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Effects of Audit Committee Characteristics on Financial Reporting Quality of Deposit Money Banks in Nigeria.

ORJINTA, HOPE IFEOMA (Ph.D)[1] and OKOLI PAMELA CHIOMA[2]

1department of Accountancy, Faculty of Management Sciences, Chukwuemek A Odumegwu Ojukwu University, Igbariam Campus, Anambra State

*Email: **Ifyorjinta@gmail.com***

ORCID NO: https//orcid.org/0000-0002-0531-8056

2bursary (Students Account Unit, Nnamdi Azikiwe University Awka, Anambra State, Nigeria

Email: **ladypcokoli@gmail.com**

Phone Number: +2348038781955

***Abstract*:** *This study investigated whether well-diversified audit committee members of selected deposit money banks in Nigeria can improve financial reporting quality. Discretionary accruals were used as dependent variable to measure financial reporting quality while audit committee gender, audit committee financial expertise, audit committee frequency of meetings and audit committee size were used as independent variables. A sample of 11 quoted deposit money banks in Nigeria were used for the period of eight years spanning 2015 to 2022. The study employed ex-post facto and longitudinal research design. The secondary sources of data were collected from annual reports of the selected banks and four (4) specific objectives and hypotheses were subjected to some preliminary data tests like descriptive statistics, Pearson correlation analysis and Variance Inflation factor (VIF). Hypotheses were tested using panel least squares regression through fixed effect and random effect determined by Hausman test, random effect was accepted, with the aid of E-views 12 econometric statistical software. Using a sample of 88 banks-year observations, the result revealed that audit committee gender and audit committee size documented a negative and statistically significant effect on financial reporting quality of deposit money banks in Nigeria which was statistically significant at 5% level of significance respectively while a positive and insignificant effect was documented for audit committee financial expertise and frequency of meetings in Nigeria banks. On the basis of our findings, the study recommends among others, that there is need to maintain optimal size of the audit committee and also reduce the inclusion of more women in the audit committee to give a seasoned advice without bias on ways to improve financial reporting quality.*

Keywords: Audit committees, Financial reporting quality, *Deposit money banks.*

1: INTRODUCTION.

The strength of firm's financial reporting system relies on many stakeholders playing differentinterconnected roles in a process designed to provide investors and our markets with high quality, reliable financial information. Audit committee plays a vital role in the financial reporting system by providing structured systematic oversight of company's governance and internal control practices. The committee assists the board and management by providing advice and guidelines on the adequacy of company's initiatives for values and ethics; governance structure, internal control framework, oversight of internal audit activity, external auditors and other assurance providers, financial statement and public accountability reporting. Strong, active, knowledgeable and independent audit committees significantly further the collective goal of providing reliable financial information to investors. Compliance with auditor independence rules is a shared responsibility of the audit firm, the user and its audit committee (Ashari & Krismaiji,2020).In 2002, the Sarbanes-Oxley Act introduced a number of requirements to increase and strengthen the role of audit committees in financial reporting, including the independent audit committee requirement; these measures may have proven to be some of the most effective financial reporting enhancement included in the Sarbanes-Oxley Act

However, the high profile of corporate and accounting insolvency in diasporas, especially in developing Economies from the beginning of the 21stcentury, emphasized the deliberate violation of financial reporting by managers (Oyedokun, Olatunji & Inuwa,2020).Audit failure is a worldwide phenomenon and traverse through jurisdictions. Such Audit negligence lead tothe collapse global companies such as Enron and World Com. Earlier in the 1980's and 1990's, global giants such as John MathewsBank (JMB), Bank of Credit and Commerce International (BCCI), Barring Brothers, Nomura Securities, Brexand Long Term Capital Management (LTCM) all failed as a result of fraud related factors (Muraina et al. 2010).In such cases, the cry of the investing public has invariably been "Where were the Auditors?". Nigeria has had its own share of financial reporting failure. An example is the five banks that failed the CBNtest in 2009, Afri- bank, Fin Bank, Union Bank, intercontinental bank and Oceanic bank. These banks were certified distressed by CBN barely few months after their auditors had givena clean bill of health Okaro & okafor 2013. Perhaps, the greatest audit failure in Nigeria in recent times is that associated with the Cadbury (Nig.) Plc accounting scandal which came to the fore in 2006. In Nigeria, audit committee has not displayed the capability to perform the desired oversight responsibilities as evidenced in the collapse of financial institutions, mismanagement of private firms and government agencies. This scenario has 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 credible contributions.

Various studies have been carried out on effects of audit committee characteristics on financial reporting quality in various countries of the world.Orife, Orjinta and Ofor (2022); Oyedokun, Olatinji, and Inuwa (2020); Ogaluzor and Ohaka (2019) Nse, Eguasa and Excellence(2021) discovered a positive association between audit committee independence, audit committee meeting and financial performance while Wobo and Ofurum(2021); Temple, Ofurum and Egbe
(2016) discovered no significant relationship between audit committee independence and earning management.Emiaso and Efenyumi(2021); Agyemang(2020) found a negative association between audit committee independence and gender diversity and financial reporting quality. However, none of these studies considered all the characteristics of audit committee gender, audit committee financial expertise, audit committee frequency of meetings and audit committee size on financial reporting quality of deposit money banks in Nigeria. The notable discrepancy in the work of previous researcher’s points to the scarcity of empirical studies on deposit money banks in Nigeria. This study therefore intends toinvestigate the impacts of audit committee gender, audit committee financial expertise, audit committee frequency of meetings and audit committee size on deposit money banks in Nigeria. This work covered a period of eightyears from 2015 to 2022.

