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AUDIT COMMITTEE ATTRIBUTES AND FINANCIAL REPORTING QUALITY OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

Audit committee attributes have attracted significant attention within the accounting profession due to stakeholders' growing demand for reliable and high-quality financial reporting. This study examined the effect of audit committee characteristics on the financial reporting quality of listed deposit money banks in Nigeria using an ex- post facto research design. Secondary data were obtained from the annual reports of 15 selected deposit money banks over a 10-year period (2015–2024). Panel data regression techniques, using fixed effects model is employed for the analysis. The findings reveal that Audit committee expertise and Audit committee Independence have a significant positive effect on financial reporting quality. Although audit committee gender diversity shows a positive relationship with financial reporting quality, the effect is not statistically significant. Overall, the results suggest that audit committee expertise, Audit committee independence, and Audit committee gender diversity are key determinants of financial reporting quality. The study recommends that audit committees should be composed predominantly of directors with strong financial management expertise to enhance oversight functions and ensure the preparation of high-quality financial reports with minimal discretionary accruals.

Keywords: Audit Committee, Financial Reporting Quality, Expertise, Independence, Gender Diversity, Nigeria.

INTRODUCTION

In spite of the regulatory reforms such as IFRS adoption and the Nigerian Code of Corporate Governance (NCCG), deposit money banks continue to experience issues related to misstatements, weak internal controls, board inefficiencies, and limited transparency Muhammed et al. (2024) highlight that the Nigerian Code of Corporate Governance (2018) and CAMA (2020) . Despite mandatory audit committees and continuous regulatory reforms, Nigerian deposit money banks have faced recurring issues related to financial disclosure quality. Instances of financial restatements and regulatory sanctions suggest weaknesses in governance oversight mechanisms (Adejoh & Okpanachi,2022). The quality of financial statement would not be achieved if the earnings are consistently manipulated and the audit committee default in their oversight function. The recurring issues of poor financial disclosures and misstatements suggest that audit committees in Nigerian banks may not be fulfilling their roles as intended Healy and Wahlen (1999). The quality of financial reports has been questioned for the past decade due to the merger and acquisition of banks soon after publication of larger profits. Over the past decade, the credibility of financial reports has been further eroded by instances of banks engaging in mergers or being acquired shortly after reporting suspiciously high profits. This trend has forced regulators to tighten standards and modify corporate governance structures, positioning the audit committee as a primary defense for reliable reporting. However, as Muhammed et al. (2024) conclude, if an audit committee lacks true independence from management, lacks essential financial expertise, or fails to embrace gender diversity—which often introduces more conservative and principled ethical approaches investors will remain at risk of being misled by substandard financial reporting quality.

Previous study revealed various gaps that are yet to be filled. For the sector gap, it was discovered that most studies focused on some sectors such as, industrial goods companies, consumer goods companies, nonfinancial firms, oil and gas and pharmaceutical firms while deposit money banks given limited attention (Muhammed et al. 2024; Bako, 2024; Umoru et al., 2024). Furthermore, in terms of differences in methodology, it was found out that some studies use varying research designs and analytical techniques in analysing the data, (Matoke & Omwenga, 2024; Kantudu & Alhassan 2022). In terms of variable gap, it was realised that other measures of audit committee attributes were used such as audit committee expertise, audit committee busyness, and so on (Orife et al. 2022; Sitienei, 2022). In contrast, most of the previous studies focused on the effect of firms' attributes on other performance measures such as; earnings quality, financial performance, capital structure, earnings management and market value (Okolie, 2024; Ozer & Merter, 2023).

While audit committees exist in all listed banks, questions remain as to whether their composition and attributes genuinely enhance financial reporting quality (Emenyi et al 2025). Previous studies in Nigeria often focus on the generalisability of their findings. Moreover, few studies incorporate audit committee gender diversity as a key attribute in the banking sector.

In light of the persistent concerns regarding earnings management and disclosure transparency in the Nigerian banking sector, this study examines the relationship between audit committee attributes and financial reporting quality. Specifically, the research evaluates Financial Reporting Quality (FRQ) proxy by discretionary accruals as defined by Healy and Wahlen (1999) as the dependent variable. The study treats Audit Committee Expertise, Audit Committee Independence, and Audit Committee Gender Diversity as the core independent variables to determine their individual and collective impact on reporting integrity. By focusing on listed deposit money banks in Nigeria from 2015 to 2024, this study seeks to provide empirical evidence on effect of audit committee attribute on financial reporting quality.

