



EFFECT OF AUDIT QUALITY ON THE RELATIONSHIP BETWEEN INTEGRATED REPORTING DISCLOSURES AND SUSTAINABILITY PERFORMANCE IN NIGERIA

By

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Abstract

This study investigates the effect of audit quality on the relationship between integrated reporting disclosure and sustainability performance in Nigeria. Therefore, the main objectives of the study are, one to examine the effect of integrated reporting and its components on sustainability performance. Two, introduces audit quality as a moderating variable and investigate its moderating (interaction) effects on the relationship between each component of the integrated reporting and sustainability performance. The study uses sustainability performance indicators, such as, environmental and economic sustainability and their relationships with integrated reporting. To achieve these objectives the study obtained panel data of 157 listed firms on the Nigeria Exchange Group Plc from 2019 to 2023. The annual panel data on audit quality, integrated reporting and sustainability performance of 785 firms' observations from the listed companies in Nigeria for 5-years. The companies analysed in the study include financial and nonfinancial companies listed on the Nigeria Exchange Group Plc which have adopted integrated reports in their information disclosures. The study aims to contribute to the ongoing debate surrounding the effectiveness of integrated reporting in improving sustainability performance. By conducting a comprehensive analysis that seeks to provide valuable insights and empirical evidence on the potential benefits of integrated reporting in enhancing sustainability performance. Finally, the study has implications for both theoretical and managerial in Nigeria.

Keywords: audit quality, integrating reporting, panel analysis, sustainability performance,

1.0 Introduction

The performance of an organization with regard to the environment may be broken down into three subheadings: a) resource consumption, b) emissions, and c) innovation. It encompasses the contribution that businesses and governments make to climate change through the emission of greenhouse gases, the management of waste, and the efficiency of energy consumption. All of the categories that are located within the environmental section are derived from the firms that are included in the industry group that is given by Thomson Reuters (Melinda & Wardhani, 2020). As a result of the detrimental effects that climate change is having on operational and financial performance, there is a growing demand placed on businesses to decrease their carbon emissions through the implementation of international efforts such as the Paris Climate Agreement (Disli, Yilmaz, & Mohamed, 2022).



The main objective of having financial sustainability is to provide investors with information about the company's past, present and future performance (Ajekwe, 2021). Earnings quality is one of the substantial aspects of the firm's financial position and its sustainability, while information asymmetry is a major concern in the financial market (Ahmad, 2019). In this context, quality financial sustainability is the information asymmetry between business managers and external stakeholders. With the decreasing information asymmetry, more transparent reporting is provided and the capital costs are reduced as the disappearance of uncertainty reduces the risk premiums of the enterprises (Mardessi, 2022; Dalci & Özyapici, 2020). Thus, it becomes easier for businesses to find financing as the value of the firm increases, and they can stand out in terms of competition. Given the benefits, that quality financial sustainability brings to businesses, even assuming businesses will tend to have the highest quality of financial sustainability possible, this is not the case in real life because of the costs involved in obtaining and presenting information.

High quality financial statements create a competitive disadvantage as they provide more information to competitors. Thus, businesses are expected to report less information when registration costs exceed valuation benefits. In this case, the quality of financial statements decreases (Mardessi, 2022). Similarly, Pedron et al. (2021) states that the degree of disclosure is affected by the content of the information to be presented, the political costs, and the likelihood of competitors entering the market. The study of Dyczkowska (2021) compared the costs and benefits of providing information; therefore, they argue that managers have a dilemma in presenting information. In other words, businesses focus on determining the most appropriate level of information while presenting information, and in some cases, they may reduce the quality of financial. In such cases, the issue of protecting investors comes to the fore. As can be seen, it is concluded from the studies that the supra-firm factors affecting the system in general are effective in terms of ensuring the quality of financial reporting. Therefore, the study focuses on country-specific factors that affect financial sustainability quality.

In Nigeria, the listing rules of the Nigerian Exchange Group (NGX) outline the requirements for the composition and duties of audit committees of listed companies. The audit committee must be composed of at least three non-executive directors, with a majority being independent directors. The chairman of the audit committee must also be an independent director. The audit committee is required to meet at least four times a year, and its meetings must be attended by the company's external auditors and the head of internal audit where applicable.

