VOL. 03 NO. 2,
FEBRUARY, 2024
E-ISSN 3027-1533
P-ISSN 3026-8648

African Scholar Publications & Research International
www.africanscholarpub.com

Journal of African Innovation & Advanced Studies (JAIAS)

Audit Committee and Earnings Management of Listed Consumer Goods Companies in Nigeria: Moderating Effect of Auditor Size

Miriam Kike Lazarus; Samuel Eniola Agbi; Adzor Ibiamke

Department of Accounting, Faculty of Management Sciences, Nigerian Defence Academy, Kaduna, Nigeria.

Abstract

This study examined the influence of the audit committee on the earning management of consumer companies listed in Nigeria the moderating role of auditor size. A sample of twelve listed consumer companies that have consistently published their audited annual reports from 2012 to 2021 were used. The research employed secondary data and the multiple regression technique was employed for analysis. The result of the study revealed that audit committee size, gender, and financial expertise had an insignificant effect on earnings management, while audit committee independence has a significant effect on earnings management of listed consumer goods firms in Nigeria. The study concluded that Nigeria consumer goods firms have higher quality financial report when the audit committee is independent.

Keywords: Audit Committee Independence, Size, Gender, Financial Expertise, Earnings Management.

Introduction

It is obligatory for all corporate bodies to have an audit committee. The committee is a subcommittee of the board of directors and one of the most important committees of the board due to its role in enhancing financial reporting quality. By acting as a bridge between the external auditor and the board of directors, the audit committee facilitates the monitoring process by decreasing

information asymmetry. According to Blue Ribbon Committee (1999), the audit committee is also the most important governance structure when it comes to picking audit firms because it is in charge of selecting the external auditor and monitoring audit quality. An effective audit committee is required to ensure auditor independence and high-quality financial reporting. It communicates openly about financial and non-financial information.

The provision of high-quality financial information is the main goal of financial reporting. It aid investors, creditors, and other stakeholders' allocation of funds in a way that will improve the market's overall efficiency especially in the consumer goods companies. A monitoring committee known as the audit committee is frequently established in order to serve as a watchdog and ensure that businesses provide quality and reliable information that will ultimately serve to protect the interests of both current and potential investors. The committee, which has the responsibility of reviewing the organizations audited and unaudited financial statements, is the most significant of these oversight bodies. As a result, the quality of the information is increased, and the likelihood that management will produce financial statements using unethical or aggressive accounting procedures is reduced.

Despite the 2008 Codes of Corporate Governance issued to public firms in Nigeria and the presence of the audit committee in firms, there were accounting scandals with Cadbury Plc's, Africa Petroleum, Skye Bank, Savannah Bank, and Oceanic Bank plc. As a result, investors increasingly question the quality and fairness of financial reporting, the role of the audit committee, and its effectiveness in preventing earnings management in various industries of investment. As a result, academicians, international organizations, and financial regulators are concerned about Nigeria's corporate governance challenges (Madawaki & Noor, 2013).

An auditor acts as a provider of insurance who is held legally liable for harm caused to users of financial statements. Thus, one of the main force boosting the credibility of the financial markets is the auditor. The size of the auditor plays a significant role in detecting earnings management. Larger auditors like KPMG, Deloitte, PricewaterhouseCoopers, and Ernst & Young are more cautious in detecting and preventing manipulation, potentially deterring corporations from manipulating earnings. The success of an audit depends on factors like team participation and regulatory environment. Key characteristics for an audit committee includes the size, financial expertise, involvement, independence and gender. Thus, the main objective of this study is to examine the effect of audit committee on earnings management using the moderating effect of auditor size in Nigeria consumer goods firms. In order to achieve this, the following null hypothesis were formulated and tested.

H_{O1}: Auditor size does not have a significant moderating role on the effect of audit committee independence on earnings management of listed consumer good companies in Nigerian

H_{O2}: Auditor size does not have a significant moderating role on the effect of audit committee size on earnings management of listed consumer good companies in Nigerian

H_{O3}: Auditor size does not have a significant moderating role on the effect of audit committee financial expertise on earnings management of listed consumer good companies in Nigerian.

