



Audit Committees: How They Affect Financial Reporting in Nigerian Companies

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This study examines whether audit committees are associated with improved financial reporting quality for a sample of Nigerian listed companies prior to and after a corporate governance code mandated new regulations for audit committees in 2003. Using a sample of 70 companies listed on the Nigerian Stock Exchange, this study uses archival data in the form of companies' annual reports to measure the association between audit committees and improved financial reporting quality. Dechow and Dichev (2002)'s model was used to measure earnings as a proxy for financial reporting quality. The results indicate that formation of audit committees was positively associated with improved financial reporting quality. It was also found that audit committees having an independent chair and audit committee expertise were positively associated with financial reporting quality. Other audit committee characteristics examined were found to be insignificantly related to financial reporting quality.

Keywords: audit committees, financial reporting quality, Nigerian listed companies

Introduction

A series of well-publicized accounting scandals around the world prompted the United States (US) Congress to pass the Sarbanes-Oxley Act (SOX), also known as the Corporate Oversight Bill, in 2002. In line with congressional efforts, the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotations (NASDAQ) adopted new corporate governance rules for exchange-listed firms which were approved by the Securities and Exchange Commission [SEC] (2003). Both SOX and the new corporate governance rules of the NYSE and NASDAQ emphasized greater independence and effectiveness for board of directors and audit committees (Person, 2005).

The search for a mechanism to ensure reliable and high quality financial reporting has largely focused on the structure of audit committees whose function is to oversee the financial reporting process and to audit financial statements. Given the importance of audit committees, listed companies in Nigeria are required to include in their annual reports a summary of activities carried out by their audit committees.

Nigeria has witnessed a series of corporate collapses and related frauds that have raised doubts about the credibility of corporate governance in the country. A number of professional and regulatory bodies thus recommended reforms to improve the quality of financial reporting in the management and control of

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corporations. This motivates the authors to undertake this study to see the effectiveness of corporate governance mechanisms in monitoring the financial reporting process among Nigerian listed companies. One specific area of concern is the monitoring function of audit committees in improving the quality of financial reporting.

This study examines the relationship between audit committees and financial reporting quality in Nigeria. Two key aspects of audit committees are examined: committee formation and committee characteristics using measures of earnings quality based on the Dechow and Dichev (2002)'s model. Improved financial reporting quality has been cited as one of the major benefits for companies' establishing audit committees (Blue Ribbon Committee, 1999). Studies of Baxter and Cotter (2009), Davidson, Godwin-Stewart, and Kent (2005), Yang and Krishnan (2005), and Abbott, Parker, and Peters (2004) found that independent audit committee members are more objective and less likely to overlook possible deficiencies in the manipulation of financial reports. The results of this study suggest that financial reporting quality improved in the year after the formation of audit committees compared with the year before. The results also indicate that independence and expertise are positively associated with improved financial reporting quality.

Whilst several studies examined the effectiveness of audit committee reporting in Nigeria (Okoye & Cletus, 2010; Owolabi & Ogbachia, 2010), none explored the association between audit committee formation and characteristics in relation to financial reporting quality. In filling this research gap, this study makes a number of key contributions to the literature on audit committees and financial reporting quality. It provides first evidence on audit committee formation and audit committee characteristics and financial reporting quality in Nigeria and therefore has potential implication for regulators and policy-makers of the Nigerian capital market in increasing the effectiveness of audit committee listing rules. The findings of this study can also serve as a benchmark for research in smaller countries with institutional, economic, and legal environment similar to that of Nigeria.

The next section of the paper reviews the relevant literature and develops the hypotheses. The third section describes the research methodology, and the study results were reported in section four. The final section concludes and makes suggestions for future research.

