



Audit Committee Attributes and Financial Reporting Quality of Commercial Banks in Nigeria


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ABSTRACT	Original Research Article	
<p>This study examined the relationship between Audit Committee Attributes and Financial Reporting Quality of Commercial Banks in Nigeria. The study examined the dimensions of Audit Committee Attributes as Audit committee independence, Audit committee financial expertise and Audit committee meeting. Financial Reporting Quality was measured in terms of Faithful representation, Reliability and comparability. Technology was the moderator variable. The study adopted the cross-sectional research survey design. Primary data were generated through structured questionnaire. The population of this study is the twenty-four commercial banks in Nigeria. The sample size consists of ninety-six staff from twenty-four commercial banks of Nigeria. Four staff were selected from each of the banks. The validity of the instrument was ascertained through presenting the instrument to the experts who assessed the suitability of the instrument for measuring the variables under study. To determine the reliability of the instrument, the instrument was presented to group of staff in the organizations. Cronbach Alpha was then used to determine the reliability index which gave a value of 0.7. The hypotheses were tested using the Pearson’s Product Moment Correlation Analysis with the aid of Statistical Package for Social Sciences version 24.0, while the partial correlation was used to test the moderating effect of technology. The tests were carried out at a 0.05 significance level. Findings revealed that there is a significant relationship between Audit Committee Attributes and Financial Reporting Quality of Commercial Banks in Nigeria. Specifically, all the dimensions of Audit Committee Attributes and all the measures of Financial Reporting Quality of Commercial Banks in Nigeria all revealed statistically significant correlation. Therefore, this study concludes that audit committee attributes correlate positively with financial reporting quality in commercial banks in Nigeria. Hence the study recommends that Proper policies should be employed in the operation of the audit committee to ensure the financial reporting quality of commercial banks in Nigeria.</p> <p>Keywords: Audit committee attributes, independence, financial expertise, financial reporting quality, faith representation and reliability.</p>	<p>Article History</p> <p>Received: 05-01-2026</p> <p>Accepted: 18-02-2026</p> <p>Published: 05-03-2026</p>	
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INTRODUCTION

Commercial banks contribute positively towards economic growth, development and wealth creation, provide and encourage savings and investments, facilitate but speed up the process of economic development through making more funds available from resources mobilized in the economy. Mardessi (2022) described audit committee as a committee of a company's board of directors that is responsible for overseeing the company's financial reporting process and for ensuring the accuracy and reliability of the company's financial statements. The

audit committee also has a responsibility to oversee the company's internal controls and to ensure that the company is in compliance with all applicable laws and regulations. The audit committee plays an important role in corporate governance and in protecting the interests of shareholders. Audit committee attributes is integral to corporate governance, especially in enhancing the quality of financial reporting. Key attributes include independence, financial and expertise. Audit committee independence is essential, as it enables committee members to monitor financial disclosures and internal controls objectively, free from managerial influence.

Audit committees have a majority of independent members, they are more effective in overseeing financial reporting processes, thus reducing the risk of earnings manipulation and improving transparency (Abbott, Parker, & Peters, 2004; Nnadi, 1999).

Financial expertise among audit committee members is equally critical. When committee members possess relevant experience in finance or accounting, they are better equipped to identify complex financial issues and assess financial statements accurately. Financially knowledgeable members bring insight into potential financial reporting risks and irregularities, helping to uphold high reporting standards. Audit committees with financial experts tend to produce more reliable financial statements, as these experts can more effectively question management practices and ensure compliance with accounting standards (Badolato et al., 2014; European Proceedings, 2023).

Financial reporting quality in commercial banks is essential for maintaining investor confidence, regulatory compliance, and overall financial stability. In Nigeria, where the banking sector is a significant part of the economy, ensuring high-quality financial reporting is critical. Financial reporting quality (FRQ) is evaluated through several core attributes, including **faithful representation and reliability**. Faithful representation ensures that financial statements accurately reflect the actual financial position and events of an organization, free from bias or significant errors (Dechow, Ge, & Schrand, 2010). This quality is essential for stakeholders to trust the financial information presented, as faithful representation enhances transparency and accountability. A report that achieves faithful representation provides a complete and neutral depiction of the company's financial health, which is fundamental for informed decision-making (Gajevszky, 2015).

Reliability further strengthens FRQ by enabling stakeholders to depend on financial information and make comparisons across reporting periods or between companies. Reliability ensures that financial information is verifiable and consistent, allowing it to be trusted by investors, regulators, and other users. This standardization allows stakeholders to effectively compare financial performance across different organizations and industries, fostering transparency in the market (European Proceedings, 2023). Together, faithful representation and reliability contribute to high-quality financial reporting that supports sound economic decisions and enhances the credibility of the financial markets (Badolato et al., 2014). Therefore, this study by as its point of departure from previous studies sought to fill these observed research gaps examining the relationship between Audit committee Attributes and Financial Reporting Quality of Commercial Banks in Nigeria.

