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EFFECT OF AUDIT COMMITTEE SIZE AND AUDIT COMMITTEE GENDER DIVERSITY ON FINANCIAL REPORTING QUALITY OF LISTED MANUFACTURING FIRMS IN NIGERIA

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Abstract

Financial reporting quality is essential for promoting transparency, accountability, and investor confidence in corporate governance. It is against this backdrop that this study examines the effect of audit committee size and audit committee gender diversity on financial reporting quality of manufacturing firms in Nigeria. This study covered the period from year 2010 to 2024 and employed an ex-post facto research design, with a population consisting of 46 listed manufacturing firms on the Nigerian Exchange as a sample of 35 firms was selected using a filtering technique. Panel data spanning 15 years were analysed using panel-corrected standard errors regression to account for heteroskedasticity and cross-sectional dependence. The findings revealed that both audit committee size and audit committee gender diversity have a positive and statistically significant effect on the financial reporting quality of manufacturing firms in Nigeria. This study concludes that adequately sized and gender-diverse audit committees strengthen oversight and reporting quality. It is recommended that firms maintain properly sized audit committees, promote gender diversity, adopt structured internal monitoring, and provide capacity-building programs to enhance committee effectiveness and overall governance of firms in Nigeria.

Keywords: audit committee size, audit committee gender diversity, financial reporting quality, listed manufacturing firms, Nigeria

1. Introduction

Financial reporting quality (FRQ) refers to the extent to which financial statements present information that is relevant, faithfully represented, comparable, verifiable, timely, and understandable, thereby enabling stakeholders to make reliable and well-informed decisions, as outlined by the International Financial Reporting Standards Foundation (2023). To provide users of financial statements with a sound basis for evaluating an entity's financial position and performance, FRQ standards emphasise the need for clear, accurate, and dependable information that truthfully reflects the organisation's underlying economic activities.

Recent studies also indicate that financial reporting quality reflects the extent to which disclosed financial information accurately portrays a firm's financial position, performance, and cash flows, free from material misstatements or bias (Oluwagbemiga & Adeyemi, 2022; Hassan & Okoye, 2024). In essence, high financial reporting quality is attained when financial statements present a reliable and impartial account of a company's underlying economic reality

In Nigeria, the manufacturing sector is a critical driver of economic growth, contributing significantly to gross domestic product (GDP) and employment (National Bureau of Statistics, 2022). However, the sector faces challenges such as poor earnings management, liquidity crises, and corporate governance failures, which undermine the financial reporting quality (FRQ) (Olaoye et al., 2019). According to Aifuwa et al. (2018), users of financial reports must ensure that the quality of the reports is maintained in order to improve transparency, investment outcomes, economic decision-making, and resource allocation.

Financial reporting refers to the public's access to an organization's financial results. The problem of financial reporting quality has continued to attract attention in Nigeria due to several cases of corporate financial misstatements. Financial reporting quality refers to the extent to which financial statements present a true and fair view of a firm's financial position and performance. When financial reports are manipulated or inaccurately presented, stakeholders such as investors, creditors, and regulators are misled, which undermines confidence in the financial reporting system.

Evidence of weak financial reporting quality can be observed in notable corporate scandals in Nigeria. An example is the case of Cadbury Nigeria Plc, where serious financial misrepresentation occurred in the mid-2000s. Investigations revealed that the company's financial statements were manipulated for several years until December 12, 2006, when the managing director and the finance director were suspended for their involvement in the falsification and window dressing of the company's accounts. The manipulation resulted in an overstatement of the company's financial position by between ₦13 billion and ₦15 billion over a three-year period. In reality, if the accounts had been properly reported, the firm would have recorded an operating loss of about ₦1 billion to ₦2 billion during the period. This case clearly illustrates a breakdown in financial reporting quality and highlights how weak governance and ineffective oversight function can allow earnings manipulation to persist within organizations (Okaro & Okafor, 2011; Okaro et al., 2013).

The Cadbury incident therefore, demonstrates the seriousness of the financial reporting quality problem in Nigeria. It shows how distorted financial information can conceal the true financial condition of a firm and mislead stakeholders who rely on corporate reports for economic decision making. Such occurrences underscore the need for stronger governance mechanisms capable of improving the quality and credibility of financial reporting.

An audit committee (AC) has emerged as a tool for ensuring the quality of financial reports by supervising and monitoring the financial reporting process and internal control (Oyebanji 2019). The company's audit committee reduces information asymmetry between the external auditor and the board of directors, facilitating the monitoring process and acting as a bridge between the two parties. According to Ezeokoli et al. (2019), audit committee size (ACS) is measured as the number of boards of directors and shareholders appointed to be members of the audit committee of a company. The size of the audit committee, as an independent variable, can influence its effectiveness in monitoring financial reporting processes.

The studies of audit committee size and FRQ revealed mixed and divergent findings and this was revealed from the studies of Gamayuri (2020), Afenya et al. (2022), Nouradeen et al. (2021), which demonstrates that the size of the audit committee has a substantial effect on the FRQ. In contrast, the findings of Yeng and Oppong (2024), Jabag (2022), Majanjory (2022), and Al-zeban (2019) revealed different results. Audit committee gender diversity refers to the representation of women on the audit committee and reflects the inclusion of female perspectives in the oversight function of financial reporting. It is commonly measured as the proportion of female members on the audit committee or as a dummy variable (Danjuma & Salisu, 2022; Gulzar & Haque, 2023).

