Gusau Journal of Accounting and Finance
(GUJAF)

Vol. 3 Issue 3, October, 2022 ISSN: 2756-665X

A Publication of
Department of Accounting and Finance,
Faculty of Management and Social Sciences,
Federal University Gusau, Zamfara State -Nigeria

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October, 2022
ISSN: 2756-665X

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Published and Printed by:
Ahmadu Bello University Press Limited, ZariaKaduna
State, Nigeria.
Tel: 08065949711, 069-879121
e-mail: abupress2013@gmail.com
abupress2020@yahoo.com
Website: www.abupress.com.ng

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Bank: FCMB
Account Number: 7278465011
Account Name: Gusau Journal of Accounting and Finance

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CONTENTS

AUDIT COMMITTEE AND FINANCIAL REPORTING QUALITY: THE MODERATING EFFECT OF BOARD INDEPENDENCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract
The widely publicized corporate accounting scandals perpetrated under the watchful eye of audit committee despite their roles and function-ns in financial reporting processes, casts doubt in the minds of users on its relevance and credibility. This study examines the moderating role of board independence on the relationship between audit committee and financial reporting quality of listed Nigerian deposit money banks from 2012 to 2021. The study utilized correlation research design, extracted secondary data and OLS multiple regression for analysis. The finding reveals that board independence has a significant negative moderating effect on audit committee characteristics and financial reporting quality represented by discretionary loan loss provision, thereby strengthen the nexus. Based on the findings, the study recommends the appointment of more outside directors, holding strategic regular meeting and appointment of members with financial expertise into the audit committee to guarantee independence, assure discussion and handling of complex financial issues which would improve the financial reporting quality.

Keywords: Discretionary Loan Loss Provision, Financial Reporting Quality, Audit Committee Attributes, Deposit Money Banks.
DOI: https://doi.org/10.57233/gujaf. v3i3.184

1. Introduction

Provision of financial reports is one of the prime responsibilities of management which enables them give report of their stewardship. Financial reports provide the needed information to stakeholders on the operational and financial activities of the firm. It therefore, becomes imperative for users of financial reports not to disregard its quality for better resources allocation, economic and investment decisions (Aifuwa, Embele & Saidu, 2018). Shareholders freely entrusted their resources to managers on the pledge that the self-serving managers will apply their discretionary rights suitably to achieve shareholders' wealth maximization objective (Junaidu & Saheed, 2014). The preparation and presentation of annual reports in line with pertinent laws is the responsibility of the managers of an entity in each financial year. The accounting standards guiding the preparation and presentation of financial reports and accounts accorded the managers the room to make independent valuation. However, sometimes managers capitalize on these flexibilities inherent in the standards and general principles to apply personal discretion and make some accounting valuation that may be harmful to the quality of financial statements (Mehdi, Yasser and Ahmad, 2021). This is mostly motivated either to save their career or for compensation reasons (Ekanayake, 2021). The acts altered the true financial position and misguide the interested users while making relevant decision (Aifuwa et al, 2018). The consequence resulted to the fall down of several renowned corporations such as; Enron Corporation, Tyco, Xerox and WorldCom in the U.S and Cardbury Plc and Oceanic Bank Plc in Nigeria.

Hence, several measures were taken to prevent occurrences such as establishment of the audit attributes (audit committee independence, meetings, size, financial expertise, etc). Nevertheless, the trend nervously continues. Other newly widely broadcast accounting scandals, such as the case of Wirecard (Germany) in 2020, Patisserie Holdings in 2018, British Telecommunications in 2017, Tesco and Banco Espirito (Portugal) in 2014, Wema Bank Plc in 2021 and Spring Bank (Nigeria) in 2013 were also exposed. As a result, investors lost billions of dollars and employees lost their means of livelihood/jobs, government lost taxes and generally affected the economic stability (UK Essays, 2018). The continuing reported scandals confirmed that there was a hidden cloudiness surrounding the financial reporting process that had not been resolved yet. The reasons behind the collapse of these entities included but were not limited to the involvement of their managers in manipulative accounting practices through the use of discretionary accruals concealed in the financial reports (Otunsanya & Uadiale, 2014).

