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Board committees' independence and financial reporting quality among listed firms in Nigeria: A testament from the lens of the Shivakumar model

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Abstract

This work analyzed how the level of independence of board committees affect the quality of financial reporting of quoted firms in Nigeria. By leveraging on the *ex-post facto* design, the study sought secondary data from the accounts of 88 companies covering the period 2012-2021. Financial reporting quality was operationalized with reference to the Shivakumar model whereas, independence in audit committees, nomination committees, remuneration committees and risk management committees were the proxy for board committees' independence. Relevant descriptive and diagnostics tests were conducted to ascertain the nature and veracity of the collated data used in the study. The hypothesis was tested using the multiple regression technique and the result proved that the level of independence of board committees significantly influenced the quality of financial reporting of listed firms in Nigeria. Given the outcome from the analytical procedure, it was recommended that all efforts designed to enhance the strategical path of corporate entities must consider the need of developing deliberate policies that will promote and sustain the constitution of board committees that will always take cognizance of the imperative of having substantial number of independent directors in every committee set up by the corporate board.

Keywords: Shivakumar model, audit committees' independence, nomination committees' independence, corporate governance, remuneration committees' independence, financial reporting quality

1. Introduction

Corporate boards are known for their pristine oversight role on the activities of the management and executives of corporate entities. Expectedly, the efficiency of boards in monitoring the activities of management depends on the commitment and effectiveness of several Board committees constituted with relevant mandates on distinct functions and assignments. Notably, several instances of corporate scandals *vis-a-vis* the subsequent and/or near collapse of significant business establishments across the globe, including the United States of America (USA), and other parts of Europe, Asia and Africa (Monye-Emina & Jeroh, 2014; Monye-Emina & Jeroh, 2022) [27, 28] have brought to limelight, the need for corporate boards and their respective committees to be effective, transparent, efficient, objective and committed (Jeroh, 2020; Ukolobi & Jeroh, 2020; Jeroh, 2023) [18, 19, 20].

Board committees are mandatorily created to focus on particular domains and provide useful information that will foster informed decisions at corporate board levels. Usually, Board committees are governed by charters that delineate their functions, authorities, and structures to specific activities and all observations and recommendations made from their assignments are submitted to the Board for implementation subject to the approval of the Board. The creation of board committees is on the instance of existing corporate governance codes and as observed, the outlined functions of some Board committees appears to be key in enhancing the overall financial reporting processes of firms.

Given the importance of corporate boards and their respective committees to the overall survival of firms, regulatory bodies and relevant stock exchanges around the world have introduced guidelines and regulations aimed at enhancing corporate governance practices, particularly with regards to board independence and financial reporting (Jeroh, 2018; Ideh, Jeroh & Ebiaghan, 2021) [17, 14]. For instance, in the United States, the Sarbanes-Oxley Act of 2002 mandated the establishment of independent audit committees to oversee financial reporting. Similarly, the UK Corporate Governance Code has outlined principles and provisions related to board independence and financial reporting. In the Nigerian context, Principle 11 of the Nigerian Code of Corporate Governance (NCCG) advocated the setting up of well-structured committees who will expectedly focus on specific issues in carrying out due diligence and providing relevant and comprehensive information to the Boards for informed judgment. Specifically, the NCCG noted that in constituting Board committees, only directors may be included as members (Members of senior management team can only be there in attendance if need be). Also, the distribution of power among members should be balanced, such that no individual member is allowed to dominate the committee or have undue influence on decisions made by the committee. This requirement gives credence to the very essence of constituting independent Board committees for identifiable corporate boards.

1.1 Research Problem and Objective Statement

The integrity and reliability of financial reporting remains paramount to maintaining trust and confidence in capital markets at global and national levels. This is why the need to ensure that financial reporting is accurate has remained a critical responsibility of corporate governance. In this context, the independence of board committees has emerged as a crucial factor influencing financial reporting quality among listed firms (Jeroh & Efenyumi, 2022) [21]. This is because these committees are responsible for overseeing the financial reporting process, reviewing financial statements, and monitoring internal controls. The independence of these committees is essential to ensure unbiased oversight and effective monitoring of financial reporting practices. This further justifies why the role of Boards and their respective constituted committees, have received significant attention from regulators, researchers, and practitioners due to their pivotal role in overseeing financial reporting and the general governance of entities (Odjaremu & Jeroh, 2019; Ohre & Jeroh, 2024) [30, 23].

