

EXPLORING AUDIT COMMITTEE EFFECTIVENESS AND ITS IMPACT ON FINANCIAL REPORTING QUALITY IN SUB-SAHARAN AFRICA'S NON-FINANCIAL FIRMS

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Abstract

This study examined the effect of audit committee effectiveness on financial reporting quality within the context of listed non-financial firms in Sub-Saharan Africa. Drawing samples from 235 listed non-financial firms in Nigeria, South Africa, and Kenya spanning the period from

2013 to 2022, the study employed Generalized Method of Moments (GMM) step and Stepwise Regression Techniques to analyze the data. The primary objective of the study was to investigate the effect of audit committee effectiveness, including size, diligence, and financial expertise, on financial report quality, as measured by Jones Discretionary Accrual. Additionally, the study extends this objective by examining the moderating role of board independence on the relationship between audit committee attributes and financial reporting quality. The findings revealed that audit committee diligence [coef. = 0.041 (0.002)] has a positive and significant effect on financial reporting quality, suggesting that an increase in audit committee diligence will improve financial reporting quality. However, audit committee size [coef. = 0.011 (0.236)] and financial expertise [coef. = 0.003 (0.990)] exhibited insignificant effects on financial reporting quality. Moreover, the study identified board independence [coef. = 0.022 (0.001)] has a significant moderator, enhancing the impact of audit committee diligence on financial report quality. Based on these findings, the study made the following recommendations to enhance audit committee effectiveness and financial reporting quality in Sub-Saharan Africa. These include promoting active audit committee oversight through regular meetings, fostering collaboration between audit committees and boards, and ensuring a majority of independent directors to strengthen audit committee effectiveness. Additionally, the study underscored the importance of continuous monitoring and evaluation of audit committee effectiveness to address emerging challenges and promote transparency and accountability in financial reporting. Through empirical analysis, the study provides insights into the effectiveness of audit committee effectiveness in enhancing financial reporting quality in Sub-Saharan Africa. The findings contribute to a deeper understanding of audit committee effectiveness and the effect on financial reporting quality in the region, offering valuable contributions for both academic research and practical applications.

Keywords: Financial reporting quality, Audit committee effectiveness, Audit committee diligence

1.1 Introduction

The financial report is prepared primarily for decision-making. It plays a dominant role in setting the framework for managerial decisions. Financial reporting quality is used universally, this concept refers to the accuracy with which financial report of a firm reflects its operating performance and how useful they are in forecasting future cash flows. However, reliability and validity of the main objective of financial reporting is being questioned as a result of due diligence being undermined on the contents of information from such prepared financial statement.

Global financial stability is supported through high quality reporting, which could be achieved through high quality audits that can help foster trust in the quality of reporting. It also highlights the importance of audit quality and its relevance to all stakeholders in the financial reporting supply chain. The issue of quality financial reports is of tremendous concerns not only for the final users, but the entire economy as it affects economic decisions which may have significant impact (IAASB, 2006).

In order to ensure the quality of financial reports, it is imperative to introduce board monitoring of the audit committee, as this will enhance their effectiveness and efficiency. Various corporate reforms have shown that the inclusion of independent directors and the independent of the audit committee will strengthen the audit process and enhance the quality of financial reporting (Chen & Liu, 2010). However; prominent accounting scandals such as those involving Enron (2001), Worldcom (2002), and Cadbury Nigeria Plc (2007) raised concern for effective audit committee. Insufficient oversight procedures from the audit committee have led to accounting discrepancies, causing financial crises in multiple countries, including both developed and emerging economies.

The role of the audit committee is crucial in guaranteeing that external stakeholders, in addition to the management, can have confidence in a company's financial statements. The internal control system and internal audit are designed to operate in synergy, enhancing the effectiveness and independence of the external auditor. This, in turn, contributes to the restoration of stakeholder confidence in the financial statements of the companies (Wakaba, 2014). The effectiveness of the audit committee is guaranteed through prompt commentary, assessment, and endorsement of corporate accounting principles Abdullah (2006). The committee is responsible for tasks such as selecting and compensating external auditors, as well as evaluating audit agreements, as mandated by the code of corporate governance.

The need for audit committee to be effective in improving reporting quality has gained traction in recent years, attracting the attention of regulators worldwide. As previously stated, the reason is not far-fetched and is largely due to accounting fraud and financial statement manipulations necessitating corporate control initiatives. Suprianto et al. (2017) discovered that audit committees in firms are more likely to prevent overstatement accounting errors. This is consistent with Alawaqleh and Ali Almasria (2021) findings that audit committees are less likely to manipulate earnings. The empirical studies validate the need for audit committee. However, the effectiveness of audit committees has been questioned hence the need for the moderating role of the board independence on audit exercise. Based on this, this study investigates the effect of audit committee effectiveness on financial reporting quality of listed non finance firm in Sub-Sahara Africa under the aegis of the moderating role of the board independence.

1.2 STATEMENT OF THE PROBLEM

Audit committee as one of the most important components of corporate governance has attracted the attention of capital market regulators and researchers in recent years. The audit committee's primary responsibility is to

monitor financial reporting procedures in order to ensure managers' performance is reported accurately. In recent times the effectiveness of audit committee on financial reporting quality has been threatened by corporate accounting scandals, failure of companies after declaring huge profit, opportunistic financial reporting or misrepresentation of company's financial statement as well as the violation of relevant qualities of financial statement. These negative trends have dire consequences on the capital market and increases information asymmetry, which leads to higher capital costs. When information contained in a financial report is proven to be incorrect, it creates a difficult situation for a company and cause investors to doubt the credibility of the financial statement.

In light of the above scenario which have eroded investors' trust in the accuracy of financial reports, the Security and Exchange Commission (SEC) and the Blue-Ribbon Commission have all stressed the significance of an audit committee's effectiveness in a company's overall financial reporting procedure.

However, there have been few studies conducted for non-financial companies in subsaharan Africa in respect of audit committee effectiveness and financial reporting quality. Therefore, this study takes a different approach by focusing on listed non-financial firms in Sub-Saharan Africa, rather than just one country as observed in previous studies. This study produced four distinct sets of explanatory variables, namely audit committee size, diligence, financial expertise, and board independence. Based on the foregoing, this study examined the effect audit committee effectiveness on financial reporting quality of listed non-financial firms in Sub-Sahara Africa in consideration of the moderating role of the board independence.

1.3 OBJECTIVES OF THE STUDY

The main objective of this study is to examine the effect of audit committee effectiveness on financial report quality of listed non-finance firms in Sub-Sahara Africa in cognizance of the moderating role of board independence. However, the specific objectives of this study are to:

- 1.examine the effect of audit committee diligence on the financial reporting quality of listed non-financial firms in Kenya, Nigeria and South Africa.
- 2.investigate the effect of audit committee size on the financial reporting quality of listed nonfinancial firms in Kenya, Nigeria and South Africa.
- 3.ascertain the effect of audit committee financial expertise on the financial reporting quality of listed non-financial firms in Kenya, Nigeria and South Africa.
- 4.explore the moderating role of board independence on the effect of audit committee effectiveness on financial reporting quality of listed non-financial firms in Kenya, Nigeria and South Africa.

1.4 RESEARCH QUESTIONS

This study seeks to provide answers to the following research questions.

