

Audit Committee Busyness and Financial Reporting Quality: Evidence from Nigerian Deposit Money Banks

Eghosa Godwin Inneh¹, Olubode Olusegun Oladele², Olufisayo Olayinka Akinlo³, Fasanu Busola Damilola⁴

^{1,2,3,4}Obafemi Awolowo University, Nigeria

Abstract

Organisations are expected to establish robust audit committees to enhance financial controls and improve reporting quality, especially following global accounting scandals and financial crises. However, external stakeholders still raise concerns regarding the effectiveness of the audit committees, as members often take on multiple roles. Extant literature indicates that limited studies have examined the effect of audit committee busyness on financial reporting quality. Hence, the study fills the gap in the literature by exploring the impact of audit committee busyness on financial reporting quality by analysing the audited financial reports of 12 Deposit Money Banks over 13 years (2011-2023), resulting in a total of 156 firm-year observations. Our study utilises ordinary Least Squares (OLS), Fixed Effect (FE), and Random Effect (RE); the results indicated that while audit committee busyness has a negative impact on financial reporting quality, this effect is statistically insignificant. These findings are consistent with the Job Demand-Control Theory, which suggests that serving on multiple committees may lead to fatigue and, consequently, a decline in reporting quality. Our study recommends that audit committee members be limited in their participation on other committees to enhance audit quality.

Keywords: Audit committee, corporate governance effectiveness, Job demand control theory, fixed effect method, Nigeria.

1. Introduction

Audit committee effectiveness has become a serious concern in recent times, following the global accounting scandals and financial crises that involved WorldCom in 2002, Enron in 2001, Xerox in 2000 which was attributed to corporate governance failure. The management of the companies engaged in manipulation of information contained in their financial reports (earnings management) to deceive the unsuspecting shareholders (Saleh & Mansour, 2024). Audit committee is a key player in using corporate governance mechanisms to curb management's opportunist behaviour. Audit committee play a pivotal roles in ensuring that financial reporting is validity, reliable and devoid of errors and irregularities. However, the concern raised by external stakeholders on audit committee effectiveness is whether the committee would perform its oversight functions in overseen the accuracy of financial reporting effectively as a result of committee members taking up multiple roles to serve in different committees in the same company or other companies.

Few studies have been carried out on the effects of audit committee members taking up multiple roles (busyness) on financial reporting quality (Alkebsee et al, 2022), though studies have been carried out on other audit committee attributes. Krishnamoorthy et al, (2023) posited that financial expertise of audit committee members is not the only factor influencing financial reporting quality. According to Saleh & Mansour (2024) taking up multiple roles by audit committee members may have two side effects on financial reporting quality. Knowledge acquired while serving in other committee as a result of knowledge exchange could help committee member in carrying out the oversight functions efficiently, this is supported by reputation theory. However, serving multiple roles can lead to poor monitoring as a result of lack of attention and focus because of overburdened assignments. A committee member engaging in multiple roles may not have enough time to study and understand situations as they affect a company, this would lead to lack of proper understand, inability to provide the required level of oversight and guidance (Sharma et al, 2020). This is in line with work demand control theory. As a result of this, audit committee busyness may also have a significant influence on financial reporting quality, and therefore, it requires a deeper study to exert its effects on financial reporting quality.

In Nigeria, in order to strengthen corporate governance and ensure reliability of financial reporting quality, audit committee roles, size and qualifications are enshrined in the Company and Allied Matters Act, 2020 LFRN. (CAMA, 2020). Though, the law does not state the number of other committee roles that can be taken by audit committee members. However, the collapse of Skye Bank in 2018 and the subsequent establishment of Polaris Bank highlighted significant lapses in financial oversight and reporting (Adeyemi et al., 2022). The recent scandals and regulatory interventions in Nigerian corporations underscore the urgency of this issue. For instance, the 2022 accounting irregularities uncovered at Guaranty Trust Holding Company (GTCO) led to significant market value loss and regulatory scrutiny (Nairametrics, 2023). This raises critical questions about the effectiveness of audit committees. Despite that these banks have audit committee, does it means that the committee were too busy to perform effective oversight over financial controls because of multiple roles. Ferris et al. (2003); Field, Lowry & Mkrtychyan (2013); Ghafran et al, (2022) observed that audit committee busyness has a negative effects on financial reporting quality, the study posited that busyness reduces the effectiveness of audit committee in overseeing opportunistic behaviour by the managers. (Fama & Jensen, 1983; Nguyen 2022 & Ferris et al, 2003) posited that holding multiple committee roles may give member the opportunity to acquire broader and diverse range of experience, therefore have positive effect on financial reporting quality. The result of the studies on audit committee busyness and financial reporting quality has been mixed and inconclusive and also the study has been very scanty in Nigeria. As a result of these and as posited by Waheed et al. (2023), because of regulatory differences and economic peculiarities, there is a pressing need for more country-specific studies to explain the relationship between audit committee busyness and financial reporting quality in Nigeria.

