OPEN ACCESS
Global Journal of Research in Business Management
ISSN: 2583-6218 (Online)
Volume 04 | Issue 05 | Sept.-Oct. | 2024
Journal homepage: https://gjrpublication.com/gjrbm/
Research Article

Effect of Audit Committee Characteristics on Audit Report Lag of Listed Consumer Goods Companies in Nigeria

*HYELLAKI, Javan[1], GODIYA, Jesse Wafinzida[2] & ABUBAKAR, Mohammed[3]

[1,2&3] Department of Accountancy, Federal Polytechnic Mubi, Adamawa State, Nigeria.

DOI: 10.5281/zenodo.13941477 **Submission Date:** 11 Sept. 2024 | **Published Date:** 16 Oct. 2024

***Corresponding author:** **HYELLAKI, Javan**
Department of Accountancy, Federal Polytechnic Mubi, Adamawa State, Nigeria.

Abstract

This study examined the effect of audit committee characteristics on audit report lag of listed consumer goods companies in Nigeria. Data for the study were derived from annual reports of ten consumer goods companies listed on the Nigerian Stock Exchange for the period 2012 to 2022. The data were analyzed using auto regressive distributive lag and the regression estimation results revealed that a positive and significant relationship exists between audit committee size, audit committee independence, audit committee expertise. Positive but insignificant relationship between audit committee meetings and audit report lag, positive and significant relationship exist between leverage and audit report lag, a negative and insignificant relationship between board size and audit report lag of listed consumer goods companies in Nigeria. The study concluded that audit committee size, independence and expertise affect audit report lag while audit committee meeting does not affect audit report lag. Therefore, the study recommends that membership of audit committee should possess some level of knowledge and experience in accounting profession to understand all aspects of accounting to be able to carry out their functions well. Government should make a policy that can categorically spell out the days allowed for reporting of audited financial statements of companies in order to reduce audit lag.

Keywords: *Audit Committee characteristics, Audit Report Lag, Listed Consumer Goods Companies of Nigeria*.

Introduction

Audit committee is one of the mechanisms of corporate governance, made up of members of a company's board of directors to oversee its financial operations and reporting quality. It is the major operating committee of a company's board of directors that is in-charge of overseeing financial reporting and disclosure, Boyle (2020). The members of the committee are appointed by a company as a link between the board of directors and the external auditors, this committee normally has a majority of non-executive directors and is expected to view the company's affairs in a detached and dispassionate manner (Habbash,2010; Emeh&Appah, 2013). In the view of Robinson and Owen-Jackson (2009) audit committees are selected members of companies who take an active role in overseeing the companies accounting and financial reporting quality, policies and practices. Audit committee being an integral part of corporate governance structure is the mandatory committee of the board of directors that is established to provide support to the board by offering objective advice on issues concerning risk, control and governance of the organization (Eyenubo, Mohammed & Ali, 2017). In addition to the foregoing, Ayemene and Elijah (2015) reported that audit committee is a committee of the board that specializes in, and is responsible for, ensuring the accuracy and reliability of the financial statements provided by management. Therefore, in line with the views of researchers mentioned earlier on establishment and objective of audit committee, it is agreed that the Committee promotes good corporate governance and enhance the integrity of financial reporting quality.

According to Soewignyo and Soewignyo (2018), audit committee is an essential committee that oversees the activities of the company, as it relates to corporate reporting, auditing and adherence to rules and regulations, on behalf of the owners. Bhattacharjee and Islam (2010) have believed that formation of the Committee helps to protect shareholder's value and to oversee a firm's administration, so as to guard the interest of the principals.

Many studies in the past explained the importance of the timeliness in reporting company's financial statement to the stakeholders more especially the investors. One of such studies is that of Efobi and Okougbo (2015) which posit that timeliness of the release of corporate reports is one of the characteristics of good financial reporting system. This is based on the fact that with passage of time, accounting information becomes less relevant for decision making. Similar studies like (Afify, 2009; Baatwah, Salleh& Ahmad, 2015 and Alfraih, 2016) spelled out the necessity of timely reporting of financial statement of companies.

In the same vein, regulatory authorities such as Securities and Exchange Commission (SEC) of the United States of America (USA), United Kingdom Stock Exchange (UKSE) emphasized the need for the timely release of corporate financial reports. Nigeria is not an exception, considering the fact that the Securities and Exchange Commission requires a minimum of 90 days after the company financial year end to release their corporate reports. Despite this regulation, listed companies in Nigeria still experience time lags in the release of their financial reports, (Uchenna and Peace (2019).

Stating the importance of audit report lag to investors, identifying the determinants of audit report lag has been of interest to scholars as exhibited in recent researches conducted by Abernathy, Barnes, Stefaniak and Weisbarth, (2017), Sharma, Tanyi and Litt (2017), Wan-Hussin, Bamahros and Shukeri (2018),Salehi, Bayaz and Naemi (2018) and Raweh, Kamardin and Malik (2019) that audited financial reports disclosure in developing countries is not in a timely manner and there is a significant lag in audit report timeliness behind those of developed economies. However, most empirical studies conducted in Nigeria were in service sectors with two or three attributes or other characteristic like tenure of office of audit committee. Secondly, most of the researches were conducted in developed countries where reporting timeline is fully regulated. Therefore, this study will look at effect of audit committee characteristics proxies by audit committee size, independence, expertise and frequency of meetings on audit report lag of listed consumer goods companies in Nigeria.

It is the objective of the study to assess the effect of audit committee characteristics and financial regulation on the audit reporting lag of listed consumer goods companies in Nigeria

To achieve the objective of this study the following research hypothesis was formulated based on the audit committee characteristics of the study.

H_1: *Audit committee characteristics have no positive and significant effect on audit report lag periodofconsumer goods companies in Nigeria.*

The study is structured into five (5) structural parts denoted by sections. Introduction section gives the general overview of the study, literature review section reviews related literatures to the study to explain more on the subject matter of the study, methodology section states the method used for data gathering, source of such data, how the research is designed, method of data estimation and model specification, section four (4) is for the results and discussions of findings and the final section presents the summary, conclusion and recommendations on the results of the study.