1. What is the effect of audit committee diligence on the financial reporting quality of listed non-financial firms in Kenya, Nigeria and South Africa?
2. What effect does audit committee size have on financial reporting quality of listed nonfinancial firms in Kenya, Nigeria and South Africa?
3. To what extent does audit committee financial expertise affect the financial reporting quality of listed non-financial firms in Kenya, Nigeria and South Africa?
4. What is the moderating role of board independence on the effect of audit committee effectiveness on the financial reporting quality of listed non-finance firms in Kenya, Nigeria and South Africa?

1.5 SIGNIFICANCE OF THE STUDY

Shareholders, creditors, tax officials, customers, financial experts, and lenders all have an interest in the company. To make sound economic decisions, these parties frequently rely on high-quality financial reports. When it comes to making business decisions, people who need financial information rely on the data offered in annual reports. To assist investors and other stakeholders in making well-informed decisions about the company, directors' reports must be credible, dependable, current, and acceptable. Therefore, the following parties would greatly benefit from the result of this research:

Employees: They need quality information in the financial statement to guarantee their job security.

Management: Management personnel need quality reports in order to assess their performance and in planning for the future of the company.

Investors: They require high-quality information to estimate a company's dividend-paying capacity. Companies' financial statements are used by investors as a source of information to guide their investment decision.

Market Participants and Analysts: Stockbrokers and bondholders are among the members of this group. Analysts have a critical role in giving other user groups, including shareholders and creditors, insightful analyses and interpretations of financial statements. Financial reporting or information is sought by market participants to reduce information asymmetry, which should be a pre-requisite for a well-functioning capital market. As a result, organizations that provide high-quality information have a significant edge in the financial markets.

SECTION TWO REVIEW OF RELATED LITERATURE

2.1 CONCEPTUAL REVIEW

The conceptual review acts as a navigational tool that directs the researcher towards achieving the goals or purpose of the study (mendee & Pala, 2003). This section discussed the dependent and independent variables.

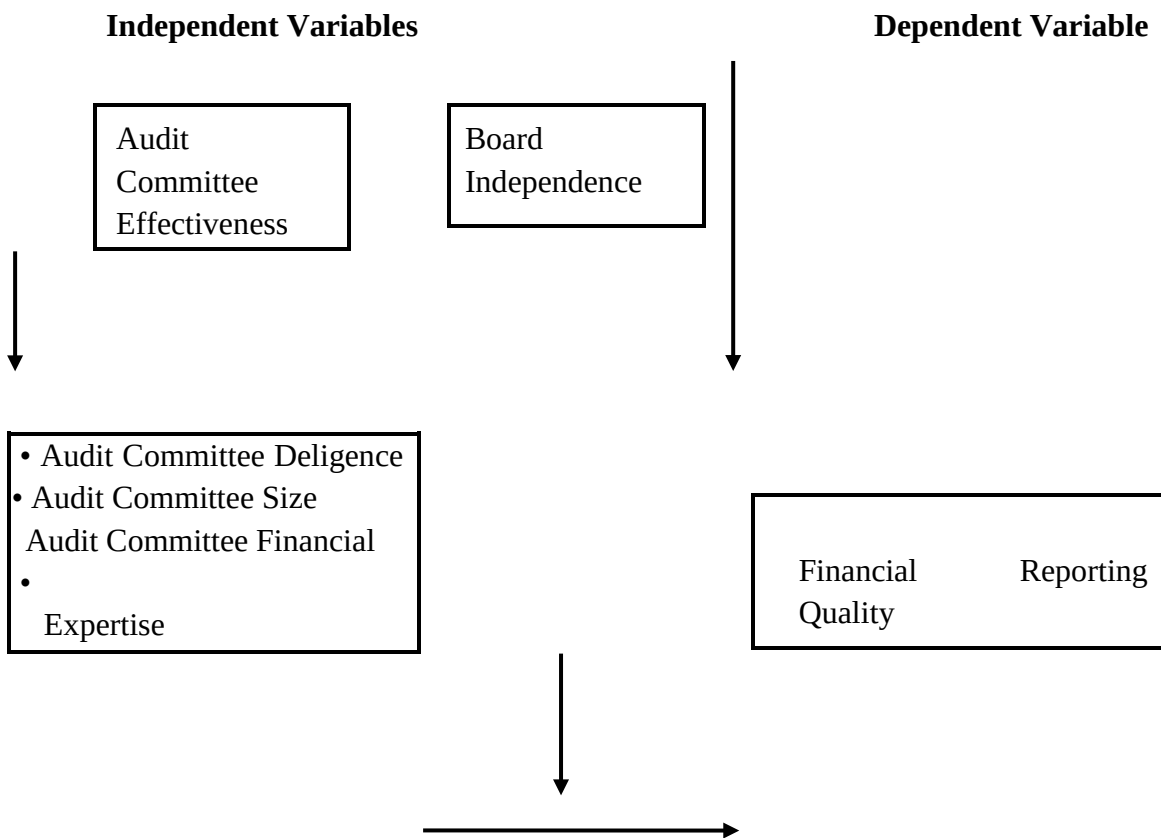


Figure 2.1: Conceptual analytical framework Source: Researcher's Compilation (2024)

2.1.1 FINANCIAL REPORTING QUALITY

Financial reporting reflects the accountability of a business entity for its resources, thereby providing a basis for assessing the managers' stewardship roles and economic decisions. The conceptual definition of FRQ is the precision with which financial reporting provides useful information about a firm's performance and its expected cash flows for investor decisions (Abdullah, 2006). This definition is in line with the FASB-SFAC No.1, which argues that one purpose of financial reporting is to inform current and potential investors in rational investment decisions and in evaluating the expected cash flow of the company. High-quality financial reports as part of a controlling mechanism help investors to discipline the managers of capital acceptor firms and encourage managers to take steps in line with shareholders' interests and improving the company performance (Bushman et al., 2004). Reliable and high-quality accounting information facilitates the shareholders' controlling and smooth the effective enforcement of shareholders' interest protection (Birnberg, 2011). Financial reporting quality refers to the extent to which accounting information is free from errors, misstatements and other unethical accounting and

managerial practices (Adams, 2009). This implies that the value of financial reporting is generally determined by its quality. The concept of financial reporting quality is that some accounting information are better and more reliable than other accounting information in relation to communicating what it purports to communicate. Financial reporting quality can be seen as the precision with which the financial reports convey information to equity investors about the firms expected cash flows (Ahmed & Ferreira, 2009). On the other hand, reporting quality refers to the extent to which financial report of a company communicates its underlying economic state and its performance during the period of measurement (Afify, 2009).

In order to have a certain degree of quality, financial statements should meet certain qualitative criteria. These criteria are stated by both boards of International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) in their conceptual frameworks, where they concluded that high quality is achieved by adherence to the objective and the qualitative characteristics of financial reporting information (IASB, 2008). Financial reporting quality is a key requirement for the effective functioning of the accounting system and its usefulness. In order to meet their primary objective, which is to facilitate the economic decision-making process, financial report should display qualitative characteristics.

