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Audit Committee Attributes and Financial Reporting Timeliness: Evidence from Internationally Licensed Banks in Nigeria

AKPOTU, Joy Eghonghon; JEROH, Edirin & EBIAGHAN, Frank Orits
Department of Accounting, Faculty of Management Science, Delta State University, Abraka

Abstract

This study examined how audit committee attributes influenced financial reporting timeliness among Nigerian banks holding international authorization licenses. Using panel data from eight banks over an eleven-year period (2012–2022), the study applied Panel-Corrected Standard Errors (PCSE) regression to test the study's hypothesis while simultaneously addressing non-normality concerns. Audit committee size, diligence (meeting frequency), and financial expertise were examined alongside Big4 auditors' presence as a control. Findings reveal that audit committee size exhibited a statistically significant negative association with reporting timeliness, suggesting coordination inefficiencies in larger committees. Conversely, audit committee diligence and financial expertise do not significantly influence reporting timeliness. The results extends governance literature within highly regulated banking environments in emerging economies by reinforcing the agency theory predictions regarding monitoring efficiency. The study provides evidence that optimizing audit committee size, rather than merely increasing expertise or meetings, is critical to improving reporting timeliness in banks that are subject to multiple regulatory jurisdictions.

Keywords:

Audit committee, financial reporting timeliness, audit report lag, corporate governance, banks, Nigeria, PCSE.

INTRODUCTION

Timely financial reporting is a fundamental qualitative characteristic of useful financial information (IASB, 2010). In the banking sector where systemic stability and investor confidence are paramount, delays in financial reporting may likely undermine market efficiency and regulatory oversight (Habib et al., 2019). Following global corporate failures and financial scandals, regulatory attention has increasingly focused on audit committees as a central governance mechanism for safeguarding reporting integrity (Beasley et al., 2000; Odjaremu & Jeroh, 2019).

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Nigeria's banking sector, particularly banks with international authorization licenses, operates under intense regulatory surveillance from the Central Bank of Nigeria (CBN), SEC, IFRS requirements, and cross-border compliance regimes. Despite these safeguards, observable variations in reporting timeliness persist. This raises an important governance question: ***Do audit committee attributes matter for reporting timeliness in banks that are already heavily regulated?***

While extant Nigerian studies examine audit committee attributes and timeliness across sectors, evidence specific to internationally licensed banks remains absent. These banks represent a unique governance environment characterized by higher scrutiny, global operations, and complex reporting demands. This therefore forms the thrust for the current research.

THEORETICAL FOUNDATION AND EMPIRICAL REVIEW

Theoretical Foundation

This study is anchored on two complementary but contrasting theoretical perspectives: **Agency Theory** and **Stewardship Theory**. The Agency Theory explains the relationship between owners and managers, emphasizing the need for effective monitoring to reduce information gaps and prevent managerial opportunism (Fama, 1983). From this viewpoint, monitoring structures such as audit committees is expected to be efficient and well-coordinated. Arguably, when committees become too large, coordination becomes difficult, responsibility may be diffused, and decision-making can slow down, ultimately affecting the timeliness of financial reporting.

In contrast, Stewardship Theory views managers and oversight bodies as trustworthy stewards who are motivated to act in the best interest of their respective organizations (Schillemans & Bjurström, 2019). It therefore suggests that greater expertise and frequent meetings (diligence) could naturally improve reporting outcomes through responsible supervision.

These theories provide the conceptual basis for examining whether size, diligence, or expertise have implications for reporting timeliness.

Empirical Review

A growing body of empirical literature has examined the relationship between audit committee attributes and the timeliness of financial reporting across different institutional contexts. In the Nigerian setting, Emeh and Appah (2013) investigates the effect of audit committee characteristics on reporting timeliness using a sample of 35 listed firms over the period 2008–2011. Employing pooled least squares regression alongside Granger causality tests, the study documents a significant association between audit committee independence and financial expertise and reporting timeliness, while committee size and diligence exhibit no statistically significant effects. These findings suggest that competence-related attributes may be more critical than structural attributes in enhancing timely reporting.

