Impact of Audit Committee Characteristics on Earning Management of Listed Consumer Goods Companies in Nigeria (2011-2020)

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***Abstract:-* This study aims to examine the impact of audit committee characteristics on earning management of listed consumer goods companies in Nigeria. The characteristics of the audit committee consist of audit committee independence, audit committee member diversity, audit committee member size and audit committee member meetings. Earnings management is perceived to be spreading across companies and industries; it distorts and portrays an incorrect picture of a firm's financial performance. Audit committees are a popular corporate governance tool to improve the credibility of financial statements. This study uses a secondary source of data from listed consumer goods companies in the Nigerian stock Exchange from 2011-2020. The dependent variable was generated using two steps regression in order to determine the discretionary accrual of the sample Firms (Earnings Management). Multiple regression was employed to run the data of the study using STATA 16. The findings of the study reveal that audit committee independence has no effect on earnings management; the diversity of the audit committee has no effect on earnings management. The number of meetings of the audit committee members has no effect on earnings management. The size of audit committee has a significant positive effect on earnings management. It recommends that number of audit committee members be increased to include large number drawn base on the expertise which may be in a better position to discover and question management on dubious accounting practices.**

***Key words:* Audit Committee, Earnings Management, Independence, Size, Meeting**

I. INTRODUCTION

In recent years researchers have dwelled much on the effectiveness of audit committee characteristics in deterring earnings management in companies both locally and international, this cannot be divorced from rampart reported cases of financial scandals involving chief executive officers of corporations leading to corporate failure. Expectedly, auditors and audit committees are popular corporate governance tool to improve the credibility of financial statements in an organization for healthy financial statement that represent the true state of affairs of the organizations through monitoring mechanisms installed for the entire process of financial reporting and disclosure (ThankGod and Onukogu, 2018, Salawu et al, 2017).

An audit committee is a subcommittee of the board of directors which is responsible for operating company's financial reporting. Responsibilities of the audit committee include financial reporting (including internal controls), auditing and supervising other proceedings, *e.g.*, facilitating communication between the board and the external auditor (Kamolsakulchai, 2015). Nurudeen and Hasnah (2015), stated that the role of audit committee in certifying the quality of financial reporting, contributing to minimize earning manipulations. Audit committee is vital as part of corporate governance because it oversees the quality of annual reports and accounts of corporate bodies, (Usman, 2020). In view of audit committee roles in the quality of financial statements, there is also need to emphasis on the independent of its members and financial/accounting knowledge.

Independent of audit committee in the Nigerian context is term in two crucial aspects, independent from management and independent from significant shareholders in earning management (Garba, Ahmed and Hamisu 2015). Financial reporting monitoring is facilitated by audit committee independence. Researchers have asserted that for both internal and external auditors, independent audit committee can serve as reinforcing factor (Kharashgah, Amran & Binti Ishak, 2019).

According to Livingstone & Francis (2019), Earnings management practices are unethical with no accounting standard violated, the separation of ownership and management in public companies gives the management upper hand to achieve personal objectives. Earnings management hides the true corporate performance from stakeholders and destroys organizational value hence it is an agency cost within the company. It erodes the credibility of financial statement of the reporting entities through presenting attractive financial position different from the underlying financial health of an organization. The relationship between earnings management and optional accounting procedures is an opportunity for directors to manage earnings, in case of directors having an incentive to use discretionary accrual through choosing an accounting policy that increases profits in the current accounting period. This is dependent on how effective the operation is.

To restore investors' confidence in the financial information in the wake of reported accounting scandals, statutory enactment requiring establishment of Audit committee has been made. Companies and Allied matters Acts (CAMA 2020 amended) and also in USA, Sarbanes Oxley Act 2002 required issuers to establish audit committee. Company's performance and

shareholders value is a reflection of financial reporting quality. In spite of that, some companies managers tend to manipulate financial reporting data to achieve their personal interest at the expense of shareholders (earnings management).

