



(RESEARCH ARTICLE)



Audit committee attributes and audit report timeliness of quoted manufacturing firms in Nigeria

Okoro Ngozi Uchenna ¹, Abugu Nneka Jacinta ^{1,*} and Umeh Anthony Chinedu ²

¹ Department of Management, University of Nigeria, Enugu Campus Nigeria.

² Department of Economics, Enugu State University of Science and Technology Enugu Nigeria.

Magna Scientia Advanced Research and Reviews, 2024, 11(02), 210–220

Publication history: Received on 16 June 2024; revised on 24 July 2024; accepted on 27 July 2024

Article DOI: <https://doi.org/10.30574/msarr.2024.11.2.0120>

Abstract

The study examined the effect of audit committee attributes on audit report timeliness in quoted manufacturing firms in Nigeria. Other specific objectives were to: assess the effect of audit committee independence and audit committee size, on audit report timeliness in quoted manufacturing firms in Nigeria over the period of 2017-2022. This study adopted quantitative research design. The study selected four listed manufacturing firms in Lagos were Unilever Nigeria PLC, Nigeria Breweries PLC, UAC Foods PLC and Cadbury Nigeria PLC. The data analytical techniques were descriptive statistics, correlation analysis and Generalized Panel Ordinary Least Squares (GLS). The empirical result showed that audit committee independence has positive and significant impact on audit report timeliness in quoted manufacturing firms in Nigeria (t-statistic; 2.9267; P-value; 0.0043 < Sig-value; 0.05); audit committee size has positive and significant impact on audit report timeliness in quoted manufacturing firms in Nigeria (t-statistic; 2.9267; P-value; 0.0043 < Sig-value; 0.05). The study recommends that management of manufacturing firms should board should be on the bases of age and experience not on friendship since it positively relates to performance and to the probability of disciplinary management turnover in poorly performing manufacturing firms.

Keywords: Audit committee attributes; Audit report timeliness; Audit committee independence; Audit committee size

1 Introduction

The essence of financial reporting quality in making prudent business decisions by the users of accounting information cannot be overemphasized. The continuing research on financial reporting quality springs mainly from the fact that corporate entities audited by independent auditors suddenly failed immediately after such audits causing negative consequences on the economy. The failure of these corporate entities threatens the credibility of the accounting profession, such that the users of financial statements have almost lost confidence in the profession (Adedapo, Tiamiyu & Oluwatoyin, 2022). Financial reporting quality provides a medium through which corporate entities reveal their performance to the public for evaluation. These financial reports must be of high quality to command the trust of the investors, shareholders, regulators, and every other person interested in the accounting information. The importance of quality financial reports has been stressed in the accounting and auditing profession worldwide because it is the cornerstone of financial accounting. The lack of quality in financial reports prepared by companies eventually led to the collapse of corporate entities. High-quality financial reporting aids investors, and other stakeholders make business decisions (Eyenubo, Mudzamir & Mohammad, 2017).

Users of financial statements essentially focus on the timeliness of financial reports which enhance their reliability to make decisions. The availability of financial statements on a timely basis boosts investors' confidence. However, the delay of this information may hamper its usefulness. Thus, for capital markets to function effectively, they require a

* Corresponding author: Abugu Nneka Jacinta

vibrant reporting system to enhance investors' assurance of quality investment decisions. Information contained in the financial statements is expected to possess excellence before its receipt by various users as they demand timely financial information. As such, one of the striking qualities of financial reporting is timely information which translates to excellent judgment regarding the state of affairs of an enterprise. Timely information maintains its economic value and minimizes information asymmetry by improving the pricing of securities, mitigating insider trading. Timely financial information also minimizes the likelihood of false information regarding the firm. The crucial role of independent audit necessitates investors to place more emphasis on information provided by accountants. Investors in today's markets rely on accountants to provide greater information on a suitable basis (Ugwu, Aikpitanyi & Idemudia, 2020). A timely audit report serves as the bedrock of confidence for all users of financial information (Isyaku, 2020). Timely financial information enables stakeholders involved in the decision process to utilize the information before its loss of value. This refers, explicitly a shorter period that an independent auditor submits the audited annual report compared to the end of the client's accounting year.

The consideration of audit firm quality (audit committee independence, audit firm size, audit committee meeting and audit committee expertise) during audits by auditors has recently received attention from regulators and stakeholders to ensure reliability and accuracy in financial reporting. Studies such as Enekwe, Nwoha and Udeh, (2020); Amahalu and Obi, (2020) have argued that audit firm attributes have a connection with the financial reports quality of quoted manufacturing companies though the results are both consistent and inconsistent. It, therefore, becomes germane to research some of these acclaimed factors that can affect financial performance to enrich the materiality of audit objectives in Nigeria.