Empirical evidence on the effect of audit committee gender diversity on FRQ remains mixed because some studies report that gender-diverse audit committees enhance monitoring effectiveness and improve reporting quality (Ibrahim & Okon, 2023; Oladeji & Usman, 2023), while others find negative or insignificant effects, suggesting that gender diversity may not automatically translate into better reporting outcomes without sufficient expertise and influence within the committee (Danjuma & Salisu, 2022; Gulzar & Haque, 2023). These mixed findings support the inclusion of audit committee gender diversity as one of the independent variables in this study.

This study used firm size, leverage, and profitability as control variables to capture firm-specific conditions that may affect financial reporting quality. Firm size refers to the overall scale of a firm's operations and is measured as the natural logarithm of total assets, with larger firms often subject to stricter regulatory oversight and higher disclosure expectations (Hassan & Okoye, 2024; Yeng & Oppong, 2024). Leverage represents the extent to which a firm relies on debt financing and is measured as the ratio of total debt to total assets, reflecting the level of monitoring pressure exerted by creditors on management (Nouraldeen et al., 2021; Jabag, 2022). Profitability denotes a firm's ability to generate earnings from its assets and is measured using return on assets, as more profitable firms are generally better positioned to sustain sound governance practices and good reporting quality (Oladeji & Usman, 2023; Hassan & Okoye, 2024).

Based on the reviewed of previous empirical studies, there is a need for further research on the effect of audit committee size and gender diversity on FRQ of manufacturing firms in Nigeria. This study extends existing literature by introducing firm size, leverage and profitability as the control variables. It is against this backdrop that this study examines the effect of audit committee size and gender diversity on FRQ of manufacturing firms in Nigeria. The following null hypotheses were formulated and tested:

H_{01}: Audit committee size has no significant effect on the financial reporting quality of listed manufacturing firms in Nigeria.

H_{02}: Audit committee gender diversity has no significant effect on the financial reporting quality of listed manufacturing firms in Nigeria.

This study is significant to major stakeholders such as regulators, corporate boards, audit committee members, investors, and researchers, as it provides empirical evidence on the effect of audit committee size and gender diversity on FRQ of manufacturing firms in Nigeria. This study covers the period from 2010 to 2024, allowing for an assessment of governance practices over time within the Nigerian manufacturing sector. The remaining parts of this study are organized into the literature review, methodology, results and discussions, conclusion and recommendations.

2. Literature Review

According to the Financial Accounting Standards Board (FASB, 2010), FRQ is a transparent report that possesses desirable qualitative attributes and high trust. Financial reporting quality, according to Ekwe et al. (2020), is accounting data that is accurate, timely, and relevant so that users may plan, assess, and discover issues. Giving consumers access to high-quality financial data about the company so they may make financial decisions is the goal of financial reporting (Ismail et al., 2023). According to Shuraki et al. (2021), FRQ is defined as the precision with which financial reporting provides useful information about a firm's performance and expected cash flows for investor decisions. This aligns with the Financial Accounting Standards Board (FASB) Conceptual Framework, which emphasizes informing investors to facilitate rational investment decisions and evaluate a company's expected cash flows.

In this study, FRQ is measured through content analysis based on qualitative characteristics identified in the FASB and IASB Conceptual Framework. These include relevance and faithful representation as fundamental qualities, and comparability, verifiability, timeliness, and understandability as enhancing qualities. Together, they underpin the usefulness and credibility of financial statements. For the purpose of this study, financial reporting quality (FRQ) is operationally defined as the extent to which a firm's financial statements provide accurate, complete, and reliable information, reflecting the true financial performance and position of the firm, and minimizing the scope for earnings management. It is measured using qualitative characteristics using content analysis.

The size of the audit committee is referred to as the total number of an individual that forms or constitute the audit committee of a company (Babatunde, 2021). According to CAMA, (2020) size of the audit committee should not exceed six people. Chukwu and Nwabochi (2019) stated that audit committee size is significant to the company because in deliberating on financial reporting issues, the large number of committees provides diverse perspectives. Also, the size of the audit committee is among the essential attributes that contribute to the committee's governance strength of a company.

The audit committee is defined as the committee appointed by companies through their respective boards. This is a committee that serves as a link between corporate boards (board of directors) and the respective external auditors of the companies (Odjaremu& Jeroh, 2019). Audit committee is expected to play a vital role in monitoring the whole process of financial reporting (Junior et al., 2021). Globally, companies' audit committees are usually seen as the most effective and efficient mechanism of corporate governance through which the company management could monitor their activities.

The size or number of the members of the audit committee gives a clear signal of the resources available to such a committee. In this study, audit committee size is defined as the total number of members constituting a company's audit committee, in line with CAMA (2020), which prescribes a maximum of six members. Audit committee size is measured by the number of committee members disclosed in the annual reports. An adequate committee size is considered important for effective oversight and improved monitoring of the financial reporting process.

Audit committee gender diversity refers to the inclusion and active participation of women in a company's audit committee, emphasizing not just their presence but their contribution to governance and oversight dusty. According to Carter et al. (2019), a higher proportion of women enhances critical thinking and reduces groupthink, while Adams and Ferreira (2019) note that women often bring ethical sensitivity, diligence, and a risk-averse approach, which strengthen monitoring functions and corporate accountability. Study by Ntim et al. (2015) and Torchia et al. (2022) suggests that female members offer unique perspectives, increased scepticism, and attention to detail, improving the quality of financial reporting. Their presence enhances transparency, reduces earnings manipulation, and fosters better communication between auditors and management because of their unique attributes (Post & Byron, 2019; Raghunandan & Rama, 2016; Abdelaziz & Hussainey, 2022).

