

Audit Committee Size and Financial Reporting Quality of Listed Non-Financial Firms in Nigeria

Omololu Adex Bamigboye^{1*}

Accounting Department, Osun State University, Osogbo, Nigeria

Ebenezer Foluso Oluwakayode²

Accounting Department, Osun State University, Osogbo, Nigeria

Adetunji Abdul-Azeez Aderemi³

Accounting Department, Osun State University, Osogbo, Nigeria

* Correspondence: omololu.bamigboye@uniosun.edu.ng

Abstract

Main purpose: This study examined the effect of audit committee size on the financial reporting quality of non-financial firms listed on the Nigerian Exchange Group (NGX).

Methodology: Secondary data were obtained from the annual reports of 58 sampled non-financial firms, drawn from a population of 106 listed firms, covering the period from 2013 to 2024. The data were analysed using panel regression estimation techniques to determine the effect of audit committee size and relevant firm-specific variables on financial reporting quality.

Findings: The results revealed that audit committee size had a positive and statistically significant effect on financial reporting quality ($t = 2.2511$, $p < 0.05$), indicating that larger audit committees may provide broader oversight of the financial reporting process. Leverage also had a positive and statistically significant effect on financial reporting quality ($t = 2.0864$, $p < 0.05$). In contrast, audit firm size had a negative and statistically significant association with financial reporting quality ($t = -3.1325$, $p < 0.05$), suggesting that the use of larger audit firms does not necessarily translate into higher financial reporting quality among the sampled firms.

Practical implications: Boards of listed non-financial firms should maintain appropriately constituted audit committees with sufficient membership and members possessing relevant financial and accounting expertise to strengthen oversight of the financial reporting process. Corporate boards and regulators should also pay closer attention to audit committee composition, leverage practices and the effectiveness of external audit arrangements rather than relying solely on audit firm size as an indicator of reporting quality.

Originality/novelty: This study extends the Nigerian corporate governance literature by applying Shivakumar's (2003) accounting-quality model to examine the effect of audit committee size on financial reporting quality among listed non-financial firms, thereby providing context-specific evidence from a segment characterised by distinct regulatory and governance frameworks.

Keywords: Audit Committee Size, Non-Financial Firms, Financial Reporting Quality, Nigerian Exchange Group

INTRODUCTION

Financial Crises and collapses of large corporations have drawn increasing attention from regulators, investors, and other interested stakeholders to the quality of corporate financial reporting. Audit committees are responsible for supervising financial reporting processes and certain aspects of internal and external audits to enhance the overall credibility and reliability



of corporate financial reports. The increasing pressure audit committees face compels them to be more active in monitoring management, thereby ensuring good corporate governance. Audit committee size may promote good corporate financial reporting practices by improving monitoring and reducing agency costs, thereby affecting financial reporting quality (Kateb, 2024).

Given the series of corporate governance reforms enacted in most companies to improve the quality of financial reports, it is important to investigate the characteristics of the audit committee size critically, empirically, firms' compliance with the governance codes, and its impact on the quality of the financial report, to restore and increase investor confidence. Based on this, the present study aims to empirically examine the influence of audit committee size on financial reporting quality among listed non-financial firms in Nigeria. The failures of large organizations confirm that regulations and corporate governance mechanisms need to be strengthened to prevent corporate collapse. Good corporate governance is required to ensure the provision of high-quality financial and non-financial information, compliance with stock market regulations and accounting standards (Kateb, 2024).

In Nigeria, several Corporate governance Codes have been developed and implemented to address corporate collapse, window dressing, improper conduct, and financial statement irregularities. The Securities and Exchange Commission has enacted a single code for public companies since 2003 and a sector code for financial, pension, and insurance Institutions. The SEC code was revisited in 2011 following changes in the economic environment, financial reporting, and regulatory framework (Aifuwa & Embele, 2019). Our study focuses on listed non-financial companies because different regulatory and governance frameworks characterize them. The nature of this regulatory system will affect the way these companies operate and the quality of financial reporting. We will analyze whether the quality of the financial statements improves with a larger audit committee. In other words, is there a positive link between a larger audit committee and high financial reporting quality?

Several studies have investigated the impact of corporate governance characteristics (including audit committee size) on quality of financial reporting (FRQ), such as Ibrahim, et al. (2026); Alhassan, et al. (2024); Aifuwa and Embele (2019); and Sahu et al. (2025), among others. These studies use several variables as proxies for FRQ, such as the quality of earnings, accruals quality, the value relevance of accounting figures, accounting conservatism, the predictability and persistence of earnings, earnings smoothness, and composite indices of FRQ. We will use Shivakumar's (2003) model to measure accounting quality, extend the Nigerian literature on firm governance, and suggest implications for improved regulation and reporting quality. High-quality financial reporting is critical to informed decision-making for all stakeholders and to maintaining confidence in firms.

To address the research problem, the following research question is posed: How does audit committee size affect the financial reporting quality of non-financial firms listed on the Nigerian Exchange Group (NGX)?

