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Audit Committee Characteristics And Financial Reporting Lag Of Listed Companies In Nigerian Stock Exchange

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Abstract: This study examined the effect of audit committee characteristics on financial reporting lag in Nigeria. Secondary data were collected from the annual reports of firms listed on the Nigeria Exchange Group (NGX) from 2013 to 2018. The study's sample was selected using a simple random sampling approach. The audit committee size and frequency of audit committee meetings were treated as independent variables while the time lag in financial reporting functioned as the dependent variable. According to the results, audit committee size does not affect the financial reporting lag of listed companies in Nigeria, however the frequency with which audit committees meet does have a negative connection and significant influence on this metric. The findings of the research indicate that the audit committee meetings have significantly affected the financial reporting lag in Nigeria. Based on the findings of this research, it is clear that audit committee members need to have accounting and financial management backgrounds in order to fulfill their oversight responsibilities. It also suggests that listed firms in Nigeria check the integrity of their audit committee members to make sure they will not compromise on ethics.

Keywords: Audit committee characteristics, Financial reporting lag, Nigerian Stock Exchange.

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I. BACKGROUND TO THE STUDY

Financial reporting is a bedrock function of every corporation and an integral part of any functional corporate structure. Given the knowledge gap between the board of directors, who have access to internal business data, and external stakeholders, financial reporting serves as the principal means of two-way communication between the company and its many interested parties. Scholars evaluate corporate governance issues because, according to Ayemere and Afenisimi (2015), a company's financial statements' credibility and transparency depend on the efficiency of the company's monitoring process. Several empirical researchers have noted that the audit committee's role has become more important in ensuring the reliability of financial statements in light of these modifications (Adeyemi & Fagbemi, 2010; Felo & Solieri, 2009; Kibya, Ayoib & Amran, 2016). To ensure the reliability of financial reporting, multinational corporations often form an audit committee with at least one independent director.

The audit committee of the board is responsible for ensuring that the financial results provided by management are accurate and reliable. By acting as an intermediary between the external auditor and the Board of Directors, the audit committee helps keep everyone on the same page during monitoring. According to Emeh and Appah (2013), the audit committee is the most crucial governance tool for selecting and monitoring audit firms. Therefore, it is crucial to have a well-functioning audit committee to guarantee the impartiality of auditors and the accuracy of financial reports. Ayemere and Afensimi (2015) claim that audit committees are beneficial to businesses because they increase confidence in the reliability of financial reporting. This is why specialised financial reports meet the needs of decision-makers. Therefore, it is understood that timeliness is a crucial part of financial reporting data.

This may be accomplished by disseminating financial statements as soon as feasible after the end of the accounting period (Emeh & Appah, 2013). According to Alexander and Britton (2000), "timeliness is a necessary condition to be reliable" in financial reporting, therefore this makes sense.

When functioning properly, an audit committee has the potential to increase investor trust and provide other major advantages to a corporation. By having an independent party, the internal auditor, review financial statements on behalf of the board, confidence in the financial accounts is increased and the auditor's independence is safeguarded in the case of a disagreement with management.

Corporate financial reporting's major objective is to provide diverse user groups with an accurate and transparent depiction of management's stewardship, the company's performance, and its position so that they may make informed economic decisions. Financial reporting is defined by Mbobo and Ekpo (2016) as the "process by which corporate entities provide information to interested parties (users) on their transactions during an accounting period." Shareholders, creditors, tax authorities, clients, analysts, and lenders are just some of the groups that could be considering their options. The parties require reliable financial data in order to make informed decisions for the company. Financial reporting is one of the key means through which company management communicates financial information for a certain time period. According to International Accounting Standard (IAS 1), the purpose of providing information regarding an entity's financial position, financial performance, and cash flows in financial reports is to help diverse users (such as investors) make better economic choices. The company's financial statements are the primary medium for disseminating such information. According to Ibadin and Dabor (2015), financial statements reveal the outcomes of management's resource stewardship through the economic information disclosed in asset, liability, equity, income, expense, gain, loss, contribution by and distribution to owners in their capacity as owners, and cash flow statements. Investors might use this knowledge together with others to assess the reliability of the company's projected cash flows.

The rate at which new information is included in financial reports is a major component in influencing the reliability of accounting data. According to FASB's Statement of Financial Accounting Concepts No. 8 (FASB, 2010), financial data that is both timely and accurate is an invaluable resource for decision-makers. After major accounting scandals like Enron and WorldCom shattered confidence in the efficiency of financial markets, investors and policymakers both began to question the veracity and timeliness of financial reports (Sultana, Singh, & Van der Zahn, 2015).In addition to promoting shareholders' equitable access to financial information without having to travel elsewhere (Owusu-Ansah, 2000), timeliness is considered as a reflection of the reliability, accuracy, and transparency of the information provided (Ram & Hassan, 2017).

STATEMENT OF THE PROBLEM

The audit committee's job is to keep tabs on the company's books and evaluate how well its internal controls are working (Bédard & Gendron, 2010). Therefore, the audit committee should have more influence on the conduct and decisions of the external auditor, especially with respect to the timing of the audit report. Many authors (including Komal and Bilal (2016) and Ika and Ghazali (2012)) in the field of agency theory stress the need of having an audit committee as part of a well-functioning internal governance framework for any business. According to studies (Afify, 2009; Shukeri & Islam, 2012), the audit committee is the single most effective internal control related to financial reporting. By assisting the client in enhancing its internal control, the audit committee may be able to shorten the time it takes to compile the audit report (Sultana et al., 2015). Multiple authors have stressed the importance of an audit committee's fairness, knowledge, size, and competency, including Bédard and Gendron (2010) and Zaman, Hudaib, and Haniffa (2011).

Unfortunately, several cases of financial statement manipulation have occurred even though audit committees have been in place (Ayemere & Elijah, 2015), suggesting that an audit committee alone is not enough to prevent management from engaging in this practice. As a result, in light of recent accounting crises, the focus has shifted from just establishing audit committees to measuring how well such committees instill confidence in financial statements among stakeholders. Several studies have pointed to a variety of qualities necessary for an audit committee to fulfill its responsibilities. Some of these characteristics include the audit committee's size, activity, and expertise.