In this study, gender diversity (GD) refers to the inclusion and active participation of women in a company's audit committee, with emphasis on their contribution to corporate governance, oversight function and decision making. Empirically, GD is measured as the proportion of female members to the total membership of the audit committee. In Nigeria, the Nigerian code of corporate governance (2018) encourages gender diversity on corporate boards and board committees, including the audit committee. The Code recommends that companies promote a balanced composition by ensuring the inclusion of women in governance structures. Although it does not prescribe a fixed numerical quota, it requires organisations to adopt policies that support adequate female representation in board committees.

The presence of women on the audit committee is expected to strengthen monitoring and oversight functions. Prior studies suggest that female participation improves ethical judgement, increases sensitivity to risk issues, and enhances the effectiveness of financial oversight. This may lead to higher financial reporting quality, greater transparency, reduced earnings management, and improved interaction between auditors and management (Carter et al., 2019; Adams & Ferreira, 2019; Ntim et al., 2015; Torchia et al., 2022; Post & Byron, 2019; Raghunandan & Rama, 2016; Abdelaziz & Hussainey, 2022).

This study adopts Stewardship Theory as it is most relevant to this study. Stewardship theory, introduced by Donaldson and Davis (1991), argues that corporate leaders, including audit committee members, are intrinsically motivated to act in the best interest of their organizations. Unlike agency theory, which assumes self-interest and the need for monitoring, stewardship theory emphasizes trust, ethical responsibility, and alignment between managerial and organizational goals (Davis et al., 1997; Hernandez, 2012).

This theory is particularly relevant to audit committees as it suggests that members view their role as custodians of transparency and accountability, working proactively to ensure accurate financial reporting. In relation to audit committee size, stewardship theory holds that an adequate number of members strengthens oversight and protects stakeholder interests. A sufficiently sized audit committee enhances monitoring, allows diverse input, and improves the detection of financial reporting irregularities. Within this framework, committee size reflects its capacity to support financial reporting quality and maintain stakeholders' trust.

Eghosa and Joel (2025) examined the moderating effect of institutional ownership on the effect of audit committee characteristics on FRQ of listed consumer goods firms in Nigeria over the period 2014–2024. The study employs a quantitative ex-post facto design. Using panel data from 17 consumer goods firms listed on the Nigerian Exchange (NGX), FRQ was proxied by the discretionary accruals estimated through the performance-adjusted Modified Jones Model (Kothari et al., 2005), while Panel regression analysis was conducted with robustness checks. Audit committee characteristics of size independence, financial expertise, and meeting frequency were examined alongside institutional ownership as a moderator. The results reveal that committee size has a positive but insignificant effect on FRQ. Institutional ownership shows a direct positive effect on FRQ. The study concludes that both internal and external governance mechanisms are crucial for enhancing financial reporting transparency in Nigeria's consumer goods sector. Based on the study, the study is only limited to consumer goods firms in Nigeria from 2014 to 2024. However, my study is extended to manufacturing firms from the period of 2010 to 2024 to cover the most recent period.

Mohammad and Oladele (2024) examined the effect of audit committee attributes on high-quality financial reporting of listed industrial products companies in Nigeria. This is an unresolved issue in the field of financial management. The Nigerian Exchange website provided the annual report for the study, which employed 11 companies as a sample size. The study's data spans the years 2011–2022.The results of the study indicate that DACC and ACS, ACI, and ACM have weakly positive associations. DACC and ACFE have a marginally unfavorable association. These findings imply that, although the correlations are weak, audit committee size, independence, and meetings may be related to discretionary accruals. From the reviewed study, it was revealed that the research is limited to the industrial firms over 12 years. However, this study will be conducted on listed manufacturing firms from the period of 2010 to 2024.

Essien (2024) examined the impact of audit committee size on FRQ of non-financial firms listed in Sub-Saharan Africa, with a specific focus on the moderating role of board monitoring. The study employs ex post facto research design using a panel data set from 2013 to 2022, encompassing 235 nonfinancial firms listed on the Nigerian Exchange Group, Johannesburg Stock Exchange, and Nairobi Stock Exchange. Data were collected from annual reports, focusing on variables such as audit committee size, board independence, and financial reporting quality, measured using the Jones Discretionary Accrual Model. The analysis was conducted using GMM techniques to determine the relationships and interactions between the variables. The findings indicate that audit committee size has a positive but statistically insignificant effect on financial reporting quality. Similarly, board independence, both as an independent variable and as a moderator, showed a negative but statistically insignificant relationship with financial reporting quality. From the revealed literature, the study is found to be limited to 2012, of which my study will be extended to 2024 to fill the existing gap.

Monday et al. (2023) assessed audit committee attributes and financial statement quality in Nigeria. This study's main goal is to investigate how audit committee size affects the quality of financial statements for Nigerian listed non-financial companies. and also, to evaluate the effect of audit committee diligence on financial statement quality of listed non-financial firms in Nigeria. The secondary source of data collection was adopted in the study where the purposive sampling technique was used to select a sample size of eleven (11) non-financial firms listed in the Nigerian Exchange. Ordinary Least Square regression method was used to analyze the variables in this study using STATA and the findings revealed that audit committee size has significant effect on financial statement quality of listed non-financial firms in Nigeria and that audit committee independence has significant effect on financial statement quality of listed non-financial firms in Nigeria. One of the limitations is that the study ended 2023 and with no control variables.