Literature Review
Conceptual Clarification
Audit committee of companies ensures that the companies'management is working to improve and increase the wealth of all shareholders accordingly (Al-Matari, Hassan & Alaary, 2016; Al-Matari, Homaid & Alaary, 2016). Section 404 (4) of Companies and Allied Matters Act (2020) states that the audit committee shall examine the auditors' report and make recommendations thereon to the annual general meeting as it may deem fit. Turley and Zaman (2014) elucidate that the effective observation of the audit committee protects the interests of shareholders in light of the annual financial reporting, external auditing efficiency and internal control. Audit committees, to be qualified and trustable, are required to hold some crucial features. Such features include independent, expertise, size and meeting of members. Effective audit committee is expected to minimize errors or financial misstatement in the financial statements of the company and to increase the probability of detecting management fraud (Goodwin &Seow, 2012).

Section 404 (7) of CAMA (2020) stipulates that subject to such other additional functions and powers that the company's articles may stipulate, the objectives and functions of the audit committee are to (*a*) ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices, (*b*) review the scope and planning of audit requirements, (*c*) review the findings on management matters in conjunction with the external auditor and departmental responses thereon,(*d*) keep under review the effectiveness of the company's system of accounting and internal control,(*e*) make recommendations to the board with regard to the appointment, removal and remuneration of the external auditors of the company and(*f*) authorise the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee.

Audit Report Lag

Abernathy, Barnes, Stefaniak and Weisbarth, (2017) considered annual audit length to be one of the most significant factors determining the timeliness of financial reporting by companies. As required by regulations in several countries, companies are only allowed to issue their financial reports after certification of the company's financial statements by external auditors. Then, audit lag is explained as the length of time being it calculated in days, weeks or months between the ends of company's financial year to the date that company's financial statement is signed by external auditors (Swanson & Zhang, 2018). Researches shown that audit report lag is critical because it is related to public's confidence in the audited financial reports (Sultana, Singh, & Van der Zahn, 2018; Salleh, Baatwah & Ahmad, 2017). Delay of audit report jeopardizes the quality of accounting information in the face of users of the information, that is by not giving timely information to shareholders and other users (Nor et al., 2010). Late disclosure of the auditor's opinion about the fairness of financial information results in increase in asymmetric information and uncertainty in investment decisions (Afify, 2009; Mande& Son, 2019). Hence, according to Ahmad, Mohamed and Nelson (2016) audit lag directly refers to the timeliness of financial reporting which when delay affects the confidence of stakeholders, this will negatively influence investor's trust in such companies, therefore, affecting the decision-making process.

Audit Committee Size and Audit Report Lag

Audit committee size represents the total number of audit committee members that make up the audit committee. Section 404 (3) of CAMA (2020) states that the audit committee shall consist of five members comprising of three members and two non-executive directors, the members of the audit committee are not entitled to remuneration, and are subject to election annually. Karajeh *et al*., (2017) opines that multiplicity of knowledge and skills are brought to the fore when there are larger audit committee members available to do their duties. This will result to effective and efficient output to the companies. In executing its duties of controlling and monitoring the behaviour of management they are expected to have enough members (Vicknair, Hickman & Carnes 1993). Though the NCCG did not specify the number of audit committee members that can make up the audit committee, but it requires that at least three members, of whom shall be non-executive directors, and a majority should be independent non-executive directors. Jesen (1993) posits that the duties of the audit committee are better executed by companies with small-size audit committee. It is argued that large-size audit committee results in more hands to achieve the firm's objective.

Also, Hillman and Dalziel (2003) argued that an increase in audit committee size can result in lack of active participation by some directors, which in turn impairs cohesion indecision-making, and undermining the controlling and monitoring functions. Bédard and Gendron (2010) further states that audit committee with a small size has a diversity of expertise and can ensure the appropriate monitoring. But in contrary, other studies have suggested that large audit committee size increases the variety of experience and sufficient resources, as well as improves the overseeing quality (Shukeri& Islam, 2012).

Audit Committee Independence and Audit Report Lag

The code of best practice of corporate governance in Nigeria requires absolute independence audit committee, highly competent with a high level of integrity to objectively review the work of external auditors (Olabisi, Kolawale, Ayodele & Ayomipo, 2020). Audit committee members are independent when they are able to perform their statutory obligations without any influence or interference. When the independence of the audit committee is compromised it becomes a toothless bull and its activities a waste of time and resources. Where audit committee independence is available, it could enhance the quality of voluntary disclosure (Menon, & Williams, 1994). In the view of Eriabie and Izedonmi (2016) audit committee independence implies that its members are notinfluencedin any away by the management and any of the majority shareholders, officers or executive directors of the company in the audit committee.

Audit Committee Financial Expertise and Audit Report Lag

Section 404(5) of CAMA (2020) states that all members of the audit committee shall be financially literate and at least one member shall be a member of a professional accounting body in Nigeria established by an Act of the National Assembly. Audit committee financial expertise is when at least a director of the audit committee possesses professional knowledge of accounting and finance (Susanto, 2016; Madi *et al*, 2014). One of the major requirements of the NCCG is the pecuniary skill of the audit committee members. It is a requirement for at least one audit committee members to have financial mastery and the capacity to study and interpret financial information (NCGC, 2018). In addition, the code recommendation on at least a member of the audit committee should be knowledgeable in accounting is because of the financial prowess of the audit committee member enables them to appreciate the relevance of the annual report and not seeing it as a means of just fulfilling statutory demands.

Audit Committee Meeting and Audit Report Lag

The NCCG (2018) requires the audit committee to meet at least once in every quarter. The code also expects that the number, timing and length of the meetings should be appropriate to make the committee achieves its objectives. Frequent meetings create avenue for deliberation of key issues that have to do with adequate disclosure and other related matters.

Frequent meetings by members of the board will probably spur them to achieve their assignment diligently (Amina, 2018). The regularity of meetings suggests a vibrant audit committee (Yadirichukwu & Ebimobowei, 2013).

