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AUDIT COMMITTEE ATTRIBUTES AND EARNINGS MANAGEMENT

***MONDAY OLADE, IZEVBEKHAI (PhD); & **WASEELA OSHONE, MOMODU (PhD)**

*Department of Accountancy, School of Financial Studies, Auchi Polytechnic, Auchi. **Department of Taxation, School of Financial Studies, Auchi Polytechnic, Auchi, Edo State.

Corresponding Author:
mondayizevbekhai75@gmail.com

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Abstract

This study examined audit committee attributes and earnings management of listed agricultural firms in Nigeria. The specific objectives were to examine the effect of audit committee size, audit committee independence, audit committee gender diversity and audit committee diligence on earnings management of listed agricultural 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 twelve (12) listed deposit money banks in Nigeria. Ordinary Least Square regression analysis was used in this study. The findings revealed that audit committee size, audit committee independence, audit committee gender diversity and audit committee diligence have no significant effect on earnings management of listed agricultural firms in Nigeria. It was concluded that audit committee size and audit committee independence has significant effect on earnings management while audit committee gender diversity and audit committee diligence has no significant effect on real earnings management of listed agricultural firms in Nigeria and finally recommended that the size of audit committee should be streamlined to portray the vision and standard of the firm.

Introduction

In recent years, researchers have focused extensively on the efficacy of audit committee characteristics in mitigating earnings management in companies, both domestically and internationally, a concern exacerbated by numerous reported

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financial scandals involving chief executive officers that have resulted in corporate failures. Auditors and audit committees are essential corporate governance instruments that enhance the credibility of an organization's financial statements, ensuring they accurately reflect the true state of affairs through established monitoring mechanisms throughout the financial reporting and disclosure process (Ibobo & Ogbodo, 2023). An audit committee is a subcommittee of the board of directors responsible for overseeing the company's financial reporting. The audit committee's responsibilities encompass financial reporting, including internal controls, auditing, and overseeing other processes, such as facilitating communication between the board and the external auditor (Jamiu *et al.*, 2023). Ogunsola (2024) asserted that the audit committee's function is to certify the quality of financial reporting, thereby contributing to the reduction of earnings manipulations. The audit committee is essential to corporate governance as it supervises the integrity of annual reports and financial statements of corporations (Usman, 2020). Given the audit committee's responsibilities regarding the quality of financial statements, it is essential to emphasize the independence of its members and their financial and accounting expertise.

In the Nigerian context, the term "independent" concerning the audit committee pertains to two critical dimensions: independence from management and independence from substantial shareholders in earnings management (Kaoje *et al.*, 2023). The independence of the audit committee enhances the monitoring of financial reporting. Researchers have asserted that an independent audit committee can act as a reinforcing factor for both internal and external auditors (Kharashgah *et al.*, 2019).

Rista (2022) asserts that earnings management practices are unethical despite not contravening any accounting standards; the division of ownership and management in public companies affords management the advantage to pursue personal objectives. Earnings management conceals authentic corporate performance from stakeholders and diminishes organizational value, thereby constituting an agency cost within the company. It undermines the credibility of the financial statements of reporting entities by depicting an appealing financial position that diverges from the organization's actual financial health. The correlation between earnings management and discretionary accounting practices presents an opportunity for directors to manipulate earnings, particularly when they are incentivized to employ discretionary accruals by selecting accounting policies that enhance profits in the current reporting period. This is contingent upon the efficacy of the operation (Saheed *et al.*, 2022).

The recent surge in research regarding the influence of audit committee characteristics on earnings management is associated with corporate scandals, widespread malpractices, and violations of stringent financial reporting standards, which have

engendered scepticism among investors (Sae-Lim & Jermsittiparsert, 2019; Ismail *et al*., 2019). In Nigeria, certain corporations and banks have been implicated in corporate scandals. For instance, the instances of Cadbury Nigeria Plc in 2006 and Afribank Nigeria Plc in 2009, as well as Oceanic Bank Plc and Intercontinental Bank Plc (Ogunsola, 2024). The existence of corporate governance and an audit committee in these companies suggests that the issues could have been identified.

