THE MODERATING EFFECT OF AUDIT QUALITY ON THE RELATIONSHIP BETWEEN AUDIT COMMITTEE EXPERTISE AND EARNINGS MANAGEMENT PRACTICES: EVIDENCE FROM FINANCIAL INSTITUTIONS IN NIGERIA

Abdullahi Alhaji Bala, Ibrahim Umar, Abubakar Malami, Ahmad Garba Basakkwace and Nuhu Umar
Department of Accounting, Umaru Ali Shinkafi Polytechnic Sokoto, Nigeria.
abdullahibala007@gmail.com

Shehu Umar Sa id
Department of Accounting, Federal Polytechnic Bauchi, Nigeria.
shehumarsaid@gmail.com

ABSTRACT
This study investigates the impact of Audit Committee Expertise on Earnings Management Practices in Nigerian financial institutions. Based on the Agency theory, which recognizes the monitoring roles of external auditing playing a part in mitigating agent-principal conflict. The study used a quantitative approach, and data were gathered from S&P Capital IQ of the Nigerian financial institutions. The sample for this study focused on countries' annual financial reports and the data on S&P Capital IQ. Based on those criteria, the final sample comprised 180 firm-year observations from 2010-2021. Firm-level financial data were collected from the S&P Capital IQ, supplemented by firms' annual reports. The study's findings revealed that Audit Committee Expertise significantly impacts reducing earnings management practices. Similarly, Audit Quality has an impact on decreasing Earnings Management Practices. This study has practical implications for regulators and investors and has a scholarly contribution to the body of knowledge and existing literature. This paper is original and unique in its form, has value in reducing modern-day earnings management practices, and is helpful to all those who might cherish and admire its standing.

Keywords: Audit quality, Audit committee expertise, Earnings management practices, Agency.

1.1 INTRODUCTION

Managers of corporations are responsible for producing corporate financial reports that are expected to be transparent and verifiable by stakeholders, especially investors and regulatory agencies. Therefore, companies are required by law to publish information related to decision-making for users and decision-makers. Still, the information made available to the public largely remains the prerogative of the management of corporate institutions to determine the extent of the disclosure on certain aspects that are not clearly stated by law and other codes of corporate governance but could nonetheless affect the interest of others (Al-Absy et al., 2018). The audit committee (AC) is considered one of the crucial and influential participants of corporate governance as it assists the board of directors in discharging its responsibilities in overseeing

corporate management and, therefore, plays a crucial role in monitoring management disclosure practices and internal control (Madi et al., 2014).

Similarly, an Audit Committee is an operating committee of the board of directors charged with overseeing an entity's financial reporting disclosure and helping to set an ethical tone at the top level of an organization (Mohammed et al., 2018; Oji et al., 2017). AC maintains and enhances public confidence in the credibility and objectivity of financial reporting by improving the disclosure practices of published information. However, despite audit committees in corporate organizations, there is still a series of well-publicized cases of accounting improprieties related to poor disclosure, especially on their tax return (Oji et al., 2017). Cobham, Janský, and Meinzer (2018) averred that there was consensus among the experts that public reporting requirements should shed more light on the corporate networks and finances of multinational corporations. They should publish financial reports for each company they operate, including information on intra-group trade, which is particularly vulnerable to earnings management practices.

However, the Nigerian banking crises of the 1990s and 2000s, among others, all question the efficacy of reliance on the state of financial reporting oversight provided by corporate audit committees despite their presumed expertise and independence. The government regulatory bodies and the accountancy profession in developing countries, including Nigeria, suffer from structural weaknesses that make companies evade compliance with compulsory disclosure requirements that could encourage corporate fraud at the expense of those that have an economic and proprietary interest in the business environment (Omeiza et al., 2019). A novel study by the World Bank Group on the observance of standards and codes of corporate disclosure regarding financial reporting for Nigeria observed that Nigerian financial reporting practices are deficient (World Bank, 2019).