The number of audit committee meetings is an indicator of audit committee effectiveness. This is because the various users of financial reports perceive fewer meetings as an indicator of less commitment and insufficient time to oversee the financial reporting process (Madawaki & Amran, 2013). Mohamad-Nor, Shafie, and Wan-Hussin (2010) stated that the audit committee have to meet frequently and write down its conclusions in carrying out its responsibilities and duties. The study also showed that, meeting frequently of audit committee can reduce the audit report lag. Aljaaidi, Bagulaidah, Ismail and Fadzil (2015) in their study of the determinants of audit report lag in Jordan found that, frequent audit committee meetings result to reduce delay in audit report.

Theoretical Framework

Theoretically, the agency theorists claim that audit committee is the most significant internal governance mechanisms to reduce agency conflict among managers and owners (Komal & Bilal, 2016; Raweh, Kamardin & Malik, 2019) ensures that better information flows between them by its overseeing function over the fundamental activities of business (Ika & Ghazali, 2012). The audit committee is also the most important internal observing tool that can ensure the quality and timeliness submission of financial reporting (Afify, 2009; Shukeri & Islam, 2012). The theories concern with audit committee and audit report lag will be reviewed as follows:

Agency Theory: Agency theory identifies the agency relationship with one party, the principal who delegates work to another party, the agent (Appah, 2019). It is based on the relationship between the principal and the agent. The separation of ownership from management in modern corporations provides the context for the functioning of the agency theory. The theory of agency relationship mirrors the basic structure of a principal and an agent who are engaged in cooperativebehaviour, but have differing goals and attitudes towards risk. In the context of a corporation, the owners are the principal and the directors the agent (Emeh&Appah, 2013). In organizations and issues of corporate control, agency theory views corporate governance mechanisms, especially the board of directors as being an essential monitoring device to try to ensure that any problem that may be brought about by the principal-agent relationship are minimized (Appah, 2019). According to the agency theory, audit committees are important bodies that ensure the companies'management is working to improve and increase the wealth of all shareholders (Al-Matari, Hassan & Alaaraj, 2016; Al-Matari, Homaid & Alaaraj, 2016). Power Theory: Al-Lehaidan (2006) defined power as the situations in which one social actor prevails over others. Power often is an implicit element in the control of organizational action. Hence, components of organizations, such as audit committees, must possess power to discharge their responsibilities effectively. In the context of audit committees, Kalbers and Fogarty (1993) identified six types of power that could affect audit committee such as legitimate power, sanctionary power, information power, expert power and will power. In their study, they investigated the contribution of the power of audit committees in 90 US firms. Kalbers and Fogarty proposed that audit committee effectiveness is perceived as function of the types and extent of audit committee power. Their results revealed that the will power (diligence) has the most impact on audit committee effectiveness among the personal powers. Also, they review that formal, written authority and observable support from management played the most important roles in audit committee effectiveness (institutional powers). The classification of the different type of powers by Kalbers and Fogarty has aided the understanding that audit committees are composed of individuals, and as a result, their personal attributes cannot be ignored.

Stakeholder Theory: According to Appah (2019) a stakeholder is any group or individual who can affect or be affected by the achievement of a company's objectives. This theory observes that the company is a separate entity and it is connected to different parties in achieving wide range of objectives. The theory highlights interests of different groups and argues on the possibility of favoring one group's interest over that of others. If the unity of the corporate body is real, then there is reality and not simply legal fiction in the proposition that the managers of the unit are fiduciaries for it and not merely for its individual members, that they are trustees for an institution rather than attorneys for the stockholders.

Hillman, Keim and Luce (2001) found that conclusion of interested parties in the board merely improves their relation and performance. An active audit committee ensures better corporate governance practice in a firm that ultimately leads to the overall welfare of stakeholders. The definition of active audit committee given by Dezoort, Hermanson and Archambeault (2002) emphasized the stakeholders' interest. They argued that the ultimate goal of the audit committee is to protect stakeholders' interest and welfare.

Empirical Review

Jerry and Ofe (2020) examined effect of Audit committee attributes on intellectual capital disclosure of 8 listed banks in Nigeria from 2014-2017. Content analysis was used to extract intellectual capital disclosure items from annual report of banks. They found that audit committee size, independent, expertise and meeting are significantly associated with intellectual capital disclosure

Raweh, Kamardin and Malik (2019) examined effect of audit committee characteristics and audit report lag in Oman using data from 255 companies listed in the Muscat Securities market from 2013 to 2017.Multivariate analyses of their investigation showed that audit committee size positively associated with audit report lag and audit committee financial expertise reduces audit lag.

Bouaine and Hrichi (2019) studied the impact of audit committee adoption and its characteristics on financial performance of 100 French companies. Their results indicated that the independence of the audit committee have a negative impact on the performance measured by ROE and ROA. The results also revealed that the size, the financial expertise and the diligence of the audit committee have no impact on the financial performance of listed French companies when the performance is measured by ROE.

Ohaka and Tom-Abio (2018) investigated audit committee independence and corporate financial reporting quality in Aluminum Corrugating Companies in Rivers State. Their study showed that audit committee independence significantly relates with corporate financial reporting quality in Aluminium Corrugating companies in Rivers State.

Wasonga and Omoro (2017) investigated the effect of audit committee effectiveness and audit evaluation on audit quality. Their study revealed that the independence of the audit committee, qualification of its members as reflected on the knowledge and expertise and the size of the committee is believed to improve the financial reporting quality.

Handayani and Yustikasain (2017) analysed corporate governance and audit report lags of listed manufacturing companies in Indonesian Stock Exchange in 2013-2015. The result of the study showed that independent board of commissioners has no significant effect on audit report lags; competence of Audit Committee members has significant effect on auditor report lags.

Ghafran and Yasmin (2017) analysed audit committee chair and financial reporting timeliness: a focus on financial expertise, experimental and monitoring expertise of FSTSE 350 companies for the period 2007 to 2010. The result of their study revealed that the experiential and monitoring expertise of audit committee chairs have a significant negative association with the delay in the audit report lag period, possibly resulting in more effective audit committee chairs, at least in the face of financial reporting timeliness. Their study also revealed that audit committee composite compliance variable has a significant negative association with the audit report lag period, which suggests that a firm's compliance with audit committee regulations is also beneficial for financial reporting timeliness.