Thus, the trend suggests the strengthening of the audit attributes to discharge their primary functions effectively to protect all relevant stakeholders. It is believed that audit committee independence guides professional conduct, provides avenue for neutrality and professional examination of accounting information to ascertain its truthfulness, correctness and relevance which improve it quality (Mehdi et al 2021; Aifu, Musa & Gold 2020 & Kibiya, Ahmad & Amran 2016). Also, regular meeting of the audit committee assures smooth financial reporting process and regular checks of manager's unwanted discretion (Mohammed and Dauda, 2019). In addition, audit committee composition with members that has vast financial knowledge and experience would achieve better and logical scrutiny of the information contained in the financial reports for completeness, relevance and error free report that meet stakeholders' expectation (Chikwuani & Ugwoke, 2019).

Accordingly, the most common trend in nearly all of the studies on audit attributes and financial reporting quality were conducted on direct relationship (Bajra & Cadez 2017, Kantudu & Samaila 2015, Hussaini & Gugong 2015, Shehu 2015, Shehu 2013, Abdulkadir & Noor 2013, Shehu & Ahmad 2013, Shehu & Abubakar 2012 and Shehu 2011). Virtually, all these studies reported different and inconsistent findings. This suggests the introduction of board independence as a moderator variable, as the non-executive and independent board member are appointed base on their track record of independent mind, integrity, experience, among others (Shehu & Ahmad, 2013 and Shehu, 2013). As a result, stand better chance to help audit committee achieve their oversight monitoring functions for better financial reporting quality. Thus, the outcome of this study helps informed those parties that pay more emphasis on the financial reporting quality and in particular, the conclusion enlightens policymakers and regulators of the likely weight of financial reporting on audit committee independence, audit committee meetings, audit committee financial expertise and audit committee size.

The next part of the study develops hypotheses base on the empirical review, this is followed by the research methodology in section three; section four and five present and analyses the results obtained from the statistical analysis which is followed by the conclusions and recommendations respectively.

2. Empirical Review and Hypotheses Development

2.1 Audit Committee Characteristics and Financial Reporting Quality

Audit Committee Independence and Financial Reporting Quality

Considerable literatures have examined how the audit attributes (audit committee independence, meetings, financial expertise and size) impact financial reporting quality. The results of these studies show significant positive or significant negative effects of audit attributes and financial reporting quality. It is expected that functions perform by independent audit committee member would restrain manager's accounting manipulation, which will in turn enhance the quality of financial reporting, thereby shows significant negative (inverse) relationship and vice-versa (Almagtari, Farhan, Al-Homaidi & Mishra 2020, Kibiya, Ahmad & Amran 2016; Paul & Simon 2014). As a result, audit committee independence is showing to be a vital instrument available by the principals in monitoring manager's unwanted discretionary behavior. Literatures have established the vital role audit committee independence plays as a constituent of corporate governance in ensuring quality financial reporting (Akeju & Babatunde, 2017; Akinleye & Aduwo, 2019). The studies cited above established a negative and significance association between audit committee independence and discretionary accruals. The result from the study of Alzoubi (2014) who examined the effect of board characteristics sampled audit committee independence and financial reporting quality of Jordanian firms revealed that audit committee independence mitigates manager's unwanted discretion and improve financial reporting quality. This finding was countered by Bajra and Cadez (2017) who emphasize that audit committee independence does not guarantees better and quality financial reporting. Bradbury, Mak and Tan (2006) investigated the effect of board characteristics, audit committee independence and abnormal accruals. The study found that independence audit committee member is associated with less quality financial reporting.

Audit Committee Meetings and Financial Reporting Quality

Buallay and Al-Ajmi, (2019) studied the effect of audit committee attributes on corporate sustainability reporting in Gulf and found that regular meetings by audit committee help improve adequate sustainability reporting which improve financial reporting transparency and disclosure thereby improving it overall quality. Davidson, Goodwin-Stewart, and Kent (2005) in their study of internal governance and earning management found that as audit committee hold regular meetings within a particular financial year, earning management reduces thereby enhancing financial reporting quality. This was supported by a study of Jordanian firms by Deaa, Raneem, and Mohammad, (2019) for ten years and employed logistic regression model found a significance negative association between audit committee meetings and cosmetic accounting. It is evident by this that, regular audit committee meetings help reduces window dressing accounting and improve financial reporting quality of Jordanian firms. Ibrahim, Alkasim, Udoh and Onipe (2019) and Odjaremu and Jeroh (2019) and also reported this conclusion. In contrast, Dhaliwal, Naiker, and Navissi (2008) conducted an empirical study on audit committee and accrual quality within the period of seven years. Their empirical results after employing multiple regression technique for data analysis discovered that regular audit committee meetings reduce accrual quality within the scope of their study. In another study of Vietnam companies by Diem, and Anh, (2021) the findings confirm the result of Dhaliwal et al (2008) by establishing a positive association between audit committee meetings and financial reporting quality. In that way, it is deduced that where the audit committee meetings increase, earnings manipulation increases. Ekanayake, (2021), Enofe, Iyafekhe and Eniola (2017), Moses, Ofurum and Egbe (2016) and Moses (2016) also support this finding.