LITERATURE REVIEW

Financial Reporting Quality

Financial reporting quality refers to the extent to which financial statements faithfully represent a firm's economic performance and are free from managerial manipulation. Discretionary accruals capture the portion of accruals that arises from managerial judgment and discretion, rather than from normal business operations. Higher discretionary accruals indicate a greater likelihood that managers are inbtervening in the reporting process, which reduces reporting quality. DeAngelo (1986), Dechow et al. (1995), and others show that discretionary accruals estimated residuals from models like Modified Jones are used to quantify managerial discretion in accruals and are interpreted as a proxy for earnings management. Because greater discretionary accruals reflect more managerial intervention in reported earnings, they are used as an inverse indicator of financial reporting quality.

"For the purpose of this study, Financial Reporting Quality (FRQ) is defined as the extent to which a bank's financial statements provide a faithful and transparent representation of its underlying economic reality, free from opportunistic earnings management. Operationally, this is measured by the degree of discretionary accruals, where lower levels of management discretion signify higher reporting quality. It is viewed as the degree to which reported earnings are free from management bias, thereby providing decision-useful information to stakeholders as measured through discretionary accruals (Healy & Wahlen, 1999; Bako, 2024)." Financial Reporting Quality in Nigerian DMBs is the nexus of regulatory compliance and ethical disclosure. It is not merely the adherence to IFRS rules, but the output of a robust governance ecosystem where the Audit Committee acts as a filter against managerial opportunism, ensuring that the financial narratives presented to stakeholders are both relevant and faithfully represented."

Discretionary accruals reflect the component of accounting accruals that arises from managerial judgment and discretion in choosing accounting policies or estimates rather than from normal business operations. Healy and Wahlen (1999) define earnings management as managerial use of judgment in financial reporting and in structuring transactions to alter financial reports, which can mislead stakeholders or influence contractual outcomes. Consequently, discretionary accruals estimated by models such as the Modified Jones Model have been widely used in empirical research as a proxy for earnings management*, and* higher levels of discretionary accruals are interpreted as indicative of lower financial reporting quality

2.1.1 Audit Committee Independence

Audit committee independence refers to the extent to which members of the audit committee are free from management influence and do not participate in the day-to-day operations of the firm. Independent members are usually non-executive directors whose objectivity enables them to provide unbiased oversight of financial reporting processes. Corporate governance codes in Nigeria emphasize audit committee independence as a mechanism for ensuring transparency and accountability in financial reporting, particularly in the banking sector, where public confidence is critical (FRCN, 2023; CBN, 2024).

Independent audit committee members are expected to enhance monitoring effectiveness by questioning management judgments, scrutinizing accounting estimates, and ensuring compliance with International Financial Reporting Standards (IFRS). According to Akinyomi and Olutoye (2021), independence strengthens the credibility of financial statements by reducing management dominance over financial reporting decisions. Similarly, Adejoh and Okpanachi (2022) argue that independent audit committees are better positioned to detect financial misstatements and constrain earnings manipulation.

From a theoretical standpoint, agency theory provides strong justification for audit committee independence. The separation of ownership and control creates agency conflicts, which independent audit committees help mitigate by acting as impartial monitors on behalf of shareholders. In Nigerian deposit money banks, where ownership structures are often dispersed and operations complex, independence is essential for reducing information asymmetry and improving financial reporting quality (Umar & Musa, 2024; Ologun, 2025).

Audit Committee Financial Expertise

Audit committee financial expertise refers to the presence of members with professional qualifications or experience in accounting, auditing, finance, or related fields. Financially knowledgeable members are better equipped to understand complex accounting standards, evaluate financial estimates, and interact effectively with external auditors. Governance literature consistently identifies financial expertise as one of the most critical audit committee attributes influencing reporting outcomes (Ogunleye & Adebisi, 2021; Adegbie & Fakile, 2023).

