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MEDIATING EFFECT OF AUDIT COMMITTEE ON BOARD DYNAMIC AND CREATIVE ACCOUNTING IN NIGERIAN FIRMS

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Abstract
Several studies were conducted on corporate board dynamic and creative accounting and their findings were mixed. None to the researcher's knowledge studied the mediating effect of audit committee on such relationship in an entire population of the listed non-financial companies in Nigeria for a period of 10 years (2011-2020). Secondary data was extracted from the annual reports and accounts, companies' and directors' profile of the firms. The data was analysed using structural equation model/partial least square regression. The study found among other things that corporate board dynamic and its proxies except board capability have significant impact on the creative accounting of listed firms in Nigeria. Moreover, audit committee has a mediating effect on the relationship between board gender diversity, board ethnicity, board reputation, board nationality, board risk and creative accounting of the firms. The audit committee has no mediating effect on the relationship between board capability and creative accounting. It is therefore, recommended that, the listed companies in Nigeria should ensure the constitution of sound and robust audit committees. They should also ensure the presence of diverse gender, diverse ethnic groups, directors with national honour and foreign directors on the boards. The firms should ensure the establishment of risk management committee in all the firms. They should ensure the presence of highly skilled, experienced, and knowledgeable directors on the boards as these will help in mitigating the creative accounting with the support of audit committee. The implication of the results of this study to literature is that the findings of the study are to be used by researchers in validating tokenism/critical mass theory, social capital theory. Also, to validate upper echelon theory, efficient contracting theory, resource dependency theory, signalling theory, human capital theory, behavioural theory of corporate boards and governance and agency theory.

Keywords: Board Dynamics, Creative Accounting, Ethnicity, Capability and Audit Committee

1. Introduction

The board of directors in an organization is a chosen cluster of persons that serve as shareholders representatives. It is a leading body that normally hold meetings at consistent intervals to established policies for firm management and oversight. All companies listed must have a board which is responsible for the employment and sacking of senior executives, executive compensation, supporting executive duties, dividend policies, option policies, setting wide goals and making sure that a firm has well managed and sufficient resources at its disposal. Connection between corporate boards and creative accounting manifested through weak Corporate Governance (CG) after the foremost corporate failures and accounting scandals that occurred all over the world; Enron, WorldCom, Pharmalat, Transmile, Megan Media and Satyam computers to mention but a few. CG epitomises a manner that firm is controlled and directed and this facet is relatively associated with earnings management practices, board structure, ownership formation and they can all depress or inspire unethical accounting practices. CG is a trending issue with high effect on bad cosmetic accounting. The occurrence of earnings manipulation is believed to be related to weakness of CG by board of companies.

Furthermore, the scandals that occurred all over the world throughout the past eras have smashed investors' self-confidence and have raised up quite a few questions on the efficiency of an enterprise risk management, internal control system and governance structures, which are all under the watch of corporate boards. However, CG has swept into action so as to address aforementioned corporate disasters. One of fundamental perception of CG is agency conflict which existed for periods, and it was considered as old as trade. Generally, CG system is the management of firm by the shareholders and Board. It is now and then regarded as a commercial philosophy nurturing financial growth by strengthening investors' confidence (Hemathilake & Meegaswatte, 2019; and Robert, 2013).

Creative accounting, though is lawful, is seen unprincipled for the reason that it tads the integrity of firms & the capital market. It is unprincipled as the management's purpose is to deceive various parties or to stimulate contractual results by varying the business's books (Healy & Wahlen, 1999). The serious issue in numeral corporate collapses was the habit of creative and manipulative accounting practices to alter reported profitability and indebtedness. It has been a challenge for boards, companies, investors and regulatory bodies worldwide to addressed the issue of creative accounting through negative earnings management which led to inefficiencies, scandals and collapsed of many giant and up-coming companies such as Xerox in 2000, Enron in 2001 (US), WorldCom in 2002 (US), Parmalat in 2003 (Italy), Transmile Group Berhad, Megan Media Berhad, Adelphia, Ahold Royal, or Equitable bankruptcy, Tyco international, Cadbury Nigeria Plc in 2006, African Petroleum Plc (now called Forte Oil Plc), Oceanic Bank Plc (now Eco Bank Plc), Lever Brothers Plc, One Tel and HIH in Australia, Nortel in Canada, Global Crossing, Fin Bank, Intercontinental Bank Plc, Wema Bank Plc, Savannah Bank Plc, and Spring Bank Plc- case of mismanagement of capital and many other ones. This has raised a serious concern as to whether the board of directors of firms saddled with responsibility of curtailing bad creative accounting are really discharging their duties and whether they are adequate enough to deal with the problem of accounting scandals?

The board of an organization consists individuals of dissimilar gender saddled with the tasks of controlling and monitoring management and certifying reliable broadcasting of incomes in the interest of varied owners & other participants. Once the board of an organization is not well established, the organization becomes unprotected to earnings abuse from the side of individuals burdened with responsibility of the management of the organization (Enofe, Iyafekhe & Eniola, 2017). The existence of overseas members can help deliberations inside the boardroom and possibly contribute to improved monitoring efficiency (Enofe, Iyafekhe & Eniola, 2017; Srinidhi, Gul, & Tsu, 2011; Oxelheim & Randoy, 2003; and Chiu, Teoh & Tian, 2013).

From the perspective of this study, board ethnicity was looked at from a different angle. The attention of researchers (such as Almashaqbeh, Shaari & Abdul-Jabbar, 2019; and Wicaksana, Yunjasih & Handayani, 2017) had been on diversifying board ethnicity to reduce earnings management through the appointment of foreign directors. Even though, their idea is a good one because the inclusion of foreign directors on boards can serve as a monitoring mechanism that could assist in declining earnings management to its barest minimum, there is need to look into the diverse ethnic groups in Nigeria usually present on the boards as that may play a major role in controlling earnings manipulation. The diversity of ethnic groups from religious, cultural and political background is expected to serve as a good tendency of becoming a strong tool of monitoring mechanism to prevent creative accounting. Therefore, this study looked at board ethnicity from the perspective of representation on the boards from different Nigerian ethnic groups such as Yoruba, Hausa/Fulani, Igbo and others in order to find out whether they influence creative accounting especially with the mediating effect of audit committee in reducing earnings manipulation.

