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AUDIT COMMITTEE QUALITY AND FINANCIAL REPORTING IN DEPOSIT MONEY BANKS IN NIGERIA

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AUDIT COMMITTEE QUALITY AND FINANCIAL REPORTING IN DEPOSIT MONEY BANKS IN NIGERIA

ABSTRACT

The credibility of financial reporting is crucial as it assures the user of its realism; this mandated a crux to examine the effect of audit committee quality on the financial reporting quality of deposit money banks in Nigeria. The descriptive research design was adopted, and secondary data sourced from annual accounts of seven deposit money banks for seven years were used to test our hypotheses. The dependent variable in this study is financial reporting quality measured with accrual model. In contrast, the independent variables were number of members of the audit committee with accounting and finance knowledge, size of the audit committee, number of audit committee meetings held in a year, and audit committee independence. Descriptive Statistics, normality test, multicollinearity test and regression analysis were conducted. A significant outcome revealed that except for several audit committee meeting held in a significant year, other variables were found to be insignificant, hence are not determinant of financial reporting quality in deposit money banks in Nigeria. The study concluded that audit committee quality is not a determinant of financial reporting quality in deposit money banks in Nigeria. The study recommended that ability should be paramount for the appointment of members of the audit committee and advises of the audit committee should always be given adequate and consideration by management in decision making

Keywords: Audit committee, financial reporting quality, meetings, corporate governance

INTRODUCTION

Corporate scandal world over has shaken the faith of the business community and has introduced investors to the quality of reporting thus permitting corporate governance mechanisms as a subject of discussion (DeZoort et al. 2002; Al Shaer et al. 2017, and Madugba, et al. 2019). The audit committee is a representation of shareholders that promotes the quality of reporting (Tricker, 2000; Cadbury, 2000). Robinson and Owen-Jackson (2009) opine that the audit committee forms of appointees whose job is to ensure proper reporting practices and establishment and maintenance of acceptable accounting practices. Permit to say that the core focus of an audit is to scrutinize the truthfulness of the financial reports produced by management. Based on current regulations and the demand for enhanced reporting, expansion has been made in the duty of the audit committee to include supervision of financial reports every quarter (Samuel et al. 2017). Owolabi and Dada (2011) asserted that the rate of liquidation had made the position of audit committee crucial in every corporate organization. The audit committee is a watchdog in any corporation as they link the exterior assessor and the Board of Directors (Blue Ribbon Committee 1999a; cited in Samuel, et al. 2017).

STATEMENT OF THE PROBLEM

Well, known scandals had shredded investors' confidence in capital markets and corporate management. Regulators and professionals mostly have traced its course to lack of sound audit committee quality that will ensure financial reporting quality (Baatwah et al. 2016; Dhaliwal et al. 2010; Beasley et al. (2009); Krishnan and Visvanathan 2008). This is not out ruled in Nigeria as it motivated the government through its regulatory agencies to set up different codes of governance, and this despite various financial scandals persists in Nigeria deposit money banks. Just of recent Access bank merged with Big diamond bank. This is very shocking and demands to know the upshot of the quality of the audit committee on financial reporting in Nigeria banks since they are meant to oversee the quality of reporting.

Moreover, investors capitalize their expectation of future earnings into the stock price. An essential set of information investors' use in forming the expectation of future earnings is the current accounting information. Hence, higher quality financial reporting due to a quality audit committee will ease investors' task of expecting future earnings.

Further, to the extent that audit committee quality relates to financial analysts' ability to predict prospect income more accurately and that financial analysts represent an important and influential group of account users, it is possible that the ability of an average investor to anticipate future earnings also improves with audit committee quality (Archambeault and DeZoort 2001; Bedard et al. 2004; Carcello et al. 2006; Ashbaugh-Skaife et al. 2006). Extant literature in Nigeria in revealed the studies of Yadirichukwu and Ebimobowei 2013; Ndubuisi and Ezechukwu 2017; Nwanyanwu, 2017; Dakota et al. 2017). None of these studies employed the same variable and years as this study. These lacunas motivated the urgent need to examine the effect of audit committee quality on financial reporting quality of deposit money banks in Nigeria.