Extending the Nigerian evidence to sector-specific analysis, Chukwu and Nwabochi (2019) examined how audit committee characteristics associates with financial reporting timeliness in the insurance sector using data from 15 firms between 2012 and 2015. By applying the ordinary least squares multiple regression, the authors found a negative relationship between audit committee meeting frequency and reporting timeliness; indicating that excessive meetings may reflect underlying reporting challenges. Although audit committee size is positively associated with timeliness, the effect is statistically insignificant. Similarly, Odjaremu and Jeroh (2019) analyzed data from 21 randomly selected Nigerian financial firms over the period 2012–2017 and

report that audit committee size, diligence, independence, and external audit quality jointly influence reporting timeliness. Their findings underscore the complementary role of internal governance mechanisms in promoting timely disclosure.

Using a broader firm-level sample, Saidu and Aifuwa (2020) investigated the impact of audit committee attributes on reporting timeliness among 116 Nigerian listed firms over the period, 2017–2018. Applying robust least squares regression, the study found that audit committee independence and gender diversity significantly reduce audit report lag, implying improved timeliness. In contrast, audit committee diligence does not exhibit a significant effect. This evidence highlights the growing relevance of diversity and independence in strengthening audit committee effectiveness. More recent sectoral evidence by Alabi et al. (2022), focused on the Nigerian insurance industry and examined data from 2012 to 2020.Findings indicated that audit committee size, expertise, and diligence are positively and significantly associated with timely financial reporting, whereas committee independence remains insignificant. These mixed results point to contextual and industry-specific differences in how governance attributes influence reporting outcomes.

Evidence from developed and emerging economies further reflects this heterogeneity. For instance, Raweh et al. (2021) examined whether audit committee financial expertise can possibly enhance audit report timeliness in the United States using 595 firm-year observations from 2013 to 2017. Contrary to expectations, pooled regression results indicate that general financial expertise alone does not significantly improve reporting timeliness; rather, industry-specific expertise appears to be more influential in driving timely audit outcomes. In a similar vein, Syofyan et al. (2021) analyzed 240 firm-year observations from Indonesian manufacturing firms between 2014 and 2019 using logit regression method. Their findings indicated that audit committee size and financial expertise are not significantly related to audit report timeliness, whereas meeting frequency exerts a significant positive effect on reporting timeliness. The further argued that frequent meetings enhanced information flow and coordination, thereby facilitating timely reporting.

Recent Nigerian banking-sector evidence by Aronmwan and Monye-Emina (2022) further reinforced the mixed nature of prior findings. Using data from 13 listed deposit money banks over the period, 2016–2020 and applying binary logit regression, the study found that audit committee diligence, measured by meeting frequency, is the only attribute that significantly associated with reporting timeliness. Other committee characteristics exhibited negative but insignificant relationships.

Overall, the empirical literature presents inconclusive evidence on the role of audit committee attributes in determining financial reporting timeliness, suggesting that institutional context, sectoral dynamics, and measurement choices may have implications for observed outcomes. This lack of consensus provides a strong motivation for further investigation within highly regulated settings such as internationally licensed Nigerian banks.

Literature Gap and Hypothesis Development

Empirical findings on audit committee attributes and reporting timeliness are mixed. While some studies observe that larger committees impair timeliness due to coordination costs (Akinleye & Aduwo, 2019), studies like that of Emeh and Appah (2013) reported a contrary opinion. Also, studies have shown that meeting frequency is linked to better communication but not consistently to timeliness (Saidu & Aifuwa, 2020; Aronmwan & Monye-Emina, 2022); while financial expertise is said to improve reporting quality but often shows weak association with reporting speed (Salleh et al., 2017; Raweh et al., 2019). In view of the above, this study therefore hypothesize that:

H_0: Audit committee attributes (size, diligence, and expertise) have no significant influence on financial reporting timeliness of internationally licensed Nigerian banks.

MATERIALS AND METHODS

This study examined the association between audit committee attributes and financial reporting timeliness using the *ex post facto* research design. The sample comprises all Nigerian commercial banks with international authorization licenses that were listed on the Nigerian Exchange Group as at 31 December 2022. Given the small and well-defined population, a census approach was adopted, resulting in a final sample of eight banks. Firm-level data were collated from publicly available audited annual financial statements covering the period 2012–2022. The sample period coincides with Nigeria's mandatory adoption of International Financial Reporting Standards (IFRS), thereby enhancing the comparability and consistency of financial reporting across firms and over time.