Statement of the Problem

The essence of audit committee is to add value to financial reporting quality, but despite audit committee in place, the relevancy and reliability of financial statement is still questionable. The problem of financial reporting quality (FRQ) in organizations, especially in sectors like banking, arises from challenges in achieving accurate, reliable, and comparable financial statements. In some cases, organizations may prioritize short-term financial performance, leading to instances of earnings manipulation and insufficient disclosure. Such practices undermine the faithful representation of financial data, causing stakeholders to question the reliability of the reports (Dechow, Ge, & Schrand, 2010). This lack of trust in financial statements can deter investors and weaken overall market confidence, making it difficult for organizations to attract capital or maintain their reputations (Gajevszky, 2015).

The factor contributing to this problem is the inconsistency in applying regulatory standards and corporate governance practices. Even when frameworks like the International Financial Reporting Standards (IFRS) are in place, the effectiveness of their application varies across organizations and regions. In some cases, audit committees lack adequate independence or financial expertise, limiting their ability to enforce high-quality reporting standards effectively (Badolato et al., 2014). The absence of rigorous oversight allows management to engage in selective reporting practices, thus affecting the comparability and reliability of financial data (European Proceedings, 2023). To address these challenges, strengthening audit committee attributes—such as ensuring independence and financial expertise,—could improve FRQ by enhancing oversight and mitigating potential biases. While IFRS and other standards provide a framework for consistency, a gap remains in the uniform enforcement of these standards across industries. Future research could explore the effectiveness of mandatory financial expertise in audit committees across different sectors and regions to bridge this gap. Additionally, implementing regular training for audit committee members on evolving reporting standards could further support FRQ, promoting transparency and comparability for stakeholders (Abbott et al., 2004).

Purpose of the Study

The purpose of the study was to ascertain the relationship between Audit Committee Attributes and Financial Reporting Quality using moderator of bank size in commercial banks in Nigeria. The specific objectives are to:

- i. Determine the relationship between audit committee independence and faithful representation of commercial banks in Nigeria.
- ii. Ascertain the relationship between audit committee independence and Reliability of commercial banks in Nigeria.

- iii. Determine the relationship between audit committee financial expertise and faithful representation of commercial banks in Nigeria.
- iv. Ascertain the relationship between audit committee financial expertise and Reliability of commercial banks in Nigeria.

Research Questions

In order to achieve the above specific purpose of the study, the following questions were addressed:

- i. What is the relationship between audit committee independence and faithful representation of commercial banks in Nigeria?

- ii. What is the relationship between audit committee independence and Reliability of commercial banks in Nigeria?
- iii. What is the relationship between audit committee financial expertise and faithful representation of commercial banks in Nigeria?
- iv. What is the relationship between audit committee financial expertise and Reliability of commercial banks in Nigeria?
- v.

