International Journal of Business & Law Research 14(2):396-406, April-June, 2026

© SEAHI PUBLICATIONS, 2026 www.seahipublications.org ISSN: 2360-8986

DOI:10.5281/zenodo.20772743

The Role of Auditors Committee in Mitigating Earnings Management Practices in Nigerian Financial Institutions: Evidence from Nigerian Stock Exchange

Abdullahi Alhaji Bala[1]; Ibrahim Umar[2]; Abubakar Malami[3] & Nuhu Umar[4]

Department of Accounting, Umaru Ali Shinkafi Polytechnic Sokoto, Nigeria.

[1]abdullahibala007@gmail.com; [2]ibrahimumar22@gmail.com

[3]amalams2008@yahoo.com; [4]Nuhuumar.nu@gmai.com

ABSTRACT

This study investigates the impact of Audit Committee Expertise on Earnings Management Practices in Nigerian financial institutions. Based on the Agency theory, which recognizes the monitoring roles of external auditing playing a part in the mitigation of agent-principal conflict. The study used a quantitative approach, and data were gathered from S&P Capital IQ of the Nigerian financial institutions. The sample for this study focused on countries annual financial reports and the data on S&P capital IQ. Based on those criteria, the final sample comprised 180 firm-year observations from 2010-2021. Firm-level financial data were collected from the S&P capital IQ, supplemented by firms' annual reports. The findings of the study revealed that Audit Committee Expertise has a significant impact on reducing earnings management practices. Similarly, Audit Quality has an impact on decreasing Earnings Management Practices. This study has practical implication to regulators, investors, and has scholarly contribution to the body of knowledge and existing literature. This paper is original and unique in its form and has value on reducing modern-day earnings management practices and is useful to all those who might cherish to admire its standing.

Keywords: Audit Quality, Audit Committee Expertise, Earnings Management Practices, Agency Theory, STATA, Financial Institution.

1. INTRODUCTION

An Audit Committee is an operating committee of the board of directors charged with the responsibility of overseeing the financial reporting disclosure of an entity and helping to set an ethical tone at the top level of an organization (Mohammed, Che-Ahmad, Malek, & Reporting, 2018; Oji, Ofoegbu, & Publications, 2017). AC maintains and enhances public confidence in the credibility and the objectivity of financial reporting by improving the disclosure practices of published information. However, despite the existence of Audit Committees in corporate organizations, there is still a persistence of a series of well-publicized cases of accounting improprieties related to poor disclosure, especially on their tax return (Oji et al., 2017). Cobham, Janský, and Meinzer (2018) averred that there was consensus among the experts that public reporting requirements should shed more light on the corporate networks and finances of multinational corporations. They should publish financial reports for each company that they operated, including information on intra-group trade, which is particularly vulnerable to earnings management practices.

Managers of corporations are responsible for producing corporate financial reports which are expected to be transparent and verifiable by stakeholders especially investors and regulatory agencies. Therefore, companies are required by law to always publish information related to decision-making for the users and decision-makers, but the information made available to the public largely remains the prerogative of the management of corporate institutions to determine the extent of the disclosure on certain aspects that are not clearly stated by law and other codes of corporate governance but could nonetheless affect the interest of others. The audit committee (AC) is considered one of the crucial and influential participants of corporate governance as it assists the board of directors in discharging its responsibilities in overseeing corporate management and therefore, plays a key role in monitoring management disclosure practices and internal control (Madi, Ishak, Manaf, & Sciences, 2014).

However, the Nigerian banking crises of the 1990s and 2000s among others all question the efficacy of reliance on the state of financial reporting oversight provided by corporate audit committees despite their presumed expertise and independence. The government regulatory bodies and the accountancy profession in developing countries including Nigeria suffer from structural weaknesses that make companies evade compliance with compulsory disclosure requirements that could encourage corporate fraud at the expense of those that have an economic and proprietary interest in the business environment (Omeiza, Mamman, & Mailafia, 2019). A novel study by the World Bank Group on the observance of standards and codes of corporate disclosure with regards to financial reporting for Nigeria observed that the Nigerian financial reporting practices are deficient (World Bank, 2004).