Based on the existing literature such as Abbas (2020), Triki (2018), Shehu and Garba (2014), Osayantin and Embele (2019), Alqatan (2019) it was palpable and evident that a lot of controversies exist and the position of literature on corporate board dynamic, audit committee and creative accounting was inconclusive. Even though, much research have been conducted on board dynamism and unethical Accounting, it was clear that in Nigeria insignificant amount only have been carried out and based on the study researchers' knowledge none was conducted on the entire listed firms in Nigeria especially the listed non-financial firms and this serves as one of the gaps of this study. The divergent views might be as a result of the diverse industries, periods, methods, variables that the studies used and also the nature of the economy of the nations in which the studies were conducted. Even though, numerous studies exist on the relationship between corporate board dynamic and creative accounting worldwide (Such as Saona, Muro & Baier-Fuentes, 2019; Alden, Ganis, Roekhudin & Andayani, 2019; Fan, Jiang, Zhang & Zhou, 2019) but to the study researchers' best knowledge none of the studies studied AC mediating influence on the association between corporate board dynamic and creative accounting especially in Nigeria and in the world at large. Therefore, this study addresses the question "Does audit committee mediate the relationship between board dynamic and creative accounting of firms in Nigeria?"

The leading aim of the study is therefore to evaluate the mediating effect of audit committee on the relationship between board gender diversity, ethnicity, reputation, nationality, risk and capability and creative accounting of listed firms in Nigeria from 2010 to 2019. In order to achieve the aim, the study hypothesised that audit committee has no mediating effect on the connection between board dynamic and creative accounting of listed firms in Nigeria.

Board of directors of the listed firms will greatly benefit from the study as the findings might help them efficiently in seeing the importance and mediating powers that audit committees possessed especially in dealing with creative accounting. It will also assist them in formulating policies that will block some loopholes which give room to earnings manipulation.

2. Theory and Practice

Saona, Muro, Martín and Baier-Fuentes (2019), Alden, Ganis, Roekhudin and Andayani (2019), Fan, Jiang, Zhang and Zhou (2019), Triki (2018), Kyaw, Olugbode and Petracci (2015), and Gavious, Segev and Yosef (2012) examined the influence of BGD on managerial opportunistic behaviour. The studies found among other things that, there are benefits attached to balancing gender on board. A sensible balanced board lean towards lessens EM practices. On the other hand, Enofe, Iyafekhe and Eniola (2017) and Masliza, Wasiuzzaman and Mohamad (2016) evaluated the effect of board ethnicity on the earnings management of firms. The studies found BE to be highly correlated with management opportunistic attitude towards craft Accounting. It signals that, the appointment of different ethnic personnel may be due to their connection rather than their technical expertise.

Diermeier (2018) found that positive firm reputation takes a lengthy duration of time to establish. By setting strong guiding principle and stressing the necessity to protect the firm's reputation, the board of directors can assist management dodge short-sighted errors. Moreover, reputable inside directors can enhance the value of debtors' financial reporting and decrease agency danger in loan contracting (Lin, Song & Tiang, 2016). On the other hand, board reputation possessed a positive substantial relationship with management earnings forecasts (Chan, Faff, Khan & Mather, 2013). Board nationality was found to have an adverse and substantial connection with real incomes management. A minimum of one foreign director should be present in the board for the reason that a foreign director has different experiences and qualifications that may assist to discourage real earning management practices (Almashaqbeh, Shaari & Abdul-Jabbar, 2019). Wicaksana, Yuniasih and Handayani (2017) contend that, board nationality can be used as effective and efficient corporate governance supervising mechanism in declining the level of creative accounting in firms.

Risk management committee decreases the desire of the management to alter the reported earnings in a firm. Setting up risk management committee lessens the real earnings sales via abnormal production. This is a signal that creating self-determining risk management committee will advance the excellence of reporting (Alhaji, AbdulLatif & Ahmed, 2018). Neffati, Ben and Schalck (2011) contend that, the high risk rises, the further the manager would be moved to manage earnings, the manager wishes to display his skills by satisfying numerous views and charming fresh investors. Almashaqbeh, Shaari and Abdul-Jabbar (2019) found that board capability reduces manipulative Accounting. The rise of board age assortment in the board of directors, lead toa rise in the supervising task of the board of directors, thereby lessening the practice of real earnings management. Buniamin, Johari, AbdRahman and Hanim (2012) contend that board competency does not affect the practice of discretionary accruals.

Audit committee possesses a negative connection with cosmetic Accounting and the relationship is higher when a higher audit fee has been incurred by a company (Bala, Amran and Shaari (2020). Saleem (2019) found that the existence of audit committee declines earnings management and enhance the financial reporting quality of firms, also, the modern financial accounting breakdowns and disasters as well as enactment stress the rigorous role played by the audit committee in governance. If the quantity of female in audit committee is high, the degree of earnings manipulation will be low and the other way round (Florencea & Kurnia, 2018). Albersmann and Hohenfels (2017) found that the involvement of financial experts in audit committees and the rise in audit committee meetings are related with lesser amount of earnings management and they seem to improve the efficacy of audit committees.

The study was based on nine theoretical accounts that aligned corporate board dynamic, audit committee and creative accounting of listed firms in Nigeria. The study was anchored with critical mass, social capital, upper echelon, efficient contracting, resource dependency, signalling, human capital, behavioural theory of corporate boards and governance and agency theories.

