Audit Committee Diversity and Earnings Neutrality in Nigeria: Evidence from Quoted Consumer Manufacturing Firms

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Abstract

This study examined the effect of audit diversity earnings neutrality of financial reporting of quoted consumer goods manufacturing firms in Nigeria. Thirteen consumer goods manufacturing firms were selected from the population since they met the requirements for being chosen. Multi-method quantitative research design was used. Panel data were collected from financial reports of the firms. Earnings neutrality was used as dependent variable while gender diversity, age diversity, board experience diversity and professional membership diversity was used as independent variables. The study employed both descriptive and inferential statistics in executing univariate, bivariate and multivariate analyses. Findings of the study shows that gender diversity is negatively related to discretionary accruals but positively relating with earnings neutrality, age diversity has egative relationship with earnings neutrality. Board experience diversity versus earnings neutrality yielded negative and significant relationship under multivariate analysis but bivariate analysis of the same test produced insignificant negative relationship. Professional membership diversity is positively but insignificantly related with earnings neutrality. The study concludes that gender diversity and board experience diversity are significant determinants of earnings neutrality among listed consumer-goods manufacturing firms in Nigeria. We recommend that board recruiters and strategists should compose audit committees that seek to possess professional opinions on matters relating to their oversight duty, rather than composing one that should seek to outsource professional opinions to consultants by pursuing a composition policy based on professional membership diversity and audit committees of listed firms should be composed by those saddled with the duty by appointing board-experienced members with caution when the quality of their financial reports is of utmost importance.

Keywords: Audit Committee Diversity,* earnings neutrality, *Financial Reporting, Consumer Manufacturing Firms, Gender Diversity

Introduction

Audit committee is one of the sub-committees of boards of corporations in Nigeria, (CAMA, 2004). Baxter and Cotter (2009) opined that audit committee is mostly composed of non-executive directors. Audit committee has the potential to nurture the fabrics of institutionalized corporate governance system in an organization. This committee through its role essentially enhances the effectiveness of the board in the fulfillment of its statutory responsibilities (Kiabel, 2016).Section 359(3) of the CAMA (2004) as amended provides for the establishment of Audit Committees in public Companies in Nigeria thus: The auditor shall in the case of a Public company also make a report to an Audit Committee which shall be established by the Public company." This provision was further fortified by Section 359(4) which provides that the membership of the committee shall be composed of equal number of directors and shareholders' representatives so that the maximum number of members of the committee shall not exceed six. The provision on the establishment of Audit Committees in Public Companies in Nigeria was further boosted in 2008 by the Code of Best Practices of Corporate Governance in Nigeria, issued by the Securities and Exchange Commission, which was applicable to all public companies in Nigeria.

Earnings neutrality is a sub-notion of faithful representation, this implies that the quality of measuring earnings is done as objectively as possible. Evidence shows that earnings management reduces the quality of neutrality in the reported earnings. This underscores why earnings management is used as an inverse function of neutrality of earnings. However, one major fallout of recent cases of corporate failures in Nigeria is the declining credibility of stewardship accounts produced by corporations, like the cases of Cadbury PLC Kaduna Textile Industry, Asaba Textile Industry, Benue Cement company, Nigerian Coal Corporation, Leventis PLC and several banks, these are some of the corporate failures that have taken place in Nigeria, for which stakeholders have queried the existence and functionality of the audit committee. Recognition of audit committee functions beyond mere exercising of oversight on the account and understanding how its resourceful diversity could be internally integrated within the firm's financial reporting framework and which could go very far in stemming the declining credibility of reported earnings. A very potent question comes to the mind of anyone interested in the financial reports of companies. Who is in charge of overseeing the financial reports? Decades of research on corporate governance have yielded a plethora of empirical and theoretical literature most of which appear to affirm the potency of diversity in mitigating the agency conflict that follows separation of ownership from control of firms. According to available literature, diversity brings about pooling of diverse experiences, knowledge, and expertise in the exercise of audit committee functions. The intangible resources that members bring to the committee may be integrated in unique ways with the reporting framework of the firm that results in high quality financial reporting. From literature (Useem, 1984) suggests that these intangible resources that directors bring to the board are more highly valuable than the economic resources, such as access to markets and financing. Therefore, by identifying the diversity of these resources, board recruiters can combine appropriate mix of these resources to produce high quality financial reporting. From the above problems and knowledge gap, this study examined the effect of audit committee on the earnings neutrality of quoted consumer goods manufacturing firms in Nigeria.

Literature Review

Audit Committee

The audit committee's primary role is to provide oversight over the company's financial reporting process, including the integrity of financial statements, the effectiveness of internal controls and the monitoring of both internal and external auditors. It enhances the board of directors (principal)'s capacity to act as a monitor of management (agent) by providing more detailed knowledge and understanding of financial statements of the company (Pincus, Rusbarsky, & Wong, 1989). The audit committee is also expected to play a role as arbiter between management and external auditors since these two parties may have legitimate differences of opinion on how to best apply accounting standards (Klein, 2002). Thus, the existence and independence of audit committee members may help them to balance divergent views of management and external auditors to produce ultimately a higher quality financial report. The wide adoption of the formation of audit committees around the world suggests the importance of an audit committee as a governance mechanism (Saidin, 2007).

Audit Committee in Nigeria

Kiabel (2016) gave a succinct history of the Audit Committee, how it first came up in the United States of America in the late 1930's until the 1960's when major developments came up. Also, he posited his views, defining the audit committee as "a Committee of directors of a corporation whose specific responsibility is to review the annual financial statements before submission to the Board of Directors. Section 359(3) of the CAMA (2004) as amended provides for the establishment of Audit Committees in public Companies in Nigeria thus: "The auditor shall in the case of a Public company also make a report to an Audit Committee which shall be established by the Public company." This provision was further fortified by Section 359(4) which provides that the membership of the committee shall be composed of equal number of directors and shareholders' representatives so that the maximum number of members of the committee shall not exceed six. The provision on the establishment of Audit Committees in Public Companies in Nigeria was further boosted in 2008 by the Code of Best Practices of Corporate Governance in Nigeria, issued by the Securities and Exchange Commission, which was applicable to all public companies in Nigeria. According to (Nat, 2013) the 2003 SEC Code enjoined companies to have Audit Committees and further indicated directors' representatives in the Audit Committee. The 2003 SEC Code has now been replaced by the Code of Corporate Governance in Nigeria 2011 issued by the Securities and Exchange Commission and which became effective on 1st April 2011. Perhaps, taking a clue from the provisions of the 2003 SEC Code, the Code of Corporate Governance for Banks in Nigeria Post-Consolidation, issued by the Central Bank of Nigeria and mandatory for all banks operating in Nigeria also made provision for the establishment of audit committees in all banks operating in Nigeria. Furthermore, the Code of Corporate Governance for Insurance Companies in Nigeria issued by the regulator of the Insurance Industry in Nigeria, National Insurance Commission (NAICOM), similarly provided for the establishment of Audit Committees in Insurance and Re-insurance companies operating in Nigeria. However, in the Code of Corporate Governance for Licensed Pension Operators issued by the National Pension Commission (PENCOM), the Audit Committee only received a mere mention in two provisions; the first provision, recognizes the Audit Committee as one of the Committees the Board of Directors of a company, can establish to facilitate its work and the second provision stipulates that the Corporate Governance report to be prepared by a relevant company for submission to PENCOM should contain the composition of the Audit Committee of the company and the details of the Committee's activities (Nat, 2013).