Other prior research in Nigeria reported cases of accounting improprieties of listed companies in Nigeria that do not fully comply with the disclosure requirements stipulated by the regulatory agencies (Daodu, Nakpodia, & Adegbite, 2016; Modugu & Accounting, 2017; Oji et al., 2017). Consequently, the state of financial reporting oversight provided by corporate audit committees was a source of concern to the Securities and Exchange Commission (Oji et al., 2017). Therefore, Public expectation of the ability of the audit committee to oversee the financial reporting disclosure of an entity and help it complies with the corporate governance code has been eroded. Thus, reliance on audit reports as a basis for making timely, useful, prudent, effective and efficient decisions by financial users (management, shareholders, regulatory agencies, Tax authorities, stockbrokers, employees, suppliers, creditors, and financial analysts) and a means of averting potential distress and failure is no longer realistic (Okaro, Okafor, Ofoegbu, & Sciences, 2018; Okaro, Okafor, & Accounting, 2013).

In a rare disclosure in 2013, MTN admitted that it made unauthorized payments of N37.6 billion to MTN Dubai between 2010 and 2013. The transfers were then "on-paid" to Mauritius, a shell company with zero number of staff and whose physical presence in the capital Port Louis is nothing more than a post office letterbox. The disclosure amounted to a confession given that MTN made the dodgy transfers without seeking approval from the National Office for Technology Acquisition and Promotion (NOTAP), the body mandated to oversight such transfers. Based on an earlier management fees agreement that was technically quashed by NOTAP and based on MTN's reported revenues, it is estimated that N90.2 billion could have been transferred out of Nigeria in management fees alone since the company was founded in 2002 (Ojeka, Mukoro, & Kanu, 2015). To stem the tide of illicit financial flows and block revenue leakages in the economy, Nigerian regulatory agencies have mounted more pressure on companies to improve and enforce financial reporting disclosure requirements (Ojeka et al., 2015).

The recent MTN financial scandal in Nigeria further indicates that dubious acts of financial misdemeanor persist among corporate organizations in Nigeria including those listed on the Nigeria Stock Exchange (NSE). In addition, Mustapha, Bello, Garba, and Gobe 2018, showed financial reports of companies in Nigeria are deficient in providing vital information necessary to enable stakeholders to make informed decisions. Given this Audit committees are established to enhance financial reporting quality however; there are criticisms of the practices of audit committees and their relevance (Enofe, Aronmwan, Abadua, Abadua, & Finance, 2013). The audit committee according to Company and Allied Matters Act (CAMA, 1990 as amended) consists of shareholders and directors who are expected to carry out oversight functions and present their report to shareholders contained in the financial statement (GHANI & CHE

AZMI, 2022). However, these committee members might not be capable to handle the expected responsibilities since the same law is silent as to their expertise or professional capacity (Enofe et al., 2013). Although financial reporting oversight provided by corporate audit committees has for long been a source of concern to the Securities and Exchange Commission (Omeiza et al., 2019). While, Ayemere, Elijah, and Research (2015) found that earnings management is constrained by the audit committee. Particularly, an adverse and significant link between earnings management and audit committee financial expertise, audit committee size, independence, and diligence were found.

Finally, the rapidly changing global economic and financial environment calls for a constant update in this area of study. Given the adverse effect of insufficient disclosure (especially corporate financial disclosure) more theoretical and empirical evidence is needed on how audit quality, and audit committee expertise, could enhance mandatory and voluntary disclosures in Nigerian companies. Thus, this makes research of this nature of paramount interest.

2.1 LITERATURE REVIEW

An audit is a control method that safeguards the interests of investors by giving a reasonable assurance that the financial statements are accurate. Management may not behave in the best interests of stockholders when its interest's conflict with those of the shareholders. On stated earnings, management compensation is frequently based. Managers have incentives to manage reported profits and are frequently able to do so to increase their wealth. Similarly, Healy and Wahlen (1999) state that "earnings management occurs when managers use discretion in financial reporting and in transaction structuring to alter financial reports to either mislead some stakeholders about the company's underlying economic performance or to influence contractual outcomes that depend on reported accounting numbers." There wouldn't be an information gap between the two sides if stockholders had complete knowledge of managers' decisions. Agency theory holds that information asymmetry exists when perfect information is not available (Fama, 1980).

Stockholders have trouble identifying earnings management due to information asymmetry. Monitoring is defined by Jacobides and Croson (2001) as any information gathering by the principal in the agency relationship. An audit is one monitoring tool because it enables stockholders to gather accurate data. Information asymmetry is reduced by auditing, and the degree to which it is reduced is a measure of the audit's quality (Jacobides & Croson, 2001). Auditors provide reasonable assurance that the financial statements are free of material misstatements, which reduces the information asymmetry between managers and stakeholders (Veronica & Bachtiar, 2014). It should be more likely for high-quality audits to successfully identify and stop earnings management. As a result, lower levels of earnings management should be correlated with higher levels of audit quality, which defines the quality of earnings.