Sultana, Singh, and Van der Zahn (2015) analysed audit committee characteristics and audit report gag and Baatwah, Salleh, and Ahmad, (2015) investigated corporate governance mechanisms and audit report timeliness in Oman (2015) further found that the audit committees which have financial expertise led to reduce audit report lag. In Jordan, Aljaaidi, Bagulaidah, Ismail and Fadzil (2015) found that, frequent audit committee meetings result to reduced delay in audit report

Othman et al. (2014) examined the relationship between audit committee characteristics and mandatory disclosure of largest 100 companies in Bursa Malaysia. The study found no relationship between audit committee independence, expertise, meetings and size and the mandatory disclosure of ethics, while audit committee tenure and multiple directorships had positive and negative relationship respectively with mandatory disclosure. In summary, there is still conflicting evidence in the relationship between audit committee and disclosures.

Abernathy, Beyer, Masli, and Stefaniak, (2014), studied of the association between characteristics of audit committee accounting experts, audit committee chairs, and financial reporting timeliness found that the audit committee with a high proportion of accounting and financial expertise isrelated to timely audit reports.

Methodology
This section of the paper presents the method of data collection, the type of data and the how thw research is designed. The population of the study, the sample, the model specification and data estimation technique adapted to examined the effect of audit committee characteristics and financial regulation on.

Method of Data Collection
This study employed panel data gathered from published audited financial statements of the sampled listed consumer goods companies for period of 12 years from 2010.

Population and Sample of the Study

The study considered all listed consumer goods companies on the Nigerian Stock Exchange for the period 2012 to 2022. However, ten (10) companies among them were used for the study, because their audited financial statements are available for the period under study.

Measures of Variables

Asika (2008) stated that measurement is viewed as the integrative process of determining the integrity of information about constructs, concepts or objectives of interests and their relationships to a defined business problem or opportunity. Therefore, the variables in this study are made up of the dependent (endogenous) variable, independent (exogenous) variables and control variables.

Table 1: Operationalization of Variables

S/N	Variable	Definition	Type	Measurement	Authors
1	ARL	Audit Report Lag	Dependent	The number of days between the end of and company's year and audit report date	Mohamad-Nor, Shafie and Wan-Hussin (2010); Salleh, Battwah Ahmad (2017); Ghafran and Yasmin (2018); Raweh, Kamardin and Malik (2019).
2	ACS	Audit Committee Size	Independent	Number of audit committee members	Mohamad-Nor, Shafie and Wan-Hussin (2010); Salleh, Battwah and Ahmad (2017); Raweh, Kamardin and Malik (2019), Bouaine and Hrichi (2019)
3	ACI	Audit Committee Independence	Independent	The proportion of independent audit committee directors	Mohamad-Nor, Shafie and Wan-Hussin (2010); Salleh, Battwah and Ahmad (2017); Raweh, Kamardin and Malik (2019), Bouaine and Hrichi (2019)
4	ACX	Audit Committee Financial Expertise	Independent	The proportion of directors who qualify as accounting or financial experts in the audit committee.	Mohamad-Nor, Shafie and Wan-Hussin (2010); Salleh, Battwah and Ahmad (2017); Raweh, Kamardin and Malik (2019), Bouaine and Hrichi (2019)
5	ACM	Audit Committee Meeting	Independent	The number of audit committee meeting held annually	Mohamad-Nor, Shafie and Wan-Hussin (2010); Salleh, Battwah and Ahmad (2017); Raweh, Kamardin and Malik (2019), Bouaine and Hrichi (2019).
6	BOS	Board Size	Control	Number of directors on the board	Sultana, Singh, and Vander Zahn (2015); Raweh, Kamardin and Malik (2019).
7	LEV	Leverage	Control	Ratio of the total debt to total assets	Ayemene and Elijah (2015), Khlif and Samaha,2016 Raweh, Kamardin and Malik (2019).

Source: Several Prior Studies

Model Specification

For the model specification, the ordinary least square was adopted for the purpose of hypotheses testing. The ordinary least square was guided by the following model:

ARL it = β0it + β1ACSit + β2ACIit + β3ACXit + β4ACMit + β5Frit + β6BOSit + β7LEVit + ε… (1)

Results and discussion

This section of the paper presents the results and discussion obtained from the audited annual reports of sampled companies for audit committee characteristics and audit report lag of listed consumer goods firms in Nigeria.

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
ACS	0.45854	0.22541	2.03424	0.4981
ACI	0.49451	0.20264	2.44033	0.0475
ACX	0.85371	0.42442	2.02493	0.0119
ACM	0.13524	0.66956	0.19684	0.9043
BOS	-0.68754	0.38107	-1.807779	0.3871
LEV	0.19454	0.08997	2.428899	0.0001
C	9.7458	80.07368	0.121181	0.9041
R-squared	0.702293	Mean dependent var		94.31148
Adjusted R-squared	0.617866	S.D. dependent var		61.69291
S.E. of regression	38.24442	Akaike info criterion		10.31243
Sum squared resid	70206.50	Schwarz criterion		10.76229
Log likelihood	-301.5291	Hannan-Quinn criter.		10.48873
F-statistic	9.336025	Durbin-Watson stat		2.140355
Prob(F-statistic)	0.000000			

Source: Author's Computation using E-views, 2024

The preferred Autoregressive Distributed Lag (ARDL) model results reveal that: a positive relationship exists between audit committee sizes, audit independent, audit committee expertise, audit committee meetings, leverage and audit report lag but a negative relationship between board size and audit report lag.

Therefore, a unit increase in audit committee size will lead to 0.45854units increase in audit report Lag, this means that there exists a positive and significant influence between audit committee size and audit report lag at 5%. A unit increase in audit committee independence will lead to an increase in audit report lag by 0.49451, this also means that audit independence and audit report lag are positively and **negatively related significantly at 5%,a unit increase in audit committee expertise will lead to an increase in audit report lag by 0.85371, indicating that a positive and significant relationship exist between audit committee expertise and audit report lag at 1% and a unit increase in leverage will lead to 0.19454 increase in audit report lag. A unit increase in Board Size will lead to a fall in audit report lag by 0.78754. The adjusted, R^2 of 0.617866 shows that the model fits for the variables for the study.