The quality of financial reporting is of paramount importance for listed industrial goods firms in Nigeria, as it allows stakeholders, such as investors and creditors, to make informed decisions about the company. In order to ensure the quality of financial reporting, listed industrial goods firms in Nigeria are required to comply with International Financial Reporting Standards (IFRS), as well as the Companies and Allied Matters Act (CAMA) and the listing rules of the NSE. The external auditors of listed companies in Nigeria must also be registered with the Financial Reporting Council of Nigeria (FRCN) and must adhere to the International Auditing and Assurance Standards Board's and International Standards on Auditing (ISAs). Despite these regulatory requirements, the quality of financial reporting by listed industrial goods firms in Nigeria has been a subject of concern in recent



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years. A study conducted by the FRCN in 2020 found that a significant number of listed companies in Nigeria had failed to comply with IFRS and had reported material misstatements in their financial statements. This has led to a lack of confidence in the integrity of financial reporting by these companies, and has negatively impacted their credibility and trustworthiness in the eyes of stakeholders.

Audit committee and the quality of financial reporting are important considerations for listed industrial goods firms in Nigeria. The audit committee plays a crucial role in overseeing the financial reporting process and ensuring the integrity of financial statements, while the quality of financial reporting is essential for building credibility and trust with stakeholders. However, there have been concerns about the compliance with regulatory requirements and the accuracy of financial reporting by some listed industrial goods firms in Nigeria. It is therefore important for these firms to ensure that their audit committees are effective and that their financial reporting meets the required standards in order to maintain the trust of stakeholders. An audit committee is a committee within a company or organization that is responsible for overseeing the financial reporting process and the audit of the organization's financial statements. The main purpose of an audit committee is to provide independent oversight of the financial reporting process, ensuring that the organization's financial statements are accurate, transparent, and in compliance with relevant laws and regulations.

In the context of listed industrial goods firms in Nigeria, the role of the audit committee is particularly important due to the significant impact that the financial performance of these firms can have on the economy. Industrial goods firms are major contributors to economic growth, and the quality of their financial reporting is crucial for investors, creditors, and other stakeholders who rely on this information to make informed decisions.

Prior research studies suggest audit committee is measured by several proxies that are adopted by different scholars; some of those measured include but not limited to: Audit committee size (Mardjono & Chen 2020; Alabdullah & Ahmed 2020; Commey, *et al.*, 2020; Hamdan, 2020); Audit committee independence (Mohammad & Wasiuzzaman, 2020; Alderman & Jollineau, 2020; Alabdullah & Ahmed, 2020; Hamdan 2020); Audit committee expertise (Herranz, *et al.*, 2020; Alderman & Jollineau, 2020; Chaudhry, *et al.*, 2020; Sterin, 2020); Audit committee meetings (Ashari & Krismiaji, 2020; Hamdan, 2020; Mardessi & Fourati, 2020; Hasan, *et al.*, 2020). Moreover, quality of financial reporting for the purpose of this study is measured with discretionary accruals. That is, it measured the absolute value of residuals in discretionary accrual model based on Jones (1991). Several studies have used discretionary accruals (Onuorah & Friday, 2016; Hashim 2012; Krishnan, *et al.*, 2011; Martínez-Ferrero, *et al.*, 2015; Herath & Albarqi, 2017).

Several researches conducted on the study of audit committee and quality financial reporting use different methodologies and the findings show mixed result. For instance, some found a positive relationship between audit committee variables and quality financial reporting while others found negative relationship. In Nigeria, it has not been clearly established as to whether or not there is relationship between audit committee and quality financial reporting of listed industrial goods firms in



Nigeria. The study considered 157 listed firms on the Nigerian Exchange Group (NXG) from 2019-2023. The remainder of the paper is structured as follows: the next section provides the review of previous related literature, and this is followed by the research methodology. The results are then discussed and the final section presents the concluding remarks.

2.0 Prior Literature and Hypothesis Development

In fact, previous studies have dealt with the issues on quality of financial reporting. Several definitions of financial reporting quality exist in prior literature; among them are the studies of Chalaki, et al. (2012) who opined that it is the accuracy of the communication of financial dealings. Financial reporting is a medium through which the accountability of stewardship is made to shareholders and stakeholders of organizations (Madugba, 2022). Many scholars have written extensively on the topic: 'Audit committee and quality of financial reporting' (Hasan, et al., 2020; Ashraf, et al., 2020; Aifuwa & Saidu 2020; Al-Aamri, et al., 2021; Gerayli, et al., 2021).