Compared to more developed economies like the United States and the United Kingdom, developing nations publish less audited financial reports (Afify, 2009; Baatwah et al., 2015a; Alfraih, 2016). Scholars are interested in identifying the determinants of financial report lag because of the significance of financial report lag to investors, as evidenced by recent studies by Abernathy et al. (2017), Sharma, Tanyi, and Litt (2017), Wan-Hussin, Bamahros, and Shukeri (2018), Salehi, Bayaz, and Naemi (2018), and Raweh, Kamardin, and Malik (2019). However, there is a dearth of empirical studies that investigate what factors contribute to the lags of Nigeria's financial reports. Therefore, this study fills a gap in the literature by providing empirical evidence of the link between audit committee characteristics and financial report lag in Nigeria.

OBJECTIVES OF THE STUDY

The primary goal of this research is to examine the impact of the audit committee's characteristics and the lag of financial reports of publicly traded Nigerian firms from 2013 to 2017. The precise aims of the research are to assess:

- ✓ The effects of the audit committee meeting on Nigerian listed firms' financial reporting lag.
- ✓ The effects of the audit committee size on Nigerian listed firms' financial reporting lag.

RESEARCH QUESTIONS

The following research questions guided this study:

- ✓ To what extent does the frequency of audit committee’s meetings affect financial reporting lag of listed companies in Nigeria?
- ✓ To what extent does audit committee’s size influence financial reporting lag of listed companies in Nigeria?

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RESEARCH HYPOTHESES

The following hypotheses were formulated in this study:

Ho_1: The financial reporting lag of listed firms in Nigeria is not significantly affected by the frequency of meetings of the audit committee.

Ho_2: In Nigeria, public businesses' financial reporting lags are not significantly affected by the size of their audit committees.

SIGNIFICANCE OF THE STUDY

The results of this research will be beneficial to certain segments of the population. Management may benefit from this study since it analyses how stewardship (performance) influences the audit committee's efficiency and identifies areas for development. This study might be useful to the Securities and Exchange Commission (SEC), the Corporate Affairs Commission (CAC), and other organisations with similar authorities.

This research may also be of interest to shareholders, who, as owners, are often motivated to maximize their wealth, since an effective audit committee function will lead to lower agency costs, enhanced corporate governance, enhanced performance, and increased value for shareholders. Academics and students may also find this study useful if they are investigating how corporate governance structures influence business operations and results. Therefore, the study gives the academic audience yet another chance to be stimulated and triggered into considering additional research and, therefore, expanding the scope of knowledge.

SCOPE OF THE STUDY

The purpose of this research is to assess how the composition of the audit committee contributes to the lag in financial reporting in Nigeria. The study, however, is limited to the consumer goods industry as of December 31, 2022, and more narrowly to the companies that are trading on the floor of the Nigerian Exchange Group (NGX). As a result, the study covers a period of seven (7) years, from 2017 to 2022.

This research analyzed audit committees based on two primary characteristics: their function and the frequency of meetings and size. The purpose of this is to have concrete evidence upon which to base recommendations for future actions and policies.

II. LITERATURE REVIEW

AUDIT COMMITTEE

The term "audit committee" has been used a number of different ways by various authors. Arens (2009) defines an audit committee as "a component of the board of directors charged with preserving the independence of the external auditor." According to Siti and Nazli (2012), an audit committee's role in a corporation's corporate governance structure is crucial since it maintains the quality of audits and keeps tabs on financial reporting.

All financial records and reports are double checked by the audit committee of the board of directors. It is the responsibility of these "non-executive directors" to perform an unbiased review of the company's financial records. Due to the fact that they are not affiliated with the firm in any way, their audits are free from any perception of prejudice or conflict of interest (Millicent, Benedict, Williams, & Gabriel, 2022).An effective audit committee will exhibit traits like objectivity, timeliness, focus, and proactivity with regard to tasks.

Rezaee (2009) states that it is the duty of this board committee to ensure that the channels of communication between the company's management and its external auditor are kept accessible. It is the opinion of Verschoor (2008) that the board of directors should include an audit committee. The committee's duties are specified in statutes, rules, and operational protocols. Aspects like as financial reporting, auditing, ethics and compliance, and risk management must be observed and managed. In accordance with According to Arens, Elder, and Beasley (2014), the audit committee of the board of directors is responsible for ensuring the independence of the auditors from the company's management. The Board of Directors has an Audit Committee in place to ensure the auditor's independence. The majority of audit committee members are not executive management, according studies conducted by Arense, Elder, and Beasley (2014). The definition of audit committees might change depending on the tasks they are asked to do. In the words of AlThuneibat (2006), this is the section of an organisation consisting of directors who are not responsible for running the day-to-day business. The primary motivation for a business to form an audit committee is the desire to increase the effectiveness of the board of directors' oversight of the company's financial statements.

According to the foregoing definitions, an audit committee is a corporate governance tool through which independent, non-executive directors exercise control and oversight over a variety of managerial functions including internal auditing, risk management, compliance, and financial reporting, and through which they intervene when a dispute arises between executive management and the external auditor. In order to fulfil its mandate and achieve its goals, an audit committee needs members who are impartial, well-versed in financial matters, and available for frequent meetings with a predetermined schedule.

Advising the board of directors on risk, control, and governance problems; promoting sound corporate governance; and strengthening the credibility of financial reporting are all duties of the audit committee, which is a required board of directors' committee (Eyenubo, Mohammed, & Ali, 2017). The audit committee's primary responsibility has always been to ensure that management's financial reports are accurate and trustworthy. Recently, this essential role has been applied not only to the annually financial statements but also the quarterly reports. This has led to audit committees having a more hands-on approach to monitoring data that goes beyond financial. Owolabi and Dada (2011) argue that every corporation should give the audit committee greater weight in light of the frequency with which corporations fail and collapse.