LITERATURE REVIEW

The audit committee is intended to contribute to civilizing audit quality. Core assignments of this committee are to supervise the financial reporting and keep an eye on management to avoid manoeuvring income and supplementary bookkeeping malpractices Salawu, (Okpanachi et al. 2017); Arens et al., 2009; Marx 2008) Audit committee members' professionalism should be a vital feature for its effectiveness in satisfying their mistake role of ensuring audit quality (Dezoort and Salteerio 2001). Audit committee's financial and accounting ability reduce financial restatement and reduces inclination of management to slot in imaginative bookkeeping (Kalbers and Fogarty, 1993, Wolnize, 1995, DeZoort, 1997; DeZoort, 2002; Xie et al. 2003). The quality of audit committee refers to as the ability of the audit committee to have the acquaintance in bookkeeping and financial reporting, internal controls, and auditing. It is expected that committee with this knowledge will enhance higher financial reporting quality (Fama 1980; Fama and Jensen 1983; DeZoort et al. 2002; Knechel et al. 2012; Mustafa and Youssef 2010; Kalbers and Fogarty 1993).

CORPORATE GOVERNANCE

Corporate governance aims to help the Board of Directors through its committees for effective management of the company's affairs. The audit committee is one of the four committees of corporate governance with responsibility of oversight of the organization's internal control. It was working with internal auditors and external auditors. The current updated UK Corporate Governance Code (the Code 2016:1) states that "the purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company." The Cadbury Committee Report (1992), is the first version of the UK Corporate Governance Code. (FRC Financial Reporting Council 2014 and 2016). Its paragraph 2.5 is still the classic definition of the context of the Code:

"Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the Board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and the shareholders in general meeting." (Cadbury Committee, 1992:2.5).

Corporate governance also refers to the procedures and instruments that the owners and interest groups of a company use to influence and check management decisions and processes. It is widely regarded as the evaluation of the performance of the executive directors of the company by, or for the company's stakeholders' groups. Nwanji and Howell (2007) pointed out that

"Corporate governance aims to ensure that the boards of directors do their jobs properly. It also protects shareholders' right, enhances disclosure and transparency, facilitates the effective functioning of the Board and provides an adequate legal and regulatory enforcement framework. It addresses the agency problem through a mix of the company law, stock exchange listing rules and self-regulatory Codes."

Corporate governance is also about guiding management through managing the affairs of the company which leads to the achievement of the companies' objectives whether those objectives are Shareholdership or Stakeholdership ones as far as management kept within the rule of the games (Friedman, 1970; Nwanji, and Howell, 2005).

SHAREHOLDERSHIP MODEL

Nwanji (Nwanji and Howell (2007) state that

"The Traditional Anglo-American Model of Corporate Governance is based on profit maximization, which claims to protect shareholders' interests. Profit Maximization Concept Offspring of the Free Market System. This is governed by the Price Mechanism. Individual Entrepreneur's Profit Maximisation does maximize the overall Economic Welfare of Society." (Marketwatch.com, 2014).

STAKEHOLDER THEORY

The German Model considers that Corporations are run in the interests of Stakeholders

Definition “A stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman 1984:25) Management and ethics, and it is distinct because it addresses morals and values explicitly as a central feature of managing organizations.” The shareholder by contributing the corporation’s capitals face more risk than other stakeholders. However, in a corporate context, a stakeholder is entitled to consideration like that of a shareholder. Who are the stakeholders of the firm? While Phillips (2003:16) claim that Stakeholder theory is a theory of organizational management and ethics, and it is distinct because it addresses morals and values explicitly as a central feature of managing organizations.”