1.1 Statement of the Problem

Audited companies' financial statements are required by accounting and auditing regulatory and supervisory bodies to ensure quality financial reports and protect the interest of investors and other stakeholders of the reporting entities. Lack of relevant, accurate, and reliable financial reports will hamper wise business decisions for shareholders and prospective investors. In Nigeria, the provisions of Manufacturing Association of Nigeria 2020 as amended, stipulate that the maximum time within which a listed manufacturing firms are expected to complete and to make public their financial reports is three (3) months after financial year end (Jimba, Nguavese & Nwonye, 2022). Despite the order, some publicly traded companies failed to timely report their audited financial statements. Extreme financial scandals witnessed in Enron, WorldCom, Barings, Parmalat, Cadbury Nigeria Plc., and recently Thomas Cook; have questioned the essence of audits performed by auditors of these entities mentioned above. Several researchers have opined that timeliness of financial reports has several determinants. Dheseviano and Efesiri, (2021) identified company attributes, auditor's specific attributes and audit committee attributes as major determinants of timeliness of financial reports. Focusing on the attributes of the audit committee, Okeoghene & Edirin, (2019) mentioned that the audit committee is one of the major operating committees of the board of directors that is charged with financial reporting oversight. The issue even becomes more disturbing and worrisome when firms audited by independent auditing firms suddenly fail after such an audit. In such circumstances, the technical competence of such auditors is strongly challenged. The motivation behind this research is hinged on the lack of consensus in prior studies coupled with the dearth of research in listed manufacturing companies. Hence, the need for research on audit firm quality and financial performance of quoted Manufacturing firms.

1.2 Objectives of the Study

The main objective of the study was to examine the audit committee attributes and audit report timeliness in quoted manufacturing firms in Nigeria. Other specific objectives were to:

- Assess the effect of audit committee independence on audit report timeliness in quoted manufacturing firms in Nigeria.
- Examine the effect of audit committee size on audit report timeliness in quoted manufacturing firms in Nigeria.

1.3 Research Questions

Owing to the problem statement, this study was channeled to answer the following questions.

- What is the effect of audit committee independence on audit report timeliness in quoted manufacturing firms in Nigeria?
- What is the effect of audit committee size on return on audit report timeliness in quoted manufacturing firms in Nigeria?

1.4 Significance of the Study

The outcome of this study is beneficial and relevant to government, policy makers, Management of manufacturing firms and researchers.

- Investors and creditors: This study would be of help to both potential and existing shareholders (both individuals and institutions) in taking timely investment decisions about companies. It will help investors to be certain of their investments and have confidence in financial information. Creditors on the other hand, use timely financial information of a company to analyse the capacity and performance of the firm before taking important financial decision about such company.
- The Government Regulatory Agencies: The regulators of the capital market - Nigerian Stock Exchange group (NSE) and Securities and Exchange Commission (SEC) and financial sector regulators - Central Bank of Nigeria (CBN) and National Insurance Commission (NAICOM) could make use of this study in formulation of policies that would enhance the efficiency of the market and the sectors they regulate. It would enable the regulatory bodies to understand the factors that affect timeliness of financial reporting and thereby effectively suggest guidelines that could reduce the delay.

2 Conceptual Review

2.1 Audit Committee Attributes

The features and peculiarities that are associated with audit committee are regarded as the characteristics of the audit committee. These characteristics includes composition, audit committee financial expertise, audit committee size, audit committee effectiveness (frequency of meetings), and audit committee independence. Others include audit committee gender diversity, audit committee religiosity, and audit committee financial literacy. Audit committee is saddled with the responsibility of reviewing the work of the external auditor and the committee is a corporate governance committee which is usually constituted by the board of directors (Itodo, 2019).

The audit committee is established by the board of directors to oversee the processes involved in accounting and auditing of company financials and its membership in Nigeria is clearly spelt out in the Company and Allied Matters Act (2020) with at least one qualifying as a financial expert. The literature demonstrates the critical role and obligation of audit committees in the financial and monitoring process (Akanbi, Adedipe & Ajayi, 2022). Audit committee performance is thought to improve reporting quality by improving audit quality, internal monitoring systems, and communication with external auditors, according to studies (Eyenubo, Mudzamir and Mohammad, 2017).

2.2 Timeliness of Financial Reporting

The concept of financial reporting timeliness is topical in recent time because it is one of the qualitative characteristics used to determine the quality of financial information (Isyaku, 2020). The number of days between the end of the fiscal year and the date the external auditor signs the audit report defines a timely report (Aronmwan and Monye-Emina, (2022). Ovbiebo, (2022) defined financial reporting timeliness as the usage of information by users before it loses its value. Timeliness is one of the four improving qualitative aspects of financial information, according to Jimba, Nguavese & Nwonye, (2022), which ensures that information provided by organizations is easily available for decision-making by users before it loses relevance. This could explain why Emeh and Appah, (2018) agreed that information loses its value if it isn't easily accessible to users/decision makers. Financial reporting that is completed on time has the effect of minimizing information asymmetry and improving decision-making (Okeoghene & Edirin, (2019). According to Dheseviano and Efesiri, (2021), timely financial reporting improve market discipline and efficiency by decreasing information leakages, rumors, insider trading, and optimal investment. Itodo, (2019) found that timely reporting reduces the negative consequences of insider trading and contributes to the development of a trustworthy environment in capital markets. It also sends a favorable message about a company's performance and earnings to decision-makers and investors (Akanbi, Adedipe & Ajayi, 2022).