Other prior research in Nigeria reported cases of accounting improprieties of listed companies in Nigeria that do not fully comply with the disclosure requirements stipulated by the regulatory agencies (Daodu et al., 2016; Modugu & Accounting, 2017; Oji et al., 2017). Consequently, the state of financial reporting oversight provided by corporate audit committees was a source of concern to the Securities and Exchange Commission (Oji et al., 2017). Therefore, Public expectation of the audit committee's ability to oversee an entity's financial reporting disclosure and help it comply with the corporate governance code has been eroded. Thus, reliance on audit reports as a basis for making timely, practical, prudent, effective and efficient decisions by financial users (management, shareholders, regulatory agencies, Tax authorities, stockbrokers, employees, suppliers, creditors, and financial analysts) and a means of averting potential distress and failure is no longer realistic (Okaro et al., 2018; Okaro & Okafor, 2013).

In a rare disclosure in 2013, MTN admitted that it made unauthorized payments of N37.6 billion to MTN Dubai between 2010 and 2013. The transfers were then "on-paid" to Mauritius, a shell company with zero staff and whose physical presence in Port Louis's capital is nothing more than a post office letterbox. The disclosure was a confession given that MTN made the dodgy transfers without seeking approval from the National Office for Technology Acquisition and Promotion (NOTAP), the body mandated to oversee such transfers. Based on an earlier management fees agreement that was technically quashed by NOTAP and based on MTN's

reported revenues, it is estimated that N90.2 billion could have been transferred out of Nigeria in management fees alone since the company was founded in 2002 (Ojeka et al., 2015). To stem the tide of illicit financial flows and block revenue leakages in the economy, Nigerian regulatory agencies have mounted more pressure on companies to improve and enforce financial reporting disclosure requirements (Ojeka et al., 2015).

The recent MTN financial scandal in Nigeria further indicates that dubious acts of financial misdemeanor persist among corporate organizations in Nigeria, including those listed on the Nigeria Stock Exchange (NSE). In addition, Mustapha, Bello, Garba, and Gobe 2018, showed that the financial reports of companies in Nigeria must be revised to provide vital information necessary to enable stakeholders to make informed decisions. Audit committees are established to enhance financial reporting quality; however, here are criticisms of the practices of audit committees and their relevance (Enofe et al., 2013). According to the Company and Allied Matters Act (CAMA, 1990 as amended), the audit committee consists of shareholders and directors who are expected to carry out oversight functions and present their report to shareholders in the financial statement (GHANI & CHE AZMI, 2022). However, these committee members might need to be more capable of handling the expected responsibilities since the same law is silent regarding their expertise or professional capacity (Enofe et al., 2013). Financial reporting oversight provided by corporate audit committees has long been a concern to the Securities and Exchange Commission (Omeiza et al., 2019). Meanwhile, Ayemere and Elijah (2015) found that the audit committee constrains earnings management. Mainly, an adverse and significant link between earnings management and audit committee financial expertise, audit committee size, independence, and diligence were found.

Finally, the rapidly changing global economic and financial environment calls for a constant update in this area of study. Given the adverse effect of insufficient disclosure (especially corporate financial disclosure), more theoretical and empirical evidence is needed on how audit quality and committee expertise could enhance mandatory and voluntary disclosures in Nigerian companies. Thus, this study aims to investigate whether audit committee expertise influences the decrease in earnings management practices with a moderating effect on audit quality. The results show a significant relationship.

2.1 LITERATURE REVIEW

2.2 Earnings Management Practices

Earnings management practices are frequently based on managers' incentives to manage reported profits and are frequently able to do so to increase their wealth. Similarly, Healy and Wahlen (1999) state that "earnings management occurs when managers use discretion in financial reporting and transaction structuring to alter financial reports to either mislead some stakeholders about the company's underlying economic performance or to influence contractual outcomes that depend on reported accounting numbers." There would not be an information gap between the two sides if stockholders had complete knowledge of managers' decisions. Agency theory holds that

information asymmetry exists when perfect information is unavailable (Fama, 1980). Stockholders need help identifying earnings management due to information asymmetry. Monitoring is defined by Jacobides and Croson (2001) as any information gathering by the principal in the agency relationship.

2.2 Audit Committee Expertise and Earnings Management Practices

Auditing is a control method that safeguards the interests of investors by providing reasonable assurance that financial statements are accurate. Management may not behave in the best interests of stockholders when its interests conflict with those of the shareholders. Similarly, audits are a monitoring tool for decreasing earnings management practices because they enable stockholders to gather accurate data. Information asymmetry is reduced by auditing, and the degree to which it is reduced is a measure of the audit's quality (Jacobides & Croson, 2001). Auditors provide reasonable assurance that the financial statements are free of material misstatements, which reduces the information asymmetry between managers and stakeholders (Veronica & Bachtiar, 2014). High-quality audits should be more likely to identify and stop earnings management successfully. As a result, lower levels of earnings management should be correlated with higher audit quality levels, which defines the quality of earnings.