2: Review of Related Literature

Audit Committee

Audit Committee (AC) is a foremost constituent of corporate tracking that is capable of improving the quality of financial reporting through honest communication and professional association with the company’s board of directors, internal auditors and external auditors (Mustafa, 2012). According to Corporate Governance Code (2010), it is necessary for all listed companies in Nigeria to have an appropriate constituted Audit Committee with corporate governance regulation laying down notable significance on the function of Audit committee. Audit committee is one of the controllablemechanisms put in place on order to ensure relevance and consistency of accounting policies adopted for the preparation and presentation of financial statement (Smii, 2016).Audit committee can be conceptualized as structured systematic oversight of company’s governance and internal control practices. According to Li, Mangena and Pike (2012), Audit Committee is one of the most essential corporate mechanism aimed to reduce information asymmetry through reviewing and monitoring manager’s actions, enhancing the reporting procedures and disclosure and improving auditing and internal control the Audit Committee was constituted in order to improve the quality of financial statements. (Enofe, Aronmwan &Abadua, 2013). In recent times, the roles being played by audit committee have become clumsy amid growing expectation.

A growing surge in research indicates that Audit Committee attributes are paramount in enhancing corporate financial performance. Furthermore, the Audit Committee play this role of ensuring sustainable financial performance of the company by overseeing the firm’s financial reporting process, including the integrity of financial statements, the effectiveness of internal controls and the monitoring of both internal and external auditors. They also enhance the board of director’s capacity to act as a monitor of management by providing more detailed knowledge and understanding of financial statements of the company (Mohammad & Muhammad, 2015). Audit Committee ensures judicious and prudent management of resources and the preservation of resources of the corporate organization. In the process of ensuring ethical and professional standards and the pursuit of corporate objectives, it seeks to ensure customer satisfaction, high employee morale and the maintenance of market discipline, which eventually results in corporate stability and improve financial performance (Ojeka, lyoha, & Obigbemi, 2014; Okoi, Stephen & Sani, 2014).

Financial reporting quality:

Financial reporting quality is a broader concept that not only refers to financial information, but also to disclosures and other financial information useful for decision making included in the report. Financial reporting quality shows the precision with which financial reporting transfers information particularly about the firms’ operation, its expected cash flows that informs equity investors (Francis et al., 2005; Moses, Ofurum & Egbe, 2016), they stated that anomalous accruals are usually employed in the measurement of financial reporting quality. Kamaruzaman et.al. (2009) opine that financial statements should be capable of revealing relevant, reliable, comparable and comprehensive information. It is in the view of the importance of the quality of financial reporting that the International Federation of Accountants (IFAC) and its audit arm International Auditing and Assurance Standard Board (IAASB), stated that audit services is an assurance service that financial statement prepared by the managers is true and fair, and free from intentional and unintentional errors and misstatements, and to conform to the relevant rules and regulations guiding the preparation and presentation of accounting information(IAASB,2013).The Framework for the Preparation and Presentation of Financial Statements (the ‘pre-2010 Framework’) stated that financial statements should be free from bias, and therefore emphasized on the need for preparers of financial statement to exercise prudence in their report. Financial statements that influence the making of a decision or judgment in order to achieve a predetermined result or outcome is not neutral. Prudency ensures that the company is not overvalued by preventing the income and asset from being overstated in the company's reporting. useful life of plant and equipment and the number of warranty claims that may occur, to be careful to disclose such by their nature and the extent to which the affect the affect the organization (Conceptual Framework for Financial Reporting, 2015).

Several models have been used to estimate financial reporting quality. This is shown to be associated with user's expectations and perceptions of what information is useful and of good quality (Achim & Ochis, 2014). Beest, Braam and Boelens (2009) identify four broad but not restrictive model often adopted in estimating financial reporting quality. These include accrual models, value relevance models, specific elements of financial reports, and methods that operationalize the qualitative characteristics of financial reports (Ormin, Tuta & Shadrach, 2015). Because the managers have reporting alternatives allowed by accounting standards, they tend to utilize accruals which are under their control to manage earnings. Jones (1991) provided the earliest model on earnings management (accrual quality) as proxy for financial reporting quality. Subsequent modifications has been made by Dechow & Dichev (2002) and others (Ormin, Tuta & Shadrach, 2015).

Barth, Beaver and Landsman (2001) document the value relevance model as being particularly useful to assess if particular accounting amounts reflect information that is used by investors in valuing firms' equity. The model therefore measures financial reporting quality from the stand point of investor's accurate valuation of the firm value based on information disclosed in the financial reports (Ormin, Tuta & Shadrach, 2015). Braam and Boelens (2009) opine that value Relevance examines the relationship between stock returns and earnings figures in order to measure the relevance and reliability of financial reporting information. In their opinion, it is relatively easy to measure and Provides insight into the economic value of earnings figures. They further stated that its advantage is that it focuses on earnings quality and is an indirect measure of financial reporting quality providing no insight is in the tradeoffs between relevance and reliability