Afenya et al. (2022) evaluated the effect of audit committee size on FRQ of publicly traded companies in Ghana. Secondary data from 2008 to 2019 was taken from the financial statements of businesses listed on the Ghana Stock Exchange. The study encompasses 38 companies as its population, whereas the sample size consists of 25 listed companies that are traded on the Ghanaian stock market. A multivariate ordinary least square regression with fixed effect was employed in the study in order to account for different firm- level heterogeneity factors that might have an impact on the empirical relationship between the independent and dependent variables. The size of the audit committee was found to have a significant detrimental effect on the quality of financial reporting. Due to the differences in the corporate governance rules and the Company and Allied Matter Act between Ghana and Nigeria, the research conducted for the evaluation was restricted to Ghana, and its conclusions and suggestions may not be applicable to Nigeria.

Maranjory and Tajani (2022) examined the effect of audit committee size on FRQ of firms listed on the Tehran Stock Exchange (TSE). A unique data for a period of 5- years from 2016 to 2020 through content analysis of the financial statements. A multivariate linear regression model with panel data was used for the data analysis with the support of EViews 8 software. Hausman test is used to select between fixed and random effects models and the test found random effect suitable for the study. The findings of the study revealed that audit committee size has a negative and no significant effect on financial reporting quality. This shows that the quality of the audit committee is more important than its quantity. However, the study is limited to Tehran and the findings and recommendations cannot apply to the Nigeria context and this necessitated this study. More so, control variables are considered in this study in order to ally the divergent and mixed findings from the study.

Using an ex-post facto and longitudinal study approach, Orife et al. (2022) empirically investigated the impact of audit committee characteristics on FRQ of a subset of Nigerian oil and gas companies listed between 2011 and 2020. Descriptive analysis, correlation analysis, and variance inflation factor were among the preliminary data tests performed on the secondary data. The panel multiple regression technique was used to analyze the data, taking into account the non-homogeneity of the firm's data, which is why Hausman effect tests were used. According to the panel regression result, the financial reporting quality of Nigerian oil and gas companies is negatively and negligibly impacted by audit committee independence, activity, gender diversity, and size, all of which have a positive but negligible impact. The evaluated study is restricted to 2020 and only includes oil and gas companies. However, by extending the research to 2024 using a sample of Nigerian manufacturing enterprises, this study will address the temporal lag.

Bello and Salami (2024) assessed audit committee gender diversity and its effect on FRQ among listed industrial firms in West Africa. Using secondary data from 48 firms from 2011 to 2021, the study employed panel regression analysis. The findings indicate that gender-diverse audit committees are positively associated with improved financial disclosure and reduced earnings management. The study is limited by its concentration on industrial firms alone, leaving room for further sectoral comparisons.

Babatunde et al. (2024) examined the effect of audit committee characteristics on FRQ of quoted consumer goods manufacturing companies in Sub-Sahara Africa, with audit committee gender diversity as a moderating variable. The research employs a longitudinal approach covering ten years (2011–2020) and uses panel least squares regression to analyze data from 53 firms across Nigeria, Kenya, and South Africa. The findings indicate that gender-diverse audit committees significantly moderate the relationship between audit characteristics and reporting quality. The reviewed study focuses on consumer goods companies within the limited period of (2011–2020). This study will fill the gap by covering the listed manufacturing firms in Nigeria for a period of (2010–2024).

Also, Oladeji and Usman (2023) examined audit committee gender diversity as a determinant of financial reporting quality in listed Nigerian firms. Using a sample of 35 firms from 2013 to 2021 and analysing with panel least squares regression, the findings shows that gender diversity enhances the independence and scrutiny functions of audit committees, thereby improving financial reporting quality. The study, however, does not disaggregate results by firm size or industry, which could provide more nuanced insights.

Ibrahim and Okon (2023) assessed the impact of audit committee gender diversity on the reliability of financial reports in the Nigerian capital market. The research analysed panel data from 2010–2021, covering 50 listed firms, and applied robust standard error regression. The study found a positive and statistically significant relationship between the proportion of women on audit committees and financial reporting quality. Also, Ibe and Adetunji (2023) assessed the moderating role of audit committee gender diversity in the relationship between audit committee size and financial reporting quality among firms listed on the Nigerian Exchange. Using data spanning 2012–2021 for 50 firms and applying robust fixed effect regression, the results revealed that gender diversity strengthens the positive relationship between audit committee size and reporting quality. However, the study does not account for external factors like economic policy changes that may influence the findings.

Musa and Okafor (2023) examined how audit committee gender diversity moderates the effect of audit committee meetings on FRQ in Nigeria. The study used data from 38 consumer goods firms from 2011 to 2021 and applied random effects regression. The results indicate that more frequent audit committee meetings are significantly more effective in improving financial reporting quality when there is gender diversity. The study is limited by industry focus and calls for a wider sample across multiple sectors. Danjuma and Salisu (2022) assessed the effect of audit committee attributes on financial reporting quality with gender diversity as a moderating variable in listed Nigerian firms. The research covered the period of 2010–2020 and employed panel data regression on 45 firms.