Researches on board committees' independence and the influence on indices like financial reporting quality, firm value, firm performance amongst others have so far churned out mixed and inconsistent outcomes. These inconsistencies thus necessitate further examination to better understand the nature and extent of the relationship between board committees' independence and financial reporting quality especially as it concerns Nigeria. Also, we note that the bulk of prior studies on financial reporting quality relied either on accrual quality or real activities manipulation models respectively (See Roychowdhury, 2006; Acar & Coskun, 2020; Jeroh & Efenyumi, 2022; Jeroh 2023) [38, 3, 21, 20]. This research is distinct from previous studies in Nigeria as it measures the quality of financial reporting based on the Shivakumar model. Shivakumar (1996) [40] argued that cross-sectional and time-series models specifically yield different discretionary accruals' estimates as such efforts to provide a more reliable model for measuring accrual would need to introduce a variable that will account for cashflows from operation into the Jones model. This study therefore examines the influence of board committees' independence and financial reporting of listed firms and postulates thus:

H_O: Board committees' independence does not have significant influence on financial reporting quality of listed Nigerian companies.

2. Literature review and theoretical framework

2.1. Overview of Corporate Board Committee

Corporate Board committees are the respective committee constituted within the Boards of Directors of companies. These committees operate independently and facilitates in-depth research and provides insights on different matters thereby contributing to the decision-making processes of corporate Boards while simultaneously encouraging active involvement of all members on the respective activities of the Boards (Abu, Alhassan & Okpe, 2021; Udoh, Ikpe & Emenyi, 2023) [2, 45]. Usually, Board committee members are assigned specific tasks and are held directly accountable to the entire board as a whole.

Board committees perform esteemed roles within corporate board architecture, but they are not concerned with most routine matters; rather, they focus on their respective mandates and quickly get to work on the essential components of their tasks. Board committees utilise the unique talents, skills, and knowledge of members to provide information on specific areas of interest that may be relevant to the decisions reached by the Board. With the existence of committees, the delegation of tasks within corporate boards is facilitated; thus, enabling corporate boards to effectively manage their workload by dissecting them into more manageable sections.

Board committees function best when they are composed of committed individuals who are prepared to devote the necessary time and energy to completing in-depth research on a range of topics and exercising critical thinking when considering various points of view and choices. Therefore, according to Jeroh (2020a) [19], active committee members are essential in helping to formulate proposals that are best for the board as a whole. This means that Board committees' engagements are expected to be regarded as supplementary to regular board tasks as such, neither committee engagements nor overall Board engagement should be prioritized over one another.

Previous researches on corporate governance and/or Board committees have examined the concept quantitatively with reference to several measures/attributes – size, diligence, independence, expertise, and diversity (Jeroh, 2018; Odjaremu & Jeroh, 2019; Ideh, Jeroh & Ebiaghan, 2021; Jeroh & Efenyumi, 2022) [17, 30, 14, 21]. In this study however, emphasis is on the independence of several committees of corporate Boards.

2.1.1 Board Committee Independence

The independence of corporate Boards' committees is defined in line with the definition of independence of corporate Boards. According to Sinebe and Jeroh (2023) [41], Board independence concerns itself with the extent to which the Board of Directors of companies are shielded from possible influence by the management of such companies. The concept of board independence is therefore measured by dividing the number of non-executive (Independent) directors by the total number of Board members (Demaki & Jeroh, 2016; Jeroh, 2018; Ogieh & Jeroh, 2023; Jeroh; 2023; Ohre & Jeroh, 2024) [8, 17, 32, 20, 33]. Determining the extent to which companies work in the best interests of their respective shareholders and other pertinent stakeholders has traditionally depended on the presumed level of independence of their corporate Boards (Eneh, 2018) [11]. This accounts for prior arguments that a key factor in assessing the overall health and wellbeing of businesses is the composition of Boards and their degree of independence.