LITERATURE REVIEW AND HYPOTHESIS

Audit Committee Size

An Audit Committee is a committee that monitors important financial statement matters and accounting activities, including selecting or recommending an independent auditor; overseeing the financial reporting process; providing independent and internal auditors with access to the Board of Directors; and reviewing the results of audits conducted by internal and external auditors. Audit committees also make sure that the work of the Board is adequately performed particularly regarding corporate governance, risk management, internal control and audit, and financial reporting, and that it will perform as the committee of the Board where many responsibilities related to ensuring and protecting against risks are consolidated, internal

control system; also this ensures financial statements and audit will be produced well (Chung & Wright, 2008). An audit committee has been described by Ibrahim et al., (2024) as a group of members of the Board of Directors, selected from the body of directors, to supervise and monitor accounting and financial matters and to ensure the protection of the auditor's independence. Kantudu and Alhassan (2022) concluded that the Audit Committee could comprise shareholders and non-executive directors, with a focus on safeguarding audit oversight and enhancing the quality of financial reports.

Moreover, in the paper presented by Essien et al. (2024), it was identified that audit committee works as an auxiliary arm of the Board by assisting in effective oversight over the financial statements by encouraging adequate internal control systems and prudent risk management practices, supervising internal and external audit activities, ensuring compliance with corporate governance codes, and at the discretion of its powers advising and recommending the management and/or the Board. Audit committee enhances the credibility of financial reports by enabling the Board to efficiently perform its statutory roles (Isa & Farouk, 2018). The Board of Directors needs high-quality financial reports, as many other shareholders/investors utilize these reports for various economic and management decisions. By that, the audit committee would review the financial statements before submitting them to the Board of Directors for presentation. The audit committee is part of the organizational structure and assists in supervising management and both internal and external auditors. The audit committee could ensure quality improvement in audits, reduce domination by the managerial group/the Board, and monitor managerial behaviour for self-interest in manipulating accounting results (Alqatamin & Alqatamin, 2024; Yakubu et al., 2023).

Audit Committee Size (ACS): the number of individuals who make up an organization's Audit Committee, according to the applicable corporate governance regulation. ACS also contributes positively to the audit process, as the Size of ACS might affect audit committee members' expertise and their ability to exercise effective control and supervision over management and other corporate reporting procedures. Alsheikh and Alsheikh (2023) defined the audit committee size (ACS) as the number of members in an organization's audit committee. Similarly, Abdullahi (2024) defined the audit committee size (ACS) as the total number of members who constitute the audit committee. Aigienohuwa and Irowa-Omoreigie (2025) explained that the Size of the committee relates to their capacity to effectively and comprehensively oversee other functions. Companies and Allied Matters Act (CAMA 2020) Section 404: Composition of audit committee of public company: There shall be established by every public company an audit committee. The audit committee shall be composed of three members from among the shareholders and two non-executive directors. Every member of the audit committee should be able to read and understand a financial statement. A member of the audit committee shall be a member of a recognized professional body in Nigeria in the practice of accounting and finance, and shall be a chairman of the audit committee, and shall be elected annually to the audit committee.

Financial Reporting Quality

Financial reporting refers to the provision of financial and other relevant non-financial information about an entity's financial position and economic performance, in a way that faithfully represents them. The dimensions of financial reporting quality (FRQ) may be numerous and diverse in their conceptualization and measurement. It can be defined as the degree to which the information presented by a company in its financial reports is reliable, relevant, faithfully represented and useful for the decision-making process (Alqatamin & Alqatamin, 2024).

Financial reporting quality is also defined as "the extent to which relevant and faithfully reported financial and non-financial information has been presented about a firm's economic

activities and performance by way of financial statements, to facilitate sound decisions by its various stakeholders (Saleh et al., 2025). Reporting a firm's financial status and performance enables investors (both debt and equity) to forecast the rates of return they will receive. Reliable financial reporting furnishes the groundwork for firm stakeholders' economic decision-making process (Abiodun et al., 2024), and financial statements should be fairly presented in accordance with users' understanding requirements. In reality, financial reporting goes beyond accounting transactions; it is a core component of a good corporate governance structure (Uwuigbe et al., 2018). The quality financial statement, therefore, ought to represent relevant, faithful and sufficient disclosures, not just a compilation of account figures.

To Mesioye and Bakare (2024), quality financial reporting is to extent to which an audit financial statements present information, truthfully, fully and in relevance to the firm's financial position and the performance of the entity in question is represented fairly by it; It has also been defined in line with the level of transparency and reliability of the firm's financial reports, this increases user's confidence and consequently reduces information asymmetry (Ibrahim et al., 2024). Thus, the probability of a company obtaining a high level of financial reporting quality is strengthened when it provides a faithful representation of its current financial situation and a useful representation of its prospects. High-quality reporting is also measured by a firm's compliance with the established accounting standards;

Overall, high-quality financial statements possess certain important attributes. These is first and foremost a faithful representation of a firm's present economic activities; and provides information that is highly relevant to the decision-making needs of users, error-free and devoid of bias, as well as being transparent-clear and complete disclosures, understandable by the user and hence reduces the information asymmetries; It also requires compliance with the accounting standards and the reporting format; The statement also ought to be available promptly, thus retaining relevance and hence usefulness for decision-making.