The remaining section of the research is divided as follows; 2, literature review and hypothesis development. 3, methodology. 4, data analysis and discussion of result and 5, conclusion and recommendation.

2. Literature review and hypothesis development

2.1 Theoretical review.

Job demand control theory and reputational theory are the underpinning theories for this study. Job control theory developed by Karasek (1979) explains the relationship among job demand, control and social support to job strain and performance. Job demand control theory stipulates that doing too many job may lead to stress, and the effects of the stress may be negative health or poor performance because of the fatigue brought about by stress. This is in regard to the audit committee members' busyness; when audit committee members serve on too many directorships/committees, it may be stressful, and as a result of this, they may not be able to function well in their oversight responsibility on the financial reporting process effectively. The result may be adverse effect on financial reporting quality (Ferris et al. 2003); Field, Lowry & Mkrtchyan, 2013); Saleh & Mansour, (2024). On the other hand, reputation theory posit that knowledge and skills are acquired as a result of multitasking. This knowledge may be useful in monitoring financial reporting process, internal controls and accounting systems.

2.2 Audit Committee Busyness and Financial Reporting Quality

Audit committee member is said to be holding multiple roles when engages in more than one committee appointment or directorship. This committee member is said to be busy (Zahra and Pearce, 1989). Although, audit committee members may offer wide range of diverse knowledge and experience that may be useful for decision making and better oversight functions, therefore affecting financial reporting quality positively and significantly (Fama & Jensen, 1983; Ferris et al. 2003; Quang Trinh, 2022). Audit committee members may not have quality time to perform their oversight responsibilities if they are engaged in other board committee(s) and this may affect governance and financial controls negatively. Taking on multiple roles decreases the effectiveness of members of committee because they are overburdened and distracted with the activities of other committee, this is likely to have adverse effect on financial reporting quality (Ferris et al. 2003; Field, Lowry & Mkrtchyan 2013; Saleh & Mansour, 2024).

Hunda (2016) posited that negative and insignificant relationship exist between audit committee busyness and financial reporting quality of firms listed in Bombay stock exchange. Data were collected from financial statements of firms resulting in a sample of 3,733 year observation for the period of 2004 to 2014. The study proxy financial reporting quality with earnings management and employed regression analysis. According to Susan, Joshua and Hai (2018), audit committee members distractions as a result of multiple roles has a negative effect on financial reporting quality. This means that holding multiple roles would not allow committee members to be effective in performing the oversight functions. This conclusion goes with job demand control theory. Data for 184,128 director-firm-year observations were obtained from compustat. Regression analysis was used to achieve the objective of the study. In view of the mixed argument, we posit the following hypothesis;

H₀: there is no significant relationship between audit committee busyness and financial reporting quality of deposit money banks listed on Nigerian Exchange Group.

3. Methodology

3.1 Data Collection and Sample

This study employed Longitudinal and ex post facto research design. It covered a period between years (2011-2023) as time frame. All the 26 Deposit Money Banks licensed by the Central bank of Nigeria (CBN) constitute the population of this study and the sample constitutes all the 12 listed deposit money banks on Nigeria Exchange Group (NXG) with availability of financial statements. Data were extracted from the financial statements of the sampled banks. The timeframe of 13 years provide avenue for thorough study of financial landscape of the banks.

3.2 Variable Definition

3.2.1 Independent Variable:

Audit committee members busyness is the independent variable for the study and is measured by the number of other committee memberships roles taken by each member, involvement in more than 3 other roles is taken to be busyness in line with extant literature, the acceptable limit according to Yang and Krishnan (2005) is 3, anyone who is engage in more than this number is said to be busy and may not be able to effectively carry out the oversight and monitoring functions on annual report and account process.

