by 0.17 units for every unit increase in audit committee gender diversity (ACGEDI). The significant value or P-value of ACGEDI is 0.5918, this significant value or P-value is more than the t-value of 0.05, which indicates that ACGEDI has no significant effects on FIREQU of listed agricultural companies in Nigeria.

The F-Statistic of 4.1324 and its corresponding P-value of 0.0000 indicates that the model is fit and the independent variables are properly selected, combined and used. The Coefficient of Determination (R^2) of 0.45 indicates that about 45% of variation in FIREQU can be explained by ACFRME, ACFEXP and ACGEDI or the ability of the regression line to predict FIREQU is about 45%. The remaining 55% are attributed to other independent variables that are not captured in the regression. The study therefore, accepts alternate Hypothesis which states that, audit committee characteristics have significant effect on financial reporting quality of listed agricultural companies in Nigeria.

The Breusch Pegan-Godfrey Test of Heteroskedasticity indicates that the probability chi-square value of 0.9146 indicates that the data are homokesdasticity. Thus, the p-value of 0.9146 which is greater than 0.05 makes the study to accept the null hypothesis that the residuals are not heteroskeadasticity and is desirable. The Breush--Godfrey serial correlation LM test for serial correlation was performed on the residuals and the results showed observed R-squared of 0.0005, which is less of 0.05, which lead us to accept the presence of serial correlation in the residual. The Hausman Specification Test indicates that Random Effect Model is most appropriate to Fixed Effect Model given the Chi-Square value of 2.9797 and its corresponding P-value of 0.3948 which is more than the critical value of 0.5.

4.3 Discussion of Findings

Audit Committee Frequency of Meetings and Financial Reporting Quality

In the regression result, audit committee frequency of meetings (ACFRME) has no significant effect on financial reporting quality (FIREQU) of listed agricultural companies in Nigeria. This indicates that ACFRME does not influence the quality of financial reporting significantly. The finding is in tandem with the findings in the previous works of Ame and Onu (2018); Eriabie and Odia (2016). Also, the finding is contrary to the study of Osarumwense and Aderemi (2016); Zábojníková (2016); Malai (2015); Aryan (2015); Lifschutz, Jacob and Feldshtein (2010).

Audit Committee Financial Expertise and Financial Reporting Quality

Based on the regression result, audit committee financial expertise and financial reporting quality, ACFEXP has positive significant effect on FIREQU. This means that ACFEXP do influence FIREQU of listed agricultural companies in Nigeria negatively. This finding is in tandem with the study of Umobong and Ibinachuka (2017); Muhammed, Ayoib and Noor (2016); Malai (2015); Osarumwense and Aderemi (2016); Eriabie and Adeyemo (2016); Musa, Oluntoba and Awolabi

(2014). The finding contradicts the studies of Chaudhry and Noel (2017); Musa, Oluntoba and Awolabi (2014).

Audit Committee Gender Diversity and Financial Reporting Quality

The regression result of audit committee gender diversity and financial reporting quality shows that ACGEDI does not have a significant effect on FIREQU. It indicates that ACGEDI does not influence financial reporting quality of listed agricultural companies in Nigeria. The finding is in line with the findings of Ghazaleh and Garkaz (2015); Oscar and Daniel (2013); Nik and Mohd (2013). This finding contradicts the study of Umobong and Ibinachuka (2017); Aryan (2015); Gavious, Segev and Yosef (2012); Bunamin et al. (2011).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study examined the effect of audit committee characteristics on financial reporting quality of listed agricultural companies in Nigeria within the periods of 2009 to 2018. Chapter one addressed the background to the study which centered on issues regarding audit committee characteristics and financial reporting quality in Nigeria. To evaluate the issues surrounding the relationship between audit committee characteristics and financial reporting quality, some basic research questions, objectives, hypotheses were formulated which guided this study. The significance of the study was discussed within the framework of the study. The scope of the study covered the period of ten (10) years from 2009-2018.