Theoretical Framework

Agency theory defines the relationship between a principal and an agent and provides the theoretical background of this research. With the separation of ownership and control, shareholders, as principals, employ managers as agents by transferring decision-making authority to them. Managers may obtain private benefits by pursuing their own interests rather than those of their shareholders (Jensen & Meckling, 1976). It leads to agency problems, which may create opportunities for managers to falsify financial reports in their own self-interest. An agency is a form of contract through which one party (the principal) engages another party (the agent) to perform some service and delegates some decision-making authority to the agent (Eisenhardt, 1989). Thus, corporate governance measures like an audit committee are designed to supervise managerial actions. An appropriately formed audit committee can enhance monitoring, limit opportunistic earnings management, and improve the company's financial reporting quality. An active audit committee helps effectively protect shareholders and strengthen corporate governance of financial reporting practices. An adequately sized committee can expand the scope of monitoring, as a larger audit committee provides greater resources for effective oversight. Size does not have an important bearing on the quality of committee monitoring. Key factors such as competence, independence, and diligence contribute to the committee's effectiveness.

Empirical Review

Obafemi and Olawale (2026) investigate the impact of audit committee attributes on the quality of financial reporting of quoted consumer goods firms in Nigeria. Secondary data were used in the study, comprising annual reports and other corporate documents for the period 2012-2023. The total sample size yielded 180 firm-years observations. Financial reporting

quality was measured through a 93-item financial reporting disclosure index. The panel regression technique was used for the analysis. The results show that audit committee size has a positive and significant relationship with the quality of financial reporting of consumer goods firms ($\beta = 0.0165$, $p = 0.0016$). In addition, audit committee independence showed a positive and significant relationship with the quality of financial reporting; however, audit committee tenure showed a significant negative relationship, and the frequency of audit committee meetings was not significant. The study concludes that the size and quality of the audit committee influence the quality of financial reporting of Nigerian consumer goods companies, thus providing contemporary support for the argument that larger audit committees bring about broader expertise.

Sahu et al. (2025) examined the effect of audit committee attributes on the financial reporting quality of listed firms in India. This is a recent empirical study conducted for the period 2017-2023, using a sample of 68 firms and secondary data. Audit committee size and audit committee meetings both have a positive impact on quality financial reporting, whereas, contrary to expectations, the audit committee's financial expertise has a negative impact. The study concludes that numerical size and the number of audit committee meetings help strengthen the monitoring function. In contrast, the unexpected negative relationship between audit committee financial expertise and financial reporting quality implies that financial expertise does not guarantee better reporting quality without independent, active member participation.

Ekaruwe (2024) examined audit committee attributes and financial reporting quality among listed commercial banks in Nigeria. The study adopted an ex post facto design and used secondary annual report data from 14 listed banks for the period 2007-2022. The model was estimated using the panel regression technique. The results show that audit committee size and audit committee independence positively and significantly affect the quality of financial reporting. The presence of some of the governance attributes under consideration may not, individually, result in high-quality financial reporting practices, given that numerous other institutional and regulatory instruments likely influence financial reporting practices in the highly regulated banking sector.

Gerayli et al. (2021) examine the effect of audit committee characteristics on the quality of financial reporting in an emerging market. They use firms listed on the Tehran Stock Exchange from 2012 to 2017. They documented that the audit committee's financial expert characteristics had a significant positive effect on financial reporting quality. However, audit committee independence does not significantly affect the quality of financial reporting. They also conduct robustness checks to address endogeneity. Results have revealed that the audit committee's technical expertise is needed, while certain characteristics of the audit committee might be less important than others.

A study by Dare et al. (2021) on audit committee characteristics and audit quality in Nigeria's oil industry between 2009 and 2018 found that audit committee size has a positive and highly significant effect on audit quality. In comparison, the effect of the frequency of audit committee meetings on audit quality is positive, although weak and not statistically significant. The finding indicates that increasing the size of the audit committee strengthens audit monitoring. In contrast, the mere increase in meeting frequency may not yield a high-quality audit if the meetings are ineffective and not focused on substantive issues in financial reporting and control.

Oyedokun et al. (2020) explored the relationship between audit committee attributes and the quality of financial reporting for listed consumer-goods firms in Nigeria, using annual report data from 2013–2018. Findings from a multiple regression model showed that audit committee size and gender diversity were not statistically significant predictors of the quality of financial reporting; however, audit committee financial expertise and meeting frequency had

statistically significant positive impacts. The results imply that the effective operation of the audit committee might depend more on the members' expertise and participation than on sheer quantity.

Tanko and Siyanbola (2019) examined the relationship between audit committee characteristics and the quality of financial reporting among listed firms in Nigeria from 2009 to 2018. Data from the annual financial statements of the sample firms, which are classified as secondary data, combined with multiple regression analyses, provided evidence of a positive and statistically significant impact of audit committee busyness. At the same time, there was a negative and significant relationship between audit committee size and the quality of financial reporting. This result shows that a larger audit committee does not improve financial reporting and might, under some conditions, introduce a coordination problem and compromise oversight.

In summation, empirical evidence has presented mixed results regarding the relationship between audit committee size and financial reporting quality. While Sahu et al. (2025) and Dare et al. (2021) identified positive effects of audit committee size on financial reporting, Ekaruwe (2024) obtained a positive but insignificant effect, while Oyedokun et al. (2020) and Tanko and Siyanbola (2019) reported an insignificant effect and a negative significant effect, respectively. The results recorded for other audit committee attributes were inconsistent with evidence of varying levels of financial expertise, independence, meeting frequency, and busyness.