Onuorah and Okeke (2021) examined corporate governance mechanisms and their impact on FRQ in West African countries, with audit committee gender diversity as a moderator. Using data from 65 firms listed in Nigeria and Ghana from 2011–2019 and analyzing through panel regression models, the study found that gender-diverse audit committees significantly enhanced the reliability of financial reports. However, the geographical spread was relatively narrow and omitted other influential governance variables. Yusuf and Ibrahim (2019) investigated the influence of board characteristics on financial reporting quality with a focus on the moderating role of audit committee gender diversity in listed manufacturing firms in Nigeria. The study utilized secondary data from annual reports of 52 firms over a period of 2009 to 2017. Using generalized least squares regression, the findings revealed that gender diversity on the audit committee significantly moderates the relationship between board characteristics and financial reporting quality. The reviewed study is limited to 2017 and focuses primarily on-board characteristics, thus providing a basis for further examination with a focus on a longer timeframe.

3. Methodology

This study used a methodology consists of research design, population and sample size, data sources, and analysis techniques. The population comprised 46 manufacturing firms listed on the Nigerian Exchange (NGX) from 2010 to 2024, spanning agriculture, consumer products, healthcare, and industrial goods. A 15-year period was used to capture financial trends relevant to audit committee size and financial reporting quality moderated by gender diversity. A sample of 35 firms was selected using filtering criteria, excluding companies with compliance issues. The appendix provided details of the population and sample.

Table 1

Selection Criteria

Inclusion Criteria	**No of Firms**
Total population of manufacturing firms listed on the Nigerian Exchange (2010–2024)	46
Firms excluded due to compliance status indicator issues within the study period	11
Final sample of firms without compliance status indicator issues	35

Source: **Field Work, 2026**

To examine the effect of audit committee size and gender diversity on financial reporting quality of listed manufacturing firms in Nigeria the model of Liman et al. (2025) was adapted and used in this study.

$FRQ_{it} = \beta_0 + \beta_1 ACS_{it} + \beta_2 ACI_{it} + \beta_3 ACX_{it} + \beta_4 ACM_{it} + \beta_5 IOW_{it} + \beta_7 ACS_{it}*IOW_{it} + \beta_8 ACI_{it}*IOW_{it} + \beta_9 ACX_{it}*IOW_{it} + \beta_{10} ACM_{it}*IOW_{it} + \beta_6 FSZ_{it} + \varepsilon_{it}$ ………………….1

The following models were developed from the adapted equation to test each hypothesis of the study: $FRQit = \beta o + \beta_1 ACS_{it} + \beta_2 ACGD_{it} + \beta_3 FS_{it} + \beta_4 LEV_{it} + \beta_5 PROF_{it}\ \mu it$……………………………………………………………………...2

FRQ= Financial Reporting Quality; ACS = Audit Committee Size; ACGD = Audit Committee Gender Diversity; FS = Firm Size; LEV = Leverage; PROF = Profitability; βO = Represent the intercept; β1-5= is the Coefficient of the independent variables, i = Represents the number of firms in the panel data; t = represents the time period of the panel data, µit is the error term, n = number of financial accounting quality present. The variables for this study are depicted in Table 2

Table 2

Variables, Definitions, Measurements, and Sources

Variables	Definition	Measurement	Sources
Financial Reporting Quality (FRQ)	FRQ refers transparency, accuracy and dependability of financial data presented in financial statement.	Measured using qualitative characteristics through content analysis.	Idris et al. (2024); IFRS(2023); Majiyebo et al. (2018)
Audit Committee Size (ACS)	ACS is the total number of members serving on the audit committee.	Measured as the number of audit committee members.	Babatunde (2021); Bazhair (2022); Olowookere (2021)
Audit Committee Gender Diversity (ACGD)	ACGD refers to the representation of female members on the audit committee.	Measured as the proportion of female members to total audit committee members.	Saif et al. (2024); Carter et al. (2019)
Firm Size (FS)	Firm size reflects the overall scale of a firm's operations.	Measured as the natural logarithm of total assets.	Carter et al. (2019); Idris et al. (2024)
Leverage (LEV)	Leverage indicates the extent of a firm's reliance on debt financing.	Measured as the ratio of total debt to total assets.	Nouraldeen et al. (2021); Jabag (2022)
Profitability (PROF)	Profitability reflects a firm's ability to generate earnings from its assets.	Measured using return on assets (ROA).	Oladeji and Usman (2023); Hassan and Okoye (2024)

Source: Field work, 2026

4. Results and Discussion

Table 3 presents the descriptive statistics for the variables used in this study. The variables considered in the study include audit committee size, gender diversity and financial reporting quality.

Table 3

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FRQ	525	.6416476	.1666345	.21	.9
ACS	525	5.205714	.879997	3	6
ACGD	525	.2941655	.4203464	0	2
FS	525	9.142495	.4476751	8.15	10.17
LEV	525	63.80905	24.49384	12.42	305.8
ROA	525	.1327681	.3098499	-3.9432	1.1069

Source: STATA 13.0, 2026

Table 3 shows that the dependent variable, FRQ has a mean of 0.642 and a standard deviation of 0.167, indicating moderate quality with some variation across firms. The minimum and maximum values of 0.21 and 0.90 suggest that while some firms report weakly, others provide relatively high-quality disclosures, highlighting the need for stronger governance to meet IFRS qualitative characteristics (IFRS Foundation, 2023). Similarly, audit committee size (ACS) has a mean of 5 members

(SD = 0.88), with a minimum of 3 and maximum of 6 members, reflecting general compliance with the Nigerian Code of Corporate Governance.