The audit committee is tasked with reviewing the auditor's work and examining the financial statements to report to the owners on the company's status. For the audit committee to effectively mitigate opportunistic earnings, it is essential for its members to possess a foundational understanding of accounting and finance. The Financial Reporting Council (FRC) stipulates that the Audit Committee must possess sufficient expertise, stating that the board should ensure that at least one member of the audit committee has recent and relevant financial experience. The study by Abubakar *et al.* (2021) demonstrates that the financial expertise of audit committee members oversees earnings management practices. Setiawan *et al.* (2020) indicated that the financial expertise of Audit Committee members significantly influences earnings management positively.

The familiarity between auditors and clients due to prolonged audit tenure undermines auditor independence. In the absence of an audit committee member with the requisite professional expertise to scrutinize the auditing process up to the reporting stage, the integrity of the report may be compromised. Numerous corporate scandals have been documented in academic literature and within the accounting profession regarding audit tenure and independence. The question arises regarding the maintenance of the auditor's independence in both short-term and long-term relationships with the client. The corporate scandals in numerous countries have called into question the efficacy and efficiency of auditor independence in financial reporting. Conversely, Abubkar *et al*. (2021) asserted that the independence of the audit committee regulates managers' opportunistic behaviour. The mixed results indicate that EM serves as evidence of financial statement report manipulation (Al-Absy *et al.*, 2020). This study aims to address these gaps by analyzing audit committee characteristics and earnings management in Nigeria.

Real Earnings Management

Real earnings management is characterized by deliberate manipulation of accounting reports to fulfill various self-serving interests (Olotu *et al.*, 2019). Apollos *et al.* (2019) defined earnings management as managerial accounting practices aimed at manipulating or misrepresenting reported earnings through various accounting techniques, such as expediting expenses, under-accruing expenses, improperly timing revenue recognition,

deferring revenue transactions, or employing other strategies designed to affect earnings. Earnings management denotes the systematic misrepresentation of the actual income and assets of corporations or organizations, or the innovative characterization of income, assets, and liabilities (Omar, 2020).

Real earnings management, in contrast to fraud, entails the selection of accounting methods and estimates that adhere to Generally Accepted Accounting Principles (GAAP). Firms engaging in earnings management would exhibit such behaviour within the confines of permissible accounting procedure manipulation. The manipulation of earnings does not accurately represent the company's actual performance, potentially leading shareholders and investors to form erroneous assessments of the organization. Consequently, efficient board oversight is crucial in mitigating the occurrence of earnings management when the incentives for such manipulations are elevated (Rahman & Ali, 2017).

Audit Committee Size and Real Earnings Management

An audit committee is a board of directors' committee tasked with overseeing the financial reporting process, selecting an independent auditor, and receiving both internal and external audit results. Ahmed (2018) defined the audit committee as a group of individuals chosen from the board of directors tasked with maintaining the auditors' independence. Bala (2014) posited that an audit committee should consist of non-executive directors within an organization. From the aforementioned definitions, it can be inferred that the primary objective of the audit committee is to enhance audit operations, thereby elevating the quality of financial reporting. The audit committee is a principal operating committee of a company's board of directors responsible for supervising financial reporting and disclosure (Bansal & Sharma, 2016). An audit committee aids the board of directors in executing its corporate governance and oversight duties concerning an entity's financial reporting, internal control system, risk management system, and both internal and external audit functions. Its function is to offer counsel and suggestions to the board in accordance with its terms of reference.

The magnitude of an audit committee, quantified as a numerical value, positively influences its effectiveness. The efficacy of an adequately sized audit committee surpasses that of a smaller committee. However, the effectiveness of the audit committee may be compromised if the committee is excessively large. Consequently, prior research has demonstrated that an appropriately sized audit committee enhances the quality of financial reporting oversight. The problem of earnings management has consistently prompted management to establish an audit committee, which is considered essential for enhancing the quality of financial reporting. An audit committee is a sub-

committee of the board tasked with ensuring the accuracy and reliability of the financial statements presented by management. This has significantly captured the attention of regulators globally to develop legislation and/or reassess policies aimed at enhancing the oversight functions of the audit committee (Asiriuwa *et al*, 2018).