These divergent results can also be attributed to variations in sector, country, sample size, study period, the measurement of financial reporting quality, and the estimation method. Importantly, the studies have no conclusive results as regards the specific influence of audit committee size on the financial reporting quality of listed non-financial firms in Nigeria. There is an empirical contradiction that justifies this study, as it intends to analyze the impact of audit committee size on the financial reporting quality of listed Nigerian non-financial firms, controlling for firm-specific variables.

Ho: Audit committee size has no significant effect on the financial reporting quality of listed non-financial firms in Nigeria.

METHODS

The study adopted an ex post facto research design. The population comprised 106 non-financial firms listed on the Nigerian Exchange Group (NGX), from which 58 firms were selected using purposive sampling. Secondary data were collected from the audited annual reports and financial statements of the sampled firms for the 12 years from 2013 to 2024, yielding 696 firm-year observations. Both descriptive and inferential statistical techniques were employed, including panel-data estimation methods, to achieve the study's objective.

Table 1: Summary of Measurement of Variables

S/N	Variables	Measurement	Variable Category	Sources
1.	Financial Reporting Quality (FRQ)	$AB_{i,t} = \theta_0 + \theta_1 [\delta_1, i \text{ REV}_{i,t}] + \theta_2 [\delta_2 \text{ EXP}_{i,t}] + \theta_3 [\delta_3 \text{ GPPE}_{i,t}] + \mu_{i,t}$ Where, $AB_{i,t}$ = accrual balance $= AR_{i,t} - INV_{i,t} + OCA_{i,t} - CLI_{i,t} - DEPI_{i,t}$ $AR_{i,t}$ = receivables, excluding tax refunds; $INV_{i,t}$ = inventory;	Dependent	Obiora and Jeroh, 2024

2.	Audit committee size (ACS)	Number of members on the audit committee	Independent	Dare et al (2021)
3.	Firm Size (FSIZ)	Natural logarithm of total assets	Control	Gbadebo (2021)
4.	Audit Firm Size (AFS)	1 if a Big Four audit firm audits the company; 0 otherwise	Control	Chijoke-Mgbame (2020)
5.	Leverage (LEV)	$\frac{\text{Total equity}}{\text{Total liabilities}}$	Control	Ajibulu, et al (2021)

Source: researchers' compilation (2026)

Model Specification

To establish the relationship between the dependent and independent variables, the following econometric model, adapted from Obiora and Jeroh (2024), was specified in functional and stochastic forms.

Model

$$FRQ = f(ACS, FSIZ, AFS, LEV) \dots\dots\dots (1)$$

$$FRQ_{it} = \lambda_0 + \lambda_1 ACS_{it} + \lambda_2 FSIZ_{it} + \lambda_3 AFS_{it} + \lambda_4 LEV_{it} + \varepsilon_{it} \dots\dots\dots 2$$

Where:

FRQ = Financial Reporting Quality

ACS = Audit Committee Size

FSIZ = Firm Size

AFS = Audit Firm Size

LEV = Leverage

λ_0 = intercept

λ_1 - λ_4 = estimated coefficients

i = firm; t = time; and the disturbance term represents unobserved influences on FRQ.

RESULTS AND DISCUSSION

Table 2: Descriptive Statistics

	FRQ	ACS	LEV	FSIZ	AFS
Mean	0.0830	5.3405	1.9656	7.1142	0.604
Median	0.0540	5.0000	1.2891	7.0337	1.0000
Maximum	0.8260	6.0000	39.0830	9.3059	1.0000
Minimum	0.0000	4.0000	-28.2712	5.2194	0.0000
Std. Dev.	0.0935	0.4772	4.4384	0.8598	0.4892
Skewness	2.9433	0.6333	2.5209	0.0833	-0.4291
Kurtosis	16.6091	1.5108	30.6552	2.4054	1.1841
Jarque-Bera	6375.887	110.843	22916.69	11.0576	116.9831
Probability	0.0000	0.0000	0.0000	0.0039	0.0000
Sum	57.7710	3717.000	1368.061	4951.515	421.000
Sum Sq. Dev.	6.0697	158.297	13690.92	513.887	166.343
Observations	696	696	696	696	696

Source: researchers' computation (2026)

Table 2 presents the descriptive statistics for the study variables. The mean FRQ value was 0.0830, with a standard deviation of 0.0935, indicating substantial dispersion relative to the mean. Audit committee size (ACS) had a mean of 5.3405 members, a minimum of 4, and a maximum of 6. Leverage (LEV) had a mean of 1.9656 and a standard deviation of 4.4384, with values ranging from -28.2712 to 39.0830, indicating considerable variation across the sampled firms. Firm Size (FSIZ) had a mean of 7.1142 and a standard deviation of 0.8598, with a minimum of 5.2194 and a maximum of 9.3059. Audit firm size (AFS), coded as 1 for firms audited by a Big Four audit firm and 0 otherwise, had a mean of 0.604, indicating that approximately 60.4% of the firm-year observations were audited by Big Four firms. The

Jarque-Bera test probabilities for all variables were below 0.05; therefore, the null hypothesis of normality is rejected for each variable.