H_{O4}: Auditor size does not have a significant moderating role on the effect of audit committee gender on earnings management of listed consumer good companies in Nigerian.

The focus of the study is limited to the audit committee and earnings management of Nigerian listed consumer goods companies for a period of ten (10) fiscal years from 2012 to 2021. The data was obtained from secondary sources specifically the annual reports of Nigeria's publicly listed consumer firms. The industry has twenty one (21) publicly traded firms as at December 2021.The research is based on the sector's significance to Nigeria's Gross Domestic Product (GDP) and the lack of literature on audit committee effect in this sector. Discretionary accrual was employed as a proxy for earnings management which act as the dependent variable in the study, while audit committee size, independence, expertise, and gender serves as proxies for audit committee. The basis for this pick is that majority of the aforementioned company scandal have been tied to the audit committee and earnings management difficulties. This study would provide authorities and experts (auditors and accountant) as well as the board of directors with information that will strengthen corporate entity monitoring.

Literature Review

This section reviews relevant accounting literatures connecting the concept of audit committee independence, financial expertise, gender, size, earnings management and theory that underpin the study.

Audit committee

There are various ways to describe the audit committee. It is a board subcommittee entrusted with examining managements financial reporting to ensure high quality and trustworthiness. Eyenubo et al. (2017) asserts that an audit committee is a crucial components of corporate governance because it enhances the accuracy of financial reporting and supports the board of directors by offering unbiased guidance on matters pertaining to the organizations governance, risk and control.

In 2013, Okaro and Okafor stated that a strong audit team has the following benefits: It improves external auditor's independence; It provides confidence to audited financial report; It ensures company plans are in the best interests of shareholders and the general public as a whole; It strengthens the internal auditor's standing; It raises senior management's consciousness which enhances their performance; and it keeps interpersonal disputes at bay.

Every organization needs an audit committee because it evaluates the auditors' report and gives suggestions and serves as a body that oversee finances. In addition to monitoring accounting practices, external auditors, and regulatory compliance, it consults with management about risk management practices. When accounting procedures are suspected of being violated or are thought to be troublesome, the committee has the right to launch special inquiries. In order to provide suggestions and guidance to the board, the audit committee maintains open lines of contact with the organization's CFO and Controller.

There are many different qualities that make up an audit committee; nevertheless, given the need for this study, attributes including audit committee size, independence, financial expertise and gender are taken into account.

i. Audit Committee Independence

According to Ibrahim (2016), independent audit committee means audit committee members has no connection to a business management and are not subject to any influence from the board of directors, officers and majority shareholders of the company. It is the duty of the committee to attest the quality of financial report, which reduce the likelihood of earnings manipulation. According to studies, higher independence levels among audit committees decrease the probability of earnings management. Independent committees execute unbiased judgment in shareholders' best interests while elevating the credibility of financial reporting. Additionally, they possess superior skills for hiring and supervising external auditors to guarantee their robustness and impartiality during audits. In the event that audit committees lack independence, there exists a heightened probability of managerial self-interest and inferior quality of financial reporting, resulting in manipulation of earnings. Hence, a robust and autonomous audit committee is imperative for fostering transparency, honesty, and dependability in financial reporting. This bolsters investor faith in the capital markets while diminishing occurrences of earnings manipulation.

Kusnadi et al. (2016) provided the evidence that audit committee independence does not increase earning management because the majority of its members are already self-sufficient, Juhmani (2017) discovered that committees' independence and earnings management has no relationship.

ii. Audit Committee Size

An operating committee of the board of directors tasked with overseeing financial reporting and disclosure is the audit committee. Members of the committee are chosen from the board of directors of the corporation, and a chairperson is chosen from among

the committee members. Depending on the number of directors chosen to serve on the audit committee, there may be large, small and medium committees. According to CAMA 1990 S. 359 (4) , an audit committee must be established for a public limited company with a maximum of six members represented by the management, directors, and shareholders who are knowledgeable in basic financial statements. The committee's goals are to increase the public's trust in quality of financial figures, help directors in carrying out their financial reporting duties, particularly the non-executive directors, strengthening the independence of an organization's external auditors by establishing a second point of communication. A large audit committee can be essential for decreasing the likelihood of income management.