Many studies claim that the audit committee members' knowledge/expertise or experience is directly related to the effective functioning of the audit committee (Al-ahdal & Hashim, 2022). Ashraf, Michas, and Russomanno (2020) argue that the audit committee's financial expertise increases the likelihood that identified material misstatements will be communicated to the audit committee and corrected promptly. Companies whose members of the audit committees are distinguished for experience, financial knowledge, professionalism, and frequent committee meetings have fewer earnings management practices when compared to other companies. Mardessi and Fourati (2020) found that an audit committee's expertise is associated with reduced levels of earnings management. Komal et al. (2023) found a negative relationship between audit committee financial expertise and earnings management. In Egypt, Soliman and Ragab (2014) indicated that the experience of audit committee members has a significant negative association with earnings management. In the same context, Juhmani (2017) also found a negative relationship between the audit committee's financial expertise and earnings management.

Following the higher requirements for compliance with accounting regulation and higher accounting quality in financial reporting, which big auditors set, reported financial numbers would be expected to be associated with lower abnormal accruals, suggesting more conservative accounting earnings (Bilal et al., 2018). Auditors were also determined by Chen, Lin, and Zhou (2005), Gumanti, Nastiti, Utami, and Manik (2015) to be associated with less effective earnings management in the firms. Balsam, Krishnan, Yang, and Theory (2003) show that Big4 auditors are superior to non-Big4 auditors at limiting client earnings management; they discovered that non-Big4 auditors' customers have higher discretionary accruals. According to Francis, Maydew, Sparks, and theory (1999), high-accrual companies have a better possibility for opportunistic management and motivation to hire a Big5 auditor to guarantee the credibility of earnings.

Additionally, they discover that companies with high accrual rates hire Big5 auditors more frequently, but they record smaller discretionary accruals, which is consistent with Big5 auditors limiting opportunistic accrual reporting. Also, companies with non-Big Four auditors (a proxy for lower audit quality), according to Dries and De Gieter (2014), record discretionary accruals that significantly boost income compared to businesses with Big 4 auditors. Mansi, Maxwell, and Miller (2004) claim that Big4 auditors do audits of a higher caliber than non-Big4 auditors, and a large body of later empirical data supports this claim. Teoh and Wong (1993) discovered that clients audited by Big4 firms had lower earnings management than clients audited by non-Big4 businesses. Additionally, they discover that managers intentionally disclose discretionary accruals in response to incentives that reduce debt and level out income. Additionally, businesses using non-Big5 auditors report considerably higher income-increasing (decreasing) discretionary accruals than those without incentives to smooth results.

Alzoubi (2019) states that auditors are linked to poorer earnings management. As a result, more archival research (Chen et al., 2005; Zhou & Elder, 2003; Krishnan, 2003; Heninger) looks at the connection between audit quality and accruals. These studies' findings seem to support the following ideas: (a) high accrual companies hire big auditors; (b) big auditors have a lower threshold than non-big auditors for issuing modified audit reports; (c) big auditors are linked to fewer abnormal client accruals, and (d) auditors are sensitive to managers' incentives to control accruals. The two possible interpretations of this evidence, alone or together, are (a) quality auditors constrain earnings management and (b) customers hiring big auditors themselves constrain earnings management regardless of audit quality. Also, Alzoubi (2019), Badolato, Donelson and Ege (2014) find that earnings management is negatively associated with the financial expertise of audit committee members, with indicators of independence, and with a clear mandate defining the committee's responsibilities.

Given the above, it is challenging to separate these two ideas, however. The investigation of the inclination and capacity of auditors to restrain earnings management is hampered by the need for pre-audited data. Therefore, based on empirical evidence, this study highlights the following hypothesis as shown below:

H1: Audit Committee Expertise has a negative relationship with earnings management practices.