Table 3: Correlation Matrix

	FRQ	ACS	LEV	FSIZ	AFS
FRQ	1.0000				
ACS	0.0415	1.0000			
LEV	0.0736	-0.0479	1.0000		
FSIZ	0.0002	-0.0181	0.0643	1.0000	
AFS	-0.1056	0.0039	0.0488	0.4087	1.0000

Source: researchers' computation (2026)

Table 3 presents the pairwise correlation coefficients among the study variables. Audit committee size (ACS) had a weak positive correlation with FRQ ($r = 0.0415$). Leverage also showed a weak positive correlation with FRQ ($r = 0.0736$), whereas firm Size showed an approximately zero positive correlation with FRQ ($r = 0.0002$). Audit firm size (AFS) had a weak negative correlation with FRQ ($r = -0.1056$). The largest correlation among the explanatory variables was between firm Size and audit firm size ($r = 0.4087$), which is below commonly used thresholds for serious multicollinearity. These pairwise correlations, therefore, do not indicate a severe multicollinearity problem.

Table 4: Multicollinearity, Heteroskedasticity, and Serial Correlation Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.003	204.865	NA
ACS	5.445	126.745	1.003
LEV	6.327	1.205	1.007
AFS	6.215	3.041	1.202
FSIZ	2.015	83.728	1.204
Heteroskedasticity	4.211	(0.0022)	
Serial Corr. LM	46.143	(0.000)	
Wald Test: X^2	7.276	(0.044)	

Source: researchers' computation (2026)

Variance inflation factors (VIFs) were used to assess multicollinearity among the explanatory variables. As shown in Table 4, the centred VIF values ranged from 1.003 to 1.204, well below the conventional threshold of 10, indicating no serious multicollinearity problem. The heteroskedasticity test was statistically significant ($p = 0.0022$), indicating evidence of heteroskedasticity. Similarly, the serial-correlation LM test was statistically significant ($p < 0.001$), indicating evidence of serial correlation. These violations suggest that appropriate robust or otherwise corrected standard errors should be considered in the final estimation. The Wald test was also statistically significant at the 5% level ($\chi^2 = 7.276$, $p = 0.044$).

Table 5: Model Selection Test Results

	Restricted	Unrestricted	
	Pooled OLS Model	Random Effect Model	Fixed Effect Model
R^2	0.221	0.221	0.230
Adj R^2	0.216	0.216	0.209
F-Statistic	3.788 (0.005)	3.788 (0.005)	1.423 (0.1300)
Hausman Test	3.463 (0.4835)		
Breusch-Pagan test	6.414 (0.844)		

Source: researchers' computation (2026)

Table 5 reports the model-selection statistics. The models explain approximately 22%-23% of the variation in FRQ, based on the reported R^2 values. The pooled OLS and random-effects models report an overall F-statistic of 3.788 with $p = 0.005$, indicating that the regressors are jointly significant in those specifications. This overall test does not imply that every individual predictor is statistically significant. The Hausman test ($\chi^2 = 3.463$, $p = 0.4835$) does not reject the null hypothesis and therefore favours the random-effects estimator over the fixed-effects estimator. However, the reported Breusch-Pagan test probability of 0.844 does not provide evidence in favour of random effects over pooled OLS. The final choice of estimator should therefore be carefully justified in light of both tests.

Random Effect Regression

Table 6: Random Effect Regression Results

Dependent Variable FRQ				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.0081	0.0505	0.1605	0.8725
ACS	0.0058	0.0026	2.2511	0.0247
LEV	0.0017	0.0008	2.0864	0.0373
FSIZ	0.0053	0.0045	1.1809	0.2380
AFS	-0.0248	0.0079	-3.1325	0.0018
R^2	0.22	Adj R^2	0.21	
F-statistic	3.788(0.005)			

Source: researchers' computation (2026)

The Hausman test reported in Table 5 has a p-value of 0.4835, which favours the random-effects estimator over the fixed-effects estimator. The random-effects estimates reported in Table 6 show that audit committee size had a positive and statistically significant effect on FRQ ($\beta = 0.0058$, $t = 2.2511$, $p = 0.0247$). This suggests that, within the reported model, larger audit committees are associated with higher financial reporting quality. Leverage also had a positive and statistically significant effect on FRQ ($\beta = 0.0017$, $t = 2.0864$, $p = 0.0373$). Firm Size had a positive but statistically insignificant effect ($\beta = 0.0053$, $t = 1.1809$, $p = 0.2380$). Audit firm size had a negative and statistically significant coefficient ($\beta = -0.0248$, $t = -3.1325$, $p = 0.0018$). This negative association should be interpreted cautiously: it indicates an empirical relationship in the sample but, by itself, does not establish that Big Four auditors cause lower reporting quality or that management becomes complacent. Further analysis would be needed to identify the mechanisms underlying this result.

Discussion of Findings

The result reveals a statistically significant positive effect of audit committee size on the quality of financial reporting (FRQ). This implies that a well-formed audit committee could improve financial reporting practices through stronger monitoring, broader skill sets, and enhanced supervision of management and information, and aligns with agency theory, which holds that well-functioning governance mechanisms minimize informational asymmetries and managerial opportunism. This result is consistent with reports of positive relationships between audit committee characteristics and financial reporting quality by Tanko and Siyanbola (2019), Sahu et al. (2025), Obafemi and Olawale (2026), and Amah and Amauwa (2026). On the contrary, it is inconsistent with the findings by Oyedokun et al. (2020), Olaoye and Bamidele (2023), Ibrahim and Thomas (2024), and Tanko et al. (2026) that reported an insignificant negative relationship, while Tanko et al. (2026) found that the Size of the committee has no impact on the improvement of FRQ. This mixed result implies that the audit committee's

effectiveness may depend on attributes such as its size, independence, competence, and diligence in attending meetings.