Conceptual Framework

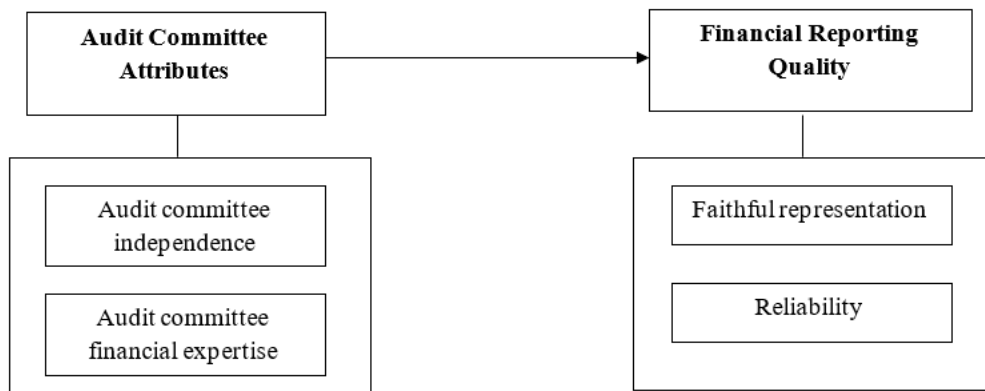


Figure 1: Conceptual framework for the study

LITERATURE REVIEW

Audit Committee Attributes

The audit committee has been described in multiple ways. It is a board subcommittee tasked with confirming the correctness and dependability of management's financial reporting. An audit committee, according to Eyenubo, Mohammed, and Ali (2017), is an important part of corporate governance because it improves the accuracy of financial reporting and provides support to the board of directors by rendering objective advice on issues concerning the organization's governance, risk, and control. Ogungbade (2021) viewed audit committee is a sub-group of the full board of Directors, which plays a correspondent role between the entire board, internal auditor, external auditor, executive officers, and the fund executives. Uchennaph and Okelue, 2012 opined that the role of the Audit Committee has gained tremendous attention from the stakeholders because of the greater demands for accountability and probity in the corporate world. Audit committee attributes, including independence and financial expertise, play a crucial role in ensuring effective oversight of financial reporting practices. Independence is particularly important as it allows committee members to exercise unbiased judgment without undue influence from management. Studies indicate that audit committees with a majority of independent directors are more likely to prevent financial misreporting, thus enhancing the reliability of financial statements (Abbott, Parker, & Peters, 2004). Independent members contribute to stronger governance as they can

challenge management practices objectively, leading to greater transparency and improved decision-making for stakeholders (Nnadi, 1999).

Financial expertise within the audit committee is another vital attribute, as financially knowledgeable members bring the skills needed to identify and address complex accounting issues. Research shows that audit committees with members experienced in finance or accounting are more effective in preventing earnings manipulation and in upholding high reporting standards (Badolato et al., 2014). This expertise allows the committee to critically evaluate financial disclosures, identify potential irregularities, and enhance overall financial reporting quality (European Proceedings, 2023). In essence, a well-structured audit committee with independence and financial expertise strengthens a firm's governance framework, ensuring accurate, reliable, and faithful financial reporting.

Financial Reporting Quality: Faithful Representation and Reliability

Financial reporting quality (FRQ) is essential for conveying accurate and reliable information to stakeholders, with faithful representation and reliability as key attributes. Faithful representation means that financial statements should accurately depict the economic reality of transactions, ensuring that they are complete, neutral, and error-free (Dechow, Ge, & Schrand, 2010). This transparency is critical for stakeholders who rely on financial data to make informed

decisions about the company's financial health and future prospects. Faithful representation reduces the risk of misleading information, thereby fostering trust among investors and other users of financial reports (Gajevszky, 2015).

Reliability in financial reporting means that information should be verifiable, consistent, and dependable. Reliable financial reports enable stakeholders to make meaningful comparisons across reporting periods and between different companies, enhancing transparency and accountability (European Proceedings, 2023). Furthermore, reliability reinforces investors' confidence by ensuring that the disclosed financial information reflects the company's actual financial position, free from undue managerial manipulation (Badolato et al., 2014). Together, faithful representation and reliability form the foundation of high-quality financial reporting, supporting transparent, accurate, and objective information that stakeholders can trust.

The relationship between audit committee attributes and financial reporting quality

The relationship between audit committee attributes and financial reporting quality (FRQ) is foundational for effective corporate governance. Key attributes like independence and financial expertise significantly enhance FRQ by promoting accurate, complete, and reliable financial disclosures. Independent audit committees are more likely to hold management accountable, reducing the risk of earnings manipulation and fostering transparency in financial reports (Abbott, Parker, & Peters, 2004). This independence creates an environment where committee members can challenge management decisions without bias, thus strengthening the oversight function essential for high-quality reporting (Badolato, Donelson, & Ege, 2014).

Financial expertise within the audit committee further bolsters FRQ by ensuring members have the technical skills to identify financial misstatements and other reporting issues effectively. Committees with members who understand accounting principles and financial regulations are better equipped to scrutinize financial statements, ensuring faithful representation and reducing potential errors (Dechow, Ge, & Schrand, 2010). Additionally, audit committees that meet frequently are shown to maintain better oversight, addressing emerging issues promptly and ensuring consistent monitoring (European Proceedings, 2023).

Based on the review, the following Hypotheses are formulated:

- H₀₁:** Audit committee independence has no significant relationship with faithful representation of commercial banks in Nigeria.
- H₀₂:** Audit committee independence has no significant relationship with reliability of commercial banks in Nigeria.
- H₀₃:** Audit committee financial expertise has no significant relationship with faithful representation of commercial banks in Nigeria.
- H₀₄:** Audit committee financial expertise has no significant relationship with reliability of commercial banks in Nigeria.