3. Methods and Techniques

Bearing in mind the fact that this study fits post-positivist paradigm which hint at it being quantitative in nature, the variables of the study can be measured using numbers and therefore, it uses quantitative approach. This study adopts causal research design due to the fact that it can be used to extract data from historical records, and it is among the most efficient designs used in finding the association between two or more variables and the impact of one variable on another. The study made use of all the 113 non-financial companies in Nigeria publicly quoted on NSE as at 31st December, 2019 as its population. All the firms have been utilized as the sample by espousing census technique of sampling. The choice of the listed non-financial companies in Nigeria as the population of this study is in order to have a full representation of the firms and considering the study's nature and also owing to the fact that the model of Collins, Pungaliya and Vijh (2017) can only accommodate or detect creative accounting in non-financial firms because of its variables or components. Only data from secondary source was utilized and it was extracted from the publicized yearly accounts and reports (financial Statements), company and directors' profile of the firms in Nigeria quoted on the NSE as at 31st/12/2019 for a period of ten (10) years (2010-2019). The secondary source of data was used because the variables of the study can be measured quantitatively, and the information needed to measure these variables are available in the annual reports and accounts, company, and directors' profile of the listed firms in Nigeria.

The study used panel structural equation model/partial least square regression as technique of data analysis using STATA as tool of analysis. SEM-Partial Least Square (PLS) regression techniques was used because of its efficiency in estimating the causes and effects of the relationships among variables under study. It can capture the mediating influence of a variable on the connection concerning explanatory variable(s) and explained variable. Since the study adopted quantitative approach, therefore, a parametric tool is expected to be used. Moreover, SEM- partial least square regression is not just one technique but a household of methods that can be used to explore the connection between one explained variable and several explanatory variables. SEM- partial least square regression is based on correlation that permits further complex examination of the interconnection amongst established variables. This is what promotes it to be frequently used for examination of many complex real-life rather than laboratory-based research objectives/hypotheses. Furthermore, they were used because, the techniques can show how fit a set of variables is able to foresee a certain result. Also, they are better in providing the researcher with information about the model in total with the role of individual variables that formed the model. The techniques are also efficient in evaluating if specific independent variable and mediating variable are capable of foreseeing an outcome when there is control for the influence of one more variable.

Table 1: contains how the variables of this study are measured.

Table 1: Variable Measurement

Variable Acronym	Variables Name	Variable Measurement and Source
DACC	Discretionary Accruals	Measured by absolute values of the residuals of discretionary accruals using modified Collins, Pungaliya and Vijh (2017) model.
BD	Board Diversity	Measured as the ratio of women over total board Members (Saona, Muro, Martín & Baier-Fuentes, 2019)
BE	Board Ethnicity	Measured with ethnicity score
BR	Board Reputation	Measured as the ratio of members with national honour over total board directors
BN	Board Nationality	Measured as quantity of foreign members over overall sum of directors on the board (Musa & Aminu, 2018)
BRK	Board Risk	Measured as proportion of risk management committee directors over total board members (Danial & AbdulRahman, 2014)
BC	Board Capability	Measured with capability score
AUC	Audit Committee	Measured with audit committee score
FS	Firm Size	Natural Logarithm of Total Assets (Ararat, Aksu & Tansel, 2015; Bala & Ibrahim, 2014)
SGRW	Sales Growth	Present sales-previous sales/previous sales (Collins et al, 2017)

Source: Compiled by Authors, 2022

Table 1: presents how the variables (explained variable, explanatory variables, mediating variable and control variable) are measured. The explained variable of the study which is creative accounting proxied with DACC was measured by the absolute values of the residuals of discretionary accruals using modified Collins, Pungaliya and Vijh model of 2017.

Board diversity was measured by taking the percentage or proportion of females' representation on board over the entire sum of members of the board.

Board ethnicity was measured using ethnicity score, that is, four proxies of ethnicity were used which are Hausa/Fulani, Yoruba, Igbo and Minority Tribes, for each year whichever ethnic group is present on the board was given value as 1 otherwise 0, the total was then divided by the whole sum of proxies which is four. Board reputation was measured as the percentage of members of the board with national honor over the total board members.

Board nationality was measured as the proportion of foreign directors serving on the board of directors over the total sum of members serving on board. Board risk was measured as the ratio of directors serving in the risk management committee within the board over the total sum of directors serving the board. Board capability was measured using capability score with five (5) proxies (tenure, experience, multiple directorship, educational qualification and skills/competency), a value of 0 was given if all the directors are serving first tenure otherwise 1, the study used a threshold that a director must serve in the board or other boards for five (5) years and above in other to have experience, therefore, only members of the board with board experience of five years and above are considered as experienced directors. For experience directors a value of 1 was given otherwise 0. The presence of director serving on 2 or more boards was given a value of 1 otherwise 0, the presence of director with educational qualification higher than first degree was given a value of 1 otherwise 0. For skills/competency, director with industry experience is scored 1 and otherwise 0.

Audit committee was measured using audit committee governance score where six proxies (Audit committee meeting attendance, Audit committee frequency of meeting, AC gender, AC independence, AC financial expertise and AC size) of AC were used. For each proxy, if the firm complied with the requirement of SEC code of 2011 a value of 1 was given to that proxy for the year otherwise 0, a total was taken for all the six proxies and then the total was divided by six which gave the audit committee governance score for the year. Company size was measured with NLOG (natural logarithm) of total assets.

A cross-sectional regression of the modified Collins, Pungaliya and Vijh (2017) total accruals model was utilized in this study to estimate the discretionary accruals which represent the degree of creative accounting. This model was selected because it has been found to have higher explanatory power than their first model and is one of the most recent accrual models with few impregnable criticisms. The model without and with modifications are presented as follows:

$TA_{it} /At\text{-}1 = \beta_0 + \beta_1\Delta REV_{it} /A_{t-1} + \beta_2\Delta NREC_{it} /A_{t-1} + \beta_3 PPE_{it\ t-1}/A_{t-1} + \varepsilon_{it}$ ------------------i

$TA_{it} /A_{t-1} =\beta_0+\beta_1\Delta REV_{it} /A_{t-1}+\beta_2\Delta NREC_{it}/A_{t-1}+\beta_3 PPE_{it\ t-1}/A_{t-1}+\beta_4 INTG_{it\ t-1}/A_{t-1} + \varepsilon_{it}$ -----ii