Audit Committee Size and Financial Reporting Quality

Enofe, Mgbame, Okolie and Ezedonmi (2014) studied the Audit firm characteristics and audit quality; the Nigerian experience. They selected audit committee size among the proxy of audit firm characteristics. The study reported that audit size helps in improving audit quality which invariably increases firm's financial reporting quality. Eyenubo, Mohammed and Ali (2017) in their study of audit committee effectiveness and financial reporting quality of listed companies in Nigeria stock exchange within the period of ten years. The study employed multiple regressions as the technique of data analysis found significant negative association of audit committee size and financial reporting quality, thereby portraying inverse relation with discretionary accruals. This was supported by a study of Quoted companies in the Nigerian Stock Exchange by Eze and Nkak (2020) the study utilized logistic regression model and document significant negative effect of audit committee size and financial reporting. Amina, Hassouna, Moez (2018) also document thus finding. Contrarily, Faozi, Abdulwahid, Mohd and Waleed (2020) in their study exploring Indian data and the empirical results shows that audit committee size have no significant impact on financial reporting quality. In another study by Firnanti and Karmudiandri (2020) the findings confirmthe result of Faozi et al (2020), as it establishes a positive association of audit committee size and financial reporting quality. These findings were supported by the studies of Firth, Fung and Rui (2007) and Hamdan and Abdalmuttaleb (2013) who also found significant positive of audit committee size, which reduces financial reporting quality.

Audit Committee Financial Expertise and Financial Reporting Quality

Several studies argued on the fact that audit committee financial expertise enhances agency relationship and reduce conflicting interest between managers and shareholders caused by manager's excessive use of discretion in financial reporting. This position has been confirmed by the studies (Adeleke 2021, Diem & Anh 2021, Eze & Nkak, 2020, Eyenubo et al 2017,). They established significant negative of audit committee financial expertise, which reduces abnormal accruals and improves financial reporting quality. More so, Xie, Wallace and Peter (2003) and Zaitul and

Ilona (2019) believe that audit committee with financial experts as membersreduces financial reporting timeliness.

On the other hand, another stream of studies argued to the contrary suggesting that audit committee financial expertise increases managers earning manipulation and reduces financial reporting disclosure (Mehdi et al 2021, Umobong & Ibanichuka 2017, Thomas, Marjorie & Frances 2019, Tran, Hassan & Houston 2020, Spathis 2002, Sharma & Kuang 2013). These studies supporting the likely hood that a dominant financially experts audit committee increases unwanted discretionary accruals by managers which may be a consequences of related party transaction as suggested by Saftiana, Mukhtaruddin, Putri and Ferina (2017). They stressed that potential related party transaction and or manager's influence in appointing audit committee members could jeopardize the objective of the committee, hence, reduces the quality of financial reporting. Robinson and Owens-Jackson (2009) and Piot and Janin (2007) also, affirmed this view.

2.2 Audit committee, board independence and financial reporting quality

Sufficient number of studies confirmed the worthiness of audit committee in exercising oversight monitoring functions in financial reporting processes (Eze & Nkak 2020; Zandi & Abdullahi 2019; Mohammed & Dauda 2019). This was supported by Bajra and Cadez (2017), Kantudu and Samaila (2015), Hussaini and Gugong (2015) who argued that existence of non-executive and independent directors on the board is a strong monitoring mechanism and it helps in improving financial reporting quality. Also, this position was supported by a study on the effect of earnings response coefficient exploring Pakistanian data, Wahid, Anjum and Shahid (2018) confirms that non-executive and independent directors serving on the board and audit committee of business corporations are preventing misuse of tendency by managers. They also, advanced that the more the outside directors on the board and other statutory committees of the firms, the better and it brings solace to each business entity. In addition, Mohammed, Yousef and Mahmoud (2020) supported this assertion. These conclusions advocate for more examinations of audit committee and financial reporting quality as the association could be indirect. This therefore, informs the necessity of exploring what is actually the extent of audit committee role while moderated by board independence on the financial reporting quality of a firm.

