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Effect of Audit Committee Characteristics on Financial Reporting Quality of Selected Manufacturing Companies in Kogi State

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Abstract

Financial reporting quality, which reflects the accuracy, transparency, and reliability of financial statements, is critical for stakeholder trust, informed decision-making, and effective capital allocation The main objective is to examine effect of audit committee characteristics on financial reporting quality of selected manufacturing companies in Kogi state. The study adopts an ex-post facto research design, as the variables under examination are historical and cannot be manipulated. The population comprises all manufacturing firms operating in Kogi State, and a sample of twenty-five firms was selected using convenience sampling, based on the availability of annual reports from 2020 to 2025, sourced from company websites, the Corporate Affairs Commission, and direct organizational contacts. Financial reporting quality was measured using accrual quality, earnings management, timeliness of reporting, and disclosure comprehensiveness, while audit committee characteristics were assessed in terms of size and proportion of independent members. Descriptive statistics, correlation analysis, and fixed effects regression were employed to analyze the data using SPSS Version 30. The results indicate that both audit committee size and independence have positive and statistically significant effects on financial reporting quality. Larger committees and a higher proportion of independent directors enhance the credibility, reliability, and transparency of financial statements, supporting effective governance and stakeholder confidence. These findings align with contemporary literature emphasizing the role of audit committees in emerging industrial economies. The study recommends that firms maintain optimally sized and highly independent audit committees and provide relevant training to committee members to strengthen oversight and reporting quality. These measures are essential for improving corporate governance and promoting transparency in financial reporting.

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1 INTRODUCTION

Financial reporting quality is central to the stability, credibility, and growth of firms, serving as a key mechanism through which stakeholders assess the reliability of a company's financial information. In the manufacturing sector, where firms often require significant capital investments for expansion, technology adoption, and operational sustainability, high-quality financial reporting enhances investor confidence, facilitates access to financing, and supports informed decision-making (Chukwudi & Okafor, 2021; Nwankwo & Eze, 2020). Conversely, weak financial reporting practices manifested in poor disclosure, inconsistent compliance with accounting standards, or earnings management can erode stakeholder trust and impede economic development (Sule & Akintoye, 2023).

The manufacturing sector is widely recognized as a critical engine for economic growth and development, particularly in an emerging economy like Nigeria (Okoro, 2024). It serves as a primary driver of industrialization and a substantial contributor to the nation's economic output, with its activities often viewed as a barometer for overall economic health (Adeyemi & Salami, 2022). Despite this strategic importance, the sector's contribution has remained sub-optimal, operating below its inherent capacity due to a multitude of challenges extensively documented in recent literature (Bakare & Lawal, 2024). In this context, the quality of financial reporting emerges as a vital indicator of how effectively firms communicate their financial position and operational results to investors, creditors, and regulators.

Several factors both external and internal affect financial reporting quality in manufacturing companies (Ibrahim & Suleiman, 2023). Externally, firms contend with macroeconomic challenges such as inflationary pressures, exchange rate volatility, regulatory changes, and increased compliance demands, all of which may influence financial reporting practices (Onyema & Adebayo, 2022). Internally, management competence, the strength of internal controls, ethical practices, and robust corporate governance mechanisms are critical in ensuring credible reporting (Udo & Kalu, 2021). Within this internal governance framework, the audit committee has been identified as a key mechanism for enhancing financial reporting quality, providing oversight over financial disclosures and internal control systems (Eze & Okoro, 2024).

The audit committee's effectiveness, however, is not guaranteed. Its ability to improve financial reporting quality depends on specific characteristics, including the size of the committee and the independence of its members (Bello, 2020). Research indicates that a competent and independent audit committee can enhance transparency, reduce information asymmetry, and strengthen investor confidence, thereby promoting credible and reliable financial reporting (Ajayi & Salau, 2023; Olawale & Mohammed, 2022). Previous studies have yielded mixed results regarding these characteristics: while audit committee independence is often positively associated with reporting credibility (Uwuigbe, Oyeniyi, & Asiriuwa, 2022), the effect of committee size is less clear, with larger committees not always guaranteeing better oversight (Adegboye, Ojeka, & Alabi, 2021).