It has been shown that the audit committee's success increases as its size increases. According to Gujarati (2003), a

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larger audit committee is preferable than a smaller one. However, if there are too many people on the audit committee, its efficiency may suffer. These results demonstrate the importance of having a sizable audit committee for overseeing financial reporting. According to the UK Code of Corporate Governance (2000), there must be a minimum of three members on the audit committee. It was questioned by Healy and Wahlen (1999) whether or not a larger audit committee would provide better supervision. Several studies have shown that larger boards are associated with better business results. Although the International Auditing Standards Board (2008) states that "audit committees with more members are likely to possess diverse skills and knowledge, which is likely to enhance monitoring," the Institute of Chartered Accountants of Nigeria found that larger boards performed better due to a more thorough monitoring approach in 2014.According to Kibiya, Ahmad, and Amran (2016), "the size of audit committee increases the number of meetings." It has been stated that more frequent meetings would result in better financial reporting because of more monitoring. But Krishnan and Visvanathan (2007) argued that "size is unlikely to have any effect on lead to inefficient governance," as larger organisations tend to have more meetings, which in turn increases costs. Financial reporting may suffer as a result if the audit committee is excessively large.

Prior to the 1970s, only large corporations were voluntarily forming audit committees (Appah & Appiah, 2011). However, audit committees' efficacy has been questioned owing to worries that its members lack accounting, auditing, and corporate governance competence (Appah & Appiah, 2010; Emeh & Appiah, 2013). Audit committees are required to be established in all publicly listed companies in Nigeria under the 1990 firms and Allied Matters Act, as revised and merged in the 2004 Act. According to Section 359(6), the committee is responsible for the following tasks: (i) determining whether the company's accounting and reporting policies comply with legal and agreed-upon ethical standards; (ii) reviewing the scope and planning of audit requirements; (iii) reviewing the findings on management matters together with the external auditors and departmental responses thereon; (iv) monitoring the efficiency of the company's system of accounting and internal control; and (v) making recommendations. Audit committees were established, according to Appah (2018), so as to:

- ✓ Decrease fraudulent actions and avoid misleading financial reporting.
- ✓ Assist boards of directors in carrying out their duties, boost public trust in audited financial statements, and protect the auditor's impartiality.
- ✓ Empower independent, non-executive directors with more safeguards against being misinformed by management.
- ✓ Deal with unforeseen business mishaps and wrongdoings.

Felo and Solieri (2009) argue that it is the responsibility of the audit committee to verify the financial statements of the firm. Long before the worldwide financial crisis that rocked the globe at the close of the previous decade (Emeh and Appah, 2013), regulators throughout the world recognised the importance of audit committees in financial reporting. The audit committee aids in the dissemination of financial information to the public and represents the interests of the company's owners by providing a platform for shareholders to question the board of directors, external auditors, and CEO. It is recommended that the audit committee monitor the company's accounting processes, controls, internal audit (if any), and risk management framework in accordance with best practises (Mitra & Hossain, 2007).

Both Turley and Zaman (2007) and Cohen, Krishnamoorthy, and Wright (2007) examine the mechanisms through which an Audit Committee may effectively monitor financial reporting. In general, these reports support Audit Committees' demand that the Board of Directors sign off on all financial statements before they are released to the public. This helps to guarantee that the statements are fair, accurate, and presented in a timely manner. According to Oji and Ofoegbu (2017), auditors are also responsible for assessing whether or not financial statement disclosures are adequate, as well as the effect of significant management estimations, recent changes in accounting rules, and the potential effect of any future changes.

In conclusion, the whole procedure of financial reporting falls within the purview of the audit committee of the board of directors. The reliability of financial reporting is enhanced by the existence and activities of an audit committee. The audit committee is responsible for resolving any conflicts that arise between the board of directors and either the internal or external auditors.

FINANCIAL REPORTING

Swanson and Zhang (2018) argues that managers of organizations (private and public) can only be held responsible for their management decisions and conduct when these actions are reported on in financial statements. The term "financial reporting" refers to a wide range of documents, not only financial statements, that convey information about an organization's assets, liabilities, profits, etc., as determined by the accounting system. The Financial Accounting Standard Board Concepts No. 1 titled “Objectives of Financial Reporting by Business Enterprises” summarized the objectives of financial reporting as follows:

- ✓ “There should be sufficient information in financial reports for investors, creditors, and others to make informed decisions.
- ✓ Cash revenues from dividends or interests and proceeds from the sale, redemption, or maturity of securities or loan should be projected in financial reports to help current and potential investors, creditors, and other users assess the amounts, timing, and uncertainty of future cash receipts.
- ✓ It is the purpose of financial reporting to disseminate information about a company's financial assets, liabilities, and the impacts of transactions, events, and situations that have an impact on those assets, liabilities, and effects to interested parties.
- ✓ The purpose of financial reporting is to educate stakeholders of an organization's financial health and performance over a specified time frame.
- ✓ An organization's financial statements should detail its capital transactions, such as cash dividends and other distributions of an enterprise resource to owners, as well

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as any other events or circumstances that may have an impact on the organization's liquidity or solvency.

- ✓ 6. Management and board members should be able to make informed decisions in the best interests of shareholders with the help of financial statements."

As the number of accounting scandals rises throughout the globe, investors should be wary of financial reports. Very low-quality financial reporting directly causes investors to lose confidence in a firm and its financial practises. Companies' financial statements may be trusted because of convergence and harmonisation of accounting rules in response to these crises. Therefore, it is crucial that customers have access to high-quality financial information, since this affects investment choices and boosts market efficiency. The International Accounting Standards Board (2008) agrees that providing investors, creditors, and other market participants with access to high-quality financial reporting information may improve market efficiency. As a result, accounting standards are crucial in establishing the credibility of economic data.The reliability of a company's financial reporting may be evaluated by the precision and thoroughness of the data it presents, as stated by the International Accounting Standards Board (2008). The International Accounting Standards Board has constructed a theoretical framework within which standards for accurate financial reporting have been established. Fundamental - "faithful representation" and "relevance", and "enhancing"– "understandability", "timeliness", "verifiability", and "comparability" are the primary classifications into which these qualitative characteristics may be broken down. These qualitative features help in evaluating the value of financial data and filtering out potentially deceptive data. Thus, accuracy and predictability are characteristics of substantial reporting quality, and transparent financial reports are prioritised above deceptive financial information (Walker, 2004).