With the above understanding, it becomes reasonable for corporate Boards to sustain independence by ensuring that all committees are constituted in conformity with the ideology of independence such that every company's board committee should be predominantly composed of independent non-executive directors. This practice guarantees that every Board is able to make unbiased and objective conclusions based on the submissions of their committees especially as it pertains to providing independent judgement in situations that may give rise to conflicts. The independence of Board committees is crucial for the effective functioning of corporate Boards; particularly as the activities of some of the committees impacts on the quality of the systems of controls and financial reporting of companies.

Observably, evidence from most previous studies in Nigeria have shown that the level of independence of Board committees impacts significantly on variables like firm overall performance, intellectual capital efficiency, earnings quality, audit quality among others (Jeroh & Efenyumi, 2022; Usman & Yahaya, 2023; Udoh, Ikpe & Emenyi, 2023) [21, 48, 45]. While we note that previous concerns by Nigerian studies have paid little attention to the influence of Board committee independence on financial reporting quality, the few studies in this area have majorly operationalize financial reporting quality by relying on either the Jones or modified Jones model (Umobong & Ibanichuka, 2017; Ogbonnaya, 2020) [47, 31], the Dechow and Dichev model (Ormin, Tuta & Shadrach, 2015) [35] or by using reporting timeliness as a measure of reporting quality (Orife, Orjinta & Ofor, 2022) [34]. It is observed that the Shivakumar model which introduces cashflow from operation into the equation that estimates accrual quality tend to produce a more accurate estimate for discretionary accruals when compared to the estimates done by the Jones model; yet in measuring financial reporting quality using accrual quality, these previous Nigerian studies on Board committees' independence and reporting quality have not considered the Shivakumar model as relevant and usable. This creates a gap which the current study seeks to address.

2.1.2 Audit committee independence and financial reporting quality

The degree to which audit committees can operate and fulfill their duties and/or responsibilities without hindrance or conflict of interest is what is meant by audit committee independence (Mbobo & Umoren, 2016) [26]. Independence is one essential quality that focuses on how financial reporting could be free from prejudice, persuasion, and influence in all forms. Accordingly, Sweeney (1994) [43] highlighted how much the usefulness of financial reporting could be diminished due to lack of independence. According to Cadbury (1992) [7], an independent audit committee member is a person who is not swayed by management and who has no professional or personal ties that would impair their capacity to make objective decisions. The ability of audit committees to remain impartial in the face of external influences that can jeopardize their purpose is essential to their independence.

Evidence from prior researches on the association between audit committee independence and financial reporting quality have been mixed. For instance, in a study of listed firms in Singapore, Kusnadi, Leong, Suwardy and Wang (2015) could not find evidence to support claims that audit committee independence enhanced financial reporting quality. Contrary to this, Kibiya, Che-Ahmad and Amran (2016) [24] report that in the context of listed non-finance firms in Nigeria, audit committee independence was found to have significantly influenced the quality of financial reporting. This position was further supported by Ayinla, Aliyu and Abdullah (2022) [5] who maintained that the independence of audit committees has significant propensity to influence financial reporting quality of firms.

Worthy of note is the fact that while previous Nigerian studies on the association between audit committee independence and financial reporting quality provides relevant foundation for this current study, the obvious is that these prior findings have not explained how audit committee independence relates with financial reporting quality where cashflows from operation is factored into the model for estimating financial reporting quality. This accounts for why this current study attempts to fill the knowledge gap by adopting the Shivakumar model to examine the link between audit committee independence and financial reporting quality of firms in Nigeria.

2.1.3 Nomination Committee Independence and financial reporting quality

Previous studies that centred on the concept of independence have repeatedly argued that for companies to guarantee efficient and proper monitoring of management and their activities, the Boards of firms and their various committees must maintain reasonable level of independence.