STAKEHOLDERS’ CLAIM ON ORGANIZATION WEALTH

| Stakeholders | Reward | Contribution |
|--------------|------------------------------|--------------------------------|
| Employees | paid by salaries and wages | work and provide service |
| Creditors | paid by debutantes | suppler goods & service |
| Financiers | collected Interests on loans | loans financial services |
| Government | paid corporation taxes | enabling environment |
| Management | salaries and bonuses | managing and leadership |
| Customer | goods and service | buy goods and service |
| Communities | through CSR | providing a place for business |
| Shareholders | profit/ dividend or lose | providing capital Shares |

Figure 1: Source: Authors’ composition (2020)

The table shows the claim from a company’s wealth, all the stakeholder group are the first to get their reward from the profitably while the shareholders who are owners of the business is are life to pick up whatever is left which may be profits or losses, yet they bear the highest risk when the company is not doing well and get the greatest reward when the company is doing well.

THE GLOBAL-STAKEHOLDERSHIP OF CORPORATION

Nwanji {2005:2) stated that.

“Since 2000 most multinational corporations in the UK and the US closed their Call Centres and other service operations and moved the jobs to India and other Asian countries, thereby created: Global-stakeholder groups – the workers and the communities in those countries. However, what happened to the stakeholder groups who lost their jobs in developed countries. HSBC Bank said it has a local global-stakeholders in those countries it operates.”

Good Corporate Governance is essential for the success of the organization. Overall, The Issue of Corporate Governance is focused on Shareholder vs Stakeholder Theories and which of them is better for managing the affairs of the corporation. GCGC. (2016). Right Corporate Governance Code Pressures on UK boards of directors to take corporate conduct seriously have grown in recent years. They range from new legislation and increased employee requirements to media reports of corporate misconduct and the growth of socially responsible investment (SRI). Corporate values and ethics must come from the top. Board involvement is vital to the effectiveness of an ethics policy. Shareholders elect the Board of directors to stand

for their interests Difficult to be view and interests of all stakeholders (public expectation for the Board to be all viewpoints). Study of shareholder proposals – 43.3% of all proposals were considered for a vote (Sternberg, 2004). Corporate governance proposals — 49.2% voted on, and 35.2% were omitted/withdrawn. Social policy proposals — 31.4% were voted on, and 61.6% were omitted/withdrawn.

THE RESPONSIBILITY OF THE BOARD OF DIRECTOR

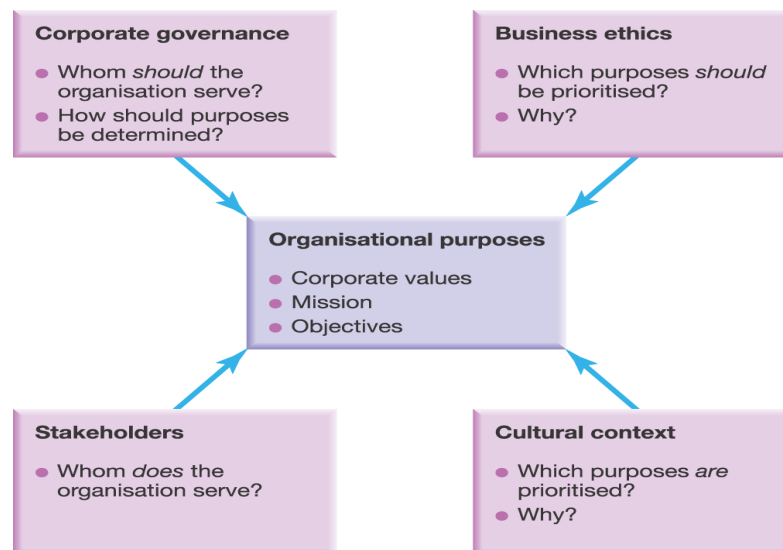


Figure 2: Source: adapted from Johnson et al. (2005)