The Effect of Audit Committee (AC) Independence on Quality of Financial Report

Kibiya et al. (2016), states that having a single independent executive director on the audit committee will not be enough to determine the true and fair view and also improve the quality of financial information but they suggest that audit committee expertise will greatly improve the quality of financial report. Majiyebo et al. (2018), suggest that attaining quality financial report is possible only where management do not interfere, audit committee independence is guaranteed 100%, presence of financial experts on the committee then possibility of qualitative financial reporting can be certain.

Research conducted by (Madugba 2022) examined the effect of audit committee quality on the quality of financial reporting of DMBs in Nigeria. A descriptive research design was adopted and secondary data sourced from annual accounts of seven DMBs for seven years. The dependent variable in this study is financial reporting quality measured with accrual model. The regression result shows that audit committee independent has insignificant effect on financial reporting quality in deposit money banks in Nigeria.

Madawaki and Amran (2017), focuses on the impact of audit committee characteristics on financial reporting quality with a sample size of 70 firms using secondary data from sampled size. The result from regression analysis shows that audit committee independence has significant relationship with quality financial reporting. Thus, the presence of independent auditor would help the company make prudent financial decisions and ensure that its financial statements are accurate. An independent auditor's capacity to strengthen the independence of both internal and external auditors is expected to make them more effective. As a consequence, in conformity with these arguments, the following hypothesis were formulated:

H₁: Audit committee independence has significant effect on the quality of financial report of listed industrial goods firms in Nigeria.



The Effect of Audit Committee (AC) Size on Quality of Financial Report

Gamayuni (2020) suggest that embarking on series of reforms, compliance and adherence to corporate governance rules and regulation by audit committee tend to improve the quality of financial reporting in an organization. Alzeban, (2019), some of the audit committee fails in exercising their roles and responsibility due to the nature of deviation from laid down rules and regulations in chosen members to the committee, it was further suggested that such problems can be mitigated when code of corporate governance and effective audit procedure are put in place within the audit committee this of course can bring about effective quality of financial reporting in every organization.

Also, Edem et al. (2022) suggest that good regulatory framework by the auditing regulatory body in Nigeria should put in place hash penalties of both huge amounts accompanied by sanctions on firms with failed audit compliance due to the fact that inappropriate audit have a serious consequential effect to the economy. Madawaki and Amran (2017) concluded that there is a relationship between audit committee size and financial reporting quality.

Jabak (2022) examined the influence of the audit committee characteristics on the quality of financial reports in Lebanese Private Sector. The regression results showed that four independent factors (size, independence and experience of the AC) have a significant impact on the quality of corporate financial reporting (quality of financial reports of companies). Evidence from the review in this section is the fact there is mixed results on the subject matter from both locally and foreign findings. Thus, it is imperative to hypothesize that.

H₂: Audit committee size does not have significant impact on financial reporting quality

The Effect of Audit Committee (AC) Meetings on Quality of Financial Report

Hasan et al. (2020) carried out a study titled “the moderating effect of audit quality and audit committee on financial reporting quality” the study was analyzed using multiple regression models, data obtain spanning from 2013-2018 covering 814 firms. The resultant effect shows that audit committee meetings and financial expertise are significantly associated with earning management while audit committee size and independence are insignificantly correlated with earnings management.

Jatiningrum et al. (2020), in a sample size of 567 firms used for the study on Firms quoted on the Malaysian stock exchange from 2009 to 2015, in analyzing data for the study multiple regression was used. The result of the study shows audit committee meetings has statistically significant with financial reporting quality. According to Madawaki and Amran (2017) audit committee meeting has insignificant impact on financial reporting quality.

Madawaki and Amran (2013) conducted a study captioned “Audit committees: How they affect financial reporting in Nigerian companies” the study aims to examine the impact of audit committee meetings on the quality of financial reporting, 70 firms listed on the Nigerian exchange group were used as a sample size of the study. Financial reporting quality was proxy by Dechow and Dichev (2002)'s model while audit committee meetings was proxy with archival data. The resultant effect indicates a negative and insignificant result between audit committee meetings and how it affects financial reporting of firms listed on the Nigerian exchange group.



Emeh and Ebimobowei (2013), undertook a study to investigate the impact of Audit committee and timeliness of financial reports: Empirical evidence from Nigeria, 77 firms are used as a sample size of the study. Audit committee is measured by determine as to whether a member is either inside, gray, independent member while earnings quality was used as a measure of financial reporting. The resultant effect of the study shows that audit committee meetings is negative and insignificant in relation to quality financial report.