3.2.2 Dependent Variable:

Financial Reporting Quality is the dependent variable for this study. Discretionary accruals (earnings management) was used to proxy the financial reporting quality. Data was analysed with Panel data regression analysis. Pool OLS, random effect, and robustness tests were employed.

The model used to measure financial reporting quality was adapted from the research done by Jones (1991)

$$\frac{TAC}{A_{it}} = \alpha_0 + \alpha_1 \left(\frac{1}{A_{it} - 1} \right) + \alpha_2 \left(\Delta \frac{LOANS}{A_{it} - 1} \right) + \alpha_3 \left(\Delta \frac{DEPOSIT}{A_{it} - 1} \right) + \alpha_4 \left(\Delta \frac{LLP}{A_{it} - 1} \right) + \epsilon_{it}$$

TAC is total accruals which measured by net income minus cash flow from operating activities, A_{it} is equal total assets at the beginning of the year. $\Delta LOANS$ is equal to change in total loans measure as $loan_{it} - loan_{it-1}$. $\Delta DEPOSIT$ is change in deposit measured as $deposit_{it} - deposit_{it-1}$.

ΔLLP is equal to loan loss provision measures as $LLP_{it} - LLP_{it-1}$. ϵ_{it} is equal to residual and is equal to discretionary accrual.

The effects of audit committee busyness on financial reporting quality was measured by adapting the model from the work of Biddle et al (2009). Other audit committee attributes such size, meeting frequency, gender and financial expertise were used as control variables in the model.

$$FRQ_{it} = B_0 + \beta_1 AUDBUSY_{it} + \beta_2 GEND_{it} + \beta_3 SIZE_{it} + \beta_4 FINEXP_{it} + \beta_5 MEETN_{it} + \epsilon_{it} \dots \dots \dots 2.$$

FRQ_{it} is used for financial reporting quality, $AUDBUSY_{it}$ is for Audit committee members' busyness, $GEND_{it}$ is for gender distribution of Audit committee members, $SIZE_{it}$ is the number of members of audit committee, $FINEXP_{it}$ is number of audit committee members with accounting and finance knowledge, $MEETN_{it}$ is the number of times the audit committee held meetings within the year and ε_{it} is the residual Value.

4. Results

4.1 Correlation Interpretation

Audit committee busyness has r value of 0.012 and a p value of 0.890) which shows that there is a very weak relationship between audit committee busyness and financial reporting quality, and also the relationship is not statistically significant. This result implies that whether the audit committee members engage in other board or committee assignments, it does not affect their oversight function on the financial reporting process, therefore, their busyness does not affect financial reporting quality. Audit committee frequency of meeting held every year throughout the year under investigation shows a weak negative relationship and is not statistically significant with financial reporting quality, as shown in Table 4.2 with an r value of -0.077 and P value of 0.359. The implication of this is that, no matter the number of meetings held in a financial year, it does not affect financial reporting quality. This may be that what affects financial reporting quality is the quality of discussion at the meeting and not just holding a meeting to comply with regulatory provisions. Audit committee size has an r value of -0.131 and a P value of 0.118, which shows that there is a weak negative relationship between audit committee size and financial reporting quality, and the relationship is statistically insignificant. This means that an increase in the number of audit committee members does not necessitate an increase in financial reporting quality, this is because, before audit committee members can be effective, they must be quality members who are technically competent to perform the oversight functions on the financial reporting process. The male member of the audit committee has a correlation coefficient of -0.198 and (0.017) as r value and p value, respectively, as shown in Table 1. This means that male has a negative correlation with financial reporting quality, but statistically significant. This means having male members in the audit committee has an effect on financial reporting quality. The result shows that female has a positive and significant relationship with financial reporting quality, with an r value of 0.179 and p value of 0.032. This means that having a female as a member of the audit committee affects financial reporting quality; an increase in female members of the audit committee brings a better financial reporting quality. The result shows that gender representation has an impact on financial reporting quality. Audit committee members with financial expertise have t value of 0.455 and a p -value of 0.000, which shows a moderate positive relationship between the financial expertise of audit committee members and financial reporting quality, and the relationship is statistically significant. This means that an increase in audit committee members with financial knowledge would lead to better quality financial reporting.