Financial expertise enhances the audit committee's capacity to detect aggressive accounting practices and ensure accurate financial disclosures. Members with accounting and finance backgrounds can critically assess loan loss provisions, fair value measurements, and risk disclosures, which are particularly important in banking institutions. Ayinla et al. (2024) emphasize that audit committees lacking financial expertise often rely excessively on management explanations, thereby weakening oversight effectiveness.

In the Nigerian banking sector, financial expertise is especially important due to the technical nature of banking transactions and regulatory requirements. Ologun (2025) notes that audit committee expertise significantly improves financial reporting quality by strengthening internal controls and improving compliance with accounting standards. This supports the view that competence, rather than mere committee existence, determines audit committee effectiveness.

Audit Committee Gender Diversity

Gender diversity on the audit committee refers to the proportion of female members serving on the committee. In recent years, gender diversity has gained prominence in corporate governance discourse due to its potential influence on ethical behavior, monitoring intensity, and decision-making quality. Studies suggest that female directors tend to exhibit higher levels of diligence, ethical sensitivity, and risk aversion, which can positively affect financial reporting quality (Shika & Kantiyok, 2023; Onipe & Ajibade, 2024).

From a behavioral perspective, gender-diverse audit committees benefit from varied viewpoints and enhanced deliberation processes. Adebayo et al. (2025) argue that female audit committee members are more likely to demand transparency and challenge questionable accounting practices, thereby discouraging earnings manipulation. This diversity of perspectives can strengthen oversight functions and improve the quality of financial reporting.

This study defines Audit Committee Gender Diversity as the inclusion of female directors within the audit committee composition. Conceptually, it represents the integration of diverse cognitive styles and ethical perspectives into the oversight process. It is measured as either the numerical count of women on the committee or a dummy variable (1 if a female member exists, 0 otherwise), reflecting the 'ethical conservatism' theorized to mitigate aggressive accounting practices in the Nigerian banking sector (Musa, 2020; Emenyi, 2024)."

Firm Age

Firm age represents the organisational maturity and the accumulation of experiential knowledge in financial disclosure processes (Hassan & Bello, 2013). In the Nigerian banking sector, age is often viewed through the lens of institutional stability and the development of robust internal control systems. Older banks are thought to have higher Financial Reporting Qulaity because they have had more time to refine their accounting systems, standardise their internal audits, and adapt to shifting regulatory frameworks like the Nigerian Code of Corporate Governance (2018) and CAMA (2020). As a bank matures, it reduces the liability of newness, leading to fewer technical errors and misstatements (Iyoha, 2012). Mature banks often have a greater incentive to provide high-quality reports to protect their long-term brand equity and relationships with creditors

Firm age is a strong predictor of reporting speed. Evidence from listed oil and gas firms indicates that age significantly affects financial reporting timeliness, measured by audit report lag. In the banking sector specifically, older banks have been shown to report more promptly due to their long-standing accounting routines Abidoye et al. (2024). Mature banks often have a greater incentive to provide high-quality reports to protect their long-term brand equity and relationships with creditors. Sitienei (2022) argues that older firms face higher reputation costs if caught manipulating earnings, which naturally acts as a deterrent against aggressive accounting practices. Firm age can lead to organisational rigidity, where older banks become less fragile in adopting new reporting technologies (like IFRS-compliant software), potentially harming the timeliness and relevance of their financial reports (Ozer & Merter, 2023).

Following Hassan and Bello (2013) and Sitienei (2022), this study incorporates firm age as a control variable to account for the maturity effect, which is expected to enhance the faithfulness of financial disclosures in the Nigerian banking industry." Iyoha (2012) argues that firm age is a significant predictor of financial reporting timeliness in Nigeria, as older firms have established accounting routines that facilitate speed and accuracy. “For the purpose of this study, firm age is defined as the chronological lifespan of an entity since its inception, representing its institutional maturity, reputation capital, and organisational learning.
Contrary to the learning hypothesis, some empirical evidence in Nigeria shows that age may not always guarantee quality Iyoha (2012).