2.3 Audit quality and Earnings Management Practices

Prior studies have studied the relationship between audit quality and earnings management, as well as how management incentives to manipulate reported results are impacted by auditor quality. For instance, Alzoubi (2016) demonstrated that the relationship between audit quality and Earnings Management is noticeably negative. The outcome implied that businesses employing independent auditors have much lower Earnings Management levels. Additionally, this study showed that compared to organizations using the services of a non-Big Four audit firm, the level of EM is much lower when a company hires a Big Four audit firm. According to the findings, audit quality and

earnings manipulation may be related. Companies utilizing a Big Four audit company have much lower levels of earnings management than companies using a non-Big 4-audit firm (Lopes, 2018).

Furthermore, Bhattacharjee, Moreno, and Riley (2012) tested the impact of auditors' expectations of significant financial statement misstatements on their perception that managers may have incentives to manipulate reported earnings using an experimental methodology. According to his findings, auditors are likelier to believe that managers have incentives to manipulate reported profitability in either an upward or negative direction. STeh, San, Hoe, and Management (2015) examined the connection between Malaysian public-listed firms' financial performance, audit quality, and earnings management. From 2008 to 2013, sample firms from the Industrial Products and Consumer Products sectors listed on Bursa Malaysia's Main Board were randomly chosen. The findings show that audit quality does not limit industrial and consumer product business earnings management. This can be because Malaysia's audit environment differs from that of other wealthy nations. Conversely, high audit quality can help a company perform financially better since investors tend to have more faith in large-scale audit companies because they are always thought of as having higher quality. Therefore, based on empirical evidence, this study highlights the following hypothesis as shown below:

H2: Audit Quality moderates the relationship between Audit committee expertise and earnings management practices.

3. UNDERPINNING THEORY

3.2 Agency Theory

The theory is formulated to clarify, explain, predict, and understand the research phenomenon to challenge and expand the existing knowledge within the bounding traditions (Rizk & Elragal, 2020). Lindberg's (2020) theory is a descriptive scheme or structure comprising a set of ideas related to ideas through coherent patterns that link the concept. The agency thinks concepts are more appropriate for underpinning this study. This is because Agency theory asserts that principals and agents have competing interests, which makes them likely to cause agency conflicts, such as the issue of earnings management (Saleh et al., 2020). Agency theory acknowledges the monitoring functions external auditing plays in reducing agent-principal conflict as helping to align these interests. Under encouraging accuracy and fairness in financial statements, the agency theory also recognizes the independent audit as a control tool to lessen information asymmetry between shareholders/investors and management. Due to the recent corporate scandals, earnings management has gained a bad reputation and is now seen as harmful to the company. Enron and WorldCom are two extreme instances of opportunistic earnings management that resulted in the biggest bankruptcy in American history. Some contend that earnings management may be advantageous because it increases the information value of results by disclosing sensitive information to the public and stockholders.

They provide Agency theory, which can be used to distinguish between opportunistic and beneficial applications of earnings management. Empirical research reveals that organizations with more (less) or fewer earnings management experience agency costs (Jiraporn et al., 2008). The costs associated with structuring, overseeing, and bonding a group of contracts among agents with competing interests are included in agency costs. The value of output lost because the costs of strict contract enforcement outweigh the benefits is also included in agency costs. In other words, agency costs are expenses the principals are willing to pay to defend themselves against the agents' opportunistic behavior (Dion, 2016). Agency theory addresses two issues that can arise in agency interactions (Toumeh et al., 2017).

In an agency relationship, one or more parties (the principals) hire a third party (the agent) to carry out a specific task on their behalf, giving the agent some degree of decision-making authority. There is considerable reason to suppose that the agent will only sometimes operate in the principal's best interests if both sides of the relationship are utility maximizers (Jensen & Meckling, 2019). Since the contract controlling the interaction between the principal and the agent serves as the unit of analysis, the theory's primary goal is to identify the most effective contract under the given assumptions about individuals, organizations, and information. Self-interest, goal conflict, bounded rationality, information asymmetry, efficiency superiority, risk aversion, and information as a commodity are the core presumptions upon which agency theory is based (Dion, 2016).

3.2 Research Framework

The research framework for the study is to examine the effect of Audit Quality on the relationship between Audit Committee Expertise and earnings management practices. The conceptual framework has three variables: (Earnings Management Practices) as the Dependent Variable, (Audit Committee Expertise) as the Independent Variable, and (Audit Quality) as the Moderator Variable. Agency Theory explains the Model with emphasis on listed financial institutions in Nigeria.