Audit Committee and Financial Reporting Quality in Nigeria

The Institute of Chartered Accountant of Nigeria (ICAN, 2016) queried the efficacy of board audit committee in Nigeria although, the Companies and Allied Matters Acts clearly provide for the creation of audit committee their efficacy in the Nigerian context is another issue. The current situation is that composition is skewed in favor of management and this reduces the visible independence of the body and tends to compromise the quality of their work. In spite of the vital responsibilities of audit committee, poor financial reporting quality is still in a high prevalent rate in virtually all companies in Nigeria. This has been traced to the failure of an audit committee to 'question management's selection of accounting approaches.' Also, an audit committee is "neither intended nor equipped to guarantee to the board of directors and shareholders the accuracy and quality of a firm's financial statements and accounting practices. Furthermore, the committee has no time to watch for the details neither in financial reporting, nor to design and device a strong internal control system to prevent poor financial reporting. In addition, an audit committee has neither the time nor the technical know-how to examine 'appropriate' accounting principles. The members also have no power to oversee senior executives' team or to argue with them; they often have close associations with corporate executives; they populate each other's boards and tend not to criticize each other. Because of these features, using audit committees as a tool for corporate governance has not been proven effective."

Audit Committee Diversity

Diversity means generally that component agents of a large system are heterogeneous so that they exhibit different traits and perform different functions. In terms of human relation, diversity means having a range of many people that are different from each other. There is, however, no uniform definition of board or audit committee diversity. Traditionally speaking, one can consider factors like age, race, gender, educational background and professional qualifications of the directors to make the board less homogenous. Vander Walt and Ingley (2003) defined diversity in the composition of the Board as the varied combination of attributes, characteristics and skills that their members have. Mazur (2010) sees diversity as a subjective phenomenon, created by group members themselves who on the basis of their different social identities categorize others as similar or dissimilar. Taking the views of Burton and Ryall (1995), we describe audit committee diversity as the composition of the committee by combining attributes, characteristics, and the expertise of individual committee members that contribute to committee processes and decision-making in a positive way.

Gender Diversity

Gender diversity has existed throughout history and across cultures. The concept is based on a distinction between sexes (the physical characteristics that identify individuals as male or female). While gender diversity may have several connotations under several subject matter of discuss, the term here is restricted to its operational meaning as used in workplace setting. In his definition of board gender diversity, Perrault (2014) simply lifted from Harris *et al*. (2010), as the proportion of women on the board; this also is gaining in publicity as shareholders file numerous proposals and institutional investors release policy statements to contest the status quo.

Sytsma (2006) defines gender diversity as equitable or fair representation of people of different genders. It most commonly refers to an equitable ratio of men and women but may also include people of non-binary genders. Gender diversity refers to the quality of being different but not treated as inferior or superior and it is currently being increased and strengthened in the workplace to bring about the desire to maximize the value of human capital ACCA (2015).

Female Participation in Nigeria Boards

The achievement of workplace gender diversity in Nigeria is being met with considerable number of cultural impediments mainly from the patriarchal nature of Nigerian society. Due to the male dominance, influenced by culture, women are mostly under-represented at the managerial and board levels. A 2016 survey conducted by DCSL Corporate Services Limited indicates that during 2013–2015 women accounted for only 14 percent of the 915 directors on the boards of the 132 companies listed on the Nigerian Stock Exchange. DCSL (2018) undertook a survey to ascertain the level and growth of female representation on the Boards of companies listed on the

Nigerian Stock Exchange over a 3-year period of 2013 to 2015. They collated data from 132 listed companies in the major sectors of the Nigerian economy, viz- Manufacturing, Conglomerates, Oil & Gas, Financial Services, Banking, Insurance, General Services, Publishing and Information Technology. Their findings included the fact that female representation on boards of companies in the manufacturing sector increased from 8% in 2013 to 12% in 2014 with no change in 2015, while the oil and gas sector recorded a decline from 15% in 2013 to 10% in 2015.

Age Diversity

Age diversity is the mix of people of different age brackets in one composite unit. In other words, the assemblage of people of different generations in the pursuit of any goal can be said to be age-diversified group. In the context of this paper, age diversity is related to audit committee. Thus age diversity is a mix of various age-brackets in the composition of audit committee. Since diversity is generally believed to be associated with positive attributes, age diversity should be given attention, presumably because the benefits of having a board which includes people from different age groups would be similar to benefits of other types of board diversity. People from different age groups bring different life experiences and perspectives to the important work done by corporate boards (Barrett, 2017).

Board Experience Diversity

Experience is the knowledge or mastery of an event or subject gained through involvement in or exposure to it. Practically speaking, experience acquired in this sense can be an increasing function of the event frequency, or an increasing function of the event time. In corporate governance studies, when board experience is conceptualized in the context of experience as an increasing function of time, the event scope is limited to a certain industry (i.e. industry experience). The latter construct places emphasis on '*experience spread*', while the former industry experience places emphasis on '*experience depth*'. For this paper, experience spread construct is adopted because it is more in tune with reality. Most board members serve on different boards concurrently. The so-called 'different perspective' which is often associated with diversity derives its origin from their experiences from other climes. Thus, board experience diversity in the context of audit committee is defined as combination of various knowledge or skill from serving on boards of various companies over various times. Accordingly, Board experience is operationalized as the number of times served on boards of various companies at various times by a member of an audit committee. This is different from industry experience which is usually operationalized as length of time served on boards of companies in the same industry.

Professional Membership Diversity

A professional is a member of a profession or any person who earns their living from a specified professional activity. The term also describes the standards of education and training that prepare members of the profession with the knowledge and skills necessary to perform their specific role within that profession (Wikipedia, Retrieved 2019). Therefore, in the context of audit committee diversity, professional membership diversity is the spread of professional representation of board by members. Put differently, professional membership diversity of audit committee is the extent to which various professions are represented on the committee by members of the committee. Professional diversity gives the board a wider outreach. Not only that the board is exposed to wider and quality opinion, but the board also has wider access to members of their various professions. Erhardt *et al* (2003) a strong profounder of this school of thought carried out a lot of research work with relation to the workplace corporate diversity, he considered factors such as; profession, experience, knowledge, education, values, perception, affection and personality characteristics in his diversity studies.

Financial Reporting Quality

Verdi (2006) defines financial reporting quality as the exact way it shows information as regards a business activity and its anticipated cash flows, with the aim of informing the shareholders about a company`s operations.

The financial statement of any firm is expected to have the required qualitative attributes as stated by International Financial Reporting Standards which include relevance, comparability, timeliness, understandability, faithful representation, and verifiability. The financial statement should always depict detailed information about the economic performance of a firm (as highlighted in the income statement), the statement of financial position, statement of cash flows and statement of changes in equity (IAS 1). This is to ensure that the information provided is of high quality. Financial reporting quality also refers to the degree in which financial statement provides us with information that is fair and authentic about the financial position and performance of an enterprise (Tang, Chen & Zhijun, 2008). It can be deduced from the above definitions that for a financial statement to be regarded as possessing a high-quality attribute, it must be able to provide authentic/genuine information about the economic performance, financial position and operations of cash flows with the aim of keeping shareholders and other stakeholders informed of the entity's current situation.