Furthermore, Table 3 indicates that audit committee gender diversity (ACGD) has a mean value of 0.294, implying that female representation on audit committees is relatively low during the period under study. The standard deviation of 0.420, alongside the minimum and maximum values of 0 and 2, suggests wide variation across firms, with some companies having no female members on their audit committees. This finding implies partial non-alignment with the spirit of the Nigerian Code of Corporate Governance, which encourages diversity in board and committee composition to promote balanced judgment and inclusiveness. The presence of firms with zero female representation highlights the need for stronger efforts toward gender inclusion on audit committees.

Table 3 also shows that firm size (FS) has a mean of 9.142 with a standard deviation of 0.448, indicating that the sampled firms are not homogeneous in size. The minimum and maximum values of 8.15 and 10.17 suggest the coexistence of relatively smaller and larger manufacturing firms. The implication is that larger firms, which are subject to greater regulatory scrutiny under the Nigerian Code of Corporate Governance, are more likely to adopt stronger disclosure and governance practices than smaller firms. In addition, leverage (LEV) records a mean of 63.81 percent with a standard deviation of 24.49 percent, showing that, on average, firms are moderately to highly geared. The wide range between the minimum and maximum values suggests that some firms are exposed to significant financial risk, reinforcing the Code’s emphasis on effective risk management and transparent financial reporting.

Return on assets (ROA) has a mean of 0.133 with substantial dispersion, indicating mixed profitability performance among firms. This implies that profitable firms are better positioned to comply with governance requirements and sustain high-quality financial reporting, as encouraged by the Nigerian Code of Corporate Governance.

The result of the pairwise correlation matrix is further presented in Table 4.

Table 4

Pairwise Correlation Matix

Variables	FRQ	ACS	ACGD	FS	LEV	ROA
FRQ	1.0000					
ACS	0.0878*	1.0000				
	0.0444					
ACGD	0.0981*	-0.0372	1.0000			
	0.0246	0.3946				
FS	0.0349	-0.0783	-0.0724	1.0000		
	0.4247	0.0729	0.0974			
LEV	-0.0052	0.0814	0.0148	-0.1061*	1.0000	
	0.9047	0.0622	0.7344	0.0150		
ROA	0.0327	0.0243	0.0392	-0.0629	0.0567	1.0000
	0.4542	0.5782	0.3705	0.1502	0.1943	

Source: STATA 13.0 output, 2026

Table 4 presents the pairwise correlation matrix. None of the correlations exceed 0.9, indicating multicollinearity is not a concern. FRQ shows a weak but significant positive relationship with audit committee size (ACS) (r = 0.088, p = 0.044) and gender diversity (ACGD) (r = 0.098, p = 0.025), while its relationships with firm size (FS), leverage (LEV), and return on assets (ROA) are negligible and insignificant. Among independent and control variables, ACS has a small positive correlation with LEV (r = 0.081) and weak negative correlation with FS (r = -0.078), while ACGD is largely uncorrelated with ACS and FS. LEV shows a weak negative correlation with FS (r = -0.106) and negligible correlation with ROA.

The robustness tests were conducted in this study to improve the validity of the statistical results. These include normality test, multi-collinearity test, Heteroscedasticity test and Hausman specification tests. Normality test is presented in Table 5.

Table 5

Shapiro Francia Normality Test

Variable	Obs	W'	V'	z	Prob>z
Residual Terms	525	0.83870	60.791	9.039	0.00001

Source: **STATA 13.0, 2026**

Table 5 presents the Shapiro–Francia normality test for the regression residuals. The test is based on 525 observations. The W′ statistic of 0.8387, together with a z-value of 9.039 and a probability value of 0.00001, indicates that the null hypothesis of normality is rejected at the 5 percent level. This result suggests that the residual terms are not normally distributed. The implication is that the regression errors deviate significantly from normality.

While this violation does not bias coefficient estimates in large samples, it may affect the efficiency of the estimates and the reliability of standard errors if not properly addressed. Given the relatively large sample size, the departure from normality is less critical, but it supports the use of robust estimation techniques, such as heteroskedasticity-robust standard errors, to ensure valid statistical inference.

The specification test such as the heteroscedasticity test, multicollinearity test and Hausman tests were conducted in order to selected the fitted and best model for the study. The results of the specification tests are presented in Table 6.

Table 6

Specification/Diagnostics Test

Variables	Statistics	P-Values
Hettest: Chi^2	13.84	0.0002
Mean VIF:	1.01	

Sources: STATA 13.0, 2026

The results presented in Table 6 show clear evidence of heteroskedasticity in the model. This is supported by the Breusch Pagan test, which reports a Chi-square statistic of 13.84 with a p-value of 0.0002, indicating significance at the 5 percent level. This outcome suggests that the error variances are not constant, thereby violating the assumption of homoskedasticity and necessitating corrective estimation techniques to ensure reliable inference.

In contrast, multicollinearity does not pose a problem in the model, as reflected by the mean Variance Inflation Factor (VIF) of 1.01, which is far below the accepted threshold of 10. This implies that the explanatory variables are not excessively correlated and that the coefficient estimates remain stable. Consequently, the Panel Corrected Standard Errors (PCSEs) regression model was adopted to address the presence of heteroskedasticity and to produce robust and efficient standard error estimates.

Table 7

Summary of PCSEs Regression Model

Variables		Coefficient Value	P-value
ACS		0.0181	0.046
ACGD		0.0413	0.000
FS		0.0189	0.115
LEV		−0.0001	0.807
ROA		0.0162	0.243
Constant		0.3651	0.006
Prob > chi2	=	0.0022 R-squared	=0.0215

Source: STATA 13.0, 2026

Table 7 shows that the overall PCSE regression model is statistically significant, as indicated by the Prob > chi² value of 0.0022, which is below the 5 percent significance level. This suggests that the explanatory variables jointly explain variations in financial reporting quality (FRQ) among the sampled manufacturing firms. However, the R-squared value of 0.0215 indicates that audit committee characteristics and the selected control variables explain only about 2.15 percent of the variation in FRQ, implying that other firm-specific or institutional factors not captured in the model also play an important role.