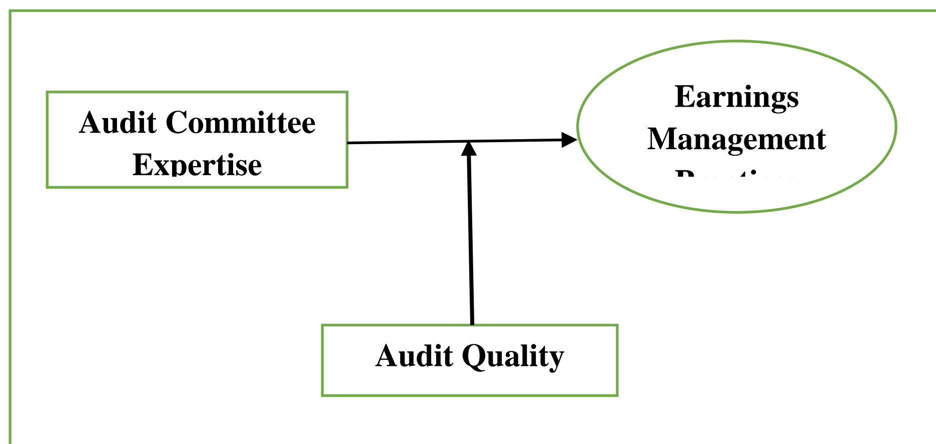

Figure 1. Conceptual Framework

4. METHODOLOGY

This study examined the impact of Audit Committee Expertise and Audit Quality on earnings management practices. A quantitative method using secondary data was employed, and the focus is on the Auditors and Auditors Committee's expertise in the financial reporting quality of the listed financial institutions in Nigeria. The sample for this study focuses on Nigerian financial institutions. Due to the non-availability of data from most financial institutions, the study focused on countries' annual financial reports in English and data on S&P Capital IQ. Based on those criteria, the final sample comprised 180 firm-year observations from 2010-2021. Firm-level financial data were obtained from the S&P Capital IQ, supplemented by firms' annual reports.

4.2. Variables Measurement

4.2.1. Dependent Variable-Earnings management

Several proxies of Earnings Management were used in the prior literature see (Capkun et al., 2016; Dechow et al., 2003; P. M. Dechow, R. G. Sloan, & A. P. Sweeney, 1995; Jalil et al., 2010; Kothari et al., 2016; Lel, 2019; Liu & Lu, 2007). However, consistent with Liu and Lu (2007), the study measures EM using total accruals such as NI-CFO/TA. Where NI means Net income, CFO means cash flow from the operation, and TA is the total asset.

Control Variables

Consistent with prior studies on determinants of EM (e.g.,), this study includes some frequently used firm and country-level control variables. The firm-specific variables include size, leverage, and profitability.

Estimation Technique: Generalized Methods of Moments

This section explains why using a GMM for regression analysis was appropriate. However, several criteria are considered when running the regression before selecting the best estimation technique. These problems include endogeneity, unobserved heterogeneity, and residual serial correlation. Serial correlation may be caused by measurement mistakes or the persistence of the dependent variable. In contrast, unobserved heterogeneity and endogeneity are caused by a non-zero correlation between a firm's fixed effects and a regressor (Dang et al., 2015). This study used a dynamic Generalized Method of Moment regression model to estimate the relationship between the variables. For that reason, the baseline model is as follows:

$$\mathbf{EM = \beta1 + \beta2EM_{t-1} + \beta3ACE + \beta4AQ + \beta5\ Leverage + \beta6ACE*AQ + \beta7FSize*AQ + \beta7\text{-}12ControlVariables + e}$$

Table 1: Measurement of Variables

Variables	Data level	Measurement	Data Source	Sources
EMP_{it}	Firm-level	Earnings using accruals	S&P CAPITAL IQ	Leuz, Nanda, and Wysocki (2003); P. M. Dechow, R. G. Sloan, and A. P. J. A. r. Sweeney (1995)
ACE_{it}	Firm-level	One of the firms has at least one ACFE, 0 Otherwise,	Annual Report	Carcello, Hollingsworth, Klein, Neal, and Management (2006)
AQ_{it}	Firm-level	Dummy variables = one if the company is Audited by big 4 and 0; otherwise	Annual Report	Alzoubi (2016); Houqe, Ahmed, and Van Zijl (2017)
$SIZE_{it}$	Firm-level	Natural logarithm of total assets for firm i in year t	S&P CAPITAL IQ	(Barth, 2015; Bello, Abubakar, & Adeyemi, 2016; Rahmaningtyas & Mita, 2017)
LEV_{it}	Firm-level	Is the end of the total liabilities divided by the end-year equity book value?	S&P CAPITAL IQ	(Barth, 2015; Bello et al., 2016); Capkun et al. (2016)
ROA_{it}	Firm-level	Net income before tax over the average total assets	S&P CAPITAL IQ	Gao et al. (2020), Manel Hessayri et al. (2015) and Liu (2019)