Earnings Neutrality

Neutrality means information should be free from bias towards a predetermined result (FASB 1980). Although the SFAC No. 2 implies neutrality in standard-setting as well as in standard implementing, the focus in this study is neutrality in financial report preparation. Extant accounting studies provide evidence suggesting that firms manipulate accounting measures to report earnings purposefully that meet or exceed some predetermined earnings benchmarks such as non-negative earnings, prior years' earnings and analysts' earnings expectations (e.g., Burgsthaler&Dichev, 1997; Degeorge*et al*., 1999). Reliability as a quality of financial reporting used to be considered as the primary factor of accounting information. In FASB's old framework, reliability was the primary quality, and it was comprised of representational faithfulness, neutrality, and verifiability. However, in the new framework, faithful representation becomes the primary and the fundamental quality, instead of reliability. Moreover, faithful representation is comprised of completeness, neutrality, and accuracy. FASB also believes that reliability is one of the critical qualities to accounting information (Downen, 2014). Thus, earnings neutrality as a sub-notion of faithful representation quality means the quality of measuring earnings as objectively as possible. Evidence of earnings management reduces the quality of neutrality (i.e. objectivity) in the reported earnings. This underscores why earnings management is used as an inverse function of neutrality of earnings.

Social Role Theory

This theory propounded by Alice Eagly (1987) is based on the idea that there is a difference between men and women. The Social role theory states that the way people see the different sexes is based on observations of the role performance of men and women. Therefore, those beliefs about the sexes are reflected in the hierarchy of the society of the sexual division of labour and gender. By several mediating processes, those beliefs shape gender roles, which stimulate real differences in behaviour. The differences in hierarchy are, according to Eagly, Wood and Diekman (2000), the root cause of the differences in behaviour between men and women. Other features of social organization include for example that women have less power, status and resources (Rhoodie, 1989), and these are factors that could influence theperception of people. Another example of a feature of social organization is the fact that women, compared to men, perform more domestic work and spend fewer hours in paid employment (Shelton, 1992). The Social role theory argues that from the different typical roles of men and women, a set of specific skills arise for both men and women. From a historical view, men are seen as the providers and women as the homemakers, both genders learned skills are related to their social roles. For example, women have learned the traditional skills to cook and sew, while men learn skills that are marketable in the paid economy. Another labour related contention according to the Social role theory is that the skills of each gender leads to the fact that there are occupations that are dominated by one of the sexes.

Agency Theory

Many researchers tried to explain why managers, use accounting policies based on their own preferences. Another theory of importance, besides the Social role theory, is the agency theory. This theory is relevant for this thesis, because it gives a possible reason for the use of discretionary accruals which is the inverse of earnings neutrality. The agency theory was developed by Jensen and Meckling in 1976. The theory is based on the problem that an ‘agent’ does not maximize the ‘principal’s’ welfare. The relationship between the agent and the principal is the agency relationship. Jensen and Meckling (1976) defines this relationship as a contract under which one or more persons engage another person to perform some service on their behalf which involves delegating some decision-making authority to the agent. The underlying assumption of the fact that the agent will not always act in the best interest of the principal is that both parties maximize their own utility.

Empirical Review

Qi and Tian (2012) examined the influence of audit committees' personal characteristics on the firm's earnings management behavior using China's publicly traded firms during 2004-2010. Their findings shows that the age of audit committee members are associated with earnings management, indicating that older audit committees may be considering more about their career security and reputation over the years, and may work harder to prevent firm's earnings management behavior. Also, Kang, Chenge, and Gray (2007) asserted that experience comes with age, the older an audit committee member, the better, that is to say, that the presence of older committee members on the audit committee will lead to better financial reporting quality. These findings combined with insight from agency theory might just explain the mixed results in empirical literature.

Aifuwa & Embele (2019) investigated the impact of board characteristics on financial reporting quality of listed manufacturing firms in Nigeria. The authors employed the Generalized Linear Model Regression in testing the hypotheses. Findings revealed that board experience was statistically significant and positively related to financial reporting quality at 5% level of significance. Garcia (2018) examined diversity of Thought and Experience in the Boardroom, found that almost every director has at least some form of professional skill that they bring to the board and many also have experience in a leadership position. While there is a strong correlation between the director-level and board-level ranks, there are some skills, such as international experience and risk management, which are more represented on the individual director-level compared to the board-level. In conclusion he said therefore, while the marketplace overall may be emphasizing these skills in the boardroom, not all companies are following the trend. Creary, McDonnell, Ghai and Scruggs (2019) examined when and why diversity improves Board's Performance". In their research they found that: Many boards are broadening the range of professional backgrounds considered for board member positions, allowing them to attract more socially diverse directors who bring, as one interviewee referred to it, "diversity of thought." The benefits of having a socially and professionally diverse board cannot be realized without an egalitarian board culture. Boards that want to maximize their effectiveness need to do more to ensure that different perspectives are regularly elicited and integrated into the board's work. Bettencourt, Samaniego & Youn (2014) examined professional diversity and the productivity of cities, analyze the diversity of US metropolitan areas in terms of profession diversity and employment to show how this frequency distribution takes a universal scale-invariant form, common to all cities, in the limit of infinite resolution of occupational taxonomies. The study showed that the patterns of occupational diversity and economic productivity observed in US metropolitan areas can be derived from an integrated view of cities as socio-economic networks that promote a systematic division and coordination of labor without loss of overall functionalities available to individuals. The board room as an analogy to the city, the study implies that board members stand to achieve greater efficiency and effectiveness with loss of their respective functionalities, by extension therefore, professional diversity is expected to associate positively with financial reporting quality.

Literature Gap

Several empirical works have been done as it relates to board diversity and financial reporting quality, but there is paucity of existing literature on the link between audit committee diversity and financial reporting quality. Habib Al-Shaer, AlySalama, Steven Toms (2017) examined Audit Committees and Financial Reporting quality in the United Kingdom Country: UK. The purpose was to examine the determinants of the volume of environmental disclosures and their quality, with particular focus on the role of Audit committees. The study found that Firms with higher quality Audit committees make higher quality disclosures, larger firms with block shareholders have greater volume of disclosures, findings are based on evidence from single country and imply further international comparative research. This study was done in a developed economy and did not look at a specific class of company. This Gap the study fills as what applies in developed economies may not be attainable in an emerging economy like Nigeria. Nik Mohammad and Mohd Hassan Che (2010) examined Audit Committee Diversity and Earnings Management Country: Malaysia. The purpose was to examine the relationship between audit committee diversity and earnings management in Malaysia after the revision of the Malaysian code of corporate governance (MCCG) in 2007. The study found a negative correlation between the compositions of audit committee members with earnings management. In contrast, female directors showed no effect in mitigating earnings management which may be due to the small size of female members in the audit committee. The research was carried out just after the introduction of the Malaysian code of corporate governance, unlike in this current study, which is in Nigeria, this study examined the effect of audit committee diversity on Earnings neutrality in Nigeria.

Research Design

The research design for the study was the multi-method quantitative research design. The population of the study consists of all listed consumer goods manufacturing firms in the Nigeria Stock Exchange.According to the official website of the Nigerian Stock Exchange (http://www.nse.com.ng/issuers/listed-securities/listed-companies) there are twenty-one listed consumer goods manufacturing companies as at 31st of August 2019. Evidently, the target population is small and finite.

Sample Size and Sampling Techniques

The total number of companies would have been used, due to the small population size of twenty-one listed companies. However, the sample size consisted of 13 listed manufacturing companies in the consumer goods sector listed on the Nigerian stock exchange. Published annual reports from the databases of the Nigerian Stock Exchange and respective sampled firms form the source of data for the study. Thus, secondary data for 2013 to 2018 was collected. These six (6) years data will be utilized to measure the study variables from 2013 to 2018, being the target study period. The choice of five (5) years as the study period is aimed at safeguarding the contemporary relevance of the study's outcome. The thirteen companies are companies which met the conditions precedent which included that the companies would not have been delisted al through the study period and that they have complete data for the study period.