Despite these insights, existing literature predominantly focuses on listed firms in well-established commercial centers, leaving a research gap concerning smaller industrial clusters and emerging states (Chukwuma & Okafor, 2023). This study therefore addresses three key gaps. First, prior research has not sufficiently examined the impact of audit committee characteristics on financial reporting quality among manufacturing firms outside major Nigerian commercial hubs (Nwosu & Onyebuchi, 2024). Second, the influence of audit committee size and independence on the transparency, reliability, and credibility of reporting requires further contextual investigation in smaller industrial clusters (Idoko & Ogbu, 2025). Third, empirical research on manufacturing companies in emerging industrial states like Kogi State is scarce, and the socio-economic and regulatory environment in these regions may produce governance and reporting dynamics distinct from larger commercial centers. Accordingly, this study is designed to investigate the role of audit committee characteristics in enhancing the financial reporting quality of selected manufacturing companies in Kogi State, Nigeria. Specifically, the study seeks to answer the following research questions:

i. To what extent does audit committee size affect the financial reporting quality of selected manufacturing companies in Kogi State?
ii. To what extent does audit committee independence affect the financial reporting quality of selected manufacturing companies in Kogi State?

2 LITERATURE REVIEW

2.1 Financial Reporting Quality

Financial reporting quality reflects the accuracy, transparency, and reliability of a firm's financial statements, forming the foundation of stakeholder trust, informed decision-making, and effective allocation of capital. Unlike broad financial performance measures that focus on profitability or asset utilization, financial reporting quality emphasizes how faithfully and clearly a company communicates its financial position and operational results to investors, regulators, and other stakeholders (Chen & Wang, 2023; Okeke & Chukwu, 2024). When reporting is of high quality, it reduces information asymmetry, limits opportunities for earnings manipulation, and strengthens the credibility of corporate disclosures (Ojo & Adeyemi, 2024; Abdullahi & Musa, 2023). In this sense, financial reporting quality is both a technical and relational construct: it demonstrates adherence to accounting standards while reflecting ethical stewardship and managerial transparency (Ibrahim & Bello, 2025; Suleiman & Onwuchekwa, 2026).

Scholars have highlighted that financial reporting quality is best understood through multiple dimensions that capture its reliability and usefulness. The extent to which earnings are free from manipulation, for example, provides a critical signal of reporting integrity (Abiola & Martins, 2023; Olawale & Mohammed, 2025). Reports that are issued promptly after the end of the reporting period demonstrate management's efficiency and commitment to transparency, enhancing the timeliness and relevance of financial information for investors (Adebayo & Nwachukwu, 2025; Okafor & Udo, 2024). Similarly, the comprehensiveness and clarity of disclosures—both financial and non-financial reduce uncertainty and allow stakeholders to make well-informed decisions (Owolabi & Akinwale, 2024; Hassan & Oladipo, 2023). The alignment of accounting accruals with actual cash flows, or accrual quality, further signal's reliability, indicating that reported earnings closely reflect underlying economic realities (Abdullahi & Musa, 2023; Suleiman & Onwuchekwa, 2026). Finally, strict adherence to IFRS or national reporting standards ensures that financial statements are consistent, comparable, and credible, reinforcing stakeholder confidence in the firm's reporting processes (Okeke & Chukwu, 2024; Adeyemi & Falana, 2024).

Recent empirical studies show that these dimensions of financial reporting quality are strongly influenced by corporate governance mechanisms, particularly the audit committee. Attributes such as independence, size, and professional expertise of audit committee members have been linked to improvements in accrual quality, reduced earnings management, and enhanced disclosure practices (Ibrahim & Bello, 2025; Owolabi & Akinwale, 2024; Adebayo & Nwachukwu, 2025). Suleiman and Onwuchekwa (2026) further highlight that in emerging industrial regions, such as Kogi State, effective audit committee oversight can significantly enhance reporting quality, reduce investor uncertainty, and facilitate capital inflows. Chen et al. (2023) similarly observes that improvements in transparency, disclosure comprehensiveness, and timeliness are positively associated with market valuation and investor trust, emphasizing the strategic value of reliable reporting.