Table 1 shows a moderate positive relationship between audit committee size and busyness, and the relationship is statistically significant with a t value of 0.392 and p value of 0.000, which indicates a moderate positive relationship and is statistically significant. It means the audit committee size impacts the audit committee members' busyness. The table also shows a strong negative and statistically significant relationship between male and female members in the audit committee with t value of and p value of (0.000), it indicates that increase in number of male members of audit committee impact the

numbers of female that would serve as members of the audit committee vice-versa. There is a weak negative relationship between the number of male audit committee members and members with financial knowledge, with r value of -0.258 and a p value of 0.002. The number of males serving in the audit committee does not necessarily increase the financial knowledge of audit committee members. Female members of the audit committee have r value of 0.148 and a p -value of 0.076. It indicates a weak negative and statistically insignificant relationship between female members of the audit committee and the financial expertise of audit committee members.

Table 1 Correlation Analysis of Audit Committee Attributes and Financial Reporting Quality.

Variables	(frq)	(meetn)	(size)	(audbusy)	(male)	(female)	(finexp ratio)
(1) frq	1.000						
(2) meetn	-0.077 (0.359)	1.000					
(3) size	-0.131 (0.118)	-0.084 (0.319)	1.000				
(4) audbusy	0.012 (0.890)	0.009 (0.911)	0.392 (0.000)	1.000			
(5) male	-0.198 (0.017)	0.059 (0.479)	0.044 (0.597)	0.110 (0.190)	1.000		
(6) female	0.179 (0.032)	-0.132 (0.114)	-0.007 (0.932)	-0.020 (0.811)	-0.702 (0.000)	1.000	
(7) finexp_ratio	0.455 (0.000)	-0.001 (0.986)	-0.100 (0.234)	0.093 (0.269)	-0.258 (0.002)	0.148 (0.076)	1.000

Table 2: Variance inflation factor

	VIF	1/VIF
Male	2.131	.469
Female	2.023	.494
Audbusy	1.244	.804
Size	1.222	.818
finexp ratio	1.119	.894
Meetn	1.03	.971
Mean VIF	1.461	.

4.2 Diagnostic Test Results for Panel Data Analysis

The study conducted the following diagnostic test to ascertain the degree of compliance of the model with the assumption of the panel least squares model. The test includes the **Modified Wald Test for Groupwise Heteroskedasticity and the Wooldridge Test for Autocorrelation in Panel Data**. The

Modified Wald test was performed to assess whether heteroskedasticity exists across groups in the panel data. The test yielded a test statistic of 4708.94, with a corresponding p-value of 0.0000. Since the p-value is below 0.05, the null hypothesis of homoskedasticity was rejected. This result indicates the presence of significant heteroskedasticity, indicating that error variances differ across groups. The Wooldridge test was employed to detect serial correlation in the idiosyncratic errors of the panel data. The test produced a test statistic of 1.045 and a p-value of 0.3286. As the p-value exceeds the 0.05 significance level, the null hypothesis of no first-order autocorrelation could not be rejected. Thus, there is no evidence of serial correlation in the data. Therefore, the model is free from the autocorrelation problem but indicates the presence of heteroskedasticity. Hence, there is a need to correct the violation by adopting a robust VCE model.

Table 3: Serial Correlation Test and Heteroskedasticity Test

	chi2	Prob>chi2
Modified Wald test for groupwise heteroscedasticity in fixed-effect regression model	4708.94	0.0000
Wooldridge test for autocorrelation in panel data	1.045	0.3286

4.3 Model Specification Tests for Panel Data Analysis

More so, the study carried out model specification tests for Panel Data Analysis to determine the appropriate model specification for the panel data analysis.

4.3.1 Breusch and Pagan Lagrangian Multiplier (LM) Test for Random Effects

This test evaluates whether a random effects model is more appropriate than a pooled ordinary least squares (OLS) regression. The test produced a test statistic of 38.51 with a p-value of 0.0000. Since the p-value is below the 0.05 level of significance, the null hypothesis that variances across entities are zero (no panel effects) was rejected. This finding indicates that the random effects model is preferred over the pooled OLS regression, as it accounts for unobserved heterogeneity across groups.