2.1.1.1 TRADITIONAL MEASURES OF FINANCIAL REPORTING QUALITY

Financial reporting quality is multidimensional and there is no individual measure that can be used as a proxy for it. Since accounting earnings is regarded as being of paramount importance to investors, some researchers have used earnings attributes as a measure for FRQ. These attributes include discretionary accruals quality, earnings persistence, predictability, value relevance, timeliness, and conservatism (Li & Wang 2010). Although both the FASB and IASB stress the importance of high-quality financial reports, one of the key problems found in prior literature is how to operationalize and measure this quality. Because of its contexts specificity, an empirical assessment of financial reporting quality inevitably includes preferences among a myriad of constituents (Ale et al., 2010).

Since different user groups will have dissimilar preferences, perceived quality will deviate among constituents. In addition, the users within a user group may also perceive the usefulness of similar information differently given its context. As a result of this context and user-specificity, measuring quality directly seems problematic (Almeldo, 2014). Consequently, many researchers measure the quality of financial reporting indirectly by focusing on attributes that are believed to influence quality of financial reports, such as earnings management, financial restatements, and timeliness (Alqatamin et al., 2017). The traditional measures of financial reporting quality include accrual based and value relevance models. Accrual and value relevance model focus on earnings quality measurement. Accrual models and value relevance literature focus on information disclosed in financial statements to assess the financial reporting quality (Healy & Wahlen, 1999; Dechow et al., 1995; Barth et al., 2001; Nichols & Wahlen, 2004; Leuz, 2003).

2.1.1.2 ACCRUAL BASE MODEL OF FINANCIAL REPORTING QUALITY

Accrual models are used to measure the extent of earnings management under current rules and legislation. These models assume that managers use discretionary accruals, i.e., accruals over which the manager can exert some control, to manage earnings (Armstrong et al. 2010). Earnings management is assumed to negatively influence the quality of financial reporting by reducing its decision usefulness (Anderson et al., 2004). The main advantage of using discretionary accruals to measure earnings management is that it can be calculated based on the information in the annual report. In addition, when using regression models, it is possible to examine the effect of company characteristics on the extent of earnings management (Beatwah et al., 2015). Furthermore, it is only an indirect proxy of earnings quality, excluding non-financial information. Therefore, conclusions concerning the quality of financial reporting information based on accrual models do not provide direct and comprehensive evidence concerning the quality of financial reporting information and its dimensions of decision usefulness (Beasley et al., 2009).

2.1.1.3 VALUE RELEVANCE OF FINANCIAL REPORTING QUALITY

Value relevance models measure the quality of financial reporting information by focusing on the associations between accounting figures and stock-market reactions (Beakees et al., 2004 & Almeida, 2014). The stock price is assumed to represent the market value of the firm, while accounting figures represent firm value based on accounting procedures. When both concepts are (strongly) correlated, i.e., changes in accounting information correspond to changes in market value of the firm, it is assumed that earnings information provides relevant and reliable information (Beasley et al., 2015). This method is also used to examine earnings persistence, predictive ability, and variability, as elements of earnings quality (Cohen et al., 2014). The focus of value relevance literature on relevance and faithful representation (reliability) is consistent with the Exposure Draft (ED), as these notions are defined as the fundamental qualitative characteristics. However, this literature does not distinguish between relevance and reliability, i.e., does not explicitly show whether or not tradeoffs have been made when constructing accounting figures. In addition, the stock market may not be completely efficient. As a consequence, stock prices may not represent the market value of the firm completely accurate (Bergstersser & Philippon, 2006).

2.1.2 AUDIT COMMITTEE EFFECTIVENESS

The conceptions of audit committee vary based on their functions, objectives, and responsibilities. Al-Thuneibat (2006) defined audit committee as the committee that comprised of non-executive directors of the organization. Establishing the audit committee is primarily intended to improve audit quality. Arens (2009) describes the audit committee as a group of members of the board of directors who are responsible for maintaining the auditor's independence. According to Ayinde (2002), the audit committee is a standing committee established to enhance corporate accountability by collaborating with internal auditors and management to strengthen and improve the

financial reporting practices of an organization and to ensure the proper conduct of corporate affairs in accordance with Generally Accepted Ethical and Legal Standards (GAELS).

The audit committee is one of the most important operating committees of a company's board, charged with regulating financial reporting and disclosure (Bhagat & Black, 2002). An audit committee aids the board of directors in carrying out its corporate governance and oversight obligations in respect to a company's financial reporting, internal control system, risk management system, and internal and external audit functions (Dabor & Dabor, 2013). Within the scope of its terms of reference, it is responsible for advising and recommending the board. Sections 359(3) and (4) of the Companies and Allied Matters Act mandate that all publicly traded companies in Nigeria create an audit committee. It is part of their responsibility to oversee the integrity of the company's financial statements, compliance with legal and other regulatory requirements, the qualification and independence of external auditors, and the performance of the company's internal audit function as well as that of external auditors (Nasser, 2015). It is also intended to establish an internal audit function and ensure that there are other means of obtaining sufficient assurance of regular review or evaluation of the company's system of internal controls, oversee management's process for identifying significant fraud risks across the organization, and ensure that adequate fraud prevention, detection, and reporting mechanisms are in place.

A board of directors' audit committee oversees the financial reporting process, selects an independent auditor, and receives both internal and external audit results.

According to Adeyemo et al. (2016), firms establish "this committee to enhance the standard of financial practices and earnings." The audit committee safeguards the interests of shareholders. Given the significance of audit committees, quoted businesses in Nigeria are required to publish a summary of their audit committees' actions in their annual reports. In this study, audit committee effectiveness is ascertained in terms of diligence, resources, and financial expertise.

2.1.2.1 AUDIT COMMITTEE DILIGENCE

The number of committee meetings is indicative of the audit committee's attentiveness. Dechow et al. (2010) stated that the number of committee meetings affects the effectiveness of the audit committee. The purpose of establishing an audit committee, according to Habbash (2010), is to ensure continuous communication between external auditors, internal auditors, and the board, with the committee meeting regularly with the auditors to review the financial statements, audit processes, and internal accounting systems and controls. The frequency of meetings demonstrates that the members of the committee are actively engaged in discussing any pertinent topics for continual development (Abbott, et al., 2004). Sharinah, et al. (2014) suggested that a minimal number of audit committee meetings or no meetings at all indicate poor monitoring techniques.

Mohd Naimi et al. (2010) found that companies with more audit committee members and more audit committee meetings are more likely to provide audit reports on time. In addition, Abbott et al. (2004) observed that with

frequent meetings, the audit committee will remain educated and aware about accounting and auditing difficulties, as well as be able to allocate both internal and external audit resources to promptly resolve the issue.

According to Emeh and Appah (2013), the frequency of audit committee meetings shows an active audit committee that commits time to resolving any urgent issues and provides a better environment for review and oversight, which may aid in spotting financial statement inaccuracies. In Nigeria, the audit committee is believed to be a committee of both directors and shareholders entrusted with reviewing the annual statements before submitting them to the board of directors (Enofe et al., 2013). It is envisaged that an active audit committee will provide a monitoring system that will enhance the company's financial reporting and dependability (Gabriella, 2016). To accomplish this, the audit committee must hold frequent meetings. According to

2.1.2.2 AUDIT COMMITTEE SIZE

In accounting, the size of an audit committee is defined as the total number of individuals who serve as members of the audit committee for a given period of time. A sufficient number of people should be included on the audit committee in order to successfully carry out and coordinate the massive obligations assigned to them. Firms having a large number of members on an audit committee are more likely to provide audit reports on time. Nigerian food and beverage companies were studied by Umobong and Ibanichuka (2017), who looked at the impact of audit committee qualities on financial reporting quality between 2011 and 2015. Audit committee size was found to have a negative and minor impact on financial reporting quality in the selected companies.