Leverage also has a significant positive relationship with FRQ, which can be explained by the fact that as leverage increases, lenders and investors impose tighter monitoring on firms with higher leverage, thereby increasing incentives for reliable and transparent financial reporting. This is consistent with Obafemi and Olawale (2026). However, firms' Size is positively related to FRQ but not significantly so. Organizational size does not mean a higher or lower level of reporting quality alone.

Audit firm size shows a significant negative relationship with financial reporting quality (FRQ). Although the expected positive influence of Big Four auditors runs contrary to expectations, care should be taken when inferring a definite causal relationship between this relationship and management shirking and conflict. The effect is identified here as a measure of correlation rather than direct causality; hence, we cannot claim that the relationship is evidence of conflicts of interest, but rather that it could explain certain characteristics related to the client, measurement choices, model specification, and other omitted factors. The various relationships, therefore, show that adequate financial reporting is not a function of a single factor; rather, it depends on the interplay among internal monitoring mechanisms and firm characteristics.

CONCLUSION

The research also investigated the relationship between the Size of the audit committee and the quality of financial reporting among listed non-financial firms in Nigeria. The results revealed a positive and statistically significant relationship between the size of the audit committee and the quality of financial reporting, indicating that an adequately composed audit committee results in improved oversight and greater credibility. Leverage also has a significant positive relationship with the quality of financial reporting, as does firm size, albeit the latter is positive but insignificant. The Size of the audit firm appears to have a negative and statistically significant effect on the quality of financial reporting. The findings, thus established the significant role of both firm specific factors and corporate governance with in contributing to the quality of financial reporting especially in the case of financial reporting quality and audit committee size where adequate Size in terms of audit committee size in Nigeria improves financial reporting quality since audit committee would ensure effective supervision leading to reduced information asymmetry in firms and thus improves the credibility of the firms reporting. This shows that the composition of the audit committee, including members' qualifications, experience, independence, etc., may be viewed as an essential factor determining effectiveness and not Size (in number only), since only experienced and independent members in an audit committee can provide the oversight required by accounting and auditing regulatory bodies.

Based on the above findings, the recommendation of the study states that: A size-appropriate audit committee should be maintained by all listed non-financial firms, which will enable them to conform with the requirements of relevant standard codes by enhancing the credibility of information, as adequate attention should be given to the skill, knowledge and experience of members of the Audit Committee of the firm. Systems of control and financial reporting mechanisms within firms should also be improved so that financial reporting does not depend solely on the prestige of the appointed auditing firm. In cases where firms are highly leveraged, as our results and research show, the services of a large or "Big Four" audit firm should be supported by stronger internal governance, including appropriate attention to the activities of audit committee members (not necessarily by their number or size). Management should strive for greater transparency in the disclosure of firms' financial information to meet lenders' information requirements, especially for highly leveraged firms. Regulators should

continue to monitor to encourage compliance with the audit committee structure by firm size. However, it is the competency, qualification, experience, etc., of the members of an audit committee.

REFERENCES

- Abdullahi, A. M. (2024). Impact of audit committee size and meetings on financial reporting quality of listed commercial banks in Nigeria. *African Journal of Business and Economic Development*, 4(2), 27–36. <https://www.openjournals.ijaar.org/index.php/ajbed/article/view/482>
- Abiodun, O. O., Siyanbola, T. T., & Aderibigbe, A. A. (2024). Corporate governance and financial reporting quality. *International Journal of Economics, Business and Management Research*, 8(9), 155–163. <https://doi.org/10.51505/IJEBMR.2024.8910>
- Ahmed, A. A. A. (2012). Disclosure of financial reporting and firm structure as a determinant: A study on the listed companies of DSE. *ASA University Review*, 6(1). https://www.researchgate.net/publication/336664997_Disclosure_of_Financial_Reporting_and_Firm_Structure_as_a_Determinant_A_Study_on_the_Listed_Companies_of_DSE
- Aifuwa, H. O., & Embele, K. (2019). Board characteristics and financial reporting. *Journal of Accounting and Financial Management*, 5(1), 30–44. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3394421
- Aigienohuwa, O., & Irowa-Omoregie, O. (2025). Optimizing scale efficiency: Examining audit committee size and diligence in Nigerian manufacturing firms. *UMYU Journal of Accounting and Finance Research*, 8(1), 113–126. [https://doi.org/10.61143/umyu-jafr.8\(1\)2025.008](https://doi.org/10.61143/umyu-jafr.8(1)2025.008)
- Ajibulu, F. G., Yahaya, O. A., & Agbi, S. E. (2021). Board of directors and quality of financial reports of quoted banks: Evidence from Nigeria. *UMYU Journal of Accounting and Finance Research*, 1(1), 80–99. [https://doi.org/10.61143/umyu-jafr.1\(1\)2021.005](https://doi.org/10.61143/umyu-jafr.1(1)2021.005)
- Akinosun, A. A., & Abere, S. S. (2026). Auditor independence, audit committee effectiveness and financial reporting quality of listed manufacturing firms in Nigeria. *International Journal of Research and Innovation in Social Science*, 10(8), 1398–1405. <https://doi.org/10.47772/IJRISS.2026.100800098>
- Alhassan, I., Jibrin, A., & Amadu, B. (2024). Ownership structure and financial reporting quality of listed non financial firms in Nigerian: The moderating role of audit committee. *International Journal of Business and Technopreneurship*, 13(2), 133–148. <https://doi.org/10.58915/ijbt.v13i2.953>
- Alqatamin, D. A., & Alqatamin, R. M. (2024). Audit committee characteristics and financial reporting quality: Evidence from the emerging market. *Risk Governance & Control: Financial Markets & Institutions*, 14(3), 86–95. <https://doi.org/10.22495/rgcv14i3p9>
- Alsheikh, A. H., & Alsheikh, W. H. (2023). Does audit committee busyness impact audit report lag? *International Journal of Financial Studies*, 11(1), Article 48. <https://doi.org/10.3390/ijfs11010048>
- Amah, K. O., & Amauwa, B. C. (2026). Effect of audit quality, timeliness of financial reporting, audit committee and audit committee independence on financial reporting quality of listed service firms in Nigeria. *Journal of Interdisciplinary Research in Accounting and Finance*, 13(3), 10–27. <https://doi.org/10.5281/zenodo.22030495>
- Chijoke-Mgbame, A. M., Boateng, A., & Mgbame, C. O. (2020). Board gender diversity, audit committee and financial performance: Evidence from Nigeria. *Accounting Forum*, 44(3), 262–286. <https://doi.org/10.1080/01559982.2020.1766280>
- Dare, C. T., Efuntade, A. O., Alli-Momoh, B. O., & Efuntade, O. O. (2021). Audit committee characteristics and audit quality: Exploratory and empirical analysis in Nigerian oil sector. *European Journal of Accounting, Auditing and Finance Research*, 9(1), 97–111.