It is crucial to recognize that if the company's Chairman/Chief Executive has the ability to influence the choice of Board members, the independence of the nomination and governance committees may be jeopardized. Thus, the Nigerian Code of Corporate Governance (2018) suggests that independent directors, with a majority of them being independent non-executive directors, should make up the nomination committee. In every publicly traded corporation, the nomination committee is an important committee of the board of directors. The existence of independent nomination committees may help to streamline the process of proposing, choosing, and designating directors who have the credentials, know-how, and abilities needed to steer the business in the right directions. It also improves the efficient use and administration of the business's resources (Efenyumi *et. al.*, 2022) [21] and contributes significantly to minimizing earnings manipulation while maintaining the accuracy of financial reporting within firms.

This study notes that given the thrust of previous studies in Nigeria on nomination committees, it is not clear whether the level of independence of nomination committee may possibly influence financial reporting quality where cashflow from operation is captured into the model for measuring financial reporting quality. To fill this research gap, this study adopts the Shivakumar model to measure financial reporting quality while examining its link with the level of independence of nomination committees of corporate Boards of Nigerian firms.

2.1.4 Remuneration Committee Independence and financial reporting quality

The OECD principle suggests that independent non-executive directors should mainly be considered when constituting the remuneration committees of Boards. One of the tasks of remuneration committees is the determination of the emoluments/compensations of the company's executives/directors, although, the ultimate decision and determination of the appropriate remuneration to be paid rests with the shareholders. It is imperative for committee members to be independent in character and judgment in order to avoid being swayed by executives and to restrict the amount of compensation that executives get. It is believed that the remuneration committee's independence is essential to preventing executive compensation decisions that are skewed in favor of executives.

Walker (2009) [49] examined the relationship between the presumed failures in the financial services industry and the lack of autonomy in remuneration committees of corporate Boards. The study's conclusions indicate that company's failures brought on by excessive CEO compensation could be reduced by making the remuneration committee more accountable. With this in mind, this study examines in the Nigerian context, the influence of remuneration committee independence on financial reporting quality.

2.1.5. Risk Management Committee Independence and Financial Reporting quality

The risk management committee's independence is thought to be a useful tool for guaranteeing the careful supervision of a company's management. One of the most important factors in keeping the board and management of the company apart is the inclusion of independent non-executive directors in the risk management committee.

Motivated by the increasing requests for corporations to prioritize the establishment of effective risk management frameworks inside their organizations Kakanda, Salim, and Chandren (2018) [23] investigated the potential impact of risk management committee (RMC) features on market performance of enterprises and found that the independence of risk committees within businesses has a major and beneficial effect on how well such businesses perform in the market. Risk management committee independence has been identified as a perquisite for the responsible management of the risk appetite of firms while setting policies relating to risk as well as the execution of such policies (Protiviti, 2011) [37]. The independence of the risk management committee is expected to impose extra diligence on the part of the committee as they perform their oversight function in determining the company's risk management principles and ensuring that they align with the company's risk profile by means of identifying existing and potential risk impacting the company. With this in mind, this study obtains empirical evidence from Nigeria to examine the influence of risk management committee independence on financial reporting quality.

2.2. Financial reporting quality conceptualized

The delivery of accurate and objective information through reports that accurately portray an organization's financial status and economic achievements is referred to as financial reporting. Financial reporting quality (FRQ) on its part, is complex and subject to examination from various angles. It is a gauge of how effectively a business provides details about its operations in its financial reports (Ibrahim & Jehu, 2018) [13]. FRQ includes both the usefulness of non-financial information in the decision-making process and the accuracy of financial information.

In the accounting discourse, FRQ is a well-established concept that has been recognized by reputable organizations such as the Australia Accounting Standard Board (AASB), the Financial Accounting Standards Board (FASB), the International Accounting Standards Board (IASB), and the Accounting Standard Board in the United Kingdom (ASB). The significance of FRQ in assessing a business's financial status and data reliability has been emphasized by a number of recent studies (Dempster & Oliver, 2019; Nakashima, 2019; Takacs, *et al.*, 2020; Saleh *et al.*, 2020) [9, 29, 44, 39]. A corporation can achieve excellent financial reporting quality when its reported results accurately represent both its current financial situation and its long-term sustainability. The degree to which businesses follow or depart from accepted accounting principles has a significant impact on the quality of financial reporting.