Kharashgah, Amran, & Binti Ishak, (2019) pointed out that company earnings are manipulated to increase managers' compensation, managers' personal benefits, job security, capital market pressure and window dressing to influence stock valuation a practice which they term as earnings management (EM). There is evidence that window dressing of financial statement can most a time leads to liquidation of companies which is a threat to job security

EM can be categorized into accrual earnings management (AEM) and real earnings management (REM). AEM encompasses the activities within the constraints of the GAAPs, to cover or disguise the real accounting income of a firm. By contrast, REM takes place when the executives behave in a manner that strays from best practices and change reported earnings

Statement of the Problem

The rise for recent time researches on impact of audit committee characteristics on earning management has a link to corporate scandals, large scale malpractices and disregards of the rule of strictly financial reporting in the world that created doubt in the eye of investors (Sae-Lim & Jermsittiparsert, 2019, Ismail, Ibrahim & Anwarul Islam, 2019, Akinleye & Aduwo 2019, Duru Okpe & Agodosi, 2019). In Nigeria, some corporation and banks have found to be involved in corporate scandals. For example the case of Cadbury Nigeria Plc in 2006 and Afribank Nigeria Plc in 2009, oceanic bank Plc and intercontinental bank Plc (Oyedokun, Okwuosa and Isah 2019, Thank God and Onukogu, 2018). With the presence of corporate governance and audit committee in these companies, it is expected that the cases could have been detected.

Audit committee is saddled with responsibility of review auditor work and examined the financial statements to enable them report to the owners on the state of affairs of the company. For audit committee to impact positively in reducing opportunistic earnings, there is need for committee members to have background knowledge of accounting and finance. The Financial Reporting Council (FRC) lay down that the Audit Committee should have adequate expertise, prescribing that "the board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience". This is evidenced by the study of Abubakar Usman, Anuforo and Alhaji, (2021) that states financial expertise of audit committee member monitors earnings management practices. Setiawan, Phua, Chee, and Trinugroho (2020) reported that financial expertise of AC member has positive significance influence on earnings management

The familiarity that exists between the auditors and their clients as a result of long audit tenure encourages failure in auditor independence, if there no audit committee member that has professional base to scrutinize the process involve in auditing up to reporting, this may affect the integrity of the report. There have been a lot of corporate scandals in the academic literature and across accounting profession on audit tenure and independence. There has been a question whether the auditor's independence is maintained in a short or long term relationship with the client. The corporate scandals in many countries have raised question about the effectiveness and efficiency of auditor independence in financial reporting. On the other hand (Abubkar, et al 2021, Amin, Lukviarman, Suhardjanto, and Setiany 2018) posited that audit committee independence control managers' opportunistic behavior. The mixed result shows that EM is evidence of manipulation of financial statement reports (Al-Absy Ismail, Chadren and Al-Dubai, 2020).

Even though there are many studies on this area, the current trend with complexity and unpredicted nature of Nigeria economy called for regular research to determine the functional and impact of AC characteristics on the manager opportunistic earnings to provide companies with best ways for conducting audit committee functions to restore confidence in the minds of company stakeholders.

While many researchers uses the commonly models such as Jone (1991) and modified jone (1995), this study use a more sophisticated model of Kothari, Leone and Wasley model (2005). This model in addition to total accruals to assets lag, Assets inverse lag, sales–receivables to assets lag and property plants and equipment to asset lag as contained in modified jones model, it includes another variable return on asset to asset lag which is based on performance watched which made the model to have lower bias and greater power when testing earnings management, (Susana, Jose and David 2017).

Objectives of the Study

The main objective of the study is to examining the impact of audit committee characteristics on earnings management.

The study outlines the following as the specific objectives of the study.

i. To evaluate the impact of audit committee independence on earnings management
ii. To ascertain audit committee diversity in constraining earnings management
iii. To investigate number of audit committee meetings in reducing earning management
iv. To assess audit committee size in preventing earnings management

Research Questions

Based on the objectives of the study, the following research questions were formulated

i. Does Independence of audit committee have impact on earning management?
ii. How does Influence of member's diversity have impact on earnings management?

iii. To what extend does Audit committee members meetings has impact in reducing earnings management?

iv. What audit committee size impact on earnings management?

Hypotheses of the Study

The statement of objectives and research questions are guide to good research hypotheses. In order to have better analysis, the following hypotheses are formulated.

H01. Independence of audit committee has no significant impact on earning management

H02. Audit committee members diversity does not have significant influence on earning management

H03 Audit committee members' meetings do not significantly constrain earning management.