A similar study by Osarumwense and Aderemi (2016) investigated the audit committee attribute and financial reporting quality of Nigerian listed companies and found that the audit committee size negatively and insignificantly affected the financial reporting quality of the sampled firms. Similarly, the study by Kamolsakulchai (2015), in contrast to the previous findings, shows a positive and negligible association between the size of the audit committee and the quality of financial reporting.

The findings of Ojeka et al. (2015) show that the size of the audit committee has a considerable detrimental impact on financial reporting. Studies on the impact of audit committee size on financial reporting quality have yielded conflicting results, as evidenced by the literature review presented above.

The number of audit committee members serves as an indicator of the committee's available resources. Audit committee resources are determined by the size of the audit committee, which is the total number of individuals that serve as audit committee members in a specific company during a specific accounting period. As mentioned previously, section 359(6) of the Companies and Allied Matters Act (CAMA) in Nigeria mandates every public company to have an audit committee with a maximum of six members, three shareholders and three directors being equally represented (Bala, 2014).

2.1.2.3 AUDIT COMMITTEE FINANCIAL EXPERTISE

One of the key responsibilities of the audit committee is to evaluate financial data and oversee the conduct of management in current affairs. It is also regarded as a control tool designed to reduce information asymmetries between internal and external board of manager's members. Establishing an audit committee therefore improves the quality and accuracy of financial information and guarantees that authorities' responsiveness to reporting and disclosure is monitored and supervised from an accounting perspective (Takhtayi et al., 2011).

Because these professionals are obligated to adhere to an ethical code in order to retain their reputation, the participation of expert members in the accounting or financial field on the audit committee enhances the chance of the disclosure of erroneous assertions in financial statements. Consequently, the inclusion of professional members on the audit committee can result in more efficient company monitoring. Therefore, we anticipate a direct correlation between the audit committee members' expertise in the disciplines of finance, accounting, and auditing and voluntary moral disclosure (Othman et al., 2014).

Members of the audit committee who have knowledge and experience in accounting and financial reporting, internal controls, and auditing are referred to as audit committee experts. Prior research defines audit committee financial knowledge as audit committee members who are members of a professional accounting organization or association (Hashim & Abdul Rahaman, 2011; Mohamad-Nor et al., 2010). Due to their multiple obligations, audit committees require a high level of accounting expertise, such as an awareness of auditing concerns and risks (Habbash, 2010).

However, committee members should be able to pose the appropriate inquiries. Again, at least one member of the accounting or financial management committee must specialize in enhancing the efficiency and quality of performance and be informed of all events and changes in reporting methods and regulations.

2.1.2.4 BOARD MONITORING

According to Daoud et al. (2015), corporate monitoring mechanism is a board's role in monitoring the organization's management. The board of directors plays a pivotal role in corporate governance and is appointed by the shareholders to govern the company. Therefore, corporate monitoring mechanism is viewed as a bestowed responsibility of board of directors in governing the organization and has corporate governance to ensure that those, who invest in the company, are able to obtain a return on their investments. In this respect, the board has the legal mandate to protect the rights of investors as well as their shareholders. Corporate governance corresponds to the mechanisms that ensure that the business finance providers will get a return on their investment (Daryaei & Yasin, 2020).

Following an encompassing definition as put forward by OCED (1999), corporate governance "relates to the internal means by which corporations are operated and controlled". The distribution of rights and responsibilities among different stakeholders in the corporation such as: the board, managers, shareholders, customers,

employees, among others, is specified by governance structures which also spell out the rules and procedures for making decisions on corporate affairs.

2.1.3. AUDIT COMMITTEE DILIGENCE AND FINANCIAL REPORTING QUALITY

It is important to note that the audit committee's diligence is reflected in the number of times it meets each year. Abbot et al. (2000) observed that an audit committee that meets at least twice per year greatly reduces the likelihood that an SEC enforcement action will be taken against a company for aggressive or false financial reporting. The study analyzed a sample of 83 companies from 1995 to 1999 using multivariate regression. Indicative of the audit committee's attentiveness is the number of meetings held each year. A analysis of relevant empirical studies revealed that the majority of studies do not discover significant connections between audit committee diligence and financial reporting quality.

Mutalib & Lawan (2011) examined whether the frequency of audit committee meetings has a substantial impact on the equity return of Nigerian insurance companies that are publicly traded. Following the implementation of a one-point filter, ten companies were picked using random selection. Using data from the annual report and financial statements, Ordinary Least Square (OLS) regression reveals that the frequency of audit committee meetings has a substantial positive correlation with the equity returns of firms in the Nigerian insurance market. They advised that the audit committee hold regular meetings, as the more meetings they hold, the higher the return on equity for insurance industry companies.

Regarding false financial reporting, Farber's (2005), matched comparison reveals that fraud firms hold somewhat fewer meetings in the year preceding the fraud's exposure, but this pattern reverses dramatically five years afterwards. Bedard et al. (2004) and Lin et al. (2006) found no correlation between audit committee meeting frequency and financial reporting quality.

In a study conducted by Mohd Naimi et al. (2010), it was determined that businesses with more frequent audit committee meetings are more likely to provide audit reports on time. Using regression analysis, Odjaremu and Jeroh (2019) assessed the extent to which audit committee qualities influence the reporting timeliness of listed Nigerian corporations.

It is unlikely that audit committees with fewer meetings will supervise management successfully. Beasley et al. (2009) discovered that fraudulent companies with earnings misstatements have fewer audit committee sessions than legitimate companies. Haw and Wu (2008) establishes a correlation between audit committee meetings and the financial performance of a company. When audit committees meet frequently, discretionary accruals are reduced and the firm has the potential to report more earnings, indicating higher quality financial reporting (Fulop, 2019).

2.1.4. AUDIT COMMITTEE SIZE AND FINANCIAL REPORTING QUALITY

The number of audit committee members serves as an indicator of the committee's available resources. Studies indicate that audit committee size influences the quality of corporate financial reporting. Various research has shown contradictory results about the effect of audit committee size on timely financial reporting. Some studies have established a correlation between the size of the company and the timeliness of financial reporting in both developed and developing nations, while others have discovered a negative correlation between the audit delay and the size of the company. Aderemi et al. (2016) conclude that a significant number of audit committee members serve an essential role in preventing earnings management. Mohd Naimi et al. (2010) found that organizations with a large number of audit committee members are more likely to timely deliver audit reports.

In contrast, Alqatamin (2018) discovered in a study involving a different country and domain that the size of audit committee members leads to a loss of focus, as smaller audit committee businesses claim producing higher-quality financial reports than bigger audit committee firms. Umobong and Ibanichuka (2017) analyze, in a contemporaneous study, the effect of audit committee attributes on financial reporting quality in Nigerian food and beverage industries from 2011 to 2015. They discovered a negative and insignificant association between audit committee size and the quality of financial reporting among the studied companies. Similarly, Aderemi et al. (2016) examines the audit committee characteristic and financial reporting quality of Nigerian publicly traded companies. The research demonstrates that audit committee size has a negative and negligible effect on the financial reporting quality of the tested companies.