2.2 Audit Committee Expertise and Earnings Management Practices

The study investigates whether being audited by a big auditor is related to lower earnings management. Following the higher requirements for compliance with accounting regulation and for higher accounting quality in financial reporting, which are set by big auditors, reported financial numbers would be expected to be associated with lower abnormal accruals, suggesting more conservative accounting earnings.

Auditors were determined by Chen, Lin, and Zhou (2005), Gumanti, Nastiti, Utami, and Manik (2015) to be associated with less effective earnings management in the firms. Balsam, Krishnan, Yang, and Theory (2003) show that Big4 auditors are superior to non-Big4 auditors at limiting client earnings management; they discovered that non-Big4 auditors' customers have higher amounts of discretionary accruals. According to Francis, Maydew, Sparks, and theory (1999), high-accrual companies have a better possibility for opportunistic management and a motivation to hire a Big5 auditor to guarantee the credibility of earnings. Additionally, they discover that companies with high accrual rates hire Big5 auditors more frequently, but they record smaller discretionary accruals, which is consistent with Big5 auditors limiting opportunistic accrual reporting. Also, companies with non-Big 4 auditors (a proxy for lower audit quality), according to Dries and De Gieter (2014), record discretionary accruals that significantly boost income in comparison to businesses with Big 4 auditors. Mansi, Maxwell, and Miller

(2004) claim that Big4 auditors do audits of a higher caliber than non-Big4 auditors, and a large body of later empirical data supports this claim. Teoh and Wong (1993) discovered that clients audited by Big4 firms had lower earnings management than clients audited by non-Big4 businesses. Additionally, they discover that managers intentionally disclose discretionary accruals in response to incentives that reduce debt and level out income. Additionally, when businesses use non-Big5 auditors, they report considerably higher income-increasing (decreasing) discretionary accruals than those without incentives to smooth results.

According to Hogan (1997), Big 5 auditors are linked to poorer earnings management. As a result, there are an increasing number of archival research (Chen et al. 2005; Zhou and Elder 2003; Krishnan 2003; Heninger) that look at the connection between audit quality and accruals. These studies' findings seem to support the following ideas: (a) high accrual companies hire big auditors; (b) big auditors have a lower threshold than non-big auditors for issuing modified audit reports; (c) big auditors are linked to fewer abnormal client accruals, and (d) auditors are sensitive to managers' incentives to control accruals. The two possible interpretations of this evidence, either alone or together, are (a) quality auditors constrain earnings management and/or (b) customers hiring big auditors themselves constrain earnings management regardless of audit quality. Also, Badolato, Donelson, Ege, and economics (2014), find that earnings management is negatively associated with the financial expertise of audit committee members, with indicators of independence, and with the presence of a clear mandate defining the responsibilities of the committee.

It is challenging to separate these two ideas, though. The investigation of the inclination and/or capacity of auditors to restrain earnings management is hampered by the lack of pre-audited data. While noting this issue, this study is unable to attempt to separate these interpretations and instead presupposes those auditors are at least somewhat responsible for any constraint in earnings management that their clients exhibit.

H1: Audit Committee Expertise has a negative relationship with earnings management practices.

2.3 Audit quality and Earnings management Practices

Prior studies have studied the relationship between audit quality and earnings management as well as how management incentives to manipulate reported results are impacted by auditor quality. For instance, Bhattacharjee, Moreno, and Riley (2012) tested the impact of auditors' expectations of major financial statement misstatements on their perception that managers may have incentives to manipulate reported earnings using an experimental methodology. According to his findings, auditors are more likely to believe that managers have incentives to manipulate reported profitability in either an upward or negative direction.

According to Defond and Jiambalvo (1993), companies that switched auditors following a client-auditor dispute tend to be heavily leveraged and more prone to violate debt covenants. These companies also have a higher likelihood of reporting declining earnings. His findings also demonstrate that the problematic accounting practices would produce flat or rounded earnings growth if they were used. The study examined a sample of matched pairs of firms, some of which changed auditors due to client-auditor conflict and others which changed auditors for no apparent reason. These findings demonstrate the common discord between auditors regarding earnings management practices and support the hypothesis that higher audit quality will be linked to less significant earnings management.