H04 Audit committee member size does not have significant impact on earnings management

III. LITERATURE REVIEW

Audit Committee

According to Ogbuagu & Uche (2009) the origin of audit committees in some countries has followed some form of financial crisis or scandal. In the United States of America in 1930, Canada in 1965, Australia in 1979 which prompted the recommendation in order to assure auditor independence. Audit committee should be selected from non-executive board members to nominate auditors and arrange details of engagement for such auditors. Review the company's financial statements before approval by the board of directors.

Some other countries have simply adopted the concept of audit committees partly based on the American influence and partly as a means of reinforcing the financial credibility of their publicly quoted companies. Examples of countries in this category include United Kingdom and Singapore.

The Law and Practice of Audit Committees in Nigeria

As a direct consequence of the work of the Nigerian Law Reform Commission, the Companies and Allied Matters Act was promulgated in 1990. In line with the recommendations of the Commission, the Law provided for establishment of an audit committee by each public company in Nigeria. Specifically, the audit committee is charged with the following responsibilities: to ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices; to review the scope and planning of audit requirements; review the findings on management matters in conjunction with external auditor and departmental responses thereon; keep under review the effectiveness of the Company's system of accounting and internal control; make recommendations to the board in regard to the appointment, removal and remuneration of the external auditors of the company and; authorize the internal auditor to carry out investigations into any activity of the company which may be of interest or concern to the committee (Section 359 (6)).

Section 259(4) CAMA (2020 as amemded) further requires the audit committee to examine the auditor's report and make recommendations thereon to the annual general meeting as it may deem fit. It is the above provision that appears to be the basis of an audit committee report which is found on the accounts of all public companies in Nigeria

An audit committee is a subcommittee of the board of directors which is responsible for operating company's financial reporting. Responsibilities of the audit committee include financial reporting (including internal controls), auditing and supervising other proceedings, *e.g*., facilitating communication between the board and the external auditor, (Kamolsakulchai,M. 2015).

According to Haddad, Anis and Abdelfattah (2021), Ngo and Le (2021), audit committee (AC) was defined by the US Financial Security Act (Sarbanes-Oxley) as being "an independent advisory body established by and within the board of directors, primarily responsible for overseeing the accounting process, control the financial information and auditing the financial statements. Thus, it is engaged in the services of the board, the remuneration and the control of the auditors' works". Referring to the Sarbanes-Oxley Act (2002), the AC is a body responsible for appointing, remunerating, retaining, and supervising the work of internal and external auditors. It is responsible for strengthening the independence of audit functions through the review of financial statements and the assessment of risks and vulnerabilities.

Audit Committee Characteristics:

Independence of audit committee and earning management

One of the essential characteristic of auditor is his independence, every audit committee member is said to be independent that has no personal or financial connection with the firm or executive managers. He also believes that the risk of fraud is reduced when the audit committee is independent. The greater the independence of the members of the audit committee, the greater the understanding of the successful implementation of internal audit recommendations (Namakavarani, et al 2021).

The functioning of audit committee in terms of monitoring and supervising financial statement is powered by its ability to be free from undue influence. For instance Masmoudi and Makni (2020) on their study of 80 non-financial companies listed on Amsterderdam Stock Exchange, shows that audit committee independence constrain real earnings management, similarly Kapkiyai, Cheboi and Komen, (2020) concluded that audit committee independence is an effective corporate governance mechanism in constraining earning management.

On the contrary, the studies of (Setiawan et al 2020, Handayani. & Ibrani 2020, Ngo & Le 2021.) Shows that independence of audit committee member do not have any significant influence on earning management. Kharashgah, Amran, & Binti Ishak,

(2019) stated that there is adverse relationship between audit committee independence and real earning management. Several researches (Sunday et al 2020, Khosheghbal, Amiri & Homayoon, 2017) have proved the importance of the board of directors and independent of audit Committee in the financial reporting process generally and in reducing earnings management. However, independence is subject to interest of those that constitute the board, the nonexecutive members can also be lured by executive Directors.