Literature Review and Hypotheses

Audit Committee Formation

In Nigeria, SEC, under the provisions of the Companies and Allied Matters Act (CAMA 1990: Section 359, sub-section 3&4), requires all listed companies on the Nigerian Stock Exchange (NSE) to establish audit committees (SEC, 2003). The wide acceptance of audit committees suggests their importance as part of corporate accountability and transparency, where audit committees are expected to serve as the watchdog of stakeholder interests (Blue Ribbon Committee, 1999). Prior studies have demonstrated a positive relationship between audit committee formation and earnings quality. Baxter and Cotter (2009), for example, indicated that earnings quality increased after the year of audit committee formation. Dechow, Sloan, and Sweeney (1996) showed that firms with audit committee are less likely to manipulate earnings and are more likely to voluntarily disclose information (Ho & Wong, 2001). Wild (1996) reported a significant increase in market response to earnings reports released after audit committee formation. However, other studies show that the mere establishment of an audit committee does not necessarily mean better financial reporting quality (Kalbers & Fogarty, 1993; Menon & Williams, 1994). This study proposes that there is a degree of association between audit committee formation and improved financial reporting quality and thus, the following hypothesis tests the relationship:

H1: The formation of audit committees is significantly associated with improved financial reporting quality.

Audit Committee Characteristics

Audit committee independence. Independence of audit committees helps to ensure that management is transparent and will be held accountable to stakeholders (Treadway Commission, 1987; Cadbury Committee, 1992; Blue Ribbon Committee, 1999). It is expected that independent audit committee members will be more objective and less likely to overlook possible deficiencies in the misappropriation and manipulation of financial reporting. Abbott et al. (2004) found evidence to support this interpretation within the context of financial reporting misstatements. After the passage of SOX in 2002, audit committees in the US must consist entirely of independent members to pre-approve audit and non-audit services and to set procedures for handling complaints related to accounting and auditing issues. Klein (2002) posited that independence of audit committees increases with board size and board independence. Beasley, Carcello, Hermanson, and Neal (2000) found that audit committee independence is significantly related to financial reporting quality, since financial statement fraud is more likely to happen in firms with less audit committee independence. However, other studies found different results. Lin, Li, and Yang (2006) reported no evidence of a relationship between audit committees having independent members and earnings restatements. Xie, Davidson, and DaDalt (2003) also found no evidence of a significant relationship between the level of discretionary accruals and an independent audit committee. This led to the second hypothesis as follows:

H2: The independence of audit committee is significantly associated with financial reporting quality.

Audit committee expertise. DeFond, Hann, and Hu (2005) investigated how markets react to the appointment of an audit committee member with a different level of accounting and financial expertise and found a positive market reaction to appointing accounting and financial expert. Carcello, Hollingsworth, Klein, and Neal (2006) studied the association between financial expertise and earnings management proxy by abnormal accruals and found that accounting and financial experts are consistently associated with less earnings management. Dhaliwal, Naiker, and Navissi (2010) found a positive relationship between accounting and financial expertise in audit committees and financial reporting quality.

Audit committees that have financial expertise have greater interaction with their internal auditors (Raghunandan, Read, & Rama, 2001) and are less likely to witness internal control problems (Krishnan, 2005). They are more likely to understand external auditors and support the auditors in conflict situations with management (Dezoort & Salterio, 2001). Davidson, Xie, and Xu (2004) investigated the impact of financial expertise of audit committees on stock returns at the time of appointment of audit committee members and found a positive stock price reaction when new members have accounting or financial expertise. On the other hand, Yang and Krishnan (2005) and Lin et al. (2006) failed to find any significant association between financial expertise and financial reporting quality measured as the level of earnings management. In this connection, the following hypothesis has been developed:

H3: The expertise of audit committee members is significantly associated with financial reporting quality.

Audit committee meeting. The number of audit committee meetings is an indicator of audit committee effectiveness. Financial statement users perceive fewer meetings as an indicator of less commitment and insufficient time to oversee the financial reporting process. Xie et al. (2003) showed that increased audit committee activity as proxies by the number of committee meetings is associated with reduced levels of

earnings management. Bryan, Liv, and Tiras (2004) posited that audit committees that meet regularly improve the transparency and openness of reported earnings and therefore improve earnings quality. Audit committees' members who meet regularly are often expected to be able to perform monitoring tasks more effectively than otherwise. Zhang, J. Zhou, and N. Zhou (2007) used the number of meetings to measure whether the frequency influences financial reporting quality and found a positive correlation.

However, empirical evidence on the impact of frequency of audit committee meeting on financial reporting quality differs. Vafes (2005) found a negative relationship between the number of meetings and earnings management. Bedard, Chtourou, and Courtteau (2004) and Lin et al. (2006) did not find any positive association between frequency of audit committee meetings and financial reporting quality. Based on the foregoing literature, this study tests the following hypothesis:

H4: The frequency of meeting of audit committees is significantly associated with financial reporting quality.