2.2 THEORETICAL REVIEW

There are many relevant theories that can be used to explain the relationship between audit committee characteristics and financial reporting quality, but this study discussed only three theories that best explained the work. On this note agency theory, stewardship theory and policeman theory are discussed.

2.2.1 THE AGENCY THEORY BY JENSEN AND WILLIAM, 1976

The agency theory is a common practice in research that explains the relationship between the principal (shareholders) and the agent (managers). The origins of the agency theory can be traced back to Jensen and William (1976) and the discussion of the problem of the separation of ownership and control. Formation of audit committees derives its impetus from agency theory. When the management of firms are delegated by shareholders to agents it creates agency relationship. This ceding of responsibility by the principal and the resultant separation of responsibilities are beneficial in enhancing an efficient and rewarding entity (Jensen & William, 1976). However, delegation requires principal trust the agent to acting the principal's best interests. There may be conflict of interest between the principal's expectation and the desire of the agent (Jensen & William, 1976; Ross, 1973). The agent may also possess superior information on the activities of the entity than the principal. This divergence could occur because of financial reward, labor market opportunities, and relationships with other parties that are

not beneficial to the principal. Also, agents could be more risk averse than principals. These scenarios could create conflicts and the opportunity for the principal to institute monitoring functions to curtail the activities of the agent and ensure goal congruence when there is divergence of views and motives. Agency model suggests that, as a result of information asymmetry and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behavior (Fama & Jensen 1983; Eisenhardt, 1989).

Management may manage earnings to hide the true financial position and relevant information of a business organization that investors ought to have known. Based on agency theory, the explicit and implicit contracts between the firm and stakeholders offer a range of incentives for managers to engage in earnings manipulations. The application of agency theory in this study is justified by the fact that the audit committee is constricted to protect the interest of the owners of the business and that of the agents in line with extant laws that regulate the operation of companies.

2.2.2 STEWARDSHIP THEORY BY DONALDSON AND DAVIES, 1991

Stewardship theory has its roots from psychology and sociology and it stresses on the role of top management being as stewards, integrating their goals as part of the organization as opposed to the agency theory perspective (Ayinde, 2002). The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained. The theory assumes a strong relationship between organizational success and a principal's satisfaction. Hence, a steward overcomes the trade-off by believing that working towards organizational, collective ends meet personal needs as well (Huang & Thiruvadi, 2010). The theory recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust (Huse & Solberg, 2006). Stewardship theory postulates that a steward protects and maximizes shareholder wealth through firm performance because by doing so, the steward's utility functions are maximized. The steward derives greater utility from satisfying organizational goals than through self-serving behavior.

The theory recognizes the essentials of structures that empower the steward, offering maximizing autonomy built upon trust. The Minimizes the cost of mechanisms aimed at monitoring and controlling behaviors. In order to protect their reputations as decision makers in organizations, executives and directors are inclined to operate the firm to maximize financial performance as well as shareholders' profits. In this sense, it is believed that the firm's performance can directly impact perceptions of their individual performance. Abdullah & Valentine (2009) contend that executives and directors are also managing their careers in order to be seen as effective stewards of their organization. The theory also holds that managers do have similar interests to the corporation, in that the careers of each are linked to the attainment of organizational objectives, and their reputations are interwoven with the firm's performance and shareholder returns (Ilaboya & Ohiokha, 2014).

The stewardship theory essentially holds that directors act as stewards and are not concerned with promoting their own economic interests, as agency theory holds, but will act in the best interests of their company, and they will act in a way that leads to collectivist/organizational utility rather than self-serving benefits. Personal needs of directors are met while working toward organizational goals (Leventis & Dimitropoulos, 2012). Thus, directors functioning as stewards are concerned with performing honorably and correctly (Maarufah & Muhammad, 2011). Stewardship philosophy is distinguished by the concept of service to others rather than self-interest. According to some observers, the theory "assumes a commitment to the welfare, growth, and wholeness of others" (Mangena & Taurigana, 2008)

Therefore, the theory helps in explaining the relationship between audit committees and quality of financial reporting in that if the audit committee fails to put the steward (management) at check, self-interests will overrun organization interests hence fraudulent financial reporting.

2.2.3 THE POLICEMAN THEORY BY HICKSON, 20TH CENTURY

The policeman theory claims that the audit and process is responsible for searching, discovering and preventing fraud. This was the case in the early 20th century. However, more recently the main focus of this process has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud is, however, still a hot topic in the debate on the auditor's responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud and manipulation of financial information.

This was the most widely held theory on auditing until the 1940s (Hayes, Schilder, Dassen & Wallage, 1999). Up until the 1940s it was widely held that an auditor's job was to focus on arithmetical accuracy and on prevention and detection of fraud. However, from the 1940s until the turn of the century there was a shift of auditing to mean verification of truth and fairness of the financial statements. Recent financial statement frauds such as those at Societe Generale, Satyam, Ahold, Enron have resulted in careful reconsideration of this theory. There now is an ongoing public debate on the auditor's responsibility for detection and disclosure of fraud returning us to the basic public perceptions on which this theory derives.

According to this theory, the audit committees should put in place mechanisms to detect fraud before it happens just like a policeman tries to prevent crime from happening. In terms of quality of financial reporting, audit committee is viewed to perform the duty synonymous to that performed by the policemen such as to check and detect any instances of frauds in the organizations. Therefore, audit committees that are independent, diversified, financially competent and have quality meetings is perceived to exercise their mandate more effectively. For instance, Elder (2004) stated that the most common way for users to obtain reliable information (reducing the information risk) is to have an independent audit committee.

This study will adopt the policemen theory in assessing the role of audit committees on quality of financial reporting among industrial goods sectors in Nigeria. As mentioned earlier, policeman theory claims that the audit and assurance process is responsible for searching, discovering and preventing fraud, therefore audit committees acting as organization policeman go a long way in ensuring quality financial reporting.

2.3 EMPIRICAL STUDIES

Alawaqleh and Ali Almasria (2021) measured the correlation between audit committee (performance and composition) and financial reporting quality of manufacturing corporations registered on the Amman Stock Exchange (ASE). They test this impact empirically, with a target population was financial managers, audit committee members, and internal audit managers who are working in manufacturing corporations listed on the (ASE). According to the researcher, the independent variables (Audit Committee Performance and Audit Committee Composition) influences the dependent variable FRQ. The research recommended that firms enhance the audit committee work performance and composition to ensure audit committee members effectively enhance the FRQ audit committee is a vital mechanism of the firm's corporate governance system.

Umobong and Ibanichuka (2017) examined the relationship between audit committee characteristics and financial reporting quality of food and beverage firms using secondary data obtained from Nigeria Stock Exchange. Audit committee characteristics; financial expertise and Audit committee independence were regressed against financial reporting quality measured by relevance and reliability while controlling for number of attendances at audit committee meetings, firms age, firm size, audit committee tenure. Their study confirms that increase in audit committee independence, financial expertise of members, firm age and frequency of meetings increases financial reporting quality. While increase in audit committee size and firm size decreases reporting quality. Based on our findings we recommend that more accounting and finance experts should be appointed to audit committees and the independence of audit committee members should be guaranteed while a ceiling is pegged on the minimum number of meetings audit committee members should attend in a financial year.