Audit Committee Expertise and Earning Management

According to Kalbers (1992), Knowledge and training of audit committee member on auditing, accounting, and internal control issues can play an important role in helping audit committees meet their responsibilities. Abubakar et al (2021) opined that audit committee expertise will provide proper monitoring and thereby expected to reduce agency problem, Ahmed, (2018) found that firm performance is positively correlated with audit committee financial expertise, Dachomo and Bala (2020) and Enny & Yahn-Shir, (2020) documented that corporate board expertise is a crucial role in preventing earning management. On the contrast, Suprianto, at el (2017) on their study of the effect of accounting expert of audit committee on earnings management, shows that AC expertise has negative effect on earnings management. Melinda and Billy (2019) found that audit committee expertise did not affect earnings management practices, Istanti, Chariri and Juliarto (2021) on their study reveals that expertise of AC has no effect on real earnings management.

Based on foregoing reports, audit committee expertise is a key to effective monitoring and in-depth supervision of the process of preparing financial statement. Expertise in accounting is required to make audit committee task more professional and productive. Opportunistic earnings can also be curtailed if AC member has knowledge of accounting and will uphold accounting principles especially conservative accounting principles.

Audit Committee Size and Earnings Management

The concern for deterring earnings management has invariably led to the course of action by establishing audit committee which has been regarded as an integral part of improving the quality of financial reporting. An audit committee is a sub-committee of the board that specializes in and responsible for ensuring the accuracy and reliability of the financial statements provided by management (Majiyebo, et al 2018). This has vigorously draw the attention of regulators' all over the world to formulate laws and/or review policies on improving the monitoring functions of the audit committee (Tinuola et al 2021).

According to section 359(6) of the Companies and Allied Matters Act CAMA (2020) amended requires every public company to have an audit committee which shall have a maximum of six members of equal representation by three shareholders and three directors (Tinuola et al 2021).

As stated by Temple et al (2016), the magnitude of the committee is the sum of memberships of the group chosen by the governing bodies. Where a large audit committee member exists, possible challenges emanating from financial reporting tasks likely have the likelihood of being exposed and settled. This depends on the situation where a considerable number of the size of the committee raises the available means to the committee and enhances the superiority of control, as previous studies have shown that audit committee size affects corporate disclosure (Majiyebo et al., 2018). There are instances despite the size there will be no value added to the quality of financial statement in term of curtailing earning management as they become dummy and inactive.

Impact of Audit Committee Meeting and Earnings Management

Frequency of committee meeting is fundamental to impact positively on the quality of financial statement. Issues which would have been left to management discretionary motive, with regular meeting would be addressed. Audit committee member should spent considerable periods time at the company when performing audit committee duties. Meeting should not be restricted to certain numbers of time a year, depend on the size and risks associated with a company.

Concept of Earnings Management

Susana, Jose and David (2017) opined that earnings management is a purposeful intervention in the external financial reporting, to reach earnings targets, by varying of the accounting practices. However, it is an action which takes place without violating accounting regulation, and taking benefits from a possibility to make a certain choices in policy and accounting system. This action can lead, but not necessary, to mislead stakeholders into believing certain financial information.

Accrual-based Earnings Management

Denis and Hanna (2020), Njemanze and Amaramiro (2019) documented that accrual-based earnings management as an earnings management that is subjected to manipulating and changing accounting methods, principles or estimates used when presenting a given transaction in the financial statements. For example, change in depreciation method for fixed asset and the estimate for provision for doubtful accounts. This type of earnings management does change the amount of accounting accruals, it does not have any effect on the cash flow. Earnings that are managed by discretionary accruals can be done by "using provision for credit losses, warranty cost, inventory values, and the timing and number of unusual items."

Information arising from moral hazard, may encourage opportunistic behavior of management which impacted on bad earnings management. The bad earnings management is done improperly, which hides the actual operating performance by creating false accounting or enlarge the profit estimate beyond the limits of reasonableness, (Amin *et al,* 2018).

Real Earnings Management

According to Tabassum et al. (2015) in Denis and Hanna (2020), real earnings management means changing business activities in order to accelerate earnings. For example, manipulation of R&D expenses, overproduction, manipulation in advertising expense and sales manipulation. According to Huang et al (2017), "Real earnings management is defined as management operational activities to alter reported earnings in a particular direction, which is achieved by overproducing inventory to lower the cost of goods sold (COGS) or cutting discretionary expenses (i.e. advertising expenditures, research and development expenditures, selling, general and administrative expenditures) to improve reported margin." Conversely, it is the manipulation of earnings through accounting sleight of hand used by managers to meet earnings expectations. The following earnings management is done through manipulation of cash flow from operating activities and working capital. Therefore, contrasting with accrual-based earnings management, real earnings management according to Sohn (2016) "has direct consequences on current and future cash flow." It is also found that real earnings management has a negative impact on the firm future value, due to its effect on the cash flow and other part of the financial statements (Enomoto et al., 2015).

