

**AUDIT COMMITTEE ATTRIBUTES AND FINANCIAL
STATEMENTS QUALITY**

**OMOREGIE JULIUS OMOKARO
MAT. NO: SBS/2012070492**

**A PROJECT WORK SUBMITTED TO THE
DEPARTMENT OF ACCOUNTANCY,
SCHOOL OF BUSINESS STUDIES,
AUCHI POLYTECHNIC,
AUCHI, EDO STATE**

**IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE
HIGHER NATIONAL DIPLOMA (HND)
IN ACCOUNTANCY**

NOVEMBER, 2022

CERTIFICATION

We the undersigned hereby certify that this project work carried out by **Omoregie Julius Omokaro** with Mat. No: **SBS/2012070492** under our supervision and that it is adequate in scope and quality in partial fulfillment of the requirements for the Award of Higher National Diploma (HND) in Accountancy.

DR. IZEVBEKHAI, M.O.
PROJECT SUPERVISOR

DATE

MR. ABUMERE, D.I.
HEAD OF DEPARTMENT

DATE

DEDICATION

This project is dedicated to God Almighty for his love, protection and benevolence over me throughout the period of my study.

ACKNOWLEDGEMENTS

My special appreciation goes to **Almighty God** for His guidance, protection and provision for seeing me throughout my stay in this polytechnic.

My undiluted appreciation goes to my project supervisor, who is also the Head of Department of Accountancy; **Dr. Izevbehai, M. O.** for his direction, advice and professional assistance all through the period of this study.

I wish to express my profound gratitude to my lovely and kind parents; **Mr. & Mrs. Omoregie** and siblings for their advice and financial assistance all through the period of my stay in school.

I also appreciate my friends and coursemates for their encouragement, may God bless you all.

Abstract

This study investigates audit committee attributes and financial statement quality. The broad objective of this study is to examine the effect of audit committee size on financial statement quality of listed non-financial firms in Nigeria and also to evaluate the effect of audit committee diligence on financial statement quality of listed non-financial firms in Nigeria. The secondary source of data collection was adopted in the study where the purposive sampling technique was used to select a sample size of eleven (11) non-financial firms listed in the Nigerian Exchange Group. Ordinary Least Square regression method was used to analyze the variables in this study using STATA and the findings revealed that audit committee diligence has significant effect on financial statement quality of listed non-financial firms in Nigeria and that audit committee independence has significant effect on financial statement quality of listed non-financial firms in Nigeria. The study recommends among others that the size of audit committee should be streamlined to portray the vision and standard of the firm and that regular meetings should be scheduled to checkmate the financial activities of the firm and the auditors at large.

TABLE OF CONTENTS

Title Page

Certification

Dedication

Acknowledgements

Abstract

Table of Contents

Chapter One: Introduction

- 1.1 Background to the Study
- 1.2 Statement of Problem
- 1.3 Research Questions
- 1.4 Objectives of the Study
- 1.5 Statement of Hypotheses
- 1.6 Significance of the Study
- 1.7 Scope of the Study
- 1.8 Limitations of the Study

Chapter Two: Review of Related Literature

- 2.1 Conceptual Reviews
 - 2.1.1 Audit Committee
 - 2.1.2 Audit Committee Size
 - 2.1.3 Audit Committee Diligence
 - 2.1.4 Audit Committee Independence
 - 2.1.5 Financial Statement Quality
- 2.2 Theoretical Framework
 - 2.2.1 Underpinning theory
 - 2.2.2 Agency Theory
 - 2.2.3 Stakeholders' Theory

- 2.3 Empirical Review
 - 2.3.1 Audit committee size and financial statement quality
 - 2.3.2 Audit committee diligence and financial statement quality
 - 2.3.3 Audit committee independence and financial statement quality

Chapter Three: Research Methodology

- 3.1 Research Design
- 3.2 Description of Population of the Study
- 3.3 Sample Size and Sampling Technique
- 3.4 Sources of Data Collection
- 3.5 Method of Data Analysis
- 3.6 Model Specification

Chapter Four: Data Presentation, Analysis and Discussion of Findings

- 4.1 Presentation and Analysis of Data
- 4.2 Hypotheses Testing
- 4.2 Discussion of Findings

Chapter Five: Summary of Findings, Conclusion and Recommendations

- 5.1 Summary of Findings
 - 5.2 Conclusion
 - 5.3 Recommendations
- References

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Users of financial statements rely primarily on the details available to them via business annual decision-making reports. In order to allow investors (potential and current) to make informed investment decisions, this report is required to be accurate, credible, relevant and reasonable. For this purpose, it is expected that financial reports will provide accurate, timely, clear and credible financial information that is not purposely intended to confuse users (Muazu & Aminu, 2021). However, the high profile of corporate failure and accounting failure around the world, particularly in developing economies from the beginning of the 21st century, highlighted the intentional wrongdoings of financial reporting managers. Failures of major companies such as Enron, Tyco International, Global Crossing, WorldCom, and most recently the collapse of Carillion. The British multinational facilities management and construction giant etc. have raised questions about the audit committee's efficacy due to its inability to protect investor interests. This has made it more difficult for shareholders to make investment decisions regarding the validity and reliability of financial data (Araoye & Olatunji, 2019). This prompted the worldwide corporate governance regulator and, as a

result, the Sarbanes Oxley Act, which was adopted to fix this situation in the United States in 2000.

A SEC survey reveals that poor corporate governance accounted for corporate failures in Nigeria, according to the Central Bank of Nigeria (2006), as only 40 percent of the listed companies accepted the current corporate governance code. As many more corporate bodies in Nigeria are still being investigated, the list of recent cases of creative accounting practices seems to be increasing. The collapse of African International Bank, Savannah Bank, Fin Bank, Intercontinental Bank, Oceanic Bank Plc, Cadbury Nigeria, African Petroleum (AP) account manipulation, and the sack of five bank managers have all been linked to Nigerian public companies' financial reporting errors (Alqatamin, 2018).

However, the main body charged with the responsibility of overseeing companies' financial statements and disclosures as well as audit processes is the audit committee. The audit committee is a key board committee that liaises with the internal and external auditors and thus provide forum for both to express their issues and concern. To achieve these goals, the audit committee should be well staffed. According to UK Cadbury report audit committee should consist entirely of independent non-executive directors and should not be less than 3 members. They are also required to meet regularly and should include at least one member with significant and recent financial experience

(ACCA, 2014). Effective audit committee can boost the investors' confidence in the capital market as well as safeguard shareholders' wealth. If they operate effectively, audit committee can bring tremendous and significant benefits to the organization. Such benefits include improving quality financial reporting by reviewing financial statements on behalf of the board, creating a climate of discipline and control which reduces the opportunity of fraud, strengthening the position of external auditors by providing a channel of communication and forum for issues of concern, providing framework within which the external auditor can assert his independence in the event of management dispute, strengthening the internal audit function, increasing public confidence in the credibility and objectivity of financial statements (Temple, 2019).

Consequently, the need for efficacy of audit committee in refining the quality of financial reporting has gained impetus and allures the attention of regulators globally in contemporary times. The reason as stated earlier is not farfetched and largely due to accounting fraud and manipulations of financial statements necessitating corporate control initiatives.