Measures of variables

The main variables of the study include audit committee diversity, financial reporting quality and firm size. In this section, the modalities of measuring these variables are described.

Table 1: Independent Variable Measurement

Variables	Measurement description
Gender Diversity	Measured as ratio of female to total audit committee size JonnaTillenius and Marianne Lango (2017)
Age Diversity	Dummy variable that takes '1' if simultaneous inclusion of any two members who fall into two age brackets of 50 years of age or less and 51 years or more; '0' otherwise. Carolina Petersson and Fanny Wallin (2017)
Board Experience Diversity	Dummy variable that take value equal to '1' if members include one who has chaired a board before, and '0' otherwise. P. Nylen and A. Dalhov (2015).

Professional Membership Diversity	Dummy variable that take value equal to '1' if every member belong to any other non-accounting profession in addition to accounting/finance professions, '0' otherwise. A. Ciavarella(2018).

Dependent Variables
The dependent variable of the study is financial reporting quality which is represented by earnings neutrality (EARN).

Earnings Neutrality
Earnings neutrality as a sub-notion of faithful representation means the quality of measuring earnings as objectively as possible. Evidence of earnings management reduces the quality of neutrality (i.e. objectivity) in the reported earnings. The study by Dechow*et al*. (1995) finds that the modified Jones model provides the most powerful test of earnings management compared to Healy, DeAngelo and standard Jones industry model.

In accordance with the modified Jones (1991) model, six specific data sets will be extracted from the annual financial statements of the respective sampled firms, ranging from 2013 to 2018 financial years. For each sampled firm, the obtained time series data will be used to estimate the parameters (β_0, β_1 and β_2) of the following equation, using multiple regression technique:

Where TOTAL ACCRUALS $= \left(\frac{CFO_t - PAT_t}{TA_{t-1}}\right)$

$$\left(\frac{CFO_t - PAT_t}{TA_{t-1}}\right) = \beta_0\left(\frac{1}{TA_{t-1}}\right) + \beta_1\left(\frac{\Delta REV_t - \Delta AR}{TA_{t-1}}\right) + \beta_2\left(\frac{PPE_t}{TA_{t-1}}\right) + \mu \quad \ldots . Eqn. (1)$$

Where CFO is the cashflow from operating activities and PAT is defined as the profit after tax.
The left-hand side of eqn. 1 being the total accruals which is scaled by total assets, will be regressed on the difference between changes in revenue and accounts receivable, and Property, Plant and Equipment jointly, to estimate the parameters. With the estimated parameters, total accruals will then be estimated, using cross-validation technique. The absolute differences between the estimated total accruals and the actual total accruals are then extracted for each of years 2014 to 2018 as constituting discretionary accruals (*ACC*) for the sampled firm.
In line with the operational definition of earnings neutrality (*EARN*), for each respective sampled firm (*i*) as at respective yearend (*t*), earnings neutrality is then estimated as an inverse function of *ACC* as follows:

$$EARN_{it} = f^{-1}(ACC_{it}) \qquad \ldots \ldots \quad Eqn\ (2)$$

Equation 2 reads: earnings neutrality is an inverse function of discretionary accruals, meaning increasing values of ACC (discretionary accruals) is associated with decreasing values of EARN (earnings neutrality) and vice versa.

Model Development & Specification
Following from extant literature, it is believed that audit committee diversity is expected to impact positively on the effectiveness of the committee as well as help to improve neutrality of earnings.

Thus putting the foregoing postulations to empirical test necessitates the following expression;

$$FRQ_{it} = f(GDIV_{it}) \qquad \dots\dots \quad Eqn\ (3)$$

Where; the left-hand side of eqn. (3) reads: financial reporting quality of firm *i* in period *t* and the RHS of eqn. (3) represents gender diversity (GDIV) of firm *i* in period *t*.

This assertion can be subjected to empirical investigation to assess the veracity of the claim, using the following equation:

$$FRQ_{it} = f(ADIV_{it}) \qquad \dots\dots \quad Eqn\ (4)$$

where the left-hand side remains as defined in Eqn. (3) while the RHS of eqn. (4) represents age diversity (ADIV) of firm *i* in period *t*.

To test the validity of this claim, the following equation is necessary:

$$FRQ_{it} = f(XDIV_{it}) \qquad \dots\dots \quad Eqn\ (5)$$

where the left-hand side remains as defined in Eqn. (3), while the RHS of eqn. (5) represents experience diversity (*XDIV*) of firm *i* in period *t*.

To put this notion to empirical test, we develop the following functional relationship:

$$FRQ_{it} = f(PDIV_{it}) \qquad \dots\dots \quad Eqn\ (6)$$

Inferring from the theoretical framework and extant literature, we specified the model by collapsing all four equations into one since they share a common dependent variable:

$$FRQ_{it} = \lambda_0 + \lambda_1 GDIV_{it} + \lambda_2 ADIV_{it} + \lambda_3 XIVD_{it} + \lambda_4 PDIV_{it} + U \qquad \dots\dots \quad Eqn\ (7)$$

But again, since the dependent variable itself is represented by a surrogate (Earnings Neutrality [EARN]), equation 7 can be recast as follows:

$$EARN_{it} = \beta_0 + \beta_1 GDIV_{it} + \beta_2 ADIV_{it} + \beta_3 XIVD_{it} + \beta_4 PDIV_{it} + e \qquad \dots\dots \quad Eqn\ (8)$$

where λ_0 and β_0 are the intercepts of the respective regression equations, and *U* and *e* are the error terms respectively where *e*is assumed to be independent and normally distributed. The coefficients λ_n and β_n(where n = 1, 2, 3 . . .) are the response coefficients of the respective dependent variables with respect to the independent variable of equation 8.

In line with the theoretical framework developed earlier, our *a priori* expectations regarding the coefficients are:

For equation 7: $\lambda_n > 0$

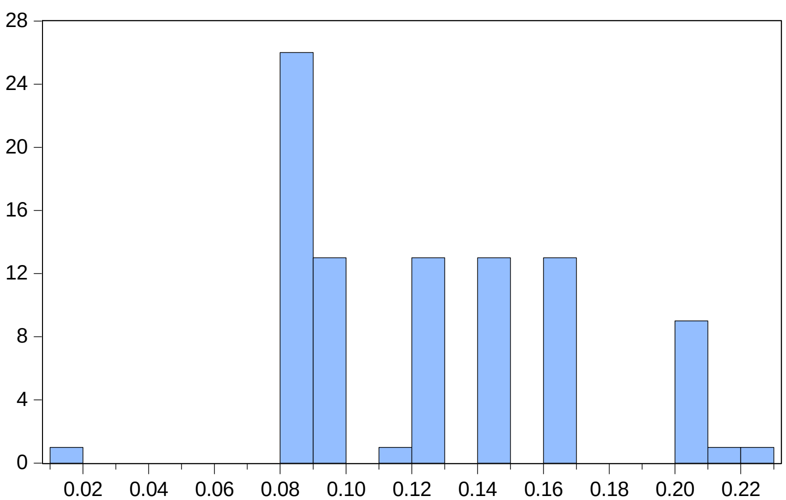
And for equation 8: $\beta_n > 0$

Method of Data Analysis

The study employed both descriptive and inferential statistics in executing univariate, bivariate and multivariate analyses. As informative as the bivariate analysis is, it is crucially deficient to the extent that the joint impacts of the independent variables are not observable in such analysis. Thus, the need to observe the joint impact of the independent variables on the dependent variable justifies the conduction of multivariate analysis. For the multivariate analysis, Generalized Least Square (GLS) Model was used to fit the data and test the hypotheses derivable from equations 6 because GLS permits non-normal stochastic and non-linear systematic components (Mac Cullagh, & Nelder, 1989; Hardin & Hilbe, 2007). Since almost all the data are in ratio scales, we expect cross-sectional heterogeneity to be insignificant, thus a pooled regression will suffice. On the other hand, the linear logistic model was utilized to fit the data for equations 6 because of the binary nature of the dependent variable (Hosmer&Lemeshow, 2000). The analysis was done using e-views 7.