In the context of alternative minimum tax, Burilovich and Kattelus (1997), examined particular incentives to manage reported incomes. She discovered that across the businesses that the major auditing firms examined, income decreasing discretionary accruals (DACC) varied significantly. Burilovich (1997) used items that may affect the gap between taxable income and reported income taking into account the rules of the life insurance sector instead of any model to measure the DACC. The claim that major auditing firms, who often have a higher market share, will give their customers more latitude in accounting reporting, on the other hand, is challenging to accept.

Ching, Teh, San, Hoe, and Management (2015) examined the connection between Malaysian public-listed firms' financial performance, audit quality, and earnings management. From 2008 to 2013, sample firms

from the Industrial Products and Consumer Products sector listed on Bursa Malaysia's Main Board were chosen at random. According to the findings, industrial product and consumer product businesses' earnings management techniques are not constrained by audit quality. This can be because Malaysia's audit environment is different from that of other wealthy nations. On the other side, high audit quality can help a company perform financially better since investors tend to have more faith in large-scale audit companies because they are always thought of as having higher audit quality.

Furthermore, Alzoubi (2016) demonstrated that the relationship between audit quality and Earnings Management is noticeably negative. The outcome implied that businesses employing independent auditors have much lower Earnings Management levels. Additionally, this study showed that when compared to organizations using the services of a non-Big 4-audit firm, the level of EM is much lower when a company hires a Big 4 audit firm. According to the findings, audit quality and earnings manipulation may be related. Companies utilizing a Big 4 audit company have much lower levels of earnings management than companies using a non-Big 4-audit firm (Lopes, 2018).

H2: Audit Quality moderates the relationship between Audit committee expertise and earnings management practices.

3.1 Underpinning Theory

The theory is formulated to clarify, explain, predict, and understand the research phenomenon to challenge and expand the existing knowledge within the bounding traditions (Rizk & Elragal, 2020). In the view of Lindberg (2020) theory is a descriptive scheme or structure that comprises a set of an idea that is related to each other through coherent patterns that links the concept. Agency theory is found to be more appropriate to underpin this study. This is because, Agency theory asserts that principals and agents have competing interests, which makes them likely to cause agency conflicts, such as the issue of earnings management (Saleh, Afifa, & Haniah, 2020). Agency theory acknowledges the monitoring functions external auditing plays in the reduction of agent-principal conflict as helping to align these interests. Under encouraging accuracy and fairness in financial statements, the independent audit is also recognized by the agency theory as a control tool to lessen information asymmetry between shareholders/investors and management.

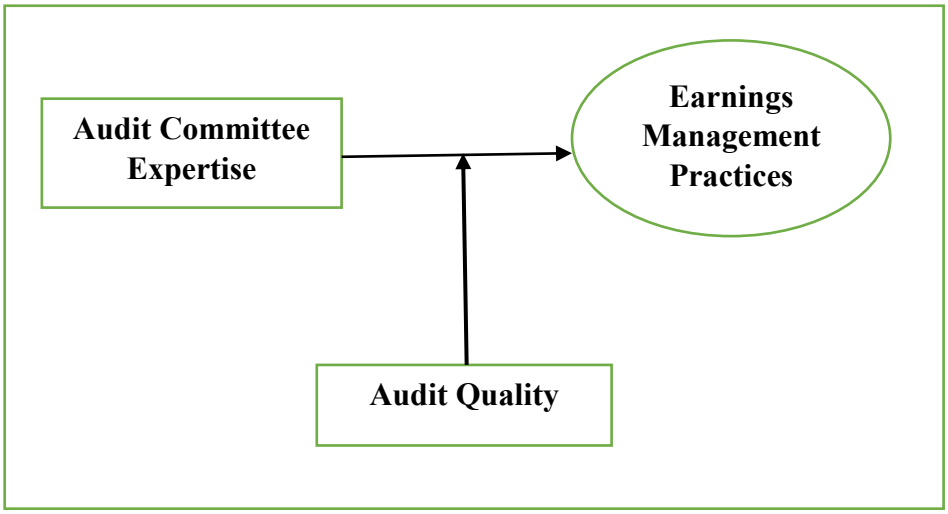
Due to the recent corporate scandals, earnings management has gained a bad reputation and is now seen as harmful to the company. Two of the extreme instances of opportunistic earnings management that resulted in the biggest bankruptcy in American history are Enron and WorldCom. Some contend that earnings management may be advantageous because it increases the information value of results by disclosing sensitive information to the public and stockholders.

