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EFFECT OF AUDIT COMMITTEE MEETING, AUDIT FIRM SIZE ON THE TIMLINESS OF FINANCIAL REPORTING OF LISTED NON-FINANCIAL INSTITUTIONS IN NIGERIA.

Nuraddeen Shehu Aliyu, Mustafa Muhammad Bagudo and Rekiya Oghe

Department of Accounting, ABU Business School,
Ahmadu Bello University Zaria, Nigeria.

ABSTRACT

The paper investigates the influence of audit committee meeting and audit quality characteristics (audit firm's size) on financial reporting timeliness of listed non-financial institutions in the study applied GLS regression in the analysis. Secondary source data was used which were sourced from the annual report of a sample of forty-five (45) listed non-financial institutions from 2014 to 2019. The results show that audit committee meeting has a significant positive effect and strongly influencing audit report lag of listed non-financial institution while audit firm size have no significant influence (insignificant negative effect) on audit report lag of listed non-financial institutions in the Nigeria. The paper therefore concludes that audit committee meeting escalate audit report lag of listed non-financial institutions in the Nigeria stock exchange and hence recommended that frequency of audit committee meeting should be increased, while a less attention should be given to audit firm size as it has little or no effect on audit report lag of sampled listed non-financial institution in the Nigeria stock exchange.

Key words: *audit committee meeting, audit firm's size, financial reporting timeliness, non-financial institutions*

1. INTRODUCTION

Financial reporting is a fundamental pillar of capital market that sustains the wheel of human survival evidence in all ramifications of neoclassical economic activities for rational future investment decision as a driver of good living (Jerubet, Chepng'eno & Tenai, 2017). Individuals are sensitive to their capacity to live as such they thrive to unveil the shadow of financial crises associating with life in general as a consequence

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of high level of poverty due to low income earning (Jerry & Saidu, 2015). Various legal means of wealth creation were device by people as it become inevitable to survive which include agriculture, industry and investment according to (Abubakar & Abubakar, 2013). Each of these emerging sustainability operate in a dynamic nature of the environment which required appropriate accounting method to captured their economic activities for the purpose of providing relevant accounting information to the users who have invested in various aspect of revenue generation for the benefit of their current and future need that may arise.

Ahmed, (2012) comment that given the fact that people want to live better, they become more curious about the major areas of their investment income more specifically on the acquisition of information concern firm̓s liquidity, risk diversification, saving mobilization and corporate governance mechanism. The qualities of these services are critical for the performance indicator in determining the growth of the economy. Eghliaow, (2013) submit that this has been widely proposed as the primary objective of financial reporting aimed to fulfill by deliver excellence financial information that could swallow those tensions hang the investors' confidence increasingly and sustain their equity possession. Financial statement contains sensitive information about the status of financial position and performance of an entity. Financial reporting recognizes the content of high quality disclosure of accounting information as the completeness, accuracy and timeliness (Azmi & Mulyani, 2015).

Alijifri and Khasharmch, (2010) postulate that timeliness has been considered as one of the qualitative characteristic of general purpose of financial reporting that increases the knowledge of the users for effective and efficient economic decision to evaluate the past, present and future prediction. The relevant and reliability of useful financial information is critical to the timeliness of publication. Availability of information in an orderly time immediately at the end of financial year is one of the primary missions of Timeliness.

Accordingly, the terror of shock perceived from the scenario of high profile financial frauds due to intentional misconduct and high irregularity in the report of audited annual financial statement received violent attention from individual, corporate bodies, the society at large and policy makers whereby the researchers took the pain vigorously to examine the conceptualization of timeliness and the underground factors causing significant delay in the financial reporting. One of the key factors recognized as the major determinant of timeliness in financial reporting is audit report lag (ARL) a chain that respond to any little change in auditor's work either positive or negative in completion of his audit engagement.

Akinleye and Aduwo, (2019); Bedard and Gendron, (2010) asserted that minimizing this ARL is possible only through audit committee meeting and audit firm size. Audit committee meeting is the essential component and proxy for audit committee while audit quality is measured by the audit firm size. Audit committee is designed to monitor the financial reporting process hoping that improvement in internal control system reduce audit report lag with up to date reporting feedback. Audit committee a watchdog with frequents in meeting have the basic element to shorten the pattern of audit reporting lag. he audit committee over sees and review internal audit activities with a view to ensuring compliance to regulatory frameworks (Pizzini, Lin, Vargus & Ziegenfuss, 2014). Highly independent audit committee creates conducive environment for efficient audit that translates to timely financial reporting (Chinedu, Ifeoma & Theresa, 2016).