Yahaya (2025) examined the impact of audit committee characteristics on earnings management of listed industrial goods companies in Nigeria from 2012 to 2021. The number of industrial goods firms is fifteen, out of which nine were used for analysis. The study uses STATA 13.0 as a tool for the data analysis. The result showed that there is positive significant relationship between audit committee financial expertise, audit committee meetings and audit committee size on earnings management of listed industrial goods companies in Nigeria.

Ogunsola (2024) examined the influence of audit committee attributes on earnings management within publicly listed deposit money banks in Nigeria. The research utilized an ex-post facto design, focusing on a population of twenty-four (24) deposit money banks listed on the Nigerian Exchange Group as of December 31, 2022. The data was subjected to pertinent preliminary tests prior to analysis with a Robust Fixed Effect Regression Model. Empirical findings indicated that the size of the audit committee was positively correlated yet statistically insignificant. It is concluded that the size of the audit committee is unlikely to diminish earnings management practices.

Kaoje *et al.* (2023) investigated the influence of audit committee characteristics on earnings management in publicly listed firms in Nigeria to determine if these characteristics affect earnings management. The study population comprised 190 firms listed on the Nigerian Stock Market. The study sample comprised 150 firms, as 40 firms were unable to supply the requisite data from 2014 to 2019. A Generalized Least Squares estimator was employed to estimate the parameters. The study demonstrated a negative correlation between audit committee size and earnings management among the listed firms in Nigeria.

Sharma and Kuang (2022) examined the characteristics of voluntary audit committee incentives and their impact on earnings management in New Zealand. The study utilized a sample of 194 firms from a total of 393 firms listed on the New Zealand Stock Market for the year 2004. They employed the performance-adjusted modified Jones model to assess discretionary accruals. Their findings indicated a substantial positive correlation between audit committee size and earnings management.

H1: ***From the above, we hypothesize that audit committee size has no significant effect on real earnings management***

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Audit Committee Independence and Real Earnings Management

A crucial characteristic of an effective audit committee is its independence from management. Audit Committees serve a crucial role in an organization's governance structure by offering an independent source of counsel to the board. An independent audit committee member is an individual who is neither employed by nor rendering any services to the organization, aside from their responsibilities as a committee member. The autonomy of the Audit Committee promotes management transparency and accountability to stakeholders (Mbobo & Umoren, 2016). It is anticipated that independent Audit Committee members will exhibit greater objectivity and be less inclined to overlook potential deficiencies in the misappropriation and manipulation of financial reporting.

The autonomy of audit committees promotes management transparency and accountability to stakeholders. Independent audit committee members are anticipated to exhibit greater objectivity and a reduced propensity to overlook potential deficiencies in the misappropriation and manipulation of financial reporting. Following the enactment of SOX in 2002, audit committees in the United States are required to comprise solely independent members to authorize audit and non-audit services and to establish protocols for addressing complaints concerning accounting and auditing matters. Klein (2019) asserted that the independence of audit committees escalates with the size and independence of the board. The independence of the audit committee is substantially correlated with the quality of financial reporting, as the likelihood of financial statement fraud increases in firms with diminished audit committee independence.

Jamiu *et al.* (2023) examined the relationship between board attributes and earnings management in publicly listed manufacturing firms in Nigeria. The sample comprised forty-two (42) manufacturing companies listed on the Nigerian Exchange Group, utilizing purposive sampling techniques over the study period from 2010 to 2021. The data were analyzed employing the generalized method of moments. The study's findings indicate a positive yet statistically insignificant correlation between board independence and earnings management.

Ozigi *et al.* (2023) investigated the influence of board and audit committee characteristics on earnings management. The research employs a purposive sampling method. The study employs a robust regression statistical model utilizing a 10-year panel dataset from 36 publicly listed firms in Nigeria. The data utilized were obtained from the published annual accounts and reports of selected firms listed on the Nigeria Exchange Group. The study's findings indicate that audit committee independence reduce earnings management.