Providing agency theory as a tool to distinguish between opportunistic and beneficial applications of earnings management. Empirical research reveals that organizations with more (less) or fewer earnings management experience agency costs (Jiraporn, Miller, Yoon, & Kim, 2008). The costs associated with structuring, overseeing, and bonding a group of contracts among agents with competing interests are included in agency costs. The value of output lost because the costs of strict contract enforcement outweigh the benefits is also included in agency costs. In other words, agency costs are expenses that the principals are willing to pay for defending themselves against the agents' opportunistic behavior (Dion, 2016). Two issues that can arise in agency interactions are addressed by agency theory (Toumeh, Yahya, & Research, 2017).

In an agency relationship, one or more parties (the principals) hire a third party (the agent) to carry out a certain task on their behalf, giving the agent some degree of decision-making authority. There is considerable reason to suppose that the agent won't always operate in the principal's best interests if both sides of the relationship are utility maximizers (Jensen & Meckling, 2019). Since the contract controlling the interaction between the principal and the agent serves as the unit of analysis, the theory's main goal is to identify the most effective contract under the given assumptions about individuals, organizations, and information. Self-interest, goal conflict, bounded rationality, information asymmetry, the superiority of efficiency, risk aversion, and information as a commodity are the core presumptions upon which agency theory is based (Dion, 2016).

3.2 Research Framework

The research framework was main to examine the effect of Audit Quality, Audit Committee Expertise on earnings management practices, with more emphases to listed financial institutions in Nigeria.



Sources: Authors' design, 2023

Many studies claim that the knowledge/expertise or experience of audit committee members is directly related to the effective functioning of the audit committee (Al-ahdal & Hashim, 2022). Ashraf, Michas, and Russomanno (2020), argue that the audit committee's financial expertise increases the likelihood that identified material misstatements will be communicated to the audit committee and corrected in a timely manner. Companies whose members of audit committee are distinguished for experience, financial knowledge, professionalism, in addition to frequent meetings of the committee have less practices of earnings management when compared to other companies.

Mardessi and Fourati (2020) found that an audit committee expertise is associated with reduced levels of earnings management. Komal et al. (2023) found a negative relationship between audit committee financial expertise and earnings management. In Egypt, Soliman and Ragab (2014) indicated that experience of audit committee members has significant negative association with earnings management. In the same context, Juhmani (2017) found also that there is a negative relationship between the audit committee financial expertise and the earnings management.

4.1 METHODOLOGY

This study examined the impact of Audit Committee Expertise and Audit Quality on earnings management practices. A quantitative method using secondary data was employed, and the focus is on the Auditors and Auditors committee of expertise on the financial reporting quality of the listed financial institutions in Nigeria. The sample for this study focuses on Nigerian financial institutions. Due to non-availability of data from most of financial institutions, the study focused on countries Annual financial reports in English language and data on S&P capital IQ. Based on those criteria, the final sample comprised 180 firm-year observations from 2010-2021. Firm-level financial data were obtained from the S&P capital IQ, supplemented by firms' annual reports.

4.2. Variables Measurement

4.2.1. Dependent variable-Earnings management

Several proxies of Earnings Management were used in the prior literature see (Capkun, Collins, & Jeanjean, 2016; Dechow, Richardson, & Tuna, 2003; P. M. Dechow, R. G. Sloan, & A. P. Sweeney, 1995; Jalil, Rahman, & Accounting, 2010; Kothari, Mizik, & Roychowdhury, 2016; Lel, 2019; Liu & Lu,

2007). However, consistent with Liu and Lu (2007) the study measure EM using Total Accruals measures as NI-CFO/TA. Where NI means Net income, CFO; means cash flow from operation, and TA stands for total asset.

Control Variables

Consistent with some prior studies on determinants of EM (e.g.,) this study includes some frequently used firm and country levels control variables. The firm specific variables include size, leverage and profitability.

Estimation Technique: Generalized Methods of Moments

This section explains why using a GMM to do the regression analysis was appropriate. But before selecting the best estimation technique, a number of criteria are taken into account when running the regression. These problems include endogeneity, unobserved heterogeneity, and residual serial correlation. Serial correlation may be caused by measurement mistakes or persistence of the dependent variable, whereas unobserved heterogeneity and endogeneity are caused by non-zero correlation between firm fixed effects and a regressor (Dang, Kim, Shin, & Finance, 2015). Constantly, this study used dynamic Generalized Method of Moment regression model to estimate the relationship between the variables. For that reason, the base line model is as follows:

EM = β1 + β2EMt−1 + β3ACE + β4AQ + β5 Leverage + β6ACE*AQ+ β7FSize*AQ + β7-12ControlVariables + e