4.3 Descriptive Statistics

Table 2 shows the descriptive statistics (mean, standard deviation, minimum and maximum values). The average EM for a typical bank in this study is 0.13, which is comparable to the 0.126 obtained in
Kim, Miller, Wan and Wang (2016).

Table 2: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Earning Management	180	.13	4.444	-43.871	38.259
Audit Committee Expertise	180	.919	.094	.6	1
Audit Quality	180	4.622	1.371	0	6
Firm size	180	8.793	1.626	4.503	12.217
leverage	180	.889	.14	.284	2.547
ROA	180	.072	.033	-.018	.214

Note: EM=Earnings Management, ACE=Audit Committee Expertise, AQ=Audit Quality, IFRS=International Financial Reporting Standard, FS=Firm Size, Lev=Leverage, ROA=Return on Assets (Profitability).

4.4 pairwise correlation

Table 3: Correlation Matrix. The correlation matrix for the independent variables is Audit Committee Expertise, and the moderating variable is Audit Quality. The dependent variable of Earnings Management Practices shows an association between the variables in the table.

Table 3. Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) EM	1.000									
(2) ACE	-0.026	1.000								
(3) AQ	-0.005	0.163	1.000							
(4) firm size	-0.016	0.177	0.017	-0.097	1.000					
(5) leverage	-0.085	-0.150	-0.028	0.004	-0.021	1.000				
(6) ROA	0.026	0.061	0.107	0.229	-0.450	-0.114	1.000			

Note: EM=Earnings Management, ACE=Audit Committee Expertise, AQ=Audit Quality, IFRS=International Financial Reporting Standard, FS=Firm Size, Lev=Leverage, ROA=Return on Assets (Profitability).

Table 3 above is the correlation analysis between Earnings Management and Audit Committee Expertise. In the table, the Audit Committee Expertise has a negative coefficient of -0.026 with a significant value of 1% level with Earnings Management. This shows there is an association between Earnings Management and Audit Committee Expertise. Similarly, Audit Quality has a negative coefficient of -005 with a significant value of 1% level with Earnings Management. This also shows an association between Audit Quality and Earnings Management Practices.

4.5 RESULTS AND FINDINGS

Table 4 provides the results using the GMM model. For instance, the table shows that ACE is negatively related to Earnings Management. The results show that Audit Committee Expertise is negatively related to Earnings Management Practices, indicating that the largest Auditors' Experts reduce Earnings Management. This is consistent with previous results (Agwor et al., 2018; Alzoubi, 2019).

Similarly, the second objective and hypothesis of the study are to test the relationship between Audit Committee Expertise and earnings management practices with moderating effects of Audit Quality. The findings indicate that Audit Quality moderates the relationship between institutional investors and earnings management practices with a significant value of (std=8.477; P-Value 0.00***). This result is in line with the study of (Agwor et al., 2018; Alzoubi, 2019; Kamarudin et al., 2020).

Table 4: GMM Model

EM	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
EM	.166	.043	3.83	0	.081	.251	***
ACE	-275.489	51.314	-5.37	0	-376.063	-174.916	***
AQ	-47.339	8.477	-5.58	0	-63.953	-30.725	***
ACE*AQ	45.226	8.776	5.15	0	28.026	62.426	***
Firm size	2.383	1.222	1.95	.051	-.012	4.778	*
leverage	-4.905	3.109	-1.58	.115	-10.998	1.188	
ROA	54.326	19.928	2.73	.006	15.267	93.384	***
Constant	257.9	48.986	5.26	0	161.888	353.911	***
Year	Included						
Mean dependent var		0.229	SD dependent var			4.232	
Number of obs		402	Chi-square			176.671	

**** p<.01, ** p<.05, * p<.1*

5.1 DISCUSSION OF FINDINGS

This study investigates the impact of Audit Committee Expertise and Earnings Management Practices. Statistically, the result revealed that all the study hypotheses were significantly

supported. The relationship between audit committee expertise and earnings management practices is significant in this study. The finding is consistent with some previous studies (Badolato et al., & economics, 2014; Carcello et al., 2006), who in their studies independently showed that Audit committee financial expertise reduces the level of earnings management practices.