2.2.1. Measuring Financial Reporting Quality

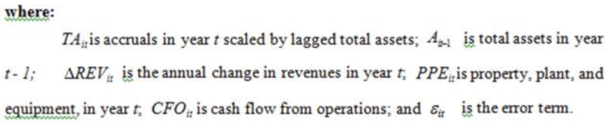
Various estimating techniques have been used in previous studies to assess the dependability and correctness of financial reporting of business organizations. Jeroh (2020a) [19] proposes two primary approaches to assess the quality of financial reporting - examining the elements that lead to better levels of earnings quality is the first strategy. The second strategy is evaluating the way in which users of financial statements react to the quality of reported earnings in businesses. The primary characteristics that support the disclosure of high-quality profits must be considered while analyzing the variables that affect the quality of earnings; and ultimately, the quality of financial reports. Internal or intrinsic components - also referred to as firm-specific or firm characteristics, make up the majority of these aspects.

On the other hand, the evaluation of users' responses to financial statements concentrates on outside variables that could affect how well they perceive the accuracy of earnings and the quality of financial reporting. After analyzing the variables and drivers of reporting quality, Jeroh (2020a) [19] further highlighted seven characteristics that may affect the accuracy and quality of earnings in particular and financial reporting generally - three market-based factors (value relevance, timeliness, and conservatism) and four accounting-based factors (Accrual quality, earnings smoothing, persistence, and predictability). Based on empirical data, Saleh *et al.* (2020) [39] emphasize the need of taking into account a variety of aspects when evaluating the quality of earnings and by extension, reporting quality. Observably, while assessing the quality of reported earnings and reporting quality generally, prior studies have demonstrated the that the Shivakumar model has high applicability in assessing the veracity of financial reporting. This study therefore employs the Shivakumar model to derive the residuals for the measurement of financial reporting quality.

2.2.2 The Shivakumar Model

Shivakumar (1996) [40] designed a model that recognizes the cashflow variable as an addition to the Jones model. Thus, by incorporating cash flow from operations (CFO) as an extra regressor, Shivakumar presents a model for estimating accrual quality as follows:

$$\frac{TA_{it}}{A_{it-1}} = \alpha_0 \frac{1}{A_{it-1}} + \alpha_1 \frac{\Delta REV_{it}}{A_{it-1}} + \alpha_2 \frac{PPE_{it}}{A_{it-1}} + \alpha_3 \frac{CFO_{it}}{A_{it-1}} + \varepsilon_{it}$$



where:

TA_{it} is accruals in year t scaled by lagged total assets; A_{it-1} is total assets in year $t-1$; ΔREV_{it} is the annual change in revenues in year t; PPE_{it} is property, plant, and equipment, in year t; CFO_{it} is cash flow from operations; and ε_{it} is the error term.

In estimating accrual quality, cross-sectional and time-series models, according to Shivakumar (1996) [40], may likely produce conceptually distinct estimates of discretionary accruals. Since earnings manipulation which plunges financial reporting quality is not expected to take place during the estimating period, discretionary accruals calculated using a time-series approach may therefore be viewed as a firm's "actual" discretionary accruals. The argument of Shivakumar (1996) [40] is that as systematic earnings manipulation may be occurring within the industry, cross-sectional estimates of discretionary accruals should thus be understood as a firm's discretionary accruals "relative to its industry".

According to the empirical data presented by Shivakumar (1996) [40] and Jeter and Shivakumar (1999), the Shivakumar model outperformed the Jones standard model in producing estimates of discretionary accruals. Jeter and Shivakumar (1999) [22] also demonstrate the presence of a non-linear relationship between accruals and *CFO* in cross-sectional data by introducing the *CFO* variable. Arguably, accruals and *CFO* have a non-linear connection which ordinarily should be controlled for. Furtherance of this, Ball and Shivakumar (2006) [6] showed that accruals have significant noise reduction impact because the average coefficients for *CFO* are considerably negative. However, it is apparent that, in comparison to the *CFO* coefficients for the top two deciles, the *CFO* coefficients for the lowest three deciles were more frequently positive. Additionally, compared to the median *CFO* coefficients for the top three deciles, the median values of the *CFO* coefficients for the lowest two quintiles were much higher (less negative). Given that *CFO* can proxy for gains or losses, this further provides some support for the timely loss recognition role of accruals (Ball & Shivakumar, 2006) [6].