Empirical Review

Ayinla et al. (2024) study largely support a positive relationship between audit committee independence and financial reporting quality examined listed deposit money banks in Nigeria and found that audit committee independence significantly reduced earnings management, thereby improving reporting quality. Their findings underscore the monitoring role of independent committee members. Similarly, Umar and Musa (2024) reported that audit committee independence significantly enhanced financial disclosure quality in Nigerian financial institutions. They argued that independence increases the likelihood of objective oversight and reduces management interference in financial reporting processes. However, some studies report mixed evidence. Shika and Kantiyok (2023) found that although audit committee independence had a positive effect on financial reporting quality, the relationship was statistically insignificant in some firms. They attributed this outcome to “formal independence,” where members meet independence criteria but lack real authority or commitment.

Audit committee financial expertise has been consistently identified as a key determinant of financial reporting quality. Adegbie and Fakile (2023) found that firms with financially literate audit committee members reported lower discretionary accruals and fewer financial misstatements. This indicates that expertise enhances oversight effectiveness. Ologun (2025) specifically examined Nigerian deposit money banks and reported a significant positive relationship between audit committee expertise and financial reporting quality. The study concluded that financial experts are better positioned to assess complex banking transactions and challenge management’s accounting judgments.

International evidence also supports these findings. Adebayo et al. (2025) documented that audit committee financial expertise significantly improves financial reporting quality in emerging economies by strengthening governance and reducing opportunistic behavior. This reinforces the importance of competence in audit committee composition. Findings on audit committee gender diversity and financial reporting quality remain mixed. Shika and Kantiyok (2023) found a positive but insignificant relationship between audit committee audit committee gender diversity and financial reporting quality in Nigeria. They suggested that low female representation may limit influence on committee decisions.

More recent evidence suggests improving outcomes. Onipe and Ajibade (2024) reported that firms with higher female representation on audit committees exhibited better disclosure quality and reduced earnings manipulation. Their findings indicate that female participation can enhance ethical oversight when supported by inclusive governance structures. Despite these potential benefits, gender representation on audit committees in Nigeria remains relatively low, particularly in the banking sector. Empirical evidence suggests that while audit committee gender diversity may positively influence financial reporting quality, its impact is often limited by tokenism and lack of substantive involvement in decision-making (Shika & Kantiyok, 2023; Ologun, 2025). This implies that audit committee gender diversity must be accompanied by active participation to yield meaningful governance outcomes. Conversely, Adebayo et al. (2025) cautioned that board gender diversity alone does not automatically improve financial reporting quality. They emphasised that the effectiveness of gender diversity depends on meaningful participation and decision-making power rather than symbolic inclusion.

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Ozer and Merter (2023) found that older firms typically achieve higher standardization and compliance, leading to improved FRQ. Similarly, studies in the petroleum sector revealed that firm age has a positive and significant effect on the quality of financial reports, suggesting that maturity fosters better oversight. Abidoye et al. (2024) suggests that firm age has a positive association with audit quality. This implies that older firms may be more likely to engage higher-quality auditors or have the experience to facilitate a more thorough audit process.

Theoretical framework
Policeman theory by Limperg (1920)

The policeman theory was propounded by Professor Limperg in (1920). The theory claims that audit and assurance process was responsible for searching, discovery and preventing fraud. This was the case in the early 20th century. However, more recently the main focus of this process has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud was however, still a hot topic in the debates on the audit's responsibilities, and typically after events where financial statement fraud has been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud and manipulation of financial information. This was the most widely held theory of auditing until the 1940s (Kamolsakulchai, 2015). Up until the 1940s, it focused on arithmetical accuracy and on the prevention and detection of fraud. However, from the 1940s until the turn of IIARD – International Institute of Academic.

According to this theory, the audit committees should put in place mechanism to detect fraud before it happens, just like a policeman tries to prevent crime occurring. In terms of quality of financial reporting, audit committee is viewed to perform the chitty synonymous to that performed by the policeman such as to check and detect any instances of fraud in the organizations. Therefore, audit committee that were independent, diversified, and financially competent and has quality meetings is perceived to exercise their mandate more effectively. For instance, Otemu and Otemu, (2021) stated that the most common way for users to obtain reliable information (reducing the information risk) was to have on independent audit committee could protect stake holder's interests by ensuring reliable financial reporting, effective internal control, and high-quality risk management. Turley and Zaman (2014) also pointed out that understanding the impact of audit committees as policeman could assist in formulating appropriate expectations about the audit committee function, based on which the effectiveness of audit committee could then be assured. Moses (2019) also adopted policeman the theory in explaining the usefulness of accounting information system in emerging economy.

