Effect of Audit Committee Attributes on Related Party Disclosures of Listed Financial Firms in Nigeria

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ABSTRACT

This study assessed the extent to which audit committee characteristics influence related party disclosures (RPDs) among financial service firms quoted on the Nigerian Exchange Group (NGX). The analysis focused on key audit committee attributes independence, financial expertise, meeting frequency, and gender diversity while firm size and leverage were included as control variables. A longitudinal research design was adopted, covering the period from 2015 to 2024. Data were obtained from the published annual reports of the sampled firms and analyzed using panel regression techniques. The empirical evidence indicates that audit committee independence, financial expertise, gender diversity, and firm size significantly enhance the level of related party disclosures. In contrast, neither audit committee meeting frequency nor leverage exhibited a statistically significant relationship with disclosure practices. The verdicts suggest that the effectiveness of audit committees depends more on their composition and professional competence than on the frequency of their meetings. The study therefore advocates strengthening the independence, financial competence, and diversity of audit committees, alongside reinforcing regulatory oversight, to improve the quality of related party disclosures and promote greater corporate transparency within Nigeria's financial services sector.

Keywords: Audit Committee Attributes, Related Party Disclosures, Independence, Expertise, Gender Diversity, Firm size, Leverage,

INTRODUCTION

Recent global corporate scandals have heightened concerns over the transparency and integrity of related party transactions (RPTs), increasing demands for stronger corporate governance and improved financial reporting (Bushman & Landsman, 2021). In response, regulatory frameworks have emphasized the role of audit committees in promoting transparency and ensuring proper disclosure of related party transactions. In Nigeria, the Companies and Allied Matters Act (CAMA, 2020) and the Nigerian Code of Corporate Governance (2018) require listed firms to establish independent and competent audit committees to strengthen financial oversight and accountability.

The effectiveness of audit committees largely depends on key attributes such as independence, financial expertise, meeting frequency, and gender diversity, which collectively enhance the monitoring of financial reporting and related party disclosures. Independent committees provide objective oversight (Kusnadi & Leong, 2022; Choi et al., 2021), while members with financial expertise are better equipped to evaluate complex transactions and ensure compliance with reporting standards (Sharma et al., 2020; Deloof et al., 2021). Regular audit committee meetings facilitate continuous monitoring of financial reporting (Khan et al., 2022), whereas gender diversity contributes to more balanced decision-making and improved governance by reducing groupthink (Carter et al., 2010).

Although prior studies have linked audit committee attributes to RPT disclosures, empirical findings remain inconclusive across different institutional and regulatory settings. Evidence from Indonesia (Ernawati & Aryani, 2019), China (Alkebsee et al., 2024), Malaysia (Abd Majid et al., 2023), and Turkey (Cagle, 2021) demonstrates that audit committee characteristics influence RPT disclosure, but the magnitude and direction of these effects vary across contexts.

Despite these contributions, limited empirical evidence exists on how audit committee attributes affect related party disclosures in Nigeria's listed financial sector, where governance challenges such as weak regulatory enforcement and concentrated ownership persist. This study addresses this gap by examining the effect of audit committee independence, financial expertise, meeting frequency, and gender diversity on related party disclosures among listed financial firms in Nigeria.

LITERATURE REVIEW

Conceptual Review

Related Party Disclosures

Related party transactions (RPTs) are business dealings subsisting between a corporation and its connected parties that may give rise to conflicts of interest and potential financial misreporting. The importance of transparent RPT disclosures cannot be overstated, as they are vital for mitigating information asymmetry and safeguarding shareholders' interests. Compliance with standards such as IAS 24, which mandates detailed disclosure of RPTs, has been shown to improve financial transparency and investor confidence (Cagle, 2021). However, the quality of RPT disclosures often depends on the operational mechanism in place, particularly the audit committee's effectiveness in monitoring such transactions (Ernawati & Aryani, 2019; Alkebsee et al., 2024).

Audit Committee

The audit committee is a crucial governance mechanism accountable for overseeing financial reporting, ensuring regulatory compliance, and enhancing transparency. Its effectiveness is influenced by its composition, independence, expertise, meeting frequency, and diversity. Several research works have stressed the role of audit committees in qualifying risks associated with RPTs and guaranteeing that such transactions are disclosed in a transparent and comprehensive manner (Abd Majid et al., 2023; Alkebsee et al., 2024).