2.3. Conceptual Model

In analysing the presumed influence of measures of board committees' independence and financial reporting quality, this research presents a heuristic model that portrays the diagrammatic interplay among the measures of the variables of interest. This is captured in Figure 1.

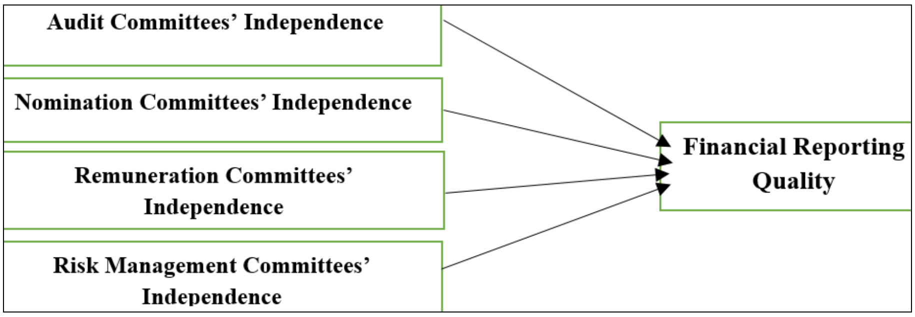

Audit Committees' Independence
Nomination Committees' Independence
Remuneration Committees' Independence
Risk Management Committees' Independence
Financial Reporting Quality

Fig 1: Conceptual Model for the Study

3. Methods

This work is anchored on the *ex-post facto* design. The design was considered appropriate because the data sought and analysed were secondary and existed prior to the conduct of the research; thereby limiting the possibility of data or outcome manipulation by the researchers. Secondary data were obtained from the financial statements of the sampled companies and analysed with relevant tools. The data covered the period 2012 – 2021. The study's population is 157 listed firms in the Nigerian Exchange Group as of December 31, 2021. The purposive and stage-wise sampling method was employed to systematically eliminate companies with consistent missing data for the study's variables. In addition, newly quoted companies that did not exist as at beginning of 2012 were automatically excluded.

3.1. Model for Test of Hypotheses

The model that guided the test of the study's hypothesis is specified thus:

$$FRQ_{it} = \alpha_0 + \beta_1 ACI_{it} + \beta_2 NCI_{it} + \beta_3 RCI_{it} + \beta_4 RMCI_{it} + \mu_{it} \quad (1)$$

Table 1: Definition of Variables

Variables	Description	Symbols	Measurement
Dependent Variable	Financial Reporting Quality	FRQ	Residuals from the Shivakumar model
Independent Variables	Audit Committees' Independence	ACI	Percentage of independent directors in audit committees of firms.
	Nomination Committees' Independence	NCI	Percentage of independent directors in nomination and governance committees of firms
	Remuneration Committees' Independence	RCI	Percentage of independent directors in remuneration committees of firms
	Risk Management Committees' Independence	RMCI	Percentage of independent directors in risk management committees of firms.

Source: Fieldwork.

Table 2: Summary Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
FRQ	880	-8.61	.1401645	- . 66017	2.139844
ACI	880	47.48221	11.90178	0	100
RCI	880	38.488	46.1913	0	100
NCI	880	21.04926	39.29001	0	100
RMCI	880	43.24847	38.32076	0	100

Source: Fieldwork

4. Results and Discussions

4.1. Descriptive Statistics

The descriptive statistics for each variable are shown in Table 2. Over a ten-year period, 880 observations were collected from a sample of 88 enterprises to create the dataset. The statistical summary displays critical descriptive metrics for every variable, such as the mean, minimum, maximum, and standard deviation. The range of values for the data on financial reporting quality is between -0.66017 and 2.139. This study used the residuals from the Shivakumar model to measure the quality of financial reporting in order to assess its correctness and dependability. The findings showed that the standard deviation was 0.1401645 and the mean value was -8.61. Table 2 also displays the standard deviations and average (mean) values for the independent variables. It was discovered that the observed values for RMCI, ACI, RCI, and NCI ranged from 0% to 100%.