The regression results revealed that audit committee size (ACS) has a positive and statistically significant effect on FRQ ($\beta = 0.0181$, $p = 0.046$). This implies that an increase in the number of audit committee members enhances monitoring capacity and improves the quality of financial reporting. Based on this result, the null hypothesis that audit committee size has no significant effect on FRQ is rejected. This finding is supported by Monday et al. (2023) and Mohammad and Oladele (2024), who also reported that audit committee size contributes positively to financial reporting quality. However, it contradicts the findings of Eghosa and Joel (2025) and Essien (2024), who found that audit committee size has a positive but statistically insignificant effect on FRQ.

Audit committee gender diversity (ACGD) exhibits a positive and highly significant relationship with FRQ ($\beta = 0.0413$, $p = 0.000$), indicating that greater female representation on audit committees improves financial reporting quality. This suggests that gender-diverse committees bring broader perspectives, stronger ethical sensitivity, and improved scrutiny to the financial reporting process. This result aligns with the findings of Ibrahim and Okon (2023) and Oladeji and Usman (2023), who documented a significant positive effect of audit committee gender diversity on reporting quality. Conversely, the result is inconsistent with Orife et al. (2022) and Danjuma and Salisu (2022), who reported that gender diversity had a positive but insignificant effect on FRQ.

With respect to the control variables, firm size (FS) shows a positive but statistically insignificant coefficient ($\beta = 0.0189$, $p = 0.115$), suggesting that although larger firms may have better disclosure practices, size alone does not significantly influence FRQ in this sample. Leverage (LEV) has a negative and insignificant effect on FRQ ($\beta = -0.0001$, $p = 0.807$), indicating that debt levels do not materially affect reporting quality among the sampled firms. Profitability (ROA) also has a positive but insignificant coefficient ($\beta = 0.0162$, $p = 0.243$), implying that more profitable firms do not necessarily produce higher-quality financial reports. The constant term is positive and significant, indicating a baseline level of financial reporting quality even in the absence of the explanatory variables.

5. Conclusion and Recommendations

This study examined the effect of audit committee size and audit committee gender diversity on FRQ of listed manufacturing firms in Nigeria from 2010 to 2024. The results indicate that both ACS and ACGD positively influence FRQ, with gender diversity showing a stronger and highly significant effect. This suggests that larger and more diverse audit committees enhance oversight, reduce earnings management, and promote reliable financial reporting. Conversely, the control variables firm size, leverage, and profitability did not have significant impacts on FRQ, indicating that internal governance mechanisms, rather than firm-specific financial factors, are more critical determinants of reporting quality in the sampled firms.

This study recommends that firms strengthen audit committees by ensuring adequate size and promoting gender diversity to enhance oversight and financial reporting quality, in line with the Nigerian Code of Corporate Governance. Firms should also adopt structured internal monitoring and regular reviews of reporting practices to reduce risks. Regulators should enforce best practices in committee composition, focusing on gender inclusion and professional competence. Finally, further research and training programs are encouraged to improve audit committee expertise and governance effectiveness.

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APPENDIX

Population and Sample Size of the Study

S/N	NAMES	SUBSECTOR	YEAR OF LISTING	SELECTED/NIL FIRMS
1	MCNICHOLS PLC	CONSUMER GOODS	December 18, 2009	SELECTED
2	NIG. FLOUR MILLS PLC	CONSUMER GOODS	October 29, 1971	NIL
3	NASCON ALLIED INDUSTRIES PLC	CONSUMER GOODS	October 20, 1992	SELECTED
4	NESTLE NIGERIA PLC	CONSUMER GOODS	April 20, 1979	NIL
5	NIGERIAN BREW. PLC	CONSUMER GOODS	September 5, 1973	NIL
6	NIGERIAN ENAMELWARE PLC	CONSUMER GOODS	May 21, 1960	SELECTED
7	UNILEVER NIGERIA PLC	CONSUMER GOODS	November 4, 1923	SELECTED
8	P Z CUSSONS NIGERIA PLC.	CONSUMER GOODS	April 12, 1948	NIL
9	UNION DICON SALT PLC	CONSUMER GOODS	November 12, 1991	SELECTED
10	VITAFOAM PLC	CONSUMER GOODS	April 8, 1962	SELECTED
11	UAC PLC	CONSUMER GOODS	April 22, 1931	SELECTED
12	INTERNATIONAL BREWERIES PLC.	CONSUMER GOODS	December 22, 1971	SELECTED
13	HONEYWELL FLOUR MILL PLC	CONSUMER GOODS	October 20, 2009	SELECTED
14	GUINNESS NIG PLC	CONSUMER GOODS	January 2, 1965	SELECTED
15	GOLDEN GUINEA BREW. PLC	CONSUMER GOODS	September 26, 1962	SELECTED
16	FLOUR MILLS NIG. PLC	CONSUMER GOODS	September 29, 1960	NIL
17	DN TYRE & RUBBER PLC	CONSUMER GOODS	October 21, 1961	NIL
18	DANGOTE SUGAR REFINERY PLC	CONSUMER GOODS	March 8, 2007	SELECTED
19	CHAMPION BREW. PLC	CONSUMER GOODS	September 1, 1983	SELECTED
20	BUAFOODS	CONSUMER GOODS	January 5, 2022	NIL
21	CADBURY Plc	CONSUMER GOODS	January 9, 1965	SELECTED