Provisions are typically made which in turn shield expenditure in future years when the earnings were not as good. That is, provisions are being used for earnings smoothened and the stakeholders are made to believe – by relying on the financial statements produced showing that a firm is performing well. These activities are called earnings management, management actions that diverge from usual business practices, which are undertaken with the primary aim of meeting certain earnings thresholds (Abata and Migiro, 2016).

It is clear that managers will always try to influence the contractual outcomes in their favor. This is because managers are employees of the shareholders and their performance is usually measured using the earnings they report as on these bases, they receive their rewards. However, if corporate governance mechanisms are effective, the interest of both the owners and controllers of firms' resources should converge. This means that governance variables should be positively related with financial performance and inversely related with the opportunistic tendencies of managers.

Empirical Review

Previous studies on the subject matter has been reviewed some of their findings are analyzed below. The study of Duru Okpe & Agodosi, (2019) which has empirically provided evidence on the degree of relationship between audit committee characteristics proxied by audit committee meeting, audit committee independence and audit committee financial expertise, and quality of financial reporting proxied by discretionary accruals of quoted Fast Moving Consumer Goods companies in Nigeria. Consequently, it reveals that audit committee meetings of up to four times may not result in more effective monitoring. This is the reason why this study found insignificant relationship between audit committee meetings and discretionary accruals of Fast Moving Consumer Goods companies in Nigeria. The degree of relationship between audit committee independence and discretionary accruals is quiet low. It is further established that the proportion of nonexecutive directors in the audit committee may not guarantee that managers would not manipulate earnings.

Setiawan, Phua, Chee and Trinugroho (2020) in their study, they investigate the effectiveness of audit committee in mitigating earnings management in the context of Indonesia. This study examines the effect of independence of audit committee members, number of audit committee members, number of meetings, expertise in finance and gender on earnings management. They study 393 Indonesian listed firms during the 2006–2010 period. Results show that female member(s) of audit committee mitigate earnings management, financial expertise and number of meetings has positive effect on earnings management. This result shows that both variables might not be effective to constraint earnings management. On the other hand, number of audit committee members and independence of audit committee member do not have any significant influence on earnings management.

Kajola et al (2020) examine the relationship between corporate board attributes and earnings management in Nigerian banks for the period 2009-2018. The dependent variable (earnings management), was derived using modified Jones model's discretionary accruals, while four corporate board attributes (size, independence, gender diversity and board meetings) served as independent variable. The Random effect generalized least square regression results reveal a negative and significant relationship between board size, board independence and earnings management. Board gender diversity and board meetings, however, have no significant association with earnings management.

Bala and Gugong (2015) this study investigates audit committee characteristics and earnings quality of listed food and beverages firms in Nigeria and the results from the analysis revealed audit committee size and committees' financial expertise showed inverse relationship with earnings management, committee's independence and frequency of meetings are positively and significantly related to earnings management.

Oyedokun, Ojo and Fodio (2020) examine the association between audit committee characteristics and financial reporting quality of listed consumer goods firms in Nigeria. They adopt correlational research design on the consumer goods companies listed on the floor of the Nigerian Stock exchange from the annual reports of companies 2013 to 2018. The study employs multiple regression techniques for the purpose of data analysis and the result show that audit committee expertise and frequency of meeting have positive and significant effect on financial reporting quality while audit committee size and audit committee gender have no significant relationship on the financial reporting quality.

Ngo and Le (2021) examine the impact of audit committee characteristics on income management of companies listed on the Stock Exchange of Vietnam over four years, from 2015 to 2018. Research results from Vietnamese listed companies during this period show that the size and expertise of the audit committee are inversely related to the discretionary accruals representing earning management, the research results also identify a positive relationship between firm size and earning management, and the multivariate regression results do not find clear evidence of a relationship between audit committee independence and the audit committee meeting frequency to earning management.