If a company's financial statements are late being released, it might hurt the company's reputation and erode investor trust. When there is a delay between when transactions occur and when reports are filed, the information is less timely and accurate. Financial statement information loses its usefulness with time (Ilaboya, 2014), which might make investors wary of the stock market (Appah and Tebepah, 2020).

Both the Financial Accounting Standards Board and the International Accounting Standards Board place a premium on high-quality financial reporting, but how to operationalize and quantify such quality is still an important unresolved subject in the existing literature. The quality has been studied in terms of its effects on financial reporting in certain research. Factors include earnings management, company governance, financial markets, internal reporting systems, GAAP, business reputation, accounting conservation, financial restatements, and so on. However, this study modified the Yang and Krishnan (2005) model in order to evaluate the quality of financial reporting by including both financial and non-financial reporting information into the discretionary accruals. It has been shown in the past that the Jones model is commonly used to quantify discretionary accruals as a proxy for financial reporting quality (Dezoort, Hermanson, Archambeault, & Reed, 2002; Eriabie & Izedonmi, 2016).

AUDIT REPORT LAG

Time between the close of a fiscal year to the release of the audit report is referred to as the "audit report lag." Due to its crucial importance in the information economy and in the investment choices of stakeholders, timely publishing of financial data by firms is an essential aspect of financial reporting. Lack of timeliness in publishing audit reports jeopardizes the accuracy of financial reports by delaying their availability to key stakeholders. The longer it takes to prepare financial accounts, the greater the signal to the market that there may be unfavorable difficulties emanating from the audit (Millicent, Benedict, Williams, & Gabriel, 2022).

The time lag between completing an audit and submitting the report is one of the qualitative qualities that must be addressed while creating a financial report. The financial accounts will no longer be useful in making decisions if they are not supplied on time. When financial statements can no longer affect choice, financial reports are no longer meaningful.

The duration of the yearly audit is a major determinant of whether or not a company's financial reports are timely (Abernathy et al., 2017). Only until an external auditor has certified the financial statements can a company publicly disclose them. How long it takes for an audit report to be released after a company's fiscal year ends is known as the audit lag (Swanson & Zhang, 2018). Studies have shown that the public's faith in audited financial statements is negatively impacted by a delay in the release of audit reports (Salleh, Baatwah, & Ahmad, 2017; Sultana et al., 2015). If the audit report is late, shareholders are not given accurate information (Raweh, Kamardin, & Malik, 2019).

The audit report lag is the time it takes for an auditor to provide an audit opinion after the end of a fiscal year.The time it takes to get an audit report is crucial, since it affects when required reports must be submitted to authorities. Investors have a high degree of trust in the data shown in the audited financial statements because of the scarcity of other sources of financial information. Therefore, it is crucial to maintain a steady flow of cash by having these financial statements published on schedule in capital markets. Stakeholders need information from the financial statements are quickly as possible to make critical decisions. However, this is highly dependent on the speed with which the external auditor can complete the audit assignment.

CONCEPT OF CORPORATE GOVERNANCE

The relative power of owners, managers, and capital sources influences how the term "corporate governance" is used and interpreted in various regions of the globe. For instance, Corporate governance is defined by the Organization for Economic Cooperation and Development (1999) as "a set of relationships among company directors, its shareholders, and other stakeholders that establishes a framework for setting and achieving objectives and for monitoring performance. "The OECD's definition of "corporate governance"

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demonstrates that the concept encompasses both the internal and exterior aspects of a corporation, including internal control and the relationship between the company and its shareholders and other stakeholders. According to Appah (2019), corporate governance is the "interaction between the board of directors and the company's management." It's also, ultimately, about systems of responsibility.

According to the SEC (2003) and the Central Bank of Nigeria (2006), corporate governance is the "process by which businesses are directed and managed to maximise shareholder value and satisfy all other interested parties. "Given the significance of the banking sector, the code places special focus on promoting the adoption of good corporate governance practises by financial institutions (banks). The board of directors is tasked with protecting and advancing the interests of the bank's stakeholders by enforcing the Code's requirements for professional management and conducting adequate reviews of management performance.

IMPORTANCE OF AUDIT COMMITTEE

The primary responsibility of the audit committee is to assure the reliability of the company's financial statements and reporting. Therefore, audit committees are responsible for a broad variety of duties, such as, but not limited to, appointing and paying auditors, setting the responsibility and extent of audits, protecting the auditors' independence, and resolving disagreements between auditors and executives. Accounting policies should be reviewed and approved by audit committees. Furthermore, they have a tendency to influence a company's perspective on financial reporting, transparency, and best practices. In addition to ensuring that the accounts add up, audit committees are also responsible for monitoring the company's adherence to legal and ethical standards and its fraud prevention measures (Turley & Zaman, 2004).

AUDIT COMMITTEE IN NIGERIA

An audit committee is required to be included in the board of directors in Nigeria in compliance with the Companies and Allied Matters Act (CAMA, 1990). The external auditor of a public corporation is required by law to report to an audit committee (section 359 (3), CAMA, 1990) in addition to reporting to shareholders at the annual general meeting. The audit committee is responsible for reviewing the auditor's report and providing recommendations to the annual general meeting. The committee may include up to six members, including directors and shareholder representatives. No compensation will be provided to audit committee members, and their terms will expire yearly unless they are re-elected. Nominations for the audit committee must be submitted in writing to the company secretary at least twenty-one days before the annual general meeting. According to (Section 359 (4-5), CAMA, 1990), the audit committee's duties and responsibilities should include, at a minimum, but are not limited to the following, subject to any further duties and authorities expressly granted by the company's articles of association:

- ✓ “Check the company's accounting and reporting practises to see whether they comply with regulations and standards;
- ✓ Analyse the audit's intended outcomes and how it was organised;
- ✓ Together with the external auditor and the departments' replies to the concerns presented, evaluate the findings on management matters;
- ✓ It is important to do routine checks on the integrity of the accounting and internal control systems.
- ✓ Recommend actions regarding the external auditors' appointment, termination, and compensation to the Board.
- ✓ Permit the internal auditor to look into any firm matters that the committee finds interesting or concerning. Note: (SEC359 (6), CAMA 1990).”