- <https://ejournals.org/ejafr/vol-9-issue-1-2021/audit-committee-characteristics-and-audit-quality-exploratory-and-empirical-analysis-in-nigerian-oil-sector/>
- Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14(1), 57–74. <https://doi.org/10.5465/amr.1989.4279003>
- Ekaruwe, M. (2024). Audit committee attributes and financial reporting quality of listed commercial banks in Nigeria. *The Nigerian Journal of Research and Production*, 26(1), 1–19. <https://acjol.org/index.php/nijorep/article/view/4886/4747>
- Eriabie, S. O., & Izedonmi, F. (2016). Impact of audit committee attributes on financial reporting quality in Nigerian quoted companies. *ICAN Journal of Accounting and Finance*, 5(1), 117–137. <https://eprints.covenantuniversity.edu.ng/10218/1/2.pdf>
- Essien, E. O., Ukpung, E. G., & Ibok, N. (2024). Audit committee effectiveness and financial reporting quality of listed non-financial firms in Sub-Saharan Africa: The moderating role of board independence. *Journal of Business and African Economy*, 10(4), 24–56. <https://doi.org/10.56201/jbae.v10.no4.2024.pg24.56>
- Eyenubo, S. A., Mohamed, M., & Ali, M. (2017). An empirical analysis on the financial reporting quality of the quoted firms in Nigeria: Does audit committee size matter? *International Journal of Academic Research in Business and Social Sciences*, 7(9), 50–63. <https://doi.org/10.6007/IJARBS/v7-i9/3308>
- Gbadebo, A. O. (2021). Board structure and financial reporting quality of Nigerian listed deposit money banks. *Journal of Economic Research & Business Administration*, 135(1), 14–25. <https://doi.org/10.26577/be.2021.v135.i1.02>
- Gerayli, M. S., Pitenoei, Y. R., & Abdollahi, A. (2021). Do audit committee characteristics improve financial reporting quality in emerging markets? Evidence from Iran. *Asian Review of Accounting*, 29(2), 251–267. <https://doi.org/10.1108/ARA-10-2020-0155>
- Ibrahim, G., & Thomas, I. (2024). Effect of audit committee attributes on financial reporting quality: Evidence from listed consumer goods companies in Nigeria. *Journal of Accounting and Financial Management*, 10(12), 135–147. <https://doi.org/10.56201/jafm.v10.no12.2024.pg135.147>
- Ibrahim, M., Arabi, A. J., & Gurama, Z. (2024). Corporate attributes, audit committee and financial reporting quality of listed non-financial firms in Nigeria. *SN Business & Economics*, 4(11), 1–28. <https://doi.org/10.1007/s43546-024-00719-1>
- Ibrahim, S., Garba, I., & Danrimi, M. L. (2026). Effect of audit committee accounting expertise and audit committee chair independence on financial reporting quality: A discretionary accruals approach for listed consumer goods firms in Nigeria. *UMYU Journal of Accounting and Finance Research*, 9(1), 121–133. [https://doi.org/10.61143/umyu-jafr.9\(1\)2026.010](https://doi.org/10.61143/umyu-jafr.9(1)2026.010)
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Kantudu, A. S., & Alhassan, I. (2022). Audit committee and financial reporting quality in listed nonfinancial firms in Nigeria. *Arabian Journal of Business and Management Review*, 11(1), 6–14. <https://doi.org/10.65453/ajbmr.v11i1.1106>
- Kateb, I. (2024). The bridge to quality financial reporting: Audit committees' mediating role in IFRS implementation for emerging markets. *Journal of Corporate Accounting & Finance*, 35(1), 250–268. <https://doi.org/10.1002/jcaf.22664>
- Mesioye, O., & Bakare, I. A. (2024). Evaluating financial reporting quality: Metrics, challenges, and impact on decision-making. *International Journal of Research Publication and Reviews*, 5(10), 1144–1156. <https://doi.org/10.55248/gengpi.5.1024.2735>