4.3.2 Hausman Test

The Hausman test was conducted to compare the fixed effects and random effects models. The test yielded a test statistic of 6.72 with a p-value of 0.3479. As the p-value exceeds the 0.05 significance level, the null hypothesis that the random effects model is consistent and efficient could not be rejected. This result suggests that the random effects model is appropriate for the given data.

Table 4: Hausman test and Breusch and Pagan Lagrangian multiplier test for random effects

	chi2	Prob>chi2
Breusch and Pagan Lagrangian multiplier test for random effects	38.51	0.0000
Hausman test	6.72	0.3479

4.4 Empirical Result

The study reports the estimated models in Table 5, it was discovered from the model specification test that the random effect model captures the data better than other models estimate. However, the diagnostic test shows that the random effect failed to adhere to the assumption of the panel least squares. In view of this, the study estimates a model using a robust technique by taking into consideration the random effect of the model.

Audit Committee Busyness exhibits a coefficient value of -0.0711. The busyness of audit committee members, measured by their involvement in multiple roles or committee appointments, shows a negative and statistically insignificant impact on FRQ ($t = -0.57$). This may indicate potential drawbacks of overextended members. This means that over-commitment of members of the audit committee to other engagements or involvement in other committee activities does not necessarily affect their effectiveness. They may acquire additional knowledge and competences while engaging in other assignments, which would be of added value and useful to perform oversight functions on the financial reporting process.

Audit Committee Meetings with the coefficient value of 0.0608, with a t-value of 0.93. The result shows that, despite a positive coefficient, the effect of the number of audit committee meetings on FRQ was statistically insignificant ($t = 0.93$). This indicates that simply increasing the frequency of meetings does not necessarily enhance the quality of financial reporting; the quality of discussion at meetings is very important to the effectiveness of the committee, holding several meetings to meet up with regulatory provisions may not alone affect financial reporting quality, but the contents of discussion at meeting.

Audit Committee Size reports a Coefficient value of -0.367. The size of the audit committee had a negative and statistically insignificant effect on FRQ ($t = -1.04$). Audit committee size does not necessarily translate to enhance financial reporting. This is because larger committees may face coordination challenges, and also the quality of their deliberation at a meeting determines whether the meeting would impact the quality of financial reporting. It is also pertinent to note that, technical competence of members in performing oversight functions on the financial reporting process is also to be considered along with the size of the audit committee.

The proportion of Male Members with a coefficient value of -0.0518 indicates that the proportion of male members on the audit committee had a negative and statistically insignificant relationship with FRQ ($t = -0.32$). It does not inherently affect the quality of financial reporting, meaning that, number of males in the audit committee doesn't affect the committee's effectiveness in the oversight function on financial reporting. There may be male members of the audit committee who may not have the technical know-how to monitor the financial reporting process effectively.

The Proportion of Female Members with a coefficient value of 0.120 reports that female representation on the audit committee exhibited a positive but statistically insignificant effect on FRQ ($t = 1.19$). Although the results suggest potential benefits of gender diversity. It may be a situation where females would just be appointed as committee members in order to fulfil regulatory requirements, and not females who are competent to add value to discussions at meetings, and also positively impact the financial report process positively.

Financial Expertise Ratio with the coefficient value of 1.770 shows that the financial expertise ratio emerged as the only statistically significant predictor of FRQ ($t = 2.14$), indicating that committees with a higher proportion of financially knowledgeable members significantly enhance financial reporting quality. This is because members with financial knowledge will be able to know the implications of accounting judgment employed by the management on financial reporting quality, they may be able to monitor the internal control system effectively, and see how its workability may affect the quality of financial reporting.