Handayani and Ibrani (2020), study The Effect of Audit Committee Characteristics on Earnings Management and its Impact on Firm Value, used three years data 2016-2018 from company's listed in the Indonesia stock exchange. The results shows that the numbers on meeting of AC members, the independence of AC members have no significant effect on earnings management.,

(Ifeanyichukwu,. and Ohaka, 2019). Results from the analysis shows that: there is a significant positive relationship between board independence and earnings management and, audit committee size is observed to have a negative relationship with earnings management, implying that larger audit committee size constrains earning management.

Theoretical Review: Agency Theory

The agency theory is commonly used as underpinning theory for study involving manager/shareholders relationship which I feel is much relevant to be used as to guide this study. Agency relationship exist where agent (management of a business) and the principal (shareholders). In this relationship there is an employment agreement (contract) where one or more persons (the principal) govern another person (the agent) to perform a service on behalf of the principal and authorized agent to make the best decisions for the principal. In the agency theory, described relations within the company between the shareholders of the company (as the principal) and the management of the company (as agent). Agency theory is therefore developed for fulfillment of the main goal of management that is, to maximize shareholder value.

Agency theory states that management and owners have different interests Yulius (2016) described this as agency conflict, it arises when the management of a company apart from its ownership. Principals give authority to the board of commissioners and directors for the care of the running of the company and make decisions on behalf of the owner. With its authority, then the manager is not likely to act in the best interests of the owners for their differences of interests. Manager wants contractual fee as a means of fulfilling the needs of economic and psychological, otherwise the owner is motivated to contract with agencies to maximize the return to add to well-being. In other words, management has different interests with the principals. Conflict of interest is on the increase because the owner cannot monitor the daily activities of managers to ensure that the manager acted as expected by shareholders and managers who are directly involved with the activities of the company, has more information than the shareholders. This is what is called information asymmetry. Conflict of interest and information asymmetry may encourage agents to not deliver the actual information to the principal and may affect the financial statement presentation (Denis and Hanna 2020, Haddad, Anis, and Abdelfattah 2021). The aim of creating audit committee is to reduce agency cost and information asymmetry between managers and shareholders by this, audit committee are placed at top of organization and linked to administrative/supervisory board. (Mohamed and Zakaria, 2017)

Zehri & zgarni (2020) were of the view that board of directors which some members are part of audit committee is a fundamental internal control mechanism and play an important role in reducing agency problems. According to the agency perspective, the ability of the board to act as an effective monitoring mechanism depends on its members' independence.

III. METHODOLOGY

The study used Ex-post Facto research design to investigate the impact of Audit committee characteristics on earnings management this is due to unbiased and non-manipulation or non-interference nature of the design. Secondary source of information which covered annual reports of consumer goods companies publicly listed in the Nigerian stock exchange for 2011-2020 financial years. Data for the study were extracted from the Firms' annual reports and accounts. After running the OLS regression, a robustness test was conducted for validity of statistical inferences. The dependent variable was generated using two steps regression in order to determine the discretionary accrual of the sample Firms (Earnings Management). Multiple regression was employed to run the data of the study using OLS The study utilized information relating to the characteristics of audit committee (AC independence, AC diversity AC size and AC meeting) serving as independent variables.

Model Specification

The specific model is shown below

$$DEM = \beta_0 + \beta_1 Aci + \beta_2 AcD + \beta_3 Acm + \beta_4 AC\ s + \beta_5 infsiz + e$$

Where:

DEM=Discretionary Earning Management,

ACI= Audit Committee Independence,

ACD= Audit Committee Diversity,

ACM = Audit Committee Meeting

ACS= Audit Committee Size

Infsiz= Firm Size

β_{0---} β_5 = coefficient of independent variables

Variables Description and Management

The study employed Kothari Leone and Wasley model (2005) which according to Susana, Jose and David (2017) in their studies pointed out that Ye (2007) measures earnings management using three models: Jones model (1991), Dechow, Sloan and Sweeney model (1995) and Kothari et al. model (2005), and contrasts the results. Therefore, the Kothari, Leone and Wasley model (2005) demonstrates substantially better ability to capture the dynamics in accruals than commonly-used models such as the Jones model and the modified Jones model. The unexpected accruals generated by the Kothari, Leone and Wasley model (2005) are shown to have lower bias and greater power when testing earnings management, and demonstrate higher significance than the variables in original Jones model (1991) and the Dechow, Sloan and Sweeney model (1995).