Izevbekhai *et al.* (2022) investigated the relationship between audit committee characteristics and earnings management in selected non-financial firms listed on the

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Nigerian Exchange Group (NGX). Data were obtained from the firms' annual reports and financial statements. Ordinary least squares (OLS) regression analysis was employed to analyses the data. A positive and significant correlation exists between audit committee independence and earnings management.

Salawu *et al.* (2021) investigated the impact of audit committee independence on the quality of financial reporting for publicly listed consumer goods companies in Nigeria from 2006 to 2016. The study employs a longitudinal panel research design, focusing on a population of twenty-three (23) firms within the consumer goods sector. The study utilizes a census sampling technique due to the limited population, supplemented by secondary data collection from the annual reports of the selected firms. The research employs multiple regression analyses. The findings indicate that the independence of the audit committee has an insignificant impact on the audit quality of the sampled firms.

H2: From the above, we hypothesize that audit committee independence has no significant effect on real earnings management

Audit Committee Gender Diversity and Real Earnings Management

An audit committee is pivotal in financial reporting by guaranteeing adherence to regulatory mandates and auditing standards. Characteristics of audit committees are proposed as determinants of their effectiveness. The corporate governance code mandates the inclusion of gender diversity, encompassing both male and female members, within board committees. In this study, gender diversity denotes the equal representation of women and men within the audit committee. Prior literatures indicate that female directors exhibit greater conservatism, risk aversion, elevated moral standards, and enhanced trustworthiness compared to their male counterparts, and are less inclined to manipulate corporate financial and other disclosures (Omar, 2020). Audit committees are established to offer essential supervision of the financial reporting processes of companies. The principal aim of their establishment is to augment the reliability of audited financial statements. The committees are anticipated to operate autonomously to address disputes between management and external auditors. An audit committee serves as an intermediary between management and auditors by establishing a formal communication channel among the board, management, and external auditor (ThankGod & Onukogu, 2018).

Akpan *et al.* (2022) assessed the moderating influence of gender diversity within audit committees on the correlation between social responsibility disclosure and earnings management in selected consumer goods firms in Nigeria. An ex post facto research design was employed, secondary data were utilized, and three hypotheses were

evaluated. The findings indicated that gender diversity within the audit committee significantly moderates the relationship between social donation disclosure and earnings management. The study also revealed that gender diversity within audit committees significantly influences the relationship between the disclosure of customer complaints and earnings management.

Muazu and Aminu (2021) examined the influence of audit committee attributes on the financial reporting quality of Deposit Money Banks (DMBs) in Nigeria. The research employed a correlational design. The data source comprised secondary data obtained from the published annual financial reports of the examined Deposit Money Banks in Nigeria. The collected secondary data were analyzed through multiple regression analysis conducted with STATA software. The analysis reveals that the frequency of audit committee meetings and the presence of female members on the audit committee positively and significantly influence the financial reporting quality of Deposit Money Banks (DMBs) in Nigeria, whereas the financial expertise of the audit committee negatively and significantly affects the financial reporting quality of DMBs in Nigeria.

Setiawan *et al.* (2020) examined the efficacy of audit committees in reducing earnings management within the Indonesian context. The study examines 393 Indonesian publicly traded companies from 2006 to 2010. Results indicated that female members of the audit committee reduce earnings management, while financial expertise and the frequency of meetings positively influence earnings management. This outcome indicates that neither variable may effectively constrain earnings management. Conversely, the gender of audit committee members and the independence of those members do not exert a significant impact on earnings management.

Kajola (2020) analyzed the correlation between corporate board characteristics and earnings management in Nigerian banks from 2009 to 2018. The dependent variable, earnings management, was derived from the discretionary accruals of the modified Jones model, while four corporate board attributes; size, independence, gender diversity, and board meetings functioned as independent variables. The results of the random effects generalized least squares regression indicate a significant negative correlation between board size, board independence, and earnings management. Board gender diversity and board meetings, however, exhibit no significant correlation with earnings management.