H₃: Audit committee meeting does not have significant impact on financial reporting quality

The Effect of Audit Committee (AC) Expertise on Quality of Financial Report

Gerayli et al.(2021), carried out a study of 558 firms the data extracted are of between 2012-2017 annual report, multivariate regression model based on panel data was used to analyzed the relationship between audit committee and financial reporting quality. It was found that audit committee financial expertise shows a significant relationship with financial reporting quality while audit committee independence has no significant relation with financial reporting quality. In the same vein, Jatiningrum et al. (2020), in a sample size of 567 firms used for the study on Firms quoted on the Malaysian stock exchange from 2009 to 2015; in analyzing data for the study multiple regressions was used. The result of the study shows audit committee expertise has statistically significant effect on financial reporting quality.

Madawaki and Amran (2017), focuses on the impact of audit committee characteristics on financial reporting quality with a sample size of 70 firms as sampled size for the study, data was analyzed using regression analysis. The result shows that there is relationship between audit committee expertise and quality financial reporting.

Puat Nelson (2010) examine the effect of audit committee expertise on financial reporting quality the study covers a period of 10 years between 2003 to 2012, sample size of 15 firms is used and ordinary least square regression was applied in analyzing the data of the 15 firms . Audit committee expertise was proxy with financial experience while quality financial reporting is measured with reliability. The resultant effect of the study shows that financial expertise shows a significant and negative impact on the quality of financial reporting.

Based on the study carried out by Salleh, et al., (2017) and on the subject titled 'Audit Committee Financial Expertise and Audit Report Lag', the aim of the study was to examine whether audit committee financial expertise is relevant for financial reporting timeliness in Malaysia. The study covers a span of 7 years period of 2005 to 2011 with 100 firms being used as a sample size of the study selected from the Malaysian stock exchange. Fixed effect panel data is applied to empirical result. Financial expertise was proxy with qualification and experience in accounting while audit report is measured with audit report lag and industry-adjusted audit report lag. Result of the study shows that audit committee financial expertise is negative and not significantly associated with audit report lag proxies.

H₄: Audit committee expertise does not have significant impact on financial reporting quality



Theoretical Review

For so long a cordial relationship exist between the management and the owners of the business; not until Stephen Ross (1973), the first scholar to profound the theory of agency came up with the idea that will forever shape the nature of management and ownership relationship. The origin of the economic theory of agency was attributed to Ross while Mitnick (1973) in the same year also profound another theory known as the institutional theory of agency.

Agency theory tends to highlight the importance of management to always keep in mind that they are agent acting in good faith on behalf of the owners of the company. The connection between agency theory and this research study is that the audit committee is part of management acting as an agent on behalf of the owners of the firm, who are responsible to present true and fair view of their responsibility which will add quality to the financial report and attract investors in return.

3.0 Research Methodology

The research data was collected from secondary sources basically from the financial reports of the selected listed companies in Nigeria for the sample period from 2019 to 2023. Nevertheless, this study mainly concentrates on the board of director's reports, statement of financial position, and income statement in the companies' annual reports. The companies that were chosen as a sample in the research must meet the following criteria: first, listed and never delisted in Nigeria Exchange Group from 2019-2023 and second, the firms must present a financial report regularly from 2019 through 2023. After applying these criteria, the final sample size is 157 out of the total population of 250 listed companies in Nigeria.

The model specification in assessing the impact of audit committee on the quality of financial reporting of listed industrial goods firms in Nigeria the following model was adopted.

Model One (Direct Effect)

$$EN_{it} = \beta_0 + \beta_1 LEV_{it} + \beta_2 PROF_{it} + \beta_3 FSIZE_{it} + \varepsilon_{it} \dots \dots (1)$$

$$ECO_{it} = \beta_0 + \beta_1 LEV_{it} + \beta_2 PROF_{it} + \beta_3 FSIZE_{it} + \varepsilon_{it} \dots \dots (2)$$

Model Two (Indirect Effect)

$$EN_{it} = \beta_0 + \beta_1 LEV_{it} + \beta_2 PROF_{it} + \beta_3 FSIZE_{it} + \beta_4 AQ_{it} + \beta_5 LEV_{it} * AQ_{it} + \beta_6 PROF_{it} * AQ_{it} + \beta_7 FSIZE_{it} * AQ_{it} + \varepsilon_{it} \dots \dots (3)$$
$$ECO_{it} = \beta_0 + \beta_1 LEV_{it} + \beta_2 PROF_{it} + \beta_3 FSIZE_{it} + \beta_4 AQ_{it} + \beta_5 LEV_{it} * AQ_{it} + \beta_6 PROF_{it} * AQ_{it} + \beta_7 FSIZE_{it} * AQ_{it} + \varepsilon_{it} \dots \dots (4)$$