The procedures for determining EM is provided below in model 3. The earning management based on this model is the residual of the result of regression of variables in the model.

$$TAC_{it}/A_{it-1} = \alpha_{1t}\,[1/A_{it-1}] + \alpha_{2i}\,[(\Delta SALE - \Delta REC)/A_{it-1}] + \alpha_{3i}\,[PPE_{it}/A_{it-1}] + \alpha_{4i}\,[ROA_{it}/A_{it-1}] + \varepsilon_{it}$$

Where,

TAC - Total accruals, defined as accounting earnings less operating cash flow in year 1

Ait-1 - Total assets in year 1

ΔREV - Change in revenue in year 1

ΔREC - Change in receivables in year 1

PPE - Gross Property, plant and equipment in year 1

ROA= Return on Assets in year 1

ε_{it} = The Error Term

IV. RESULTS AND DISCUSSIONS

Table 1: Descriptive statistics

Variables	Observation	Mean	Std. Dev.	Min	Max
EM	160	-0.0449315	0.1677596	-0.5862772	0.7983103
ACS	160	5.75	0.9841511	2	9
ACI	160	51.29008	13.27957	33	100
ACD	160	13.42694	15.11382	0	60
ACM	160	3.875	0.6799001	1	6
lnfsiz |	160	7.526101	.7876238	5.3513	8.6836

Source: Extracted from STATA 16 Output

Table 1 shows that earnings management (EM) of listed consumer goods companies in Nigeria have a mean of -0.0449315 with standard deviation of 0.1677596, EM also have minimum and maximum values of -0.5862772 and 0.7983103 respectively. The result indicates that the average manipulation of discretionary earnings management by managers in Nigerian listed consumer goods companies is 0.0189511 to 0.3174161. The minimum value Discretionary accruals value of -0.3859847 implies that the lowest earnings management by managers is not serious to cause significant distortion in the financial statement. Audit Committee size average stood at 5.75 ranging from 2 to 9. Audit Committee Independence averages 51.29008, lying between 33 and 100. The average of Audit Committee Diversity is 13.42694, ranging between 0 to 60. Firm size averages 7.526101, ranging between 5.3513 to 8.6836

Table 2: Correlation Matrix

Variables	DEM	ACS	AGI	ACD	ACM	FSIZ
DEM	1.0000					
ACS	0.0574	1.0000				
ACI	-0.0142	-0.1920	1.0000			
ACD	-0.0209	0.2280	0.1639	1.0000		
ACM	0.0280	0.3102	-0.0882	0.0670	1.0000	
FSIZ	0.0109	0.5840	-0.1309	0.2551	0.3057	1.0000

Source: Extracted from STATA 16 Output

From the Table 3 depicts the correlation between all pairs of independent variables and the dependent variable in the model. this showed that there is negative relationship between DEM and Audit Committee Independence and Audit Committee Diversity as contained in these values (-0.0142 and -0.0209). Likewise, it shows a positive association between DEM and Audit Committee Size, Audit Committee Meeting and Firm Size which is evident by the correlation coefficient of 0.0574, 0.0280 and 0.0109 respectively.

Table 3: Robustness test

Variables	
Mean VIF	1.30
Hettest Chi^2	1.02
Hettest P	0.3119

Source: Extracted from STATA 16 Output

Multicollinearity Test: This is conducted to see whether there is a correlation between independent variables which will influence the result of the study. The colinearity diagnostics of Variable Inflation Factor (1<0.3119<5) this indicates that variables are moderately correlated to each other which showed lack of multicollinearity in the data as all the VIF's are consistently less than 10 and tolerance values consistently less than 1.0 but greater than 0.01 (Noora, 2020). In addition, it has mean VIF of 1.30 as shown in the above table.

Invariably Heteroscedasticity Test is also conducted to check whether the variability of error terms is constant or not. The present of heteroscedasticity indicates that the variation of the error term is not constant which would affect the best linear unbiased estimators (BLUE) of the study. The result of the test reveals that there is no presence of heteroscedasticity because the hettest chi2 is 1.02 with a probability of 0.3119 which is not statistically significant at 5%, indicating that the data are homoscedastic. This suggests that assumptions ofl OLS regression are met and will suit the study.