H3: From the above, we hypothesize that audit committee gender diversity has no significant effect on real earnings management

Audit Committee Diligence and Real Earnings Management

In Nigeria, the audit committee is regarded as a body comprising representatives of both directors and shareholders, tasked with the responsibility of reviewing the annual

statements prior to their submission to the board of directors. An engaged audit committee is anticipated to offer a monitoring framework that enhances the reliability of the company's financial reporting. To accomplish this, the audit committee must convene regularly. Ibrahim *et al.* (2019) asserted that all audit committee members are required to attend board meetings, as such participation enables them to understand the company's challenges and enhances their ability to execute their responsibilities effectively. The diligence of the audit committee guarantees the intensity and effectiveness of monitoring management operations (Araoye & Olatunji, 2019).

Diligence enables members to engage with one another, thereby fostering cohesive relationships that promote mutual understanding for strategic decisions that enhance managerial performance. Increased attendance at meetings by audit committee members enhances the quality of managerial oversight, thereby ensuring the integrity of financial reporting. The audit committee members will remain informed and updated on organizational activities through regular meetings.

Abdulsalam *et al.* (2023) evaluated the impact of audit committee characteristics on earnings management in publicly listed firms in Nigeria to determine if these characteristics influence earnings management. The study population comprised 190 firms listed on the Nigerian Stock Market. The study sample comprised 150 firms, as 40 firms were unable to furnish the requisite data from 2014 to 2019. A Generalized Least Squares estimator was employed to estimate the parameters. The study demonstrates a positive and significant correlation between audit committee meetings and earnings management of publicly listed firms in Nigeria.

Sylvester and James (2022) investigated the influence of audit committees on earnings management in Nigerian publicly listed companies. The study's data were obtained from the annual reports of 131 companies listed on the Nigerian Stock Exchange from 2008 to 2014. The multivariate regression method was employed to estimate the model. The study revealed that the independence of the audit committee, the frequency of its meetings, and attendance at these meetings negatively and significantly affected earnings management. This indicates that the independence of the audit committee, the frequency of its meetings, and attendance at these meetings are effective in minimizing management's propensity for opportunistic behaviour aimed at manipulating earnings.

Usman *et al.* (2022) investigated the influence of audit committee attributes on earnings management in publicly traded consumer goods firms in Nigeria. The study utilizes secondary data from publicly listed consumer goods companies on the Nigerian Stock Exchange from 2011 to 2020. Multiple regression analysis was conducted on the study's data utilizing STATA 16. The study's findings indicate that audit committee independence does not influence earnings management, and the diversity of the audit committee also

has no impact on earnings management. The frequency of meetings among audit committee members does not influence earnings management.

According to Ormin *et al.* (2021), looked at how the independence, attendance, and frequency of audit committee meetings affected the quality of financial reporting from Nigerian listed deposit money institutions. The information was derived from the 2003–2012 annual reports and accounts of six banks that were purposefully sampled. OLS regression and Pearson correlation statistics were used to analyses the data. The findings indicate that the frequency and attendance of audit committee meetings significantly and favourably affects the quality of financial reporting for Nigerian listed deposit money institutions.

H4: ***From the above, we hypothesize that audit committee diligence has no significant effect on real earnings management***

Methodology

The *ex-post facto* research design was used in this study due to the fact that the variables cannot be manipulated by the researcher. This method was adopted since social scientific research problems do not lend themselves to experimental and controlled inquiry of the ex-post factor kind. The population comprises of one hundred and fifty one (151) firms listed on Nigerian Exchange Group as at 31st December, 2024. Since the entire listed firms cannot be used for the study, the study is limited to ten (10) years annual report of four (4) listed agricultural firms in Nigeria. In selecting the sample, purposive sample technique was used to derive the sample size which used to ensure that the sample represents a diversity of perspectives. The secondary source of data collection was used for this study where data was gathered from audited annual reports of selected listed agricultural firms in Nigeria. The study employed multiple regression technique of analysis using Least Squares regression estimation. This method was adopted because it enhances easy presentation and interpretation of data. The empirical model of the study is mathematically expressed as follows:

$$REM_{it} = \alpha + \beta_1 ACZ_{it} + \beta_2 ACI_{it} + \beta_3 ACG_{it} + \beta_4 ACD_{it} + \varepsilon_{it}$$