$ACCR=\beta 0_{it}+\beta 1\Delta REV_{it}+\beta 2\Delta NREC_{it}+\beta 3INV_{it}+\beta 4PPE_{it}+\beta 5INTG_{it}+\beta 6CL_{it}+\beta 7NCL_{it}+\varepsilon_{it}$-iii

$TA_{it}/Assets_{it-1}=\beta_0 + \beta_1 1/Assets_{it-1} + \beta_2 (\Delta REV\text{-}\Delta AR)_{it} / Assets_{it-1} + \beta_3 PPE_{it} / Assets_{it-1} + \beta_4 NI_{it-1} / Assets_{it-1} + \beta_5 Sales_{it} - Sales_{it-1} / Sales_{it-1} + \varepsilon_{it}$---iv

Where:

TA= Total Accruals; T = total asset; a = Constant; β_1-β_4= parameters; t-1 = previous year (lag1); ΔREV = Change in Revenue; Δ REC = Change in Receivables; Δ AR= Change in Account Receivable; PPE = Property, Plant & Equipment; INTG = Intangible Assets; INV= Inventory

CL= Current Liabilities; NCL= Non-current Liabilities; ACCR= Discretionary Accruals; t=time; i = firm; ε= is the residual

The SEM partial least square regression models are specified in order to evaluate the mediating influence of audit committee on the effect of corporate board dynamics on creative accounting of public firms in Nigeria. The models are specified below:

$DACC_{it}=\beta_0+\beta_1 BD_{it}+\beta_2 BE_{it}+\beta_3 BR_{it}+\beta_4 BN_{it}+\beta_5 BR_{it}+\beta_6 BC_{it}+\beta_7 FS_{it}+ \beta_8 SGRW_{it}+\mu_{it}$ -----(i)

$AUC_{it} =\beta_0+\beta_1 BD_{it}+\beta_2 BE_{it}+\beta_3 BR_{it}+\beta_4 BN_{it}+\beta_5 BR_{it}+\beta_6 BC_{it}+\beta_7 FS_{it}+\beta_8 SGRW_{it}+\mu_{it}$------------(ii)

$DACC_{it}=\beta_0+\beta_1 BD_{it}+\beta_2 BE_{it}+\beta_3 BR_{it}+\beta_4 BN_{it}+\beta_5 BR_{it}+\beta_6 BC_{it}+\beta_7 AUC_{it}+\beta_8 FS_{it}+\beta_9 SGW_{it}+\mu_{it}$--(iii)

Where:

DACC= Discretionary Accrual; β_0= Constant; β_1 –β_8 = Coefficient of the parameters; AUC= Audit Committee; BD= Board Diversity; BE= Board Ethnicity; BR= Board Reputation; BN= Board Nationality; BR= Board Risk; BE= Board Capability; FS= Firm Size; SGRW= Sales Growth; µ = error term; i= firm; t= time

1. Results and Discussion

Table 2: SEM: Partial Least Square Regression Direct Effects

Variable	Coeff.	Z-Value	P-value	Coeff.	Z-value	P-Value

AUDITCOM				DACC		
Boardgd	0.276	8.51	0.000	-0.347	-4.97	0.000
Boardeth	0.107	5.43	0.000	-0.212	-5.11	0.000
Boardrep	0.681	26.7	0.000	-1.364	-19.92	0.000
Boardnat	0.223	11.47	0.000	-0.468	-10.91	0.000
Boardrisk	0.046	2.43	0.015	0.118	2.99	0.003
Boardcap	0.042	0.6	0.549	-0.064	-0.44	0.663
Firmsize	0.002	1.09	0.274	0.002	0.8	0.426
Sgrw	-0.057	-1.28	0.201	0.014	0.16	0.875

Source: Output from Stata 13.1

BGD and Audit Committee

The outcome in table 2 shows that board gender diversity possessed coefficient figure of 0.276 with a z-value of 8.51 and significance value of 0.000. This indicates that it is positively, powerfully and significantly effecting the audit committee of registered quoted firms in Nigeria which indicates that appointing a female member on the board strengthen the responsibility of the firms' AUDCOM. The outcome denotes that for each 1 female director appointment on the board, the power of the AUDCOM is further strengthen by 28% roughly. The outcome was not shocking because it was within the research's preceding anticipation. However, the outcome may be because of the women's control ability and their seriousness towards discharging their responsibilities properly and therefore they might assist ensuring in compliance with standards, rules & regulations and policies governing the preparation of annual reports and accounts. The result is in line with tokenism/critical mass theory that assumes when critical mass of females in a cluster or a confident threshold is reached which is about 30% of the cluster/group or three (3) in quantity, their existence turns out to be normalized. The result is also in line with the reality that women are more serious when given a job to perform and therefore, their presence in the board helps in pushing the AUDCOM to perform their job appropriately and exercise control mechanism.

Board Ethnicity and Audit Committee

From table 2, board ethnicity possessed coefficient figure of 0.107 with z-value of 5.43 and significant value of 0.000 (1%). This submits that the variable has robust, optimistic, and significant impact on the audit committee of registered public companies in Nigeria. This reveals that for each 1 percent growth in the ethnic diversity of the board, the audit committee will be strengthened by 11% roughly. The outcome was not shocking as it was within the study's former expectancy that when there is presence of different ethnic groups in the BOD of firms, the strength of AUD increases towards discharging their responsibilities especially ensuring compliance with laid rules and regulations and standards and preventing frauds.

The result is in line with reality and social capital theory.

Board Reputation and Audit Committee

The table 2 also shows board reputation has coefficient number of 0.68 and a z-digit of 26.7 that is significant at one percent. This indicates that it is powerfully, positively and significantly affecting the audit committee of quoted corporations in Nigeria. This reveals that the presence of directors with national honor strengthens the audit committee by 68%. This discovery is not astonishing as it is in agreement to this research study's priori expectation that members of board with national honor will do all things possible to ensure that the right, strong and sound audit committee members are appointed and thus give them maximum support in discharging their responsibilities because they would not want a scenario whereby fraud and irregularities are committed under their watch as that will jeopardize their integrity and reputation. The finding is also in line with reality and efficient contracting theory.