Kamolsakulchai (2015) investigated the relationship between the audit committee effectiveness and audit quality on financial reporting quality. Panel data were collected from the Form 56-1 and financial statements of listed companies, including three industry groups, in Stock Exchange of Thailand from 2008 to 2012; and data was analyzed using Panel Fixed Effects Model. Their results showed that the audit committee effectiveness had a significantly positive relationship with financial reporting quality. As the size of audit committee increased, financial reporting quality was improved. However, this study reveals that a decreased quality of financial reporting may be a result from arisen discretionary accruals. Audit quality was found to be positively associated with financial reporting quality significantly, determined from unqualified audit opinion. This indicates that financial reporting was prepared according to generally accepted accounting standards. Moreover, size of board of directors, financial risk, return on assets and growth had a positive relationship with financial reporting quality,

as administrators are motivated to create a good operation performance, thus creates credibility to investors and shareholders.

Mwangi (2018) studied the effect of audit committee characteristics on quality of financial reporting among non-commercial state corporations in Kenya. The aim of their study was to establish the effect of audit committee independence, diversity, financial competence and meetings on quality of financial reporting. Their study used census on all 72 state corporations. The findings from both correlation and regression analysis revealed that audit committee independence, audit committee diversity, audit committee financial competence and audit committee meetings had statistically significant relationship with the quality of financial reporting. The results revealed that audit committee independence, audit committee diversity, audit committee financial competence and audit committee meetings reduced the ratio of queried transactions to annual budget of non-commercial state corporations in Kenya.

Wu et al. (2007) evaluated board independence and the board's expertise characteristics as the primary determinants impacting the quality of financial reporting. Companies having a higher percentage of independent directors, having independent financial directors, or having an audit committee on board are more likely to generate reliable accounting earnings information. Variables representing board behavior characteristics, namely, ratio of shares owned by the board, board meeting frequency within a year, and the number of independent directors holding posts concurrently in the controlling shareholder's company, are not significantly related to the quality of financial reporting. The number of board meetings is even disproportionately negatively associated to the quality of financial reporting.

2.4 SUMMARY OF EMPIRICAL AND RESEARCH GAP

The review of related literature was carried out in three segments namely conceptual, theoretical and empirical review. The conceptual review was carried out to examine the definition and concepts of each of the variable under study. The theoretical framework has the review of relevant theories that support the study. Theories were stewardship theory, agency theory and policemen theory. The empirical review focused on the method and findings of previous researchers.

This section gave the gap in this study which is that Offor et al. (2022), Abdulla AlJahahma (2022), Asaad et al. (2021), Namakavarami et al. (2021) and Safari et al (2021) used other variables of variables of audit committee effectiveness aside from that which the current study is using. The present study takes a different approach by focusing on listed firm in subSaharan Africa rather than just one country. Previous studies only examined a single country. This study produced four distinct set of explanatory variables, namely audit committee size, diligence, financial expertise, and the moderating role of board independence. This forms the research gap.

SECTION THREE RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

This study adopted Ex-post facto adopted research design to investigate the causal relationship between the independent and dependent variables. Specifically, it aims to determine the impact of audit committee effectiveness on the financial reporting quality of listed non-financial firms in Sub-Saharan Africa. The study utilized a panel data set that tracked the population of interest over a long period of time, as it aimed to measure the changes occurring over time for the units of analysis within the population.

3.2 POPULATION OF THE STUDY

The population of the study comprised all the listed non-finance companies in Nigeria, South Africa, and Kenya. As at 31st December 2022, there were a total of 109 non-finance companies listed on the Nigerian Exchange Group (NGX), 243 non-finance companies listed on the Johannesburg Stock Exchange (JSE), and 45 non-finance companies listed on the Nairobi Stock Exchange (NSE). Based on the information provided, the study encompassed a total population of 397 non-finance firms that are listed in Nigeria, South Africa, and Kenya. Specifically, this study utilized data from publicly traded non-financial companies in Sub-Saharan Africa spanning from 2013 to 2022. The selection of the period is determined by the requirement to encompass a broad spectrum of observations, in contrast to previous studies that utilized shorter time spans (less than 10 years). Moreover, the selection of the base year 2013 is justified due to the fact that countries in Sub-Saharan Africa had implemented International Financial Reporting Standards (IFRS), which allowed for the creation of comparative financial reports. The choice of the terminal year, 2022, is justified by the necessity to include the most up-to-date accounting data and to ensure a consistent sample where all firms have an equal number of annual reports, resulting in an equal number of observations.

3.3 SAMPLING TECHNIQUES

The study employed a purposive sampling technique to choose the sample, as firms were included based on specific selection criteria. The criteria for selection was limited to companies listed on the Nigerian Exchange Group, Johannesburg Stock Exchange, and Nairobi Stock Exchange markets from 2013 to 2022. Only companies that have publicly accessible annual financial reports during this period were considered. Additionally, companies that operate subsidiaries in Nigeria, South Africa, and Kenya but are not listed on the relevant stock exchanges are excluded. The study excluded recently listed and delisted firms. Therefore, only non-financial companies that possessed all pertinent data as a result of their ongoing existence were incorporated into the sample.

3.4 MODEL SPECIFICATION

In order to test the hypotheses formulated in the study and to achieve the objectives of the research, the study adopted and modified the model of Umobong and Ibanichuka, (2017).

Hence, the econometric model of the study is expressed as;

Unmoderated Regression Model (1)

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Moderated Regression Model (2) Where:

FRQT	=	Financial Reporting Quality
AUCD	=	Audit Committee Diligence
AUCS	=	Audit Committee Size
AUFX	=	Audit Committee Financial Expertise
BODI	=	Board Independence
$\beta_1 - \beta_4$	=	Slope Coefficient
μ	=	Stochastic disturbance
i	=	ith firm
t	=	time period

3.4 Operationalization of the Variables

Variables	Measurement	Sources	Literature	Apriori Expectation
Dependent variable				
Financial reporting quality is measured in terms of Jones Quality – Discretionary Accrual Model (Total Accruals – Net Accruals). Total Accruals = Δ in CA - Δ in Cash + (Δ in CL – Short term debt and current portion of long term debt) – Depreciation. Net Accruals = Accrual Revenue – Accrual Expenses.			Annual Report	Umobong and Ibanichuka, (2017)
Independent variable				
Audit Committee Diligence numbers is the number of the audit committee meetings held by the members in a year.	Audit committee diligence in		Annual Report	Umobong and Ibanichuka, (2017) +
Audit Committee Size of audit committee members	Audit committee size is measured as the total number		Annual Report	Umobong and Ibanichuka, (2017) +
Audit Committee Financial Expertise	Audit committee financial expertise is measured as the number of audit committee	Annual Report	Umobong and Ibanichuka, (2017)	+

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members with Professional
Accounting Qualification.