Monitoring by Board of directors can deal with problems of corporate governance Con: Boards have been ineffective Board does not recognize problems of the firm. Board does not stand up to top officers. External control devices such as hostile takeovers have multiplied because of the failure of boards. **Composition of the Board:** Role of outside directors (those without extensive ties to the company) Outside directors enhance the viability of Board, reduce collusion (Fama, 1980). Outsider dominated boards more likely to remove the CEO. (Hermalin and Weisbach. 2007) CAR was definite when the firm appointed outside directors. Market views the appointment of an outsider to CEO position more favourably than insider - boards with outside directors more likely to appoint outsider CEO. **Compensation of board members:** Director stock ownership better aligns director interests with stockholders. Stock ownership requirements for directors and payment of part or all the d annual retainer in stock and stock options. Nwanji et al. (2019:149) stated that.

“Finance directors’ retirements with stock Studies find directors of top-performing companies hold a greater number of shares than do counterparts at poor-performing firms. Critics argue that compensation should not be a motivating factor. Numerous possibilities for board rating: CEO performance, strategic plans, outside directors, election processes, firm performance, etc. Scandals expose possible improvements: more power to shareholders, director votes disclosed.”

Better board rating by CalPERS (based on independence and performance) associated with a higher spread of ROIC over the cost of capital. (Spin-offs associated with better internal governance and control practices (Mitlak, 2016).

FINANCIAL REPORTING QUALITY

Several definitions of financial reporting quality exist in prior literature among them are the studies of Biddle et al. (2009) as cited in Chalaki et al. (2012) opine that it is the accurateness to communicate financial dealings. Financial reporting is a medium through which the accountability of stewardship is made to shareholders and stakeholders of organizations. Adebayo (2005) asserted that it is a coordinated manner through which account of operations are made by managers to owners of corporations. According to him, every financial report should show clearly resources obtained and existing, the manner it is use and results of such operation. However, it is crucial to state that the focus of financial reporting or statement is to communicate to the shareholders and other stakeholders what resources are acquired and how they are applied to generate a result which defines their return and assist them in making an informed economic decision.

Honestly, the core aims of financial reporting quality may be divided into two: To aid investment decision making and for management accountability. This is because investors need financial information to know the investment that will yield the highest return with a manageable level of risk. Investment return forms of dividend and capital appreciation or depreciation. Investors in the evaluation of investment opportunities try to decide on the quality and authenticity of a business' future performance hence approximate their expected yields in dividends and assets increase. Financial reports are also used in a broader sense to determine management's ability to harness the resources committed to them in running the enterprise. This is because management is not only responsible to owners of a business firm for guardianship and safety of enterprise resources but much more for their competent and gainful use and for shielding them from adverse economic conditions. Organization performance is comprehensive and covers issues based on efficiency and effectiveness notion. Honestly, one core solution to ensure proper accounting reporting quality is the ability of accountants to abide by the ethics of the profession.

In this study, financial reporting quality was measured using the accrual method; thus: Accrual model measures the extent of earnings management under existing legislation. The theorist believes that earnings are the most crucial in organizations, and when it negatively affected, the company's performance will be affected (Van Tangelo & Australian, 2005). Thus, it is calculated as

$$\Delta WC_{it} = CFO_{it-1} + CFO_{it} + CFO_{it+1} + \Delta REV_{it} + PPE_{it} + \varepsilon$$

Where: ΔWC = is the change in working capital accruals or current accruals from the statement of cash flows