Audit committee size. Previous researches have investigated the role of the size of audit committees as an effective mechanism for monitoring and controlling financial reporting. Yermack (1996) found that a small board size enhances firm value. Jensen (1993) asserted that having a small number of board members improves the efficiency of audit committee monitoring and control. Goodstein, Gautam, and Boeker (1994) posited that large board size is associated with delays and administrative bottlenecks.

However, other studies suggested that smaller boards may be less encumbered with bureaucratic problems. Anderson, Mansi, and Reeb (2004) stated that large boards can devote more time and resources to monitor the financial reporting process and the internal control systems. This implies that an increase in audit committee size enables members to distribute the workload and commit more time and resources to monitor management and detect fraudulent behavior. The mixed results from these studies led to the formulation of the following hypothesis:

H5: The size of audit committees is significantly associated with financial reporting quality.

Research Methodology

Measurement of Financial Reporting Quality

There are a number of alternative methods that can be used to measure the degree of association between audit committees and quality of financial reporting. Among the proxies that have been used are surveys (Kalber & Forgarty, 1993), financial statement fraud (Shama, 2004), and financial analysts' reports (Felo, Krishnamurthy, & Solieri, 2008). This study uses archival data in the form of annual reports, because annual reports do not suffer from a non-response bias. The required data can readily be accessed from a variety of sources and relative objective measures of financial reporting quality can be calculated from data in the annual reports. The annual reports were hand-collected at various corporate headquarters and branches of companies under study. Other sources were NSE branch and SBA Group¹. The study used measures of earnings quality from a modified version of Dechow and Dichev (2002)'s accruals estimation error. A value EQDD² was calculated by estimating the modified regression coefficients for each sample firm as follows:

$$\Delta WC_t = \beta_0 + \beta_1 CFO_{t-1} + \beta_2 CFO_t + \beta_3 CFO_{t+1} + \beta_4 \Delta Sales_t + \beta_5 PPE_t + \varepsilon_t \quad (1)$$

¹ Retrieved from <http://www.SBAinteractive.com>.

² Earnings quality based on Dechow and Dichev (2002).

where:

WC_t = Working capital in year t , i.e., Δ Accounts receivables + Δ Inventory – Δ Accounts payable – Δ Taxes payable + Δ other assets (net);

CFO_{t-1} = Cash flows from operations in year $t - 1$;

CFO_t = Cash flow from operations in year t ;

CFO_{t+1} = Cash flows from operations in year $t + 1$;

$Sales_t$ = Sales in year t less sales in year $t - 1$;

PPE_t = Gross property, plants, and equipment in year t .

This measure of earnings quality captures the extent to which accruals map into cash flow realization in past, present, and future cash flows. Following Baxter and Cotter (2009), the absolute value of residuals was used as a measure of earnings quality. The higher the absolute residual for each sample firm, the lower the quality.

To control for the impact of the relationship between earnings quality and audit committee formation, the following pooled regression is estimated:

$$EQDD = \alpha + \beta_0 FORMATION + \beta_1 SIZE + \beta_2 LEVERAGE + \beta_3 AUDITOR \quad (2)$$

where:

EQDD: Earnings quality based on Dechow and Dichev (2002);

FORMATION: A dummy variable equaling to zero in the pre-formation year and one in the post-formation year;

FIRM SIZE: Measured as the natural log of total assets;

LEVERAGE: Measured as the ratio of total liabilities to total assets;

AUDITOR: Measured as “1” for Big 4 and “0” if otherwise.

Each of the control variables is measured in both pre- and post-formation period.

Equation (3) is used for audit committee characteristics and financial reporting quality:

$$EQDD = \alpha + \beta_1 ACIND + \beta_2 ACMEET + \beta_3 ACSIZE + \beta_4 ACEXP + \beta_5 LEVARAGE + \beta_6 AUDITOR + \beta_7 FIRMSIZE \quad (3)$$

where *EQDD* is earnings quality based on Dechow and Dichev (2002); *ACIND* is measured as the existence of an independent audit committee chair; *ACSIZE* is measured as the number of members of the audit committee at year end; *ACEXP* is measured as audit committees’ accounting and finance expertise, which equals “1” if at least one committee member has an accounting or finance qualification and “0” if otherwise; and *ACMEET* is measured as the number of audit committee meetings held during the year. To capture earnings quality before the formation of an audit committee, 2001 was used as the base year; for audit committee characteristics, 2010 was used as the base year.