Lastly, the hypothesis on the link between Audit Quality and Earnings Management Practices is significant and supported in this study. The finding was backed up by the argument of some previous literature by Alzoubi (2019), Baatwah, Salleh, and Stewart (2019) and Bilal et al. (2018), reported demonstrated that the relationship between audit quality and Earnings Management Practices is noticeably negative. The outcome implied that businesses employing independent auditors have much lower Earnings Management levels. Furthermore, the study showed that when a company hires one of the Big 4 auditors, the degree of Earnings Management is substantially lower than when a company uses a non-Big four auditors.

5.2 CONCLUSION

This study aimed to determine how audit committee expertise and audit quality affected earnings management practices. The results showed a negative relationship between Earnings Management Practices, Audit Quality, and Audit Committee Expertise. The study also advanced knowledge by conducting an empirical investigation of the relationship between audit quality and audit committee expertise on earnings management practices in financial institutions in Nigeria.

The findings of this study will assist foreign and domestic investors as well as shareholders, managers, regulators, creditors, researchers, policymakers/stakeholders, and firms to be encouraged and ensure timely financial reporting quality that leads to investment decisions that result in economic growth and development. To replicate the findings of this study, the study concludes that a large sample size should be used. Other nations can also study these lines utilizing other individual practices or bundles. The most recent version of STATA or any other second-generation analytic technique can be used in future studies to reaffirm the Model.

REFERENCES

Agwor, T., Onukogu, J. O. J. I. J. o. E., & Management, F. (2018). Audit committee expertise and earnings management of quoted food and beverages firms in Nigeria. *3*(1), 44–55.

Al-Absy, M. S. M., Ismail, K., & Chandren, S. (2018). Accounting expertise in the audit committee and earnings management. *Business and Economic Horizons, 14*(3), 451–476. doi:10.15208/beh.2018.33

Al-hadal, W. M., & Hashim, H. A. (2022). Impact of audit committee characteristics and external audit quality on firm performance: evidence from India. *Corporate Governance: The International Journal of Business in Society, 22*(2), 424–445.

Alzoubi, E. S. S. (2016). Audit quality and earnings management: evidence from Jordan. *Journal of Applied Accounting Research, 17*(2), 170-189. doi:10.1108/Jaar-09-2014-0089

Alzoubi, E. S. S. (2019). Audit committee, internal audit function and earnings management: evidence from Jordan. *Meditari Accountancy Research, 27*(1), 72-90. doi:10.1108/Medar-06-2017-0160

Ashraf, M., Michas, P. N., & Russomanno, D. (2020). The impact of audit committee information technology expertise on the reliability and timeliness of financial reporting. *The Accounting Review, 95*(5), 23–56.

Baatwah, S. R., Salleh, Z., & Stewart, J. (2019). Audit committee chair accounting expertise and audit report timeliness: The moderating effect of chair characteristics. *Asian Review of Accounting, 27*(2), 273-306. doi:10.1108/ara-12-2017-0190

Badolato, P. G., Donelson, D. C., Ege, M. J. J. o. a., & economics. (2014). Audit committee financial expertise and earnings management: The role of status. *58*(2-3), 208–230.

Barth, M. E. J. A. P. (2015). Commentary on prospects for global financial reporting. *14*(3), 154–167.

Bello, A., Abubakar, S. A., & Adeyemi, T. (2016). IFRS adoption and earnings management in Nigerian non-financial quoted companies.

Bilal, Chen, S. S., & Komal, B. (2018). Audit committee financial expertise and earnings quality: A meta-analysis. *Journal of Business Research, 84*, 253-270. doi:10.1016/j.jbusres.2017.11.048

Capkun, V., Collins, D., & Jeanjean, T. (2016). The effect of IAS/IFRS adoption on earnings management (smoothing): A closer look at competing explanations. *Journal of Accounting and Public Policy, 35*(4), 352-394. doi:10.1016/j.jaccpubpol.2016.04.002

Carcello, J. V., Hollingsworth, C. W., Klein, A., Neal, T. L. J. C. C. G. M., & Management, E. (2006). Audit committee financial expertise, competing corporate governance mechanisms, and earnings management.