4.2. Correlation Analysis

One statistical method used to determine the strength and direction of the relationship between two variables in a study is correlation analysis. Researchers can more easily characterize the relationship between variables by using the coefficients, which are represented by numerical values and signs. Table 3 presents the outcome for the correlation analysis.

Table 3: Result of Correlation Analysis

Variables	FRQ	ACI	RECI	NCI	RMCI
FRQ	1.0000				
ACI	0.0002	1.0000			
RCI	0.0664	0.1313	1.0000		
NCI	0.0176	0.0909	0.2065	1.0000	
RMCI	-0.0702	0.1488	0.2972	0.2375	1.0000

Source: Fieldwork

The correlation coefficients of the variables were examined using the data provided in Table 3. The correlation coefficients between FRQ and RMCI is negative (-0.0702) whereas, the correlation coefficients between FRQ and the other explanatory variables (ACI, RCI and NCI) were positive (0.0002, 0.0664 and 0.0176). This outcome proves that the association between FRQ and board committee independence is weak. A further examination of the coefficients recorded indicated that no pair of independent variables recorded high correlation; thus, suggesting the possible absence of multicollinearity issues among the data collated for the variables. In particular, the independent variables' Pearson Correlation (Pearson R) values varied from 0.0002 to 0.2972. The results showed that there was little to no association between FRQ and ACI, as indicated by the Pearson correlation coefficient (R) of 0.0002. On the other hand, the analysis showed that there was a somewhat greater correlation between RMCI and RCI, with a correlation coefficient of 0.2972. In this investigation, multicollinearity does not present a serious concern because no pair of independent variables showed a Pearson correlation coefficient (R) value of roughly 0.80 or higher (See Ozegbe & Jeroh, 2022) [36]. Further diagnostic tests were run on the variables to bolster this assertion; the outcomes are shown in section 4.3.

4.3 Other Diagnostic Tests

Tests for heteroskedasticity and multicollinearity were performed during the course of this investigation. The experiments carried out were essential for confirming that the models used in this study were appropriate. The sections and tables that follow provide the outcomes of the diagnostic tests that were conducted for this study. Tables 4 and 5 present the findings of the heteroscedasticity and multicollinearity tests, respectively.

4.3.1 Variance Inflation Factor (VIF) for Multicollinearity

The VIF test was conducted to determine whether multicollinearity was present. Table 4 presents the outcome of the VIF test.

Table 4: VIF Results for Independent Variables

Variable	VIF	1/VIF
RMCI	1.15	0.869448
RCI	1.13	0.885683
NCI	1.09	0.921477
ACI	1.03	0.967594

MEAN VIF 1.10

Source: Fieldwork

Evidence from Table 4 indicates that the test outcome for VIF values were below the specified threshold. Values for VIF varied from 1.03 (for ACI) to 1.15 (for RMCI). The average (Mean) VIF of 1.10 indicates that there is no multicollinearity among the independent variables which is below the threshold of 10 (See Jeroh, 2016; Jeroh, 2016a; Akiri & Jeroh, 2022) [15, 16, 4]. This result confirms that the models employed in this investigation were appropriate.

4.3.2 Outcome for Heteroskedasticity Test

The Breusch-Pagan/Cook-Weisberg Test was utilized to assess the heteroskedasticity of the study's data. The results, shown in Table 5, provide additional evidence that the models' fit is adequate, as suggested by the VIF test that came before it.

Table 5: Breusch-Pagan/Cook Weisberg (B-P/C-W) Test for Heteroscedasticity

B-Pagan/Cook Weisberg **(B-P/C-W)** Test
chi2(1) = 0.21 Prob>chi2= 0.6440

Source: Fieldwork

The findings of the heteroscedasticity test applied to the variables being examined in this study are shown in Table 4.4. A chi-square (1) value of 0.21 and a matching p-value of 0.6440 are shown by the fitted values of the variables. There is no multicollinearity in the data, and constant variance confirms that the results of the OLS regression are accurate. The Ordinary Least Squares (OLS) regression technique is therefore considered suitable for evaluating the study's hypothesis.