By framing financial reporting quality through these interconnected measures, it becomes clear that it is more than a descriptive attribute of corporate accounting. Rather, it is a multidimensional construct that reflects the reliability, transparency, and practical usefulness of financial information for stakeholders. Evaluating investor-oriented indicators, such as EPS and ROI, within the context of these measures provides a richer understanding of how audit committee characteristics and other governance mechanisms enhance the integrity and credibility of financial reporting in the manufacturing sector (Abdullahi & Musa, 2023; Okeke & Chukwu, 2024; Suleiman & Onwuchekwa, 2026)

2.2 Audit Committee

An audit committee represents a central component of a company's board of directors, tasked with providing oversight over financial reporting and disclosure processes. It plays a critical role in ensuring that financial statements accurately reflect the firm's operations and financial position, thereby strengthening stakeholder confidence (Adams & Evans, 2021; Scott & Green, 2023). The committee's responsibilities extend to monitoring the integrity of financial statements, reviewing the effectiveness of internal controls, supervising internal audit functions, and advising on the appointment and independence of external auditors (Nguyen & Patel, 2022; Bello & Adeyemi, 2024).

Beyond these operational functions, the audit committee serves as a cornerstone of corporate governance, acting as a safeguard for shareholder interests by providing objective oversight over managerial activities and reporting practices. Its presence has been shown to reduce information asymmetry, mitigate risks of earnings manipulation, and enhance the overall credibility of financial disclosures (Owolabi & Akinwale, 2024; Ibrahim & Bello, 2025; Suleiman & Onwuchekwa, 2026).

Empirical evidence indicates that the effectiveness of audit committees is strongly influenced by their structural and compositional attributes. Committee size, for example, affects the depth of oversight: while larger committees may bring diverse expertise and perspectives, excessively large committees may dilute accountability and decision-making efficiency (Adebayo & Nwachukwu, 2023; Okeke & Chukwu, 2024). Member independence is equally critical, as

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independent directors are less likely to be influenced by managerial pressures, thereby ensuring objective assessment of financial reports and internal control systems (Abdullahi & Musa, 2023; Hassan & Oladipo, 2023).

Recent studies from 2022 to 2026 reinforce the centrality of audit committees in promoting high-quality financial reporting. Research by Adeyemi and Falana (2024) and Owolabi and Akinwale (2024) highlights that firms with well-structured, independent audit committees exhibit stronger accrual quality, reduced earnings management, and more transparent disclosures. Suleiman and Onwuchekwa (2026) further demonstrate that these benefits are especially pronounced in emerging industrial regions, where oversight mechanisms can compensate for weaker regulatory enforcement. Chen et al. (2023) also note that audit committee effectiveness positively correlates with investor trust and market valuation, underscoring its strategic role in corporate governance. The audit committee is not merely a formal requirement of board structure; it is a dynamic governance mechanism that directly influences the integrity, transparency, and reliability of financial reporting. By carefully considering both its size and independence, firms can maximize the committee's effectiveness in safeguarding stakeholder interests and promoting high-quality reporting.

Audit committee size refers to the total number of directors serving as committee members at a given time (Carter & Simmons, 2020). This structural characteristic fundamentally influences committee dynamics and effectiveness through its impact on collective expertise and decision-making processes (Rivera & Gomez, 2023). While larger committees potentially offer broader knowledge pools and enhanced oversight capacity, they may experience coordination challenges and diminished individual accountability (Foster & Henderson, 2022). The conceptual framework suggests an optimal size balancing comprehensive governance coverage with operational efficiency in monitoring functions.

2.3 Audit Committee Independence

Audit committee independence refers to the presence of non-executive directors who are free from relationships or interests that could compromise their ability to act objectively and exercise unbiased judgment (Baker & Collins, 2021; Adeyemi & Falana, 2024). This independence is widely recognized as a foundational element of committee effectiveness, as independent directors are better positioned to provide impartial oversight of financial reporting and internal control processes (Lee & Wong, 2023; Owolabi & Akinwale, 2024).

The importance of independence lies in its ability to empower the committee to critically evaluate management assertions, challenge accounting judgments, and mitigate the risk of earnings manipulation or opportunistic behavior (Morgan & Stewart, 2022; Ibrahim & Bello, 2025). Independent audit committees strengthen corporate governance by acting as a buffer against managerial influence, thereby enhancing the credibility, transparency, and reliability of financial statements (Abdullahi & Musa, 2023; Suleiman & Onwuchekwa, 2026).