Board Nationality and Audit Committee

The table 2 reveales that board nationality possessed beta coefficient figure of 0.223, z-value of 11.47 and significant value of 0.000. This discloses that, it possessed powerful and positive effect on the audit committee of quoted companies in Nigeria at 1% level of significance. The result implies that a rise in the portion of foreign members strengthens the AUDCOM by 22%. The finding is not surprising as it falls within the study's prior expectation that the existence of foreign members within the board helps it and audit committee in discharging their duties more diligently. This is because they serve as monitoring mechanism and due to their skills, knowledge, experience, and connections they would ensure ethical standards and laid down rules are complied with. The finding is in line with reality and resource dependency theory.

Board Risk and Audit Committee

Table 2 indicates that, board risk has coefficient digit of 0.046 and a z-number of 2.43 that is significant at 5%. This shows that it has positive & substantial influence on the audit committee of quoted companies in Nigeria. This implies that the presence of risk management committee strengthens the power of audit committee in discharging their responsibilities by 5%. The outcome is not surprising as it is within the research study priori expectation that when a risk management committee is constituted it helps in complimenting the responsibilities of the audit committee and thereby reduce the too much burden vested on the AUDCOM when the risk management committee is not constituted. Therefore, the presence of the committee strengthens the audit committee. The discovery is in agreement with reality and signaling theory.

Board Capability and Audit Committee

From table 2, board capability has an insignificant effect on the audit committee of quoted firms in Nigeria. This can be observed from the coefficient figure of 0.042 and z-figure of 0.6 that is insignificant at 55% approximately. This implies that directors that served two or more terms on boards, directors with more than five years' experience serving on the board, directors with qualification higher than first Degree, board members serving on higher than 1 board with industry experience do not contribute towards strengthening the power of audit committee. However, this finding is contrary to this research study prior expectation that the above attributes of board capability contribute positively to strengthening the audit committees to discharge their responsibilities more efficiently and ensure compliance with laid rules and standards. The finding is contrary to reality and human capital theory and behavioral theory of boards and governance.

Board Gender Diversity and Earnings Management

Table 2 again displays that board gender diversity possessed beta coefficient of -0.347 and z-digit of -4.97 that is significant at 0.000. This suggests that the variable has negatively, strongly and significantly affected the earnings management of listed companies in Nigeria. This reveals that for each female director addition on the board, their earnings management decreases by thirty-five percent approximately. The result is in agreement with the initial expectation of the study that, when a board is control by a combination of male and female directors the monitoring mechanism tendency of women helps to a greater extent in curtailing earnings management. However, the result may be as a result of the attitude of women towards compliance with organizational ethics, laid down rules & regulations and policies and with this they have great monitoring power to be able to minimize earnings manipulation. In reality, most organizations that are been headed by women do very well in terms of performance and reducing earnings management except in few cases where they committed frauds. The outcome is in line with tokenism/critical mass theory and also in line with the findings of Fang, Jiang, Zhang and Zhou (2019), Saona, Muro, Martin and Baier-Fuentes (2019), Triki (2018) and contrary to the findings of Osayantin and Embele (2019), Nelson and Ponsian (2018) and Nahar and Nor (2016).

Board Ethnicity and Earnings Management

From table 2, board ethnicity possessed strong negative influence on the EM of listed organizations in Nigeria. This can be deep-rooted from the coefficient digit of -0.212 and z-figure of -5.11 that is significant at one percent (0.000). This implies that, for each 1% intensification in the ethnic diversity of the board, their earnings management decreases by 21%. The effect was not astonishing as it was in agreement with research initial prediction that, ethnic diverse board decreases the level of earnings manipulation. In reality, when a board has members from different ethnic background that serves as monitoring mechanism because of their norms and values. Some ethnic groups see the commitment of irregularities, fraud and earnings manipulation as a taboo. Therefore, they do there possible best to ensure that earnings management is curtail or minimize to its barest minimum in the organization they serve. The result is also in line with social capital theory and upper echelons theory. Social capital involves advantages that separate or joint parties have due to their location in the social link structure. Therefore, the social capital theory suggests for diversity on boards assumed that an assorted board of directors is capable of bringing in diverse types of social capital from its members (Alqatan, 2019). The upper echelons theory advocates that the manager's demographic attributes are related with the manager's sole cognitive values and style which influence on the decision making of management (Hambrick & Mason, 1984; and Kim & Sun, 2014; Tianshu, 2018). When diverse ethnic groups exist in a board, it is believed that, with their different background and values they will be able to checkmate earnings manipulation. The result is in agreement with the discovery of Enofe, Iyafekhe and Eniola (2017) and contrary to the findings of Masliza, Wasjuzzaman and Mohamad (2016) and Reggy, Niels, Oxelheim and Rand (2015) where the studies discovered that board ethnicity has a positive effect on creative accounting.

Board Reputation and Earnings Management

Table 2 reveals that board reputation has beta coefficient figure of -1.364 and a z-digit of -19.92 that is significant at 1% (0.000). This indicates that, it has an adverse robust effect on the EM of registered quoted corporations in Nigeria. This denotes that, for each growth in board members with national reputation, the unethical accounting decreases by 136% percent approximately. The finding is in line with the priori expectation of the research study that, when members with national honor are serving on the board they serve as monitoring mechanism in curtailing earnings management. It is also in line with the efficient contracting theory which proposes that executive job markets resourcefully offer board members with implicit incentive contracts such as reputation, employment and remuneration (Fama & Jensen, 1983; Lin, Song & Tiang, 2016). This research believed that, directors on board with national honour have high sense of integrity. Therefore, they would not like a scenario whereby their reputation is destroyed when earnings manipulation takes place in a firm while they are serving in it. Therefore, they would do their possible best in mitigating opportunistic actions of management. The discovery is in agreement with the outcome of Diermeier (2018) that board reputation reduces earnings management.