Chapter two, reviewed literatures on the conceptual framework, empirical studies of the variables (Audit committee characteristics and financial reporting quality) been studied and theories that the study is underpinned to. Audit committee frequency of meetings, audit committee financial expertise and audit committee gender diversity are proxies for audit committee characteristics, while discretionary accrual was used as proxy for financial reporting quality in this study. In line with the agency theory that underpins the study,

In chapter three, cross sectional panel data were extracted from the financial statements of five (5) listed agricultural companies in Nigeria for the period of 2009-2018. Also, in chapter four, descriptive statistics, variance inflation factor, spearman correlation analysis and the random effect regression were conducted and the result revealed that audit committee financial expertise has significant positive effect on financial reporting quality of listed agricultural companies in Nigeria, but audit committee frequency of meetings and audit committee gender diversity has no significant effect on financial reporting quality of listed agricultural companies in Nigeria.

5.2 Conclusions

Based on the regression result, audit committee characteristics have both positive and negative effect on financial reporting quality of agricultural companies listed on the Nigeria Stock Exchange. Audit committee expertise was the only variable that has positive effect on financial reporting while audit frequency of meeting and audit committee gender diversity have negative and insignificant influence on financial reporting quality. Therefore, the specific conclusions are stated below:

i. The regression result on audit committee frequency of meetings (ACFRME) has no significant effect on financial reporting quality (FIREQU) of listed agricultural companies in Nigeria; the study concludes that audit committee frequency of meetings is not a significant factor that determines the quality of financial reports although there is an insignificant negative relationship. It shows that frequency of audit committee meetings does not influence financial reporting quality.

ii. In the case of effect of audit committee financial expertise on financial reporting quality of listed agricultural companies in Nigeria, financial expertise has a significant but positive effect on financial reporting quality. Therefore, the study concludes that number of financial experts in the audit committee improves quality of financial reporting. The more the number of financial experts in the audit committee, the better the quality of financial report.

iii. Based on the insignificant relationship between audit committee gender diversity and financial reporting quality as it has been reported in the regression, the study concludes that audit committee gender diversity does not influence quality of financial reports of agricultural companies in Nigeria.

5.3 Recommendations

The study offers the following recommendations based on the conclusions of the study;

i. Agricultural companies listed on the floor of the Nigerian Stock Exchange should improve the frequency of audit committee meeting because the frequency of meeting of audit committee does not guarantee quality of financial reports rather it increases cost. However, the study found that audit committee frequency of meetings has no significant effect on financial reporting quality of listed agricultural companies in Nigeria by so doing minimizing cost.

ii. The study therefore recommends that agricultural companies should increase the number of financial experts in their audit committee, because this study found that audit committee financial expertise has positive significant effect on the quality of financial reports of listed agricultural companies in Nigeria.

iii. Based on the conclusion of this study, agricultural companies listed in Nigeria should reduce the number of female in their audit committee, because from the findings number of female on the committee does not determine the quality of financial reports prepared by agricultural companies. However, this study found that audit committee gender diversity has no significant effect on the financial reporting quality of listed agricultural companies in Nigeria.

5.4 Suggestions for Further Study

Based on the previous discussion of the findings and the conclusion of this study, there are possible issues that can be looked into in future research. However, this study is restricted to agricultural companies listed on the Nigerian Stock Exchange; therefore, it is suggested that similar work can be conducted in other sectors of the economy. Future research could consider factors other than those used in this study. Interested researcher can also extend the period of the study as this study only covered 2009 - 2018.

5.4 Limitations of the Study

This study is limited by its concentration on only listed agricultural companies in Nigeria, in another vein, the limitation in this study is that financial reporting quality and audit committee characteristics are unobservable so reliance was placed on proxy measures that are widely used in accounting literature, however, these measures are not free from criticism. The study is also limited to the period of 2009 - 2018.

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Appendix A

DESCRIPTIVE STATISTICS

	FIREQU	ACFRME	ACFEXP	ACGEDI
Mean	0.421180	0.372000	0.580000	1.760000
Median	0.044200	3.000000	1.000000	2.000000
Maximum	0.072100	4.000000	1.000000	3.000000
Minimum	0.011700	2.000000	0.000000	1.000000
Std. Dev.	0.015192	0.858095	0.498569	0.656521
Skewness	-0.117498	-0.410951	-0.324176	0.283950
Kurtosis	2.292021	2.635420	1.105090	2.272899
Jarque-Bera	1.159287	1.684255	8.356342	1.773302
Probability	0.560098	0.430793	0.015327	0.412033
Sum	210.5900	186.0000	29.00000	88.00000
Sum Sq. Dev.	113.0991	36.08000	12.18000	21.12000
Observations	50	50	50	50