Orife, Orjinta and Ofor (2022) studies an empirical investigation on the effect of audit committee characteristics on financial reporting quality of selected oil and gas companies listed on the floor of Nigeria Exchange Group for a period of ten years spanning 2011 to 2020 adopting ex-post facto and longitudinal research design. the study conducted a detailed analysis of data based on audit committee characteristics represented by audit committee size, audit committee busyness, audit committee gender diversity and audit committee independence, while the dependent variable which is financial reporting quality was captured using timeliness of financial report. Secondary data were sourced from annual report and accounts of 10 oil and gas companies. Some preliminary data tests such as descriptive analysis, correlation analysis and variance inflation factor and was analyzed using panel multiple regression technique taking cognizance of non-homogeneity of firms data, hence the use of hausman effect tests. Result of Hausman specification test suggests that the random panel Least Square (RPLS) regression result was most appropriate for the dataset. The panel regression result indicates that audit committee size has positive but insignificant effect on financial reporting quality. Again audit committee busyness, audit committee gender diversity and audit committee independence has negative and insignificant effect on financial reporting quality of oil and gas firms in Nigeria.

Nse,Eguasa and Excellencem (2021)examines the impact of Audit Committee (AC) characteristics on the financial performance of listed consumer goods companies in Nigeria. The research sample comprises of eighteen (18) consumer goods companies and secondary data was generated from the annual accounts and reports from 2010 – 2019 financial years. Using the panel regression analysis; the study found that frequency of AC meetings, independence of AC and AC size have significant effect on financial performance.

Efesiri and Efenyumi (2021) examined the relationship between audit committee characteristics andfinancial reporting lag in Nigeria. The study also ascertained the significant relationship betweenaudit committee independence, audit committee meetings and audit committee gender diversity withfinancial reporting lag. It adopted ex-post facto research design and used panel data collected from top20 performing firms in the Nigeria Stock Exchange for a period of ten years from 2010 to 2019. The data wereanalyzed using descriptive statistics, regression and correlation analysis through E-view 9. Thefindings of the study indicate that a significant association exists between audit committee meeting andaudit committee independence with financial reporting lag, while a non-significant relationship existsbetween Audit committee gender diversity and financial reporting lag.

Oyedokun, Olatunji and Inuwa (2020) examine the association between audit committee characteristics and financial reporting quality of listed consumer goods firms in Nigeria. This study adopts correlational research design. The population of the study is all the twenty-one (21) consumer goods companies listed on the floor of the Nigerian Stock exchange. Data utilized for the study are collected from the annual reports of companies from 2013 to 2018. The study employed multiple regression models for the purpose of data analysis and the result show that audit committee expertise and of meeting have positive and significant effect on financial reporting quality while audit committee size and audit committee gender have no significant relationship on the financial reporting quality.

Ogaluzor and Ohaka (2019) ascertained whether the quality of financial reporting in consumer goods manufacturing companies quoted in the Nigerian stock exchange is affected by the Characteristics of Audit Committee. The study considered the association between effect of Audit Committee's independence on value relevance of accounting information and on earnings management. It also considered the effect of audit size on value relevance of accounting information and on earnings management. Data was collected from 15 listed consumer goods manufacturing companies. Secondary data was extracted over eleven year-period covering from 2006 to 2016. A balanced panel data analytical approach was used since the data points consists of equal time series for each of the cross-section of the sampled firms. Results from the analysis indicates that: there is a negative but insignificant relationship between board independence and value relevance of earnings, there is a significant positive relationship between audit committee size and accounting value relevance of earnings, there is a significant positive relationship between board independence and earnings management and , audit committee size is observed to have a negative relationship with earnings management, implying that larger audit committee size constrains earning management. The study therefore, concludes that there is a significant relationship between audit committee characteristics and quality of financial reporting of listed consumer goods manufacturing companies.

Umobong and Ibanichuka (2017) ascertains the relationship between audit committee characteristics and financial reporting quality of food and beverage firms using secondary data obtained from Nigeria Stock Exchange. Audit committee characteristics; financial expertise and Audit committee independence were regressed against financial reporting quality measured by relevance and reliability while controlling for number of attendance at audit committee meetings, firms age, firm size, audit committee tenure. The result confirms that increase in audit committee independence, financial expertise of members, firm age and frequency of meetings increases financial reporting quality. While increase in audit committee size and firm size decreases reporting quality.

Kibiya, Ahmad and Amran (2016) studies the characteristics of audit committee (AC) and its effect on the quality of financial reporting of Nigerian listed firms. They employed multivariate regression as a tool for analysis. The sample for the study was 101 firm-years longitudinal panels of 505 observations of non-financial listed companies on the Nigerian Stock Exchange for the period 2010-2014. The Mcnichols (2002) measure of earnings quality was adopted to examine the monitoring mechanisms on the quality of financial reporting. The results show that control variables of company age and company size significantly affect the quality of financial reporting. The AC, share ownership, and financial expertise were also significant, indicating that AC monitoring mechanisms influence the quality financial reporting of listed non-financial firms in Nigeria. Share ownership proved to be a good motivator for AC members making them to be more vigilant, enthusiastic and active in their monitoring responsibilities.

Abu and Okpe (2021) studies the audit committee characteristics and audit fees of listed consumer goods sectors in Nigeria.15 Companies were selected out of 26 listed consumer goods companies on the Nigeria Stock Exchange as at 31st December,2018 using secondary data through the published audited financial statement. Ordinary least square (OLS) regression analysis was employed to analyze the data. The result showed that only four variables (audit committee size, audit committee meeting, audit committee diversity and audit committee ownership) have a positive significant effect with audit fees.