AUDIT COMMITTEE CHARACTERISTICS

AUDIT COMMITTEE SIZE

Accounting and other internal control systems should be checked regularly to ensure their reliability. All publicly traded firms in Nigeria are required to have an audit committee (with a maximum of six members, including three members representing the management/directors and three shareholders) under the firms and Allied Matters Act, 1990. Everyone in the organisation has to be able to read basic financial statements.

A committee's total size is determined by the number of people serving on the audit. For the purpose of impartiality and objectivity, the committee members are often brought in from the outside, as stated by Abu, Yahaya, and Abah (2018). Audit committees, according to the literature (Xie, Davidson, & DaDalt, 2003), should be both small enough to operate effectively and varied enough to represent a balance of perspectives and experience. The study authors also emphasised the need of having at least three members on an audit committee (excluding invitees and co-opted people). Bylaws or standards established by the audit committee should specify the required number of members to have a meeting.

A large audit committee may reduce the drive to manipulate financial results. The actual data, however, seems to be ambiguous. According to reports, if an organization's audit committee is large enough, it will be better equipped to deal with any problems that arise (Sultana et al., 2015). There should be at least three board members on the audit committee. Hillman and Dalziel (2003) found that audit committees with fewer members were more effective at monitoring and had stronger group cohesion. There must be a majority of independent directors on the audit committee, and the OCGC (2002, as updated in 2015) requires at least three non-executive directors.

Hillman and Dalziel (2003) argue that the controlling and monitoring responsibilities of an audit committee might be weakened when certain directors do not take an active role in the committee. Bédard and Gendron (2010) state that even a small audit committee that draws from a diverse pool of expertise may provide sufficient monitoring.

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AUDIT COMMITTEE MEETING

To prevent management from engaging in opportunistic behaviour, maintain reliable financial results, and guarantee the quality of information presented, an audit committee has to be vigilant (by meeting often) with regard to weaknesses in internal control (Khlif & Samaha, 2016). Goh (2009) discovered that the frequency with which the audit committee met was inversely proportional to the time it took to repair significant problems. The audit committee must have at least quarterly sessions. The audit committee, according to Mohamad-Nor et al. (2010), should meet often and retain records of their findings. The research also discovered that by increasing the frequency of audit committee meetings, the period between audits might be shortened. It follows that holding audit committee meetings results in better reporting timeliness (Ika & Ghazali, 2012). According to studies conducted by Aljaaidi, Bagulaidah, Ismail, and Fadzil (2015) in Jordan, the time it takes to get the audit report is reduced when the audit committee meets regularly. There was no link between audit committee meetings and audit report delays, according to research by Baatwah et al. (2015), Sultana et al. (2015), and Salleh et al. (2017).

THEORETICAL FRAMEWORK

The evolution of corporate governance has been accompanied by a wide range of mechanisms and theoretical frameworks. In order to understand the present research's framework, observe the interaction (this study employs the agency theory), it is necessary to first understand the processes and theories that underpin it.

INSTITUTIONAL THEORY

Institutional theory is based on the idea that every organisation exists within a larger set of social and symbolic structures. The adoption and functioning of audit committees are crucial to this notion because they provide a proxy for the independence of audit committee members. The audit committee is said to be more impartial than other committees since it is comprised nearly exclusively of independent directors. The quality of profits is improved by the audit committee's independence, as stated by Bryan, Liv, and Tiras (2004). As a result, the most crucial element influencing the reliability of financial accounts is the audit committee's members' impartiality. According to institutional theory, the audit committee should consider the ceremonial duties of governance in legitimizing international collaboration among the many stakeholders engaged in corporate governance and the historical development of organisational processes.

EMPIRICAL REVIEW

There are several researchers that have attempted to analyse the influence of audit committee characteristics on financial reporting lags. However, it becomes important for some of these studies to be reviewed.

Millicent, Benedict, Williams, and Gabriel (2022) look at how audit committee characteristics affect Ghanaian publicly listed companies' lag audit report. The size, gender diversity, and financial expertise of the audit committee were shown to be correlated with the time it took to complete the audit report after the close of the fiscal year. Twenty-five of the thirty-eight firms listed on the Ghana Stock Exchange were analysed using secondary data gleaned from their financial statements between 2008 and 2019. The findings supported the study's prediction that a lack of gender diversity on audit committees was associated with longer delays in releasing audit reports. Furthermore, it was shown that the audit committee's knowledge of finances had a negative correlation with the audit report's lag. There was further evidence linking the committee's lack of diversity in terms of gender to the audit report's tardiness. The study concluded that the audit committee's attributes affected the audit's quality and that the committee helped ensure the audit report was delivered on time. The findings suggest that corporations should consider adopting these criteria to diversify the composition of its audit committee board.

Dheseviano and Efesiri (2021) found that certain qualities of the audit committee were associated with delays in financial reporting in Nigeria. Financial reporting timeliness, audit committee impartiality, audit committee meetings, and audit committee gender diversity are all investigated. This research performed an ex post facto analysis using panel data from the 20 best-performing companies that were traded on the Nigeria Stock Exchange between 2010 and 2019. In E-view 9, they used correlation, regression, and descriptive statistics to analyse the information. Gender diversity on audit committees was significantly correlated with financial reporting lag, but not with audit committee meetings or independence. The results suggest that shorter intervals between financial reports might be achieved by increased frequency of audit committee meetings and the recruitment of solely independent executive directors to serve on the committee.

Nahla, Hasnah, and Mazrah (2019) use data from the Muscat Securities market including 255 enterprises from 2013 to 2017 to give empirical evidence on the association between audit committee features and audit report lags. Multivariate research reveals that smaller audit committees with higher financial knowledge are able to submit their findings more rapidly than larger audit committees. There were no correlations discovered between audit report lags and either audit committee independence or audit committee meeting frequency in this research. Based on the findings, regulators in this developing market should enforce and promote real corporate governance practices rather than just conforming to form. Oman's internal systems of corporate governance were found to be weak when compared to those in more develop nations.