Control Variables

Additional variables are included in the regression model to control for other factors that influence the formation of audit committees and their characteristics. The three control variables used are *FIRMSIZE* (measured as the natural logarithm of total assets), *LEVERAGE* (measured as the ratio of total liabilities to total assets), and *AUDITOR* (measured as “1” for Big 4 auditor and “0” if otherwise).

Sample Selection

The study sample comprises 202 listed companies on the NSE for the financial year ending 2011. Sample

selection procedures and the final sample are shown in Table 1. Fifty-five companies whose complete annual report data for 2011 were not available due to time variations in the financial year end were excluded. Thirty-four banks and foreign companies were also excluded, because financial reporting requirements for these companies differ from other companies listed on the NSE. Forty-three insurance and mortgage companies were excluded, because they do not generate sales revenues which are needed to calculate the earnings quality variables. This leaves a final sample size of 70 companies (see Table 2).

Table 1

Summary of Sample Selection

Company	Frequency
NSE listed companies	202
Less:	
Banks and foreign companies	34
Insurance and mortgage companies	43
Companies whose annual reports are not available	55
Final sample	70

Table 2

Sample Composition by Industry Group

Industry group	Number	Percentage (%)
Household's durables	4	5.7
Health care and pharmaceuticals	8	11.4
Information telecommunication technology	5	7.1
Building materials	9	12.9
Packaging and containers	5	7.1
Printing and publishing	4	5.7
Hotels and hospitality	4	5.7
Petroleum products and marketing	2	3.0
Agriculture	4	5.7
Conglomerates	5	7.1
Constructions	6	8.6
Beverages/breweries	6	8.6
Food products	8	11.4
Total	70	100

Empirical Analysis

Audit Committee Formation and Financial Reporting Quality

Table 3 shows the effect of audit committee formation on earnings quality for years before and after the companies' audit committees were formed. It explains the significance difference of earnings quality results for the two periods. The mean earnings quality for the post-audit committee formation is lower than that of the pre-period, which indicates higher earnings quality for the post-period. This is in accordance with the findings of Baxter and Cotter (2009).

Table 3

Descriptive Statistic for 70 NSE Listed Companies

Variable	No.	Mean	Median	Minimum	Maximum	Std. dev.
<i>EQDD</i> (pre)	70	6.76035e+006	2.19183e+007	2.50000e+007	2.79181e+006	3.20000e+007
<i>EQDD</i> (post)	70	3.96923e+006	1.48388e+006	43.9537	51.8774	3.17537e+007

Table 4

Audit Committee Formation Regression Results

Variable	Coefficient	Std. error	t-ratio	p-value
Constant	2.19815e+07	1.66943e+06	13.1670	< 0.00001***
<i>AUDITOR</i>	843,880	886,393	0.9520	0.34278
<i>FIRMSIZE</i>	-0.0113147	0.00452111	-2.5026	0.01352**
<i>LEVERAGE</i>	-711,820	1.5469e+06	-0.4602	0.64614
<i>FORMATION</i>	-2.03801e+07	1.37397e+06	-14.8329	< 0.00001***
R-squared	0.662237			

Notes. ** and *** denote significance at the levels of 0.05 and 0.01 respectively; *EQDD* = A cross-sectional earnings quality proxy from Dechow and Dichev (2002); *FORMATION* = 1 for the year after audit committee formation and 0 for the year before audit committee formation; *AUDITOR* = 1 for Big 4 and 0 if otherwise; *FIRMSIZE* = The natural log of total assets; and *LEVERAGE* = Total liabilities divided by total assets.

Audit committee formation is also regressed using three control variables. The results indicate that *FIRMSIZE* is positively associated with audit committee formation at the significance level of 0.05 (see Table 4). The finding is similar to that of Pincus, Rusbarsky, and Wong (1989) who found that economies of scale exist with the formation of audit committees. Insignificant results were found between audit committee formation with *AUDITOR* and *LEVERAGE*. This finding is inconsistent with that of Collier (1993) and Adams (1997) who found leverage to be positively related to the presence of audit committees.