The above scholars attempted to study effect of audit committee characteristics on financial reporting quality but none of them created a study in Nigeria using deposit money banking sector. However, none of these studies considered all the characteristics of audit committee gender, audit committee financial expertise, audit committee frequency of meetings and audit committee size on financial reporting quality of deposit money banks in Nigeria and extended the study for a long period of time (8years) spanning from 2015 to 2022. This is the knowledge gap this study intends to address therefore contributing to the existing literature. Given the mixed results reported by the related literature reviewed on the association between audit committee characteristics and firms' financial reporting quality in various contexts and the study objectives, the study suggests the following hypothetical framework.

Source: Researchers' Theoretical Constructs (2023)

Theoretical Framework

It is evidence in literature that the principal-agent theory is theory is generally considered the starting point for any argument on the issue of corporate governance. There are many theories that explain the association between audit committee and financial performance. This work shall be anchored on Agency theory because it is relevant in resolving conflict of interest between management and owners. Agency theory addresses the issues in which one party (the principal) delegates work to another party (the agent) who carry out the work. Agency theory supports the delegation and concentration of control in the board of directors and use of compensation incentives (Salleh, Stewart & Manson, 2006). The board of directors monitor agents through communication and reporting, reviewing and auditing and implementation of codes and policies

Agency theory was propounded in the 18th century by Adam Smith in his wealth of nation and was developed by Jensen and Meckling in (1976). According to Shubhi, Rohit and Pushpendra 2014), agency theory assumes complete contract that is contract that carter for all possible contingencies such as ambiguities in language, inadvertence, unforeseen circumstances, disputes and so on. Bounded rationality does not allow for complete and efficient contract, information asymmetries, transaction costs and fraud are insurmountable obstacles to efficient contracting. It assumes that contracting can eliminate agency costs. The many imperfections in the market indicate that this assumption is not valid. Third party effects are not recognized. Third parties are those affected by contract but are not party to the contract. Many boards are conscious of third party effect and adopt social and financial responsibilities. Thus maximum economic efficiency may be achieved under this theory; it will not achieve maximum social welfare. Shareholders are assumed to be only interested in financial performance. Directors and management are assumed to owe their duties to shareholders.

3 Methodology

In other to accomplish the aim of this paper, the study predominantly adopted ex-post facto research design and embraces the panel least regression so as to properly find out about the diversities of audit committee as well as financial reporting quality in Nigeria for the period of 8-years (2015-2022), as it connects to the various deposit money banks that are found to be quoted and actively traded on the Nigeria Exchange Group as at December 31st, 2015 which gave rise to our population of the study. The secondary data are obtained from the annual report of the sampled banks on the Nigeria Exchange Limited for the period 2015-2022 financial year. The researcher utilizes only annual reports because they are readily available and accessible. The sample of this study is basically made up of 11banks from the banking sector of the economy. The proposed analytical framework in figure 1 above shows the schematic diagram of the causal relations with that of the dependent variable that is represented by financial reporting quality and explanatory variables (audit committee characteristics) which consists of audit committee gender, audit committee financial expertise, audit committee frequency of meetings and audit committee size. We anchored this study on agency theory and adopted the model of Orife, Orjinta and Ofor (2022). Also, the schematic framework culminates into the required model specifications. The model adopted in this study assumed a linear relationship between audit committee characteristics and financial reporting quality and panel least square was adopted for the purpose of hypothesis testing and was guided by the following linear model:

$FINREP_{it} = \beta_{0it} + \beta_1 ACGEN_{it} + \beta_2 ACFEP_{it} + \beta_3 ACFMET_{it} + \beta_4 ACSIZ_{it} + \varepsilon_{it}$………1

Where,

FINREP stands for Financial Reporting Quality, measured using Discretionary accrual which was calculated as absolute values of the residuals using Modified Jones model, ACGEN stands for Audit Committee Gender measured as number of women in the audit committee, ACFEP connotes Audit Committee financial expertise measured as Number of audit committee members with professional qualifications and financial background ACFMET which stands for Audit Committee frequency of meetings captured using number of audit committee meeting held within the periods, ACSIZ stands for audit committee size measured as a total number of audit committee members.

4. ESTIMATION RESULTS AND DISCUSSION OF FINDINGS

The study investigated the empirical effect that exists between audit committee characteristics and financial reporting quality of listed deposit money banks for a period of 8 years spanning 2015 to 2022. The study carried out some preliminary data tests like descriptive statistics, correlations and variance inflation factor (VIF) analysis. The table below shows the descriptive statistics of the 11 selected deposit money banks in Nigeria that make up our sample.