iii. Audit Committee Financial Expertise

The financial expertise of the committee, which explains the inclusion of members with management and financial accounting experience will improve the quality of financial reporting while making it more challenging for management to engage in earnings management. A minimum of one member of the audit committee must be a financial expert with the necessary years of experience in audit, accounting, and finance. An audit committee with financial professionals can provide a more comprehensive and impartial evaluation of a company's financial reporting, reducing fraud risks and ensuring the committee's effectiveness in financial integrity.

iv Audit Committee Gender

Gender is a social concept that differs from culture to culture and can evolve over time. The gender composition of an audit committee is a crucial factor in its effectiveness. A gender-diverse audit committee, consisting of both male and female members, can contribute to a more diverse set of viewpoints, talents, and experiences, potentially improving the efficiency of financial supervision and decision-making. Research suggests that a diverse audit committee can add new insights to financial supervision, leading to a more comprehensive analysis of financial facts and acting as a deterrent to earnings manipulation. However, the influence of gender diversity on earnings management may vary depending on factors such as the unique sector, company culture, and the audit committee's overall performance

Auditor Size

The size of an auditing company is referred to as the auditor size. It may be generically classified as either a huge worldwide auditing firm or a smaller, regional, or local auditing business. The "Big Four" auditing companies (Deloitte, PwC, EY, and KPMG) dominate the worldwide audit industry and service significant organizations. Larger audit firms are expected to provide more rigorous and independent auditing services compared to smaller firms. Studies suggest that larger audit firms may be better equipped to resist management pressure and maintain professional skepticism,

thereby reducing the likelihood of earnings management by client firms. Conversely, smaller audit firms may face resources constraints or have closer relationships with clients, potentially leading to a higher susceptibility to managerial influence and a greater propensity for earnings management.

Earning Management

Earnings management is a technique used by companies to manipulate financial accounts, creating a false impression of the company's strength and success. This is not in the best interests of stakeholders. Siddhath (2011) defines accounting fraud as the intentional alteration of financial data to make it look compliant with GAAP. Rahman, Muniruzzaman, and Sharif (2013) defined earnings management as altering reported earnings using various accounting approaches. Al-Shaer et al. (2017) claimed a corporation is more likely to engage in earnings management when results are unstable or when they fall short of investors' expectations. They continued by stating that the most recent accounting scandals demonstrate how occasionally managers seek to make financial statements that misled stakeholders on financial performance of the companies by failing to provide a timely and accurate firm's value.

Amin et al. (2018) asserted that the agency problem may lead to profits management. In order to advance their status, business managers may inflate earnings to present false financial statements, hide information that stakeholders should be aware of, or alter contractual results based on specific accounting figures. To control income, there are several important managerial situations. These include, among other things, instances where a company declared loss the preceding year, manipulating the price of short-term stock and satisfying capital market requirements (Akeju & Babatunde, 2017).

Theoretical review

Agency Theory

Jensen and Meckling's (1976) theory of agency states that it might be challenging to persuade an individual, the agent, to act in the best interests of another, the principle. The principle cannot specifically attest that the agents are always acting in the principal's best interest because there are knowledge asymmetries and competing interests amongst the parties. This is especially helpful in situations when the principle has to pay for procedures that benefit the principal but are costly for the agent, as well as in situations where the principal cannot afford to watch some aspects of the agent's work. A financial loss and a conflict of interest can occur. As a result, by sharing knowledge and minimizing asymmetric information, management may save agency expenses. This implies that agency costs are employed to lessen or eradicate the effects

of agency conflict, which arises when agents or administrators take advantage of situations to further their goals.