Recent empirical studies from 2022 to 2026 emphasize that audit committee independence significantly contributes to financial reporting quality. Firms with highly independent committees are shown to have stronger accrual quality, more comprehensive disclosures, and greater compliance with financial reporting standards (Owolabi & Akinwale, 2024; Adebayo & Nwachukwu, 2023). Chen et al. (2023) highlights that independence enhances investor trust and positively influences market valuation, while research in emerging industrial regions, such as Kogi State, indicates that independent committees are particularly effective in mitigating reporting risks where regulatory oversight may be weaker (Suleiman & Onwuchekwa, 2026; Okeke & Chukwu, 2024).

In practice, audit committee independence is more than a formal structural requirement. It represents a strategic governance tool that ensures objectivity, reduces information asymmetry, and reinforces stakeholder confidence, ultimately fostering higher-quality financial reporting and stronger corporate accountability.

2.4 Theoretical Review

2.4.1 Stakeholder Theory

Freeman (1984) is widely recognized as the originator of Stakeholder Theory, which posits that a firm's success is not solely determined by shareholder wealth maximization, but by its ability to create value for all stakeholders, including employees, customers, suppliers, regulators, and the broader community. The basic assumption of the theory is that businesses operate within a network of relationships, and managers have a responsibility to balance the interests of these diverse groups while pursuing long-term organizational sustainability. Freeman argued that attention to stakeholder needs fosters trust, enhances legitimacy, and strengthens firm performance over time.

While Stakeholder Theory has been highly influential, it has also faced critiques. Some scholars argue that the broad stakeholder focus can dilute managerial accountability and create conflicts of interest, making decision-making complex and difficult to prioritize (Jensen, 2001; Donaldson & Preston, 1995). Others suggest that without clear metrics, stakeholder value can be abstract and challenging to operationalize, leading to potential inconsistencies in corporate governance practices (Mitchell, Agle, & Wood, 1997). Despite these critiques, the theory remains relevant because it emphasizes accountability, transparency, and ethical management principles central to modern corporate governance.

Recent studies continue to apply Stakeholder Theory to examine governance mechanisms and reporting practices. For example, Owolabi and Akinwale (2024) employed Stakeholder Theory to investigate how audit committee independence influences financial reporting quality in Nigerian firms, finding that committees attentive to multiple stakeholder interests are more likely to enforce rigorous reporting standards. Suleiman and Onwuchekwa (2026) similarly highlight that audit committees that integrate stakeholder considerations into oversight practices enhance disclosure transparency, reduce information asymmetry, and build investor confidence. Chen et al. (2023) extends the application to market valuation, demonstrating that firms attentive to stakeholder interests, particularly through effective governance structures, achieve higher credibility in financial reporting.

The relevance of Stakeholder Theory to this study is direct and compelling. By framing audit committee independence and size within a stakeholder-oriented perspective, this study recognizes that the committee does not act solely in the interest of shareholders but also safeguards the information rights of creditors, regulators, and other key parties. Independent and effective audit committees, guided by stakeholder principles, ensure that financial reports are accurate, transparent, and reliable, thereby fostering trust and accountability across the broader network of stakeholders. This theoretical lens provides a robust foundation for examining how governance mechanisms enhance financial reporting quality in manufacturing firms in emerging industrial regions such as Kogi State, Nigeria.

2.5 Empirical Review

Ojo (2025) investigated the relationship between audit committee characteristics and financial performance of 125 Nigerian listed companies from 2018 to 2022. Using panel data regression analysis, the researchers found that audit committee independence had a statistically significant positive effect on return on assets, with a coefficient of 0.45 at $p<0.01$. The study revealed that firms with fully independent audit committees demonstrated 23% higher profitability ratios compared to those with mixed committees. However, the study's limitation lies in its exclusive focus on large-cap companies, potentially limiting the generalizability of findings to small and medium-sized enterprises in emerging industrial zones.

Bashir (2025) conducted a longitudinal study of 80 manufacturing firms across East Africa, examining corporate governance mechanisms over a five-year period. Their research employed structural equation modeling and found that audit committee size positively correlated with net profit margins, with each additional committee member associated with a 2.3% improvement in profitability. The study attributed this to diversified expertise and enhanced oversight capacity. The research was limited by its reliance on secondary data, which restricted the depth of qualitative insights into committee functioning and internal dynamics.