Using information from 255 businesses listed on Oman's Muscat Securities market between 2013 and 2017, Raweh, Kamardin, and Malik (2019) evaluated audit committee characteristics and audit report lag in the Sultanate. They discovered that audit committees that were larger were more likely to be late with their reports, whereas audit committees that included financial experts were less likely to be late. Researchers could not uncover any correlation between audit report lags and audit committee independence or frequency at meetings. This research concludes that Oman's internal

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corporate governance systems are less effective than those in more developed nations, and that authorities in this rising market should enforce motivated norms of corporate governance in substance rather than just complying to rules of form.

Ohaka and Tom-Abio (2018) analysed the audit committee independence and quality of financial reporting at Aluminium Corrugating Companies in Rivers State. Results showed a strong correlation between independent audit committees and the quality of financial reports at Rivers State's Aluminium Corrugating businesses. The impact of audit committee efficiency and auditor assessment on audit quality was also studied by Wasonga and Omoro (2017). According to the results, the quality of financial reports may be enhanced by increasing the audit committee's independence, the knowledge and skill of its members, and the committee's overall size.

Handayani and Yustikasain (2017) examined the gaps in corporate governance and audit reports of manufacturing companies listed on the Indonesian Stock Exchange between 2013 and 2015. Independent board of commissioners with expertise. Audit Committee members were not found to have any influence on how long it took to issue audit findings.

The effect of audit committee financial expertise on audit report timeliness at the top 100 Malaysian enterprises was studied by Salleh, Baatwah, and Ahmad (2017) between 2005 and 2011. Multiple linear regression analysis was performed to assess data collected post hoc. Researchers found no significance owing to audit committee lack of independence. According to the findings, an independent audit committee is better able to use its financial skills to ensure timely financial reporting.

Audit committee chairmen at FSTSE 350 companies were studied by Ghafran and Yasmin (2017), who analysed their financial, experimental, and monitoring knowledge from 2007 to 2010. The study found that the audit report lag time was significantly inversely related to the experience and monitoring competencies of the chairman of the audit committee, suggesting that such chairmen are more effective at least in the face of timely financial reporting. The negative link between the length of time it takes to complete an audit report and the audit committee's composite compliance variable suggests that adhering to their guidelines might aid with the timely delivery of financial reports.

Furthermore, Emeh and Appah (2013) analysed the audit committees of 35 businesses listed on the Nigerian Stock Exchange, as well as the timeliness with which they reported their financial results. While audit committee meetings (ACM) were not found to be correlated with on-time financial reporting, audit committee independence (ACI) was. Similarly, audit committee expertise (ACE) was connected to timeliness of financial reporting while ACS was not.

Rahimi and Amini (2015) looked at how audit quality affected the bottom lines of firms trading on the Tehran Stock Exchange. The auditor's experience and the researcher's own experience were the two factors that were utilized to determine the audit's quality. The 52 businesses trading on the Tehran Stock Exchange constituted the study's sample. The results of the research indicated a favorable, although small, correlation between auditor size and tenure length and firm profitability.

Experimental research on the audit report lag of manufacturing businesses listed on the Indonesia Stock Exchange between 2008 and 2012 was undertaken by Mukhtaruddin, Oktarina, Relasari, and Abukosim (2015). They looked at things such company size, operational complexity, auditor quality, and the auditor's perspective. To make sense of the data, they used a post hoc research strategy using a multiple linear regression analysis. The results demonstrate a robust relationship between each of the factors and the overall time required to compile an audit report. 'Auditor Quality' has a statistically significant beneficial impact when compared to 'Firm Size' and 'Auditor's Perspective,' while 'Operational Complexity' has no effect at all.

Using a co-integration and error-correction technique, IIaboya and Obaretin (2015) analyzed the relationship between board features and the dynamics of company financial performance. The research suggests that a larger board of directors is associated with better financial performance. It implies the need of an independent audit committee, as well as a competent and sizable board, in order to ensure the ongoing success of the control mechanism and oversight role.

The financial reporting timeliness of FSTSE 350 businesses from 2007 to 2010 was evaluated by Ghafran and Yasmin (2017), with an emphasis on the financial expertise, experimental knowledge, and monitoring expertise of the head of the audit committee. Studies reveal that the time it takes to compile the audit report, a critical component in the timeliness of financial reporting, is significantly inversely related to the expertise and experience of the individual in charge of the audit committee. Compliance with audit committee rules is helpful for timely financial reporting, since a negative correlation between audit report timeliness and the audit committee composite compliance variable was found.

Audit report lag (ARL) and discretionary report lag (DRL) were studied by Chang-Hyun and Yong-Sang (2015), along with their association with analysts' prediction mistake in Korean companies. The investigation was conducted after the event and analysed using multivariate regression. The empirical investigation led to the following findings: It is shown that the negative association between DRL and analysts' forecast error is true throughout all firm-years, but the positive link between ARL and analysts' prediction error is only evident in firm-years in which auditors have extended tenure.

Factors such as company size, operation complexity, auditor quality, and auditor opinion were investigated by Mukhtaruddin, Oktarina, Relasari, and Abukosim (2015) in an empirical study of manufacturing firms listed on the Indonesia Stock Exchange between 2008 and 2012.Multiple linear regression analysis was utilised to analyse data gathered using an ex-post-facto research approach. Here are the findings: The audit report's lag time is significantly influenced by each factor. There is no statistically significant relationship between 'firm size' and 'auditor's opinion,' but there is one between 'auditor quality' and 'firm value,' and 'operational complexity' has a positive but not statistically significant impact.

Co-integration and error-correction were utilized by IIaboya and Obaretin (2015) to examine the interaction

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between board features and firm financial performance. The research suggests that a larger board of directors is associated with better financial results. Achieving the control mechanism and oversight duty on a consistent basis calls for an experienced and big board with independent directors on the audit committee to boost the committee's independence.