Dang, V. A., Kim, M., Shin, Y. J. J. o. B., & Finance. (2015). Searching robust methods for dynamic panel data models in empirical corporate finance. *53*, 84–98.

Dechow, P. M., Richardson, S. A., & Tuna, I. (2003). Why are earnings kinky? An examination of the earnings management explanation. *Review of Accounting Studies, 8*(2-3), pp. 355–384. doi: Doi 10.1023/A:1024481916719

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting Earnings Management. *Accounting Review, 70*(2), 193–225.

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. J. A. r. (1995). Detecting earnings management. 193–225.

Dion, M. J. J. o. F. C. (2016). Agency theory and financial crime: The paradox of the opportunistic executive.

GHANI, E. K., & CHE AZMI, A. F. (2022). The role of board structure and audit committee structure on financial reporting timeliness: evidence from publicly listed companies in Malaysia. *The Journal of Asian Finance, Economics and Business, 9*(5), 443-453.

Houqe, M. N., Ahmed, K., & Van Zijl, T. J. I. J. o. A. (2017). Audit quality, earnings management, and cost of equity capital: evidence from India. *21*(2), 177-189.

Jalil, A. A., Rahman, R. A. J. J. o. f. R., & Accounting. (2010). Institutional investors and earnings management: Malaysian evidence.

Jensen, M. C., & Meckling, W. H. (2019). Theory of the firm: Managerial behavior, agency costs and ownership structure. In *Corporate Governance* (pp. 77-132): Gower.

Juhmani, O. (2017). Audit committee characteristics and earnings management: The case of Bahrain. *International Journal of Accounting and Financial Reporting, 7*(1), 11–31.

Kamarudin, K. A., Ariff, A. M., Jaafar, A. J. J. o. C. A., & Economics. (2020). Investor protection, cross-listing and accounting quality. *16*(1), 100179.

Komal, B., Bilal, Ezeani, E., Shahzad, A., Usman, M., & Sun, J. (2023). Age diversity of audit committee financial experts, ownership structure and earnings management: Evidence from China. *International Journal of Finance & Economics, 28*(3), 2664-2682.

Kothari, S. P., Mizik, N., & Roychowdhury, S. (2016). Managing for the Moment: The Role of Earnings Management via Real Activities versus Accruals in SEO Valuation. *Accounting Review, 91*(2), 559–586. doi:10.2308/accr-51153

Lel, U. (2019). The role of foreign institutional investors in restraining earnings management activities across countries. *Journal of International Business Studies, 50*(6), 895–922. doi:10.1057/s41267-018-0195-z

Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: an international comparison. *Journal of Financial Economics, 69*(3), 505-527. doi:10.1016/s0304-405x(03)00121-1

Lindberg, A. (2020). Developing theory through integrating human and machine pattern recognition. *Journal of the Association for Information Systems, 21*(1), 7.

Liu, Q., & Lu, Z. J. J. J. o. C. F. (2007). Corporate governance and earnings management in the Chinese listed companies: A tunneling perspective. *13*(5), 881–906.

Mardessi, S. M., & Fourati, Y. M. (2020). The impact of the audit committee on natural earnings management: Evidence from the Netherlands. *Corporate Governance, 1*, 33-46.

Rahmaningtyas, F., & Mita, A. F. (2017). *IFRS Adoption, Earnings Management and Investor Protection in Several Asian Countries.* Paper presented at the 6th International Accounting Conference (IAC 2017).

Rizk, A., & Elragal, A. (2020). Data science: developing theoretical contributions in information systems via text analytics. *Journal of Big Data, 7*, 1-26.

Saleh, I., Afifa, M. A., & Haniah, F. (2020). Financial factors affecting earnings management and quality: New evidence from an emerging market. *ACRN Journal of Finance and Risk Perspectives, 9*.

Soliman, M. M., & Ragab, A. A. (2014). Audit committee effectiveness, audit quality and earnings management: an empirical study of the listed companies in Egypt. *Research Journal of Finance and Accounting, 5*(2), 155-166.