CFO = the cash flows from operating activities

ΔREV = change in revenue

PPE is property, plant, and equipment

EMPIRICAL REVIEW

Raveh et al. (2019) in their study, set up a positive association between the audit committee and financial reporting lag, but that audit committee ability reduces financial reporting lag. Ohaka and Abio (2018) in a similar study, set up that a positive and significant relationship exists between audit committee independence and financial reporting quality of Aluminum corrugating firm in Rivers state Nigeria. Online et al. 2018) found a mixed relationship between audit committee meeting and ability on financial reporting quality of deposit money banks in Nigeria. Oji and Ofoegbu (2017), in their investigation, found that qualification of an audit committee is paramount in the appointment of committee members. AL-shaer, Salama and Toms (2017) found that proper quality disclosure is displayed by companies with the quality audit committee, while audit committee quality does not show increased disclosure. Umobong and Ibanichuka (2017) also find a positive association between audit committee ability and financial reporting quality of food and beverage firms in Nigeria. This is supported by the study of (Baatwah et al. 2016; Kibiyaa et al. 2016) set up that quality reporting is prejudiced by the ability of the audit committee. Kalmolsakulchai (2015) in a similar study set up that there is a positive relationship between audit committee effectiveness and financial reporting quality meaning that audit committee effectiveness improves the reporting quality of firms listed stock exchange of Thailand. et al. (2013) found that audit committee ability has a positive association with financial reporting quality in Nigerian companies.

THEORETICAL FRAMEWORK

Behavioural Decision Theory: This theory posits that cognitive psychomotor is a necessity for the determination of ability. Its further states that ability should be considered in terms of individual ability to reason well Harre (2002). Hence, this study will adopt this theory since the audit committee quality/ability function is based on reasoning (cognitive) following defined regulations.

Research Method: Descriptive research design is used because data relating to both the dependent and independent variables already exist in literature and is not subject to manipulation by the researcher. DeZoort (2002) adopted the same in a similar study. Secondary data extracted from published annual accounts of the deposit money banks in our study ranging from 2013- 2019 for seven banks were used. The researcher believes that this period will be enough to make a reasonable conclusion on the subject matter. The dependent variable in this study is financial reporting quality measured by the accrual model, and independent variable is quality of audit committee measured by members of the audit committee with accounting and finance knowledge size of the audit committee (number of members sitting on Board-SFAC), number of meetings held in a year and audit committee independence measured by the ratio of non-executive to executive directors Descriptive statistics, Normality test, multicollinearity tests and regression tests were all conducted with the aid of SPSS 23.

MODEL SPECIFICATION

$$FRQ=(MAFK_{it}, SFAC_{it}, NM_{it}, ACI_{it}).....1$$

$$FRQ=(\beta_0 +\beta_1MAFK +\beta_2SFAC +\beta_3NM+ \beta_4ACI+et).....2$$

Where FRQ= Financial reporting quality measured with accrual model, MAFK= members of the audit committee with accounting and finance knowledge, SFAC= Size of audit committee, NM= number of audit committee meetings held in a year and ACI= Audit committee independence.

DESCRIPTIVE STATISTICS OF THE VARIABLES

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------|-----------|-----------|-----------|-----------|----------------|
| | Statistic | Statistic | Statistic | Statistic | Statistic |
| LFRQ | 49 | 11.56 | 13.96 | 12.6594 | .73976 |
| MAFK | 49 | 1.00 | 6.00 | 3.4898 | 1.00255 |
| SFAC | 49 | 4.00 | 6.00 | 5.6735 | .55482 |
| NM | 49 | 4.00 | 6.00 | 5.0816 | .75930 |
| ACI | 49 | 1.50 | 4.00 | 2.5041 | .69160 |
| Valid N (listwise) | 49 | | | | |

Table 1: Source: Authors' computation from SPSS result (2020).