Gender Diversity of Audit Committees

Gender diversity which is measured in terms of proportion of the total audit committee members that constitutes female members in any financial year, is meant to portray audit committee femininity. The greater the proportion, the more feminine are the audit committees of the firms under study. As presented in figure 2, the average proportion observed is 12.48% in terms of mean and 12.5% in terms of median. The maximum proportion observed is 22.22% while the minimum observed is 1.11%. The recorded standard deviation (4.3% approx.) suggests that there is not much deviation from the observed mean proportion among the sampled firms. The implication of the foregoing statistics is that female memberships of audit committee in the sampled firms are comparatively low, by using 50% as a benchmark.



Series: Gender Diversity
Sample 2012 2018
Observations 91

Mean	0.124818
Median	0.125000
Maximum	0.222222
Minimum	0.011111
Std. Dev.	0.043282
Skewness	0.374381
Kurtosis	2.405282
Jarque-Bera	3.466854
Probability	0.176678

FIGURE3: GENDER DIVERSITY OF AUDIT COMMITTEES

Source: Researchers' computation using Eviews version 7

Although the statistics also tend to suggest that female membership of audit committees is slightly skewed positively with a considerable manifestation of kurtosis (2.405). This means that there are more frequencies of high proportions beyond the average mean score, thus indicating growing tendencies of female membership of audit committees in Nigeria. Furthermore, the observed proportion of female membership of audit committee is normally distributed as shown by the Jarque-Bera statistic (3.467) and associated probability value (0.17668), meaning the seeming apathy in female membership of audit committee is not an isolated policy but a predominant policy in the industry of study.

Age Diversity of Audit Committee

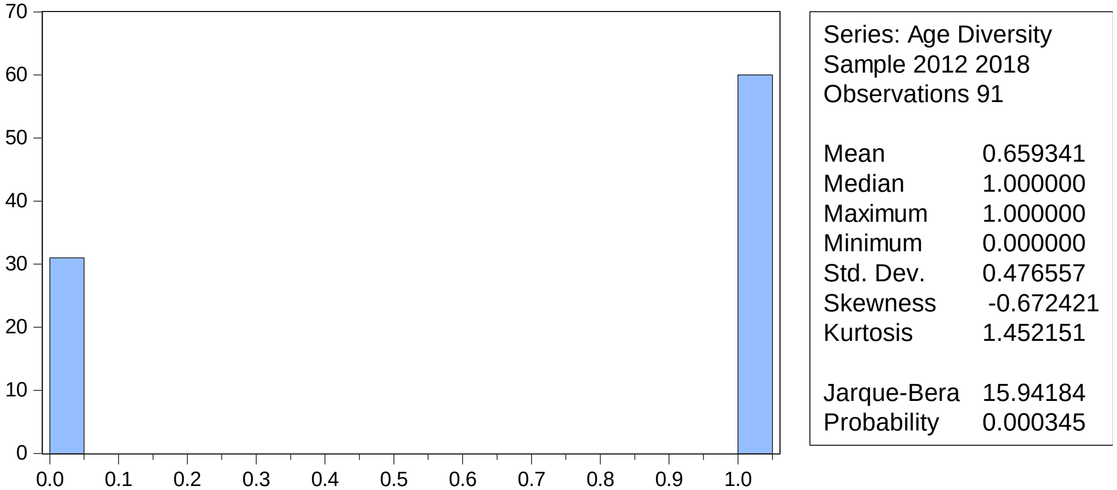


FIGURE 4: AGE DIVERSITY OF AUDIT COMMITTEES

Source: Researchers' computation using Eviews version 7

Figure 4 reflects an observed mean of 0.6593, implying that on the average, there is 65.9% chance of finding two members who fall into two age brackets of 50 years of age or less and 51 years or more in any financial year. The recorded standard deviation (47.7% approx.) suggests that there is considerable likelihood of moderate deviation from the observed mean proportion among the sampled firms. Thus the implication of the descriptive statistics is that, chances of transferring corporate audit committee experience/expertise and audit committee succession planning are high but not widespread among the sampled firms.This position is further confirmed by the Jarque-Bera statistic (15.942) and the associated probability value (0.000345) which indicates asymmetric distribution of age diversity in the Nigerian listed consumers' good manufacturing industry.

Board Experience Diversity of Audit Committee

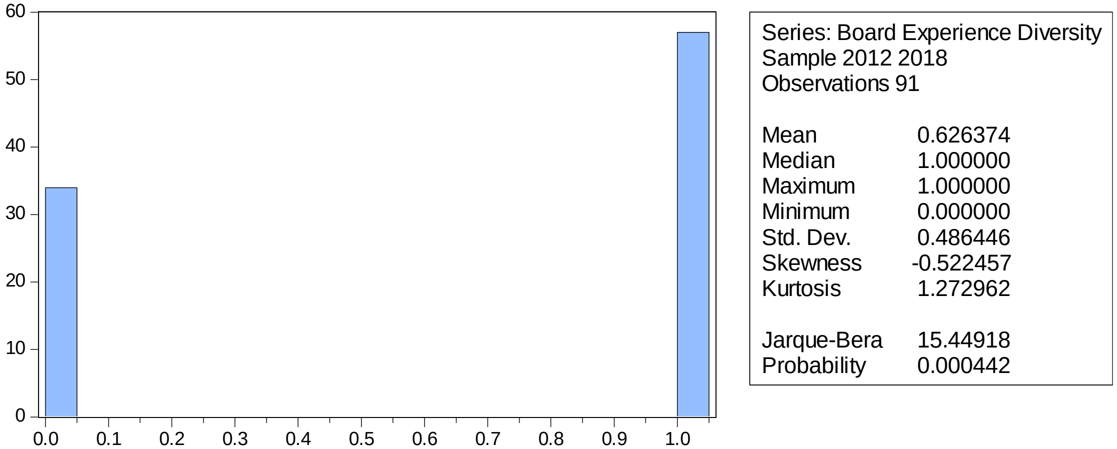
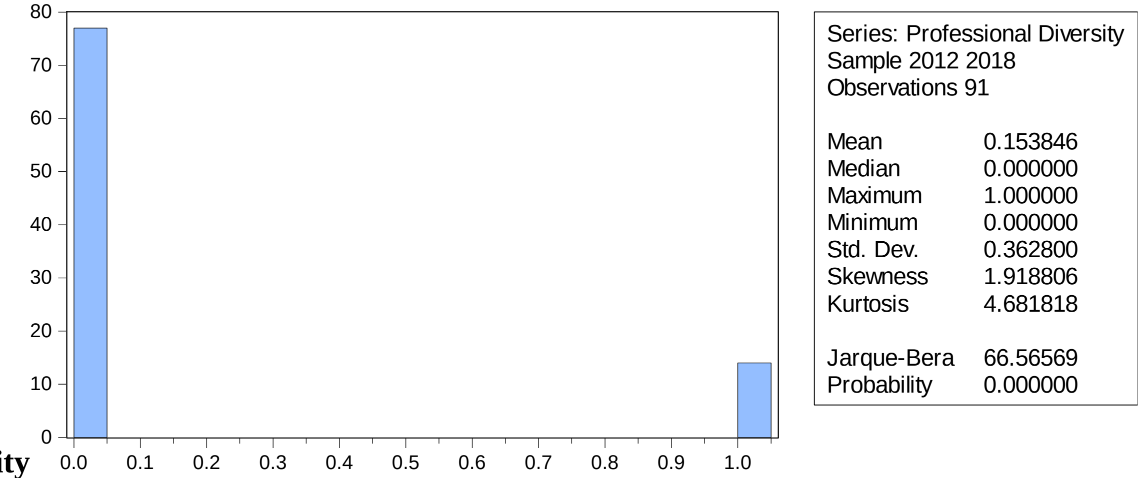