Averagely 62% of the variations in the dependent variable is explained by the independent variable. The F-statistic value of 9.336025 and a probability value of 0.0000 revealed that the entire model is statistically significant. The Durbin-Watson statistic of 2.1 which is above the benchmark of 2.0 shows tolerable level of autocorrelation, this indicates that the model can be relied upon for policy decision making. Based on this result that the independent variables showed a 62% variation in the dependent variable, that is audit report lag, then, the hypothesis is rejected.

Discussion of Findings

The results revealed that a positive and significant relationship exists between audit committee size and audit report lag. The finding is consistent with the study of Emehand Appah (2013), Raweh, Kamardin and Malik (2019) that audit committee size is significantly related to audit report lag. Therefore, the study fails to reject the hypothesis that said audit committee size is positively and significantly related to audit report lag. However, it is argued that an increase in audit committee size can result in lack of active participation by some directors, which in turn impairs cohesion in decision-making, and undermining the controlling and monitoring functions (Hillman &Dalziel, 2003). Bédard and Gendron (2010) noted that audit committee with a small size has a diversity of expertise and can ensure the appropriate monitoring.

The results revealed a positive and significant relationship between audit committee independence and audit report lag. The finding is consistent with the studies of Ohaka and Tom-Abio (2018) andJerry and Ofe (2020) but contrary to the studies of Bouaine and Hrichi (2019), Handayani and Yustikasain (2017) that audit committee independent is negatively and insignificantly related to audit report lag. This means that the formulated hypothesis should be accepted regarding the independent as characteristic of audit committee.

The results revealed that a positive relationship exists between audit committee expertise and audit report lag. This finding is in consonant with the study of Abernathy et al. (2014) that found that the audit committee with a high proportion of accounting and financial expertise is related to timely audit reports. Sultana et al. (2015) and Baatwah et al.(2015a) further noted that the audit committees which have financial expertise led to reduce audit report lag. However, Mohamad-Nor et al., (2010; Wan-Hussin & Bamahros, (2013). empirical evidence is in disagreement with this prediction and reveals that audit report lag is not significantly associated with audit committee financial expertise.

The results revealed that a positive relationship exists between audit meeting and audit report lag. This finding is in agreement with the studies of Aljaaidi, Bagulaidah, Ismail and Fadzil (2015) that stated that frequent audit committee meetings result to reduce delay in audit report. While Baatwah et al., (2015); Sultana et al., (2015; Salleh et al., (2017) studies found no association between audit committee meetings and audit report lag.

Summary, Conclusion and Recommendations

The study empirically investigated effect of audit committee characteristics on audit report lag of listed consumer goods companies in Nigeria. The study reviewed relevant literatures that studied audit committee Characteristics of audit size, audit independence, audit expertise and audit meeting on audit report lag. The study empirically indicated that audit committee size, audit committee independence and audit committee expertize have positive and significant influence on audit report lag of listed consumer goods companies in Nigeria. However, Audit committee meeting does not have any significant influence on audit report lag of listed consumer goods companies in Nigeria. That is to say the composition and content of the committee in terms of size, expert, knowledge and independence of the audit committee are significant factors influencing audit report lag, the findings of this study conform to prior studies as indicated in the discussion of findings.

The study concludes that audit committee characteristics have positive or negative influence that are significant or insignificant on the audit report lag. Based on the results of the study, the study concludes that audit committee size, expertise and independence are positive and significant influence on audit report lag of listed consumer goods companies in Nigeria. Therefore, the study recommends that membership of audit committee should poses some level of knowledge and experience in accounting profession to understand all aspects of accounting to enable them review financial statements presented by the management.

Also, the study recommends for high level of independence of audit committee, thereby recommending more independent directors to form more in the audit committee. This will ensure independency in the roles played by audit committee. It is expected if the audit committee is independent, the audit report lag would be minimal. Audit committee size is recommended to maintain the number as stipulated by CAMA (2020) so as to maintain cohesion in decision making.

Government should be guided by this study and find the results worthy of implementation, therefore, make a policy that can categorically spell out the days allowed for reporting of audited financial statements of companies in order to reduce audit lag.

References

1. Abbott, L., Park, Y. & Parker, S. (2000). “The Effects of Audit Committee Activity and Independence on Corporate Fraud”, *Managerial Finance, 26 (11),* 55-67.
2. Abernathy, J. L., Barnes, M., Stefaniak, C., and Weisbarth, A. (2017). “An International Perspective on Audit Report Lag: A Synthesis of the Literature and Opportunities forFuture Research”. *International Journal of Auditing, 21*(1), 100-127.
3. Abernathy, J. L., Beyer, B., Masli, A., and, C. (2014). “The Association between Characteristics of Audit Committee Accounting Experts, Audit Committee Chairs, andFinancial Reporting Timeliness”. *Advances in Accounting, 30*(2), 283-297.
4. Adebayo, A. (2005) Financial Reporting: An Aid to Efficient Economic Management in the Public Sector. *Nigeria Accountant*, 38 (1): 33-36.
5. Adeyemi, S.B. and Fagbemi, T.O. (2010). “Audit quality, corporate governance and firm characteristics in Nigeria”, *International Journal of Business and Management*, 5, 169-175.
6. Afify, H. A. E. (2009). “Determinants of Audit Report Lag: Does implementing Corporate Governance have any Impact? Empirical Evidence from Egypt”. *Journal of Applied Accounting Research, 10*(1), 56-86.
7. Ahmad, M., Mohamed, H., and Nelson, S. P. (2016). “The Association between Industry Specialist Auditor and Financial Reporting Timeliness-Post MFRS Period”. *Procedia-Social and Behavioral Sciences*, *219*, 55-62.
8. Al-Ajmi, J. (2008). “Audit and Reporting Delays: Evidence from an Emerging Market”. *Advances in Accounting, 24*(2), 217-226.
9. Alfraih, M. M. (2016). Corporate governance mechanisms and audit delay in a joint audit regulation. *Journal of Financial Regulation and Compliance*, *24*(3), 292-316.
10. Aljaaidi, K. S., Bagulaidah, G. S., Ismail, N. A., and Fadzil, F. H. (2015). “An Empirical Investigation of Determinants Associated with Audit Report Lag in Jordan”. *Jordan Journal of Business Administration, 11*(4), 963-980.
11. Al-Lehaidan, I. (2006). “Audit Committee Effectiveness: Australia and Saudi Arabia, unpublished thesis at Victoria University, Australia”, retrieved fromhttp://www.vuir.vu.edu.au/1438/1/Al_Lehaidan.pdf