- Obafemi, F. J., & Olawale, O. O. (2026). Audit committee attributes and financial reporting quality of selected quoted consumer goods firms in Nigeria. *IIARD International Journal of Economics and Business Management*, 12(2), 286–303. <https://doi.org/10.56201/ijebm.vol.12.no2.2026.pg286.303>
- Obiora, N. O., & Jeroh, E. (2024). Board committees' independence and financial reporting quality among listed firms in Nigeria: A testament from the lens of the Shivakumar model. *Asian Journal of Management and Commerce*, 5(1), 561–569. <https://www.allcommercejournal.com/archives/2024.v5.i1.G.305>
- Ogbaisi, S. A., & Ezuem, M. D. (2021). Corporate governance and financial reporting quality of firms in Nigeria. *SAU Journal of Management and Social Sciences*, 6(3), 113–122. https://www.researchgate.net/publication/362428842_Corporate_Governance_and_Financial_Reporting_Quality_of_Firms_in_Nigeria
- Olaoye, F. O., & Bamidele, V. O. (2023). Effect of audit committee characteristics on financial reporting quality of listed deposit money banks in Nigeria. *FUOYE Journal of Management, Innovation and Entrepreneurship*, 2(2), 165–175. https://fjmie.fuoye.edu.ng/index.php/public_html/article/view/81
- Oyedokun, G. E., Ojo, L. O., & Fodio, M. I. (2020). Effect of audit committee characteristics on financial reporting quality of quoted consumer goods companies in Nigeria. *UNIBEN Journal of Accounting*, 4(1), 12–27. https://www.researchgate.net/publication/354074058_EFFECT_OF_AUDIT_COMMITTEE_CHARACTERISTICS_ON_FINANCIAL_REPORTING_QUALITY_OF_QUOTED_CONSUMER_GOODS_COMPANIES_IN_NIGERIA
- Sahu, R., Deb, R., & Jamatia, M. (2025). Audit committee attributes and financial reporting quality: Reflection from BSE 100 firm. *Amity Business Review*, 26(1), 1–22. <https://amity.edu/abs/abr/pdf/ABR-VOL-26ISSUE-NO1JANUARY%E2%80%9393JUNE2025.pdf>
- Saleh, I., Abu Afifa, M., & Alsufy, F. (2020). Does earnings quality affect companies' performance? New evidence from the Jordanian market. *Journal of Asian Finance, Economics and Business*, 7(11), 33–43. <https://doi.org/10.13106/jafeb.2020.vol7.no11.033>
- Shivakumar, L. L. (1996). Estimating abnormal accruals for detection of earnings management [Working paper]. Vanderbilt University. <https://ssrn.com/abstract=2593>
- Tanko, U. M., & Siyanbola, A. A. (2019). Audit committee and financial reporting quality: Evidence from listed firms in Nigeria. *Journal of Accounting, Finance and Management Discovery*, 2(2), 92–105. https://www.researchgate.net/publication/343555209_Audit_Committee_and_Financial_Reporting_Quality_Evidence_from_Listed_Firms_in_Nigeria
- Tanko, U. M., Sani, S., & Umoru, B. (2026). Audit committee and financial reporting quality of listed non-financial firms in Nigeria: Moderating role of firm age. *Audrezara Journal of Communication and Social Research*, 2(1), 302–327. <https://doi.org/10.5281/zenodo.19945529>
- Tanko, U. M., Sani, S., & Umoru, B. (2026). Audit committee and financial reporting quality of listed non-financial firms in Nigeria: Moderating role of firm age. *Audrezara Journal of Communication and Social Research*, 2(1), 302–327. <https://doi.org/10.5281/zenodo.19945529>
- Tueridei, S. W., & Okiakpe, K. E. (2026). Audit committee features and earnings quality of listed Nigerian industrial goods firms. *Journal of Accounting and Financial Management*, 12(3), 197–207. <https://doi.org/10.56201/jafm.vol.12.no3.2026.pg197.207>
- Uwuigbe, U., Eluyela, D. F., Uwuigbe, O. R., Obarakpo, T., & Falola, I. (2018). Corporate governance and quality of financial statements: A study of listed Nigerian banks. *Banks and Bank Systems*, 13(3), 12–23. [https://doi.org/10.21511/bbs.13\(3\).2018.02](https://doi.org/10.21511/bbs.13(3).2018.02)

Yakubu, I., Mohammed, N. A., Yahaya, O. A., & Agbi, S. E. (2023). Audit committee and audit report lag: Moderating role of ownership concentration of listed consumer goods firms in Nigeria. *European Journal of Accounting, Auditing and Finance Research*, 11(7), 77–100. <https://doi.org/10.37745/ejaaf.2013/vol11n777100>

Ethics declarations

Responsible use of AI

The authors declare that any artificial intelligence (AI) tools used in the preparation of this manuscript were used in accordance with ethical research standards, and that the authors retain full responsibility for the final content.

Competing interests

The authors declare that they have no known competing financial interests or personal relationships that could have influenced the work reported in this paper.