On his part, Kantudu and Samaila (2015) argued that effectiveness of audit committee is ensured through timely comment, review and approval of corporate accounting policies, the financial statements and internal controls. In addition, the code of corporate governance saddles

the committee with responsibilities such as appointment and remuneration of external auditors, discussing the scope of external auditors work and review of audit engagements. Similarly, Alqatamin (2018) is of the view that appropriate size, devotion of adequate time and gender diversity of audit committee will enhance reporting quality of a firm's financial information. Company financial report is vital to management of companies and other stakeholders such as shareholders, creditors, employee, financial communicator, governmental agencies, among others as it is capable of influencing their decision making substantially. According to Oliver and Ofoegbu (2017), financial statements convey both qualitative and quantitative accounting information to assist users in making an informed economic decision. Credible and high-quality financial statements that are free from any material misstatements or misrepresentation enhance users' decision - making quality. IASB (2008) provide that the aim of preparation and presentation of financial reports is to provide high-quality information concerning economic entities, primarily financial in nature, useful for economic decision making by users (Anthony, Oluoch, Willy & Memba 2017).

1.2 Statement of Problem

In Nigeria, audit committee has not displayed the capability to perform the desired oversight responsibilities as evidenced in the collapse

of financial institutions and mismanagement of government agencies. This scenario led to criticisms of audit committee by stakeholders for the failure to discharge functions vested on it by CAMA 2004, Security and exchange commission and regulators. There are a number of reasons suspected to have contributed to this anomaly. The competence of members of the audit committee has been questioned by stakeholders as it is believed that majority of members do not understand financial reporting and are unable to make plausible contributions.

Audit committee has been in existence for decades. In Nigeria, Companies and Allied Matters Act CAMA (1990) as amended in (2004) created the audit committee. The audit committee created by this Act comprises equal number of directors and representatives of shareholders which shall not exceed six (6). However, despite the relevance and glamour to establish audit committee for public companies in Nigeria, their functions, responsibilities and practices have been criticized; this criticism resulted from the fact that, the audit committee might not be capable to handle the expected responsibilities, since the same law is silent to their professional capability and qualification (Enofe, Arontuwan & Abadua, 2013).

The inclination of poor corporate money related announcing quality is quick turning into a key test for partners in the Nigerian corporate setting. The instances of African Petroleum Plc which indicate

money related explanations of the organization did not genuinely display the organization's monetary position, Cadbury Nigeria Plc and the saving money division which saw the Economic and Financial Crimes Commission (EFCC) summoning the best administration of a portion of the banks because of false budgetary revealing are works of art cases of budgetary detailing challenges in Nigeria. The later propose to us that the risk of poor corporate money related detailing quality as of now sneaks around. The suggestion is that there would be a continuous rise of doubts in the brain of speculators, investors and different partners on the validity of monetary reports of organizations in Nigeria. Hence, this study fills these gaps by examining the audit committee attributes on financial statement quality.

1.3 Research Questions

The following are the research questions of the study:

- i. To what extent does audit committee size affect financial statement quality of listed non-financial firms in Nigeria?
- ii. To what extent does audit committee diligence affect financial statement quality of listed non-financial firms in Nigeria?
- iii. To what extent does audit committee independence affect financial statement quality of listed non-financial firms in Nigeria?

1.4 Objectives of the Study

The broad objective of this study is to examine the effect of audit committee attributes on financial statement quality of listed non-financial firms in Nigeria. However, the specific objectives include:

- i. To examine the effect of audit committee size on financial statement quality of listed non-financial firms in Nigeria.
- ii. To evaluate the effect of audit committee diligence on financial statement quality of listed non-financial firms in Nigeria.
- iii. To investigate the effect of audit committee independence on financial statement quality of listed non-financial firms in Nigeria.

1.5 Statement of Hypotheses

The following are the hypotheses of the study stated in their null forms:

- i. Audit committee size has no significant effect on financial statement quality of listed non-financial firms in Nigeria.
- ii. Audit committee diligence has no significant effect on financial statement quality of listed non-financial firms in Nigeria.
- iii. Audit committee independence has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

1.6 Significance of the Study

This study is expected to provide empirical evidence on the relationship between audit committee attributes and financial statement

quality in Nigeria non-financial firms. The study would provide information to investors in the Nigerian Exchange Group (NGX) on the link between audit committee characteristics and financial reporting so as to protect their investment and direct it to the best and viable investment that will yield benefit in future.

The result of the study would be of benefit to the government, industrialist, entire employee's bodies and educational bodies. It will help the government to plan out their policy as it affects tax aggressiveness. It will help facilitate decision making process of industrialist as it bothers industrial policies they choose to adopt. Nevertheless, the findings from this study contribute to finance literature by providing evidence that supports the relationship between audit committee attributes and financial statement quality. The results could provide accounting practitioners as well as regulators with valuable insight into the complex interactions between different dimensions of governance among companies in Nigeria.

1.7 Scope of the Study

This study focused on the relationship between audit committee attributes and financial statement quality in Nigeria. The scope of this study is on listed non-financial firms in Nigeria. The listed non financial firms were chosen because of the fact that their financial reports and accounts over the periods of study were published under strict supervision

of CBN. In addition, the financial report which is among our sources of data collection is available in the Nigerian Exchange Group (NGX) published fact book. Lastly, the study will be limited between the periods of 2011 to 2020 using the data obtained from secondary sources.

1.8 Limitations of the Study

One major limitation the study faced is the number of units to be studied. To solve this problem, the researcher limited the study to the listed non-financial firms in the Nigerian Exchange Group (NGX).

Another problem faced by the study is generalization issue. However, in a bid to solve this problem, the researcher studied a significant number of companies with wide years range. This is to ensure the results gotten can be true representation of the entire sector.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Conceptual Reviews

2.1.1 Audit Committee

An audit committee is a committee of an organization's board of directors which is responsible for oversight of the financial reporting process, selection of independent auditor and receipt of both internal and external audit results. According to Ahmed (2018), audit committee referred to a group of people selected from members of the board of directors who are responsible for retraining the independence of auditors. Also, Bala (2014) viewed audit committee to compose of non-executive directors in an establishment. From the definitions above, it can be deduced that the main purpose of audit committee is the improvement of audit work thereby increasing the quality of financial reporting. Audit committee is one of the major operating committees of a companies' board of directors that is in charge of overseeing financial reporting and disclosure (Bansal & Sharma, 2016). An audit committee assists the board of directors to fulfill its corporate governance and overseeing responsibilities in relation to an entity's financial reporting, internal control system, and risk management system as well as its internal and external audit functions (Dabor & Dabor, 2013). Its role is to provide

advice and recommendations to the board within the scope of its terms of reference.

Monitoring the financial results and financial statements of the company is the primary role of an audit committee. In this regard, it is required that the appointment, dismissal and remuneration of auditors, the content and extent of the audit work, the independence of the auditor and the resolution of conflicts between the auditors and the executive management should be strongly influenced by the audit committees. Audit committees may also evaluate and settle on chosen accounting practices and persuade the approach of a corporation to financial statements, transparency levels and compliance with best practice. In addition, audit committees can ensure compliance with corporate legal and ethical requirements, including the maintenance of preventive fraud controls, in addition to monitoring the effectiveness of the company's accounting processes.

For example, several studies have addressed the value of audit committees; establishing an audit committee increases the expectation of investors to obtain better financial reports. As a result, the company would more likely experience a rise in its coefficients of earnings response. Likewise, Firms with an audit committee are less likely to encounter mistakes, anomalies and other inaccurate financial reporting metrics. Consequently, the Audit Committee is considered to be an

external internal governance tool, the effect of which is to enhance the consistency of a company's financial management and improve its results. In this regard, there are four key attributes to be considered by an audit committee: independence of the audit committee, size of the audit committee, diversity of the audit committee and meetings of the audit committee.