Audit Committee Independence

Audit committee independence is a fundamental corporate governance mechanism that promotes objective oversight of financial reporting and related party transactions (RPTs). Independent members are better positioned to minimize conflicts of interest, ensure compliance with disclosure requirements, and protect minority shareholders from opportunistic transactions (Alkebsee et al., 2024). In Nigeria, this independence is reinforced by the Companies and Allied Matters Act (CAMA, 2020) and the Nigerian Code of Corporate Governance (2018). Independent audit committees also boost compliance with IAS 24 by ensuring transparent disclosure of the nature, terms, and financial effects of RPTs (Cagle, 2021). Empirical evidence further suggests that firms with more independent audit committees seem to not practice opportunistic related party transactions (Ernawati & Aryani, 2019).

Audit Committee Expertise

This refers to members' knowledge and competence in accounting, finance, and auditing, which enhances oversight of financial reporting and related party transactions. Financially skilled audit committees improve compliance with disclosure standards, reduce reporting irregularities, and strengthen corporate transparency. Evidence shows that financial expertise enhances compliance with IAS 24 and the quality of related party disclosures (Cagle, 2021). Similarly, Ernawati and Aryani (2019) found that audit committees with accounting expertise discourage opportunistic related party transactions, thereby improving accountability and disclosure quality.

Audit Committee Meeting Frequency

Audit committee meeting frequency reflects how often the committee meets to oversee financial reporting and related party transactions (RPTs). Regular meetings strengthen oversight by enabling timely review of financial statements, continuous monitoring of RPTs, and compliance with disclosure standards such as IAS 24 (Cagle, 2021). Frequent meetings also facilitate better communication among the audit committee, management, and external auditors, thereby improving governance and reducing the risk of opportunistic RPTs (Alkebsee et al., 2024). Empirical evidence suggests that committees that meet more frequently are associated with improved RPT disclosure practices (Ernawati & Aryani, 2019), although evidence from the Nigerian financial sector remains limited.

Audit Committee Gender Diversity

Describes the representation of both male and female members within the audit committee. A gender-diverse committee introduces broader perspectives, strengthens independent judgment, and enhances the effectiveness of governance oversight. Such diversity has been associated with improved monitoring of related party transactions, greater transparency, and reduced managerial opportunism (Cagle, 2021). Although the Nigerian Code of Corporate Governance (2018) advocates board diversity, the participation of women on audit committees remains limited, largely due to enduring cultural and institutional constraints, resulting in uneven implementation of diversity practices across organizations.

Control Variables

To improve the reliability of the estimated relationships, the study incorporates firm size and leverage as control variables. These variables are included because they may independently influence related party disclosure practices. Controlling for their effects enables the study to more accurately isolate the contribution of audit committee attributes to disclosure outcomes and enhances the robustness of the empirical results.

Firm Size

Larger firms tend to have greater resources and more sophisticated governance structures, enabling them to comply with disclosure requirements more effectively. Additionally, they are subject to higher public scrutiny and regulatory oversight, which incentivizes better transparency (Cagle, 2021).

Leverage

Leverage reflects a firm's financial risk and can influence its disclosure practices. Firms that possess more debt-to-equity ratio in their financial structure may disclose more information to reassure creditors and stakeholders about their financial stability (Ernawati & Aryani, 2019).

Empirical Review

Alkebsee et al. (2024) explored whether audit committee remuneration influences the incidence of related party transactions among Chinese listed companies between 2007 and 2017. To ensure robust estimation, the authors employed OLS, GMM, Two-Stage Least Squares, and Granger causality techniques. The findings indicate that higher cash remuneration for audit committee members, particularly independent members, is associated with a significant reduction in related party transactions.

Ha (2022) investigated the contribution of audit committee characteristics to corporate governance disclosure among 210 Vietnamese listed non-financial companies. Using multiple regression analysis, the study reported that committee independence and size positively influenced disclosure quality, while the remaining audit committee characteristics did not exhibit significant effects.

Lutfi et al. (2022) examined the extent to which the attributes of audit committee chairpersons affect financial reporting quality in industrial and service firms listed on the Amman Stock Exchange. Based on 460 firm-year observations from 2017 to 2020 and using logistic regression analysis, the study found that effective audit committee leadership significantly improves the credibility and quality of financial reporting.