Relying on the above position, it can be presumed that board independence could moderate the associations between audit committee attributes and financial reporting quality. This could be informed by the independent monitoring power of the outside directors. They have an independent objective judgement for better monitoring of manager's opportunistic tendency and this improves financial reporting quality.

Based on the above contradicting views, the study thereby hypothesized as follows:

Ho_1: Audit committee independence has no significance influence on financial reporting quality

Ho_2: Audit committee meetings has no significance influence on financial reporting quality

Ho_3: Audit committee size has no significance influence on financial reporting quality

Ho_4: Audit committee member's financial expertise has no significance influence on financial reporting quality

Ho_5: Board independence has no moderating effect on audit committee attributes and financial reporting quality

Ho_6: Board independence has no moderating effect on audit committee independence and financial reporting quality

Ho_7: Board independence has no moderating effect on audit committee meetings and financial reporting quality

Ho_8: Board independence has no moderating effect on audit committee member's financial expertise and financial reporting quality

Ho_9: Board independence has no moderating effect on audit committee size and financial reporting quality.

3. Methodology

Consistent with Shehu and Farouk (2014) and Shehu (2015) the study adopted correlation research design. The correlation design allows for testing the extent of causal association between two or more variables. In addition, the study paradigm; which is positivist with quantitative approach and quantifiable observations that require statistical experiments to test the study hypotheses. The population for this study consists of all the fourteen Deposit Money Banks (DMBs) listed on the Nigerian Exchange Group (NGX) as at 31st December 2021 for the period of ten years (2012-2021). Further, all the listed banks with the exception of Jaiz Bank Plc which is quoted in 2017 were utilized using censored sampling technique making the adjusted population to thirteen DMBs.

Following Baron and Kenny (1986) this study has three sets of variables: the explain, explanatory and the moderating variables.

The Financial reporting quality is the dependent variable proxy by discretionary loan loss provision (DLLP) which was first originated as the bad debt estimation model by (McNicholas and Wilson, 1988). The discretionary loan loss provision was attained using the absolute values of the residuals advanced by Chang, Shen and Fang (2008) model. The model is suitable as the study domain is Nigerian deposit money banks, where their operations warrant the use of accruals and it allows for the required degree of freedom for estimating residuals. The absolute value of the discretionary loan loss provision derived from the residual of the model is used as the dependent variable (financial reporting quality) tested against the explanatory variables. The model is reviewed below:

$DLLP_i = LLP_{it}/TA_{t-1} - \{\beta_0 \ 1/TA_{t-1} + \beta_1 LCOi + \beta_2 BBAL_i/TA_{t-1}\}$………………………….. (1)

Where:
DLLP = Discretionary loan loss provision
LLP = Loan loss provision
LCO = Loan Charge-off
BBAL = Beginning Balance of loan loss
TAt-1 = Lagged Total Assets
β_0 = Constant

The audit committee attribute is the independent variable represented by internal audit attributes (audit committee independence, meetings, financial expertise and size). The variables selected in the study covered the strategic points of loan loss provisions. The internal audit attributes of audit committee independence ensure unbiased and all-inclusive interests of stakeholders toward reliable and fair presented financial information. Also, the audit committee meeting serves as the avenue for deliberation, scrutiny and consideration of all financial information presented by managers. In addition, financial expertise of audit committee members plays a greater role of reviewing complex and technical issues presented in the financial statements. Further, audit committee size accommodates the different, cross sectional and unique expertise and experience of members in taking decision on the observations highlighted in the financial reports.

Board independence is the moderating variable represented the ratio of outside directors (non-executive plus independent directors) to the total number of board size. It is widely believed that higher number of non-executive and independent directors serving in the board of directors, audit and other statutory board committee ensure equitable and interest balance between the managers and other stakeholders. Therefore, in affirmation of this theoretical supported assertion, board independence was selected and used as moderator on the established relationship between the audit attributes and financial reporting quality. Table I below contains the summary of variables definitions and measurements.