2.1.2 Audit Committee Size

Audit committee size is the total number of individuals that serve as members of audit committee in a particular entity within a particular accounting period. Appropriateness is essential when determining the number of people to occupy audit and all other board committees to ensure prompt delivery and efficiency and the need to avert agency conflict that may result from audit committee ineptitude. Empirical studies show that audit committee size is a determinant of the quality in corporate financial reporting. Aderemi, Osarumwense, Kehinde and Ben-Caleb (2016), find that large number of audit committee members play crucial role in constraining earnings management. However, in a study that uses different country and different domain, Alqatamin (2018) found that largeness of audit committee members leads to lose of focus, because they report that that are smaller in size produce financial reports that are of higher quality than larger sized audit committee firms. In a contemporaneous study, Umobong and Ibanichuka (2017) examine the

effect of audit committee attributes and financial reporting quality in Nigeria food and beverage firms from 2011 to 2015. They find that negative and insignificant relationship exists between audit committee size and financial reporting quality of the sampled firms. Similarly, the study reveals that audit committee size has the quality of financial reports that emanate from listed conglomerates and oil & gas firms in Nigeria.

It has been revealed that the size of an audit committee measured as a figure has a positive effect on the audit committee effectiveness. This is because the number of the audit committee members of sufficient size is better than a small committee size. However, it is likely that audit committee effectiveness may be experiencing problems if the committee too large. Therefore, the previous studies have shown that the right size of the audit committee will provide a high quality of monitoring financial reporting.

The issue of earnings management has invariably led to the course of action by management to institute audit committee which has been regarded as an integral part of improving the quality of financial reporting. An audit committee is a sub-committee of the board that specializes in and responsible for ensuring the accuracy and reliability of the financial statements provided by management (Majiyebo, 2019). This has seriously stimulated regulators' attention all over the world to formulate laws and/or review policies on improving the monitoring

functions of the audit committee (Asiriwa, Aronmwan, Uwuigbe & Uwuigbe, 2018). Following the legal requirements of Nigeria, section 359 (6) of the Companies and Allied Matters Acts CAMA (1990), laws of the federation of Nigeria, the functions of audit committee are to review the audited and unaudited financial statements as well as other special investigation of the company in accordance with the legal requirement and agreed ethical practices and to ensure that the company maintains an effective system of accounting and internal control as well as to review the scope and results of external auditors thereby reaffirming their objectivity. Most of the regulations including that of Nigeria require the provision of an equal number of shareholders and directors to run the audit committee (Hussaini & Adam, 2014).

As highlighted earlier, section 359(6) of the Companies and Allied Matters Act CAMA requires every public company to have an audit committee which shall have a maximum of six members of equal representation by three shareholders and three directors (Bala, 2014).

As stated by Temple (2019), the magnitude of the committee is the sum of memberships of the group chosen by the governing bodies. Where a large audit committee member exists, possible challenges emanating from financial reporting tasks likely have the likelihood of being exposed and settled. This depends on the situation where a considerable number of the size of the committee raises the available means to the committee and

enhances the superiority of control, as previous studies have shown that audit committee size affects corporate disclosure.

2.1.3 Audit Committee Diligence

In Nigeria, the audit committee is considered as a committee of representatives of both directors and shareholders charged with the responsibility to review the annual statements before being submitted to the board of directors (Enofe, Nbgame, Okunega & Edia 2013). An active audit committee is expected to provide a monitoring mechanism that can improve the reliability and financial reporting of the company (Gabriella, 2016). To achieve this, the audit committee must meet frequently. According to Ibrahim, Alkasim, Udoh, and Onipe (2019), every member of the audit committee are expected to attend board meetings, as such attendance gives them the opportunity of knowing the issues being faced by the company and empowers them to effectively perform their functions. The audit committee diligence ensures that there are intensity and effectiveness to incorporate monitoring of the operation of the management (Araoye & Olatunji, 2019).

Diligence allows members to interact among themselves thereby creating and strengthening cohesive bonds that will engender mutual understanding for a strategic decision that will contribute to improved managerial performance (Akpan, 2015). The more the meeting attended by the members of the audit committee, the better the managerial

monitoring quality which ensures the quality of financial reporting. The audit committee members will be well informed and keep abreast of the activities within the organization when they meet regularly.

The number of committee diligence has an effect on audit committee effectiveness. It is expected to increase the frequency of committee meetings. To become more effective, committee members ought to be willing to devote more of their time for auditing. Previous studies also found that the frequency of meetings of audit committees is associated with increased quality of earnings. However, researches from Australia found that no significant evidence of association between the frequency of meetings and qualitative financial reporting.

Thus, the total number of meetings depends on the company's terms of reference and the complexity of the company's operation. On the other hand, Malaysian Code on Corporate Governance suggests that at least three or four meetings should be planned to correspond to the audit cycle and the timing of published annual reports in addition to other meetings in response to circumstances that arise during the accounting year. Another study found that audit committee meeting frequency is another significant mechanism, which affects qualitative financial reporting. The main functions during the audit committee meeting is overseeing the firms' financial reports, internal accounting control, the audit process and more recently, its risk management practices. In order

to pursue these functions, audit committee is to meet regularly with the external and internal auditors to review the financial statements, audit process and internal controls of the firm.

Consistently, Krishnan and Visvanathan (2019) showed that the firms with higher number of audit committee meetings demand more assurances and higher quality audit from their auditors. In order to provide more assurances and higher quality of external audit, the auditors may need to perform additional audit work in terms of enlarging the audit scope and increasing the audit testing levels, which results in both higher audit fees and higher audit quality. As a result, the higher the frequency of an audit committee meeting is the more effective monitoring function is.

2.1.4 Audit Committee Independence

An indispensable attribute of an effective audit committee is independence from management. By providing an independent source of counsel to the board, Audit Committees play a key character in an organization's governance configuration. An independent audit committee member is a person who is not employed by or providing any services to, the organization beyond his or her duties as a committee member. Independence of Audit Committee helps to ensure that management is transparent and will be held answerable to stakeholders (Mbobo & Umoren, 2016). The expectation is that independent Audit

Committee members will be more objective and less likely to ignore possible deficiencies in the misappropriation and manipulation of financial reporting.

Independence of audit committees helps to ensure that management is transparent and will be held accountable to stakeholders. It is expected that independent audit committee members will be more objective and less likely to overlook possible deficiencies in the misappropriation and manipulation of financial reporting. After the passage of SOX in 2002, audit committees in the US must consist entirely of independent members to pre-approve audit and non-audit services and to set procedures for handling complaints related to accounting and auditing issues. Klein (2019) posited that independence of audit committees increases with board size and board independence. Audit committee independence is significantly related to financial reporting quality, since financial statement fraud is more likely to happen in firms with less audit committee independence.

Independence is an old attributes of the audit committee since the seminal work of Fama and Jensen who's based on the agency theory suggested that the independence of a nonexecutive director is a crucial quality that contributes to the effectiveness of audit committee monitoring function. Moreover, the report of the Blue Ribbon Committee (BRC) considers the independence as an essential quality of the audit

committee in order to fulfill its oversight role. Based on this report, a quite number of studies have found a relationship between the independence of the audit committee, the level of supervision and the level of fraud in the financial statements by using the percentage of outside directors to measure independence.

The independence of the members of the audit committee is the most important criterion with effect on the reliability of financial statements. Moreover, the independence of the audit committee has a positive influence on the quality of earnings. In contrast, some studies opined that independent audit committees are less likely to be associated with financial statement fraud but a lower incidence of earning restatement because independent audit committee is able to provide unbiased assessment and judgment and able to monitor management effectively.