Board independence	Board independence is measured Annual as the ratio of nonexecutiveReport directors to total board directors during the year	Umobong and Ibanichuka, (2017)	+
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Source: Author Compilation (2024)

3.6 METHOD OF DATA ANALYSIS

The econometric techniques employed for this study is Generalized Method of Movements. The GMM approach provides robust and unbiased estimates of the regression coefficients, thereby enhancing the validity and credibility of the empirical findings. Furthermore, the use of robust standard errors in the GMM estimation ensures that the statistical inferences drawn from the analysis are reliable even in the presence of heteroscedasticity and other violations of standard assumptions. This robustness is crucial for obtaining accurate insights into the relationships between the variables under investigation and for making sound conclusions based on the empirical evidence. Based on the foregoing, the power benefit of the two step GMM is justified and thus relied upon for hypotheses testing in this study.. In addition, both the individual statistical significance test (T-test) and the overall statistical significance test (F-test) is utilised. Following the completion of descriptive statistics, data normality test, and correlation analysis, panel regression analysis was performed. Postregression diagnostic tests, such as the variance inflation factor test for multicollinearity and the test for heteroscedasticity, was conducted. The analyses was performed at a significance level of 5% using STATA 14 software.

SECTION FOUR DISCUSSION OF FINDINGS

4.1 AUDIT COMMITTEE DILIGENCE AND FINANCIAL REPORTING QUALITY

The finding shows that audit committee diligence has a positive and significant effect on the financial report quality of listed non-financial firms, as measured by Jones Discretionary Accrual. This result, significant at the 5% level, suggests that an increase in audit committee meetings correlates with a notable enhancement in financial report quality during the period under investigation. The findings underscore the pivotal role of audit committee diligence in fostering transparency, reliability, and integrity in financial reporting processes.

The findings follow the studies of Alawaqleh and Ali (2021) who highlights the significance of robust governance mechanisms in ensuring the accuracy and credibility of financial disclosures. Similarly, Chukwu and Nwabochi

(2019) emphasizes the positive impact of effective audit committee oversight on financial performance and stakeholder trust. Moreover, the findings resonate with the assertions of Choi et al. (2004) who underscored the critical role of audit committees in upholding corporate governance standards and mitigating agency conflicts. Additionally, the observed relationship aligns with the conclusions drawn by Daryaei and Yasin (2020) who emphasize the importance of governance structures in enhancing firm value and mitigating information asymmetry. Furthermore, the findings corroborate the assertions of Dare et al. (2021) regarding the positive association between audit committee effectiveness and financial reporting quality. Similarly, Du et al. (2020) underscores the role of audit committee diligence in promoting accountability and transparency in corporate disclosures. The implications of the finding extend beyond governance literature to encompass broader implications for stakeholders, including investors, regulators, and policymakers. The positive relationship between audit committee diligence and financial report quality underscores the importance of robust governance mechanisms in safeguarding investor interests, enhancing market efficiency, and fostering confidence in financial markets. Moreover, the findings underscore the imperative for regulatory authorities to promote best practices in corporate governance and ensure adequate oversight of audit committee activities to uphold financial reporting standards.

4.2 AUDIT COMMITTEE SIZE AND FINANCIAL REPORTING QUALITY

The study's findings regarding the effect of audit committee size on the financial report quality of listed non-financial firms, as measured by Jones Discretionary Accrual, revealed a notable but statistically insignificant relationship. Specifically, the results indicate a positive but insignificant effect at the 5% level, suggesting that changes in audit committee size do not significantly influence financial reporting quality within the studied context. This implies that despite potential benefits associated with larger audit committees, such as diverse perspectives and expertise, the impact on financial report quality may not be substantial or detectable within the scope of the investigation. The findings negate the studies of Kabinus and Usman (2021) highlighted the complexities surrounding the relationship between audit committee characteristics and financial reporting outcomes, emphasizing the need for nuanced analysis and consideration of contextual factors. Similarly, Suprianto et al. (2017) and Hewage and Amarasekara (2022) underscored the importance of examining the effectiveness of governance structures in different organizational contexts to understand their impact on financial reporting quality accurately.

Moreover, the findings resonate with the conclusions drawn by Anderson et al. (2004), who emphasize the multifaceted nature of corporate governance and the challenges in isolating the effects of specific governance attributes on financial reporting outcomes. Additionally, Ehigie and Isenmilia (2022) and Ofor et al. (2022) highlight the role of contextual factors, such as regulatory environment and industry dynamics, in shaping the relationship between governance characteristics and financial reporting quality. The implications of the finding

extend beyond the immediate scope of the study to encompass broader considerations for corporate governance practices and regulatory frameworks. The insignificant effect of audit committee size on financial report quality underscores the need for a nuanced approach to governance reforms, focusing on the effectiveness rather than the mere size of governance structures. Moreover, the findings underscore the importance of considering contextual factors and industry-specific dynamics in evaluating the impact of governance mechanisms on financial reporting outcomes.

4.3 AUDIT COMMITTEE FINANCIAL EXPERTISE AND FINANCIAL REPORTING QUALITY

Furthermore, the findings in relation to audit committee financial report quality nexus offer insights into the relationship between audit committee financial expertise and the financial report quality of listed non-financial firms in Sub-Saharan Africa, as measured by Jones Discretionary Accrual. The results reveal a positive but statistically insignificant effect at the 5% level, indicating that changes in audit committee financial expertise do not significantly influence financial report quality within the studied context. This implies that while possessing financial expertise within the audit committee may offer potential benefits in terms of financial oversight and decision-making, such expertise alone may not have a discernible impact on the quality of financial reporting during the period under investigation. The findings contradict those of Abdullah (2006) who emphasize the importance of audit committee expertise in enhancing governance effectiveness and financial reporting quality, suggesting a positive relationship between financial expertise and corporate performance outcomes. Similarly, Adams and Ferreira (2009) highlight the role of expertise in mitigating agency conflicts and ensuring the integrity of financial disclosures, thereby implying a potential positive impact on financial report quality.

However, the observed insignificance of audit committee financial expertise in influencing financial report quality contradicts the findings of Abdullah et al. (2018) who suggest a significant positive relationship between financial expertise and governance effectiveness. Moreover, Chukwu and Nwabochi (2019) underscore the need for specialized knowledge and skills within the audit committee to navigate complex financial reporting requirements and regulatory frameworks, hinting at a potential positive impact on financial reporting quality. The implications of the finding extend beyond the immediate scope of the study to encompass broader considerations for corporate governance practices and regulatory frameworks. The insignificance of audit committee financial expertise underscores the need for a more comprehensive approach to governance reforms, emphasizing not only expertise but also the effectiveness and collaboration of governance structures. Moreover, the findings underscore the importance of considering contextual factors, such as industry dynamics and regulatory environment, in evaluating the impact of governance mechanisms on financial reporting outcomes.

4.4. BOARD INDEPENDENCE AND FINANCIAL REPORTING QUALITY

The findings pertaining to the effect of board independence on the financial report quality of listed non-financial firms, as measured by Jones Discretionary Accrual, revealed a negative but statistically insignificant relationship.

The result suggests that changes in the proportion of independent directors relative to the total directors within the board do not significantly impact financial reporting quality during the period under investigation. This implies that while board independence is often advocated as a cornerstone of effective corporate governance, its presence alone may not be sufficient to ensure higher standards of financial reporting within the studied context. This is against the studies of Cohen et al. (2017) who underscore the positive impact of board independence on governance effectiveness and financial reporting quality, suggesting a potential positive relationship between independence and corporate performance outcomes.