Table 4: Summary of Regression Results

Variables	Model (DEM)		
	Coefficient	T	P>/t/
Constant	0.9250165	6.01	0.000
ACS	.0131377	0.76	0.045
ACI	-0.0000948	-0.09	0.928
ACD	-0.0003632	-0.39	0.698
ACM	0.0037564	0.18	0.859
FSIZ	-.0066846	-0.31	0.758
Prob>F	0.000		
F	16.16		
R^2	0.0953		
Adj R^2	0.05270		

Source: Extracted from STATA 16 Output

Table 3 shows the cumulative R^2 (0.0953) of the ordinary least square (OLS) which is the multiple coefficient of determination gives the proportion or percentage of the total variation in the dependent variable (DEM) as jointly evidenced by the independent variables and control variable (Audit Committee size, Audit Committee independence, Audit Committee Diversity, Audit Committee meeting and firm size,). This signified a 9.53% very low total variation in discretionary accrual earnings management (DEM) in listed consumer goods companies in Nigeria is caused by the collective effort of independent variables. This result further indicates that the model is fit, variables properly selected, combined and used in the study, this is statistically supported by the Fishers' statistics of 16.16 with its corresponding p-values of Sig 0.000.

Discussion

The first hypothesis seeks to examine the impact of audit committee independence in restraining earnings fabrication in financial statements of listed consumer goods companies in Nigeria. Table 4 indicate a statistically insignificant relationship between the variable ACI and earnings management ($p>0.05$). This is reinforced by the output of the regression model which shows no effect of independent audit committee on the level of discretionary accruals ($p>0.05$). The findings are somewhat similar to Ngo and Le (2021) but do not support the finding of (Ifeanyichukwu, and Ohaka, 2019, Bala and Gugong 2015)

The second hypothesis of the study Audit committee members' diversity does not have significant influence on earning management, from the linear regression output of the model table 4 coefficient shows negative non-significant effect on Audit Committee member diversity. This implies that more numbers of female genders in the AC has no impact in restraining discretionary accruals. This result is supported by Kajola et al (2020) but disagree with result of Setiawan, Phua, Chee and Trinugroho (2020) that shows female gender mitigate earnings management.

The third hypothesis of this study is not supported; the positive sign of the coefficient value of the results of this study (0.0037564) is not in line with the proposed hypothesis (negative). So, it can be concluded that the number of meetings of the audit committee members does not have impact on earnings management. The difficulty of bringing together audit committee members at one time has resulted in less frequent coordination in discussing company issues. This condition causes less supervision in the disclosure of information submitted by management. The results of this study is in line with research conducted by Duru Okpe & Agodosi, (2019), Handayani and Ibrani (2020), Ngo and Le (2021), Kajola et al (2020) which states that the increasingly intense meeting of audit committee members is a reflection of the supervision carried out. The more the number of meetings, the more frequently discussed problems in the company, so that opportunities to carry out earnings management can be minimized. The results of the study of Oyedokun, Ojo and Fodio (2020), Bala and Gugong 2015 do not supported this finding.

The fouth hypothesis of the study Audit committee member size does not have significant impact on earnings management. The linear regression output of the model (Table 4) shows a positive significant impact of the size of audit committee (ACS) ($p<0.05$) on the magnitude of discretionary accruals with a coefficient of 0.0131377 and P<value of 0.045. The regression results suggest that a large audit committee is more effective at reducing the magnitude of discretionary accruals. A larger committee draws on the expertise of a greater number of members and may be in a better position to discover and question management on dubious accounting practices. This agree with the findings of (Ifeanyichukwu,. and Ohaka, 2019) but disagree with the result of (Oyedokun, Ojo and Fodio 2020, Bala and Gugong 2015)

V. CONCLUSION AND RECOMMENDATION

Tis study aim at providing empirical evidence on the impact of audit committee characteristics on earnings management of listed consumer goods companies in Nigeria. The study has four objectives which implied four hypotheses. The study concludes that the findings of this study indicate that Nigerian consumer goods companies are in compliance of the company laws with respect to the existence and constitution of audit committees Audit committee member independence, audit committee diversity and audit committee member meeting exhibit no significance impact on discretionary accruals while audit committee size shows positive significant relation with discretionary.

Therefore based on the findings, the study recommended that number of audit committee members be increased to include large number drawn based on the expertise which may be in a better position to discover and question management on dubious accounting practices.

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