METHODOLOGY

This study by nature and characteristic is the quasi-experimental design since the various elements of the design are not under the control of the researcher. Hence the study adopts the cross-sectional survey in its assessment of the manifestation and relationship between Audit committee attributes and financial reporting quality. This study delimits itself to an accessible population of four (4) top management staff. The population of this study was 24 listed commercial banks on the Nigerian Exchange Group (NGX). The sample size is ninety-six (96) management staff. The study adopted census method of administering questionnaire to 4 top management staff of each of the banks. The data for this study was sourced from mostly primary sources which comprised of the sample for this study. The primary data was sourced using the administration of the structured questionnaire which was used to assess respondents' feelings and opinions about the manifestations of the variables of the study (Audit committee attributes and financial reporting quality).

The questionnaire was designed using close ended questions. It was further divided into two (2) main sections (A & B). Where Section A elicited data on the demographic characteristics and features of the respondents while section B was used to generate data on the distribution of the two major variables of the study (Audit committee attributes and financial reporting quality). The study used both descriptive and inferential analyses. The descriptive analyses were used to determine the demographics of the respondents and analysis of research questions while the inferential analyses (Pearson's Product Moment Correlation Analysis) was deployed to test the hypotheses.

DATA RESULTS

Primary Level of Analysis

Audit Committee Independence

Table 1: Summary of Mean and Standard Deviation Score on Audit Committee Independence statements

	N	Minimum	Maximum	Mean	Std. Deviation
Audit committee members and management team do not have any level of influence on each other	65	1.00	5.00	2.7207	1.29860
Audit committee members and management team are not related parties	65	1.00	5.00	3.7523	1.04074
Audit committee members are not former executive directors of the bank	65	1.00	5.00	3.4640	1.00048
Audit committee members do not partake in related party transactions with the bank and its subsidiaries.	65	1.00	5.00	3.9414	1.09346
Audit committee members maintain objectivity in the face of internal and external pressures	65	1.00	5.00	3.6486	.98998
Valid N (listwise)	65				

Source: SPSS output, 2024

Table 1: above showed the Mean and Standard Deviation scores of the responses for the different Audit committee independence statements utilized in the study. For statement 1, the Mean score is 2.7207; Mean score for statement 2 = 3.7523; Mean score for statement 3 =

3.4640; Mean score for statement 4 = 3.9414; while the Mean score for statement 5 = 3.6486. Also, the Standard Deviation for the statements are; Statement 1 = 1.29860; Statement 2 = 1.04074; Statement 3 = 1.00048 Statement 4 = 1.09346; while Statement 5 = .98998.

Table 2: Summary of Mean and Standard Deviation Scores on Audit Committee Financial Expertise statements

	N	Minimum	Maximum	Mean	Std. Deviation
Financial expertise of audit committee members reduces earnings manipulations of management	65	1.00	5.00	4.189	1.038
Audit committee members financial expertise reduces managements discretionary accruals	65	1.00	5.00	4.018	.922
Audit committee financial expertise reduces conflict of interest between employees and shareholders	65	2.00	5.00	4.090	1.021
Audit committee financial expertise improves the timeliness of financial reporting	65	1.00	5.00	4.117	1.123
Audit committee financial expertise boosts financial reporting quality	65	1.00	5.00	3.608	1.004
Valid N (listwise)	65				

Source: SPSS output, 2024

Table 2 above showed the Mean and Standard Deviation scores of the responses for the different Audit committee financial expertise statements utilized in the study. For statement 1, the Mean score is 4.189; Mean score for statement 2 = 4.018; Mean score for statement

3 = 4.090; Mean score for statement 4 = 4.117; while the Mean score for statement 5 = 3.608. Also, the Standard Deviation for the statements are; Statement 1 = 1.038; Statement 2 = .922; Statement 3 = 1.021; Statement 4 = 1.123; while Statement 5 = 1.004.

Financial reporting quality

Table 3: Mean and Standard Deviation Scores on Faithful Representation statements.

	N	Minimum	Maximum	Mean	Std. Deviation
Financial information in the financial reports represents its purpose	65	2.00	5.00	4.063	1.000
Financial reports show what happened in the course of the year	65	2.00	5.00	4.162	.966
The financial report is fair and without bias	65	1.00	5.00	4.050	1.021
The financial report is accurate and without material misstatement	65	1.00	5.00	3.622	1.126
The financial estimates are made on a realistic basis and without arbitrariness	65	1.00	5.00	3.541	1.066
Valid N (listwise)	65				

Source: SPSS output, 2024

Table 3: above showed the Mean and Standard Deviation scores of the responses for the different faithful representation statements utilized in the study. For statement 1, the Mean score = 4.063; Mean score for statement 2 = 4.162; Mean score for statement 3 = 4.050; Mean score for statement 4 = 3.622; while the Mean

score for statement 5 = 3.541. Also, from the table, the Standard Deviation scores were; Statement 1 = 1.000; Statement 2 = .966; Statement 3 = 1.021; Statement 4 = 1.126; while the Standard Deviation score for statement 5 = 1.066.