2.1.5 Financial Statement Quality

The global increase in accounting scandals has pointed to weaknesses in financial reporting quality. Extreme lapses in financial reporting quality lead to loss of investment as well as loss of investors' confidence in financial reporting systems of companies. Based on these crises, there have been convergence and harmonization of accounting standards in order to ensure high quality disclosures in the financial statements of companies. Thus it is of paramount importance that

qualitative financial information is provided to users as this influences investment decisions as well as enhances market efficiency. High quality financial reporting information positively influences capital providers and other stakeholders in making investment, credit and similar resource allocation decisions which enhances market efficiency. Therefore, the quality of financial reporting depends to a large extent on the effectiveness and efficiency of accounting standards.

The essential principle of assessing the financial reporting quality is related to the faithfulness of the objectives and quality of disclosed information in the companies' financial statements. As it is defined in IASB conceptual framework, there are agreed upon qualitative characteristics of financial reporting. These qualitative characteristics are subdivided in fundamental- relevance and faithful representation, and enhancing – understandability, comparability, verifiability and timeliness. These qualitative characteristics facilitate assessment of the useful of financial information as well as distil element of misleading information. Thus the emphasis is on transparent financial reports and not misleading financial information; not to mention the importance of preciseness and predictability as indicators of high financial reporting quality.

Stakeholders of the financial statements (users) are creditors, sellers, customers, shareholders, lenders, employees, government agencies. Such users have different data needs. The consistency of

financial statements is important to each of the unique information needs of the stakeholders for the purpose of making informed decisions. Financial reporting integrates two forms of information: quantitative and non-quantifiable information. For consumers of financial statements for decision making, all forms of information are of tremendous significance. It is important to remember that the quality of financial reporting and the quality of financial reporting are used on an interchangeable basis. Several interpretations of the word, economic reporting importance, have been expressed. The quality of financial reporting, for instance, is defined as the precise way in which information about a business activity is interpreted as it relates to its expected cash flows in order to inform shareholders of a company's operations.

2.2 Theoretical Framework

2.2.1 Underpinning theory

The emergence of many values and structures has given rise to the existence of divergent and sometimes contradictory goals between managers and shareholders to ensure that the costs associated with such divergent interests are minimized. One of the suggested arrangements is corporate governance, in which the audit committee is a vital instrument, and it is not surprising that agency theory has become the dominant postulate in corporate governance literature. However, several other ideas have emerged in an effort to highlight the company's goals and how it can

respond to its different obligations. For the purposes of this research, agency theory may serve as a leading theory, as our cornerstone is the achievement of quality financial reporting. Quality financial reporting also serves as a focal point of dealings. It is the instrument by which the agent, that is, when he makes a financial quality report, can be seen to be accountable to the principal.

The principal-agent theory is generally considered the starting point. It is a fact which is accepted. According to them, the fundamental agency problem in modern businesses is primarily due to the distinction between finance and management. Modern businesses are seen to suffer from division of ownership and control and are thus managed by professional managers (agents) who cannot be held accountable by dispersed shareholders. The central question in this regard is how to ensure that executives protect the interests of shareholders in order to reduce the costs associated with the principal agent principle? The principals are faced with two big problems. In addition to facing an unfavorable selection dilemma, they are also faced with a moral hazard problem in that they are faced with the selection of the most capable managers: they must have the right incentives for agents (managers) to make decisions that align with shareholder interests.

2.2.2 Agency Theory

Formation of audit committees derives its impetus from agency theory. When the management of firms are delegated by shareholders to agents it creates agency relationship. This ceding of responsibility by the principal and the resultant separation of responsibilities are beneficial in enhancing an efficient and rewarding entity (Jensen & Meckling, 1976). However, delegation requires principal trust the agent to act in the principal's best interests. There may be conflict of interest between the principal's expectation and the desire of the agent ((Jensen and Meckling, 1976).The agent may also possess superior information on the activities of the entity than the principal. These divergences could occur because of financial reward, labor market opportunities, and relationships with other parties that are not beneficial to the principal. Also, agents could be more risk averse than principals. These scenarios could create conflicts and the opportunity for the principal to institute monitoring functions to curtail the activities of the agent and ensure goal congruence when there is divergence of views and motives. Agency model suggests that, as a result of information asymmetry and self- interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behavior.

2.2.3 Stakeholders' Theory

Stakeholders' theory is believed to be propounded by Freeman (1984). This theory gives a contradictory view on the view of Friedman (1962) who affirmed that it is the responsibility of the corporation to make profit for the shareholders. Freeman (1984) asserted that managers must protect the rights of all the stakeholders of an organization. Comparing the two scholars' opinions, it can be agreed that there is a distinct separation and distinction between them. Freeman (1984) defined a stakeholder as any individual or group who can affect or is affected by the accomplishment of the organization's goals. In essence, the general idea behind stakeholder's theory is to redefine the organization. A lot of concepts before the establishment of this theory focused on the fact that the major aim of any organization is to maximize its shareholders' wealth, as long as they do not do anything illegal or not in line with standard requirements.

Jeffrey, Edward and Mônica (2015) observed that the stakeholder's theory takes account of a wider group of participants rather than concentrating on only the shareholders. Looking at this theory in relation to this study, it can be deduced that the result of the audit quality affects not only the shareholders of an organization but also the stakeholders. Audit quality in its entirety could affect audit quality of an organization, which would inevitably affect the stakeholders of the organization. The

stakeholders' theory in all its entirety is descriptive, instrumental, normative and managerial. In relation to this study, it can be agreed that this theory describes all the people that could be affected by the quality of the audit work. No matter how vast or small an audit assignment is, it would ultimately affect the stakeholders of an organization. This theory is instrumental because it identifies the connections between stakeholders and audit committee. Agreeably, the members of an audit committee board could also be part of the stakeholders in an organization. In essence, they too would be affected by the quality of the audit work.

Stakeholders' theory is normative because it interprets the function of the corporation. This theory is significant in a lot of studies, and particularly in this study. However, it has been criticized based on the fact that it neglects the fact that not all stakeholders are generic, nor are they similar within groups (Jeffrey, Edward & Mônica, 2015). For instance, the customers of one organization would not be the same as the customers of another organization, even if they compete against themselves in the same industry. And within customers' associations, one customer is not going to have the same desires, values or utility function as other customers.

This study is theoretically unpinned by stakeholders' theory. As the name implies, stakeholder theory is an advanced development on the perception of stakeholders and its association with any business

organization. The relevance of this theory to the research lies in the fact that it properly outlines the fact that at times, members of the audit committee could be stakeholders too, and would not want to do anything to jeopardize the quality of the audit work. Stakeholders' theory affirms that in the operations and functions of the audit committee, there is every possibility that the way they handle the audit work could backfire on them, either negatively or positively. This is because they could eventually turn out to be stakeholders of the organization. And in the definition of a stakeholder, anyone that could affect or is affected by the action of an organization is deemed a stakeholder. Therefore, audit committee employed by an organization is stakeholders of that organization.