The empirical analysis combines descriptive statistics with panel regression techniques. Following preliminary diagnostic tests indicating the presence of heteroskedasticity and contemporaneous correlation, the study estimates regression models using Panel-Corrected Standard Errors (PCSE) to ensure reliable statistical inference. This estimator is appropriate for panels characterized by a relatively small cross-sectional dimension and a longer time span, as is typical of banking-sector governance studies.

Model Specification

Based on the specific objective of this study, the following econometric model was estimated to inform the analytic step for the test of the study's hypothesis:

$$FRT_{it} = \alpha_0 + \alpha_1 AUCSZ_{it} + a_2 AUCDLI_{it} + \alpha_3 AUCEXP_{it} + \alpha_4 BIG4 + \mu_{it} \quad - - - - (1)$$

The *a-priori* expectation which is in light of research outcome evinced in prior empirical documentations is that $\alpha_1 X1_{it} < 0$, $\alpha_2 X_{2it} < 0$, $\alpha_3 X_{3it} < 0$

Where:

FRT	=	Financial reporting timeliness
AUCSZ	=	Audit Committee Size
AUCDLI	=	Audit Committee Diligence
AUCEXP	=	Audit Committee Intelligence (Expertise)
BIG4	=	Big4 Audit Firms
α0	=	Constant term
α1- α4	=	Coefficient
μi	=	Error term

Measurement of the Study Variable

Table 1: Operationalization of Study Variables

Variables	Labels and Definition	Nature of Variable	Measurement	*A-priori* Expectation	Source
Reporting Timeliness	FRT- Financial Reporting Timeliness	Dependent Variable	The time lag between the financial year end of a reporting company and the date the financial report was published.		Aronmwan & Monye-Emina (2022)
Audit Committee Attributes	AUCSZ- Audit committee size	Regressor	The number of individuals that makes up the audit committee of the sampled firms in each reporting year.	+	Alabi et al., (2022)
	AUCDLI- Audit Committee Diligence (Number of meetings)	Regressor	The number of meetings held by the audit committees of the sampled firms in a reporting period	+	Alabi et al., (2022)
	AUCEXP- Audit Committee Intelligence (Expertise)	Regressor	The number of members with relevant professional qualification in the audit committee.	+	Alabi et al., (2022)
Auditor	BIG4- Big four audit firms	Control Variable	A score of 3 is given where the bank is audited by more than one of the big four audit firms (Deloitte, KPMG, Ernst & Young (EY),PricewaterhouseCoopers (PwC), 2 where the bank is audited by only one Big4 firm and 1 where the bank is audited by a non Big4 audit firm..	+	Alabi et al., (2022), Authors (2025)

Source: Researchers' Compilation (2025).

RESULTS AND DISCUSSION

Data Presentation and Analysis

This section presents and discusses the empirical results on the relationship between audit committee attributes and financial reporting timeliness among Nigerian commercial banks with international authorization licenses. The focus on internationally licensed banks is motivated by their heightened regulatory exposure, as these institutions operate across multiple jurisdictions and are subject to concurrent oversight by domestic and international regulators. Such regulatory intensity is expected to impose stronger governance and reporting discipline, making this sub-sample particularly suitable for examining reporting timeliness.

Descriptive Statistics

Table 2 reports the descriptive statistics of the variables employed in the study. The summary statistics provide insights into the central tendency and dispersion of the data and offer a preliminary assessment of the distributional properties of the variables prior to multivariate

analysis. These statistics form the basis for interpreting subsequent regression results and assessing the suitability of the data for panel estimation.

Table 2: Descriptive Statistics

Variables	Obs.	Mean	Std.Dev.	Min.	Max.
FRT	88	80.375	21.90277	31	153
AUCSZ	88	5.977273	.5867752	5	8
AUCDLI	88	4.227273	1.319415	1	11
AUCEXP	88	2.795455	.8463456	2	6
BIG4	88	1.113636	1.066004	1	3

Source: Fieldwork

Table 2 summarizes the descriptive statistics of the study's variables. Financial reporting timeliness shows considerable variation across firm-year observations, indicating notable differences in the promptness of financial reporting among internationally licensed Nigerian banks despite operating under a common regulatory framework. In contrast, audit committee characteristics exhibit less dispersion, reflecting regulatory guidance on committee structure. Audit committee size is largely concentrated around six members, while meeting frequency shows moderate variation, suggesting differences in the level of oversight activity across banks and over time. Audit committee expertise also varies, pointing to heterogeneity in members' financial competence. The BIG4 indicator reveals that most sampled banks engage large international audit firms. Overall, the observed variation in the data is sufficient to support subsequent panel regression analysis.