Board Nationality and Earnings Management

From table 2, board nationality has coefficient number of -0.468 with a z-digit of -10.91 that is significant at one percent (0.000). This indicates that, the variable has negatively, strongly and significantly influenced the earnings management of listed companies in Nigeria. This signifies that for each rise in overseas directors serving on the board, the EM decreases by 47% approximately. The result is in line with the work's priori expectation that when foreign director(s) is serving on the board, that helps in minimizing earnings manipulation due to their experience, knowledge, adherence to ethics and monitoring power. The finding is in line with resource dependency theory. It is understood that foreign board members have many resources to share with the firm they are serving such as skill, experience, expertise, connections and many other resources. Therefore, they could assist much in preventing creative accounting. The finding is in line with the findings of Almashaqbeh, Shaari and Abdul-Jabbar (2019), and Musa and Aminu (2018) and contrary to the findings of Osayantin and Embele (2019), and Hooghiemstra, Hermes, Oxeilheim and Randoy (2015).

Board Risk and Earnings Management

Board risk has coefficient figure of 0.118 & z-figure of 2.99 that is substantial at one percent (0.003). This suggests that, it has a powerful positive effect on the EM of quoted firms in Nigeria. This denotes that, the presence of risk management committee increases earnings management by 12% approximately. However, the finding was not in line with prior expectation the study that when a risk management committee is constituted, it complements the effort of board in reducing earnings management. It is also contrary to signaling theory which advocates that the existence of RMC in a firm promises the stockholders that the board of directors is solid sufficient to device upright corporate governance that bring into line the interest of management with that of their interest (Oluyemisi, Che-Ahmed & Muse, 2017). The existence of an efficient risk management committee within the board of a firm is indicating that management’s earnings manipulative activities could be checkmate and curb. The finding is in agreement to revelation of Neffati, Ben and Schalck (2011) and contrary to the outcome of Alhaji, AbdulLatif and Ahmed (2018). However, this finding may be as a result of the fact that many companies within the listed non-financial sector of Nigeria have no risk management committee and therefore, the responsibility of the committee has been discharged by the audit committee of the firms.

Board Capability and Earnings Management

Board capability has a beta coefficient number of -0.064 and a z-figure of -0.44 that is insignificant at 66% (0.663). This shows that, board capability has no impact on the EM of registered quoted corporations in Nigeria. The prior expectation of the researcher was that board capability helps to a greater extent in dealing away with earnings management. This is because directors that served two or more terms on boards, directors with more than five years' experience serving on the board, directors with qualification higher than first Degree, members serving on higher than 1 board and directors with industry experience are expected to mitigate earnings management effectively and efficiently. The finding is also contrary to human capital theory and behavioral theory. The human capital theory is constructed on personal qualities such as experience and level of education of persons. Based on this, Becker (1964) claims that, experience, skills, productive capabilities, and level of education of labour force are beneficial for the firm. Behavioural theory proposes that company's board of directors' decision making might not only be impacted by their skills, knowledge, and expertise but as well their values, experiences, and beliefs. The presence of experienced, skilled, knowledgeable, and competent directors on board could be capable of checkmating and curbing management's opportunistic actions towards creative accounting in firms. This discovery is in agreement with the result of Bunjamin, Johari, AbdRahman and Hanim (2012) and contrary to the findings of Almashaqbeh, Shaari and Abdul-Jabbar (2019) and Wicaksana, Yuniasih and Handayani (2017).

Table 4.2: SEM: Partial Least Square Regression Indirect Effects

Variable	Coeff.	Z-Value	P-Value
BoardGD	-0.377	-7.91	0.000
BoardETH	-0.145	-5.26	0.000
BoardREP	-0.928	-16.71	0.000
BoardNAT	-0.304	-10.12	0.000
BoardRISK	-0.063	-2.41	0.016
BoardCAP	-0.057	-0.6	0.549
FirmSize	-0.002	-1.09	0.275
SGRW	0.077	1.28	0.201
Model Fitness	0.000		0.000
	12645		0.000
Overall Fitness			
R^2 (DACC)			0.998
R^2 (AuditCom)			0.996
R^2(Overall)			0.998

Source: Output from Stata 13.1

AC as a Mediator on the Connection Between Board GD and EM

The indirect influence of AC on the connection concerning BGD and the EM of registered quoted companies in Nigeria has coefficient figure of -0.377 and a z-digit of -7.91 that was significant at one percent (0.000). This signifies that, there is a strong, negative and significant mediating consequence of AC on the connection between BGD and EM of public companies in Nigeria. This implies that when audit committee mediates the relationship between board gender diversity and creative accounting, the EM decreased by approximately 38% when the relationship between the variables passed through audit committee. This finding was not astonishing as it is within the researcher's previous anticipation.

Board Ethnicity and Earnings Management: AC Mediating Effect

Table 2 indicates that, AC has a strong negative significant mediating effect on the connection between board ethnicity and unethical accounting of public companies in Nigeria. This position can be established from the coefficient figure of -0.145 and z-digit of -5.26 that is significant at 0.000. This implies that when audit committee mediates the relationship between board ethnicity and creative accounting, the creative accounting reduced by 15%. However, this finding was not shocking as it is within the research study initial expectation and it is in line with reality.

Board Reputation and EM: Audit Committee as Mediator

From Table 2, the mediating outcome of AC on the connection between board reputation and the DACCs of quoted firms in Nigeria has coefficient digit of -0.928 and a z-figure of -16.71 that was significant at one percent (0.000). This reveals that, there is a robust, negative, and significant mediating impact of audit committee on the interaction between board reputation and earnings management. This implies that the earnings management reduces by approximately 93% when AC mediates the relationship between board reputation and creative accounting. The result is within the initial expectation of the research study.