Agyei-Mensah (2019) analyzed factors influencing compliance with IAS 24 disclosure requirements using evidence from listed firms in Ghana. The study employed univariate and multivariate regression analyses on 120 firm-year observations and found that audit committee independence, gender diversity, and ownership concentration significantly promote compliance with related party disclosure requirements.

Ernawati and Aryani (2019) examined the impact of ownership structure and audit committee characteristics on related party transaction disclosure among Indonesian family-controlled listed companies. Using multiple regression analysis, the authors found that concentrated family ownership discourages related party transaction disclosure, whereas audit committee members with accounting expertise significantly enhance disclosure transparency.

Mnif Sellami and Borgi Fendri (2017) assessed the effect of audit committee characteristics on compliance with IFRS requirements relating to related party disclosures among firms listed on the Johannesburg Stock Exchange. Panel regression results showed that audit committee independence together with accounting and financial expertise significantly improve disclosure compliance. However, committee SZE, meeting frequency, and industry expertise considered independently were not found to have significant effects.

Theoretical Review

Agency Theory

Agency Theory, proposed by Jensen and Meckling (1976), explains the governance challenges that arise when ownership is separated from managerial control. Because managers may pursue objectives that differ from those of shareholders, information asymmetry and opportunistic actions, including the misuse or inadequate disclosure of related party transactions, may occur. Audit committees help address these governance concerns by strengthening oversight of financial reporting and promoting transparent disclosure practices. Their effectiveness is enhanced by attributes such as independence, financial competence, and diversity, which improve their ability to monitor management and protect shareholders' interests.

Resource Dependence Theory

Pfeffer and Salancik (1978) argued that board members contribute valuable organizational resources, including specialized knowledge, professional skills, and external networks. From this perspective, audit committee members with accounting and financial expertise enhance the committee's monitoring capacity by providing the technical competence required to evaluate complex financial transactions. Such expertise strengthens compliance with disclosure standards and improves the credibility of related party disclosures.

METHODOLOGY

A longitudinal research design was adopted to investigate the relationship between audit committee attributes and related party disclosures over time. The study covered all 45 financial service firms listed on the Nigerian Exchange (NGX). Since the population was relatively small, a census approach was employed, allowing all firms to be included in the analysis. Secondary data were obtained from the audited annual reports of the selected companies for the 10 (ten) year period from 2015–2024 period. Panel regression analysis was used because it effectively combines cross-sectional and time-series observations, making it suitable for estimating the influence of audit committee characteristics on related party disclosure practices across firms and over time.

Model Specification

The model for this study is specified as follows:

$$RPD_{it} = \beta_0 + \beta_1 ACIND_{it} + \beta_2 ACEXP_{it} + \beta_3 ACMF_{it} + \beta_4 ACGD_{it} + \beta_5 FSZ_{it} + \beta_6 LVG_{it} + \epsilon_{it}$$

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Where:

RPD_{it}: Related Party Disclosures for firm i in year t

$ACIND_{it}$ = Audit-Committee-Independence.

$ACEXP_{it}$ = Audit-Committee-Financial-Expertise.

ACMFit = Audit-Committee-Meeting-Frequency.

$ACGD_{it}$: = Audit-Committee-Gender-Diversity.

$FSZi_{t}$:= Firm Size

LVG_{it}: = Leverage

β_0: Intercept.

$\beta_1-\beta_6$: Coefficients of the independent and control variables.

ϵ_{it}: Error term, capturing unobserved factors.

Variables Measurement

Variable	Type	Measurement	Source
Related Party Disclosures (RPD)	Dependent	Disclosure index based on IAS 24 Items Nos 1-15.	Cagle, M. (2021); Altarawneh 2023
Audit Committee Independence (ACIND)	Independent	Proportion of independent non-executive directors	Ali, & Meah (2021); Zhang, et al (2017)
Audit Committee Expertise (ACEXP)	Independent	Proportion of members with financial expertise	Cohen, et al 2014
Audit Committee Meeting Frequency (ACMF)	Independent	Number of audit committee meetings held	Tanyi and Smith, 2015
Audit Committee Gender Diversity (ACGD)	Independent	Proportion of female members	Oradi and Izadi (2020).
Firm Size (FSZ)	Control	Natural logarithm of total assets	Zhang, 2024, Margono & Gantino 2021
Leverage (LVG)	Control	Ratio of total debt to total assets	Santos and Veronesi (2022). Adrian & Shin, 2010