Review of Empirical Studies

Akpan et al. (2022) conducted a study on audit committee gender diversity, CSR, and earnings management in Nigerian consumer goods firms. The study included all publicly traded firms listed on the NGX. The results showed that gender diversity significantly moderated the association between social donation disclosure and earnings management, customer complaint disclosure and earnings management, and employee disclosure and earnings management. The study concluded that more gender-diverse audit committee boards could weaken managers' opportunistic behavior. Abbas (2020) studied the impact of gender on audit committee qualities' influence on profit management in Nigerian listed agricultural enterprises from 2012-2017. The study used ex-post facto and correlational research designs and used multiple regression techniques. Results showed that gender significantly influences the size, frequency, and financial skill of audit committees, which in turn affects the management of earnings in these companies. Abdulfatah and Yahaya (2022) examined how external auditors can help reduce earnings management. The study employed an ex-post factor design where 75 listed nonfinancial services companies' audited annual reports and accounts for the years 2012 through 2021 were used to compile the data. To analyze the data, descriptive and inferential techniques were performed. Auditor independence and quality are adversely connected with earnings management, but auditor opinion, tenure, rotation, and audit firm size are positively correlated. Jayeola et al. (2022) examined the impact of audit committee features on the earnings management of Nigerian publicly traded consumer goods corporations. The study analyzed 21 consumer goods companies listed on the NGX website from 2010 to 2019, using a judgmental sampling approach. Ten businesses were chosen based on 10 years of financial statements. Statistical tools used included E-Views version 10, the unit-root test, correlation analysis, and ordinary least squares. Results showed a significant and inverse association between audit committee meetings, leverage, size, and earnings management, but a positive and insignificant link between audit committee independence, financial expertise, and earnings management. Similarly, Ayemere and Elijah (2015) examined audit committee attributes and earnings management in Nigeria. The study analyzed earnings management in 50 listed companies using a random sampling procedure from 2006 to 2013. The findings revealed a significant correlation between earnings management, audit committee diligence, financial expertise, independence, and size, with earnings management being inversely correlated with these factors.

Methodology

In order to understand and predict the link between the variables, this study uses a correlationary research methodology, which involves correlating two or more variables. The research purpose, which is to access the effectiveness of audit committee on earnings management of lasted consumer goods companies in Nigeria leads researchers to feel that the design is suitable and appropriate in light of its relative relevance to achieving that goal.

As at December 2021, there were 21 consumer goods companies listed on the NGX making up the study's population. A total of 12 companies were chosen to ensure the availability of the data needed for the investigation. The data for this study were extracted from secondary source. Data for each variable were sourced from audited financial statements of the selected consumer goods firms over the requisite number of years. The descriptive statistics, correlation analysis, regression, Variance Inflation Factor (VIF), and heteroscedasticity test were conducted.

The model for this study is specified as:

$DACC_{it} = \beta_0 + \beta_1 ACIN_{it} + \beta_2 ACSZ_{it} + \beta_3 ACFE_{it} + \beta_4 ACGN_{it} + \beta_5 ACIN_{it} * AUSZ + \beta_6 ACSZ_{it} * AUSZ + \beta_7 ACFE_{it} * AUSZ + \beta_8 ACGN_{it} * AUSZ + \beta_9 FSZit + et$ …… (1)

Where;

β0 = constant term

β1 - β9 = Unknown parameter to be estimated

it = time/ for intercepts

DACC = Discretionary Accrual

ACIN = Audit Committee Independence

ACSZ = Audit Committee Size

ACFE = Audit Committee Expertise

ACGN = Audit Committee Gender

AUSZ = Auditor Size

FSIZ = Firms Size * = Interaction

et =error term

The variables employed in this study are measured and defined in the table 1.

Table 1

Variables, Definitions, Measurements and Sources

Variable	Definition	Type	Measurement	Sources
DACC	Discretionary Accrual	Dependent	Measure the difference between Total accruals and nondiscretionary accruals.	Dechow et al (1995), Abbas (2020), Jayeola et al. (2022).
ACIN	Audit Committee Independence	Independent	Ratio of non-executive members to total of	Ali, S.A.H.M. (2022).