2.3 Empirical Review

2.3.1 Audit committee size and financial statement quality

Dare, Efuntade, Alli-Momoh and Efuntade (2021) examined audit committee characteristics on audit quality in Nigeria, for 10 years spanning from 2009-2018. Specifically, this study assessed the effect of audit committee size on audit quality in the oil and gas sector and examined the effect of audit committee meetings on audit quality in the oil and gas sector. The study adopted an expo-facto research design and the population covered all the 12 listed Oil and Gas sectors; out of which, 10 firms were selected through a random sampling technique. The study

used secondary data, sourced from the published financial reports of the sampled firms covering the period of 2009-2018. Through logistic regression, it was discovered that audit committee size exerted a positive significant effect on audit quality of firms in the oil and gas sector in Nigeria and that audit committee meeting exerts a positive but insignificant effect on audit quality of firms in the oil and gas sector in Nigeria. It was concluded that audit committee has a statistically significant effect on audit quality in Nigeria. Thus, it was recommended that emphasis and focus should be placed on the size of the audit committee to improve audit quality and that modalities surrounding the meetings of the committee members should be revisited. Also, adequate supervision and monitoring should be ensured in every meeting of the committee members

Chukwu and Nwabochi (2019) investigated the effect of the characteristics of audit committee on timeliness of corporate financial reporting in the Nigerian insurance industry using ordinary least square method. Results revealed a significantly negative relationship between audit committee meeting frequency and timeliness of corporate financial reporting. Also, there was a negative but insignificant association between audit committee gender, as well as audit committee independence, and corporate financial reporting. Finally, the results

showed that audit committee size was positively and statistically, insignificantly related to timelines in corporate financial reporting.

Temple (2019) investigated the relationship between audit committee composition, board characteristics and financial reporting in Nigeria using ordinary least square. The findings of the study showed that the audit committee composed more of independent members have a positive effect on financial reporting quality. Furthermore, the numerical size of the board of directors also showed a positive relationship with the quality of financial reports. Finally, the findings showed that board composition has a positive relationship with the quality of financial reports.

Umobong and Ibanichuka (2017) examined the extent of relationship between audit committee and financial reporting quality. The study period is 2011 to 2014. The sample size is fifty (50) percent of the size of food and beverage firms in Nigeria Stock Exchange. The study used modified Jones model (1991) to test level of financial reporting quality and OLS was used to analyse the data. Finding shows that audit committee size has a negative but statistically significant effect on financial reporting quality, further finding suggests that increase in the variable (size) exert a declining influence on financial reporting quality. However, the timing differences between these studies is a fundamental difference since the outcome of the studies in 2014 cannot be said to be

valid in the current period given changes in the economy. Also, the study did not make use of the entire consumer goods sector but rather food and beverages meanwhile this current study will cover the entire consumer goods sector of the Nigeria economy.

2.3.2 Audit committee diligence and financial statement quality

Muazu and Aminu (2021) investigated the effect of audit committee characteristics on the financial reporting quality of Deposit Money Banks (DMBs) in Nigeria. The study used correlational research design. The source of data was secondary data which were collected from the published annual financial reports of the studied DMBs in Nigeria. The population/sample size was 14 DMBs in Nigeria. A period of eleven years was covered from 2009 to 2019. The secondary data collected were analyzed using multiple regression analysis which was carried out using STATA software. Findings from the analysis show that frequency of audit committee meeting and audit committee female gender have positive and significant effect on the financial reporting quality of DMBs in Nigeria while audit committee financial expertise has significant negative effect on the financial reporting quality of DMBs in Nigeria. However, it was reported that audit committee independence has no significant effect on the financial reporting quality of DMBs in Nigeria. Based on the above findings, the study recommends that banks should sustain frequency of audit committee meetings, audit committee members

should be well motivated so that they will not derail from their traditional roles of evaluating authenticity of financial reports prepared by management, and that more female audit committee members should be encouraged to make up the composition of audit committees of DMBs in Nigeria.

Odjaremu and Jeroh (2019) appraised the extent to which audit committee attributes influence the reporting timeliness of listed Nigerian firms using regression analysis. The results indicated that audit committee attributes (measured by size, independence and diligence) had a significant relationship with financial reporting timeliness among firms in Nigeria. Using correlation research design, Ibrahim et al. (2019) examined the impact of audit committee and earnings management of listed deposit money banks in Nigeria. The results revealed that audit committee financial expertise and audit committee busyness have negative significant impact on earnings management; audit committee tenure has a negative insignificant impact on earnings management. Audit committee meeting and audit committee share ownership have positive insignificant impact on earnings management.

Ormin, Tuta and Shadrac (2015) observed that audit committee is a statutorily corporate governance mechanism introduced to curb financial reporting manipulation and enhance the quality of financial reports. The study examined the influence of the audit committee attributes of

independence, meeting frequency and attendance on the financial reporting quality of listed deposit money banks in Nigeria. Data was generated from the annual reports and accounts of six purposively sampled banks during the period 2003 to 2012. The data was analyzed using Pearson correlation statistics and OLS regression. The results show that audit committee independence has negative and significant influence on financial reporting quality of listed deposit money banks in Nigeria. While, audit committee meeting frequency and attendance has positive and significant influence on financial reporting quality of listed deposit money banks in Nigeria.

Kantudu and Samaila (2015) examined the impact of monitoring characteristics on financial reporting quality of the Nigerian listed oil marketing firms. Financial reporting quality was represented with the qualitative characteristics of financial statement. Data for the study were obtained from an audited annual report and accounts of the sampled oil marketing companies for twelve years covering 2000 to 2011. Multiple regression was used to analyzed the data. It was discovered that Power separation, independent directors, managerial shareholdings and independent audit committee are all significant, implying monitoring characteristics influence financial reporting quality of quoted oil marketing firms in Nigeria.

Mbobbo and Umoren (2016) remarked that audit committee is an essential pillar of corporate governance in establishing integrity and quality financial reporting. The research aimed to testify the impact of audit committee toward financial reporting's quality in non-financial issuers listed in Indonesia Stock Exchange. The dependent variable of the research was the quality of financial report. The proxy employed in the research was discretionary accrual using modified Jones model. The independent variable of the research was the audit committee characteristics such as skills, the size of the committee, and the frequency of the activity and meetings. The size of audit committee was measured by seeing the percentage of audit committee possessed by a company. Frequency of committee meeting or activity was measured as the percentage of meeting conducted by audit committee. The target population of the research was the Non-Finance Companies listed in Jakarta Stock Exchange (JSE). Probability sampling was used to arrive at 82 companies. Secondary data were collected and analysed using multiple regression analysis. The findings of the research indicated that the audit committee had significant impact on financial reporting's quality.

2.3.3 Audit committee independence and financial statement quality

Akpan and Nsentip (2020) investigated the effect of audit committee attributes on financial reporting quality of listed banks in Nigeria from 2009-2018. Expost facto research design is used and the

data for analysis are obtained from annual reports of the sampled banks. 12 out of 13 banks is selected using Taro Yamani formula for determining sample size. Data is analyzed using descriptive statistics, correlation and ordinary least square technique. The findings reveal that a well constituted as well as independent audit committee significantly influence financial reporting quality of listed Nigerian banks. The study also reveals that audit committee frequency of meeting may not influence financial reporting quality. Thus, it was recommended among that Nigerian banks should ensure that their audit committee as a matter of necessity updates their functionality through regular training in order to meet up world class benchmark as what is obtainable in more advanced economies.

Ebirien, Chukwu and Ohaka (2018) examined audit committee characteristics and corporate disclosure of Nigerian deposit money bank using ordinary least square. The result showed a positive but insignificant relationship between corporate governance disclosure level and frequency of meetings. Belal and Hasnah (2018) examined the role of audit committee characteristics and real earning management in Malaysia using qualitative approach. The study found that recent studies were concerned with real earning management as an alternative type of earnings management that companies switched to use it rather than accrual earnings management. Overall, review outcomes indicate that the role of

audit committee characteristics in mitigating real earning management is ambiguous as the results are inconsistent.