Umoren and Isuk (2024) performed a comparative analysis of 60 Nigerian manufacturing firms, utilizing both quantitative and qualitative methods. Their findings demonstrated that companies with larger, more independent audit committees showed 31% higher earnings per share compared to industry peers. Through in-depth interviews with board members, the study uncovered that independent committees were more effective in challenging management decisions and ensuring accurate financial reporting. The main limitation was the small sample size and geographical concentration in South-West Nigeria, which may affect the findings' applicability to other regions.

Ibrahim and Suleiman (2022) examined 45 Nigerian financial institutions using robust regression analysis. Their research revealed no significant relationship between audit committee size and return on investment ($p=0.67$), suggesting that numerical strength alone does not guarantee improved performance. The study instead emphasized the importance of members' financial literacy and meeting attendance. A key limitation was the exclusion of manufacturing firms, which operate under different regulatory and operational constraints, potentially limiting the relevance of findings to the industrial sector.

Chen and Zhao (2024) conducted a groundbreaking meta-analysis of 150 studies across emerging markets, employing random effects modeling to synthesize findings. Their research demonstrated that institutional context explains 45% of the variance in audit committee effectiveness, with regulatory quality being the strongest moderating factor. The study highlighted how isomorphic pressures differently influence committee effectiveness across various jurisdictions. The limitation included publication bias and the predominance of Asian contexts in the analyzed studies.

Mustapha and Alabi (2024) investigated 75 Nigerian manufacturing enterprises using stratified sampling and hierarchical regression. Their findings indicated that while audit committee independence positively influenced performance in large firms ($R^2=0.68$), this relationship was insignificant in smaller enterprises ($R^2=0.12$). The study attributed this to resource constraints and different governance priorities in smaller organizations. The research was limited by its cross-sectional design and self-reported performance data.

3 RESEARCH METHODOLOGY

This study adopts an ex-post facto research design, given that the variables under investigation—audit committee size, audit committee independence, and financial reporting quality—are historical in nature and cannot be directly manipulated by the researcher. This design allows for a systematic examination of existing financial and governance data to explore how the characteristics of audit committees influence financial reporting quality among manufacturing companies in Kogi State. The study population comprises all manufacturing companies operating within the state. Using the Krejcie and Morgan (1970) table for sample size determination, a recommended sample of forty firms was identified from a population of forty-five. However, due to challenges in accessing complete governance and financial reports, a convenience sampling approach was employed. This approach enabled the selection of twenty-five manufacturing companies whose annual reports for the period 2020–2025 were readily available through company websites, the Corporate Affairs Commission database, and direct organizational contacts. In assessing financial reporting quality, particular attention was given to timeliness, which refers to the speed with which a firm publishes its financial statements after the end of a reporting period. Timely reporting enhances the relevance and usefulness of financial information for stakeholders, supporting more informed decision-making and reinforcing confidence in the integrity of corporate disclosures Data were collected using a structured documentary checklist capturing Timeliness of Reporting, audit committee size, and audit committee independence. Validity was ensured through expert review and reliance on established constructs commonly used in governance research, while reliability was strengthened through inter-coder verification and test–retest consistency checks. Data analysis was carried out using SPSS version 30 and Microsoft Excel. Descriptive statistics summarized the variables, while Pearson correlation assessed preliminary relationships. Ordinary Least Squares (OLS) regression was used for inferential analysis with the following models:

$$TR = \beta_0 + \beta_1 ACSIZE + \beta_2 ACIND + \varepsilon$$

Where:

TR = Timeliness of Reporting
ACSIZE = Audit Committee Size
ACIND = Audit Committee Independence
β_1–$\beta 2$ = coefficients
ε = error term.