Table I Summary of Variable Measurement and Definition

Variables	Definition and Measurement	Source
Financial Reporting Quality (FRQ) (Dependent Variable)	Measured by the absolute values of Discretionary Loan Loss Provisions, derived from the residuals of Chang et al. (2008) model.	Chang et al (2008)
Board Independence (BDIND) (Moderator Variable)	The ratio of outside directors (non-executive plus independent directors)to the total number of board members (size).	Mohammed et al (2020)
Audit Attributes (Independent Variable)	Audit attributes was derived from the four commonly used audit committee attributes:	Wahid et al (2018)
Audit Committee Independence (ACI)	The ratio of outside directors (non-executive and independent directors) to the total number of audit committee members.	Diem and Anh (2021)
Audit Committee Meetings (ACM)	The number of meetings held by the audit committee in the year.	Ibrahim et al (2019)
Audit Committee Member's Financial Expertise (ACFE)	The ratio of audit committee members with financial and, or accounting expertise to the total number of audit committee size.	Adeleke (2021)
Audit Committee Size (ACS)	The total number of audit committee members (size).	Amina et al (2018)

Source: Compiled by Author, 2022

Model Specification

The model of the study that tested the hypotheses postulated in section one above was presented below as used by Ekanayake (2021), Amina et al (2018) and Asokan, Cornelia and Iftekhar (2007).

$$FRQ_{it} = \alpha_0 + \beta_1 ACI_{it} + \beta_2 ACM_{it} + \beta_3 ACFE_{it} + \beta_4 ACS_{it} + \beta_5 BDIND_{it}$$

$$\mathcal{E}_{it} \ldots\ldots\ldots\ldots (2)$$

$$FRQ_{it} = \alpha_0 + \beta_1 ACI_{it} + \beta_2 ACM_{it} + \beta_3 ACFE_{itt} + \beta_4 ACS_{it} + \beta_5 BDIND_{it} +$$

$$\beta_6 ACI_{it}*BDIND_{it} + \beta_7 ACM_{it}*BDIND_{it} + \beta_8 ACFE_{it}*BDIND_{it} + \beta_9 ACS*BDIND_{it} + \mathcal{E}_{it} \ldots\ldots\ldots\ldots (3)$$

Where:

α_o= constant

$\beta_1 - \beta_6$ = coefficients of the parameters

ε= stochastic disturbance term

4. Results and Discussions

Descriptive Statistics

Table II: Descriptive Statistics

Variables	MEAN	STD. DEV	MIN	MAX
DLLP	0.690	0.575	0.004	1.908
ACI	0.538	0.106	0.500	0.920
ACM	4.385	0.761	3.000	6.000
ACFE	0.279	0.114	0.130	0.500
ACS	6.054	0.503	4.000	8.000
BIND	0.679	0.138	0.500	0.970

NOTE: DLLP= Discretionary Loan Loss, ACI= Audit Committee Independence, ACM= Audit Committee Meetings, ACFE= Audit Committee Member's Financial Expertise, ACS= Audit Committee Size

Source: STATA Output, 2022.

The result in table II above reveals that discretionary loan loss provision (DLLP) as measurement of financial reporting quality has an average of 0.690. The average of 69% of DLLP across the listed sampled banks signifies average involvement in earnings manipulations through the period of the study. Standard deviation of 0.575 indicates average variation of the data across listed deposit money banks in Nigeria. The minimum and maximum values of discretionary loan loss provision throughout the period covered by the study are 0.004 and 1.908 respectively. The minimum values implied that a number of sampled banks were involved insignificantly in earnings manipulations throughout the study period, while the utmost manipulation of earnings by the sampled banks through the study period stood at 1.908.

Also, from Table II audit committee independence has a mean value of 0.538, with a minimum value of 0.500 and maximum values of 0.920. This shows that the average ratio of outside directors in the audit committee of the selected banks is approximately 54%. This complied with the applicable laws that require the banks to appoint at least 3 independent non-executive directors into the 6-member audit committee as required. The minimum and maximum value of 92% implies that majority of the committee members are independent non-executive directors. The standard deviation of 0.106 denotes minimal variation in the data of audit committee members across the sampled banks.

In addition, the average of frequent meetings held by the audit committee is approximately 4 times with the corresponding standard deviation of 0.761. The minimum and maximum numbers of meetings held are 3 to 6 times in a year. The minimum of 3 times implies that some banks are yet to comply with the applicable provision for holding meeting at least four times annually and may hold emergency or extra ordinary meetings when necessary.