Table 2: Measurement of Variables

Variables	Data level	Measurement	Data Source	Sources
EMP_{it}	Firm-level	Earnings using accruals	S&P CAPITAL IQ	Leuz, Nanda, and Wysocki (2003); P. M. Dechow, R. G. Sloan, and A. P. J. A. r. Sweeney (1995)
ACE_{it}	Firm-level	1 if firm has at least one ACFE, 0 Otherwise;	Annual Report	Carcello, Hollingsworth, Klein, Neal, and Management (2006)
AQ_{it}	Firm-level	Dummy variables = 1 if the company is Audited by big 4 and 0, otherwise	Annual Report	Alzoubi (2016); Houqe, Ahmed, and Van Zijl (2017)
$SIZE_{it}$	Firm-level	Natural logarithm of total assets for firm i in year t	S&P CAPITAL IQ	(Barth, 2015; Bello, Abubakar, & Adeyemi, 2016; Rahmaningtyas & Mita, 2017)
LEV_{it}	Firm-level	Is the end of the total liabilities divided by the end year equity book value?	S&P CAPITAL IQ	(Barth, 2015; Bello et al., 2016); Capkun et al. (2016)
ROA_{it}	Firm-level	Net income before tax over the average total assets	S&P CAPITAL IQ	Gao et al. (2020), Manel Hessayri et al. (2015) and Liu (2019)

4.3 Descriptive Statistics

Tables 1 shows the descriptive statistics (mean, standard deviation, minimum and maximum values). The average EM for a typical bank in this study is 0.13, which comparable 0.126 obtained in Kim, Miller, Wan and Wang (2016).

Table 1: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Earning Management	180	.13	4.444	-43.871	38.259
Audit Committee Expertise	180	.919	.094	.6	1
Audit Quality	180	4.622	1.371	0	6
Firm size	180	8.793	1.626	4.503	12.217
leverage	180	.889	.14	.284	2.547
ROA	180	.072	.033	-.018	.214

Note: EM=Earnings Management, ACE=Audit Committee Expertise, AQ=Audit Quality, IFRS=International Financial Reporting Standard, FS=Firm Size, Lev=Leverage, ROA=Return on Assets (Profitability).

4.4 Pairwise correlation

Table 2: Correlation Matrix. The correlation matrix for the independent variables such as Audit Committee Expertise together with moderating variable that is Audit Quality. The dependent variable of Earnings management Practices shows an association between the variables in the table

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) EM	1.000									
(2) ACE	-0.026	1.000								
(3) AQ	-0.005	0.163	1.000							
(4) firm size	-0.016	0.177	0.017	-0.097	1.000					
(5) leverage	-0.085	-0.150	-0.028	0.004	-0.021	1.000				
(6) ROA	0.026	0.061	0.107	0.229	-0.450	-0.114	1.000			

Note: EM=Earnings Management, ACE=Audit Committee Expertise, AQ=Audit Quality, IFRS=International Financial Reporting Standard, FS=Firm Size, Lev=Leverage, ROA=Return on Assets (Profitability).

Table 4.4 above is the correlation analysis between Earnings Management and Audit Committee Expertise. In the table, the Audit Committee Expertise have a negative coefficient of -0.026 with a significant value of 1% level with Earnings Management. This shows there is an association between Earnings Management and Audit Committee Expertise. Similarly, Audit Quality has a negative coefficient of -005 with a significant value of 1% level with Earnings Management. This also shows that there is an association between Audit Quality and Earnings Management Practices.

4.5 Main Results

Table 3 provides the result using the GMM model. for instance, the tables shows that ACE is negatively related to Earnings Management. The results show that Audit Committee Expertise are negatively related with Earnings Management Practices. Indicating that the largest Auditors Experts reduce Earnings Management. This result is consistent with previous (Agwor, Onukogu, & Management, 2018; Alzoubi, 2019).

Similarly, the second objective and hypothesis of the study are to test the relationship between Audit Committee Expertise and earnings management practices with moderating effects of Audit Quality. The findings indicate that Audit Quality moderates the relationship between institutional investors and earnings management practices with a significant value of (std=8.477; P-Value 0.00***). This result is in line with the study of (Agwor et al., 2018; Alzoubi, 2019; Kamarudin, Ariff, Jaafar, & Economics, 2020).