This study adopted the policeman theory as the anchor theory for assessing the role of audit committees on quality of financial reporting in Nigeria. As mentioned, early policemen theory claims that the audit and assurance process is responsible for searching, discovery and preventing fraud, therefore audit committees acting as organization policeman go a long way ensuring quality financial reporting.

METHODOLOGY

The study adopts Panel Data Regression (also known as Longitudinal Data Analysis), specifically the use hauseman test of Fixed Effects (FE) model and a Random Effects (RE) model.

This is in view of the fact that the study relied on historical accounting data obtained from financial statements of the sampled deposit money banks, hence the research does to control or manipulate the variables of the study. Moreover, the ex post facto research design was adopted for the study since the researcher intended to determine the cause effect relationship between the independent and dependent variables with a view to establishing a causal effect of audit committee independence on financial reporting quality of listed deposit money banks in Nigeria. The population of this study comprised 15 deposit money banks listed on the floor of the Nigerian Exchange Group for a period of ten (10) years.

This study examines the effect of audit committee attributes on the financial reporting quality of listed deposit money banks in Nigeria. Financial reporting quality serves as the dependent variable and is proxy by discretionary accruals (DA) estimated using the Modified Jones Model (MJM). The independent variables are audit committee expertise, audit committee independence, and audit committee gender diversity. Firm age is a control variable. The study employs panel regression techniques to analyse data from listed deposit money banks in Nigeria

The study relies solely on secondary data obtained from the published annual reports and accounts of the sampled deposit money banks. Additional information is sourced from the Nigerian Exchange Group and other relevant financial disclosures. Panel regression techniques are employed due to the cross-sectional and time-series nature of the data. Descriptive statistics and correlation analysis are also performed to examine the characteristics and relationships among the variables.

Diagnostic tests such as the Lagrange Multiplier Random Effects test is conducted to determine the Breusch Pagan test result effect of Hypothesis on the data. Hausman test are conducted to determine the suitability of fixed or random effects estimation.

Table 1. Variable Measurement

S/NO	VARIABLE	MEASUREMENT OF PROXY	SOURCE
1	Financial Reporting Quality	Discretionary Accruals (DA).	Model (Dechow, Sloan, & Sweeney, 1995). Healy & Wahlen (1999)
2	Audit Committee Expertise (ACEXP)	Proportion of audit committee members with accounting or financial qualifications relative to the total number of audit committee members.	Rahman, et al. (2020).
3	Audit committee independence (ACI)	Proportion of non-executive and independent directors on the audit committee to the total audit committee expertise.	Sofoluwe, et al. (2014). NCCG (2018)
4	Audit Committee gender diversity (ACGD)	Proportion of female members on the audit committee relative to the total number of audit committee members.	Kantiyok, et al. (2023). Musa (2020)
5	Firm Age (FA)	Natural log (ln) of years since the bank's incorporation.	(Ozer & Merter (2023)

3.5 Model Specification

The Modified Jones Model is first used to estimate discretionary accruals. Subsequently, panel regression analysis is employed to examine the relationship between audit committee attributes and financial reporting quality.

i. **Estimate the Model Parameters (Regression Equation):**

$$\frac{TA_{it}}{A_{i,t-1}} = \alpha 0 + \alpha 1 \left(\frac{1}{A_{i,t-1}}\right) + \alpha 2 \left(\frac{\Delta REV_{it}}{A_{i,t-1}} + \frac{\Delta REV_{it}}{A_{i.t-1}}\right) + \alpha 3 \left(\frac{PPE_{it}}{Ai,t-1}\right) + \varepsilon it$$

ii. **Non-Discretionary Accruals (NDA)**

$$\frac{NDA_{it}}{A_{i,t-1}} = \alpha\hat{}1 \left(\frac{1}{A_{i,t-1}}\right) + \alpha\hat{}2 \left(\frac{\Delta REV_{it}}{A_{i,t-1}} + \frac{\Delta REV_{it}}{A_{i.t-1}}\right) + \alpha\hat{}3 \left(\frac{PPE_{it}}{Ai,t-1}\right) + \varepsilon it$$

iii. **Computation of Discretionary Accruals (DA)**

$$DA = \frac{TA_{it}}{A_{i,t-1}} - NDA_{it}$$

Where:

TA_{it-1} = Total Accruals for firm (i) in year (t) (Net Income - Cash Flow from Operations)
$A_{i,t-1}$ = total assets at the beginning of the year for firm i in year t - 1

ΔREV_{it} = change in revenue for firm i in year t

ΔREC_{it} = change in receivables for firm i in year t
PPE_{it} = property, plant, and equipment for firm i in year t

Discretionary accruals **(**DA**)** are obtained as the residual from the Modified Jones regression. The study uses the absolute value of discretionary accruals to capture the magnitude of earnings management regardless of direction. Lower values indicate higher financial reporting quality.

The regression model is specified as follows:

$$DAit = \beta 0 + \beta 1ACEXPit + \beta 2ACINDit + \beta 3ACGDit + \beta 4FSIZEit + \mu i + \lambda t + \varepsilon it$$

Where:
DAit = Discretionary accruals of firm *i* in year *t*
ACEXPit = Audit committee expertise
ACINDit = audit committee independence
ACGDit = Audit committee audit committee gender diversity
FAGEit = Firm Age
β0 = Intercept, β1–β4 = Coefficients of the explanatory variables, εit = Error te

METHOD OF DATA ANALYSIS
RESULT AND DISCUSSIONS

Table 2: Descriptive Statistics

	FRQ	ACEXP	ACEXP2	ACIND	FAGE
Mean	65.90193	16.11308	38.68273	28.10193	62.77258
Median	63.21500	9.500000	39.93000	21.32000	56.29263
Maximum	57.59600	18.20000	60.70000	40.67600	31.55376
Minimum	0.070000	0.500000	0.100000	0.000000	4.810750
Std. Dev.	46.33722	23.22529	11.33600	37.67159	40.31376

Source: Researchers' computation (2026) using E-Views 12.

The Descriptive statistic in table 2 above displays the following results of dependent and Independent variables for Mean, Median, and standard deviation of the variables. The results show that the Financial reporting quality with 65.9% audit committee expertise with a mean of 16.11%, audit committee independence with mean of 38.68%, audit committee gender diversity with mean of 28.10% indicate that there is lesser variation on dispense of value that spread out from the mean and that data are cluster tightly among average and they are consistence. The median result for the dependent and independent variable are, audit committee attributes 63.21%, audit committee expertise 9.5% lesser than the mean result of the distribution, the result of the audit committee independence 39.93%, audit committee gender diversity 21.32% is slightly lower than their mean result is an indication that the distribution of data is slightly skewed to the right, with the exception of audit committee independent, the slightly skewed left as the median is higher than the mean result. All result are positively represented. The maximum value in the data is represented in the result under dependent and independent variable 57.59%, audit committee Independence as an independent variable is represented by 60.70% maximum data result and also 0.00% minimum result under audit committee gender diversity as an Independent variable. The standard deviation of dependent and independent variable are strong positively skewed. The result of the standard deviation (SD) show that the distribution is properly skewed since there is no any negative value observations from all concern variables. Data volatility moderate (23.2% and 11.3%) for audit committee expertise and audit committee Independent compared to (37.6% and 40.3%) in audit committee gender diversity which is highly volatile.

Table 3. Correlation Matrix

	FRQ	ACEXP	ACIND	ACGD	FAGE
FRQ	1.000000				
ACEXP	-0.019608	1.000000			
ACIND	0.325844	0.017282	1.000000		
ACGD	0.755417	0.025597	-0.103780	1.000000	
FAGE	0.006229	-0.052974	0.152890	-0.055510	1.000000

Source: Researchers' computation (2026) using E-views 12

Table 3 show the correlation result of variables. The outcome and relationship between audit committee expertise, audit committee Independence is significant (0.325844) and (0.755417). The result also show that proportion of expertise can and audit committee Independence can be associated with higher and lower quality of report (-0.019608). High knowledgeable board member can contribute to better governance. The negative correlation of audit committee gender diversity with financial reporting quality are indication that a decrease in numbers of female directors in the board and banks with large number of years can be associated with slightly lower financial reporting quality (-0.103780) and (-0.052974 and -0. 05510).