Financial reporting quality, as shown in table 1, has a minimum and maximum value of 11.56 and 13.96. The mean value of 12.6594 and standard deviation of .73976 was also reported for financial reporting quality of the deposit money banks in our study. Members of the audit committee with accounting and finance knowledge (LMAFK) are showed to have a minimum and maximum value of 1.00 and 6.00. Also, the positive mean value of 3.4898 was shown with a standard deviation value of 1.00255 was also reported for members of the audit committee with accounting and fiancé knowledge. Size of the audit committee (LSFAC) is shown to have a minimum and maximum value of 4.00 and 6.00. The positive mean value of 5.6735 was reported for the size of the audit committee with a standard deviation of .55482. Several audit committee meetings held in a year is showed to have a minimum and maximum value of 4.00 and 6.00. The mean value of 5.0816 was reported, and this value is positive, with a standard deviation value of .75930. Audit committee independence showed a minimum and maximum value of 1.50 and 4.00. The mean value for audit committee independence is 2.5041, while the standard deviation value of .69160 was also shown for it.

TEST FOR NORMALITY

The normality test was conducted with the aid of Kolmogorov-SSSSmirnov and Shapiro-Wilk test and histogram as represented in table 2 and figure 1. The Kolmogorov-Smirnov test is indicated with test statistics value of 0.118 and a probability value of 0.086 though not too far from the point of zero but is higher than 0.05, meaning that the data is typically distributed. The Shapiro- Wilk test also indicated a test statistics of 0.936 with a probability value of 0.010 which is not higher than 0.05 but the Kolmogorov –Asimov test and the histogram which is relatively belled shaped indicating that the data is relatively customarily distributed (figure 3)

| SHOWING TESTS OF NORMALITY | | | | | | |
|---|---------------------------------|----|-------|--------------|----|------|
| | Kolmogorov-Smirnov ^a | | | Shapiro-Wilk | | |
| | Statistic | df | Sig. | Statistic | df | Sig. |
| LFRQ | .118 | 30 | .086* | .936 | 30 | .010 |
| *. This is a lower bound of real significance. a. Lilliefors Significance Correction | | | | | | |

Table 2: Source: Authors' computation from SPSS (2020)

HISTOGRAM SHOWING NORMALITY TEST

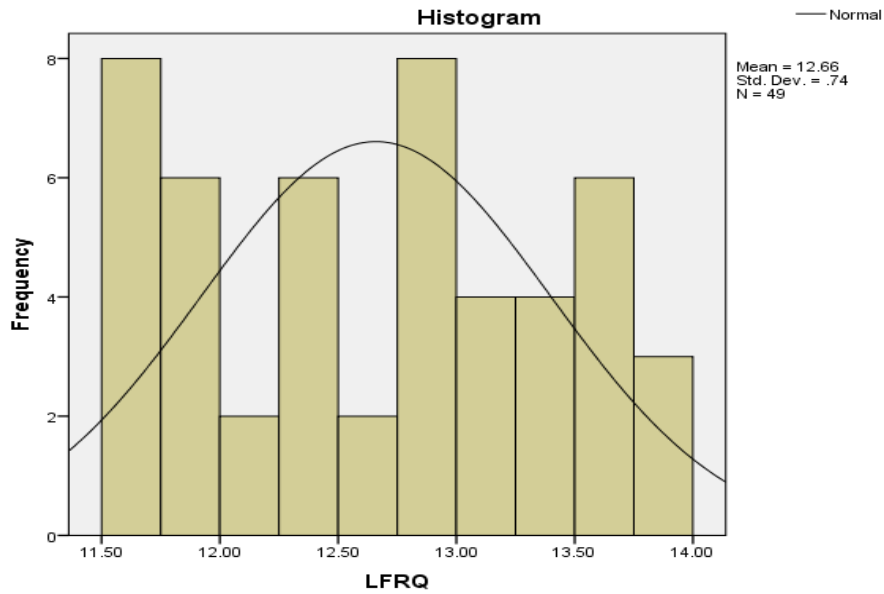


Figure 3: Histogram showing normality test
Source: Chattered by the authors' (2020)

TEST FOR OUTLIERS

The test for outliers was also conducted by using a boxplot, and figure 3 showed that there are no outliers capable of disrupting our result; hence, we go ahead with the test of collinearity.