Board Nationality and Creative Accounting: AC as Mediator

Table 2 indicates that, AC has a strong negative significant mediating effect on the connection between board nationality and EM of quoted public organizations in Nigeria. This position can be deep-rooted from the coefficient number of -0.304 and z-figure of -10.12 that was significant at one percent (0.000). This reveals that the level of creative accounting decreased by approximately 30% when AC mediates the association between board nationality and unethical accounting. The finding was not astonishing as it was in agreement with the initial belief of the study that when there are foreign members' presence on the board and a strong AUDCOM, when the monitoring mechanism of the foreign directors passed through the audit committee it will help to a greater extent in mitigating earnings manipulation.

Board Risk and Creative Accounting: Mediating Effect of AC

From Table 2, the mediating impact of AC on the connection between board risk and the creative accounting of quoted registered companies in Nigeria has coefficient figure of -0.063 and a z-digit of -2.41 that was significant at 5% (0.016). This indicates that, a negative significant mediating consequence of AC exists on the connection between board risk and creative accounting. This implies that when AC mediates the association between board risk and creative accounting, the EM reduces by approximately 6%. The finding was not shocking as it was in agreement with study's preceding belief and reality.

Board Capability and Earnings Management: AC Mediating Influence

Table 2 indicates that, AUDCOM possessed negative and insignificant mediating influence on the association between board capability and creative accounting of quoted public companies in Nigeria. This position can be rectified from the coefficient figure of -0.057 and z-digit of -0.6 that is insignificant at 55% (0.549) approximately. This implies that audit committee do not mediate the connection between board capability and creative accounting which means the association between board capability and creative accounting does not have to pass through audit committee before an efficient goal of minimizing earnings manipulation is achieved. However, this finding is surprising as it is contrary to the research priori expectation that when there are highly skilled, experience and knowledgeable board members and the effect of their monitoring power passes through the audit committee of an organization that will really assist in reducing the level of creative accounting especially in sectors other than financial companies quoted in Nigeria.

Cumulatively, Table 2 shows that, the R^2 value for the relationship between corporate board dynamic and creative accounting is 0.998 (99%) which signifies that, the independent variable (proxied with board gender diversity, board ethnicity, board reputation, board nationality, board risk and board capability) of the research study has clarified the whole difference in earnings management of quoted companies in Nigeria to a degree 99% and the outstanding 1% is taken care by other variables not captured in the model. On the other hand, the R^2 value for the connection between corporate board dynamic and audit committee is 0.996 (99%) which signifies that, the explanatory variable (proxied with board gender diversity, board ethnicity, board reputation, board nationality, board risk and board capability) of the study has explicated the entire disparity in audit committee up to a level of 99% and the outstanding 1% is covered by other issues not captured in the model.

Overall, the R^2 value for the indirect influence of audit committee on the connection between corporate board dynamic and creative accounting is 0.998 (99%) which signifies that, the mediating variable (audit committee) of the research has explained the total variation in the relationship between board dynamic and creative accounting to a degree of 99% and the outstanding 1% is taken care by other variables not used in the model. With regards to model fitness, the baseline/model versus saturated chi2 statistics of 12645/0.000 which is significant at 1% (0.000) confirms that the models are well tailored, consequently, the variables of the study were robustly chosen, joint and appropriately employed. Cumulatively, it was found that audit committee has mediated the influence of corporate board dynamic on the creative accounting of listed companies in Nigeria negatively, strongly, and significantly. Therefore, the hypothesis of the study has been rejected.

2. Conclusion and Recommendations

Based on the results and discussion in section four, the following conclusions are made.

i. Board GD has a negative and substantial contribution on the creative accounting of quoted companies in Nigeria. This makes the research study to conclude that the level of creative accounting of the firms decreases with a rise in the number of female members on the board.
ii. It was also concluded that board ethnicity played a negative role on the creative accounting of the listed firms in Nigeria if there is presence of diverse Nigerian

ethnic groups which serves as a strong monitoring mechanism because of their different norms and values and background environment.

iii. The study also concluded that the higher the number of members with national honor on the board of companies of Nigeria, the lower its earnings management would be as board reputation curtails the creative accounting statistically.

iv. The board nationality of listed firms in Nigeria diminishes their earnings management. This research study concluded that it played a negative role on their creative accounting through the presence of foreign directors that used their expertise, experience, knowledge, connections, and monitoring power to reduce earnings management.

v. The board risk of listed companies in Nigeria rises the degree of their EM. The research study concluded that if all the companies will constitute a sound risk management committee, the direction of the finding might change to negative. This is because presently most of the firms did not establish the risk management committee, the function of the committee has been discharged by the audit committee of the firms.

vi. The board capability of quoted public firms in Nigeria does not contribute to the lessening of EM in the firms. Therefore, this research study concluded that, if the directors with high skills, experience, knowledge, and expertise are well monitored in discharging their duties, board capability may contribute significantly to the reduction of earnings management to its barest minimum.

vii. Audit committee of quoted firms in Nigeria contributes to BGD in minimizing the EM. This research study concluded that, audit committee plays a negative role on the interaction between BGD and creative accounting through the combined effect of female members, financial expertise, independent members, proper size, frequent meetings, and meeting attendance by members. Therefore, board gender diversity plays role in minimizing earnings management with the support of audit committee.

viii. Audit committee of quoted firms in Nigeria contributes to board ethnicity in minimizing the earnings management of the firms. This research study concluded that, audit committee plays a negative role on the relationship between board ethnicity and creative accounting through the combined effect of female members, financial expertise, independent members, proper size, frequent meetings, and meeting attendance by members. Therefore, board ethnicity plays an important role in mitigating earnings management with audit committees' support.

ix. Audit committee of quoted firms in Nigeria contributes to board reputation in reducing the earnings manipulation of the companies. This study concluded that, AUDCOM plays a negative role on the impact between board reputation and earnings management through the collective influence of female members, financial expertise, independent members, right committee size, frequent meetings, and meeting attendance by members. Therefore, board reputation plays a vital role in decreasing the degree of creative accounting with the support of audit committee.

x. The listed companies in Nigeria audit committees supports board nationality in reducing the earnings management of the companies. This research concluded that, audit committee contributes negatively to board nationality in minimizing earnings management to its barest minimum through the joint impact of female members, financial expertise, independent members, proper size, frequent meetings, and meeting attendance by members. Therefore, board nationality plays a significant role in curtailing earnings management with audit committees' support.

xi. Audit committee of listed firms in Nigeria contributes to board risk in decreasing the earnings manipulation. Before the mediation, board risk was found to be increasing the level of creative accounting in the companies. However, after the mediation the position changed to decreasing earnings management. Therefore, this study concluded that, audit committee plays a negative role on the influence between board risk and the creative accounting of the companies through the collective influence of female members, financial expertise, independent members, proper size, frequent meetings, and meeting attendance by members. Therefore, board risk plays a vital role in minimizing EM with the support of audit committee.

xii. The listed firms in Nigeria audit committees did not contribute to board capability in reducing the earnings management of the firms. This research study concluded that, audit committee plays no negative role on the impact between board capability and creative accounting. Therefore, board capability plays no role in minimizing earnings management even with the support of audit committee.