The audit committee and the timeliness of financial reporting in Malaysia were studied by

III. METHODOLOGY

RESEARCH DESIGN

The purpose of this research is to analyze the impact of the audit committee on the financial report lags of selected companies listed on the Nigerian Stock Exchange between 2013 and 2018. Therefore, it used an ex-post facto design to analyse secondary data and draw conclusions on the connection between audit committee characteristics and financial reporting in selected Nigerian companies.

SOURCES OF DATA COLLECTION

Data for this study was gathered using a secondary data collection technique, and it includes annual time series data for chosen companies in Nigeria between 2017 and 2022. The data was collected from the firms' annual reports.

POPULATION OF THE STUDY

The population for this present investigation consists of publicly traded companies in Nigeria's consumer goods industry. Then, during the fieldwork, there were 19 (nineteen) operational companies: "Honeywell Flour Mills Plc, Multi-Trex Integrated Foods Plc, Nigeria Flour Mills Plc, Nasco Allied Industries Plc, Union Dicon Salt Plc, Cadbury Nigeria Plc, Nestle Nigeria Plc, Nigerian Enamelware Plc, Vitaform Nigeria Plc, and Guinness Nigeria Plc."

SAMPLING PROCEDURE AND SAMPLE SIZE

Twelve companies were judgmentally selected using a simple sampling approach, with some consideration given to the frequency with which they featured on the stock exchange market during the time period under examination.

OPERATIONAL MEASURES OF VARIABLES

Financial Report Lag serves as the endogenous dependent variable while Audit Committee Meeting and Audit Committee Size serve as the exogenous independent variables in this study.

The Audit Report Lag (FRL), as defined by Salleh et al. (2017) and Ghafran and Yasmin (2018), is the focus of this study. Time between the close of a company's fiscal year to the publication of its audit report is measured in financial reporting lag (FRL). The number of audit committee directors and the average number of times per year that they meet are referred to as the audit committee size (ACS) and average meeting frequency (ACM), respectively (Mohamad-Nor et al., 2010; Salleh et al., 2017).

MODEL SPECIFICATION

The ordinary least squares approach was used to test hypotheses. The ordinary least squares approach was developed from the following linear model:

$$Y = f\,(X1, X2……) \quad (1)$$

$$FRL = f\,(ACM, ACS) \quad (2)$$

$$FRL = \beta_0+\beta_1 ACM_{it}+\beta_2 ACS_{it} + \varepsilon_{it} \quad (3)$$

Where "i" represent every firm and "t" every year and the priori expectation: β_1-β_6 represent the coefficient of the variable; ACM represents audit committee meeting; ACS represents audit committee size and ε represents error term.

DATA ANALYSIS TECHNIQUES

The data analysis technique involves the mathematical and statistical formula used in analyzing the outcome of the research hypotheses. The techniques employed are descriptive statistics, regression analysis and other robust teststoanalyze the hypotheses. The econometric view (E-view9.0) statistics tool was used for data analysis.

IV. DATA PRESENTATION AND ANALYSIS

DATA PRESENTATION

The data represents the variables used in this study for each of the twelve (12) companies for six (6) years each: 2017 to 2022. A total of seventy-two (72) observations were used for this study.

	ARL	C	ACM	ACS
Mean	85.90278	1.000000	3.527778	5.250000
Median	81.50000	1.000000	3.500000	5.500000
Maximum	187.0000	1.000000	5.000000	6.000000
Minimum	44.00000	1.000000	2.000000	4.000000
Std. Dev.	24.61029	0.000000	0.934054	0.834975
Skewness	1.958905	NA	0.023260	-0.493382
Kurtosis	8.602497	NA	2.140321	1.628099
Jarque-Bera	140.2116	NA	2.223634	8.567448
Probability	0.000000	NA	0.328961	0.013791
Sum	6185.000	72.00000	254.0000	378.0000
Sum Sq. Dev.	43002.32	0.000000	61.94444	49.50000
Observations	72	72	72	72

Source: E-views 9.0 output

Table 4.1: Descriptive Statistics

Descriptive statistics for the study's variables are shown in Table 4.1. Audit report lag (ARL) has a mean of 85.9 (approx. 86) days. This means that on average, it takes about three (3) months for companies in the consumer goods sector in Nigeria to release their audited financial statements from the date of their financial year end. Other variables show the following mean values: audit committee meetings (ACM) – four (4) times per year, and audit committee size (ACS) –five (5) members.

Audit report lag (ARL), audit committee size (ACS), and audit committee meetings (ACM) are all normally distributed, as shown in Table 4.1.

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The typical lag in presenting audit reports is seen in Figure 4.1 for Nigerian firms consumer goods. Companies in Nigeria's consumer goods sector require, on average, 187 calendar days (about 6 months) after the close of the accounting year before presenting audited financial statements.

REGRESSION ANALYSIS

Table 4.2 shows that all of the variables in the combined regression model are statistically significant at the 5% level. Factors such as audit committee characteristics, audit committee meetings, and audit committee size account for around 5.1% of the variance in the dependent variable (time between when an audit is completed and when it is made public).

Furthermore, the F-statistics and F-statistic probability of 7.75 and 0.000, respectively, show that the explanatory variables, together, do have a significant influence on the dependent variable, meaning that they can significantly explain the dependent variable. The accounting reporting lag is negatively correlated with both the frequency of audit committee meetings and the size of the audit committee (correlation values of -3.63 and -5.81, respectively). Data analysis shows that changes in audit committee meetings and audit committee size account for just 5% of the variation in accounting reporting lag (dependent variable), while the remaining 95% remains unexplained (R-square = 0.051, adjusted R-square = 0.045). With a Durbin-Watson score of 1.38, the autocorrelation between the study's variables is eliminated.

Dependent Variable: ARL
Method: Pooled Least Squares
Date: 01/01/04 Time: 00:17
Sample: 1 72
Included observations: 72
Cross-sections included: 4
Total pool (balanced) observations: 288

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	129.2545	11.10545	11.63884	0.0000
ACM	-3.634011	1.530520	-2.374364	0.0182
ACS	-5.815577	1.712133	-3.396686	0.0008

R-squared	0.051566	Mean dependent var	85.90278
Adjusted R-squared	0.044910	S.D. dependent var	24.48133
S.E. of regression	23.92529	Akaike info criterion	9.198111
Sum squared resid	163139.5	Schwarz criterion	9.236267
Log likelihood	-1321.528	Hannan-Quinn criter.	9.213402
F-statistic	7.747595	Durbin-Watson stat	1.385663
Prob(F-statistic)	0.000529		

E-views 9.0 output.