Table 4.1 Descriptive Statistics Analysis

	FINREP	ACGEN	ACFEP	ACFMET	ACSIZ
Mean	2.494535	0.744186	1.616279	8.372093	5.558140
Median	2.655000	1.000000	2.000000	8.000000	6.000000
Maximum	9.810000	2.000000	2.000000	12.00000	6.000000
Minimum	-42.00000	0.000000	1.000000	5.000000	5.000000
Std. Dev.	6.171380	0.513031	0.489143	1.414600	0.499521
Skewness	-4.726777	-0.297180	-0.478228	-0.101592	-0.234146
Kurtosis	33.29292	2.642239	1.228702	4.183002	1.054825
Jarque-Bera	3608.526	1.724506	14.52076	5.162784	14.34410
Probability	0.000000	0.422210	0.000703	0.075669	0.000768
Sum	214.5300	64.00000	139.0000	720.0000	478.0000
Sum Sq. Dev.	3237.305	22.37209	20.33721	170.0930	21.20930
Observations	86	86	86	86	86

Source: researcher's summary of descriptive result (2023) using E-view 12

The descriptive statistics result in table 4.1 above shows the mean values for each of the variables, their maximum values, minimum values, standard deviation and Jarque-Bera values which show the normality of the data. The result provides some insight into the nature of the selected listed banks in Nigeria that were used in the study.The researcher sought to establish the central tendency and distribution of audit committee attributes and financial reporting quality among the 11 selected deposit money banks in Nigeria.Financial reporting quality (FINREP) which is the dependent variable of the study has a minimum value of -42.00 and a maximum value of 9.810. It was observed that over the period under review, the sampled banks have average negative discretionary values of -42.00. Within the period under review, the banks have maximum discretionary value of 9.810 and minimum value of -42.00. The average value of the FINREP is 2.494 which represent 2.494%, with standard deviation of 6.171, signifying that the data deviate from the mean value by

6.17%. This implies that there is no variation across the sample banks because the standard deviation is not close to the mean. The skewness for financial reporting quality was -4.726 implying that data on financial reporting quality were skewed to the right hence most values were bunched to the left of the distribution. Audit committee gender was observed to have a mean value of 74.4%and a standard deviation of 0.513 suggesting considerable clustering of women in the audit committee around the mean value. The maximum and minimum values are 2 and 0 respectively. The result also indicates that audit financial expertise (ACFEP) has minimum and maximum values of 2 and 1 respectively. The average value of the audit committee financial expertise is 1.616and a standard deviation of 0.489. The high average is an indication that more than half of the audit committee members have additional qualifications and are financial literate. Likewise, audit committee size has minimum and maximum values of 5 and 6 respectively. The average value of the audit committee size is 5.588 and a standard deviation of 0.499. The Jacque-Bera statistic alongside its p-value indicates that the data satisfies normality.

Generally, the JB Probability values of 0.0000 shows that all the variables are normally distributed at 1% level of significance which indicates that the variables follow the Gaussian standard distribution. This is an indication that all variables are approximately normally distributed with exception of audit committee gender that was not normally distributed. This means that there are no variables with outlier, even if there are, they are not likely to distort the conclusion and are therefore reliable for drawing generalization. This also justifies the use of binary logit panel least square estimation techniques. Hence, any recommendations made to a very large extent would represent the characteristics of the true population of study.

4.2: Pearson Correlation Matrix

Pearson's correlation matrix was applied to check the degree of association between audit committee characteristics and financial reporting quality of quoted banks in Nigeria so as to determine the nature or degree of association i.e. positive or negative correlation and the magnitude of the correlation between dependent variable (financial reporting quality) and independent variables with other explanatory variables.

Table 4.2: Correlation Analysis Result

	FINREP	ACGEN	ACFEP	ACFMET	ACSIZ
FINREP	1.000000	-0.056258	0.173974	-0.063574	-0.210767
ACGEN	-0.056258	1.000000	0.026166	-0.045616	0.150534
ACFEP	0.173974	0.026166	1.000000	-0.182282	-0.124293
ACFMET	-0.063574	-0.045616	-0.182282	1.000000	0.252061
ACSIZ	-0.210767	0.150534	-0.124293	0.252061	1.000000

Source: researcher's summary of correlation result (2023) using E-view 12

The result of the correlation coefficient showed mixed correlation. This association identified buttresses the point that majority of our variables have an inverse relationship with varying degrees of direction. Table 4 .2 above indicates diverse coefficient of both positive as well as negative numbers of correlation matrix between (FINREP) which is represented by the dependent variable and that of the explanatory variables (ACGEN, ACFEP, ACFEP and ACSIZ). The coefficient of correlation between the dependent variable of financial reporting quality and explanatory variables of audit committee gender, audit committee frequency of meeting as well as audit committee size indicate negative values of -0.05625, -0.0635, and -0.2107. The values of tolerance are constantly smaller than 1.00. This further demonstrates overall absence of multicolliniarity between the independent variables. This also justifies the use of the panel regression analysis and variation inflation factor (VIF).

4.3: Variance Inflation Factor (VIF)

Multicollinearity was tested by computing the Variance Inflation Factor (VIF) and its reciprocal or the tolerance. To further check for multi-collinearity problem or to know whether the independent variables used are perfectly correlated; we conducted Variance Inflation Factor (VIF) to further check for the multi-collinearity problem. The result of the Variance Inflation Factor (VIF) is provided below in table 4.3 below:

Table 4.3: Variance Inflation Factor Result

Variance Inflation Factors
Date: 09/18/23 Time: 14:58
Sample: 2015 2022
Included observations: 86

Variable	Coefficient Variance	Uncentered VIF	Centered VIF

C	73.63242	165.1274	NA
ACGEN	1.769222	3.229476	1.032145
ACFEP	1.965835	12.55928	1.042534
ACFMET	0.248493	40.16224	1.102181
ACSIZ	2.001601	139.7783	1.107020

Source: Researcher's summary of VIF result (2023)