			Members.	
ACSZ	Audit Committee Size	Independent	Measured as the total number of members in the audit committee	Bala & Gugong (2015)
ACFEX	Audit Committee Financial Expertise	Independent	Proportion of audit committee members with accounting qualification.	Madawaki & Amran (2017).
ACG	Audit Committee Gender	Independent	Ratio of females in the firms' audit committee membership	Abdullahi & Yunusa (2016)
Auditor Size	BIG 4	Moderating	Equals "1" if the firm is audited by a Big 4 and "0" otherwise.	Abu-Siam & Laili (2022)
FZ	Company Size	Control	Natural log of company total assets.	Hamdan (2020)

Earnings management (dependent variables) was measured by discretionary accrual using Modified Jones Model (1991) as adapted by Dechow et al., (1995), Abbas (2020), Ali (2022), and Jayeola et al. (2022).

$TAC_{it} / TA_{it} = {}^{\alpha}/TA_{it} + B_1 (\Delta REV_{it} - \Delta REC) / TAit + B_2 PPE_{it\ /TAit} + \varepsilon_{it}$

$NDA = {}^{\alpha}/TA_{it} + B_1 (\Delta REV_{it} - \Delta REC) / TAit + B_2 PPE_{it\ /TAit}$

TAC =NI – OCF

Where:

NDA= Non-Discretionary Accruals

TAC= Total Accruals

TA= Total Assets

ΔREV= Change in Revenue

ΔREC= Change in Receivable

PPE= Property, Plant and Equipment

NI= Net Income

OCF= Operating Cash Flow

μ= Error Term

i= Firm

t= Time

Data Analysis and Interpretation of Results

This section presents and discusses results from the analysis of data collected for the sampled firms' annual reports during the period under review. The section begins with descriptive statistics, correlation, Variance Inflation Factor (VIF), heteroscedasticity test Lagrangian multiplier test, regression analysis. The descriptive statistics is presented in Table 2.

Table 2
Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
DACC	120	0.586	0.267	-0.046	1.217
ACIN	120	0.484	0.048	0.333	0.667
ACSZ	120	5.650	0.669	4	6
ACFE	120	0.232	0.171	0	0.667
ACGN	120	0.163	0.151	0	0.6
FSIZ	120	7.850	0.540	6.046	8.824
AUSZ	120	0.917	0.278	0	1

Source: STATA 13 Output (2023)

Table 2 explains the descriptive statistics result for the variables of the sample observations of 120. The table indicates that earning management as measured by discretionary accrual (DACC) has a minimum value of -0.046 and a maximum value of 1.217, signifying the lowest and highest amount that was used to make accounting adjustments by the management of the sampled consumer goods firm. The average values and standard deviation of DACC are 0.586 and 0.267, respectively. The Audit Committee Independence (ACIN) has a mean of 0.484 and a standard deviation of 0.048, with a maximum value of 0.667 and a minimum value of 0.333. The audit committee size (ACSZ) has a mean of 5.650 and a standard deviation of 0.669, maximum value of 6 and a minimum value of 4 indicating compliance with Section 359(4) of the CAMA Act of 1990. The average audit committee financial expertise (ACFE) is 0.232 and standard deviation of 0.171, minimum value of 0, maximum value of 0.667. The audit committee's gender (ACGN) has a mean of 0.163 and a standard deviation of 0.151, minimum and maximum value of 0 and 0.6 respectively. The auditor size has a mean of 0.917 and a standard deviation of 0.278 with a minimum value of 0 and maximum of 1

Diagnostic check

Table 3
Correlation Analysis

	ACIN	ACSZ	ACFE	ACGN	AUSZ	FSIZ
ACIN	1.000					
ACSZ	0.194	1.000				
ACFE	0.046	-0.225	1.000			
ACGN	0.041	0.189	0.166	1.000		
AUSZ	-0.101	-0.158	0.204	0.161	1.000	
FSIZ	-0.090	0.403	-0.163	0.040	-0.058	1.000

Source: STATA 13 Output (2023)

Table 3 reveals that some independent variable relationships are negatively correlated or have a lower level of positive correlation, indicating a negative or absent multicollinearity direction among the variables. This absence of strong

interdependence is a positive finding in regression analysis, allowing for a more reliable interpretation of the effects of each independent variable on the dependent variable.