Test For Normal Distribution of Data

The distribution of the data and whether or not it followed a normal curve were ascertained using the Shapiro-Wilk test for normal data. This is necessary to determine whether the basic assumptions behind the OLS regression method are contradicted in any way. The outcome is shown in this regard in Table 3.

Table 3: Normality Test Outcome

Variables	Obs.	W	V	Z	Prob>Z
FRT	88	0.97125	2.135	1.671	0.04739
AUCSZ	88	0.96134	2.870	2.323	0.01010
AUCDLI	88	0.91773	6.108	3.986	0.00003
AUCEXP	88	0.91758	6.119	3.990	0.00003
BIG4	88	0.51141	36.276	7.911	0.00000

Source: Fieldwork

Table 3 presents the normality test results for the study's variables. Financial reporting timeliness shows a mild deviation from normality at the 5 percent level, while all audit committee attributes exhibit significant departures from a normal distribution. This pattern reflects the regulated and largely discrete nature of governance variables. As expected, the BIG4 variable strongly violates the normality assumption due to its categorical structure. Overall, these results justify the use of estimation techniques that are robust to non-normality.

Correlation Analysis

The Spearman Rank Correlation Coefficient (Spearman's rho) was employed to investigate the relationship between audit committee attributes and financial reporting timeliness of Nigerian banks because the residuals for some of the data did not follow a normal distribution curve. In Table 4, the Spearman rho result is displayed.

Table 4: Correlation Result

	FRT	AUCSZ	AUCDLI	AUCEXP	BIG4
FRT	1.0000				
AUCSZ	-0.1804	1.0000			
AUCDLI	0.2320*	-0.0078	1.0000		
AUCEXP	0.0662	0.2835*	0.0487	1.0000	
BIG 4	-0.1562	0.0108	-0.0253	-0.1137	1.0000

Source: Fieldwork *significant at 5%

Table 4 shows that financial reporting timeliness (FRT) is positively and significantly correlated with audit committee diligence, suggesting that more frequent meetings are associated with faster reporting. FRT has weak and insignificant correlations with committee size, expertise, and Big 4 auditor engagement. Among the explanatory variables, only committee size and expertise show a moderate positive correlation, indicating low risk of multicollinearity. Overall, the results highlight diligence as the most relevant audit committee attribute for timely reporting. Importantly, the correlation coefficients between all pairs of the independent variables were below the threshold of 0.80 (see Jeroh, 2016; Odjaremu & Jeroh, 2019; Ukolobi & Jeroh, 2020); thus, confirming the possible absence of multicollinearity concerns. The following sections presents the result of the multicollinearity test to establish this position.

Tests for Multicollinearity and Heteroscedasticity

Table 5: Result for Multicollinearity Test

Variables	VIF	1/VIF	Breusch-Pagan /Cook-Weisberg Test	
AUCEXP	1.06	0.941557	**Chi2(1)**	3.84
AUCSZ	1.05	0.955078	**Prob > chi2**	0.4278
AUCDLI	1.01	0.988008		
BIG4	1.01	0.989043		
Mean VIF	1.03			

Source: Fieldwork

Table 5 presents the Variance Inflation Factor (VIF) and Tolerance values (1/VIF) for the explanatory variables included in the model. The VIF values for AUCEXP (1.06), AUCSZ (1.05), AUCDLI (1.01), and BIG4 (1.01) are all very close to 1, with a mean VIF of 1.03. As a rule of thumb, multicollinearity becomes a concern when VIF exceeds 5 (and more seriously at 10). The values reported here are far below these thresholds, indicating that there is **no significant multicollinearity** among the independent variables. This implies that the variables do not exhibit strong linear relationships with one another. Similarly, the tolerance values (1/VIF) are all close to 1, which further confirms the absence of multicollinearity, as tolerance values below 0.1

typically signal a problem. Overall, the result shows that the explanatory variables are sufficiently independent of one another, and the regression estimates derived from the model can be considered reliable and free from multicollinearity bias.