Furthermore, from the Table II above shows on average 28% of the audit committee members have financial expertise and the committee has 50% maximum members with financial expertise. The standard deviation of 0.114 signifies close variation across the sampled banks as it clustered around the mean. Accordingly, audit committee size on average has approximately six (6) members with corresponding standard deviation of 0.503. This confirmed the small dispersion of audit committee size in the sampled banks. The minimum and maximum members are four (4) and eight (8) members respectively. The result shows compliance with the provision of Nigeria Stock Exchange 2011, CAMA (2020) as amended for minimum of two (2) and maximum of six (6) members of equivalent representation of non-executive and independent directors (representing the board) and shareholders in the statutory audit committee.

Correlation Matrix

Correlation matrix provides insight in to the extent, strength and direction of the association between two or more variables (Gujarati, 2004). The direction of the relationship and the density of the value show the extent of the relationship as presented in table III below:

Table III: Correlation Matrix

Variables	DLLP	ACI	ACM	ACFE	ACS	BIND	ACI*BIND	ACM*BIND	ACFE*BIND	ACS*BIND
DLLP	1.000									
ACI	0.028	1.000								
ACM	-0.076	-0.043	1.000							
ACFE	0.008	-0.162	0.119	1.000						
ACS	0.063	0.009	0.006	-0.068	1.000					
BIND	0.169	0.097	-0.194	-0.127	-0.160	1.000				
ACI*BIND	0.255	0.157	-0.296	-0.216	-0.117	0.770	1.000			
ACM*BIND	0.170	0.095	0.526	-0.098	-0.095	0.544	0.645	1.000		
ACFE*BIND	0.175	0.189	-0.277	-0.230	0.157	0.683	0.926	0.596	1.000	
ACS*BIND	0.119	-0.113	-0.013	0.879	-0.139	0.236	0.249	0.213	0.195	1.000

NOTE: DLLP= Discretionary Loan Loss, ACI= Audit Committee Independence, ACM= Audit Committee Meetings, ACFE= Audit Committee Member's Financial Expertise, ACS= Audit Committee Size, BIND= Board Independence

Source: STATA Output, 2022.

From Table III, it shows that audit committee independence, audit committee member's financial expertise, audit committee size and board independence are having positive association with financial reporting quality (FRQ) proxy by Discretionary loan loss provision (DLLP) as indicates by their correlation coefficient 0.028, 0.008, 0.063 and 0.169, respectively. This implies that, these variables are moving in same direction in relation to financial reporting quality (FRQ).

The relationship between the independent variables themselves, the results suggest less implication of multicollinearity, as such multicollinearity is not a problem to the study estimation model (Gujarati, 2004). However, this is confirmed by the variance inflation factor (VIF) test carried out confirmed the absence of multicollinearity as the all the individual mean of VIF is less than 4 (Ghasemi & Zahediasi, 2012).

Estimation Result

The estimation result of the regression model (Models II and III) which test hypotheses is presented and discuss below:

Table IV: Regression Model Results

MODEL II				MODEL III		
Variables	**Co-efficients**	**Z-Values**	**P-values**	**Co-efficicents**	**t-Values**	**P-Values**
Constant	-2.441	-3.670	0.000***	2.618	0.460	0.649
ACI	-0.752	-0.570	0.569	8.427	3.480	0.001**
ACM	0.056	0.760	0.450	1.277	2.430	0.017*
ACFE	2.497	4.380	0.000***	0.177	0.050	0.963
ACS	0.339	4.440	0.000***	4.844	0.820	0.414
BIND				44.443	1.770	0.079*
ACI*BIND				-106.943	-2.110	0.037*
ACM*BIND				-1.945	-2.370	0.019*
ACFE*BIND				-1.945	-2.160	0.033*
ACS*BIND				2.505	2.390	0.180
R-square				0.348		0.321
Mean VIF			1.050			
F-Statistics		60.720	0.000***		6.310	0.000***
Het-test		8.250	0.004**			
Hausman		1.220	0.874			
LM Test		46.400	0.000***			

NOTE: DLLP= Discretionary Loan Loss, ACI= Audit Committee Independence, ACM= Audit Committee Meetings, ACFE= Audit Committee Member's Financial Expertise, ACS= Audit Committee Size, BIND= Board Independence; *p < 0.1, **p < 0.05, ***p < 0.001

Source: STATA Output, 2022.

The Table IV presents the results of the robust ordinary least square regression (OLS) for both direct and interaction effect model. As presented in table IV above it shows a cumulative coefficient of determination (R-Square) of 0.348 and Wald Chi2 is significant at 1% (P<0.01), signifying the overall model is fit in explaining the empirical association between audit committee attributes and financial reporting quality (FRQ) in Model I. Thus, the model suggests that 34.8% of the total variant in FRQ is explained by combinations of the independent variables selected in the study. For Model II it demonstrates that the R-Square improves from 32.1% as reflected in Table IV.