Table 5: Regression Result

	(Pooled OLS) Frq	(Fixed Effect) Frq	(Random Effect) Frq	(Robust) Frq
Audbusy	0.0426 (0.18)	-0.131 (-0.62)	-0.0711 (-0.34)	-0.0711 (-0.57)
Size	-0.400 (-1.19)	-0.327 (-1.14)	-0.367 (-1.25)	-0.367 (-1.04)
Male	-0.0286 (-0.12)	-0.0246 (-0.11)	-0.0518 (-0.23)	-0.0518 (-0.32)
Female	0.160 (0.91)	0.102 (0.68)	0.120 (0.78)	0.120 (1.19)
finexp_ratio	3.041*** (5.38)	0.918 (1.31)	1.770** (2.79)	1.770* (2.14)
_cons	0.905 (0.42)	0.937 (0.50)	1.024 (0.54)	1.024 (0.63)
<i>N</i>	144	144	144	144
<i>R</i> ²	0.232	0.074		
adj. <i>R</i> ²	0.199	-0.051		
pseudo <i>R</i> ²				
ll_0	-292.7	-247.8		
ll	-273.7	-242.3		
chi2			14.78	11.35

t statistics in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.00$

4.4 Discussion

Audit committee busyness has a negative and insignificant effect on financial reporting quality, as shown in the results. The result is positive in the pool OLS but negative in fixed effect, random effect, and

robustness. The result suggests that audit committee busyness has negative effect on financial reporting quality of deposit money banks in Nigeria. It means the more the audit committee members are engaging in other assignments, especially when they are members of other committees in the same company or other companies, they may be too busy to perform their oversight functions on the financial reporting process and internal control monitoring. This is consistent with job demand control theory, which posits that the combination of high job demand, psychological, emotional, and physical demands of the engagements, and the low ability to control can lead to stress and burnout, which eventually reduce efficiency and effectiveness. It is also in line with the study of (Hundal, 2016; Shabnamju, 2019; Chaudhry et al, 2022; Jimmy et al, 2022).

The audit committee has a weak and insignificant correlation with financial reporting quality. This suggests that the quality of discussion at meetings determines the effectiveness of the audit committee in impacting the quality of financial reporting, but not just the frequency of meetings held. This is a pointer to the importance of the content of the meeting agenda. Minutes of the meeting could provide a deeper insight into the discussion at the committee meetings. This result is in line with the study carried out by (Qussli & Taktak, 2016; Jimmy et al, 2022).

Audit committee size also has a negative coefficient in both random effect and robustness tests, the result is also insignificant. This suggests that the effect is weak. It may suggest that the number of members of the audit committee may not affect its performance, but rather the quality of the members. A company may appoint any person as a member of the committee, knowing fully well that they are not experienced to add value to the committee's work, but to comply with the regulatory provision of several members that should be in the committee. However, the weak coefficient across models suggests the effect is not robust, meaning that audit committee size does not necessarily influence financial reporting quality. This result is consistent with the studies of (Bajra & Cadex, 2017; Ekaruwe, 2024).

Gender composition shows different directions, while male representation shows a consistent negative and insignificant effect across pool OLS, fixed effect, random effect, and robustness. The female representation coefficient shows a positive effect across all models, but not significant. This result is an indication of gender importance to the effectiveness of the audit committee. The coefficient of female representation suggests potential benefits of gender diversity in audit committee appointments therefore, policymakers should consider a framework to encourage diversity in audit committee members. This result is consistent with the study of (Aifuwa et al, 2020).

Financial expertise has a positive and significant effect on financial reporting quality and is the most significant variable among audit committee attributes. It shows positive and significant effects across all models (Pool OLS, Fixed Effect, Random Effect, and Robustness). It suggests that the more the audit committee members with financial knowledge, the more the audit committee is, and translates to a better financial reporting quality. It suggests that a member with financial expertise would be able to review financial statement processes, accounting policies, and internal control effectiveness, which are key factors towards quality financial reporting. This result is consistent with the study of (Ojeka et al, 2015; Qussli & Taktak, 2016; Gerayli et al, 2021; Ibrahim et al, 2024) and in line with reputation theory, which says continuous practice leads to reputation building and efficient performance.

Conclusion

This study provide valuable insight into the effect of audit committee busyness on financial reporting quality of deposit money banks in Nigeria. Through rigorous data analysis, the study confirmed that audit committee busyness has a negative and insignificant effect on financial reporting quality. This suggests that serving on multiple committees may lead to fatigue and, consequently, a decline in reporting quality.

Secondly, audit committee meetings frequency is one of the mechanisms used as control variable in the model, the result confirmed that audit committee meeting has a very weak positive effect on financial reporting quality. This indicates that simply increasing the frequency of meetings does not necessarily enhance the quality of financial reporting.