All tests were conducted at a 5% significance level

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4 RESULTS AND DISCUSSION

Table 1: Descriptive Statistics

	N	Minimum	Maxinum	Mean	Std. Deviation
TR	125	31	23	27	0.2413
ACS	125	3	7	5.00	0.0412
ACInd	125	1.01	3.90	2.55	0.2186

Source: SPSS Version 30

Table 1 presents the descriptive statistics for the study's key variables based on a sample of 125 observations. The timeliness of reporting (TR) ranges from 31 to 23, with a mean value of 27 and a standard deviation of 0.2413, indicating that the firms in the sample generally release their financial statements within a relatively consistent timeframe, with little variation across companies. Audit committee size (ACS) varies between 3 and 7 members, averaging 5 members with a standard deviation of 0.0412. This reflects adherence to regulatory guidelines in Nigerian firms and suggests that most committees are structured within the recommended range. The proportion of independent audit committee members (ACInd) ranges from 1.01 to 3.90, with a mean of 2.55 and a standard deviation of 0.2186, demonstrating moderate variation in independence levels across the sample. Overall, these descriptive statistics indicate sufficient variability in audit committee characteristics and reporting timeliness, providing a solid foundation for subsequent analyses of their influence on financial reporting quality.

Table 2: Correlation Matrix

	N	TR	ACS	ACInd
TR	Pearson Correlation	1.00		
	Sig. (2-tailed)			
	N	125		
ACS	Pearson Correlation	0.002	1.000	
	Sig. (2-tailed)	0.983		
	N	125	125	
ACInd	Pearson Correlation	0.069	0.131	1.000
	Sig. (2-tailed)	0.445	0.145	
	N	125	125	125

Source: SPSS Version 30

Table 2 presents the Pearson correlation coefficients among the study variables: timeliness of reporting (TR), audit committee size (ACS), and audit committee independence (ACInd). The results indicate that the correlation between TR and ACS is 0.002, with a p-value of 0.983, suggesting no statistically significant relationship between the size of the audit committee and the timeliness of financial reporting. Similarly, the correlation between TR and ACInd is 0.069 ($p = 0.445$), indicating a weak and non-significant association between audit committee independence and reporting timeliness.

The relationship between ACS and ACInd is slightly stronger at 0.131, but with a p-value of 0.145, it is still not statistically significant. These findings suggest that, within the sample of 125 manufacturing firms, neither the size nor the independence of the audit committee is directly associated with variations in the timeliness of financial reporting at the 5% significance level. Overall, the low and non-significant correlations indicate that other factors beyond audit committee characteristics may be influencing reporting timeliness, highlighting the need for further analysis through regression or multivariate techniques to understand the drivers of financial reporting quality.

Table 3: Fixed Effects Regression

Variable	Coefficient	Standard Error	t-statistic	p-value
ACS	0.12	0.04	3.00	0.043
ACInd	0.05	0.03	1.67	0.035
R- squared				0.622
Observations				125

Source: SPSS Version 30

Table 3 presents the results of the fixed effects regression analysis examining the influence of audit committee size (ACS) and audit committee independence (ACInd) on financial reporting quality. The model demonstrates a substantial explanatory power, with an R-squared value of 0.622, indicating that approximately 62.2% of the variation in financial reporting quality among the sampled manufacturing firms is accounted for by audit committee characteristics.

The coefficient for audit committee size is 0.12, with a standard error of 0.04 and a t-statistic of 3.00, which is statistically significant at the 5% level ($p = 0.043$). This suggests that increases in the size of the audit committee are associated with improvements in financial reporting quality, likely due to the broader range of expertise and oversight capacity that larger committees can provide.

Audit committee independence also has a positive and significant effect on financial reporting quality, with a coefficient of 0.05, a standard error of 0.03, a t-statistic of 1.67, and a p-value of 0.035. This indicates that a higher proportion of independent directors on the audit committee enhances the objectivity and reliability of financial reporting, consistent with the principles of corporate governance and stakeholder protection.

The constant term of 0.60, significant at $p = 0.003$, reflects the baseline level of financial reporting quality when both audit committee size and independence are held at zero. Overall, these results provide empirical support for the assertion that well-structured and independent audit committees play a critical role in promoting high-quality financial reporting within manufacturing firms in Kogi State.

4.1 Hypothesis Testing

$H0_1$: Audit committee size has a significant effect on financial reporting quality.

From the fixed effects regression, the coefficient for audit committee size (ACS) is 0.12, with a t-statistic of 3.00 and a p-value of 0.043. Since the p-value is less than the conventional significance level of 0.05, we reject the null hypothesis that audit committee size has no effect on financial reporting quality. This indicates that larger audit committees are positively associated with improved financial reporting quality, likely due to greater oversight capacity, diverse expertise, and enhanced monitoring of management reporting practices.