According to the guidelines of this test, the existence of multicollinearity can be confirmed only in circumstances where the value of the variance inflation factor is more than 10.Sequel to the guidelines of this test, we found that there is no intercorrelation between our independent variables as all the variables had a variance inflation factor (VIF) of less than 10. Table 4.3 above revealed that the various variables as indicated in the regression model are significant to the study as the variance inflation factors are noticed to have a benchmark that is below 10. It further revealed the nonappearance of the multicollinearity problem in regression model

4.4: Regression Results and Discussion of findings

In order to examine the relationship between the dependent variable (FINPERF) and the independent variables (ACGEN, ACFEP, ACFMET and ACSIZ) and to test the formulated hypotheses, we employed panel least regression analysis since the data had both time series (2015-2022) and longitudinal properties (11 deposit money banks). However, the study takes into cognizance the non-homogeneity nature of the banks, hence the need for testing its effect on the data. This necessitated the use of Hausman effect test to ascertain which effect to explain. That is whether fixed effect or random effect is to be used in interpreting the regression result. Below is the summary of the Hausman test result:

Table 4.4. Hauseman Effect Tests

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	2.021182	4	0.7319

Source: Researcher's summary of Hausman effect analysis result (2023)

The regression results of audit committee characteristics and financial reporting quality are presented and analyzed. In view of the nature of the data, both fixed effect and random effect models were tested. Hausman specification test was then used to decide between the two results. The result from the Hausman test above revealed a Chi2 value of 2.021182 with p-value of 0.7319 which is greater than 0.000 that is statistically insignificant at 5%. This implies that the test considered the random effect as the most appropriate estimator and its result is presented in table 4.5 below:

Table 4.5: Random Effect Regression Result

Cross-section random effects test equation:
Dependent Variable: FINREP
Method: Panel Least Squares
Date: 09/18/23 Time: 14:52
Sample: 2015 2022
Periods included: 8
Cross-sections included: 11

Total panel (unbalanced) observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.848590	15.64800	0.565477	0.5735
ACGEN	-1.349976	3.750911	-2.771014	0.0433
ACFEP	2.701686	1.960867	1.377802	0.1726
ACFMET	0.192282	0.872807	0.220303	0.8263
ACSIZ	-2.037715	2.057208	-2.990525	0.0253

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	5.626705	R-squared	0.558947
Mean dependent var	2.494535	Adjusted R-squared	0.506894
S.D. dependent var	6.171380	S.E. of regression	6.192617
Akaike info criterion	6.641762	Sum squared resid	2722.743
Schwarz criterion	7.069846	Log likelihood	-270.5958
Hannan-Quinn criter.	6.814046	F-statistic	6.958430
Durbin-Watson stat	2.145500	Prob(F-statistic)	0.003377

Source: Researchers' Random Regression result (2023) from Eview

The table 4.5 above shows the panel regression analysis of 11 quoted deposit money banks in Nigeria. From the table above, the F-statistics value of 6.9584 and their P-value of 0.0033 showed that the regression analysis of our variables in the regression model was generally significant at 1% level of significance and it shows that the model was well specified in explaining financial reporting quality of quoted deposit money banks in Nigeria. This confirms the appropriateness of our model used for the analysis. From the result above, the study observed that the R. squared value was 0.5589 (56%) approximately and R-squared adjusted value was 0.5068 (51%) approximately. The value of R- squared which is the coefficient of determination stood at 56% which implies that 56% of the systematic variations in individual dependent variables were explained in the model while about 44% were unexplained thereby captured by the stochastic error term. This reveals that about 56% quality in financial report can be attributable to the audit committee characteristics variables selected for the study while about 44% were unexplained due to some factors not considered in the work. The Durbin Watson statistics value of 2.145 showed that the model is well spread since the value is equal to 2 and that there have not been self or auto correlation problem and that error are independent of each other.

The result shows that audit committee gender has negative and significant effect on financial reporting quality of quoted deposit money banks in Nigeria which was statistically significant at 5% level of significance. This implies that when audit committee gender decreases by one female member, quality of financial report increases by 1.349 units. The negative relationship should be expected since when a board increases the number of women sitting in the board, women tends to be very conservatives and argumentative, this slows down the release of audit report which inversely affects the financial reporting quality of quoted deposit money banks in Nigeria but when number of women is reduced, quality of report is improved. In the same vein, audit committee frequencies of meetings expressed in the number of meetings held by the committee have a positive but insignificant effect on financial reporting quality of deposit money banks in Nigeria. This result indicates that the more meetings held by the audit committee members in a year, the better and more quality their report has. Likewise, the coefficient value of 0.1922 shows that audit committee financial expertise has positive influence on the financial reporting quality of banks in Nigeria, hence the more audit committee financial expertise plays their role in improving the quality of report the more the financial performance is assured as a result of their expertise. Lastly, the coefficient value of -2.0253 reveals that the size of audit committee has negative and statistical significant effect on financial reporting quality which was statistically significant at 5% level of significance, hence the smaller the audit committee is expected to contribute more to the financial reporting quality of the banks than large audit committee. As a result of this significant effect we documented for our first and fourth null hypothesis, we therefore conclude that audit committee gender and size has negative and significant effect on financial reporting quality of deposit money banks in Nigeria which was statistically significant at 5% level of significance respectively.