22	AUSTINLAZ PLC	INDUSTRIAL GOODS	July 13, 1982	SELECTED
23	BERGER PAINT	INDUSTRIAL GOODS	September 1, 1959	SELECTED
24	BETA GLASS PLC	INDUSTRIAL GOODS	July 2, 1986	SELECTED
25	BUACEMENT	INDUSTRIAL GOODS	January 9, 2020	NIL
26	CAPLUX PAINT	INDUSTRIAL GOODS	May 24, 1978	SELECTED
27	CUTIX PLC	INDUSTRIAL GOODS	August 12, 1987	NIL
28	DANGOTE CEMENT PLC	INDUSTRIAL GOODS	October 26, 2010	SELECTED
29	GREIF NIGERIA PLC	INDUSTRIAL GOODS	January 20, 1940	NI
30	LAFARGE AFRICA PLC	INDUSTRIAL GOODS	February 17, 1979	SELECTED
31	MEYER PLC	INDUSTRIAL GOODS	May 20, 1960	SELECTED
32	PREMIER PAINTS PLC	INDUSTRIAL GOODS	March 7, 1995	SELECTED
33	NOTORE CHEMICAL IND PLC	INDUSTRIAL GOODS	November 30, 2005	SELECTED
34	TRIPPLE GEE and Company PLC	INDUSTRIAL GOODS	April 14, 1980	SELECTED
35	EKOCORP PLC	HEALTHCARE	October 9, 1991	SELECTED
36	FIDSON HEALTHCARE PLC	HEALTHCARE	May 17, 2005	SELECTED
37	GLAXO SMITHKLINE NIG. PLC	HEALTHCARE	June 23, 1971	SELECTED
38	MAY & BAKER NIGERIA PLC	HEALTHCARE	November 10, 1994	SELECTED
39	MORISON INDUSTRIES PLC	HEALTHCARE	June 29, 1955	SELECTED
40	NEIMETH INTERNATIONAL PHARMACEUTICALS PLC	HEALTHCARE	September 21, 1979	SELECTED
41	PHARMA-DEKO PLC	HEALTHCARE	April 18, 1969	SELECTED
42	ELLAH LAKES PLC	AGRICULTURE	July 2, 1980	SELECTED
43	FTN COCOA PROCESSORS PLC	AGRICULTURE	August 26, 1991	SELECTED
44	OKOMU OIL PALM PLC	AGRICULTURE	September 9, 1997	SELECTED

45	PRESCO PLC	AGRICULTURE	October 10, 2002	NIL
46	LIVESTOCK FEED PLC	AGRICULTURE	March 20, 1963	SELECTED

Source: Nigeria Exchange 2026

APPENDIX A2

CHECKLIST (DATA COLLECTION INSTRUMENT)

Operationalization of qualitative characteristics of FRQ using content analysis

Relevance

R1. The extent to which the presence of forward-looking information enhances the quality of financial reporting.

R2. The extent to which the inclusion of non-financial information, in terms of business opportunities and risks, enhances the quality of financial reporting.

R3. The extent to which the use of fair value accounting measurement enhances the quality of financial reporting.

R4. The extent to which the presence of information in terms of how various market events and significant transactions, enhances the quality of financial reporting.

R5. The extent to which the inclusion of analysis section and the provision of feedback information to users of financial statements, enhance the quality of financial reporting.

Faithful Representation

F1. The extent to which the presence of information which explains the assumptions and estimates made in the preparation of financial statements enhances the quality of financial reporting.

F2. The extent to which the presence of information which explains the choice of accounting principles used in the preparation of financial statements enhances the quality of financial reporting.

F3. The extent to which the presence of information which highlights the positive and negative events in a balanced way enhances the quality of financial reporting.

F4. The extent to which the type of Auditors report (qualified or unqualified) affects the quality of financial reporting.

F5. The extent to which the presence of information on corporate governance issues enhances the quality of financial reporting.

Comparability

C1. The extent to which the presence of information which explains the implications of the changes in accounting policies enhances the quality of financial reporting.

C2. The extent to which the presence of information which explains the implications of the revision in accounting estimates and judgement enhances the quality of financial reporting.

C3. The extent to which the adjustment of previous accounting periods figures, for the effect of the implication of the change in accounting policy enhances the quality of financial reporting.

C4. The extent to which the presence of comparative figures (current accounting periods figures compared with the previous periods results) enhances the quality of financial reporting.

C5. The extent to which industry comparison enhances the quality of financial reporting?

C6. The extent to which the inclusion of financial index numbers and ratios enhances the quality of financial reporting?

Understandability

U1. The extent to which the clarity of financial statements, in terms of table of contents, headings, order of components and summary enhances the quality of financial reporting.

U2. The extent to which the disclosure of information in notes to the financial statements enhances the quality of financial reporting.

U3. The extent to which the use of graphs and tables in the financial reports enhances the quality of financial reporting.

U4. The extent to which the absence of jargons and technical terminologies enhances the understandability of financial reporting, and thus its financial reporting quality.

U5. The extent to which the presence of detailed glossary of unfamiliar terms and abbreviations in the financial statements enhances the quality of financial reporting.

Timeliness

T1. The extent to which early signing of Auditor's report after the book-year end enhances the quality of financial reporting.