FIGURE 5: BOARD EXPERIENCE DIVERSITY OF AUDIT COMMITTEES

Source: Researchers' computation using Eviews version 7

Figure 5 indicates an observed mean of 0.6364, implying that on the average, there is 63.6% chance of finding an audit committee member who had chaired a corporate board before. Thus, there is considerable degree of probability that an average audit committee in the Nigerian listed consumers' good manufacturing industry is appropriately experienced in corporate governance mechanism. Obtained measures of dispersion (standard deviation = 48.6% approx., skewness = -0.522) show that there is considerable likelihood of moderate deviation from the observed mean proportion among the sampled firms. For instance, the negative skewness suggests that the numbers of firms, whose audit committees include former board chairmen/persons, are more than those without former board chairmen/persons. However, the descriptive statistics also implies that, probability of board experience is high but not widespread among the sampled firms. This position is further confirmed by the Jarque-Bera statistic (15.449) and the associated probability value (0.000442) which indicates that board experience in the consumers' good manufacturing industry is not normally distributed.



Professional Membership Diversity

FIGURE 6: PROFESSIONAL MEMBERSHIP DIVERSITY OF AUDIT COMMITTEES

Source: Researchers' computation using Eviews version 7

Figure 6 presents the descriptive statistics on professional membership diversity of a pool of 13 listed consumer-goods manufacturing companies in Nigeria. As presented in figure 6, the mean observed is 0.1538, implying that on the average; there is just about 15.4% chance of finding an audit committee member who belonged to any other profession including the accountancy/finance related profession during any of the financial year under study. What this implies is that there is high tendency of group-thinking as almost everyone is likely to think alike, with no one thinking outside the box. The recorded standard deviation is 36.3% approximately, suggesting that there is considerable likelihood of observing high deviation from the reported mean proportion among the sampled firms. This can be interpreted to mean that chances of giving alternative perspective to issues bordering on financial reporting in the audit committee are considerably low and widespread among the sampled firms. Further to this line of thought, the Jarque-Bera statistic (99.57) and the associated probability value (0.000) show that the confirmation of asymmetric distribution of professional diversity in the consumers' good manufacturing industry is emphatic.

Earnings Neutrality

Earnings neutrality on the other hand takes its manifest construct in the form of reported earnings being free of managerial discretion in any form.

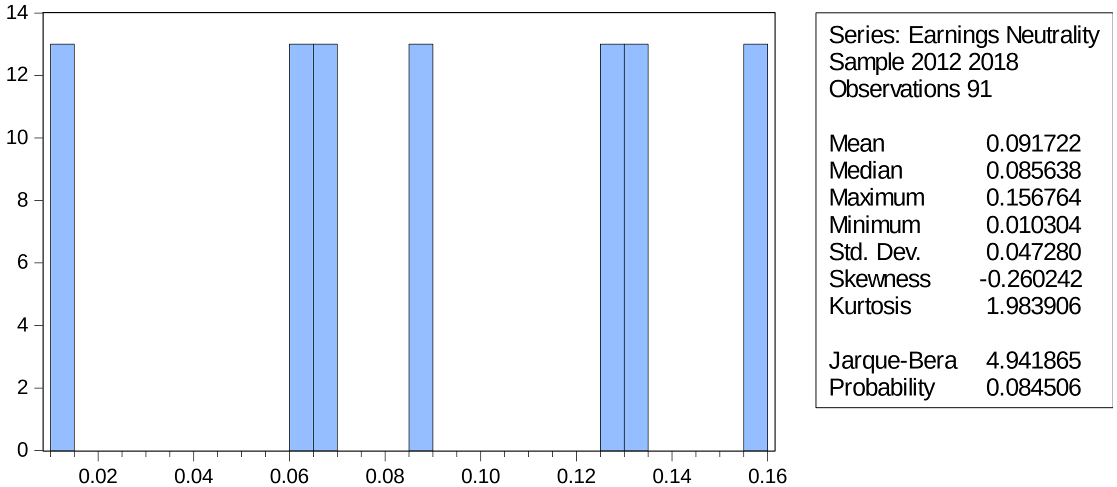


FIGURE 8: EARNINGS NEUTRALITY

Source: Researchers' computation using Eviews version 7

Figure 8 shows how the estimated discretionary accruals are scaled by total assets in order to permit common scale for comparability since they are pooled from different firms. According to the reported descriptive statistics, the mean observed is 0.0917 while the median value is 0.0856, implying that on the average, reported earnings of listed consumer-goods manufacturing firms in Nigeria is either inclusive of ₦0.0917 or ₦0.0856 accruals for every ₦1 reported. Put differently, for every 100% reported earnings of listed consumer-goods manufacturing company, about 9% is subject to managerial discretion. Obtained measures of dispersion (e.g. standard deviation = 0.0472 approx., skewness = -0.2602) show that there is substantial degree of deviation from the observed mean among the sampled firms. For instance, the negative skewness suggests that the numbers of firms, whose reported earnings include discretionary accruals which are higher than the reported average, are more than those whose reported earnings include discretionary accruals which are less than the reported average. The statistics also suggest that among the sampled firms in the listed consumer-goods industry, inclusion of discretionary accruals in reported earnings as a practice, is fairly normally distributed as indicated by the Jarque-Bera stat of 4.942 (p-value = 0.0845).

Bivariate Analysis

In this section, a bivariate analysis is carried out using Pearson's Product Moment Correlation technique as the preferred tool analysis, the result of which is presented in table 5.

Table 5: Summary Results of Pearson's Product Moment Correlation

Date: 12/11/19 Time: 11:09
Sample Period: 2012- 2018
Included observations: 91

Correlation, probability Observations

	EARN	GDIV	ADIV	XDIV	PDIV
EARN	1.000000				
	91				
GDIV	-0.383289	1.000000			
	0.0002	-----			
	91	91			
ADIV	0.104652	0.094100	1.000000		
	0.3235	0.3750	-----		
	91	91	91		
XDIV	0.070856	0.085597	-0.027915	1.000000	
	0.5045	0.4198	0.7928	-----	
	91	91	91	91	
PDIV	-0.014393	-0.196098	-0.014830	0.266363	1.000000
	0.8923	0.0625	0.8890	0.0107	-----
	91	91	91	91	91

Source: Researchers' computation using Eviews version 7

Key: *EARN* *Earnings neutrality*
GDIV *Gender diversity*
ADIV *Age diversity*
XDIV *Board experience diversity*
PDIV *Professional membership diversity*
SIZE *Firm size*

Gender Diversity and Financial Reporting Quality

Since earnings neutrality is a proxy of financial reporting quality, earnings neutrality is represented as *EARN*).