Moreover, to authenticate the accuracy of panel data regression estimate, the study check for multicollinearity using tolerance values (TV) and variance inflation factor (VIF). The result from the test indicated that all the tolerance values (VIF) are consistently below 1 and variance inflation factor (VIF) consistently below 10. This result from the diagnostic test signifies that multicollinearity will not be a predicament to the inferences of the regression result. On the other hand, the result of the heteroscedasticity test for model I indicated that the panel elements are not homoscedastic, meanwhile they are heteroscedastic, this can be deduced from the p-value of 0.000 in model I as can be seen in table IV above. The study went ahead to conduct a Hausman specification test. The results of the Hausman specification test as presented in table IV above indicated a chi2-value of 1.220 with a significance p-value of 0.874. This informs the preference of the random effect model (RE) over the fixed effect (FE) model as presented above.

Multi-faceted Models

As presented in Table IV audit committee independence (ACI) is negative and significantly linked to discretionary loan loss provision (β -0.752, P< 0.569). The results imply that the predicted value of DLLP decrease with an increase in those audit committee independence (ACI). Thus; signified improved quality of reported earnings. Conversely, audit committee meeting (ACM) is positively andstatistically significant to DLLP (β 0.0562, P< 0.450). This implies that an increasein the number of meetings held by the statutory audit committee does not guarantee quality earnings significantly by the deposit money banks listed in Nigeria. On theother hand, audit committee member's financial expertise (ACFE) was found to have significant positive impact on the DLLP of deposit money banks (β 2.497; P< 0.000). This indicated that higher number of members with financial expertise within the mix of audit committee members would not influence or improve the quality of earnings, but increase the managers tendency to manipulate DLLP, thereby indicating lesser quality financial reporting. Furthermore, the results reveal that audit committee size (ACS) has a positive and significant influence on the financial reporting quality (DLLP) of listed deposit money in Nigeria (β 0.339, P <0.000). This implies that the quality of reported earnings of deposit money banks in Nigeria is not influenced by the size of the banks audit committee.

As mentioned earlier, the relationship between audit attribute and financial reporting quality is still mixed and inconclusive. In regard, the study postulates that this link can be moderated by the intensity of board independence. Table IV above demonstrates that the overall R-square of model III stood at 32.1% as a result of the interface effect. This signifies that board independence moderates the link between the audit attribute and financial reporting quality of deposit money banks listed in Nigeria. The result therefore, failed to support the Hypothesis five (H_{05}) postulated in section one. The regression estimates in table IV shows that the contact effect of board independent on the relationship between audit committee independent and discretionary loan loss provision (DLLP) is negative and statistically significant (β-106.943, P <0.037) and positively linked with financial reporting quality (FRQ) of the DMBs. This suggests that the positive and significant effect of audit committee independence in encouraging earning management in model I was overturned in model III. This finding established that the presence of board independent moderate the link amid the audit committee independence and financial reporting quality proxied by discretionary loan loss provision (DLLP). This suggests an inverse link of audit committee independence with manipulative tendencies of manager to distort earnings, thereby improving the financial reporting quality. The result is in stripe with prior expectation that the more the independent of the audit committee is, the less managerial opportunistic behavior to manipulate earnings. Also, the results sustain the agency theory proposition.

Thus, Hypothesis six (H_{06}) postulated in section one is not supported. This finding agreed with the position of Diem and Anh (2021), Almaqtari et al (2020), Amina et al (2018), Bajra and Cadez (2017) and Kibiya et al (2016). However, it contradicts that of Mohammed and Dauda (2019), Akinyele and Aduwo (2019) and Eyenubo et al (2017).

The regression estimates in Table IV also, reveals that the direct effect of audit committee meetings on DLLP was found to be insignificant and positive while it was found to be negative and insignificant with FRQ of DMBs. However, with the introduction of board independent as moderating variable, the direction of the result completely changes. The regression results of the interaction effect model indicated that the association of audit committee meetings with DLLP was negative, meanwhile, it is positively connected with financial reporting quality significantly at 5% (-1.945, $P<0.05$). This suggests that board independence moderates the connection between audit committee meetings and financial reporting quality of the DMBs. This may be owing to reality that audit committee meetings could control information flow, take advantage of diverse experience and professionalism of the committee members and regular brainstorming as a result of regular meetings. The result confirmed the compliance of the sampled banks with the requirement of the law for holding regular meetings with relevant stakeholders for better financial reporting quality. This finding coincided with that of Odjaremu and Jeroh (2019), Amina et al (2018) and Sharma and Kung (2013). However, it contradicts the results of Moses et al (2016) and Moses (2016). Therefore, the study found enough evidence for rejecting hypothesis seven (H_{07}).