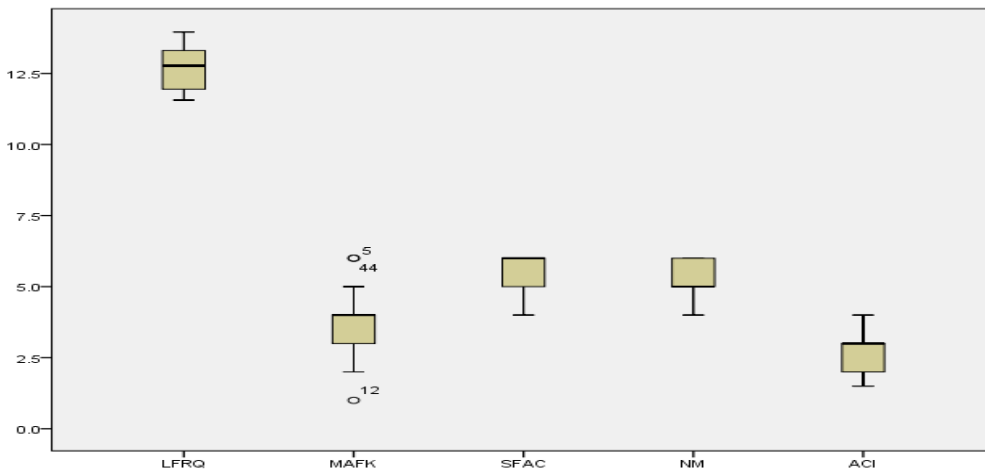


Figure 4: showing the box plot for outliers
Source: Chattered by the Authors' (2020).

MULTI-COLLINEARITY TEST

Tolerance and variance inflation factor (VIF) was adopted to test the threat of multicollinearity between the independent variables.

TEST OF MULTICOLLINEARITY

| Variable | Tolerance | Variance inflation factor (VIF) |
|----------|-----------|---------------------------------|
| LMAFK | 0.958 | 1.044 |
| LSFAC | 0.905 | 1.105 |
| LNM | 0.966 | 1.035 |
| | 0.938 | 1.053 |

Table 3. *Source: Authors' compilation from SPSS result, 2020*

As contained in table 3, the tolerance value of 0.958, 0.905, 0.966 and 0.938 is less than 0.10, hence, shows that we have not violated the multicollinearity assumptions. This means that there is no collinearity between the independent variables in our study. This is well corroborated by the variance inflation factor (VIF) values of 1.044, 1.105, 1.035 and 1.053, which is far below the cut-off of 10 (Pallant, 2001).

TEST OF HYPOTHESES

The relationship between members of the audit committee with accounting and finance knowledge, size of the audit committee, number of meetings in a year, and audit committee independence with financial reporting quality of deposit money banks in Nigeria is not significant.

Decision rule: Accept null hypotheses if the probability value computed by using SPSS is greater than or equal to 0.05 (i.e. $P \leq 0.05$).

MULTIPLE REGRESSION RESULTS

| Variable | Co-efficient B | Co-efficient Beta | t-statistics | Sign. |
|---------------------|----------------|-------------------|--------------|-------|
| Constant | 13.672 | -.052 | 10.498 | 0.000 |
| MAFK | -.038 | .166 | -.372 | .712 |
| SFAC | .222 | -.426 | 1.168 | .248 |
| NM | -.415 | -.011 | -3.090 | .003 |
| ACI | -.012 | | -.078 | .938 |
| R | 0.437 | | | |
| R ² | 0.191 | | | |
| Adj. R ² | 0.118 | | | |
| F-Statistics | 2.602 | | | |
| Probability | 0.049 | | | |

Table 4: a. Dependent variable: FRQ
 b. Predictors (Constant): MAFK, SFAC, NM, ACI
Source: Authors' Computation from SPSS result