Similarly, Bryan et al. (2004) emphasizes the role of independent directors in enhancing board oversight and accountability, thereby implying a potential positive impact on financial report quality. However, the observed insignificance of board independence in influencing financial report quality contradicts the findings of Agyei-Mensah (2022), Ehigie and Isenmilia (2022), and Ofor et al. (2022), who suggest a significant positive relationship between board independence and governance effectiveness. Moreover, these studies underscore the importance of independent oversight in mitigating agency conflicts and ensuring the integrity of financial disclosures, hinting at a potential positive impact on financial reporting quality. The implications of the finding extend beyond the immediate scope of the study to encompass broader considerations for corporate governance practices and regulatory frameworks. The insignificance of board independence underscores the need for a more nuanced approach to governance reforms, emphasizing not only independence but also the effectiveness and collaboration of governance structures. Moreover, the findings underscore the importance of considering contextual factors, such as industry dynamics and regulatory environment, in evaluating the impact of governance mechanisms on financial reporting outcomes.

4.6 AUDIT COMMITTEE EFFECTIVENESS AND FINANCIAL REPORTING QUALITY; THE ROLE OF BOARD INDEPENDENCE

The study's findings regarding the moderating effect of board independence on the relationship between audit committee effectiveness and financial reporting quality offer valuable insights into the intricate dynamics of corporate governance within listed nonfinancial firms in Sub-Saharan Africa. Firstly, the results indicate a positive and significant moderating effect of board independence on the relationship between audit committee diligence and financial reporting quality. This suggests that an increase in the proportion of independent directors on the board, coupled with effective audit committee oversight in terms of meeting frequency, significantly enhances financial report quality as measured by Jones Discretionary Accrual. This finding resonates with the assertions of Carcello and Naal (2001). Dabor and Adeyemi (2009), who emphasize the complementary role of independent oversight and audit committee effectiveness in ensuring robust financial reporting practices.

However, the study also reveals a positive but insignificant moderating effect of board independence on the relationship between audit committee effectiveness, measured in terms of both committee size and financial

expertise, and financial reporting quality. This suggests that while board independence may enhance the effectiveness of audit committees to some extent, its impact on financial reporting quality is not statistically significant in the context of the studied firms. This finding contradicts the assertions of Agyei-Mensah (2022), Ehigie and Isenmilia (2022), and Ofor, Orjinta, and Maya (2022), who suggest a more significant role for board independence in moderating the relationship between audit committee effectiveness and financial reporting outcomes.

The implications of these findings extend beyond the immediate scope of the study to encompass broader considerations for corporate governance practices and regulatory frameworks. The significant moderating effect of board independence on the relationship between audit committee diligence and financial reporting quality underscores the importance of fostering a culture of independence and oversight within corporate boards, particularly in enhancing the effectiveness of audit committees. However, the insignificant moderating effects observed in relation to audit committee size and financial expertise highlight the need for a more nuanced understanding of governance dynamics and their impact on financial reporting outcomes.

SECTION FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The results of the empirical findings with respect to each specific objective of the study are as follows:

1. Audit committee diligence [coef. = 0.041 (0.002)] has a positive significant effect at 5% on the financial report quality of listed non-financial firms when measured in terms of Jones Discretionary Accrual.
2. Audit committee size [coef. = 0.011 (0.236)] has a positive insignificant effect at 5% on the financial report quality of listed non-financial firms when measured in terms of Jones Discretionary Accrual.
3. Audit committee financial expertise [coef. = 0.003 (0.990)] has a positive insignificant effect at 5% on the financial report quality of listed non-financial firms when measured in terms of Jones Discretionary Accrual.
4. Board independence has a positive significant moderating effect on the relationship between audit committee effectiveness when measured in terms of audit committee diligence [coef. = 0.022 (0.001)] and the financial reporting quality of listed non-financial firms when measured in terms of Jones Discretionary Accrual. However, board independence has a positive insignificant moderating effect on the relationship between audit committee effectiveness when measured in terms of audit committee size [coef. = 0.003 (0.228)] and financial reporting quality of listed non-financial firms when measured in terms of Jones Discretionary Accrual. Finally, board independence has a positive insignificant moderating effect on the relationship between audit committee effectiveness when measured in terms of audit committee financial expertise [coef. = 0.008 (0.103)] and financial reporting quality of listed non-financial firms when measured in terms of Jones Discretionary Accrual.

5.2 CONCLUSION

The findings of this study shed light on the intricate relationship between corporate governance mechanisms and financial reporting quality within listed non-financial firms in Sub-Saharan Africa. Through a comprehensive analysis of audit committee characteristics and their interactions with board independence, the study provides valuable insights into the factors influencing financial reporting outcomes in the region. Firstly, the study reveals that audit committee diligence plays a significant role in enhancing financial reporting quality, with increased meeting frequency positively impacting the accuracy and reliability of financial disclosures. This underscores the importance of active and engaged audit committees in upholding transparency and integrity in financial reporting practices. Additionally, the study finds that while audit committee size and financial expertise may have some influence on financial reporting quality, their effects are not statistically significant. This suggests that simply increasing the size of the audit committee or enhancing its financial expertise may not necessarily translate into tangible improvements in financial reporting outcomes within the studied context.

Furthermore, the study highlights the crucial role of board independence as a moderator in shaping the relationship between audit committee effectiveness and financial reporting quality. While board independence significantly enhances the impact of audit committee diligence on financial reporting quality, its moderating effects on other dimensions of audit committee effectiveness, such as size and financial expertise, are found to be insignificant. Overall, the findings underscore the importance of fostering a culture of active oversight and independence within corporate boards, particularly in enhancing the effectiveness of audit committees. Moreover, the study emphasizes the need for a nuanced approach to governance reforms, recognizing the interplay between different governance mechanisms and their collective impact on financial reporting practices.

5.3 RECOMMENDATIONS

Based on the nuanced findings of the study regarding audit committee effectiveness and financial reporting quality within listed non-financial firms in Sub-Saharan Africa, several recommendations emerge to address the complexities inherent in governance practices and to improve the transparency and reliability of financial reporting processes.

1. The study underscores the importance of strengthening audit committee oversight as a cornerstone of effective corporate governance. It recommends encouraging regular and frequent audit committee meetings to facilitate active engagement and robust review of financial reporting practices. Additionally, providing training and resources to audit committee members can enhance their understanding of financial reporting requirements and their ability to fulfill their oversight responsibilities effectively. By fostering a culture of accountability and transparency within audit committees, firms can ensure rigorous scrutiny and monitoring of financial reporting processes, thereby enhancing the quality and integrity of financial disclosures.

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2. Furthermore, the study emphasizes the critical role of board independence in enhancing governance effectiveness and financial reporting quality. It recommends promoting the appointment of independent directors to corporate boards to strengthen oversight and decisionmaking processes. Implementing mechanisms to safeguard the independence of board members, such as ensuring a majority of independent directors and limiting potential conflicts of interest, is also essential. Regular evaluations of board composition and effectiveness can help identify areas for improvement and ensure alignment with best practices in corporate governance.

3. Moreover, the study suggests optimizing audit committee composition to strike the right balance between size and effectiveness. While larger audit committees may offer diverse perspectives, the study cautions that size alone may not necessarily lead to better outcomes in terms of financial reporting quality. Instead, firms should emphasize the importance of diverse expertise within audit committees, including financial acumen, industry knowledge, and regulatory understanding, to facilitate effective oversight of financial reporting processes.

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