The findings suggest that board effectiveness is positively associated with external audit quality. Nuraddeen and Hasnah (2015) measure the effectiveness of audit quality impact and audit quality on preventing earnings management in the pre and post Nigerian corporate governance code 2011 using qualitative method. The study concluded that discretionary accruals have been used to manipulate accounts and mislead investors, audit committee and audit quality is believed to contribute to reducing earnings management drastically.

Ilaboya and Ohiokha (2014) examined the impact of audit firm characteristics and audit quality in Nigeria using multivariate regression techniques. The findings indicated that there is a positive relationship between firm size, board independence and audit quality whereas there is a negative relationship between auditor's independence, audit firm size, audit tenure and audit quality. Okaro and Okafor (2014) examined the relationship between corporate board effectiveness and external audit quality. Four board characteristics were used as proxies for measurement of board effectiveness. These are frequency of meetings, board size, proportion of non- executive directors on the board and share ownership by members of the board. A questionnaire survey of 52 professional accountants was undertaken. Descriptive and inferential statistics were

used to analyze the data of study. The findings suggest that board effectiveness is positively associated with external audit quality.

Salawu, Okpanachi, Yayaha and Dikki (2017) examined audit committee independence on financial reporting quality of listed consumer goods in Nigeria from 2006 to 2016. The study uses longitudinal panel research design and the population of the study is twenty-three (23) firms under consumer goods. The study employs census sampling technique since the population is not much secondary sources of data collection were employed from the annual reports of the sampled firms. The study uses multiple regressions. The result of finding shows that audit committee independence has insignificant effect on audit quality of the sampled firms. This study is a good one, it did an in depth statistical analysis but fail to carry out the Breusch and pagan lagrangian multiplier tests as the hausman specification test shows p –value to be insignificant at which means random effect model is preferred, it is expected from the analysis that the researchers do a comparison test between random effect model and the Ordinary Least Square (OLS) model.

Ormin, Tuta and Shadrac (2015) observed that audit committee is a statutorily corporate governance mechanism introduced to curb financial reporting manipulation and enhance the quality of financial reports. The study examined the influence of the audit committee attributes of independence, meeting frequency and attendance on the financial

reporting quality of listed deposit money banks in Nigeria. Data was generated from the annual reports and accounts of six purposively sampled banks during the period 2003 to 2012. The data was analyzed using Pearson correlation statistics and OLS regression. The results show that audit committee independence has negative and significant influence on financial reporting quality of listed deposit money banks in Nigeria. While, audit committee meeting frequency and attendance has positive and significant influence on financial reporting quality of listed deposit money banks in Nigeria.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The ex-post factor research design is used in this study due to the fact that the variables cannot be manipulated by the researcher. This method was adopted since social scientific research problems do not lend themselves to experimental and controlled inquiry of the ex-post factor kind. Also, this research design makes it impossible to select, control and manipulate the factors necessary to study cause-and-effect relationships directly.

3.2 Population of the Study

The population of this study consists of Nigerian listed companies on Nigerian Stock Exchange as at 31st December, 2021. The population comprises of one hundred and fifty six (156) firms listed on Nigerian Stock Exchange.

3.3 Sample Size and Sampling Technique

Since the entire listed firms cannot be used for the study, the study is limited to eleven (11) non-financial firms listed on the Nigerian Exchange Group (NGX). The basic criteria of selecting these firms are the capitalization prowess and their specialization. In selecting the sample, purposive sample technique was used to derive the sample size.

The purposive sampling was used to ensure that the sample represents a diversity of perspectives.

3.4 Sources of Data Collection

The secondary source of data collection was used for this study where data was gathered from audited annual reports of selected non-financial firms listed on the Nigerian Exchange Group (NGX). However, for the purpose of this study, 10 years (2011 – 2020) annual reports of the eleven (11) selected non-financial firms were adopted.

3.5 Method of Data Analysis

The study used Ordinary Least Square (OLS) regression analysis method to investigate the impact of independent variables on dependent variable. A multiple linear regression model was used to establish the significance of the model. The results obtained from the model are presented in tables to aid and ease the analysis.

3.6 Model Specification

The study employed multiple regression technique of analysis using Least Squares regression estimation. This method was adopted because it enhance easy presentation and interpretation of data.

The empirical model of the study is mathematically expressed as follows;

$$\text{FINQ}_{it} = \beta_0 + \beta_1\text{AUCS}_{it} + \beta_2\text{AUCI}_{it} + \beta_3\text{AUCD}_{it} + \epsilon_{it}$$

β_0 = Constant

$\beta_1- \beta_3$ = Coefficient of parameters estimated

FINQ = Financial statement quality

AUCS = Audit Committee Size

AUCI = Audit Committee Independence

AUCD = Audit committee Diligence

ϵ_{it} = Error term

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Presentation and Analysis of Data

Table 4.1 presents the summary of the descriptive statistics for the dependent and independent variables for one hundred (100) observations. It shows that financial statement quality has a mean value of about -0.050557 and a standard deviation of about 0.26666. The maximum value of the variable is 1.9649 while the minimum is -0.7099. The maximum values for all other variables are 8, 60 and 50 while the minimum for all the variables are 4, 16.6667 and 0 respectively.

For audit committee size, mean value was 5.6471 and standard deviation of 1.0959. The corresponding values for the others are: audit committee diligence, 12.6179 and 12.173 respectively; audit committee independence: 41.662 and 11.4666 respectively. The p-values of the skewness and kurtosis statistics show that nearly in all the cases the data are judged to be normally distributed at 5% level of significance.

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max	Pr(Skewness)	Prob >chi2
FINQ	101	-.0505574	.2666622	-.7099	1.9649	0.0000	0.0000
AUCS	102	5.647059	1.09587	4	8	0.0137	0.0169
AUCI	102	41.66199	11.46661	16.6667	60	0.0015	0.0070
AUCD	101	12.61787	12.1727	0	50	0.0936	0.0344

Source: Researcher's Computation Using STATA

Table 4.2: Correlation Matrix

	FINQ	AUCS	AUCI	AUCD
FINQ	1.0000			
AUCS	-0.1240	1.0000		
AUCI	0.1051	0.2197	1.0000	
AUCD	-0.0145	-0.1301	-0.0989	1.0000

Source: Researcher's Computation Using STATA

Table 4.2 shows that there are mixed correlations between the various variables used in the study. The table shows positive correlation between financial statement quality and audit committee diligence while financial statement quality and the other variables are negatively correlated. The table also shows that no two of the explanatory variables are perfectly correlated or nearly so. Thus, the problem of multicollinearity is absent in this model.

4.2 Hypotheses Testing

Test Statistic

The statistical tool used in testing the stated hypotheses is the regression test procedure which uses the individual significance test (t-test) and the overall significance test (chi-squared-test). The goodness of fit of the model is tested using the coefficient of determination. The estimation of these statistics is done using the STATA computer software.

Significance Level

The level of significance adopted in this study in testing the stated hypotheses of this study is 5%. This level is usually considered adequate for studies in management and other behavioural sciences.

Decision Rule

The critical p-value used in these tests is 0.05. Thus, the researcher accepts a given alternative hypothesis as being accepted if calculated p-value is less than or equal to 0.05, otherwise the researcher accepts the null hypothesis that there is no significant effect.