In agreement with the overall finding of the study, this study concluded that, corporate board dynamic with the support of AUDCOM plays an important role on the creative accounting of quoted firms in Nigeria and contributes a lot to the reduction of earnings manipulation in the firms. Therefore, a strong relationship/association exists between corporate board dynamic, audit committee and creative accounting.

Based on the outcomes of this research study, the subsequent general recommendations were made:

i. Researchers should use this research study in validating tokenism/critical mass, social capital, upper echelon, efficient contracting, resource dependency, signaling, human capital and behavioral theories. They should use the study as reference to literature. Board ethnicity, board capability and audit committee should be used to conduct studies in different environment and periods especially by adopting ethnicity score, capability score and audit committee score as their measurement across the globe.

ii. Regulatory bodies such as SEC should use the findings of this study and come up with policies that will improve the quality of the corporate governance codes and prevent bad creative accounting.

iii. Potential and existing investors should use the conclusions of the study in order to take wise investment choices especially by avoiding companies that were involved in bad EM.

Moreover, based on the outcomes and conclusions of this study, it was specifically recommended that:

i. The management of public quoted companies in Nigeria should increase the presence of women directors on boards. The portion of female members on board should be 30% as proposed by the critical mass theory and that of male members should be 70% as this will promote gender balance on the board as advocated by sustainable development goals. The existence of more females on board will greatly assist in mitigating earnings management because of their monitoring mechanism and adherence to laid down rules, regulations, standards, policies and organization's ethics.

ii. The listed companies in Nigeria should try as much as possible to maintain the presence of at least four different Nigerian ethnic groups on their board since the appointment of directors from different ethnic background has proven to curtail earnings management level. This is because of their different norms and values and religious background and that serves as monitoring mechanisms.

iii. The quoted firms in Nigeria should boost the appointment of directors with national honor as it has proven to reduce the earnings manipulation of the firms. This is because the reputable directors try as much as possible to ensure that fraud, irregularities, and earnings manipulation have not been committed under their watch because they have integrity to protect. At least 40% of the board members should be allocated to reputable directors.

iv. Board nationality cuts the degree of creative accounting of quoted firms in Nigeria. Therefore, the listed companies of Nigeria should allocate at least 30% of their board membership to foreign directors especially those from advanced countries because foreign directors have proven to possess the ability of reducing earnings management through their connections, expertise, knowledge, experience, skills, and monitoring power.

v. Board risk increases the level of the creative accounting in quoted companies of Nigeria based on the statistical outcome of this study. Therefore, the boards should ensure that all boards establish sound risk management committees in their firms as this study discovered that most of the firms have not established the risk management committee but rather their function has been handled by audit committee. If the all the firms establish the committee, it’s possible the outcome of this research might differ.

vi. Board capability has no contribution to creative accounting of quoted firms in Nigeria. If the outcome of this finding is to be differed, therefore, the companies should put in place control mechanisms that will ensure the highly skilled, knowledgeable, experienced directors on the boards are highly utilize and monitored to ensure that they display well of expertise and knowledge in reducing the degree of EM in the firms.

vii. AUDCOM was found to be supporting board gender diversity in reducing the creative accounting of quoted firms in Nigeria. Therefore, the boards of the companies should ensure audit committees’ compliance with corporate governance codes especially by ensuring a gender diverse audit committees, having the right size, holding meetings frequently, attendance of meetings regularly by members, having financial expertise as members of the committee and having independent members when constituting a gender diverse board since the ability of the board gender diversity to reduce earnings manipulation passes through the audit committee.

viii. Board ethnicity reduces the EM of quoted firms in Nigeria through the support of audit committees. Therefore, this research study recommended that, the companies should appoint members from different Nigerian ethnic groups and ensure that a strong audit committee is in place to help curtail earnings manipulation in the firms.

ix. The listed companies in Nigeria board reputation decreases the level of creative accounting in them. Therefore, the study recommended that, the firms should ensure the appointment of members with national honor and sound audit committees to help mitigate the degree of earnings management in the companies.

x. Board nationality contributed immensely to the minimization of the level of creative accounting in the quoted firms of Nigeria. Therefore, this research study recommended that companies should give priority to the appointment of foreign members on their board of the directors since they have proven to cut the level of EM and also, ensure a robust audit committee is in place to support the board nationality in reducing the earnings manipulation.

xi. The public quoted firms in Nigeria board risk minimizes the degree of creative accounting. Therefore, this study recommended that, the companies should ensure that sound risk management committees are constituted in all the companies of Nigeria and ensure that robust audit committees are in place to support the board risk in decreasing the level of the earnings management as it was clearly evident that audit committee mediated the impact of board risk on creative accounting because before the mediation the relationship was positive but after the mediation it becomes negative.

xii. Board capability does not contribute to the lessening of EM of listed companies in Nigeria even with the support of their audit committees. Therefore, this research study recommended that, the companies should ensure that there are adequate mechanisms in place that will ensure directors with high level of experience, knowledge, expertise and skills acquired through serving on boards over years are sufficiently utilized to bring down the level of earnings management with audit committees' support. It is believed by the research that if the directors are properly utilized the outcome of this study might change to a significant one.

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