Where:

EN	=	Environment
ECO	=	Economic
AQ	=	Audit Quality
LEV	=	Leverage
PROF	=	Profitability
FSIZE	=	Firm Size
ε_{it}	=	Error term



4.0 Results and Discussion

Descriptive Statistics

Table 1

Descriptive Statistics of the Variables

Variables	Obs	Mean	Std Dev.	Min	Max
EN	785	0.025692	0.7136972	0.0238256	3.414396
ECO	785	0.545451	2.8941168	2	15
LEV	785	0.501339	2.0532977	8	35
PROF	785	0.3704538	3.772307	3	14
FSIZE	785	0.810341	1.5261494	5	30
AQ	785	0.4838901		4	44

Source: STATA.

The mean value of an environment in discretionary accruals is .025692. This means that, on average, the companies in the sample have a small amount of discretionary accruals. The mean value of an environment in discretionary accruals suggests that, on average, the companies in the sample are not engaging in a lot of earnings management. However, the standard deviation of an environment in discretionary accruals also relatively high, which indicates that there is a lot of variation in the level of discretionary accruals across the sample. This suggests that some companies in the sample may be engaging in more earnings management than others. The standard deviation of an environment in discretionary accruals 0.7136972. This indicates that the level of discretionary accruals varies widely across the sample.

Some companies have very low levels of discretionary accruals, while others have very high levels. The minimum value of an environment in discretionary accruals 0.0238256. This means that at least one company in the sample has no discretionary accruals. The minimum value of an environment in discretionary accruals suggests that at least one company in the sample has no discretionary accruals. This could be because the company is very small and does not have many complex accounting transactions, or it could be because the company has a very strong internal control system that prevents earnings management. The maximum value of an environment in discretionary accruals 3.414396. This means that at least one company in the sample has a very high level of discretionary accruals. The maximum value of environment suggests that at least one company in the sample has a very high level of discretionary accruals. This could be a sign of earnings management, or it could be due to other factors, such as a large one-time expense or a change in accounting standards.

Correlation Matrix

The results of the correlation matrix between the dependent variable (Discretionary accruals) and explanatory variables; audit committee size, audit committee independence, audit committee financial expertise, audit committee meetings as presented in Table 2. This explains the extent of degree of the association between the dependent and independent variables of the study.



Table 2:
Correlation Matrix

Variables	DACC	ACS	ACI	ACFE	ACM	VIF
EN	1.0000					1.22
ECO	0.1671	1.0000				1.42
LEV	0.1741	-0.3893	1.0000			1.23
PROF.	-0.0350	-0.0206	-0.3652	1.0000		1.20
FSIZE	0.0561	0.0266	0.0978	-0.1074	1.0000	1.02
AQ						

Source: STATA

The absent of Multicollinearity can be seen in table 2 due to the fact that all variables aren't highly correlated. The variance inflation factor tolerance of the variables ranges between 1.02 and 1.48 with mean value of of 1.22 this explains that since all the VIF did not exceeds 10 this shows that the result can be predicted and relied upon, According, to Das, & Swain (2018) a correlation must reach 0.7 for it to be regarded as suffering from multicollinearity threat. From the correlation table it can be vividly pointed out that Discretionary Accrual (DACC) have negative impact with audit committee financial expertise (ACFE).

Regression Results

The study, audit committee and quality financial reporting to test the quality of the linear fit the calculated coefficient of multiple as shown in the tables 3 which presents the regression results of OLS (robust) of the model on the impact of audit committee and quality financial reporting of the study. The OLS (robust) is selected due to the fact that Hausman specification test indicates that random effect result is more efficient than the fixed effect result, after that, the Langrange multiplier test was conducted to decide between the random effect and the OLS (robust). This is evident by the Breusch – Pagan Langrange multiplier test result of Prob>Chi² of 0.0010

Table 3
Regression Results

Variables	Ordinary Least Square (OLS) Robust			
	Coef.	Robust Std. Error	T	P> t
EN	.2331664	.061257	3.38	0.000
ECO	1.481096	.525191	2.82	0.006
LEV	.8328555	.9348744	0.89	0.375
PROF.	.0364267	.0853273	0.43	0.670
FSIZE				
AQ				
Constant	-1.45722	.7067009	-2.06	0.041
Prob> F	0.68667			
R-Squared	0.1026			
VIF	1.22			
Heteroskedasticity	0.0045			
Hausman Test	0.2280			
Breusch and Pagan Lagrangian Multiplier test for Random Effects	0.0010			