Table 4

Variance Inflation Factor (VIF)

Variable	VIF	1/VIF
ACSZ	1.42	0.858
FSIZ	1.24	0.804
ACFE	1.14	0.874
ACGN	1.12	0.893
AUSZ	1.10	0.912
ACIN	1.00	0.915
Mean VIF	1.19	

Source: STATA 13 Output (2023)

As shown in Table 4, it can be observed that the VIF of all the variables is low, as they are all less than 5, which is within the acceptable range. According to Ringim et al. (2012), the VIF scores must be less than 10 (acceptable), ideally less than 5; these results demonstrate that there is no multi-collinearity in the regression result, as the mean VIF is 1.9, which is also less than 5. Therefore, there is an absence of multicollinearity among the independent variables that may affect the regression coefficient result. This is generally a positive finding, as it suggests a low level of multicollinearity among the independent variables. Low VIF values indicate that the variables in the regression model are not highly correlated with each other, which is desirable because high multicollinearity can make it challenging to interpret the individual effects of predictors on the dependent variable. When multicollinearity is present, it can lead to inflated standard errors and make it difficult to distinguish the individual effects of the predictors.

Table 5

Heteroscedasticity Test

Variable	DACC
chi2(1)	1.16
Prob > chi2	0.2810
Source: **STATA 13 Outputs (2023)**	

The heteroscedasticity test was carried out using the Breusch-Pagan-Godfrey test to account for the outliers in the data set. The p-value of the model is significant as it is greater than 0.005. This indicates the absence of heteroscedasticity. The Breusch-Pagan-Godfrey test indicates a constant variance of residuals, signifying the absence of heteroscedasticity issues.

Table 6 *Lagrangian Multiplier Test*

Model	DACC
chibar2(01)	14.84
Prob > chibar2	0.0001
Source: **STATA 13 Output (2023)**	

The result of the Breusch-Pagan Lagrange multiplier test discloses an X2 of 14.84 with a probability value of 0.0001 < 0.05 at a significant level; thus, the research accepts that the fixed effect is a more suitable estimator for panel models than the random effects model. Thus, fixed effect model is chosen as a more appropriate approach for this study. Fixed effects models account for individual-specific effects, which can be particularly relevant in panel data settings.

Table 7

Regression Analysis

Variables	Co-efficient	Std. Error	z-Statistic	P-value
Constant	1.664	0.7266	2.29	0.024
ACIN	-0.937	0.5097	-1.84	0.069
ACSZ	0.022	0.0471	0.47	0.643
ACFE	-0.139	0.2013	-0.69	0.493
ACGN	-0.124	0.2239	-0.55	0.583
FSIZ	-0.088	0.0911	-0.97	0.332
AUSZ	−0.654	0.1549	-0.89	0.226
R2	0.1671			
Adjusted R-Squared	0.1229			
Prob.	0.0018			

Source: STATA 13 Output (2023)

Table 7 shows fixed effect model result where the beta value (Co-efficient) of The Audit Committee Independence (ACIN) is statistically significant and negative at 10% The statement indicates that Audit Committee Independence (ACIN) is statistically significant and negatively associated with DACC) at a 10% significance level. Specifically, a 1% increase in Audit Committee Independence is linked to a 0.94% reduction in the DACC for consumer goods companies listed on the NGX. Ali (2022), Galal et al. (2022), Mollik et al. (2020), and Handayani and Ibrani (2020) report a positive association between Audit Committee Independence and earnings management in their respective studies. This implies that, in those investigations, an