Table 3: GMM Model

EM	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
EM	.166	.043	3.83	0	.081	.251	***
ACE	-275.489	51.314	-5.37	0	-376.063	-174.916	***
AQ	-47.339	8.477	-5.58	0	-63.953	-30.725	***
ACE*AQ	45.226	8.776	5.15	0	28.026	62.426	***
Firm size	2.383	1.222	1.95	.051	-.012	4.778	*
leverage	-4.905	3.109	-1.58	.115	-10.998	1.188	
ROA	54.326	19.928	2.73	.006	15.267	93.384	***
Constant	257.9	48.986	5.26	0	161.888	353.911	***
Year	Included						
Mean dependent var		0.229	SD dependent var			4.232	
Number of obs		402	Chi-square			176.671	

**** p<.01, ** p<.05, * p<.1*

5.1 DISCUSSION OF FINDINGS

This study investigates the impact of Audit Committee Expertise and Earnings Management Practices. Statistically, the result revealed that all the study hypotheses were found significantly supported. The relationship between Audit Committee Expertise and Earnings Management Practices is found significant in this study. The finding is consistent with some previous studies (Badolato, Donelson, Ege, & economics, 2014; Carcello et al., 2006) who in their studies independently showed that Audit committee financial expertise reduce the level of earnings management practices.

Lastly, the hypothesis on the link between Audit Quality and Earnings Management Practices is found significant and supported in this study. The finding was backed up by the argument of some previous literature Alzoubi (2019); Baatwah, Salleh, and Stewart (2019) and Bilal, Chen, and Komal (2018), reported that demonstrated that the relationship between audit quality and Earnings Management Practices is noticeably negative. The outcome implied that businesses employing independent auditors have much lower Earnings Management levels. Furthermore, the study showed that when a company hires one of the Big 4 audits, the degree of Earnings Management is substantially lower than when a company uses a non-Big 4 audit.

5.2 CONCLUSION

The purpose of this study was to determine how audit committee expertise and audit quality affected earnings management practices. The results showed that there is a negative relationship between Earnings Management Practices, Audit Quality and Audit Committee Expertise. The study also advances knowledge by conducting an empirical investigation of the relationship between audit quality and audit committee expertise on earnings management practices in financial institution in Nigerian.

The findings of this study will assist foreign and domestic investors as well as, shareholders, managers, regulators, creditors, researchers, policymakers/stakeholders, and firms to be encouraged and ensure timely financial reporting quality that leads to investment decisions that result in economic growth and development. To replicate the findings of this study, the study concludes that large sample size should be used. Other nations can also undertake a study along these lines utilizing other individual practices or

bundles. The most recent version of STATA or any other second-generation analytic technique can be used in future studies to reaffirm the model.

REFERENCES

Agwor, T., Onukogu, J. O. J. I. J. o. E., & Management, F. (2018). Audit committee expertise and earnings management of quoted food and beverages firms in Nigeria. *3*(1), 44-55.

Al-ahdal, W. M., & Hashim, H. A. (2022). Impact of audit committee characteristics and external audit quality on firm performance: evidence from India. *Corporate Governance: The International Journal of Business in Society, 22*(2), 424-445.

Alzoubi, E. S. S. (2016). Audit quality and earnings management: evidence from Jordan. *Journal of Applied Accounting Research, 17*(2), 170-189. doi:10.1108/Jaar-09-2014-0089

Alzoubi, E. S. S. (2019). Audit committee, internal audit function and earnings management: evidence from Jordan. *Meditari Accountancy Research, 27*(1), 72-90. doi:10.1108/Medar-06-2017-0160

Ashraf, M., Michas, P. N., & Russomanno, D. (2020). The impact of audit committee information technology expertise on the reliability and timeliness of financial reporting. *The Accounting Review, 95*(5), 23-56.

Baatwah, S. R., Salleh, Z., & Stewart, J. (2019). Audit committee chair accounting expertise and audit report timeliness: The moderating effect of chair characteristics. *Asian Review of Accounting, 27*(2), 273-306. doi:10.1108/ara-12-2017-0190

Badolato, P. G., Donelson, D. C., Ege, M. J. J. o. a., & economics. (2014). Audit committee financial expertise and earnings management: The role of status. *58*(2-3), 208-230.

Barth, M. E. J. A. P. (2015). Commentary on prospects for global financial reporting. *14*(3), 154-167.

Bello, A., Abubakar, S. A., & Adeyemi, T. (2016). IFRS adoption and earnings management in Nigerian non-financial quoted companies.