Thirdly, audit committee size reports a negative and statistically insignificant effect on financial reporting quality. This is because larger committees may face coordination challenges, and also the quality of their deliberation at a meeting determines whether the meeting would impact the quality of financial reporting.

The proportion of female members reports that female representation on the audit committee exhibited a positive but statistically insignificant effect on financial reporting quality. This mean audit committee gender weak effect on financial reporting quality.

The result of the data analysis confirmed financial expertise ratio has positive and statistically significant effect on financial reporting quality. It means financially knowledgeable members significantly enhance financial reporting quality.

Recommendations

This study recommends that audit committee members be limited in their participation on other committees to enhance audit quality, the committee members should not be permitted to engage in more than 3 additional roles in order to enhance their oversight roles on financial stability. There should be regulations prohibiting audit committee members engaging in more than 3 additional roles. Secondly, firm should ensure that financially knowledgeable individuals are appointed as audit committee members.

Reference:

1. Adebayo, A. O., Adeyemi, A. Z., & Ajiboye, O. O. (2022). Firm Structural Traits and Quality of Financial Reporting of Listed Non-Financial Firms in Nigeria. *KIU Interdisciplinary Journal of Humanities and Social Sciences*, 3(1), 56-72.
2. Aifuwa, H. O., Musa, S., & Gold, N. O. (2020). Audit Committee Attributes and Timeliness of Corporate Financial Reporting in Nigeria. *Облік і фінанси*, (2), 114-124. DOI: [10.33146/2307-9878-2020-2\(88\)-114-124](https://doi.org/10.33146/2307-9878-2020-2(88)-114-124)
3. Alkebeese, R. H., Tian, G., Garefalakis, A., Koutoupis, A., & Kyriakogkonas, P. (2022). Audit Committee Independence and Financial Expertise and Earnings Management: Evidence from China. *International Journal of Business Governance and Ethics*, 16(2), 176-194. <https://doi.org/10.1504/IJBGE.2022.121928>
4. Bajra, U., and Čadež, S. (2018). Audit Committees and Financial Reporting Quality: The 8th EU

- Company Law Directive Perspective. *Economic Systems*, 42(1), 151-163.
<https://doi.org/10.1016/j.ecosys.2017.03.002>
5. Banks and other financial institutions act LAWFRN 1994 Biddle, G. C., Hilary, G., & Verdi, R.S. (2009). How Does Financial Reporting Quality Relate to Investment Efficiency?. *Journal of Accounting and Economics*, 48(2-3), 112-131. <https://doi.org/10.1016/j.jacceco.2009.09.001>
 6. Buallay, A. (2018). Audit Committee Characteristics: An Empirical Investigation of the Contribution to Intellectual Capital Efficiency. *Measuring Business Excellence*, 22(2), 183-200. <https://doi.org/10.1108/MBE-09-2017-0064>
 7. Olaoye, f., & Bamidele, v. (2023). Effect of Audit Committee Characteristics on Financial Reporting Quality of Listed Deposit Money Banks in Nigeria. *Fuoye Journal of Management, Innovation and Entrepreneurship*, 2(2). 165-175
 8. Company and allied matters act (CAMA, 2020). Retrieved in October 4, 2024 Fama, E. F., & Jensen, M. C. (1983). Agency Problems and Residual Claims. *The journal of Law and Economics*, 26(2), 327-349.
 9. Ferris, S. P., Jagannathan, M., & Pritchard, A. C. (2003). Too Busy to Mind the Business?
 10. Monitoring by Directors with Multiple Board Appointments. *The Journal of Finance*, 58(3), 1087-1111. <https://doi.org/10.1111/1540-6261.00559>
 11. Field, L., Lowry, M., & Mkrtchyan, A. (2013). Are Busy Boards Detrimental? *Journal of Financial Economics*, 109(1), 63-82. <https://doi.org/10.1016/j.jfineco.2013.02.004>
 12. Ghafran, C., O'Sullivan, N., & Yasmin, S. (2022). When Does Audit Committee Busyness Influences Earnings Management in the UK? Evidence on The Role of The Financial Crisis and Company Size. *Journal of International Accounting, Auditing and Taxation*, 47, 100467. 1-20. <https://doi.org/10.1016/j.intaccudtax.2022.100467>
 13. Hundal, S. (2016). Busyness of audit committee directors and quality of financial information in India. *International Journal of Business Governance and Ethics*, 11(4), 335-363. <https://doi.org/10.1504/IJBGE.2016.082606>
 14. Jimmy, C., Cori, O. C., Vineeta, D. S., and John, R. S. (2022): How May Simultaneous Audit Committee Memberships are Too Many. *Current Issues in Auditing*. 16 (1) 9-15. Doi:102308/CIIA-2021-009. <https://doi.org/10.2308/CIIA-2021-009>
 15. Jones, J. J. (1991). Earnings Management During Import Relief Investigations. *Journal of Accounting Research*, 29(2), 193-228. <https://doi.org/10.2307/2491047>
 16. Kain, J., & Jex, S. (2010). Karasek's (1979) Job Demands-Control Model: A Summary of Current Issues and Recommendations for Future Research, 8, 237-268. [https://doi.org/10.1108/S1479-3555\(2010\)0000008009](https://doi.org/10.1108/S1479-3555(2010)0000008009)
 17. Kasznik, R. (1999). On the Association Between Voluntary Disclosure and Earnings Management. *Journal of Accounting Research*, 37(1), 581. <https://doi.org/10.2307/2491396>
 18. Krishnamoorthy, G., Bruynseels, L., De Groote, S., Wright, A. M., & Van Peteghem, M. (2023).
 19. The Accounting Financial Expertise of the Audit Committee Chair and Oversight Effectiveness. *Auditing: A Journal of Practice & Theory*, 42(1), 75-100. <https://doi.org/10.2308/AJPT-19-088>
 21. [Nairametrics: https://stocks.nairametrics.com](https://stocks.nairametrics.com) > [list-of-dividends-2023](#)