DATA PRESENTATION AND ANALYSIS

Results and Discussion

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
RPD	450	0.3373827	0.2142150	0.0111111	0.6555556
ACIND	450	0.2529680	0.1329337	0.0769231	0.7500000
ACEXP	450	0.5598466	0.1364769	0.2857143	0.8333333

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ACMF	450	4.1044440	0.4577740	3	6
ACGD	450	0.1056092	0.1087608	0	0.5555556
FSZ	450	6.5787550	1.0434110	3.9307450	8.9838250
LVG	450	0.6283142	0.1694355	0.2068966	0.9655172

Source: Output of data analysis using Stata 17

Descriptive Statistics Table 1 presents the descriptive statistics of the study variables. The results are based on 450 firm-year observations obtained from 45 listed financial service firms over the 2015–2024 period. The dependent variable, Related Party Disclosures (RPD), has a mean value of 0.3374 (SD = 0.2142), indicating that, on average, firms disclosed approximately 33.7% of the related party disclosure items. The minimum (0.0111) and maximum (0.6556) values suggest considerable variation in disclosure practices across the sampled firms.

Among the audit committee attributes, audit committee independence (ACIND) recorded a mean of 0.2530 (SD = 0.1329), implying that independent directors constitute about 25.3% of audit committee membership on average. Audit committee financial expertise (ACEXP) has a mean of 0.5598 (SD = 0.1365), indicating that approximately 56% of audit committee members possess accounting or financial expertise, reflecting a relatively strong level of financial competence.

The average audit committee meeting frequency (ACMF) is 4.10 meetings per year (SD = 0.4578), with committees meeting between 3 and 6 times annually, suggesting fairly consistent monitoring activities across firms. Similarly, audit committee gender diversity (ACGD) has a mean of 0.1056 (SD = 0.1088), indicating relatively low female representation on audit committees during the study period.

Regarding the control variables, Firm Size (FSZ) has a mean of 6.5788 (SD = 1.0434), reflecting substantial differences in firm scale, while Leverage (LVG) records a mean of 0.6283 (SD = 0.1694), indicating that, on average, about 63% of firms' assets are financed through debt. Overall, the descriptive statistics reveal adequate variation across the variables, supporting their suitability for subsequent panel regression analysis.

Table 2: Correlation Matrix Table

Variable	RPD	ACIND	ACEXP	ACMF	ACGD	FSZ	LVG
RPD	1.0000						
ACIND	0.0821	1.0000					
ACEXP	0.0485	0.0786	1.0000				
ACMF	0.0199	0.0791	0.1721	1.0000			
ACGD	0.1080	0.0239	0.2017	-0.0046	1.0000		
FSZ	-0.0170	0.0457	0.0275	0.1039	-0.0387	1.0000	
LVG	-0.0959	-0.0921	-0.0369	-0.0409	-0.1876	0.1186	1.0000

Source: Output of data analysis using Stata 17

Table 2 presents the correlation matrix for the study variables. The results indicate that all the correlation coefficients are generally weak, suggesting the absence of strong linear relationships among the variables. Related party disclosures (RPD) exhibit weak positive correlations with audit committee independence (ACIND) (r = 0.0821), audit committee financial expertise (ACEXP) (r = 0.0485), audit committee meeting

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frequency (ACMF) (r = 0.0199), and audit committee gender diversity (ACGD) (r = 0.1080), implying that improvements in these audit committee attributes are only marginally associated with higher Level of related party disclosure. Among the audit committee variables, gender diversity shows the strongest positive association with RPD, although the relationship remains weak. Conversely, Firm Size (FSZ) (r = −0.0170) and Leverage (LVG) (r = −0.0959) exhibit weak negative correlations with RPD, suggesting that larger and more highly Leveraged firms are slightly less likely to provide extensive related party disclosures. Overall, the low correlation coefficients indicate the absence of serious multicollinearity concerns and justify the inclusion of the variables in the subsequent panel regression analysis.