Where;

REM_{it} = Real Earnings Management
ACZ_{it} = Audit Committee Size
ACI_{it} = Audit Committee Independence
ACD_{it} = Audit Committee Gender Diversity

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ACM_{it} = Audit Committee Diligence
ε_{it} = Error term
α = intercept
$\beta_1 - \beta_3$ = Coefficients of parameters estimated

The variables used in this study (real earnings management, audit committee size, audit committee independence, audit committee diligence) were measured as follows:

S/N	Variables	Measurement
1.	Real Earnings Management	**This was taken as Absolute discretionary accrual**
2.	Audit Committee Size	**This was taken as the number of members on the committee.**
3.	Audit Committee Independence	**This was taken as independent of management with financial relationships with the organization or its executives.**
4.	**Audit Committee Diligence**	**This was taken based on regular meeting of the committee.**

Source: Researcher's Compilation, 2025

Table 1: Summary of Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
REM	48	-47.21	17.65	-5.9056	13.89365	.556	.674
ACZ	48	3.00	7.00	5.1667	1.07848	-.416	.674
ACI	48	.00	100.00	63.3333	24.04279	-.244	.674
ACD	48	.00	25.00	7.5769	10.01763	-1.407	.674
ACM	48	1.00	5.00	3.4167	1.08830	-.013	.674
Valid N	48						

Source: Output of data analysis by author using SPSS (2025)

From the above table, the dependent variable, real earnings management (REM) has a mean value of -5.9056, standard deviation of 13.89365, minimum value of -47.21 and maximum of 17.65. The independent variables; audit committee size (ACZ) has a mean value of 5.1667 and a standard deviation of 1.07848, a minimum and maximum value of 3.00 and 7.00 respectively. Audit committee indepdence (ACI) has a mean value of 63.3333, standard deviation of 24.04279, minimum value of 0.00 and maximum value of 100.00. Audit committee gender diversity (ACD) has a mean value of 7.5769, standard deviation of 10.01763, minimum value of 0.00 and maximum of 25.00. Audit committee

diligence (ACM) has a mean value, standard deviation, minimum and maximum values of 3.4167, 1.08830, 1.00 and 5.00 respectively.

Table 2: Summary of Coefficient of Correlation

Correlations

		REM	ACZ	ACI	ACD	ACM
REM	Pearson Correlation	1	-.524	-.062	.086	-.499
	Sig. (2-tailed)		.000	.677	.559	.000
	N	48	48	48	48	48
ACZ	Pearson Correlation	-.524	1	-.498	-.234	.719
	Sig. (2-tailed)	.000		.000	.109	.000
	N	48	48	48	48	48
ACI	Pearson Correlation	-.062	-.498	1	.073	-.420
	Sig. (2-tailed)	.677	.000		.624	.003
	N	48	48	48	48	48
ACD	Pearson Correlation	.086	-.234	.073	1	-.050
	Sig. (2-tailed)	.559	.109	.624		.733
	N	48	48	48	48	48
ACM	Pearson Correlation	-.499	.719	-.420	-.050	1
	Sig. (2-tailed)	.000	.000	.003	.733	
	N	48	48	48	48	48

Source: Output of data analysis by author using SPSS (2025)

Table 2 above shows the 2-tailed correlation analysis of the variables at 5% (0.05) level of significance. This shows that real earnings management (REM) is positively correlated with audit committee gender diversity (ACD) while negatively correlated with audit committee size (ACZ), audit committee independence (ACI) and audit committee diligence (ACM). Audit committee size (ACZ) is positively correlated with audit committee diligence (ACM) while negatively correlated with real earnings management (REM), audit committee independence (ACI) and audit committee gender diversity (ACD). Audit committee independence (ACI) is positively correlated with audit committee gender diversity (ACD) while negatively correlated with real earnings management (REM), audit committee size (ACZ) and audit committee diligence (ACM).