Regarding Audit Firm size, it was found that high number of persons in the audit committee provides available human resources that will carry out the audit on time as opposed to small number of persons in the audit committee (Apadore & Noor, 2013; Ika & Ghazali, 2012). Bédard and Gendron (2010) however argued that, large audit committee breeds idleness which eventually slows the audit.

Substantial literature documented that few research were conducted on the area of audit committee and audit quality characteristics and financial reporting timeliness of listed non-financial institutions in the Nigeria stock exchange (Akinleye & Aduwo, 2019; Eyenubo, Mohammed & Ali, 2017; Moses, Ofurum & Egbe 2016) Al Muzaiqer, Ahmad and Hamid (2018). This research therefore tries to fill many gaps like (contextual, variables, mixed findings etc) by investigate the extent to which audit committee and audit quality characteristics such as audit committee meeting and audit firm size influences financial reporting timeliness of listed non-financial institution in the Nigeria stock exchange as the objective of the study.

To achieve this objective, the paper is therefore structure as follows: section1 is for Introduction, while section 2 is concern with the review of related literature and the theoretical framework on audit committee and audit quality characteristics on financial reporting timeliness. Section 3 examines the methodology for the study. Section 4 analyzes the empirical data for the study using statistical tool. Section 5 presents the conclusion and recommendation of the study.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This section elucidates the various concepts of the independent and dependent variables. Also it will describe the available literature relating to the constructs of the study (audit committee meeting, audit firm size and then the timeliness of financial reporting). Furthermore, hypotheses were developed from these literature alongside the theoretical framework suitable for this relationship is described in this section.

2.2 Audit Committee Meeting and Financial Reporting Timeliness

The report from KPMG (2013: 1-2) required the audit committee to have three or four times meeting in each year. Bedard and Gendron, (2010) suggests that audit committee establishment is to ensuring continuous communication relationship between the management, external-internal auditors, the board and developing inter-personal relationship among members. They equally point out that frequent audit committee meeting portly an active audit committee which as a result increase the performance of the committee to meet desired goal of timely reporting. Shatnawi, Hanefah, Adaa, and Eldaia (2019) demonstrate that punctuality in audit committee meeting with presence of the external auditors is perceived to decrease the level of audit risk as well as building more commitment on their responsibilities. In conjunction, it was also observed from their comment that frequency in audit committee meeting serve as the most appropriate and meaningful measure of assessing committee diligence capable of presenting an overview of management earning forecast via voluntary and mandatory disclosure.

Emeh, Yadirichukwu, and Ebimobowei (2013) assert that it is generally believe that frequency in audit committee meeting remain the most appropriate channel of informed knowledgeable accounting control system, financial statement and audit processes controversial issue that require immediate attention with sufficient resource and time devoted for debate and judgment to rectify the problem in a more timely fashion that provide a reasonable chance for review and appraise the promptness oversight environment of audit report for the effective disclosure of financial reporting as early as possible. Tinumbia, Djamhuri and Subekti, (2018); Siti and Md, (2012) reported positive significant relationship between audit committee meeting and financial reporting timeliness. Mohamad-Nor, Shafie and Hussin, (2010) equally noted that financial reporting timeliness and audit committee meeting have a negative significant relationship. Conversely, the studies by (Akinleye & Aduwo, 2019; Ahmeda, Ahmada, 2016; Emeh, Yadirichukwu & Ebimobowei; 2013; Chukwu & Nwabochi, 2019) found with positively insignificant association. Hence this study is in line with the aforementioned and vast majority literature and thus hypothesized that; There is negative significant relationship between audit committee meeting and financial reporting timeliness.

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2.3 Audit Firm Size and Financial Reporting Timeliness

Khali, (2011) state that large audit firms like big 4 with composition of members in terms of professional competence, training personnel for expert, auditor's qualification, supporting technical information and international affiliation is likely to possess technical and processing skill organize logically toward array of structural function contents in a different divisional audit service to meet the demand of the client audit assignment whereby the person who audits the client would be different from the person who provide non – audit service. Divisions of audit work reduce the length of time that would have been consumed in executing audit financial statement by the auditor. However, hasten the accomplishment of auditor's responsibility for audit and submission of audited financial statement to the management for publish. The studies by Adejola Adebayo, (2016); Alkhalib and Marji, (2012); Jerry and Saidu, (2015) found positive significant relationship between audit firm size and timeliness of financial reporting meaning that the greater the size of an audit firm, the earlier the completion of auditor's work, the faster the financial reporting timeliness. In contrast, Khasharmch Aljifri, (2010) finding disclosed statistically insignificant.