12. Al-Matari, Y.A., Hassan, S., and Alaaraj, H. (2016), "Application of BASEL Committee's New Standards of Internal Audit Function: A Road Map towards Banks' Performance". *International Journal of Economics and Financial Issues*, 6(3), 1014-1018.
13. Al-Matari, Y.A., Homaid, A.A., and Alaaraj, H. (2016), "The influence of Audit Committee Effectiveness on Banks' Performance in Yemen". *International Journal of Economics and Financial Issues*, 6(4), 1424-1428.
14. Appah, E. (2019). *Financial Management: Theory, Strategy and Practice (2nd Ed.)*, Port Harcourt: Vinson Printing and Publishing Company.
15. Appah, E. (2018). *Auditing and Assurance Services.* Port –Harcourt: Vinson Printing and Publishing.
16. Appah, E. and Appiah, Z.K.A. (2010). "Corporate Governance: The Role of Audit Committee", *Journal of Public Policy Analysis,* 3(1): 80-86.
17. Appah, E. and Appiah, Z.K.A. (2011). "The increasing role of Auditing within the Corporate Governance Paradigm", *International Journal of Investment and Finance,* 4(1&2): 35-48.
18. Asika, N. (2008), *Research Methodology in the Behavioural Sciences*, Ikeja: Longman Nigeria PLC.
19. Ayemere, I.L and Afensimi, E. (2015). "Audit Committee Attributes and Earnings Management: Evidence from Nigeria", *International Journal of Business and Social Research,* 5(4): 14– 23.
20. Baatwah, S. R., Salleh, Z., and Ahmad, N. (2015). "Corporate Governance Mechanisms and Audit Report Timeliness: Empirical Evidence from Oman". *International Journal of Accounting, Auditing and Performance Evaluation*, *11*(3-4), 312-337.
21. Basuony, M. A., Mohamed, E. K., Hussain, M. M., and Marie, O. K. (2016). "Board Characteristics, Ownership Structure and Audit Report Lag in the Middle East". *International Journal of Corporate Governance*, *7*(2), 180-205.
22. Bédard, J. and Gendron, Y. (2010). "Strengthening the Financial Reporting System: Can audit committees deliver?". *International Journal of Auditing*, *14*(2), 174-210.
23. Bhattacharya, S. (2012). "The effectiveness of the ISM Code: A qualitative Enquiry". *Marine Policy*, *36*(2), 528-535.
24. Boo, E.F., and Sharma, D. (2008), "Effect of regulatory oversight on the association between internal governance characteristics and audit fees. *Accounting and Finance*, 48(1), 51-71.
25. Bonson-Ponte, E. et al. (2008). "Empirical Analysis of Delays in the Signing of Audit Reports in Spain", *International Journal of Auditing*, 12: 129-140.
26. Bouaine, W. and Hrichi, Y. (2019). "Impact of Audit Committee Adoption and its Characteristic son Financial Performance: Evidence from 100 French Companies", *Accounting and Finance Research*, 8(1): 92 – 102.
27. Bradbury, M. E. (1990). The incentives for voluntary audit committee formation. *Journal of Accounting and public policy*, *9*(1), 19-36.
28. Bryan, D., Liv, M.H.C., and Tiras, S. L. (2004). "The Influence of Independent and Effective Audit Committee on Earnings Quality". Working paper, State University of New York. Buffalo.
29. Chen, Y.M., Moroney, R. and Houghton, K. (2005). "Audit Committee Composition and the use of an industry specialist audit firm", *Accounting and Finance*, 45: 217-239.
30. Daily, C.M., Dalton, D.R. and Cannella Jr., A.A. (2003). "Corporate Governance: Decades of Dialogue and Data". *Academy of Management Review.28(3). 371-382*
31. Dao, M., & Pham, T. (2014). "Audit Tenure, Auditor Specialization and Audit Report Lag. *Managerial Auditing Journal*, *29*(6), 490-512.
32. Dellaportas, S., Leung, P., Cooper, B.J., Rochmah, S., and Mohd Ghazali, N.A. (2012), "Audit Committee Effectiveness and Timeliness of Reporting: Indonesian evidence". *Managerial Auditing Journal*, 27(4), 403-424.
33. DeZoort, F.T., Hermanson, D.R., Archambeault, D.S., and Reed, S.A. (2002), "Audit Committee Effectiveness: A Synthesis of the Empirical Audit Committee Literature". *Journal of Accounting Literature*, 21, 81-112.
34. Emeh, Y. and Appah, E. (2013). "Audit Committee and Timeliness of Financial Reports: Evidence from Nigeria", *Journal of Economics and Sustainable Development*, 4(20): 14 – 26.
35. Enofe, A. O., Aronmwan, E. J. and Abadua, H. S. (2013). "Audit committee report in corporate financial statements: Users perception in Nigeria". *European Journal of Accounting and Finance Research,*1(1): 16 – 28.
36. Eriabie, S.O. and Izedonmi, (2016), "Impact of Audit Committee Attributes on Financial Reporting Quality in Nigerian Quoted Companies", ICAN *Journal of Accounting and Finance* 5(1): 117-137.
37. Eyenubo, A., Mohammed, M. and Ali, M. (2017). "Audit Committee Effectiveness of Financial Reporting Quality in Listed Companies in Nigerian Stock Exchange", *International Journal of Academic Research in Business and Social Sciences*, 7(6): 487-505.
38. Felo, A.J. and Solieri, S.A. (2009). "Are all Audit Committee Financial Experts Created Equally?", *International Journal of Disclosure and Governance*, 6(2): 150-166.
39. Ghafran, C., and Yasmin, S. (2018). "Audit Committee Chair and Financial Reporting Timeliness: A focus on Financial, Experiential and Monitoring Expertise". *International Journal of Auditing*, *22*(1), 13-24.
40. Gujarati, D.N. and Porter, D.C. (2009). *Basic Econometrics (5th ed)*, New York: McGraw Hill.