Appendix B

CORRELATION ANALYSIS

	FIREQU	ACFRME	ACFEXP	ACGEDI
FIREQU	1.000000			
ACFRME	-0.181353	1.000000		
ACFEXP	0.305863	0.101130	1.000000	
ACGEDI	-0.049687	-0.157945	-0.002494	1.000000

Appendix C

VIF

Variance Inflation Factors
Date: 07/23/19 Time: 03:46
Sample: 1 50
Included observations: 50

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	1.403256	32.50550	NA
ACFRME	0.062001	20.91125	1.036371
ACFEXP	0.179081	2.406007	1.010523
ACGEDI	0.104836	8.548150	1.025778

Appendix A

DESCRIPTIVE STATISTICS

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Minimum	0.011700	2.000000	0.000000	1.000000
Std. Dev.	0.015192	0.858095	0.498569	0.656521
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CORRELATION ANALYSIS

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ACGEDI	0.104836	8.548150	1.025778

Appendix D

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	9.752894	Prob. F(2,44)	0.0003
Obs*R-squared	15.35749	Prob. Chi-Square(2)	0.0005

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 07/23/19 Time: 03:56
Sample: 1 50
Included observations: 50
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.130074	1.016530	-0.127959	0.8988
ACFRME	0.012805	0.213620	0.059944	0.9525
ACFEXP	0.320677	0.379028	0.846051	0.4021
ACGEDI	-0.060542	0.279901	-0.216298	0.8298
RESID(-1)	0.599388	0.157455	3.806717	0.0004
RESID(-2)	-0.065176	0.157950	-0.412636	0.6819

R-squared	0.307150	Mean dependent var	1.12E-15
Adjusted R-squared	0.228417	S.D. dependent var	1.423495
S.E. of regression	1.250395	Akaike info criterion	3.396963
Sum squared resid	68.79347	Schwarz criterion	3.626406
Log likelihood	-78.92407	Hannan-Quinn criter.	3.484336
F-statistic	3.901158	Durbin-Watson stat	1.862827
Prob(F-statistic)	0.005166		

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.160980	Prob. F(3,46)	0.9220
Obs*R-squared	0.519480	Prob. Chi-Square(3)	0.9146
Scaled explained SS	0.331068	Prob. Chi-Square(3)	0.9541

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 07/23/19 Time: 03:58
Sample: 1 50
Included observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.580874	2.037844	1.266473	0.2117
ACFRME	-0.184832	0.428353	-0.431493	0.6681
ACFEXP	-0.279832	0.727993	-0.384389	0.7025
ACGEDI	0.144780	0.557003	0.259926	0.7961

R-squared	0.010390	Mean dependent var	1.985811
Adjusted R-squared	-0.054150	S.D. dependent var	2.461650
S.E. of regression	2.527421	Akaike info criterion	4.768894
Sum squared resid	293.8414	Schwarz criterion	4.921856
Log likelihood	-115.2224	Hannan-Quinn criter.	4.827143
F-statistic	0.160980	Durbin-Watson stat	1.612916
Prob(F-statistic)	0.922045		

Appendix E

HAUSMAN TEST
Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.979749	3	0.3948

** WARNING: estimated cross-section random effects variance is zero.

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
ACFRME	-0.099647	-0.290606	0.018305	0.1581
ACFEXP	-0.980382	0.882035	0.016896	0.4493
ACGEDI	-0.012659	-0.176644	0.012627	0.1445

Cross-section random effects test equation:
Dependent Variable: FIREQU
Method: Panel Least Squares
Date: 07/23/19 Time: 03:32
Sample: 2009 2018
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.173387	1.357117	3.812043	0.0004
ACFRME	-0.099647	0.285616	-0.348884	0.7289
ACFEXP	-0.980382	0.446819	-2.194137	0.0338
ACGEDI	-0.012659	0.345850	-0.036601	0.9710

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.182003	Mean dependent var	4.211800
Adjusted R-squared	0.045670	S.D. dependent var	1.519258
S.E. of regression	1.484161	Akaike info criterion	3.773222
Sum squared resid	92.51478	Schwarz criterion	4.079146
Log likelihood	-86.33056	Hannan-Quinn criter.	3.889720
F-statistic	1.334989	Durbin-Watson stat	0.956100
Prob(F-statistic)	0.258231		