Audit Committee Characteristics and Financial Reporting Quality

In analyzing the data obtained through the descriptive statistics for the independent variables (see Table 5), it was found that 84% of the firms have an independent audit committee chair. On average, 51% of the audit committee members were financial experts. The average audit committee has five members and meets at least four times a year. It was also found that 70% of the sample firms employ non-Big 4 audit firms.

Table 5

Descriptive Statistics of Audit Committee Characteristics and Financial Reporting Quality

Variable	Mean	Median	Minimum	Maximum	Std. dev.
<i>EQDD</i>	2.19	2.52	2.79	3.18	6.74
<i>ACIND</i>	0.84	1.00	0.00	1.00	0.37
<i>ACEXP</i>	0.51	0.50	0.20	0.80	0.42
<i>ACSIZE</i>	5.08	6.00	4.00	6.00	1.00
<i>ACMEET</i>	3.74	4.00	2.0	4.00	0.56
<i>LEVERAGE</i>	0.5	0.48	0.25	0.94	0.13
<i>AUDITOR</i>	0.70	1.00	0.00	1.00	0.46
<i>FIRMSIZE</i>	2.3	7.47	2.7	1.50	3.62

Notes. *EQDD* = The cross-sectional earnings quality proxy from Dechow and Dichev (2002)'s model; *ACIND* = The existence of an independent audit committee chair; *ACEXP* = The proportion of directors on the audit committee with accounting or finance qualifications; *ACSIZE* = The number of audit committee members; *ACMEET* = The number of audit committee meetings for the year; *LEVERAGE* = Total liabilities divided by total assets; *AUDITOR* = 1 if for Big 4; and *FIRMSIZE* = The natural log of total assets.

Table 6 presents the correlation results between the dependent variable and independent variables. In examining the values of correlation coefficients among different variables, it was found that there was a positive weak correlation between *EQDD* and *LEVERAGE* (0.0695). It was also found that there is a strong

negative correlation between *EQDD* and *FIRMSIZE* (-0.6769) and between *EQDD* and *ACIND* (-0.3184). On the other hand, the authors found a very weak negative correlation between *EQDD* and *ACEXP* (-0.0449) and between *EQDD* and *ACMEET* (-0.0858).

Table 6

Correlation Coefficients

Variable	<i>EQDD</i>	<i>ACIND</i>	<i>ACEXP</i>	<i>ACSIZE</i>	<i>ACMEET</i>	<i>AUDITOR</i>	<i>FIRMSIZE</i>	<i>LEVERAGE</i>
<i>EQDD</i>	1.0000	-0.3184	-0.0449	-0.2460	-0.0858	-0.2082	-0.6769	0.0695
<i>ACIND</i>		1.0000	-0.0788	0.1553	-0.0589	0.0600	0.2422	0.0318
<i>ACEXP</i>			1.0000	0.0039	0.0281	0.2301	0.1024	0.1784
<i>ACSIZE</i>				1.0000	0.4552	0.2753	0.3700	0.0827
<i>ACMEET</i>					1.0000	0.3724	0.1779	0.0395
<i>AUDITOR</i>						1.0000	0.3033	0.1070
<i>FIRMSIZE</i>							1.0000	0.0001
<i>LEVERAGE</i>								1.0000

Notes. *EQDD* = Earnings quality; *ACIND* = An independent audit committee chair; *ACEXP* = The proportion of audit committee members with accounting or financial expertise; *ACSIZE* = The number of audit committee members; *ACMEET* = The number of audit committee meetings for the year; *AUDITOR* = 1 if the company has a Big 4 accounting firm auditor and 0 if otherwise; *FIRMSIZE* = The natural log of total assets; and *LEVERAGE* = Total liabilities divided by total assets.

Table 7 addresses the second to fourth hypotheses. As regards the independence of audit committee (H2), there are indications of a significant relationship between an audit committee having an independent chair and earnings quality at the significance level of 0.01, which is consistent with the findings of Beasley et al. (2000) to the effect that audit committees' independence is significantly related to financial reporting quality.