41. Goodwin, J., and Seow, J.L. (2002), "The Influence of Corporate Governance Mechanisms on the Quality of Financial Reporting and Auditing: Perceptions of Auditors and Directors in Singapore". *Accounting and Finance,* 42(3), 195-223.
42. Habbash, M. (2010). "The Effectiveness of Corporate Governance and External Audit on Constraining Earnings Management Practices in the UK", Ph.D. thesis, Durham University. http://ethesis.dur.ac.uk/448
43. Handayani, Y.D. and Yustikasain, Y. (2017). "Corporate Governance and Audit Report Lags at Manufacturing Companies in the Industrial Sector of Consumption Goods", *European Journal of Business and Management*, 9(29): 24 -32.
44. Hillman, A.J., Keim, G.D. and Luce R.L. (2001). "Board Composition and Stakeholders Performance: *Do Shareholder Directors make difference? Business Society*, 40(3): 295 –314.
45. International Journal of Economics and Financial Management E-ISSN 2545-5966 P-ISSN 2695-1932, Vol 5. No. 2 2020 www.iiardpub.orgIIARD – International Institute of Academic Research and Development Page 63
46. Islam, M.Z., Islam, M.N., Bhattacharjee, S., and Islam, A.Z. (2010), "Agency Problem and the Role of Audit Committee: Implications for Corporate Sector in Bangladesh". *International Journal of Economics and Finance*, 2(3), 177.
47. Karim, W., Ahmad, K. and Islam, A. (2006). "The Effect of Regulation on Timeliness of Corporate Financial Reporting: Evidence from Bangladesh", JOAAG, 1(1): 15-35.
48. Haw, I., Qi, D and. Wu, W. (2000). "Timeliness of Annual Report Releases and Market Reaction to Earnings Announcements in an Emerging Capital Market: The Case of China". *Journal International Financial Management and Accounting,* 11(2): 108-131.
49. Kalbers, L.P., and Fogarty, T.J. (1993)." Audit Committee Effectiveness: An Empirical Investigation of the Contribution of Power. Auditing". *A Journal of Practice & Theory, Spring, 24–49.*
50. Kent, P., Routledge, J., and Stewart, J. (2010). "Innate and Discretionary Accruals Quality and Corporate Governance". *Accounting & Finance, 50*(1), 171-195.
51. Kibiya, M.U., Ayoib, C.A. and Amran, N.A. (2016). "Audit committee Independence, Financial Expertise, Share Ownership and Financial Reporting Quality: Further Evidence from Nigeria", *International Journal of Economics and Financial,* 6: 7-18.
52. Khasharmeh, H. A., and Aljifri, K. (2010). "The Timeliness of Annual Reports in Bahrain and the United Arab Emirates: An Empirical Comparative Study. *The International Journal of Business and Finance Research*, *4*(1), 51-71.
53. Khlif, H., and Samaha, K. (2016). "Audit Activity and Internal Control Quality in Egypt: Does External Auditor's Size Matter?". *Managerial Auditing Journal*, *31*(3), 269-289.
54. Knechel, W. R., and Sharma, D. S. (2012). "Auditor-provided Non-audit Services and Audit Effectiveness and Efficiency: Evidence from pre-and post-SOX Audit Report Lags. *Auditing: A Journal of Practice & Theory*, *31*(4), 85-114.
55. Komal, B. and Bilal, E. (2016). "Audit Committee Financial Experts' Role in Constraining Earnings Management: AAarrative Review and Integrated Model. *Management and Administrative Sciences Review*, *5*(4), 187-202.
56. Kumor-Ismail, K.N.I. and Chandler, R. (2004). "The Timeliness of Quarterly financial reports of companies in Malaysia", *Asian Review of Accounting*, 12(1): 1-18.
57. Madawaki, A. and Amran, N.A. (2013). "Audit Committee: How They Affect Financial Reporting in Nigerian Companies", *Journal of Modern Accounting and Auditing*, 9(8): 1070 – 1080.
58. Mande, V., and Son, M. (2011). "Do Audit Delays Affect Client Retention?". *Managerial ditin Journal, 26*(1), 32-50.
59. McGee, R., and Yuan, X. (2011). "Corporate Governance and the Timeliness of Financial Reporting: A Comparative Study of the People's Republic of China, The USA and The European Union". *Journal of Asia Business Studies,* 6 (1).
60. Mitra, S. & Hossain, M. (2007). "Ownership composition and non-audit service fees", *Journal of Business Research,* 60: 348-356.
61. *Mohamad-Nor, M. N., R., and Wan-Hussin, W. N. (2010). "Corporate Governance and Audit Report Lag in Malaysia. *Asian Academy of Management Journal of Accounting and Finance*, *6*(2), 57-84.
62. Mohiuddin, M., & Karbhari, Y. (2010). Audit committee effectiveness: A critical review. *Journal of Business and Economics*, *9*(1), 97-125.
63. Ohaka, J. and Tom-Abio, I. (2018). "Audit Committee Independence and Corporate Financial Reporting Quality in Aluminum Corrugating Companies in Rivers State", *International Journal of Economics and Financial Management*, 3(1): 56 – 65.
64. Oji, O. and Ofoegbu, G.N. (2017). "Effect of Audit Committee Quality on Financial Reporting of Listed Companies in Nigeria: A Perspective Study", *International Journal of Scientific and Research Publications*, 7(10): 278-281.
65. Ojo, M. (2009)" The Role of External Auditors in Corporate Governance: agency problems and management of risks". Munich Personal Repec Archive Paper No. 15989. http:// mpra.ub.uni-muenchen.de/15989. Retrieved on 23th June 2019.