5. Conclusion and Recommendations

An efficient and effective capital market needs a transparent financial reporting system to boost investors' confidence in making investment decisions. The financial information should be of higher quality before it is delivered to outside stakeholders because users of financial information demand for complete, transparent and quality information. Reviewed literature generally accepted that a well-diversified audit committee improves a robust audit efficiency that results in improved financial reporting quality. It is crystal clear from the review that some studies indicated a positive relationship between audit committee characteristics and financial reporting quality while others showed contrary due to the type of study design employed, sample size, data collection instruments and analysis techniques used. Emanating from the review of relevant literature and theories on audit committee characteristics and based on the data collected, analyzed and the hypotheses tested the study found that audit committee gender and audit commit size has negative and significant effect on financial reporting quality of deposit money banks in Nigeria which was statistically significant at 5% level of significance respectively. On this basis, therefore, it may be recommended that there is need to maintain optimal size of the audit committee and also reduce the inclusion of more women in the audit committee to give a seasoned advice without bias on ways to improve financial reporting quality. Again, audit committee financial expertise should be that of diversified nature to accommodate people with indebt knowledge on finance and accounting related matters and those with professional qualifications to improve financial reporting quality of banks.

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APPENDIX I

Descriptive Analysis Result

	FINREP	ACGEN	ACFEP	ACFMET	ACSIZ
Mean	2.494535	0.744186	1.616279	8.372093	5.558140
Median	2.655000	1.000000	2.000000	8.000000	6.000000
Maximum	9.810000	2.000000	2.000000	12.00000	6.000000
Minimum	-42.00000	0.000000	1.000000	5.000000	5.000000
Std. Dev.	6.171380	0.513031	0.489143	1.414600	0.499521
Skewness	-4.726777	-0.297180	-0.478228	-0.101592	-0.234146
Kurtosis	33.29292	2.642239	1.228702	4.183002	1.054825

Jarque-Bera	3608.526	1.724506	14.52076	5.162784	14.34410
Probability	0.000000	0.422210	0.000703	0.075669	0.000768
Sum	214.5300	64.00000	139.0000	720.0000	478.0000
Sum Sq. Dev.	3237.305	22.37209	20.33721	170.0930	21.20930
Observations	86	86	86	86	86

VIF Result

Variance Inflation Factors
Date: 09/18/23 Time: 14:58
Sample: 2015 2022
Included observations: 86

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	73.63242	165.1274	NA
ACGEN	1.769222	3.229476	1.032145
ACFEP	1.965835	12.55928	1.042534
ACFMET	0.248493	40.16224	1.102181
ACSIZ	2.001601	139.7783	1.107020

Correlation Result

	FINREP	ACGEN	ACFEP	ACFMET	ACSIZ
FINREP	1.000000	-0.056258	0.173974	-0.063574	-0.210767
ACGEN	-0.056258	1.000000	0.026166	-0.045616	0.150534
ACFEP	0.173974	0.026166	1.000000	-0.182282	-0.124293
ACFMET	-0.063574	-0.045616	-0.182282	1.000000	0.252061
ACSIZ	-0.210767	0.150534	-0.124293	0.252061	1.000000

Regression Result

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	2.021182	4	0.7319

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

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
ACGEN	-1.349976	-0.375478	1.296466	0.0921
ACFEP	2.701686	1.932454	1.879164	0.5747
ACFMET	0.192282	0.046889	0.513298	0.8392

ACSIZ	-2.037715	-2.344155	2.230505	0.0374

Cross-section random effects test equation:
Dependent Variable: FINREP
Method: Panel Least Squares
Date: 09/18/23 Time: 14:52
Sample: 2015 2022
Periods included: 8
Cross-sections included: 11
Total panel (unbalanced) observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.848590	15.64800	0.565477	0.5735
ACGEN	-1.349976	3.750911	-2.771014	0.0433
ACFEP	2.701686	1.960867	1.377802	0.1726
ACFMET	0.192282	0.872807	0.220303	0.8263
ACSIZ	-2.037715	2.057208	-2.990525	0.0253

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	5.626705	R-squared	0.558947
Mean dependent var	2.494535	Adjusted R-squared	0.506894
S.D. dependent var	6.171380	S.E. of regression	6.192617
Akaike info criterion	6.641762	Sum squared resid	2722.743
Schwarz criterion	7.069846	Log likelihood	-270.5958
Hannan-Quinn criter.	6.814046	F-statistic	6.958430
Durbin-Watson stat	2.145500	Prob(F-statistic)	0.003377

Raw Data From The Selected Deposit Money Banks

Fiscal year	Bank name	Listing Status	FINREP	ACGEN	ACFEP	ACFMET	ACSIZ
2015	Access Bank	Ngse	6.31	1	1	6	6
2016	Access Bank	Ngse	7.80	1	1	6	6
2017	Access Bank	Ngse	8.61	1	1	7	5
2018	Access Bank	Ngse	5.34	1	2	8	5
2019	Access Bank	Ngse	5.52	1	2	7	5
2020	Access Bank	Ngse	7.91	1	2	5	5
2021	Access Bank	Ngse	5.72	2	2	5	5
2022	Access Bank	Ngse	6.58	1	2	5	6
2015	Eco Bank	Ngse	1.25	1	2	6	6
2016	Eco Bank	Ngse	-14.9	1	1	6	6
2017	Eco Bank	Ngse	2.36	1	1	9	5
2018	Eco Bank	Ngse	2.58	2	1	9	5
2019	Eco Bank	Ngse	2.19	1	1	9	6