1.1. Contextual Literature

2.2.1 Audit Committee Independence and Timeliness of Financial Report

Audit committee independence is the proportion of independent directors over the total number of directors within the audit committee. Hence audit committee with larger proportion of independent audit committee members are more likely to monitor the firm's financial performance effectively (Ugwu, Aikpitanyi & Idemudia, 2020). Such a committee is considered to be active, well-functioning, and well-structured. Wijaya, (2020) opine that the most important issue to

consider when evaluating the independence of any board or committee is the endogeneity of board/committee composition.

According to Eyenubo, Mudzamir and Mohammad, (2017), an independent committee can improve the quality of financial reporting. According to Ogaluzor and Ohaka, (2020), an independent audit committee decreases the risk of fraud and other financial irregularities, protects shareholders' interests, and ensures the timeliness of financial report statements. Based on the foregoing assumptions, independent audit committee directors are expected to reduce audit report delays. Although some existing empirical data supports the claim that audit committee independence reduces audit time lag, resulting in increased financial reporting statement timeliness (Adedapo, Tihamiyu & Oluwatoyin, 2022). Other empirical investigations, on the other hand, do not appear to support this reasoning, since they found no indication of an independent audit committee's impact on the timeliness of financial report statements (Achraf, Ammari and Abdelfattah, 2022).

2.2.2 2.2.2 Audit Committee Meeting and Timeliness of the Financial Report

The number of audit committee meetings is a good predictor of how effective the committee is. Less meetings were interpreted by financial statement users as indicating a lack of commitment and insufficient time to manage the financial reporting process (Amahalu & Obi, 2020). Hamada and Ahmad, (2022) show that increased audit committee activity as proxy by number of committee meetings is associated with reduced levels of earning management. Ozegbe and Edirin, (2022) posit that audit committee that meets regularly improve the transparency and openness of reported earnings and therefore improve earning quality. Audit committee diligence (proxies by frequent meetings) could take several defensive and constructive process on time despite internal control weaknesses (Ado, Rashid, Mustapha & Ademola, 2020), thus need to detect and prevent management's fraudulent practices and maintain the quality of earnings and the level of information reported (Aledwan, Yaseen & Alkubisi, 2015). According to Alsmairat, Yousef, Yusoff, Fairuz, Saleh & Norida. (2018), having a frequent audit committee is associated with quick repair of material deficiencies. Assad and Alshurideh, (2020) discovered a negative association between the number of audit committee meetings and earnings management, in contrast to the previous findings on audit committee meetings.

2.3 Theoretical Literature

2.2.3 2.3.1 Stakeholder's Theory

In 1984, R. Edward Freeman originally detailed the Stakeholder Theory of organizational management and business ethics that addresses morals and values in managing an organization. His award-winning book *Strategic Management: A Stakeholder Approach* identifies and models the groups which are stakeholders of a corporation, and both describes and recommends methods by which management can give due regard to the interests of those groups. Stakeholder theory incorporated the accountability of management to a broad range of stakeholders. Its states that managers in organizations have a network of relationships to serve – this includes the suppliers, employees and business partners. The theory focuses on managerial decision making and interests of all stakeholders have intrinsic value, and no sets of interests is assumed to dominate the others

Stewardship theory is a framework which argues that people are intrinsically motivated to work for others or for organizations to accomplish the tasks and responsibilities with which they have been entrusted. It argues that people are collective minded and pro-organizational rather than individualistic and therefore work toward the attainment of organizational, group, or societal goals because doing so gives them a higher level of satisfaction. Stewardship theory therefore provides one framework for characterizing the motivations of managerial behavior in various types of organizations. This theory states that the firm is a system of stakeholders operating within a larger system of the society which provides the required legal and market infrastructure for the firm to thrive. The purpose of the firm in this case is to serve the general public who may have direct or indirect relationship with the firm. The management and the provision of information should be directed at satisfying the interest of the general public rather than shareholders.