Table 4 showed that the coefficient of determination value of 0.191, which means about 19.1%. The coefficient of multiple determination of 0.118 was also shown in Table 4. This implies about 11.8% of the total changes saw in the tested variable (Financial reporting Quality-FRQ) is influenced by the predictor variables (MAFK, STAC, NM, and ACI) in our study. 88.2% is caused by other variables other than the ones in this study. The F-statistic value of 2.602 confirmed the fitness of model specification. However, only one variable out of the three variables is found to be significant. Therefore, we reject to accept the null hypotheses and conclude that the relationship between the quality of the audit committee and financial reporting quality in deposit money banks in Nigeria is not significant.

DISCUSSION OF RESULTS

Evidence from Table 4 shows that members of the audit committee with accounting and finance knowledge have a co-efficient of regression value of -.038. This value is negative and insignificant, which means that the influence of members of the audit committee with accounting and finance knowledge is very insignificant on financial reporting quality in deposit money banks in Nigeria. This, however, is without prejudice to whether this factor is considered in the selection of audit committee members, the degree of knowledge of such members and the extent to which their contributions if put into practice. This finding disagreed with Oji and Ofegbu (2017) even though their study in Nigeria and the same sector but the years of study differs. Table 4 illustrates the influence or perhaps the contribution of size of the audit committee on financial reporting quality of deposit money banks in Nigeria. It shows that SFAC has zero influence on FRQ as confirmed by a co-efficient of regression value of .222. Though this value is definite but is insignificant. Size is just a number and does not determine experience or skill. This finding does not corroborate the studies of Raweh et al. (2019). The latter study is not in Nigeria and did not consider the size of the audit committee as a variable.

Some meetings held by the audit committee in the year is showed to have a co-efficient of regression value of -.415. This value is negative but significant, implying that the number of meetings held is a determinant of financial reporting quality in deposit money banks in Nigeria. This finding is without prejudice to the issue's discussion, the outcome of meetings held, and whether recommendations of the Board are implemented or not. Permit to say that a committee that often meets without making a significant contribution to the financial reporting of any firm. This finding is supported by the study of Umobong and Ibanichuka (2017). Statistical evidence from table 4 supports that audit committee independence has a negative and insignificant association with financial reporting quality of deposit money banks in Nigeria as shown with a co-efficient of regression value of -.012. This means that degree of independence of the audit committee is very microscopic and cannot be relied upon to explain the credibility of financial reporting in deposit money banks in Nigeria. Our finding disagrees with the study of Raweh, et al. (2019) though not in Nigeria, the study of Ohaka and Abio (2018) in Nigeria was in Aluminum corrugating companies in Rivers State.

CONCLUSION

The crux of this study quality of audit committee and financial reporting quality in deposit money banks in Nigeria is to examine the effect of members of the audit committee with accounting and fiancé knowledge, size of the audit committee, number of the meeting held by the audit committee in a year and audit committee independence on financial reporting quality. The tested variable in this study financial reporting quality measured with accrual model.

However, our finding revealed that except some audit committee meeting held in a year, other variables have an insignificant effect on financial reporting quality of the deposit money banks in Nigeria. This finding implies that knowledge, ability, contributions, and independence of audit committee members is very minute and cannot influence the financial reporting quality in deposit banks in Nigeria. Therefore, we conclude that the quality of the audit committee is not a significant determinant of the financial reporting quality of deposit money banks in Nigeria.

RECOMMENDATION

From the findings and conclusions of this study, we recommend as follow:

1. That good number of experts should be meant to be part of audit committees.
2. That there is an urgent need to increase the size of audit committee members in all deposit money banks in Nigeria.
3. That audit committee should be meant to hold meetings at regular intervals.
4. That expertise should be paramount for appointment into the audit committee and advises of the audit committee should always be given adequate and due consideration by management in decision making.
5. That number of non-executive directors should be higher than that of the executive director as this will help to forestall independence of the audit committee.

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