66. Okaro, S. C., and Okafor, G. O. (2013). Drivers of Audit Failure in Nigeria- Evidence from Cadbury. *Research Journal of Finance and Accounting, 4(6)*, 14–17.
67. Othman, R., Ishak, I. F., Arif, S. M. M., and Aris, N. A. (2014). Influence of audit committee characteristics on voluntary ethics disclosure. *Procedia - Social and BehavioralSciences,145*,330–342. http://doi.org/10.1016/j.sbspro.2014.06.042
68. Owolabi, S. A.& Dada, S. O. (2011). "Audit Committee: An Instrument of Effective Corporate Governance". *European Journal of Economics, Finance and Administrative Sciences. Retrieved from: http://www.eurojournals.com on December 17*, 2018.
69. Owusu-Ansah, S. (2000). "Timeliness of Corporate Financial Reporting in Emerging Capital Markets: Empirical Evidence from the Zimbabwe Stock Exchange". *Accounting and Business Research, 30*(3), 241-254.
70. Ram, B. R., and Hassan, A. N. (2017). "Audit Quality and Audit Report Lag in Malaysia". *Imperial Journal of Interdisciplinary Research, 3*(10), 624-630.
71. *Raweh, N.A.M., Kamardin, H. and Malik, M. (2019). "Audit Committee Characteristics and Audit Report Lag: Evidence from Oman", *International Journal of Accounting and Financial Reporting*, 9(1): 152-169.
72. Robinson, D. R. and Owens-Jackson, L. A. (2009). "Audit Committee Characteristics and Auditor Changes". *Academy of Accounting and Financial Studies Journal, 13*(Special Issue), 117-133
73. Saleem, F., Alifiah, M.N. and Tahir, M.S. (2016), "The Effectiveness of Monitoring Mechanisms for Constraining Earnings Management: A Literature Survey for a Conceptual Framework". *International Journal of Economics and Financial Issues*, 6, 3S.
74. Salehi, M., LariDashtBayaz, M., and Naemi, M. (2018). "The Effect of CEO Tenure and Specialization on Timely Audit Reports of Iranian listed Companies. *Management Decision, 56*(2), 311-328.
75. Salleh, Z., Baatwah, S. R., and Ahmad, N. (2017). "Audit Committee Financial Expertise and Audit report Lag: Malaysia further insight". *Asian Journal of Accounting and Governance, 8*, 137-150.
76. Sanda, A.U., Mikailu, A.S. and Garba, T. (2010). "Corporate Governance Mechanisms and Firms Financial Performance in Nigeria", *Afro-Asian Journal Finance and Accounting*, 2(1):.22–39.
77. Sharma, D. S., Tanyi, P. N., and Litt, B. A. (2017). Costs of Mandatory Periodic Audit Partner Rotation: Evidence from Audit Fees and Audit Timeliness. *Auditing: A Journal of Practice& Theory, 36*(1), 129-149.
78. Sharma, V. D., & Kuang, C. (2014). Voluntary Audit Committee Characteristics, Incentives, and Aggressive Earnings Management: Evidence from New Zealand. *International Journal of Auditing, 18*(1), 76-89.
79. Shleifer, A., and Vishny, R., (2007). A survey of Corporate Governance. *Journal of Finance 52, 737-783.*
80. Shukeri, S. N., and Islam, M. A. (2012). "The Determinants of Audit Timeliness: Evidence from Malaysia. *Journal of Applied Sciences Research, 8*(7), 3314-3322.
81. Sultana, N., Singh, H., and Van der Zahn, J. L. M. (2015). "Audit Committee Characteristics and Audit Report Lag. *International Journal of Auditing, 2*(19), 72-87.
82. Swanson, Z., and Zhang, Y. (2018). "Do Covenant Violations affect Audit Report Timeliness? *International Journal of Accounting, Auditing and Performance Evaluation, 14*(1), 1-23.
83. Turley, S. and Zaman, M. (2007). "Audit Committee Effectiveness: Informal Process and Behavioral Effect", *Accounting, Auditing & Accountability Journal*, 20(5): 765-788.
84. Wan Hussin, W. N., Bamahros, H. M., and Shukeri, S. N. (2018). "Lead Engagement Partner Workload, Partner-Client Tenure and Audit Reporting Lag: Evidence from Malaysia".*Managerial Auditing Journal, 33*(3), 246-266.
85. Wasonga, J.K. and Omoro, N.O. (2017). "The Effect of Audit Committee Effectiveness and Audit Evaluation on Audit Quality: A Critical Literature Review", *African Development Finance Journal*, 1(2): 18 – 31.
86. Wiralestari, N. and Tazil, D. (2015). "The Effectiveness of Audit Committee toward Financial Reporting Quality: Non-Financial Issuers Listed on Indonesian Stock Exchange" *Research Journal of Finance and Accounting*, 6(10): 186 – 190.
87. Watson, D. and Head, A. (2007). *Corporate Finance: Principles and Practice (4th Ed)*. New Delhi: Prentice Hall.
88. Zaman, M., Hudaib, M., and Haniffa, R. (2011). "Corporate Governance Quality, Audit Fees and Non-Audit Services Fees". *Journal of Business Finance & Accounting, 38*(1-2), 165-197.

APPENDIX

1. Champion Breweries Plc
2. Golden Guinea Breweries Plc
3. Guinness Nigeria Plc
4. International Breweries Plc
5. Nigerian Breweries Plc
6. Dangote Flour Mills Plc
7. Dangote Sugar Refinery Plc
8. Flour Mills Nigeria Plc
9. Honeywell Flour Mills Plc
10. Multi-Trex Integrated Foods Plc
11. N. Nigeria Flour Mills Plc
12. Nascon Allied Industries Plc
13. Union Dicon Salt Plc
14. Cadbury Nigeria Plc
15. Nestle Nigeria Plc
16. Nigerian Enamelware Plc
17. Vita form Nigeria Plc
18. P Z Cussons Nigeria Plc
19. Unilever Nigeria Plc

Source: Nigerian Stock Exchange

CITATION
HYELLAKI, J., GODIYA, J.W., & ABUBAKAR, M. (2024). Effect of Audit Committee Characteristics on Audit Report Lag of Listed Consumer Goods Companies in Nigeria. In Global Journal of Research in Business Management (Number 5, pp. 124–135). https://doi.org/10.5281/zenodo.13941477