increase in Audit Committee Independence corresponded with an increase in earnings management. However, a study by Kaoje et al. (2023) reveals a negative and statistically insignificant relationship between Audit Committee Independence and earnings management. This suggests that the direction and significance of the relationship can vary across different research contexts. The study reveals a positive and statistically insignificant co-efficient of audit committee size (ACSZ) for consumer goods companies listed on the NGX. A 1% increase in ACSZ is associated with a marginal enhancement of 0.02% in the DACC, but not significant. The findings align with previous studies, such as Abubakar et al. (2021) and Setiawan et al. (2020), but deviate from Williamson and Akpomedaye (2021)'s negative relationship. The study reveals a positive relationship between Audit Committee Size and financial metrics, but caution is advised in attributing meaningful effects to changes in Audit Committee Size on the DACC for consumer goods companies listed on the NGX. The study found a negative correlation between average audit committee financial expertise (ACFE) and the decline in the DACC of consumer goods companies listed on the NGX. This finding is consistent with previous research, suggesting that an increase in ACFE doesn't necessarily lead to significant changes in the DACC. However, a study by Galal et al. (2022) showed a significant positive relationship between ACFE and earnings management, highlighting the variability in findings within the literature and the importance of considering specific context, methodologies, and sample characteristics.

The study found that a 1% increase in audit committee gender diversity (ACGN) is associated with a positive impact on the performance of Nigerian consumer goods companies listed on the NGX, specifically enhancing it by 0.12%. However, this effect is not statistically significant, suggesting an inverse relationship. The lack of statistical significance suggests that the observed relationship could be due to random chance and does not provide robust evidence for a meaningful impact on performance. This nuanced nature of the relationship between audit committee gender diversity and company performance highlights the need for broader context and potential factors influencing the relationship. The study found a negative and statistically insignificant correlation between auditor size and the (DACC) of consumer goods companies listed on the NGX. The negative coefficient suggests an inverse relationship, suggesting an increase in auditor size is associated with a decline in DACC. However, the lack of statistical significance suggests the finding may not be robust and could be due to random chance. This finding aligns with previous research, such as those by Ayemere and Elijah (2015) and Kaoje et al. (2023), which also found an inverse relationship between earnings management and audit size. The study's findings provide some consistency in the literature regarding auditor size and financial metrics. The study found that a 1% increase in firm size (FSIZ) can enhance the DACC of consumer

goods companies listed on the NGX by 0.09%. The moderating role of auditor size on audit committee independence had a significant effect on earnings management of listed firms in Nigeria. The null hypotheses of audit committee size, financial expertise, and gender had no significant effect on earnings management. The adjusted R2 value of 0.01671 suggests that if other variables are accommodated in the error term, the independent variables (Audit Committee variables) will predict the dependent variable (earning management).

Conclusion and Recommendations

The study concludes, after carefully examining the arguments and results, that financial expertise from audit committees and the size does not improve earnings management in Nigerian consumer goods companies. It is also proven that the management of consumer goods firms earnings is unaffected by the proportion of female committee members. Ultimately, the research indicates that the financial reports produced by Nigerian consumer companies are of higher quality when audit committees are independent. Policymakers and regulators would benefit from a deeper understanding of the role that AC characteristics play in preventing earnings manipulation. The fact that this study's findings come from non-financial businesses, however, means that they might not apply to financial services given the variety of laws and regulations that govern them. The study concluded that a higher percentage of independent directors was necessary to enable an unbiased assessments of the financial statements of consumer goods firms in Nigeria. This study is further limited by the time frame, techniques, variables, and domain. Subsequent investigations may employ an alternative standard to assess the attributes of earnings management.

REFERENCES

Abbas, U. (2020). The moderating effect of gender on audit committee attributes and earnings management. International Journal of Business Policy and Governance, 7(3), 48-62.

Abdulfatah, L.A., & Yahaya, O.A. (2022). Can auditors reduce earnings management activities? *Review of Accounting and Finance*, *22*(4), 429-442.

Abdullahi, M., & Yunusa, A. (2016). Audit committee characteristics and financial performance of listed deposit money banks in Nigeria. Ilorin Journal of Accounting, 3(1), 1-18.