Table 7

Regression Analysis for Audit Committee Characteristics and Earnings Quality

	Coefficient	Std. error	t-ratio	p-value
Constant	2.53907e+07	1.76279e+06	14.4038	< 0.00001***
<i>ACIND</i>	-1.86098e+06	438,163	-4.2472	0.00007***
<i>ACEXP</i>	1.32533e+06	723,538	1.8317	0.07180*
<i>ACSIZE</i>	29,542.6	127,981	0.2308	0.81820
<i>ACMEET</i>	-89,611.4	404,043	-0.2218	0.82521
<i>AUDITOR</i>	-396,596	242,903	-1.6327	0.10759
<i>FIRMSIZE</i>	-0.142373	0.009666	-14.7292	< 0.00001***
<i>LEVERAGE</i>	3.52692e+06	1.05207e+06	3.3524	0.00137***
R-squared	0.857693			

Notes. * and *** denote significance at the levels of 0.1 and 0.01 respectively; *ACIND* = The existence of an audit committee chair; *ACEXP* = The proportion of audit committee members with accounting or financial expertise; *ACSIZE* = Audit committee size; *ACMEET* = The number of audit committee meetings for the year; *AUDITOR* = 1 if the auditor is from the Big 4 and 0 if otherwise; *FIRMSIZE* = The natural log of total assets; and *LEVERAGE* = Total liabilities divided by total assets.

The relationship between financial or accounting expertise for members of audit committee (H3) and earnings quality is significant at the significance level of 0.1. This finding is similar to those of Bedard et al. (2004) and Xie et al. (2003). Those studies showed that audit committee members with accounting or financial backgrounds are effective monitors in reducing earnings management. However, this finding contradicts the studies of Yang and Krishnan (2005) and Lin et al. (2006), who failed to find any significant association among

accounting, financial experts, and financial reporting quality measured as the level of earnings management.

The relationship between audit committee members and frequency of meetings (H4) is insignificant in this study, similar to the findings of Vafes (2005) and Lin et al. (2006), who found no relationship between the number of audit committee meetings and financial reporting quality. This finding contrasts those of Zhang et al. (2007) and Xie et al. (2003). Similarly, this study found no significant relationship between audit committee size (H5) and financial reporting quality.

Among the control variables, *FIRMSIZE* and *LEVERAGE* are each associated with financial reporting quality at the significance level of 0.01 respectively. This finding is consistent with those of Xie et al. (2003) and Yang and Krishnan (2005), who reported that firm size is significantly related to earnings quality.

Conclusions

The objective of this study is to examine the relationship between audit committee formation and audit committee characteristics with financial reporting quality. This study provides evidence of the relationship among audit committee formation, audit committee characteristics, and improved financial reporting quality for Nigerian listed companies.

Using a sample of 70 companies listed on the NSE, the study used archival data in the form of companies' annual reports. The reason for this was the wider availability of annual reports for these companies. To test the hypothesized relationship among the variables, the study posed the following questions: (1) Is there any significant relationship between the formation of audit committees and financial reporting quality? and (2) Is there any significant relationship between audit committee characteristics and financial reporting quality?

For the first research question, there was some evidence to support a positive association between formation of audit committee and improved financial reporting quality. This conclusion arose from the significant positive difference in the mean of the descriptive statistics results between the years before and after audit committee formation. For the second research question, the results indicate a significantly positive relationship between audit committees with independent audit committee chair and audit committee members having accounting and financial expertise and improved financial reporting quality. However, the study found no positive relationship between frequency of audit committee meetings as well as audit committee size with improved financial reporting quality.

The study has potential implications for relevant regulatory bodies in Nigeria and may find the results useful in assessing the usefulness of audit committee listing rules that came into effect from October 2003. The rules mandated all listed companies on the floor of NSE to have audit committees. This requirement is supported by the results of this study to the effect that formation of audit committees has satisfactory effects on financial reporting.

However, with other researches, this study also had potential limitations which provide avenues for further research. Firstly, the focus of this study was on companies listed on NSE. These companies are under greater regulatory pressure than private companies. Thus, the results obtained from the data may not be generalized to include private companies, because private companies are subjected to different rules and regulations. Further, studies could be extended to include private companies that voluntarily formed audit committees. Secondly, the exclusion of firms from certain industries to accommodate the model can in turn limit the generalizations of the results to those industries. Further research could be done to address these issues using other measures of earnings quality that do not impose restrictions on the study. Furthermore, this study relied on companies'

annual reports for the data necessary to test the hypotheses. As a result, it was not possible to develop detailed knowledge of the inner workings of the audit committees. A number of case studies of audit committees in Nigerian companies could be undertaken to extend the study.

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