Table 4.3: Summary of regression result

Source	SS	Number of obs =	100
		F(3, 96) =	0.79
Model	.17152512	Prob > F =	0.0018
Residual	6.93919328	R-squared =	0.0241
		Adj R-squared =	-0.0064
Total	7.1107184	Root MSE =	.26886
FINQ	Coef.	Std. Err.	t P>t
AUCS	-.0288215	.0251541	-1.15 0.005
AUCD	-.000303	.0022441	-0.14 0.013
AUCI	.0022287	.0023641	0.94 0.048
_cons	.0245786	.1866343	0.13 0.896
VIF	1.02		
Heteroscedasticity	1.13(0.2886)		

Source: Researcher's Computation Using STATA

Table 4.3 shows that the explanatory variable does not account for much of the systematic variations in the dependent variable. The table shows very moderate value of R-squared of 0.0241.

This moderate value of the R-squared statistic suggests that there are many other variables in explaining changes in the dependent variable. For the model, the p-value of the F statistic (0.0018) shows that the model overall is suitable for estimating the stated model.

The VIF test (1.02) shows that there is the absence on multicollinearity and so there is no need to drop any variable. Also, the

heteroscedasticity is 1.13 with p-value of 0.2886, showing that there is no significant heteroscedasticity problem and so no need for a robust regression.

Hypothesis One

H₀: Audit committee size has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

H₁: Audit committee size has significant effect on financial statement quality of listed non-financial firms in Nigeria.

Computation

The test statistic is computed by STATA software and the results are as shown in Table 4.4.

Table 4.4: Regression Results on Audit Committee Size and Financial Statement Quality

Variable	Coefficient	Std Err	t-test statistic	p-value
AUCS	-0.02882	0.02515	-1.15	0.005

Source: Extracted from STATA Computations

Decision

With a coefficient of -0.02515 the results indicate that audit committee size negatively impacts tax planning, while the probability value of 0.005 indicates that the positive impact is significant. This leads to the acceptance of the alternative hypothesis, thus rejecting the null hypothesis that audit committee size has a negative impact on financial

statement quality of listed non-financial firms in Nigeria, though the impact is significant.

Hypothesis Two

H₀: Audit committee diligence has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

H₁: Audit committee diligence has significant effect on financial statement quality of listed non-financial firms in Nigeria

Computation

The test statistic is computed by STATA software and the results are as shown in Table 4.5.

Table 4.5: Regression Results on Audit committee diligence and Financial Statement Quality.

Variable	Coefficient	Std Err	t-test statistic	p-value
AUCD	-0.00030	0.002244764	-0.14	0.013

Source: Extracted from STATA Computations

Decision

With a coefficient of -0.00030 the results indicate that audit committee diligence negatively impacts financial statement quality of listed non-financial firms in Nigeria, while the probability value of 0.013 indicates that the negative impact is significant. This leads to the acceptance of the alternate hypothesis, thus the rejection of the null

hypothesis. The researcher accepts that audit committee diligence significantly impacts tax planning of oil and gas listed firms in Nigeria, and that such effect is negative.

Hypothesis Three

H₀: Audit committee independence has no significant effect on financial statement quality of listed non-financial firms in Nigeria.

H₁: Audit committee independence has significant effect on financial statement quality of listed non-financial firms in Nigeria.

Computation

The test statistic is computed by STATA software and the results are as shown in Table 4.6.

Table 4.6: Regression Results on Audit Committee Independence and Financial Statement Quality

Variable	Coefficient	Std Err	t-test statistic	p-value
AUCI	0.00223	0.00236	0.94	0.048

Source: Extracted from STATA Computations

Decision

With a coefficient of 0.00223 the results indicate that revenue growth positively impacts financial statement quality of listed non-financial firms in Nigeria while the probability value of 0.048 indicates that the positive impact is significant because it is less than 0.05. This

leads to the acceptance of the alternate hypothesis, thus rejecting the null hypothesis. The researcher accepts that audit committee independence significantly affects financial statement quality of listed non-financial firms in Nigeria.

4.3 Discussion of Findings

This study examined the relationships among the variables: audit committee size, audit committee diligence and audit committee independence.

The results indicate that almost all the variables are significantly normally distributed at 5% level of significance. The correlation matrix indicates the variables have mixed relationships. The results also indicate the absence of multi-collinearity.

Essentially, the findings of the study are: with a coefficient of -0.02515 the results indicate that audit committee size negatively impacts tax planning, while the probability value of 0.005 indicates that the positive impact is significant. This leads to the acceptance of the alternative hypothesis, thus rejecting the null hypothesis that audit committee size has a negative impact on financial statement quality of listed non-financial firms in Nigeria, though the impact is significant. The result agrees with the findings of Chukwu and Nwabochi (2019), Temple (2019), Umobong and Ibanichuka (2017), but inconsistent with the

findings of Ame and Onu (2018), the inconsistency might be as a result of studying different sectors.

Similarly, with a coefficient of -0.00030 the results indicate that audit committee diligence negatively impacts financial statement quality of listed non-financial firms in Nigeria, while the probability value of 0.013 indicates that the negative impact is significant. This leads to the acceptance of the alternate hypothesis, thus the rejection of the null hypothesis. The researcher accepts that audit committee diligence significantly impacts tax planning of oil and gas listed firms in Nigeria, and that such effect is negative. The result agrees with the findings of Odjaremu and Jeroh (2019), Ormin *et al.* (2015), Kantuda and Samaila (2015), and Mbobo and Umoren (2016). This shows a high degree of consensus among empirical findings.

And, with a coefficient of 0.00223 the results indicate that revenue growth positively impacts financial statement quality of listed non-financial firms in Nigeria while the probability value of 0.048 indicates that the positive impact is significant because it is less than 0.05. This leads to the acceptance of the alternate hypothesis, thus rejecting the null hypothesis. The researcher accepts that audit committee independence significantly affects financial statement quality of listed non-financial firms in Nigeria. The result agrees with the findings of Ilaboya and Ohiokha (2014), Nuraddeen and Hannah (2015), Mbobo and Umoren

(2016) and Ormin *et al.* (2015), but not consistent with the findings of Ebrien *et al.* (2018) and Salawu *et al.* (2017). This significantly shows a degree of inconclusiveness of findings.

CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION AND
RECOMMENDATIONS

5.1 Summary of Findings

The following are the summary of findings of the study:

- i. Audit committee size has significant effect on financial statement quality of listed non-financial firms in Nigeria.
- ii. Audit committee diligence has significant effect on financial statement quality of listed non-financial firms in Nigeria.
- iii. Audit committee independence has significant effect on financial statement quality of listed non-financial firms in Nigeria.

5.2 Conclusion

Audit committee is one of the well-structured board committees to ensure transparency, efficiency, probity and effectiveness in the management of corporate entities. To guaranty this, the FRC of Nigeria recommends that audit committee should be appropriately sized with respect to skill set, cognate experience, competency, gender diversity and devotion of sufficient time to assure that the corporate objectives are not vitiated. Doing these will ensure that agency conflict is minimized to the barest minimum and at the same time attract capable hands on the board committees with requisite skill set in consonance with the resource dependence theory.

The effectiveness of the audit committee manifests in production of qualitative financial report. The quest for audit committee to guarantee reliable and high quality financial report is determined by the structure of audit committees whose function is to oversee the financial reporting process, scrutinize the external auditors' report, check the work of internal auditors and present their report to the company shareholders. The effectiveness of audit committee is ensured through timely comment, review and approval of corporate accounting policies, the financial statements and internal controls. In addition, the code of corporate governance saddles the committee with responsibilities such as appointment and remuneration of external auditors, discussing the scope of external auditors work and review of audit engagements.