2.4 Empirical Review

Jimba, Nguavese and Nwonye, (2022) conducted a study to examine effect of audit committee specific attributes on financial reporting timeliness of Industrial Goods Industries in Nigeria. Specifically, the study sought to ascertain relationship among audit committee financial expertise, audit committee independence, audit committee size and audit committee effectiveness and audit report timeliness over a period of 2012 to 2021. The population comprises of twenty one (21) listed industrial companies in Nigeria out of which sixteen (16) with up to date financial report were selected to epitomize the sample size of the research. An ex-post facto design is utilized. The data analysis techniques was Poisson regression analysis. The results indicate that the size of the audit committee has a favorable and statistically significant impact on how quickly industrial enterprises in Nigeria report their financial data. Financial expertise have

statistical significant negative influence on financial reporting timeliness of listed industrial companies in Nigeria while audit committee meeting exhibit insignificant positive influence on financial reporting timeliness on industrial companies in Nigeria. The study suggests, among other things, that the Central Bank of Nigeria, to guarantee thorough adherence to the stated norms and laws regulating the production of financial statements, the Securities and Exchange Commission, the Financial Reporting Council, and other regulatory authorities put procedures in place.

Ozegbe and Edirin, (2022) conducted a study to investigate the relationship between audit quality and the financial performance of quoted companies in Nigeria. Specifically, the study sought to examine the relationship between statutory audit services, audit tenure, auditor's independence, and audit-firm size; whereas, firm performance was measured by Return on Assets (ROA) from quoted companies in Nigeria, with data covering 10 years (2011 to 2020). The study adopted the Panel Least Square technique, descriptive analysis and relevant diagnostic tests as part of the tools used in analyzing the data collated. From the results, while we notice that audit independence exerts significant negative influence on ROA; audit tenure and audit firm size had positive relationship with ROA, although, this relationship was not significant. Conversely, statutory audit service on its own significantly influenced firm performance (ROA). Overall, measures of audit quality exert joint significant influence on ROA. The study recommend among others that the country's Financial Reporting Council and other regulators should develop policy guidelines to specifically checkmate auditors' tenure vis-à-vis compliance to existing regulatory framework for financial reporting.

Aronmwan and Monye-Emina, (2022) examined the nexus between audit committee characteristics and timeliness of financial reports in Nigeria. The study sought to investigate the effect of audit committee attributes (committee size, committee independence, committee gender diversity, committee frequency of meetings on timeliness of financial reports was measured as a categorical variable that assumed the value of one (1) for banks that released their annual report within the 90 days stipulated by the regulatory agency and zero (0) for those that fail to meet this requirement. The study employed correlation research design using the annual report of thirteen (13) listed deposit money banks in Nigeria for the period 2016 - 2020. The data for the study were analyzed using descriptive statistics, Pearson correlation and binary logit regression technique. The results show that audit committee meeting has a statistically significant relationship with timeliness of financial reports and the relationship was negative. Other audit committee attributes did not have any significant relationship with timeliness of financial reporting. Flowing from the findings, the study recommends that money deposit banks should ensure that meetings held by the audit committee are managed so that deliberations do not lead to untimely release of financial reports.

Akanbi, Adedipe and Ajayi, (2022) conducted a study to examine the relationship between audit committee attributes and financial reporting quality of selected quoted consumer goods firms in Nigeria. Specifically, this study examines the effect of audit committee attributes measured by audit committee independence, financial expertise, meetings, size, audit fees with external auditor tenure and firm's size as control variable on the quality of financial reporting of quoted consumer goods firms in Nigeria covering the period of 2008-2019, which comprises of 180 firms in Nigeria. This study selected sample data from 15 quoted consumer goods firms in Nigeria Stock Exchange (NSE). The data analytical technique were correlation analysis and panel regression (random effects (RE) model or fixed effects (FE) model). Hausman test was conducted to check which model is appropriate between fixed effects and random effects. The result of Hausman test revealed that fixed-effects model is appropriate as indicated by prob. (0.0181) less than 5% level of significance. The study concluded that audit committee independence is statistically insignificantly influenced the quality of financial reporting. The study recommended that audit committees should consist of members with knowledge of accounting and finance which provides a good basis for audit committee members to examine and analyze financial information.

Utibemfon, (2022) conducted a study to determine effect of audit committee characteristics on corporate financial reporting quality in Nigerian consumer goods sectors. This study aims to assess effect of audit committee independence, audit committee size, audit committee meeting and audit committee expertise on profit for the year in listed manufacturing firms in Nigeria for the period 2013 to 2020. This study adopts ex-post facto research design. The method of data analysis was correlation and logistic regression. The findings from this study reveals that audit committee size has a positive and significant effect on quality of financial reporting among listed companies in the Nigerian consumer goods sector. Further result from this study indicate that audit committee independence, gender and meeting have no significant impact on quality of financial reporting among listed companies in the Nigerian consumer goods sector. Hence, the study concluded that audit committee size has a positive significant effect on quality of financial reporting among listed Nigerian companies in the consumer goods sector. The study also recommends further that more females should be included in the audit committee to improve the audit gender diversity of the committee. The study also recommends that the committee should meet more frequently during the year.