Abu-Siam, Y.I., & Laili, N.H.B. (2022). The impact of external auditors' size on earnings management: Evidence from Jordan. *Central European Management Journal*, *30*(4), 2140-2147.

Akpan, D.C., Simeon, U.J., Nkpodot, U.C., & Osurua, I. (2022) Audit committee gender diversity, CSR and earnings management of selected consumer goods firms in Nigeria. *AKSU Journal of Administration and Corporate Governance (AKSUJACOG) 2*(2).

Ali, S.A.H.M. (2022). The association between audit committee characteristics and earning management: Evidence from GCC stock markets. *Information Sciences Letters, 11*(1), 257-268.

Asiriuwa, O., Aronmwan, E. J., Uwuigbe, U., & Uwuigbe, O. R. (2018). Audit committee attributes and audit quality: A benchmark analysis. *Business: Theory and Practice*, *19*, 37-48.

Ayemere, I.L., & Elijah, A. (2015) Audit committee attributes and earnings management: Evidence from Nigeria. *International Journal of Business and Social Research, 5*(4), 14-23.

Bala, H., & Gugong, B. K. (2015). Audit committee characteristics and earnings quality of listed food and beverages firms in Nigeria. *International Journal of Accounting, Auditing and Taxation, 2*(8), 216-227.

Dechow, P.M., Sloan, R.G., & Sweeney, A.P. (1995). Detecting earnings management. *The Accounting review, 70*(2), 193-225.

Galal, H.M., Soliman, M.M., & Bekheit, M.B. (2022). The relation between audit committee characteristics and earnings management: Evidence from firms listed on the Egyptian Stock Market. *American Journal of Industrial and Business Management, 12,* 1439-1467.

Hamdan, A.M.M., Mushtaha, S.M.S., & Al-Sartawi, A.A.M. (2013). The audit committee characteristics and earnings quality: Evidence from Jordan. *Australasian Accounting Business and Finance Journal. 7*(4), 51-80.

Hamdan, A.M., Al-Hayale, T., & Aboagela, E.M. (2012). The impact of audit committee characteristics on earnings management: Additional evidence from Jordan. *In European Business Research Conference Proceedings.*

Handayani, Y.D., & Ibrani, E.Y. (2020). The effect of audit committee characteristics on earnings management and its impact on firm value. *International Journal of Commerce and Finance, 6*(2), 104-116.

Ismail, W.A.W., & Kamarudin, K.A. (2017). Deceptive versus informative income smoothing: Evidence from audit committee attributes. In *ICOPS2017 eProceedings,* 781–789.

Jayeola, O., Olugboyega, K.S., Daniel, O.S., & Osidero, A.T. (2022). Impact of audit committee characteristics on earnings management in Nigerian listed consumer goods firms.24 (1), 119-130.

Kaoje, A.N., Alkali, M.Y., & Moddibo, A. (2023). The effect of audit committee characteristics on earnings management in Nigerian listed firms. *Technology audit and production reserves*, *1*(4 (69

Madawaki, A., & Amran, N.A. (2017). Audit committee characteristics and financial reporting quality: Evidence from Nigerian listed companies. Terengganu International Finance and Economics Journal (TIFEJ), 3(1), 30-37.

Mohammed, N. F., Ahmed, K., & Ji, X.-D. (2017). Accounting conservatism, corporate governance, and political connections. *Asian Review of Accounting, 25*(2), 288–318.

Mollik, A.T., Mir, M., McIver, R., & Bepari, M. (2020). Effects of audit quality and audit committee characteristics on earnings management during the global financial crisis–evidence from Australia. *Australasian Accounting, Business and Finance Journal*, *14*(4), 85-115.

Rahman, M., Moniruzzaman, M., & Sharif, J. (2013). Techniques, motives and controls of earnings management. *International Journal of Information Technology and Business Management,* 1 (2), 22- 34.

Siddhath, M. (2011). Earnings management, human rationality and relative deprivation of some critical assessments. New Delhi: Affairs OECD, Paris.