Bilal, Chen, S. S., & Komal, B. (2018). Audit committee financial expertise and earnings quality: A meta analysis. *Journal of Business Research, 84*, 253-270. doi:10.1016/j.jbusres.2017.11.048

Capkun, V., Collins, D., & Jeanjean, T. (2016). The effect of IAS/IFRS adoption on earnings management (smoothing): A closer look at competing explanations. *Journal of Accounting and Public Policy, 35*(4), 352-394. doi:10.1016/j.jaccpubpol.2016.04.002

Carcello, J. V., Hollingsworth, C. W., Klein, A., Neal, T. L. J. C. C. G. M., & Management, E. (2006). Audit committee financial expertise, competing corporate governance mechanisms, and earnings management.

Dang, V. A., Kim, M., Shin, Y. J. J. o. B., & Finance. (2015). In search of robust methods for dynamic panel data models in empirical corporate finance. *53*, 84-98.

Dechow, P. M., Richardson, S. A., & Tuna, I. (2003). Why are earnings kinky? An examination of the earnings management explanation. *Review of Accounting Studies, 8*(2-3), 355-384. doi:Doi 10.1023/A:1024481916719

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting Earnings Management. *Accounting Review, 70*(2), 193-225.

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. J. A. r. (1995). Detecting earnings management. 193-225.

Dion, M. J. J. o. F. C. (2016). Agency theory and financial crime: The paradox of the opportunistic executive.

GHANI, E. K., & CHE AZMI, A. F. (2022). The role of board structure and audit committee structure on financial reporting timeliness: evidence from public listed companies in Malaysia. *The Journal of Asian Finance, Economics and Business, 9*(5), 443-453.

Houqe, M. N., Ahmed, K., & Van Zijl, T. J. I. J. o. A. (2017). Audit quality, earnings management, and cost of equity capital: evidence from India. *21*(2), 177-189.

Jalil, A. A., Rahman, R. A. J. J. o. f. R., & Accounting. (2010). Institutional investors and earnings management: Malaysian evidence.

Jensen, M. C., & Meckling, W. H. (2019). Theory of the firm: Managerial behavior, agency costs and ownership structure. In *Corporate Governance* (pp. 77-132): Gower.

Juhmani, O. (2017). Audit committee characteristics and earnings management: The case of Bahrain. *International Journal of Accounting and Financial Reporting, 7*(1), 11-31.

Kamarudin, K. A., Ariff, A. M., Jaafar, A. J. J. o. C. A., & Economics. (2020). Investor protection, cross-listing and accounting quality. *16*(1), 100179.

Komal, B., Bilal, Ezeani, E., Shahzad, A., Usman, M., & Sun, J. (2023). Age diversity of audit committee financial experts, ownership structure and earnings management: Evidence from China. *International Journal of Finance & Economics, 28*(3), 2664-2682.

Kothari, S. P., Mizik, N., & Roychowdhury, S. (2016). Managing for the Moment: The Role of Earnings Management via Real Activities versus Accruals in SEO Valuation. *Accounting Review, 91*(2), 559-586. doi:10.2308/accr-51153

Lel, U. (2019). The role of foreign institutional investors in restraining earnings management activities across countries. *Journal of International Business Studies, 50*(6), 895-922. doi:10.1057/s41267-018-0195-z

Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: an international comparison. *Journal of Financial Economics, 69*(3), 505-527. doi:10.1016/s0304-405x(03)00121-1

Lindberg, A. (2020). Developing theory through integrating human and machine pattern recognition. *Journal of the Association for Information Systems, 21*(1), 7.

Liu, Q., & Lu, Z. J. J. J. o. C. F. (2007). Corporate governance and earnings management in the Chinese listed companies: A tunneling perspective. *13*(5), 881-906.

Mardessi, S. M., & Fourati, Y. M. (2020). The impact of audit committee on real earnings management: Evidence from Netherlands. *Corporate Governance, 1*, 33-46.

Rahmaningtyas, F., & Mita, A. F. (2017). *IFRS Adoption, Earnings Management and Investor Protection in Several Asian Countries.* Paper presented at the 6th International Accounting Conference (IAC 2017).

Rizk, A., & Elragal, A. (2020). Data science: developing theoretical contributions in information systems via text analytics. *Journal of Big Data, 7*, 1-26.

Saleh, I., Afifa, M. A., & Haniah, F. (2020). Financial factors affecting earnings management and earnings quality: New evidence from an emerging market. *ACRN Journal of Finance and Risk Perspectives, 9*.

Soliman, M. M., & Ragab, A. A. (2014). Audit committee effectiveness, audit quality and earnings management: an empirical study of the listed companies in Egypt. *Research Journal of Finance and Accounting, 5*(2), 155-166.