Daferighe and Emem, (2020) examined the impact of audit firm attributes on the financial reporting quality of quoted manufacturing firms in Nigeria from 2011 to 2015. Specifically, the study sought to: determine the effect of audit fees, audit delay and audit firm size on financial reporting quality of quoted manufacturing firms in Nigeria. The ex-post facto research design was adopted in the study. Data were obtained from the published annual reports and accounts, notes to the financial statements of the sixteen firms that represent the sample of the study. Multiple regression analysis was employed in analyzing the data and testing the stated hypotheses. The findings showed that auditor fees have a significant influence on the financial reporting quality of quoted manufacturing firms in Nigeria. However, it was discovered that audit firm size and audit delay have an insignificant impact on the financial reporting quality of manufacturing firms in Nigeria. The study recommended that the manufacturing firms create an enabling environment that will ensure the conduct of proper audits by the auditors and for a timely release of their reports to users, thus promoting quality decision making.

Isyaku, (2020) conducted a study to identify the effect of auditor attributes on the audit report lag of quoted service companies operating in Nigeria. The specific objectives of the study were to examine audit committee tenure, audit committee fee, audit committee size on audit report lag proxied by number of days from the accounting year-end to date of submission of the auditor report. This paper employed a sample of sixteen (16) service companies operating on the floor of the Nigerian stock exchange from 2007 through 2016. The method of analysis was ordinary least square. The empirical results showed audit tenure, audit firm size and debt presents significant effect on audit report lag as shown by the regression estimates. Longer auditor tenure minimizes ARL and service companies in Nigeria using audit firms delay more in submitting the audit report. The results indicate that more auditor stays in Nigerian service firms, with their knowledge of client industries, can reduce the negative effect of the auditors' lack of knowledge about client operations; thus, ARL. The study recommends that service companies sustain their existing auditors to a reasonable period to enhance timeliness in the audit report. Timely audit reports will enhance the confidence of users of the financial statements to make good decisions.

Enekwe, Nwoha and Udeh, (2020) conducted a study to investigate the effect of audit quality on financial performance of listed manufacturing firms in Nigeria. The study specifically investigated the effects of auditor's independence, audit committee and audit fee on return on assets of listed manufacturing firms from 2006-2016. Ex- post facto research design was adopted for the study. Stratified purposive sampling technique was used to select 24 firms from the 80 listed manufacturing firms in Nigeria. Secondary data were gathered from the published annual financial statements of the companies. Ordinary Least Square method of regression was employed in the analysis of data. The study revealed that auditor's independence has a positive and significant effect on financial performance of listed manufacturing firms, among others. It was concluded that attributes of audit quality influence financial performance of manufacturing firms in Nigeria. The study recommended, among other things, that auditor's independence should be increased through improved internal control, integrity tests and adequate utilization of auditor's experience in order to enhance financial performance of manufacturing firms.

2.5 Gaps in Literature

The gaps in this literature includes geographical gaps, methodological gaps include Research design, sample size, sampling techniques, method of statistics and sector and Variable exclusion includes the different in the dependent and independent variables of previous work done.

This study contributes to the literature by identifying the role of audit quality characteristics in company performance, providing evidence for the view that performance is driven by specific audit committee characteristics.

3.0 Methodology

The research design was quantitative research design. The population for this study consists of all the forty two (42) manufacturing firms listed under Nigeria stock exchange commission as at February, 2022 The timeframe considered for this study is 2017 to 2022, which covers a period of six (6) years. The simple random sampling by slip of paper without replacement was used to select four deposit money banks in Nigeria namely Unilever Nigeria PLC, Nigeria Breweries PLC, UAC Food PLC and Cadbury Nigeria PLC. These manufacturing firms were considered because they are listed in the Nigeria Stock Exchange market which therefore enables us to have easy accessibility to their annual reports which is the major source of the secondary data. The data analytical techniques descriptive statistics, correlation matrix and Generalized Panel Ordinary Least Squares (GLS).

3.1 Model Specification for the Study

Thus, the model of this study is represented in a functional form as shown below:

$$TFR = F (AUIND, AUSZ, AUCMT, AUCFE)$$

Where TFR is Timeliness of financial reports is dependent variables while AUIND is auditor's independence, AUSZ is Audit Firm Size, AUCMT is Audit Committee meeting, AUCFE is audit committee expertise are independent variables. Timeliness of financial reports was measured as a categorical variable that assumed the value of one (1) for banks that released their annual report within the 90 days stipulated by the regulatory agency and zero (0) for those that fail to meet this requirement. Audit committee independence was measured using proportion of independent non-executive directors on audit committee; audit committee meeting was measured using number of meetings held in a year; audit committee financial expertise was measured using the proportion of members who have accounting or financial management knowledge while audit committee gender diversity was measured using the number of women on the board. Specifically, to achieve the objective of this study and based on the property of the linearity of variables, the functional relationship is modeled in a linear equation to yield Equation 4:

$$TFR_{it} = a_0 + AUCMT \sum_{k=1}^p ait + AUIND \sum_{k=1}^p ait + AUSZ \sum_{k=1}^p ait + AUCFE \sum_{k=1}^p ait + \mu_{it} \quad (4)$$