Appendix F

RANDOM EFFECT MODEL REGRESSION ANALYSIS

Dependent Variable: FIREQU
Method: Panel EGLS (Cross-section random effects)
Date: 07/23/19 Time: 03:29
Sample: 2009 2018
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.115327	1.196670	5.110288	0.0000
ACFRME	-0.290606	0.251539	-1.155311	0.2539
ACFEXP	0.882035	0.427494	2.063266	0.0448
ACGEDI	-0.176644	0.327085	-0.540055	0.5918

Effects Specification	S.D.	Rho
Cross-section random	0.000000	0.0000
Idiosyncratic random	1.484161	1.0000

Weighted Statistics

R-squared	0.452093	Mean dependent var	4.211800
Adjusted R-squared	0.394838	S.D. dependent var	1.519258
S.E. of regression	1.469180	Sum squared resid	99.29053
F-statistic	4.132448	Durbin-Watson stat	0.886110
Prob(F-statistic)	0.00000		

Unweighted Statistics

R-squared	0.452093	Mean dependent var	4.211800
Sum squared resid	99.29053	Durbin-Watson stat	0.886110

Appendix G

FIXED EFFECT MODEL REGRESSION ANALYSIS

Dependent Variable: FIREQU
Method: Panel Least Squares
Date: 07/23/19 Time: 03:15
Sample: 2009 2018
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.173387	1.357117	3.812043	0.0004
ACFRME	-0.099647	0.285616	-0.348884	0.7289
ACFEXP	-0.980382	0.446819	-2.194137	0.0338
ACGEDI	-0.012659	0.345850	-0.036601	0.9710

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.182003	Mean dependent var	4.211800
Adjusted R-squared	0.045670	S.D. dependent var	1.519258
S.E. of regression	1.484161	Akaike info criterion	3.773222
Sum squared resid	92.51478	Schwarz criterion	4.079146
Log likelihood	-86.33056	Hannan-Quinn criter.	3.889720
F-statistic	1.334989	Durbin-Watson stat	0.956100
Prob(F-statistic)	0.258231		

Appendix H

Data Presentation

COMPANY	ID	YEAR	FIREQU	ACFEXP	AUDCFM	AUDCGE
PRESCO	1	2009	0.0161	1	3	2
	1	2010	0.0142	0	2	2
	1	2011	0.0229	1	4	3
	1	2012	0.0451	1	3	2
	1	2013	0.0426	0	3	3
	1	2014	0.0491	1	4	1
	1	2015	0.0656	0	4	1
	1	2016	0.0445	1	4	1
	1	2017	0.0589	1	4	1
	1	2018	0.0487	0	1	1
OKOMU PLC	2	2009	0.0463	1	1	1
	2	2010	0.0441	0	1	3
	2	2011	0.0571	0	1	2
	2	2012	0.0611	1	2	3
	2	2013	0.0304	0	4	2
	2	2014	0.0271	1	1	3
	2	2015	0.0481	1	2	1
	2	2016	0.0545	0	1	1
	2	2017	0.0571	0	3	1
	2	2018	0.0409	0	1	5
LIVESTOCK FEEDS PLC	3	2009	0.0161	1	4	5
	3	2010	0.0223	1	4	1
	3	2011	0.0251	1	1	1
	3	2012	0.0272	0	1	3
	3	2013	0.0381	1	1	2
	3	2014	0.0561	0	1	2
	3	2015	0.0462	0	4	2
	3	2016	0.0611	1	4	2
	3	2017	0.0571	0	4	2
	3	2018	0.0664	0	2	2
FTN PLC	4	2009	0.0414	1	1	3
	4	2010	0.0411	1	4	1

	4	2011	0.0454	1	3	1
	4	2012	0.0596	1	2	2
	4	2013	0.0691	0	2	2
	4	2014	0.0721	0	4	3
	4	2015	0.0443	1	4	3
	4	2016	0.0388	1	2	3
	4	2017	0.0289	1	2	2
	4	2018	0.0232	1	4	1
ELLAH PLC	5	2009	0.0229	0	4	1
	5	2010	0.0117	1	4	2
	5	2011	0.0417	0	4	3
	5	2012	0.0286	1	2	3
	5	2013	0.0391	0	4	1
	5	2014	0.0449	0	3	1
	5	2015	0.0457	1	3	1
	5	2016	0.0477	1	2	2
	5	2017	0.0391	1	4	2
	5	2018	0.0305	1	3	2