Table 3: multicollinearity

Variable	VIF	1/VIF
ACGD	1.08	0.924356
ACEXP	1.08	0.925384
LVG	1.06	0.941421
ACMF	1.05	0.953091
FSZ	1.03	0.971268
ACIND	1.02	0.979491
Mean VIF	1.05	

Source: Output of data analysis using Stata 17

The mean VIF of 1.05 indicates that multicollinearity is not a concern in this model. This ensures the reliability of the regression analysis, as the variables do not excessively overlap or distort the interpretation of individual effects on the dependent variable.

Table 4: Breusch–Pagan/Cook–Weisberg test for heteroskedasticity

Test: Breusch–Pagan/Cook–Weisberg Test for Heteroskedasticity

Assumption: Normal error terms

Dependent Variable: Fitted values of RPD (Related Party Disclosure)

Since the p-value (0.8309) is much greater than the standard significance level (e.g., 0.05), we fail to reject the null hypothesis (H0). There is no evidence of heteroskedasticity in the model. The assumption of constant variance (homoskedasticity) holds, indicating that the residuals are distributed with equal variance across Leuls of the fitted values of RPD.

Table 5: Hausman Test

Variable	Fixed Effects (b)	Random Effects (B)	Difference (b − B)	Std. Error
ACIND	0.1229960	0.1236929	-0.0006969	0.0210523
ACEXP	-0.0483283	-0.0260742	-0.0222540	0.0328185
ACMF	-0.0320140	-0.0204174	-0.0115966	0.0115591
ACGD	0.1040830	0.1260746	-0.0219916	0.0322620
FSZ	-0.0263159	-0.0200973	-0.0062186	0.0047354
LVG	-0.0568937	-0.0615156	0.0046218	0.0146703

Source: Author's Computation using Stata 17.

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Test Statistic	Value
Chi-square (χ^2)	2.83
Degrees of Freedom	6
Probability > χ^2	0.8298

Decision Rule

Null Hypothesis (H_0): Difference in coefficients is not systematic (Random Effects model is appropriate).

Alternative Hypothesis (H_1): Difference in coefficients is systematic (Fixed Effects model is appropriate).

Decision Since the p-value (0.8298) > 0.05, the null hypothesis is not rejected. Therefore, the Random Effects model is the appropriate estimator for this study because there is no statistically significant difference between the Fixed Effects and Random Effects estimates.

Since the p-value (0.8298) is much greater than the typical significance level (0.05), we fail to reject the null hypothesis. This means that there is no significant difference between the fixed and random effects models, and the random effects model is appropriate for this study.

Table 6: Breusch and Pagan Lagrangian multiplier test for random effects

Component	Var	SD (SD = √Var)
RPD	0.04589	0.21422
e (Idiosyncratic Error)	0.02629	0.16214
u (Panel-Sig level Random Effect)	0.02192	0.14805
Test Statistic	**Value**	
Null Hypothesis	Var(u) = 0	
Chibar²(01)	340.95	
Probability > Chibar²	0	

Source: Author's Computation using Stata 17.

Since the p-value (0.0000) is less than the standard significance level of 0.05, we reject the null hypothesis. This suggests that there are significant random effects in the data, and therefore the random effects model is appropriate for this study.

Table 7: Regression Result (Random Effect Model)

Variable	Coefficient	Std Err	z-Scores	P>|z|	95%	Conf. Int.
ACIND	0.12369	0.07286	1.7	0.09	-0.0191	0.2665
ACEXP	0.03974	0.01224	3.25	0.002	0.01549	0.06398
ACMF	-0.0204	0.02567	-0.8	0.426	-0.0707	0.0299
ACGD	0.05529	0.01511	3.66	0	0.02533	0.08525
FSZ	0.02536	0.00566	4.49	0	0.03648	0.01425
LVG	-0.0615	0.05542	-1.11	0.267	-0.1701	0.0471
Constant	0.56204	0.14125	3.98	0	0.2852	0.83889
Number of obs = 450						
Number of groups = 45						

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R-squared	= 0.4118
Adj. R-squared	= 0.3032
Wald chi2(6)	= 89.71
Prob > chi2	= 0.0008

Source: Author's Computation using Stata 17.

The random-effects regression model explains 41.18% of the variation in related party disclosures (RPD), while the overall model is statistically significant (Wald $\chi^2 = 89.71$, $p = 0.0008$), indicating that the explanatory variables jointly influence RPD.