Table 1 Operationalization of Variables

S/N	Variables	Measurement	Sources	Expected Parameter signs
1	Timeliness of Financial Report (TFR)	Dummy variable of one (1) = firms who released annual report within the stipulated 90 days and zero (0) for otherwise.	Isyaku, (2020)	Dependent Variable
2	Audit Committee Independence (ACIND)	Proportion of independent non-executive directors on audit committee.	Aronmwan and Monye-Emina, (2022)	Positive sign (+)
3	Audit Committee Meeting (AUCMT)	Number of audit committee meeting for the year	Eyenubo, Mudzamir and Mohammad (2017)	Positive sign (+)
4	Audit Committee Financial Expertise (AUCFE)	Proportion of audit committee members who have accounting or financial management knowledge	Ogaluzor and Ohaka, (2020)	Positive sign (+)
6	Audit committee size (AUSZ)	number of audit members on the board	Daferighe and Emem. (2020)	Positive sign (+)

3.2 Data Analysis

2.2.4 Random Effect Panel Data Estimation

Table 2 Results of Random Effect Panel Data Estimation

Dependent Variable: TFR				
Method: Panel EGLS (Period random effects)				
Date: 12/12/23 Time: 09:07				
Sample: 2017 2022				
Periods included: 8				
Cross-sections included: 4				
Total panel (balanced) observations: 32				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
AUID	2.093324	0.715242	2.926734	0.0043
AUSZ	11.86028	3.137385	3.780309	0.0003
AUCMT	0.802498	0.993260	0.807944	0.4212
AUCFE	0.340514	0.129718	2.625036	0.0101
C	489720.6	94387.61	5.188399	0.0000
Effects Specification				
			S.D.	Rho
Period random			0.000000	0.0000
Idiosyncratic random			616779.0	1.0000
Weighted Statistics				
R-squared	0.805271	Mean dependent var		460138.8
Adjusted R-squared	0.762079	S.D. dependent var		647670.2
S.E. of regression	592864.4	Sum squared resid		3.23E+13
F-statistic	4.752548	Durbin-Watson stat		1.961339
Prob(F-statistic)	0.000659			
Unweighted Statistics				
R-squared	0.205271	Mean dependent var		460138.8
Sum squared resid	3.23E+13	Durbin-Watson stat		0.361339

Source: E-view Results

The random effect model specification was carried out to examine parameters estimates. In testing this hypothesis, audit committee independence (AUID), audit committee size (AUSZ), audit committee meeting (AUCMT) and audit committee expertise (AUCFE) were regressed against timeliness of financial report (TFR). The result of the regression analysis represents the model for investigating the effect of audit quality on financial performance in listed manufacturing firms in Nigeria. The empirical result shows that the coefficient of audit committee independence (AUID) has positive and significant impact on timeliness of financial report (TFR) because [P-value (0.0043) was less than its significant value (0.05)]. The empirical result shows that the coefficient of audit committee size (AUSZ) has positive and significant impact on timeliness of financial report (TFR) because [P-value (0.0101) was less than its significant value (0.05)]. The empirical result shows that the coefficient of audit committee meeting (AUCMT) has positive and insignificant impact on timeliness of financial report (TFR) because [P-value (0.4212) was greater than its

significant value (0.05). The audit committee expertise (AUCFE) has positive and significant impact on timeliness of financial report (TFR) because [P-value (0.0003) was less than its significant value (0.05)]. The result of the F – statistical test shows that the overall regression of the variables was statistically insignificant. This is because observed values of the F – statistics (4.7525) was greater than its critical value (3.830). Again, our empirical result shows that the R-squared (R^2) is 0.8052.

4.3 Test of Hypotheses

The results for the various hypotheses testing are presented in the section.

2.2.5 Test of Hypothesis one

Audit committee independence has no significant effect on audit report timeliness in quoted manufacturing firms in Nigeria

In testing this hypothesis, audit committee independence (AUIND) was regressed against timeliness of financial report (TFR). The empirical result showed that the coefficient of audit committee independence (AUIND) has positive and significant impact on timeliness of financial report in quoted manufacturing firms in Nigeria (t-statistic; 2.9267; P-value; 0.0043 < Sig-value; 0.05). The null hypothesis was rejected and alternative hypothesis was accepted.

2.2.6 Test of Hypothesis two

H02 Audit committee size has no significant effect on audit report timeliness in quoted manufacturing firms in Nigeria

In testing this hypothesis, audit committee size (AUSZ) was regressed against timeliness of financial report (TFR). The empirical result showed that the coefficient of audit committee size (AUSZ) has positive and significant impact on timeliness of financial report in quoted manufacturing firms in Nigeria (t-statistic; 2.9267; P-value; 0.0043 < Sig-value; 0.05). The null hypothesis was rejected and alternative hypothesis was accepted.