The study adopted agency and resource dependency theories which explain the relationship between audit committee and audit quality characteristics and financial reporting timeliness. Agency theory believes that audit committee a watchdog with frequent in meeting and audit quality prudent as a mechanism that provides quality audit service via audit firm with giant resource which recognize audit fees as the agent of motivation have basic element that represent the interest of shareholder whereby the committee offering monitoring and controlling services on the adequacy of financial reporting process attract regular reporting of the financial statement that improve on decision making of the shareholder significantly thus militate information asymmetry, harmonizing conflict of interest (Al- Lehaidan, 2006). While resource dependency theory maintain that the strength of the resource capacity of an entity strongly depend on the extend it environment absorbed experience, knowledge and idea from the external link. This theory enhances women participation in the audit committee due to their influential attributes in the oversight monitoring activities for shareholder alignment and timely reporting (Buallay, 2018). Hence this study is in line with the aforementioned and vast majority literature and thus hypothesized that; Therefore, there is a negative association between audit firm size and financial reporting timeliness.

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3. METHODOLOGY

This study adopts correlation research design to investigate the effect of audit committee and audit quality characteristics on financial reporting timeliness of listed non-financial institution in Nigeria stock exchange. The study utilized secondary data from corporate annual reports of only sample listed non-financial institution in the Nigeria stock exchange within six years period covers from 2014 to 2019. The population of the study comprise of all the one hundred and eleven (111) listed non-financial institution in the Nigeria stock exchange (NSE) as at 31st December, 2019. Hence the population was restricted to forty five (45) non-financial institutions as the sample size for the study. Filter method was adopted, the process involved the selection of equal number of six (6) companies from each industrial sectors of non-financial institution listed in the Nigeria stock exchange and any industry that has less than six (6) companies is completely ignored. This view was maintained throughout the selection except for the service industry that was given a consideration to absorb the highest observations because it has large numbers of companies where the companies with complete data were selected. On the basis of this underlying assumption for the choosy, untouched companies may not pose any bias to the data collected since the data analyzed represent sampled listed non-financial institution in the Nigeria Stock Exchange. Data were sourced from the annual reports of these selected firms and then a GLS regression techniques was applied in analyzing the data collected.

The model of ARL is developed as a function of two explanatory variables which are consistent with prior studies such as Adebayo and Adebiyi, (2016), Al-Muzaiqer, Ahmad and Hamid, (2018), Ojo and Christian, (2014) and *Puasa, Md Salleh and Ahmad, (2014)*. The ARL for this study is as follows:

$ARL_{ii} = \beta 0 + \beta 1ACM_{ii} + \beta 2AFZ_{ii} + \beta 3FSZ_{i} + \mu_{ii} \ldots ii$

$\beta 1$ - β 3 = are the parameter estimate or coefficient in the equation

$\beta 0$ = intercept and μ = Error Term

The definitions and measurements of the variables used in this paper is presented inTable 3.1 below

Table 3.1: Variables Measurement and Definition

Variable	Nature of variable	Proxy	Measurement	Author
Audit report lag (ARL)	Dependent variable	ARL	Measured by the number of days between the financial reporting date and the date of audit report	Adebayo and Adebiyi (2016)
Audit committee meeting	Independent variable	ACM	The number of meetings held during the year	Al-Muzaiqer, Ahmad and Hamid, (2018)
Audit firm size	Independent variable	AFZ	1 if it is among big 4 auditors otherwise 0	Ojo and Christian (2014)
Firm size	Control variable	FSZ	Measure by total asset of Natural log of total asset.	*Puasa, Md Salleh and Ahmad, (2014)*

4. RESULTS AND DISCUSSIONS

This section presents the result of multiple regression analysis obtained from the data collected for the paper. The section begins with the descriptive statistics; correlation matrix and the regression output to enable us test the hypothesis.

Table 4.1: Descriptive Statistics

Variable	Mean	SD	Minimum	Maximum	Observation
ARL	114.0296	68.6058	13	387	270
ACM	3.3259	1.5891	1	10	270
AFZ	0.5815	0.4942	0	1	270
FSZ	7.3230	*0*.8432	5.4791	10.1020	270

Source: Author's computation using STATA Version 13

Table 4.1 above presents the descriptive statistics of the data for the variables of the study. The data set indicated in the table contained a total of 270 observations for 45

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listed non-financial institutions on the Nigeria stock exchange within 6 years period covers by the study.