Table 3: Summary of Regression Result

Model Summary

	Multiple R	.678
	R Square	.460
	Adjusted R Square	.409
	Std. Error of the Estimate	10.677

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Coefficients

		Unstandardized Coefficients		Beta	t	Sig.
		B	Std. Error			
Equation 1	(Constant)	59.975	12.310		4.872	.000
	ACZ	-6.891	2.278	-.535	-3.025	.004
	ACI	-.263	.075	-.455	-3.502	.001
	ACD	-.030	.163	-.021	-.182	.856
	ACM	-3.918	2.101	-.307	-1.865	.069

Source: Output of data analysis by author using SPSS (2025)

The B column discusses the coefficient of the model. This indicates that a 5997.5% increase in real earnings management is as a result of a 689.1% decrease in audit committee size, 26.3% decrease in audit committee intendance, 3.0% decrease in audit committee gender diversity and 391.8% decrease in audit committee diligence. The cumulative adjusted R^2 (0.409) which is the multiple coefficient of determination gives the proportion or percentage of the total variation in the dependent variable as explained by the independent variables jointly. Hence, it signifies that 40.9% of the total variation in real earnings management of the sample firms is caused by the proxies of audit committee attributes. This is quite high so predictions from the regression equation are fairly reliable. It also means that 59.1% of the variation is still unexplained so adding other independent variables could improve the fit of the model. This indicated that the model is fit and the explanatory variable are properly selected, combined and used. The findings have theoretical, practical and regulatory significance. This significance represents the contributions of the study which are expected to benefit the existing body of knowledge within the accounting and finance research, regulators and providers of accounting services.

Considering the significant effect of audit committee size on real earnings management of listed agricultural firms in Nigeria, the regression result in table 4 indicate that audit committee size has a negative and significance influence on real earnings management of listed agricultural firms in Nigeria. This was proved by the beta coefficient value of 0.535 and a t- value of -3.025 and a significance value 0.004 which is significance at 5% significance level. This leads to the acceptance of alternative hypothesis and rejection on null hypothesis. Hence, it is concluded that audit committee size has significant effect on real earnings management of listed agricultural firms in Nigeria.

Considering the significant effect of audit committee independence on real earnings management of listed agricultural firms in Nigeria, the regression result in table 4 indicate that audit committee independence has a negative and significance influence on real

earnings management of listed agricultural firms in Nigeria. This was proved by the beta coefficient value of -0.455 and a t-value of -3.502 and a significance value 0.001 which is significance at 5% significance level. This leads to the acceptance of alternative hypothesis and rejection on null hypothesis. Hence, it is concluded that audit committee independence has significant effect on real earnings management of listed agricultural firms in Nigeria.

Considering the significant effect of audit committee gender diversity on real earnings management of listed agricultural firms in Nigeria, the regression result in table 4 indicate that audit committee gender diversity has a negative and insignificance influence on real earnings management of listed agricultural firms in Nigeria. This was proved by the beta coefficient value of 0.021 and a t- value of -0.182 and a significance value 0.856 which is significance at 5% significance level. This leads to the acceptance of null hypothesis and rejection on alternative hypothesis. Hence, it is concluded that audit committee gender diversity has no significant effect on real earnings management of listed agricultural firms in Nigeria.

Considering the significant effect of audit committee diligence on real earnings management of listed agricultural firms in Nigeria, the regression result in table 4 indicate that audit committee diligence has a negative and insignificance influence on real earnings management of listed agricultural firms in Nigeria. This was proved by the beta coefficient value of 0.307 and a t-value of -1.865 and a significance value 0.069 which is significance at 5% significance level. This leads to the acceptance of null hypothesis and rejection on alternative hypothesis. Hence, it is concluded that audit committee diligence has no significant effect on real earnings management of listed agricultural firms in Nigeria.

Discussion of Findings

The results indicate that almost all the variables are significantly normally distributed at 5% level of significance. The correlation matrix indicates the variables have mixed relationships. The results also indicate the absence of multi-colinearity.