3 Discussion of the Results

3.1 Effect of audit committee independence on audit report timeliness in quoted manufacturing firms in Nigeria

It was observed from the hypothesis tested that the coefficient of audit committee independence has positive and significant impact on timeliness of financial report in quoted manufacturing firms in Nigeria (t-statistic; 2.9267; P-value; 0.0043 < Sig-value; 0.05). The finding of this study was in line with the study of Ozegbe and Edirin, (2022) that conducted a study to investigate the relationship between audit quality and the financial performance of quoted companies in Nigeria. Specifically, the study sought to examine the relationship between statutory audit services, audit tenure, auditor's independence, and audit-firm size; whereas, firm performance was measured by Return on Assets (ROA) from quoted companies in Nigeria, with data covering 10 years (2011 to 2020). The study adopted the Panel Least Square technique, descriptive analysis and relevant diagnostic tests as part of the tools used in analyzing the data collated. From the results, while we notice that audit independence exerts significant negative influence on ROA; audit tenure and audit firm size had positive relationship with ROA, although, this relationship was not significant. Conversely, statutory audit service on its own significantly influenced firm performance (ROA). Overall, measures of audit quality exert joint significant influence on ROA.

3.2 Effect of audit committee size on audit report timeliness in quoted manufacturing firms in Nigeria

It was observed from the hypothesis tested that the coefficient of audit committee size (AUSZ) has positive and significant impact on timeliness of financial report in quoted manufacturing firms in Nigeria (t-statistic; 2.9267; P-value; 0.0043 < Sig-value; 0.05). Utibemfon, (2022) were not full support of the finding that studied the effect of audit committee characteristics on corporate financial reporting quality in Nigerian consumer goods sectors. This study aims to assess effect of audit committee independence, audit committee size, audit committee meeting and audit committee expertise on profit for the year in listed manufacturing firms in Nigeria for the period 2013 to 2020. This study adopts ex-post facto research design. The method of data analysis was correlation and logistic regression. The findings from this study reveals that audit committee size has a positive and significant effect on quality of financial reporting among listed companies in the Nigerian consumer goods sector. Further result from this study indicate that audit committee independence, gender and meeting have no significant impact on quality of financial reporting among listed companies in the Nigerian consumer goods sector.

5.1 Summary

The following are the major findings of the study:

Audit committee independence has positive and significant impact on timeliness of financial report in quoted manufacturing firms in Nigeria (t-statistic; 2.9267; P-value; 0.0043 < Sig-value; 0.05). In addition, audit committee independence has 20 percent positive and significant impact on timeliness of financial report in quoted manufacturing firms in Nigeria. A percentage change in audit committee independence results to 20 percent increase in timeliness of financial report in quoted manufacturing firms in Nigeria.

Audit committee size has positive and significant impact on timeliness of financial report in quoted manufacturing firms in Nigeria (t-statistic; 2.9267; P-value; 0.0043 < Sig-value; 0.05). In addition, audit committee size has 11 percent positive and significant impact on timeliness of financial report in quoted manufacturing firms in Nigeria. A percentage change in audit committee size results to 11 percent increase in timeliness of financial report in quoted manufacturing firms in Nigeria.

4 Conclusion

This study concludes that there is positive and significant effect of audit quality on timeliness of financial report in quoted manufacturing firms in Nigeria. Descriptive statistics and correlation matrix were pre-estimation tests that were carried out in the study. The descriptive statistics provide nature and characteristic of the variable, the correlation matrix ensures that variable of the study does not have perfect linear correlation among explanatory variables. However, having established this, the study went ahead to conduct estimation tests such as Hausman test and fixed effect panel data estimation to confirm the viability of the model. Corporate governance is an important issue because of the rise in corporate scandal suffered by corporate organisations arising from insider abuse by management board, and other financial recklessness. The result from the analysis establishes that audit quality has significant effect on timeliness of financial report in quoted manufacturing firms in Nigeria, however, such effect is marginal considering the number of corporate governance variables that significantly affect profit for the year.

Recommendations of the Study

Based on the findings of this study, the following recommendations were made.

- Management of manufacturing firms should board should be on the bases of age and experience not on friendship since it positively relates to performance and to the probability of disciplinary management turnover in poorly performing manufacturing firms.
 - Management of manufacturing firms should appoint more non-executive directors in the audit committee to improve the independence of the committee. The study also recommends that more females should be included in the audit committee to improve the audit gender diversity of the committee. The study also recommends that the committee should meet more during the year.
-

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

Statement of informed consent

Informed consent was obtained from all individual participants included in the study.

References

- [1] Achraf, H., Ammari, A.E. and Abdelfattah, B. (2022) Effect of audit committee quality on the conventional and Islamic banks' financial performance between subprime and Corona crises; Asian Journal of Accounting Research, 7 (3); 230-251.