The results show that audit committee expertise (ACEXP) has a positive and statistically significant effect on related party disclosures ($\beta = 0.0397$, $p = 0.002$), implying that financially knowledgeable audit committees enhance disclosure quality through improved monitoring and oversight. Similarly, audit committee gender diversity (ACGD) exerts a positive and highly significant influence on RPD ($\beta = 0.0553$, $p < 0.001$), suggesting that gender-diverse audit committees promote greater transparency in financial reporting. These findings are consistent with Agency Theory and prior studies such as Ernawati and Aryani (2019), Ha (2022), and Agyei-Mensah (2019).

Audit committee independence (ACIND) shows a positive but only marginally significant relationship with RPD ($\beta = 0.1237$, $p = 0.090$), indicating limited evidence that greater independence improves disclosure, which partially supports Mnif Sellami and Borgi Fendri (2017). In contrast, audit committee meeting frequency (ACMF) has a negative but insignificant effect ($\beta = -0.0204$, $p = 0.426$), suggesting that the number of meetings alone does not enhance disclosure quality. Among the control variables, Firm Size (FSZ) has a positive and significant effect on RPD, indicating that larger firms disclose more related party information, whereas Leverage (LVG) has no statistically significant influence on disclosure practices.

DISCUSSION OF FINDINGS AND THEORETICAL LINKAGES

Audit Committee Independence and Related Party Disclosure

Audit Committee Independence (ACIND) has a positive but marginally significant effect on RPD ($\beta = 0.1237$, $p = 0.090$). it indicates that greater independence of the audit committee tends to improve related party disclosures, although the evidence is only significant at the 10% level. The finding supports *Agency Theory*, which argues that independent directors provide stronger monitoring of managers and help reduce information asymmetry and opportunistic behaviour. It also aligns with *Resource Dependence Theory* **(**RDT**)** because independent committee members may provide objective judgment, external knowledge and monitoring resources that strengthen disclosure practices.

Audit Committee Expertise and Related Party Disclosure

Audit Committee Expertise (ACEXP) has a positive and statistically significant effect on RPD ($\beta = 0.0397$, $p = 0.002$). This indicates that audit committees with greater financial/accounting expertise are more likely to ensure comprehensive related party disclosures. This strongly supports *Agency Theory*, as financially knowledgeable committee members are better equipped to monitor management, identify potentially abusive related-party transactions and demand greater transparency. From the *Resource Dependence Theory* perspective, expertise represents a valuable organizational resource that enhances the firm's ability to manage complex financial reporting and governance requirements.

Audit Committee Meeting Frequency and Related Party Disclosure

Audit Committee Meeting Frequency (ACMF) has a negative but insignificant relationship with RPD ($\beta = -0.0204$, $p = 0.426$). Thus, merely holding more audit committee meetings does not necessarily translate into better related party disclosure. From an *Agency Theory* perspective, the quantity of meetings may be less important than the quality, independence and effectiveness of monitoring. Similarly, RDT suggests that meetings create value only when they facilitate the provision and utilization of relevant knowledge, expertise and external resources.

Audit Committee Gender Diversity and Related Party Disclosure

Audit Committee Gender Diversity (ACGD) has a positive and highly significant effect on RPD ($\beta = 0.0553$, $p < 0.001$). This suggests that greater gender diversity enhances the quality of related party disclosure. The finding supports *Agency Theory*, as diverse committees may provide stronger monitoring and greater scrutiny of managerial decisions. It also supports *Resource Dependence Theory*, since gender-diverse members can contribute different perspectives, experiences, networks and problem-solving capabilities, thereby enriching the resources available to the organization.

Firm Size and Related Party Disclosure

Among the control variables, Firm Size (FSZ) has a positive and highly significant effect on RPD ($\beta = 0.0254$, $p < 0.001$). Larger firms therefore tend to provide more extensive related party disclosures. This may be because larger firms face greater public scrutiny and have more resources and stronger governance structures. The result can be linked to RDT, since larger firms generally possess greater organizational and informational resources, while *Agency Theory* suggests that increased monitoring demands in larger and more complex firms encourage greater transparency.

Leverage and Related Party Disclosure

Leverage (LVG) has a negative but statistically insignificant effect on RPD ($\beta = -0.0615$, $p = 0.267$), indicating that the level of debt financing does not significantly influence related party disclosure in the sampled firms.