Table 6: Correlation between Gender Diversity and Financial Reporting Quality

Correlation, Probability Observations

	EARN	GDIV
EARN	1.000000	
	91	
GDIV	-0.383289	1.000000
	0.0002	-----
	91	91

Source: Researchers' computation using Eviews version 7

The Pearson's Moment Correlation coefficient between *GDIV* and *EARN* as presented in table 5 is -0.3833 where the p-value is 0.0002. Going by the focus on establishing direction and degree of relationship, the result confirms a negative relationship in the first instance. At this point it is imperative to recall that *EARN* is measured as an inverse function of discretionary accruals. Therefore, negative association between gender diversity and discretionary accruals is akin to positive association between gender diversity and earnings neutrality. Therefore, the result can be interpreted to mean that increasing proportion of female audit committee members is likely to be consistent with less inclination of businesses to engage in discretionary accruals, hence giving rise to more neutrality of earnings. Secondly, from the point of view of significance of relationship, the probability value being less than 5% level of significance means that the observed relationship is significant. The reported result of *R* (-0.3833), it means the coefficient of determination (i.e. R^2) is equal to 0.1469 (or approximately 14.69%). Therefore the obtained result implies that, variability in gender diversity can account for 14.7% variability in earnings neutrality.

Age Diversity and Financial Reporting Quality

Financial reporting quality is represented by earnings neutrality represented as *EARN*).Therefore results on relationship between age diversity (*ADIV*) and financial reporting quality are equally presented under two distinct signposts.

Table 7: Correlation Between Age Diversity and Financial Reporting Quality

Correlation, Probability Observations

	EARN	ADIV
EARN	1.000000	
	91	
ADIV	0.104652	1.000000
	0.3235	-----
	91	91

Source: Researchers' computation using Eviews version 7

With respect to earnings neutrality as representative of financial reporting quality, the Pearson's Moment Correlation coefficient resulted in a positive but insignificant relationship between discretionary accruals and age diversity. As presented in table 7, the estimated coefficient (i.e. *R)* is equal to 0.1047 where the p-value is 0.3235. Since *EARN* is measured as inverse function of discretionary accruals, a positive association between age diversity and discretionary accruals is analogous to the conclusion that age diversity and earnings neutrality are negatively related. Therefore, the result can be interpreted to mean that increasing mix of old and young audit committee members is likely to be consistent with increasing inclination of businesses to engage in discretionary accruals, hence giving rise to lower neutrality of earnings. However, from the point of view of significance of relationship, the probability value being more than the acceptable level of statistical significance, we conclude that the observed negative relationship between age diversity and earnings neutrality is not significant at 5% significance level. A further evidence of the insignificance of the relationship is the coefficient of determination (i.e. R^2), which represents the earnings neutrality explanatory capacity of 1.1% (or approximately 0.01096).

Table 8: Correlation between Board Experience and Financial Reporting Quality

Correlation, probability observations		
Observations	EARN	XDIV
EARN	1.000000	
	91	
XDIV	0.070856	1.000000
	0.5045	-----
	91	91

Source: Researchers' computation using Eviews version 7

With respect to earnings neutrality as proxy of financial reporting quality on the other hand, the Pearson's Moment Correlation coefficient similarly yielded a positive but insignificant result between *XDIV* and *EARN* as presented in table 8. As established before, *EARN* is measured as inverse function of discretionary accruals. Therefore, positive association between board experience diversity and discretionary accruals is same thing as having a negative association between board experience diversity and earnings neutrality. Hence, the result can be interpreted to mean that increasing inclusion of board-experienced members in the audit committee is likely to bring about with more inclination of businesses to engage in discretionary accruals, thereby undermining the neutrality of earnings. However, as was the case before, the probability value being greater than 5% level of significance implies that the observed relationship is not significant. The reported coefficient, R is 0.0709; invariably it means the coefficient of determination (i.e. R^2) is equal to 0.00503 (or approximately 0.5%). Thus the obtained result implies that, variability in board experience diversity can account for about 0.5% variability in earnings neutrality.

Professional Membership Diversity and Financial Reporting Quality

Financial reporting quality is proxy by earnings neutrality (*EARN*) and each of the two components is respectively paired with professional membership diversity (*PDIV*) in a correlation analysis, using Pearson's Product Moment correlation. Both results are presented in table 9. For the relationship between professional membership diversity and timeliness, the Pearson's Moment Correlation coefficient yielded -0.0232 with a probability value of 0.8275. With regards to direction of relationship, the result confirms a negative relationship.

Table 9: Correlation between Professional Membership and Financial Reporting Quality

Correlation Probability Observation	TIME	EARN	PDIV
EARN	-0.658935	1.000000	
	0.0000	-----	
	91	91	
PDIV	-0.023163	-0.014393	1.000000
	0.8275	0.8923	-----
	91	91	91

Source: Researchers' computation using Eviews version 7

With respect to earnings neutrality as representative of financial reporting quality, the Pearson's Moment Correlation coefficient similarly resulted in a negative and equally insignificant relationship between discretionary accruals and professional membership diversity. As presented in table 9, the estimated coefficient (i.e. *R)* is equal to -0.0144 where the p-value is 0.8923. *EARN* is measured as inverse function of discretionary accruals therefore, a negative association between professional membership diversity and discretionary accruals is analogous to the conclusion that professional membership diversity and earnings neutrality are positively related. Therefore, the result can be interpreted to mean that increasing mix of members who belong to several professions in audit committee is likely to bring about less inclination of businesses to engage in discretionary accruals, hence giving rise to higher neutrality of earnings. However, from the point of view of significance of relationship, the probability value being more than the acceptable level of statistical significance, we conclude that the observed positive relationship between professional membership diversity and earnings neutrality is not significant at 5% significance level. In corroboration with the insignificance conclusion is the coefficient of determination (i.e. R^2).Computed R-square is 0.00021 (or approximately 0.021%) which represents the earnings neutrality explanatory capacity of professional membership diversity.

Multivariate Analysis of Audit Committee Diversity and Earnings Neutrality

$$EARN_{it} = \beta_0 + \beta_1 GDIV_{it} + \beta_2 ADIV_{it} + \beta_3 XIVD_{it} + \beta_4 PDIV_{it} + e$$

Against the backdrop of concerns for impact of cross-sectional heterogeneity in the analysis, a fixed effect model methodology was tested against pooled regression model and the result is presented in table 13.

Table 13: Redundant Fixed Effects Tests
Equation: Earnings Neutrality
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.149969	(12,73)	0.9995

Source: Researchers' computation using Eviews version 7

The Redundant Fixed Effect test result obtained favoured the pooled regression model since the p-value is greater than 5%. Hence the regression analysis for discretionary accrual (EARN) is based on a pooled data regression model. Similarly, table 14 presents the regression result under two columns; moderated and un-moderated.

Table 14: Summary of Pooled Regression Result on Earnings Neutrality

	Un-moderated			Moderated		
Variable	**Coeff**	**t-Stats**	**Prob.**	**Coeff**	**t-Stats**	**Prob.**
GDIV	-0.620	-2.724	0.008	-25.151	-2.262	0.026
ADIV	0.016	3.704	0.000	0.892	4.303	0.000
XDIV	0.024	4.966	0.000	1.468	5.938	0.000
PDIV	-0.022	-2.104	0.038	-1.104	-1.796	0.076
C	2.146	2.890	0.005	3.801	2.821	0.006
R-squared		0.502			0.578	
Adjusted R-squared		0.473			0.531	
S.E. of reg		0.038			0.037	
Sum squared resid		0.123			0.113	
F-statistic		17.125			12.345	
Prob(F-statistic)		0.000			0.000	
Mean depvar		0.099			0.103	
S.D. depvar		0.056			0.060	
D-W stat		2.287			2.375	

Source: Regression output from e-views 7.