Table 4: Lagrange Multiplier Tests for Random Effects

Test	**Cross-section**	**Time**	**Both**
Breusch–Pagan	2.91 (0.088)	2.38 (0.123)	5.29 (0.022)
Honda	1.71 (0.044)	-1.54 (0.939)	0.12 (0.454)

Test	Cross-section	Time	Both
King–Wu	1.71 (0.044)	-1.54 (0.939)	0.14 (0.554) -
Standardized Honda	2.28 (0.011)	-1.40 (0.919)	3.49 (1.000)
Standardized King–Wu	2.28 (0.011)	-1.40 (0.919)	3.69 (1.000) -
Gourieroux et al.	—	—	2.91 (0.102)

Source: Researchers' computation (2026) using E-Views 12.

Table 4, which show Lagrange Multiplier Tests for Random Effects can be express as follows; This a test for hypothesis, Null and Alternate Hypothesis. It is also a Brauch-Pagan test for Random effect of the Null hypothesis. The result under cross -section indicate that effect exist with Cross-section at the level of less than 0.05% level of significant. While under Time- -series, there are no effect as the probability are not significant and possess greater value above the level of significant of 0.

Table 5: Fixed Effects Model Results

Variable	B	SE	t	p
FRQ	-42.06	8.53	-4.93	0 .0000
ACIND	1.93	0.19	9.98	0 .0000
ACGD	1.01	0.05	19.09	0 .0000
FAGE	0.06	0.07	0.91	0.3650

Source: Researchers' computation (2026) using E-Views 12.

N = 150; 15 cross-sectional units; 10 time periods (2014–2023). Fixed effects estimated using panel least squares with cross-section dummy variables. FRQ = define variable; ACIND =define variable; ACGD = define variable; FAGE =define variable.

Table 5 contain fixed effect model test above which display a significant result for the variables Audit committee Independents, Audit committee Gender Diversity at 0.00%. While firmAge is not significant at 0.3% level of significant square .078% which is better.

Table 6: Hausman Test for Correlated Random Effects

Test Summary	χ^2	df	p
Cross-section random	14.70	4	0.0054

Comparison of Fixed and Random Effects Estimates

Variable	Fixed Effect	Random Effect	Variance Difference	p
ACEXP	0.062	-0.074	0.0067	0.0968
ACIND	1.925	1.739	0.0075	0.0322
ACGD	1.014	0.988	0.0003	0.1204
FAGE	0.064	-0.006	0.0024	0.1515

Source: Researchers' computation (2026) using E-Views 12.

χ^2 = Chi-square statistic; df = degrees of freedom. The Hausman test examines whether the random effects model is appropriate compared to the fixed effects model. A statistically significant result ($p < .05$) indicates that the fixed effects model is preferred.

Table 7 above which show the Hauseman test result of cross - section Random effect and the probability from the test summary show that fixed effect houseman test is better than the Random effect houseman test with the probability of 0.0054 is significant. Therefore the fixed effect model is preferred because it consistence. The result also indicate that the Null hypothesis should not be accepted. Chi-Sq statistic of 14.7 given is significant which make the p value to be lover and significant at 0.0054%, thereby making the null hypothesis to be rejected.

The Hauseman Test result express the finding on audit committee expertise as one of the predictors of financial reporting quality shows a positive and significant coefficient with p. value of 0.000 which implies that a unit increase in audit committee expertise influence financial reporting quality by almost 0.0% units but found to be highly and statistically significant at 0.05% levels of significance. This is evident from the probability and Chi-Sq statistic of 14.70 and 0.000 respectively. The study therefore reject the null hypotheses and accept the alternative hypothesis. This implies that audit committee expertise and has significant and positive contribution on financial reporting quality of deposit money banks in Nigeria. The □< 0, p < 0.0000) indicates that audit committee expertise is associated with a reduction in discretionary accruals. Because discretionary accruals are a proxy for earnings management, this result suggests that greater size effectively constrains opportunistic accounting, thereby significantly enhancing the quality of financial reporting. This finding differs from Adeyemi et al. (2025), found that audit committee expertise has a significant inverse influence on the timeliness of financial reports in Nigerian DMBs, suggesting that larger committees may lead to bureaucratic delays.