On the other hand, The Breusch–Pagan/Cook–Weisberg test result shows a Chi-square value of 3.84 with a probability value of 0.4278, which is far above the 0.05 significance level. This indicates that heteroscedasticity is not present in the model. In other words, the variance of the error terms is constant, satisfying the assumption of homoscedasticity and confirming the reliability of the regression estimates.

Test of Hypothesis (PCSE Result)

Although the data showed no issues of multicollinearity or heteroscedasticity, the non-normal distribution of residuals made the OLS regression method unsuitable for hypothesis testing. Consequently, the study employed the contemporaneous correlation technique using Panel-Corrected Standard Errors (PCSE), which better accommodates non-normal residuals. The results of the hypothesis tests are presented in the following table.

Table 6: Result for Test of Hypothesis

Variable	Coeff.	p-value	Interpretation
Audit Committee Size	-8.30*	0.036	Significant
Audit Committee Diligence	2.72	0.094	Not Significant
Audit Committee Expertise	1.07	0.741	Not Significant
Big4	Negative	>0.05	Not Significant

Source: Fieldwork *significant at 5%

The results in Table 6 provide mixed evidence regarding the influence of audit committee attributes on financial reporting timeliness in internationally licensed Nigerian banks. Audit Committee Size shows a statistically significant effect ($p = 0.036$) with a negative coefficient (–8.30), indicating that larger audit committees are associated with delays rather than improvements in reporting timeliness. This suggests that beyond an optimal point, increased committee size may create coordination difficulties that slow decision-making. In contrast, Audit Committee Diligence ($p = 0.094$) and Audit Committee Expertise ($p = 0.741$) do not exhibit statistically significant effects, implying that meeting frequency and professional competence of members, as measured in the study, do not meaningfully influence reporting timeliness. Similarly, engagement of a Big4 audit firm shows no significant impact. Overall, the findings suggest that among the examined attributes, only committee size significantly affects reporting timeliness, and its effect is adverse rather than beneficial.

Discussion of Findings

The statistically significant negative coefficient for audit committee size indicates that an increase in committee membership is associated with longer reporting lag, with each additional member contributing to an average delay of about eight days. This finding is consistent with agency theory, which posits that excessively large monitoring groups often experience coordination challenges, slower decision-making, and diffusion of responsibility (Lipton & Lorsch, 1992).

The lack of significance for audit committee diligence suggests that frequent meetings do not necessarily translate into improved reporting timeliness. This aligns with the position of Saidu and Aifuwa (2020), who argue that meetings may be driven more by procedural compliance than by efficiency-oriented outcomes.

Similarly, the insignificance of audit committee expertise runs contrary to stewardship expectations that professional competence should enhance oversight quality. In the context of highly regulated banking institutions, this result may imply that reporting processes are already standardized and subject to strong external supervision, thereby reducing the marginal impact of individual expertise.

Notably, these findings corroborate international evidence that the effectiveness of governance structures depends more on operational efficiency and optimal structure than on formal qualifications or frequency of oversight activities (Habib et al., 2019; Beasley et al., 2000).

Conclusion and Recommendations

The study concludes that, within internationally licensed Nigerian banks, the timeliness of financial reporting is influenced primarily by the size of the audit committee rather than by how frequently the committee meets or the professional expertise of its members. This suggests that governance effectiveness in this setting is shaped more by the structural efficiency and coordination capacity of the oversight body than by the intensity of its activities or the formal qualifications of those who serve on it. On this note, the study recommends as follows:

i. Regulators should issue clear guidelines specifying an optimal range for audit committee size to promote efficiency, rather than merely prescribing maximum allowable limits.
ii. Bank management should constitute lean audit committees with a manageable number of members to enhance coordination, faster decision-making, and improved reporting timeliness.
iii. Capacity-building programmes for audit committee members should emphasize decision-making efficiency, coordination, and oversight effectiveness, in addition to technical and professional knowledge.

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