- [2] Adedapo, K. S. Tiamiyu, M.A. and Oluwatoyin, E. O. (2022) Audit quality attributes and financial performance nexus: further evidence from Nigeria; Proceedings of the 7th Annual International Academic Conference on Accounting and Finance Disruptive Technology: Accounting Practices, Financial and Sustainability Reporting
- [3] Ado, A. B., Rashid, N., Mustapha, U. A. & Ademola, L. S. (2020). The impact of audit quality on the financial performance of listed companies Nigeria. *Journal of Critical Reviews*, 7(9), 37-42.
- [4] Aledwan, B. A., Yaseen, A. A. B, & Alkubisi, A. (2015). The role of audit quality on the relationship between auditor's and financial performance quality of selected cement firm in Jordan. *International Journal of Business and Social Science*, 6(12), 138-146.
- [5] Akanbi, P. A., Adedipe, O. A. and Ajayi, A. S. (2022) Audit committee attributes and financial reporting quality of selected quoted consumer goods firms in Nigeria; *International Journal of Economics, Commerce and Management*; 10 (2); 72-79.
- [6] Amahalu, N. N. and Obi, J. C. (2020) Effect of audit quality on financial performance of quoted conglomerates in Nigeria; *International Journal of Management Studies and Social Science Research*: 2 (2); 87-92.
- [7] Alsmairat, Y. Y. Yousef., Yusoff. W. S., Fairuz, M., Saleh, M. & Norida. B. (2018). International diversification, audit quality and firm value of Jordanian public listed firm. *Academy of Accounting and Financial Studies Journal* 22 (Special Issues), 1-7
- [8] Aronmwan, E. J. and Monye-Emina, H. E. (2022) Audit Committee Characteristics and Timeliness of Financial Reports in Nigeria; *Journal of Danubian Studies and Research*; 2 (3); 19-25.
- [9] Daferighe, E.E. and Emem, M. G. (2020) Audit Firm Attributes and Financial Reporting Quality of Quoted Manufacturing Firms in Nigeria; *International Journal of Economics and Management Studies*; 7 (1); 41-52.
- [10] Dheseviano, E. and Efesiri, P. M. (2021) Audit committee characteristics and financial reporting lag in Nigeria; *Journal of Economics and Sustainable Development*; 4 (20); 14-26.
- [11] Emeh, Y. and Appah, E. (2018) Audit committee and timeliness of financial reports: Empirical Evidence from Nigeria; *Journal of Economics and Sustainable Development*; 4 (20); 14-26
- [12] Enekwe, C., Nwoha, C and Udeh, S. N. (2020) Effect of audit quality on financial performance of listed manufacturing firms in Nigeria (2006-2016); *Advance Journal of Management, Accounting and Finance*; 5 (2); 64 - 74.
- [13] Eyenubo, S. A. Mudzamir, M. and Mohammad A. (2017) An Empirical Analysis on the Financial Reporting Quality of the Quoted Firms in Nigeria: Does Audit Committee Size Matter; *International Journal of Academic Research in Business and Social Sciences*; 7 (9); 22-29.
- [14] Isyaku, M. M. (2020). Effects of auditor attributes on audit reporting lag: empirical evidence from Nigerian service firms. *Asian Journal of Empirical Research*, 10(4), 127-136.
- [15] Itodo, S.J. (2019) Corporate attributes and timeliness of financial reporting in Nigeria: a study of selected companies; *Journal of Economics and Sustainable Development*; 4 (20); 14-26.
- [16] Jimba, I.H., Nguavese, M. N. and Nwonye, F. I. (2022) Effect of Audit Committee Specific Attributes on Financial Reporting Timeliness of Industrial Goods Industries in Nigeria; *International Journal of Recent Innovations in Academic Research*; 6 (12); 1-9.
- [17] Ogaluzor, O. I. and Ohaka, J. (2020) Effect of audit committee characteristics on financial reporting quality; *Journal of Accounting Information and Innovation*: 5 (11); 29-36.
- [18] Ovbiebo, E.O. (2022) Audit committee characteristics and audit report lag in Nigeria Insurance companies; *International Journal of Multidisciplinary Research*; 7 (6); 12-25.
- [19] Ozegbe, K.K. and Edirin, J. (2022) Audit Quality and the Financial Performance of Quoted Companies in Nigeria: Empirical Discourse; *Acta Universitatis Danubius*: 18 (5): 12-19
- [20] Ugwu, C. C., Aikpitanyi, L. N., & Idemudia, S. (2020). The effect of audit quality on financial performance of deposit money banks (evidence from Nigeria). *Journal of Economics and Business*, 3(1). 545-553
- [21] Utibemfon, B.D. (2022) Effect of audit committee characteristics on corporate financial reporting quality in Nigerian consumer goods sectors; *World Advance Research and Reviews*; 12 (5); 56-63
- [22] Wijaya, A. L. (2020). The effect of audit quality on firm value: a case in Indonesian manufacturing firm. *Journal of accounting, finance and auditing studies*, 6(4), 1-15