Finding on audit committee independence as one of the predictors of financial reporting quality a positive coefficient with significant p -value of 0.000 unit. The result indicates that audit committee independence is associated with a reduction in discretionary accruals. Because discretionary accruals are a proxy for earnings management, this result suggests that greater independence effectively constrains opportunistic accounting, and that audit committee independence are inversely related to Discretional accruals. A percentage increase in audit committee independence will significantly reduce earning management there by enhancing the quality of financial reporting. Findings on audit committee independence indicates that it has a significant negative effect on income smoothing indices (meaning it reduces earnings management, thereby improving FRQ) (Abdullahi 2024).

The findings from the regression result about audit committee gender diversity show a positive coefficient and a p-value of 0.9, which positive and insignificant. This also implies that greater audit committee gender diversity within the audit committee contribute lower in the reduction of discretional accruals, also improving financial reporting quality. Diverse committees often exhibit stronger oversight, ethical vigilance, and a wider range of perspectives, which helps to mitigate opportunistic earnings management behaviors. This finding is not in consonant with the result from the study conducted by Saidu and Aifuwa (2020) which result made no significant impact of board diversity on audit quality in Nigerian manufacturing sector. Adeyemi et al. (2025) argue that larger audit committees in Nigerian banks can inadvertently delay report publication, while others find the size to have an insignificant impact on overall quality of financial report.

CONCLUSION AND RECOMMENDATION

The study examined the effect of board audit committee attribute and financial reporting quality of listed deposit money banks in (Financial Reporting Quality is proxy by Discretional accruals). Four hypotheses were developed to determine the effect of audit committee attributes and financial reporting quality listed deposit money banks in Nigeria. Financial reporting quality is used which is proxy by Discretional accruals as dependent variable in this study while; audit committee expertise, audit committee independence, board gent audit committee gender diversity (independent variables). The result of R-squared of 74% and adjusted R square of 73% implies that almost 21% and 22% variation in dependent variable is explained by independent variable regression model variables of the study. The study further found that audit committee expertise and audit committee Independent have positive and significant influence on financial reporting quality of listed deposit money banks in Nigeria, thereby reducing earning management manipulation and hence, improving the quality of reporting, while audit committee gender diversity is positive with lesser contribution towards reducing earning management. Increase in the level of independence will reduce dissertational accrual, thereby increasing the quality of report and vice versa.. The main conclusion that can be drawn from the study is that audit committee expertise, audit committee independence as audit committee attributes can significantly increase quality financial reporting and by reducing the rate of Discretional accrual in banks. This is in line with the findings of some various studies Healy et al. (1999).

From the findings, the study recommends the developing and emerging economies should see audit committee expertise and audit committee independence as of significant importance in the economy as this has implication of quality of financial reporting and thus, reduce the level of information gap between managers and shareholders. Consequently, the board of directors should be structured towards having more independent non-executive directors with high reputation and expertise in corporate business world. The board should also be made up of reasonable women as women are perceived to be more ethically inclined. However, audit committee gender diversity have lesser significant in the determination of financial reporting quality. This may be due to the weak audit committee attributes practices in Nigeria and the level of asymmetry of information as witnessed in other developing economies. This study provides argument for complementary role of expert audit firms in Nigeria in response to weak audit committee attributes practices. This study has therefore contributed to the scanty state of literature on audit committee attributes and financial reporting quality in the developing economies. The study therefore adds to empirical literature by using panel least squares regression involving the use of audit expert versus non- audit expert dichotomies to proxy audit firm selection. Future researcher can proxy audit quality using continuous variable like audit firm specialization, independence and timeliness in the audit of financial reports to proxy audit quality. The scope of the study can also be extended by future researcher to financial sector. Future researchers should also include more variables like 'ownership structure and board members financial literacy and that of audit committee on reporting quality.

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