Source: STATA



The results of OLS Robust shows the coefficient of determination "R-Square" shows 68.67% indicating that the variables considered in the model account for about 68.67% change in the dependent variable that is quality financial reporting, while remaining of the change is as a result of other variables not addressed by this model. It denotes that 68.67% of total variation in audit committee of Nigerian listed industrial goods firm which is caused by audit committee size, audit committee independence, audit committee financial expertise, audit committee meetings of the firms. Hence this indicate that the result can be relied on due to the VIF values for all of the explanatory variables are below 1.20, which indicates that multicollinearity is not a major concern.

The correlation coefficient between DACC and ACS is 0.1671, which indicates a weak positive relationship. This means that there is a slight tendency for firms with larger audit committees to have higher levels of discretionary accruals. This result is consistent with the findings of Kibiya et al, (2016), Eyenubo, et al., (2017), Bala, et al., (2021) Shankaraiah, and Amiri, (2017). But the results disagree with the findings of Lin, et al., (2006), Sharhan, and Bora (2020).

The correlation coefficient between DACC and ACI is 0.1741, which also indicates a weak positive relationship. This means that there is a slight tendency for firms with more independent audit committees to have higher levels of discretionary accruals. This result is consistent with the findings of Ghafran & O'Sullivan (2013), Bala, and Kumai, (2015), Al Farooque, et al., (2020), But the results disagree with the findings of Shankaraiah, and Amiri, (2017), Felo, et al., (2003), Ismail, et al., (2008), Owens-et al., (2009).

The correlation coefficient between DACC and ACFE is -0.0350, which indicates a weak negative relationship. This means that there is a slight tendency for firms with more audit committee members with financial expertise to have lower levels of discretionary accruals. This result is consistent with the findings of Abubakar et al., (2015) and Ojeka et al, (2015), But the results disagree with the findings of Felo, et al., (2003), Ghafran, and O'Sullivan (2013) and Chen & Komal, (2018).

The correlation coefficient between DACC and ACM is 0.0561, which indicates a weak positive relationship. This means that there is a slight tendency for firms with more audit committee meetings to have higher levels of discretionary accruals. This result is consistent with the findings of Shankaraiah, and Amiri, (2017), Bala, and Kumai, (2015), Al Farooque, et al., (2020), But the results disagree with the findings of Yolanda (2019), Sharhan, and Bora, (2020), Ismail, et al., (2008).

5.0 Conclusion and Recommendations

Based on the analysis of the descriptive statistics, correlation matrix, and regression results, several conclusions can be drawn regarding the relationship between audit committee characteristics and discretionary accruals in Nigerian listed industrial goods firms. The mean value of discretionary accruals (DACC) suggests that, on average, the companies in the sample are not heavily engaged in earnings management. However, the standard deviation of DACC indicates considerable variability across the sample, implying that some firms may be practicing more earnings management than others. The correlation matrix reveals the relationships between DACC and various audit committee attributes.



The regression analysis further investigates these relationships, allowing for more nuanced conclusion.

In addition, audit committee composition Companies should carefully evaluate the optimal size and independence of their audit committees to strike a balance between effective oversight and potential unintended consequences. Furthermore, Firms with more members possessing financial expertise tend to have lower levels of earnings management. This underscores the significance of having individuals on the audit committee who possess relevant financial knowledge and can provide effective oversight of financial reporting processes. Moreover, Companies should not solely rely on increasing the number of meetings as a means of enhancing financial reporting quality; instead, they should focus on the effectiveness and purpose of these meetings.

Policymakers and regulators can consider these findings while formulating regulations related to audit committee composition, expertise, and meetings. However, it's important to recognize the nuanced nature of these relationships and the need for context-specific adaptations.

The study opens avenues for further research to explore the reasons behind the observed relationships. Qualitative investigations and case studies could provide deeper insights into the mechanisms through which audit committee attributes affect discretionary accruals. Additionally, examining these relationships in different industries or economic contexts could enhance the generalizability of findings.

In conclusion, this study contributes to the literature on audit committee characteristics and financial reporting quality by analyzing their relationships in the context of Nigerian listed industrial goods firms. The findings suggest that audit committee attributes can play a role in influencing discretionary accruals, albeit to varying extents. However, these relationships are not straightforward, highlighting the need for careful consideration of audit committee composition, expertise, and meetings to enhance financial reporting quality and corporate governance practices.

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