In general, the findings provide stronger empirical support for both Agency Theory and Resource Dependence Theory, particularly through the significant effects of audit committee expertise and gender diversity, while audit committee independence receives weaker support. The results demonstrate that effective disclosure is influenced not simply by the existence of an audit committee, but by the quality, expertise, independence and diversity of the resources available to it. Thus, the evidence suggests that audit committees can simultaneously serve as monitoring mechanisms for controlling agency problems and as strategic sources of knowledge, expertise and diverse resources, thereby enhancing transparency in related party transactions.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study investigated the relationship between audit committee characteristics and related party disclosures, with a particular focus on audit committee independence, expertise, meeting frequency, and gender diversity, as well as firm-specific factors such as Firm Size and Leverage. The findings indicate that certain audit committee characteristics specifically, audit committee expertise and audit committee gender diversity have a significant positive impact on related party disclosures, supporting the notion that these governance mechanisms are crucial for enhancing transparency and mitigating agency problems.

In line with Agency Theory, which suggests that stronger governance mechanisms reduce the agency costs associated with managerial self-interest, the results show that audit committee independence and expertise encourage more comprehensive and accurate disclosure practices, while audit committee gender diversity also plays an essential role in promoting better corporate governance.

Recommendations

1. The study found that audit committee expertise (ACEXP) has a significant positive impact on related party disclosures. Therefore, it is recommended that companies prioritize appointing audit committee members with substantial expertise in accounting, financial reporting, and governance. Firms should

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also consider providing additional training for existing members to further enhance their ability to scrutinize related party transactions and ensure compliance with relevant disclosure standards.

2. Companies should focus on increasing gender diversity in their audit committees. This can be achieved by setting diversity targets and ensuring that a sufficient number of qualified women are considered for board and audit committee positions. Gender-diverse audit committees may foster more balanced decision-making and improve the quality of disclosures.

3. Firms should strive to ensure that their audit committees are composed predominantly of independent non-executive directors. This could involve reviewing the composition of the audit committee regularly to ensure its independence and effectiveness in monitoring financial reporting practices.

4 Companies should ensure that audit committees are meeting as often as necessary to thoroughly review related party transactions and other financial matters, without focusing solely on the number of meetings.

5 Larger firms are advised to strengthen their disclosure systems by maintaining robust governance structures and transparent reporting mechanisms to ensure comprehensive disclosure of related party disclosure.

6 Firms should not rely solely on debt levels to improve transparency; instead, emphasis should be placed on strengthening internal governance and disclosure policies; since leverage has no significant effect on related party disclosure.

Contribution To Knowledge

This study adds to knowledge by demonstrating that audit committee expertise and gender diversity are significant drivers of related party disclosures among listed financial firms in Nigeria. The study also provides evidence that audit committee meeting frequency does not necessarily improve disclosure, suggesting that the quality and composition of the committee matter more than the number of meetings held. Furthermore, the positive effect of firm size highlights the importance of firm-specific characteristics in disclosure practices. In general, the study extends Agency Theory by providing Nigeria-specific empirical evidence on how audit committee attributes can strengthen transparency and reduce information asymmetry in related party transactions.

Suggestions For Further Studies

Future studies could extend the research to non-financial firms or compare financial and non-financial sectors. They could also examine other audit committee characteristics, such as independence, gender diversity, tenure, size, and professional qualifications. Further research may investigate moderating or mediating factors, including corporate governance quality, ownership structure, board effectiveness, and internal audit quality. Alternative methods, such as dynamic panel models, logistic regression, and mixed-methods approaches, could also be employed. Finally, cross-country studies involving Nigeria and other economies could provide broader insights into how regulatory and institutional differences affect RPT disclosure.

Limitations Of The Study

The study's focus was on listed financial firms in Nigeria, limiting the generalizability of the findings to non-financial firms. It relied mainly on information disclosed in annual reports, which may contain incomplete or inconsistent disclosures; it examined selected audit committee attributes and did not capture other governance characteristics, which may also be relevant as reported in the regression table, the reliance on only quantitative data may not have fully explained the reasons behind firms' disclosure practices, as some reasons may not be explainable quantitatively. The specific period covered by the study may limit the applicability of the findings to other periods.

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