4.4 Test of Hypothesis

Table 6: Regression Result of Hypothesis

Independent Variables	Coefficient	Standard Error	t-statistic	P value
(Constant)	0.0030584	0.0195474	0.16	0.876
ACI	0.0000167	0.0004022	0.04	.0.967
RCI	0.0002798	0.0001083	2.58*	0.010
NCI	0.0000818	0.0001248	0.66	0.512
RMCI	-0.0003778	0.0001318	-2.87**	0.004

*Significant at 5%; **Significant at 1%, R-Square =0. 0138; Adjusted R-Squared = 0.0093, Root MSE=.13951, Number of OBS=880, F (4,875) = 3.05, Prob t – statistic = 0.0163
Source: *Fieldwork.*

Discussion of Findings

This study looked at the connection between financial reporting quality and audit committee independence (ACI). A positive correlation was found between the financial reporting quality of the firms studied and the independence of the audit committee, as indicated by the obtained t-value for ACI of 0.04 (P>| t | = 0.967).This is an indication that audit committee independence alone cannot exert significant influence on the quality of financial reporting of listed companies in Nigeria. While supporting the position of Kusnadi, Leong, Suwardy and Wang (2015 [25], this research outcome contradicts the position of Ayinla *et. al* (2022) [5] who had maintained that audit committee independence significantly influenced financial reporting quality.

Nonetheless, the study discovered a strong link between the caliber of financial reporting and the independence of compensation committees (RCI). A strong correlation was seen between the level of financial reporting quality and the independence of the remuneration committee, as indicated by the t-value of 2.58 (P>| t | = 0.010) for the variable RCI. This outcome implies that remuneration committee independence alone can significantly affect financial reporting quality of firms in Nigeria. The premise that the remuneration committee's independence has no discernible effect on financial reporting is not supported empirically by this investigation. The present result is consistent with the opinion of Yahaya (2022) [50]. Furthermore, the study's conclusions imply that there is no significant statistical correlation between nomination committees' independence and the dependability and accuracy of financial reporting. This was the position from the empirical result which produced a t-value of 0.66 (P>| t | = 0.512). This suggests that the quality of financial reporting and the independence of the nomination committee in the selected enterprises are not significantly correlated. This result is consistent with the position of Efenyumi *et al.* (2022) [21].

With respect to the relationship between risk management committees' independence (RMCI) and the quality of financial reporting, the t-value computed was -2.87 (P>|t| = 0.004). This result implies that there is a substantial inverse link between RMCI and the quality of financial reporting (FRQ) in businesses at the individual level. According to the study's findings, the quality of financial reporting of Nigerian publicly traded companies is significantly impacted by the degree of independence of their risk management committees. This discovery aligns with the results of the earlier study carried out by Subramaniam *et al.* (2009) [42].

5. Conclusion and Recommendations

Since independent committees are responsible with reviewing management's actions and performance to ensure the truth and trustworthiness of financial reporting, the significance of board committees in influencing an organization's financial success is widely accepted. This study analyzed the degree of independence displayed by several specialized board committees, including the audit, risk management, remuneration, and nomination committees, in order to investigate the impact of board committee independence on the presumed quality of financial reporting. The finding that emanated from the study have far reaching implication leading to the following recommendations:

a) All efforts designed to enhance the strategical path of corporate entities must consider the need of developing deliberate policies that will promote and sustain the constitution of board committees that will always take cognizance of the imperative of having substantial number of independent directors in every committee set up by the corporate board.

b) Particular attention should be given to the remuneration committee and the risk management committee especially when the Board is constituting committees. Members of these committees must be carefully selected to ensure that while efforts are made to constitute committees with members having relevant expertise, their level of independence should critically be considered in order not to undermine the very essence of the independence of such important committees.

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