Table 4.2: Pooled Regression Analyses

Dependent Variable: ARL
Method: Least Squares
Date: 01/01/04 Time: 00:42
Sample: 1 72
Included observations: 72

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	129.2545	22.57013	5.726796	0.0000
ACM	-3.634011	3.110547	-1.168287	0.2467
ACS	-5.815577	3.479648	-1.671312	0.0992

R-squared	0.051566	Mean dependent var	85.90278
Adjusted R-squared	0.024075	S.D. dependent var	24.61029
S.E. of regression	24.31224	Akaike info criterion	9.260611
Sum squared resid	40784.88	Schwarz criterion	9.355472
Log likelihood	-330.3820	Hannan-Quinn criter.	9.298376
F-statistic	1.875733	Durbin-Watson stat	1.371229
Prob(F-statistic)	0.160973		

E-views 9.0 output

Table 4.3 Fixed Effect Regression Model

None of the variables in the fixed effect regression model are statistically significant at the 5 percent level, as shown in table 4.3. However, at the 10% threshold, audit committee characteristics become significant.

Pool unit root test: Summary
Series: ARL, &&CONST, ACM, ACS
Date: 01/01/04 Time: 00:39
Sample: 1 72
Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic lag length selection based on SIC: 0
Newey-West automatic bandwidth selection and Bartlett kernel
Balanced observations for each test

Method	Statistic	Prob.**	Cross-Sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-3.76667	0.0001	3	213
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-5.10427	0.0000	3	213
ADF - Fisher Chi-square	39.3361	0.0000	3	213
PP - Fisher Chi-square	40.1580	0.0000	3	213

** Probabilities for Fisher tests are computed using an asymptotic Chi -square distribution. All other tests assume asymptotic normality.

E-view 9.0 output

Table 4.4: Pool Unit Root Test

The unit root test actually tests the stationarity of the variables and if there be unit roots, the series is not stationary. Therefore, if the probability value of z(t) is insignificant, meaning the series have no stationary and as a result, the null hypothesis is rejected. If there is no evidence of a unit root, the investigation concludes that the series is stationary. According to table 4.4, the null hypothesis is rejected with a probability of 0.000, indicating that the variables are appropriate for the research.

TEST OF HYPOTHESES

Table 4.4 displays the results of the t-tests used to evaluate the probabilities associated with the hypotheses introduced in Chapter 0ne.

HYPOTHESIS 1

Ho_1: Audit committee's frequency of meetings does not have any significant influence on financial reporting lag of listed companies in the consumer goods sector in Nigeria.

Table 4.2 shows that the t-statistic for audit committee meetings (ACM) is 1.333273, whereas the corresponding probability value is 0.1871. The significance threshold set at 5% means this is not significant. As a result, the study finds that the audit committee meeting frequency does not influence the financial reporting lag of the publicly traded companies in the consumer goods sector in Nigeria.

HYPOTHESIS 2

Ho_2: Financial reporting lag of listed companies in Nigeria's consumer goods industry is not significantly influenced by the size of the audit committee.

According to table 4.2, the t-statistic for audit committee size is -0.675170, which is statistically insignificant given a probability value of 0.5020. Given this, we therefore accept the null hypothesis. Financial reporting lag of the listed companies in Nigeria's consumer goods industry was shown to have no significant influence on the size of the audit committee.

DISCUSSION OF FINDINGS

The purpose of this research was to examine the influence that audit committee characteristics have in the audit report lag (financial reporting lag) of listed companies in the consumer goods industry in Nigeria. The audit report lag (the time between the end of the accounting period and the release of the audit report) serves as the dependent variable, and we use other factors, such as the number of audit committee meetings and the size of the audit committee, to determine the 12 publicly traded companies in the consumer goods industry.

Analysis of observed data showed an adverse association between the two explanatory variables (frequency of audit committee meetings and audit committee size) and the audit report lag. Taken as a whole, however, the data shows that the audit committee's composition significantly affects how long audit reports are overdue. Meetings of the audit committee have been shown to have a negative link with audit reporting lag (Dheseviano & Efesiri, 2021; Ika & Ghazali, 2012; Jordan, Aljaadi, Bagulaidah, Ismail, & Fadzil, 2015). Three studies—by Mohamad-Nor (2010), Shukeri and Islam (2012), and Li, Zhang, and Wang (2014)—provide support for the second hypothesis that the size of the audit committee has an inverse relationship with, but substantial impact on, audit reporting lag among consumer goods companies listed on the Nigerian Exchange Group.

V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

SUMMARY OF FINDINGS

The findings of the empirical analysis are summarised below:

- ✓ The audit report lag of the listed companies in the Nigerian consumer goods industry is negatively impacted, but not significantly, by audit committee meetings.
- ✓ The audit committee size adversely impacts audit report lag of the listed companies in the consumer goods industry in Nigeria, but the impact is negligible.

CONCLUSION

The purpose of this research was to analyze how audit committee characteristics affected the lag of audit reports for publicly traded Nigerian consumer goods companies. The audit report lag was defined as the interval between the end of the accounting year and the publishing of the audit report, and indicators of audit committee characteristics utilised in the research included the size and frequency of audit committee meetings. Audit report lags were shown to be associated negatively with all audit committee metrics. According to the results, the timeliness, relevance, and ultimate usefulness of financial reports are all significantly affected by the audit committee's composition.

RECOMMENDATIONS

Based on the foregoing discussions, the study makes the following recommendations.

- ✓ That audit committees should be less concerned with the frequency of their meetings and more concerned with the influence their meetings have on the quality of financial reporting.
- ✓ That, firms should pay attention to the size (in terms of its makeup) of their audit committees to guarantee effectiveness.

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