By comparing between the two columns (moderated and un-moderated) based on the reported R^2, it is apparent that the moderated equation has higher explanatory capacity, thus confirming the suitability of firm size as a moderator. Also, it is imperative to reiterate that earning neutrality is measured as an inverse function of discretionary accruals, meaning that the hypotheses tests were done with discretionary accruals but interpreted in opposite sense. Thus, any observed negative association in the sense of discretionary accrual is analogous to a positive association in terms of earnings neutrality.

In respect of results validity and reliability as presented in table 14, the model records an R^2 of 0.531 which shows the extent to which earnings discretionary accruals is explained by audit committee diversity. The Fisher exact test (F-Statistics) value of 12.345 with the associated probability value confirms the overall fitness of the model. The Durbin-Watson statistic indicates that there is no need to worry about autocorrelation thus authenticating the reliability of the estimated coefficients. As pointed out earlier, there is no need to worry about multicollinearity since results of the correlation matrix presented in table 5 does not call for any concern. For normality of residuals, figure 11 presents results (Jarque-Bera statistic 0.1489, p-value =0.9282> 0.005) that put all concerns for normality violation to rest, thus authenticating the use of Ordinary Least Squares (OLS) analytical technique.

Discussion of Findings

The study shows gender diversity is negatively related to discretionary accruals (thus positively relating with earnings neutrality), Thus with respect to financial reporting quality, a mixed result is found on gender diversity nexus to financial reporting quality. This finding contradicts existing theoretical perspectives which suggest that gender diversity is positively associated with financial reporting quality (meaning gender diversity is expected to be negatively related to discretionary accrual. According to the arguments in support of this notion, female directors exert significant influence on board decision-making which depends on their professional experience and different values (Nielsen &Huse, 2010). Nevertheless, the existence of positive association between gender diversity and longer reporting lag suggests a manifestation of trade-off between accuracy and timeliness in financial reporting. According to social role theory, female directors tend to ask difficult questions which their fellow male directors often shy away from. Thus, companies that promote gender diversity among their boards of directors tend to experience fewer governance-related issues (e.g. instances of bribery, corruption and fraud) than average (MSCI, 2015; Arun *et al*., 2015; Gavious *et al*., 2012; Srinidhi *et al*., 2011).Exhibition of such probing, and often prolong monitoring behaviours is likely to elongate the firms' reporting lags. Thus the findings imply that the inclusion of more female in the audit committee will have twin opposing effect on the financial reporting quality of firms investigated. Depending on which effect is greater, the inclusion of female audit committee members is likely to achieve significant positive or negative effect on the quality of financial reporting. This finding is in tandem with prior studies (Barua *et al*., 2010; D'onza & Lamboglia, 2014; Ho *et al*., 2015; Klai & Omori, 2011; Makhlouf *et al*, 2018;Pulungan & Sadat, 2014;Yunos, 2011) which conclusions suggest that gender diversity is positively and significantly related to financial reporting quality, and Dobbin & Jung, 2010; Labelle *et al*., 2009 whose works reported a significant and negative relation to financial reporting quality. On the other hand, the findings are in dissonance with the works of Firoozi *et al*., (2016), Hoange (2014), Muhammad *et al*., (2016) and Wang (2015).

Finding of the study produced a significant negative relationship with earnings neutrality as surrogate of financial reporting quality, a significant negative relationship is found. In overall, with or without the influence of confounding variables, when a variable changes signs (i.e. positive to negative or vice versa) under different forms of analysis, it is suggestive that such a variable is exhibiting hyperbolic functional traits. At moderate level, age diversity is likely to benefit an audit committee because committee members of different ages will, to some extent, have different backgrounds, skills, experiences and social networks while **e**xcessive diversity is likely to adversely impact on goal achievement because of conflict and communication breakdowns (McIntyre, Murphy & Mitchell, 2007). Board experience diversity versus earnings neutrality yielded negative and significant relationship under multivariate analysis but bivariate analysis of the same test produced insignificant negative relationship. Again here too, there seems to be extraneous impact that is confounding the relationship between the two variables. This is evident by comparing the results under bivariate and multivariate analyses. Even after controlling for firm size (i.e. the contextual factor), earnings neutrality still remained negative.

Thus with regards to board experience diversity, result confirmed the predominant empirical literature that board experience significantly and positively affects financial reporting quality (Aifuwa & Embele, 2019; Onourah & Imene, 2016 and Alzoubi, 2014). Board experience, skills, and knowledge are vital to the successful delivery of board charter (Gul & Leung, 2004; Keasey & Hudson, 2002). Audit committee members serving on boards of other firms may have industry-specific knowledge (Bacon & Brown, 1985) that may become part of the firm's store of knowledge (Nelson & Winter, 1982) enhancing the likelihood of improving financial reporting quality. This is because industry experience often carries with it a cognitive base of assumptions about the future, knowledge about alternative courses of action, and consequences associated with each alternative (Hambrick & Mason, 1984). With such depth of knowledge about the industry of practice, there will be decreasing tendency on the part of an audit committee in accepting the so called 'professional judgment' by Management as excuse of reporting uncertainty. Thus, subjecting accounting policies of Management to thorough scrutiny increases the likelihood of achieving high financial reporting quality. Professional membership diversity is positively but insignificantly related with earnings neutrality, although initial univariate and bivariate analyses indicated insignificant positive relationship for both proxies, the final mixed position of multivariate became clear as soon as contextual factor was taken into cognizance. The divergence in conclusion is mostly arising from the trade-off relationship between the desirable quality of faithful representation and timeliness of financial reporting. Rahmat *et al* (2009) also share similar thoughts in relation to the audit committee, in which the author affirms that membership of an accounting professional body and other diverse corporate professional affiliation is a very cogent factor for any audit committee to deter earnings management tendency. Therefore the foregoing finding is suggestive of the notion that, professionally diverse audit committees tends to embark on extensive scrutiny of reporting processes in order to avoid board queries on incomplete or erroneous financial reports even at the expense of presenting timely reports.

Conclusion

In line with the purpose of this study, which is to identify the determinants of resourcefulness in diversity of audit committee and to determine their relationship with financial reporting quality in listed consumer goods manufacturing firms in Nigeria, It is also the conclusion of this study that, gender diversity, board experience diversity and age diversity are significant determinants of earnings neutrality among listed consumer-goods manufacturing firms in Nigeria. With earnings neutrality as proxy of financial reporting quality however, both age diversity and board experience diversity negatively influence financial reporting quality among listed consumer-goods manufacturing firms in Nigeria. Conversely, earnings neutrality responds positively to gender diversity among listed consumer-goods manufacturing firms in Nigeria.

Recommendations

In line with the objectives and findings of this study the following recommendations are made:

1. Board of firms should pursue audit committee composition policy that ensures an appropriate blend of young and old directors in order to maintain an optimal balanced, experienced and technologically trendy team.
2. Audit committees should be formed by those saddled with the weight of corporate governance and appointments with the aim of averting group-thinking by bringing to the committee, members with diverse professional experience to give better chances

of alternative perspective to issues bordering on financial reporting in the audit committee as this is currently low in the industry this study was done.

3. Board recruiters of firms should appoint board-experienced directors with caution as board experienced directors have more expertise in earnings management.
4. Board recruiters and strategists should compose audit committees that seek to possess professional opinions on matters relating to their oversight duty, rather than composing one that should seek to outsource professional opinions to consultants by pursuing a composition policy based on professional membership diversity

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