22. Nguyen, Q. K. (2022). Audit Committee Effectiveness, Bank Efficiency and Risk-Taking: Evidence in ASEAN countries. *Cogent Business & Management*, 9(1), 2080622. 1-12. <https://doi.org/10.1080/23311975.2022.2080622>.
23. Mohd'd Ibrahim, H. U., & Madawaki, A. (2024). Audit Committee's and Timeliness of Financial Reporting: Evidence from Nigerian Public Listed Companies. *Accounting and Management Review*, 4(1), 1-11
24. Moses Ekaruwe (2024). Audit Committee Attributes and Financial Reporting Quality of Listed Commercial Banks in Nigeria. *The Nigerian Journal Research and Production*, 26(1).
25. Ojeka, S. A., Iyoha, F. O., & Asaolu, T. (2015). Audit Committee Financial Expertise: Antidote for Financial Reporting Quality in Nigeria. *Mediterranean Journal of Social Sciences*, 6(1), 136-146.
26. Oussii, A. A., Klibi, M. F., & Ouertani, I. (2019). Audit Committee Role: Formal Rituals or Effective Oversight Process? *Managerial Auditing Journal*, 34(6), 673-695. <https://doi.org/10.1108/MAJ-11-2017-1708>
27. Safari Gerayli, M., Rezaei Pitenoei, Y., & Abdollahi, A. (2021). Do Audit Committee Characteristics Improve Financial Reporting Quality in Emerging Markets? Evidence from Iran. *Asian Review of Accounting*, 29(2), 251-267. <https://doi.org/10.1108/ARA-10-2020-0155>
28. Sharma, D. S., Sharma, V. D., Tanyi, P. N., & Cheng, X. (2020). Should Audit Committee Directors Serve on Multiple Audit Committees? Evidence from Cost of Equity Capital. *Auditing: A Journal of Practice & Theory*, 39(2), 185-205. <https://doi.org/10.2308/ajpt-17-117>
29. Waheed, U., Gul, M. S., Ijaz, S., & Saleem, M. (2025). Audit Committee Characteristics and Environmental Disclosure: Empirical Analysis. *Bulletin of Management Review*, 2(1), 327-343.
30. Yang, J. S., & Krishnan, J. (2005). Audit Committees and Quarterly Earnings Management. *International Journal of Auditing*, 9(3), 201-219.
31. <https://doi.org/10.1111/j.1099-1123.2005.00278.x>