The table shows that the sampled listed non-financial institutions during the period has the mean value of 114.0 days as the audit report lag with highest standard deviation of approximately 68.6 days, and minimum value of 13 days and 387 days for the maximum value. The standard deviation of 68.6 days reveals that the data deviate from the mean value from both sides by 68.6 days which implies the highest dispersion of data from the mean value. The table as well indicates that the mean value of audit committee meeting (ACM) of the sampled non-financial institutions is 3.33 with standard deviation of 1.59, and the minimum and maximum values of ACM are 1 and 10 respectively.

The mean value of audit firm size (AFZ) of the sampled non-financial institutions during the period of the study is 0.58 with the standard deviation of 0.49, the minimum and maximum AFZ are 0 and 1 respectively. Also, the table shows that the mean value of firm size (FSZ) of the sampled non-financial institutions is 7.32 with standard deviation of 0.84, the minimum and maximum FSZ are 5.48 and 10.10 respectively.

After the descriptive analysis of data, the following table further elaborates the Pearson correlation coefficient of the variables.

Table 4.2 Correlation Matrix

Variables	ARL	ACM	AFZ	FSZ
ARL	1.0000			
ACM	0.5130	1.0000		
AFZ	0.0329	0.2169	1.0000	
FSZ	0.1344	0.0053	-0.1018	1.0000

Source: Authors' computations using STATA 13

The Table 4.2 shows the result of correlation coefficient of the variables. The result shows a high positive association between Committee meeting (ACM) and audit report lag from the correlation coefficient of 0.5130. This high significant relationship suggests that audit committee meeting has a longer association with financial report lag. Also the results indicate a positive association between audit firm size (AFZ) and audit report lag (ARL) from the correlation coefficient of 0.0329. This result signifies low and positive association between audit firm size and audit report lag. Furthermore, the correlation matrix show a positive association between audit report lag (ARL) and company size (FSZ) from correlation coefficient of 0.1344. The results imply that company size influence audit report lag positively. Lastly, the result shows that one independent variable is negatively correlated with other while about five independent variables are jointly positive related.

Table: 4.3 Summaries of Regression Coefficients

ARL	Co efficient	z – value	p- value
ACM	21.9529	9.71	0.000
AFZ	- 0. 6119	-0.07	0.940
FSZ	8.0308	1.87	0.061
CONS	- 83.2772	-1.71	0.087
R^2	0.4830		
ADJUSTED R^2	0. 4672		
HETTEST: Chi2	3.39		0.0658
MEAN VIF	1.18		
WALD chi2	190.21		0.0000
HAUSMAN TEST: Chi 2	11.42		0.1791

Source: Authors' computations using STATA 13

Results in table 4.3 shows that, audit committee meeting (ACM) has a significant positive relationship with audit report lag of sampled listed non-financial institutions in the Nigeria stock exchange, with a coefficient of 21.9529 and z- value of 9.71 which is statistically significant at 1% level of significance as indicated by the p- value of (0.000). This simple mean that an increase in audit committee meeting by 1%, audit report lag will increase by 22%. This result is in agreement with the studies of Siti and Md (2012) and Chukwu and Nwabochi, (2019) but contradicting Yadirichukwu and Ebimobowei, (2013) and Al-Muzaiqer, Ahmad and Hamid, (2018).

Also, Audit firm size (AFZ) as indicated in table 4.3 above has a negative insignificant effect on audit report lag of sampled listed non-financial institutions in the Nigeria stock exchange, with a coefficient of - 0. 6119 and z- value of -0.07 which is statistically insignificant at any level of significance (p- value 0.940).This implies that audit firm size is negatively and insignificantly influences audit report lag of listed non-financial institutions in the Nigeria stock exchange which mean that even if there is large audit firm with high level of resource available in terms of training personnel and experts with world class experience or not, does not have any significant changes on audit report lag of listed non-financial institutions in Nigeria stock exchange. Based on the result, this paper therefore fail to rejects the null hypothesis which states that audit firm size has no significant impact on audit report lag of listed non-financial institutions in the Nigeria stock exchange. The result is consistent with Mohammed, Che-Ahmad,and Malek, (2018), Adebayo and Adebiy (2016), Alkhatib and Marji, (2012) and Jerryand Saidu, (2015) but contrast (Khasharmeh and Aljifri**,** 2010).

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5. CONCLUSION AND RECOMMENDATIONS

The paper concludes that Audit committee meeting have a significant positive influence on audit report lag of listed non-financial institution in the Nigeria stock exchange. While audit firm size have an insignificant negative influence on audit report lag of listed non-financial institution in the Nigeria. It is recommended that firms should intensify their efforts toward increasing ACM and FSZ. Thus, frequent in audit committee meeting should be increased, while a less attention should be given to audit firm size as it has little or no effect on audit report lag of sampled listed non-financial institution in Nigeria.

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