5.3 Recommendations

The following are the recommendations of the study:

- i. The size of audit committee should be streamlined to portray the vision and standard of the firm.
- ii. Regular meetings should be scheduled to checkmate the financial activities of the firm and the auditors at large.
- iii. The independence of audit committee should be prioritized and relevant measures should be put in place to ensure the financial statement released is the true and fair representation of the firm.

References

- Aderemi, A. K., Osarunmwense, E. S & Kehinde, A. (2016). Audit committee attributes and financial reporting quality in Nigerian quoted banks. *International Business Management*, 10(22), 5326 – 5335.
- Ahmed, M. M. (2018). The impact of audit committee characteristics on firm performance: Evidence from Jordan. *Research Article*, 22(5), 1-7.
- Akpan, D.C. & Nsentip, E.B. (2020). Audit committee attributes and qualitative financial reporting: Implication for Nigerian banking sector. *Inosrarts and management*, 6(1), 26 – 37.
- Akpan, E. O. (2015). Corporate board meetings and company performance: Empirical evidence from Nigerian Quoted Companies. *Global Journal of Commerce and Management Perspective*, 4(1), 75-82.
- Alqatamin, R.M. (2018). Audit committee effectiveness and company performance: Evidence from Jordan. *Accounting and Finance Research*, 7(2), 48-59.
- Anthony, K.M., Oluoch, J. O., Willy, M. & Memba, F. (2017). Effect of audit committee diversity on quality of financial reporting in noncommercial state corporations in Kenya. *International Journal of Academic Research in Business and Social Sciences*, 7(6), 288–302.
- Araoye, F. E., & Olatunji, T. E. (2019). Board meetings and financial performance of insurance companies in Nigeria. *European Journal of Auditing, Accounting and Financial Research*, 7(9), 1-16.
- Asiriwuwa, O., Aronmwan, E. J., Uwuigbe, U., & Uwuigbe, O. R. (2018). Audit committee attributes and audit quality: A benchmark analysis. *Business Theory and Practices*, 19(3), 37-48.
- Bala, H. (2014). Audit committee characteristics and earnings management of listed food and beverages firms in Nigeria. (Published Thesis). Ahmadu Bello Univeristy, Zaria.
- Bansal, N. & Sharma, K. (2016). Audit committee, corporate governance and firm performance: Empirical Evidence from India. *International Journal of Economics and Finance*, 8(3), 103-116.

- Belal, A., & Hasnah, K. (2018). Audit committee characteristics and real earnings management: A review of existing literature and the new avenue for research. *Asian Journal of Multidisciplinary Studies*, 6(12), 1-8.
- Chukwu, G., & Nwabochi, N. (2019). Audit committee characteristics and timeliness of corporate financial reporting in the Nigerian insurance industry. *International Journal of Managerial Studies and Research*, 7(4), 86-95.
- Dabor, A. O. & Dabor, E. L. (2013). Audit committee characteristics, board characteristic and financial reporting quality in Nigeria. *International Journal of Commerce and Management*, 3(1), 1292 – 1905.
- Dare, C.T., Efuntade, A.O., Alli-Momoh, B.O. & Efuntade, O.O. (2021). Audit committee characteristics and audit quality: exploratory and empirical analysis in Nigerian oil sector. *European Journal of Accounting, Auditing and Finance Research*, 9(1), 97 – 111.
- Ebirien, G. I., Chukwu, G. J., & Ohaka, J. (2018). Audit committee characteristics and corporate governance disclosure of Nigerian Deposit money banks. *Asian Journal of Economics, Business and Accounting*, 9(3), 1-14.
- Enofe, A. O., Nbgame, C., Okunega, E. C., & Edia, O. O. (2013). Audit quality and auditors independence in Nigeria: An Empirical Evaluation. *Research Journal of Finance and Accounting*, 4(11), 1-9.
- Gabriella, Z. (2016). The audit committee characteristics and firm performance: Evidence from the United Kingdom. *The Official Journal of Nigerian Accounting Association*, 8(3), 89 – 101.
- Hussaini, B., & Adams, Y. (2014). Does audit committee size and independence affect earnings management? *The Official Journal of Nigerian Accounting Association*, 16(1), 124-151.
- Ibrahim, M. F., Alkasim, A., Udoh, E. M., & Onipe, A. Y. (2019). Audit committee and earnings management of listed deposit money banks in Nigeria. *Research Journal of Finance and Accounting*, 10(16), 1-11.
- Ilaboya, O. J. & Ohiokha, F. I. (2014). Audit firm characteristics and audit quality in Nigeria. *International Journal of Business and Economics Research*, 3(5), 187-195

- Jeffrey, S. H., Edward, F. R. & Mônica, C. Sáde A. (2015). Stakeholder theory as an ethical approach to effective management: Applying the theory to multiple contexts. *Review of Business Management*, 17(55), 858-869
- Jensen, M. and Meckling, W. (1976). Theory of the firm: managerial behavior, agency costs and ownership structure. *Journal of Financial Accounting Economics*, 3 (1), 305-306
- Kantudu, A. & Samaila, I.A. (2015). Corporate governance and financial reporting quality in the Nigerian oil marketing industry. *Journal of Accounting, Finance and Management Discovery*, 2(2), 122 – 138.
- Klein, A. (2019). Audit committee, board of director characteristics and earnings management. *Journal of Accounting and Economics*, 3(3), 375–401.
- Krishnan, G. V. & Visvanathan, G. (2019). Does the SOX definition of an accounting expert matter? *Contemporary Accounting Research*, 2(5), 827-858.
- Majiyebo, O. J. (2019). Audit committee independence, size and financial reporting quality of listed deposit money Banks in Nigeria. *International Journal of Business and Management*, 20(2), 40-47
- Mbobu, M. E. & Umoren, A. O. (2016). The influence of audit committee attributes on the quality of financial reporting. Evidence from listed banks. *International Journal of Economics, Commerce and Management*, 4(7), 116-141. 20.
- Muazu, K. & Aminu, U. (2021). Effect of audit committee characteristics on financial reporting quality of deposit money banks in Nigeria. *Journal of Accounting and Finance Research*, 1(1), 89 – 109
- Nuraddeen, U. M., & Hasnah, K. (2015). Impact of audit committee and audit quality on preventing earnings management in the pre- and post- Nigerian corporate governance code 2011. *Procedia Social and Behavioral Science*, 172(5), 651 – 657.
- Odjaremu, O. O., & Jeroh, E. (2019). Audit committee attributes and the reporting timeliness of Listed Nigerian Firms. *Trends Economics and Management*, 34(2), 69-81.

- Oliver, O. & Ofoegbu, G.N. (2017). Effect of audit committee qualities on financial reporting of listed companies in Nigeria: A Perspective Study. *International Journal of Scientific and Research Publications*, 7(10), 278-290.
- Ormin, K., Tuta, M.B.I. & Shadrach, M. (2015). Audit committee independence, meeting frequency, attendance and financial reporting quality of listed deposit money banks in Nigeria. *Research Journal of Finance and Accounting*, 6(18), 183– 190.
- Salawu, O. J., Okpanachi, J., Yahaya, O. A. & Dikki, A. (2017). Audit committee independence, size and financial reporting quality of listed deposit money banks in Nigeria. *International Journal of Business and Management*, 20(2), 40-47
- Temple, M. (2019). The impact of audit committee size on the quality of financial reporting in quoted Nigerian banks. *International Journal of Advanced Academic Research: Social and Management Science*, 2(5), 1-13
- Umobong, A.A. & Ibanichuka, E.A.L. (2017). Audit committee attributes and financial reporting quality of food and beverage firms in Nigeria. *International Journal of Innovative Social Sciences & Humanities Research*, 5(2), 1–13.