Table 4: Mean and Standard Deviation Scores on Reliability statements

	N	Minimum	Maximum	Mean	Std. Deviation
The financial report catches the genuine conditions and occasions communicated	65	2.00	5.00	3.838	.947
The financial report is highly dependable	65	1.00	5.00	3.586	.975
The financial report contains vital and cogent elements of events in the course of the period under reporting.	65	1.00	5.00	3.991	.984
The financial report is consistent and accurate.	65	2.00	5.00	4.077	.850
Reliable financial report makes the shareholders to trust the performance of the management	65	1.00	5.00	3.676	1.174
Valid N (listwise)	65				

Source: SPSS output, 2024

Table 4 above showed the Mean and Standard Deviation scores of the responses for the different Reliability statements utilized in the study. For statement 1, the Mean score = 3.838; Mean score for statement 2 = 3.586; Mean score for statement 3 = 4.050; Mean score for statement 4 = 4.0773.991; while the Mean score for statement 5 = 3.676. Also, from the table, the Standard Deviation scores are; Statement 1 = .947; Statement 2 = .975; Statement 3 = .984; Statement 4 = .850; while the Standard Deviation score for statement 5 = 1.174.

which led to the rejection of the null hypothesis 1 (H_{01}). The implication of this finding is that audit committee independence correlate has a very strong positive and significantly relationship with faithful representation of commercial banks in Nigeria. This finding is in line with the position of Lien et. al., (2023) that concluded that audit committee's effectiveness has a significant positive correlation with the quality of financial reporting. When the audit committee's size increased, the financial reporting quality improved.

DISCUSSION

Hypothesis 1 (H_{01}) sought to examine the relationship between audit committee independence and faithful representation. To test this hypothesis, it was hypothesized that audit committee independence has no significant relationship with faithful representation of commercial banks in Nigeria. This hypothesis was tested using Pearson Product Moment Correlation Co-efficient and computed within the SPSS software. The analysis revealed a significant 0.613 at 0.05 level of significance

Abbott, Parker, and Peters (2004) found that audit committee independence directly improves FRQ by minimizing management's influence over financial disclosures, thus reducing the risk of financial misstatements. Their findings align with Badolato, Donelson, and Ege's (2014) study, which emphasizes that independence within the audit committee helps prevent earnings manipulation. Both studies underscore that independence allows members to impartially scrutinize financial reports and maintain objectivity,

contributing to more reliable and trustworthy financial disclosures.

Hypothesis 2 (Ho₄) sought to examine the relationship between audit committee financial expertise and faithful representation. To test this hypothesis, it was hypothesized that audit committee financial expertise has no significant relationship with faithful representation of commercial banks in Nigeria. This hypothesis was tested using Pearson Product Moment Correlation Co-efficient and computed within the SPSS software. The analysis revealed a strong positive relationship of significant 0.603 at 0.05 level of significance which led to the rejection of the null hypothesis 4 (Ho₄). The implication of this finding is that audit committee financial expertise correlate very significantly with faithful representation of commercial banks in Nigeria. This finding is in line with the finding of Kantudu and Alhassan (2022) that concluded that audit committee size, shareholders and financial experts' inclusion in audit committee convey a significantly negative relationship with earnings management, thereby reducing discretionary accruals and increase financial reporting quality. DeFond, Hann, and Hu (2005) suggest that committees with financial experts are more capable of detecting and mitigating irregularities in financial statements, as these members possess the technical knowledge to assess complex accounting issues. Similarly, Badolato et al. (2014) found that financial expertise within audit committees correlates with reduced earnings management, as experienced members are able to interpret and challenge financial data effectively.

CONCLUSION

From the analysis carried out, the study concluded that audit committee attributes correlate positively with financial reporting quality in commercial banks in Nigeria.

Recommendations

In the light of the above discussion, I hereby make the following recommendations:

- i. The appointment of more outside directors, holding strategic regular meeting and appointment of members with financial expertise into the audit committee to guarantee independence, assure discussion and handling of complex financial issues which would improve the financial reporting quality.
- ii. Proper policies should be employed in the operation of the audit committee to ensure the financial reporting quality of commercial banks in Nigeria.
- iii. The board of directors should ensure appointment of sufficient audit committee members with adequate

financial expertise in which shareholder should be included. This will enable them to perform their functions effectively through proper oversight function and create good atmosphere for the statutory audit.

- iv. Audit committee should always be given adequate consideration by management in decision making.

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