Audit committee size and real earnings management

The findings from the first hypothesis revealed that audit committee size has significant effect on real earnings management of listed agricultural firms in Nigeria. This findings is in agreement with the findings of Yahaya (2025) whose study discovered a positive significant relationship between audit committee size and earnings management of listed industrial goods companies in Nigeria. It was further strengthened by the study of Ogunsola (2024) whose result revealed that the size of the audit committee is unlikely to diminish earnings management practices. However, the study disagrees with the work of

Kaoje *et al.* (2023) whose study demonstrated a negative correlation between audit committee size and earnings management among the listed firms in Nigeria.

Audit committee independence and real earnings management

The findings from the second hypothesis revealed that audit committee independence has significant effect on real earnings management of listed agricultural firms in Nigeria. This result agrees with the findings of Jamiu *et al.* (2023) whose findings indicated a positive yet statistically insignificant correlation between board independence and earnings management. It is also strengthened by the study of Izevbekhai *et al.* (2022) whose result demonstrated a positive and significant correlation exists between audit committee independence and earnings management. The study therefore disagree with the study of Ozigi *et al.* (2023) whose findings indicate that audit committee independence reduce earnings management.

Audit committee gender diversity and real earnings management

The findings from the third hypothesis revealed that audit committee gender diversity has no significant effect on real earnings management of listed agricultural firms in Nigeria. This findings correlates with the findings of Akpan *et al.* (2022) whose result revealed that gender diversity within audit committees significantly influences the relationship between the disclosure of customer complaints and earnings management. The study further agrees with the study of Muazu and Aminu (2021) whose study revealed that the presence of female members on the audit committee positively and significantly influence the financial reporting quality of Deposit Money Banks (DMBs) in Nigeria. The study however, disagrees with the study of Setiawan *et al.* (2020) whose study revealed that the gender of audit committee members do not exert a significant impact on earnings management.

Audit committee diligence and real earnings management

The findings from the forth hypothesis revealed that audit committee diligence has no significant effect on real earnings management of listed agricultural firms in Nigeria. This is further strengthened by the position of Abdulsalam *et al.* (2023) whose study demonstrates a positive and significant correlation between audit committee meetings and earnings management of publicly listed firms in Nigeria. This position is further supported by Sylvester and James (2022) whose study indicated that the the frequency of its meetings, and attendance at these meetings are effective in minimizing management's propensity for opportunistic behaviour aimed at manipulating earnings. This study therefore contradicts Usman *et al.* (2022) whose study revealed that the

frequency of meetings among audit committee members does not influence earnings management.

Conclusion

Audit committee is one of the well-structured board committees to ensure transparency, efficiency, probity and effectiveness in the management of corporate entities. To guaranty this, the FRC of Nigeria recommends that audit committee should be appropriately sized with respect to skill set, cognate experience, competency, gender diversity and devotion of sufficient time to assure that the corporate objectives are not vitiated. Doing these will ensure that agency conflict is minimized to the barest minimum and at the same time attract capable hands on the board committees with requisite skill set in consonance with the resource dependence theory.

The effectiveness of the audit committee manifests in production of qualitative financial report. The quest for audit committee to guarantee reliable and high quality financial report is determined by the structure of audit committees whose function is to oversee the financial reporting process, scrutinize the external auditors' report, check the work of internal auditors and present their report to the company shareholders. The effectiveness of audit committee is ensured through timely comment, review and approval of corporate accounting policies, the financial statements and internal controls. This study hereby concludes that audit committee size and audit committee independence has significant effect on real earnings management while audit committee gender diversity and audit committee diligence has no significant effect on real earnings management of listed agricultural firms in Nigeria.

Policy Recommendations

The following recommendations are hereby made:

i. The size of audit committee should be streamlined to portray the vision and standard of the firm.
ii. The independence of audit committee should be prioritized and relevant measures should be put in place to ensure the financial statement released is the true and fair representation of the firm.
iii. Female participation in the audit committee should be encouraged. Firms should encourage and promote the idea of gender diversity by implementing policies that will set a minimum number of female directors firms should have.
iv. Regular meetings should be scheduled to checkmate the financial activities of the firm and the auditors at large.

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

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Prof. R. Rena [South Africa]