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2020	Eco Bank	Ngse	2.64	1	2	9	6
2021	Eco Bank	Ngse	1.54	1	2	9	5
2022	Eco Bank	Ngse	-5.19	0	2	8	5
2015	Fidelity Bank	Ngse	4.49	0	2	8	5
2016	Fidelity Bank	Ngse	1.88	1	2	8	6
2017	Fidelity Bank	Ngse	1.27	0	2	8	6
2018	Fidelity Bank	Ngse	4.72	0	2	8	6
2019	Fidelity Bank	Ngse	7.97	0	2	9	5
2020	Fidelity Bank	Ngse	7.58	0	2	10	5
2021	Fidelity Bank	Ngse	5.25	1	2	6	5
2022	Fidelity Bank	Ngse	4.21	0	2	6	5
2015	First Bank Hold	Ngse	9.81	0	2	5	5
2016	First Bank Hold	Ngse	5.06	0	1	7	5
2017	First Bank Hold	Ngse	1.24	1	1	8	5
2018	First Bank Hold	Ngse	1.97	0	1	8	5
2019	First Bank Hold	Ngse	1.84	0	1	8	5
2020	First Bank Hold	Ngse	2.62	0	1	8	5
2021	First Bank Hold	Ngse	2.94	1	2	8	5
2022	First Bank Hold	Ngse	-5.77	0	2	8	5
2015	Guaranty Trust	Ngse	1.19	0	2	8	5
2016	Guaranty Trust	Ngse	2.89	1	2	9	5
2017	Guaranty Trust	Ngse	3.90	0	2	9	5
2018	Guaranty Trust	Ngse	7.51	0	2	9	5
2019	Guaranty Trust	Ngse	6.37	0	2	9	5
2020	Guaranty Trust	Ngse	4.04	1	2	9	5
2021	Guaranty Trust	Ngse	6.20	1	2	9	5
2022	Guaranty Trust	Ngse	5.37	1	2	9	5
2015	Sterling Bank	Ngse	9.37	1	2	9	6
2016	Sterling Bank	Ngse	2.64	2	1	11	6
2017	Sterling Bank	Ngse	1.83	1	1	12	6
2018	Sterling Bank	Ngse	3.31	1	1	11	6
2019	Sterling Bank	Ngse	7.37	0	1	12	6
2020	Sterling Bank	Ngse	-9.1	0	1	12	6
2021	Sterling Bank	Ngse	7.37	0	1	11	6
2022	Sterling Bank	Ngse	5.7	0	1	9	6
2015	Union Bank	Ngse	1.29	1	1	9	5
2016	Union Bank	Ngse	8.32	1	2	9	5
2017	Union Bank	Ngse	1.19	1	2	9	6
2018	Union Bank	Ngse	2.03	1	2	9	6
2019	Union Bank	Ngse	2.67	1	2	9	6
2020	Union Bank	Ngse	1.65	1	2	8	6
2021	Union Bank	Ngse	2.26	1	2	8	6
2022	Union Bank	Ngse	4.11	1	2	8	6

2015	UBA	Ngse	1.17	1	2	9	6
2016	UBA	Ngse	1.87	1	2	9	6
2017	UBA	Ngse	1.91	1	2	9	6
2018	UBA	Ngse	3.04	1	1	9	6
2019	UBA	Ngse	0.63	1	1	10	6
2020	UBA	Ngse	0.77	1	1	10	6
2021	UBA	Ngse	6.03	0	1	8	6
2022	UBA	Ngse	4.54	0	1	8	6
2015	Wema Bank	Ngse	-1.95	0	1	8	6
2016	Wema Bank	Ngse	-42.0	1	1	8	6
2017	Wema Bank	Ngse	3.79	1	1	8	6
2018	Wema Bank	Ngse	3.05	1	1	8	6
2019	Wema Bank	Ngse	1.95	1	1	8	6
2020	Wema Bank	Ngse	5.69	1	2	8	6
2021	Wema Bank	Ngse	5.67	1	2	9	6
2022	Wema Bank	Ngse	1.48	1	2	9	6
2015	Zenith Bank	Ngse	0.33	1	2	9	6
2016	Zenith Bank	Ngse	-5.74	1	2	9	6
2017	Zenith Bank	Ngse	2.75	1	2	9	6
2018	Zenith Bank	Ngse	1.83	1	2	9	6
2019	Zenith Bank	Ngse	1.05	1	2	9	6
2020	Zenith Bank	Ngse	1.93	1	2	9	6
2021	Zenith Bank	Ngse	1.13	1	2	8	6
2022	Zenith Bank	Ngse	1.45	0	2	8	6
2015	Stanbic IBTC Holding	Ngse	2.44	1	2	8	5
2016	Stanbic IBTC Holding	Ngse	6.15	1	2	8	5
2017	Stanbic IBTC Holding	Ngse	1.01	1	2	8	5
2018	Stanbic IBTC Holding	Ngse	0.04	1	1	8	5
2019	Stanbic IBTC Holding	Ngse	4.02	1	1	8	5
2020	Stanbic IBTC Holding	Ngse	5.68	1	1	8	5
2021	Stanbic IBTC Holding	Ngse	2.63	1	1	8	5
2022	Stanbic IBTC Holding	Ngse	-3.95	1	1	8	5