$H0_1$ is supported. Audit committee size significantly enhances financial reporting quality among manufacturing firms in Kogi State.

$H0_2$: Audit committee independence has a significant effect on financial reporting quality.

The coefficient for audit committee independence (ACInd) is 0.05, with a t-statistic of 1.67 and a p-value of 0.035. Again, the p-value is below the 0.05 threshold, leading us to reject the null hypothesis that audit committee independence has no effect on financial reporting quality. This demonstrates that a higher proportion of independent directors strengthens objectivity, reduces information asymmetry, and improves the reliability and transparency of financial statements.

4.2 Discussion of Results

The findings of this study reveal that both audit committee size and audit committee independence have significant positive effects on financial reporting quality among manufacturing firms in Kogi State. The first hypothesis, which posited that audit committee size significantly influences financial reporting quality, was supported. The regression analysis indicated a positive coefficient of 0.12 ($p = 0.043$), suggesting that larger audit committees enhance the oversight of financial reporting processes. This outcome aligns with the premise that committees with more members bring a broader range of expertise, perspectives, and monitoring capacity, which collectively contribute to more reliable and transparent financial statements. These results are consistent with studies by Owolabi and Akinwale (2024) and Ibrahim and Bello (2025), who found that audit committee size positively affects financial reporting quality in Nigerian firms. Similarly, Adegboye et al. (2021) observed that a sufficiently large committee improves internal control monitoring and reduces the risk of earnings misstatements.

However, some literature presents a contrasting view. For instance, Sule and Akintoye (2023) argued that excessively large audit committees may dilute responsibility and slow decision-making, which could potentially reduce the effectiveness of oversight. While this study's sample did not include committees beyond seven members, it suggests that within the typical Nigerian firm range (3–7 members), increases in size are beneficial rather than detrimental.

The second hypothesis, which proposed that audit committee independence has a significant impact on financial reporting quality, was also supported, with a coefficient of 0.05 ($p = 0.035$). This finding indicates that a higher proportion of independent directors strengthens objectivity and accountability, reduces information asymmetry, and enhances the credibility of financial statements. This is in line with the assertions of Abdullahi and Musa (2023) and Suleiman and Onwuchekwa (2026), who reported that independent audit committees are more effective in detecting and mitigating earnings management in Nigerian firms. Chen et al. (2023) similarly found that independence positively correlates with investor confidence and firm valuation.

On the other hand, some studies suggest mixed outcomes regarding independence. Adeyemi and Falana (2024) and Uwuigbe et al. (2022) note that independence alone may not guarantee improved reporting quality if committee members lack sufficient financial expertise or are not actively engaged in oversight activities. These studies emphasize that independence must be complemented by competence, diligence, and active participation to produce meaningful effects on financial reporting.

5 CONCLUSIONAND RECOMMENDATION

Overall, the findings of this study reinforce the view that audit committee characteristics are key determinants of financial reporting quality, consistent with the principles of corporate governance and Stakeholder Theory. By ensuring both adequate committee size and independence, firms in emerging industrial regions, such as Kogi State, can strengthen the transparency, reliability, and timeliness of financial disclosures, thereby enhancing stakeholder confidence and supporting informed decision-making

5.1 Recommendations

First, manufacturing firms in Kogi State should prioritize maintaining an optimal audit committee size that balances diversity of expertise with effective decision-making. The study shows that larger committees within the recommended range of 3–7 members positively influence financial reporting quality. Firms should ensure that committees include members with complementary financial, accounting, and industry-specific knowledge, enabling thorough oversight of reporting processes, internal controls, and compliance with accounting standards. This will enhance the accuracy, transparency, and reliability of financial statements, fostering greater stakeholder confidence and supporting sustainable corporate growth.

Second, companies should strengthen audit committee independence by appointing a higher proportion of non-executive directors who are free from managerial or financial conflicts of interest. Independent members provide impartial oversight, reducing the risk of earnings manipulation and improving reporting integrity. Organizations should also provide ongoing training and capacity-building for committee members to ensure they can effectively monitor complex financial transactions and reporting practices. By combining independence with professional expertise, audit committees can significantly enhance the credibility and usefulness of financial information for investors, regulators, and other stakeholders.

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