In addition, the regression results presented in Table IV shows the moderating effect of board independence on the affiliation between audit committee member's financial expertise and DLLP is negative and significant (-1.945, $P>0.05$) as against the direct relationship where audit committee member's financial expertise has positive and significant influence on financial reporting quality in model II. The result of the direct relationship in model II implies that appointment of more outside directors with financial expertise into the audit committee has no significant influence on financial reporting quality. Also, the model II result contradicts theoretical assumption that more numbers of outside directors with financial expertise enhance financial reporting quality. But the moderator was able to change the direction of the result when interacted with board independence. The moderation result may not be surprising considering the fact that financial expert members can handle technical and complex financial information, resolves all observations and reject manipulation of financial information, specifically loan loss provision. The hypothesis eight (H_{O8}) is therefore not supported. The finding supports the position of Adeleke (2021), Diem and Ahn (2021) and Eze and Nkak (2020). However, it contradicts the results of Mehdi et al (2021), Tran et al (2020), Thomas et al (2019) and Umobong and Ibanichuka (2017).

Furthermore, the regression results in Table IV support the argument that board independence can strengthen or weaken the affiliation between the audit committee size and financial reporting quality. The results show the moderating effect is positive and significant to financial reporting quality (2.505, P>0.180). This result confirmed the results in model I and indicated that board independence does not moderate the nexus between audit committee size and financial reporting quality. The result implies that any increase in number of auditcommittee size, will not significantly enhance financial reporting quality. Thus, hypothesis nine (H_{09}) postulated in chapter one is supported and is in line with that of Faozi et al (2020) and Firnanti and Karmudiandri (2020) and go against Amina et al (2018), Eyenubo et al (2017) and Enofe et al (2014).

Accordingly, the conclusions of this study have ramifications in terms of practice, theory, and regulation. The contributions to literature are intended to benefit executive, regulators (SEC), policymakers (CBN) and other researchers, as indicated by these implications. One of the most imperative policy implications is the variables considered propose that the CBN should continue to urge banks to fully implement corporate governance regulations. This, on the other hand, allows for effective and efficient monitoring of financial reporting, particularly quality of reported earnings of Nigeria's deposit money banks; particularly those with a well compose audit committee.

In Nigeria, most publicly traded companies are required to compose audit committee, most notably the DMBs with non-executive and independent directors as members. Based on this, policymakers; Securities and Exchange Commission should apply the findings of this study to other sectors or persuade parallel efforts in other sectors, particularly non-financial service institutions, as this will be beneficial in improving the reliability and transparency of reported earnings in order to portray the firms' true economic reality.

5. Conclusion and Recommendations

In line with the findings of the study, it is concluded that board independence has moderating role on the nexus between audit committee attributes and financial reporting quality of deposit money banks in Nigeria. Consequently, in line with the findings and conclusion herein, the study recommends as follows:

i. To the board of director, the appointment of more non-executive and independent directors into the audit committee. This guarantees their independence to discharge their oversight functions effectively. The banks will on implementation of this recommendation gain from the empirical findings of this study that appointment of every additional outside director improves the quality of financial reporting.
ii. That SEC and CBN should enforce the strict implementation of the minimum number of audit committee meetings and sanctions the erring banks and the board of directors should certify that audit committee hold meetings regularly as provided by code of corporate governance, 2018.
iii. That CBN should strictly enforce mandatorily appointment of outside directors with financial expertise into the board and statutory audit committee of Nigerian banks. This as per the provision of the revised CAMA (2020) mandating the corporations to only appoint members of audit committee with financial expertise, of which one of them must be a member of any recognized Nigerian certified accounting body.
iv. The regulatory bodies of SEC and CBN to review the requirement which will allow the banks to increase the number of statutory audit committee membership from six (6) to ten (10) or any larger flexible number. This is to allow the variance among the banks who wish to appoint more in consideration of the needs or volume of transactions.

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