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Audit Committee Independence, Meeting Frequency, Attendance and Financial Reporting Quality of Listed Deposit Money Banks in Nigeria

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Abstract
Audit committee is a statutorily corporate governance mechanism introduced to curb financial reporting manipulation therefore enhanced the quality of financial reports. However, the effectiveness of the audit committee is dependent on its attributes. This paper examines the influence of the audit committee attributes of independence, meeting frequency and attendance on the financial reporting quality of listed deposit money banks in Nigeria. Data was generated from the annual reports and accounts of six purposively sampled banks during the period 2003 to 2012. The data was analyzed using Pearson correlation statistics and OLS regression. The results show that audit committee independence has negative and significant influence on financial reporting quality of listed deposit money banks in Nigeria. While, audit committee meeting frequency and attendance has positive and significant influence on financial reporting quality of listed deposit money banks in Nigeria. The paper recommends that the Central Bank of Nigeria should step up monitoring the appointment of persons into audit committees and amend the provision of having shareholders and directors on audit committee to all members being independent Non-Executive Directors (NEDs), increase the minimum number of meetings from three to at least four, and regulate for the replacement of any member who is absent at meetings more than once in a year.
Keywords: Audit committee, independence, meeting frequency, attendance, financial reporting quality.

1. Introduction

Financial reporting occupies a strategic position in user's decision making process especially investors (Dezoort & Salterio, 2001). The limited access to managerial information makes interested parties and providers of finance such as shareholders and debts holders to rely heavily on financial reports. However, corporate management often indulges in manipulation of the financial reporting process usually by exploiting lope holes in the provisions of accounting standards to the detriment of those who rely on such reports (Klein, 2002; Yusof, 2010). According to Abdulrahman & Ali (2006), it is important for the financial reports to provide truthful and accurate information to enable the shareholders and other users to make sound decisions. The lack of accurate reporting misleads shareholders decisions concerning, for example, divestment and investment decisions.

In response to the incidences of income manipulation and other financial reporting abuses that affect financial reporting quality, corporate governance mechanisms such as audit committee has come to be emphasis by the regulatory authorities across the globe. The International Professional Practices Framework (IPPF, 2002) state audit committee as a standing committee of a company board that has the oversight function of financial reporting process, internal and external auditor's activities (Anderson & Dahle, 2009). Fama (1980) maintained that the credibility and transparency of a company's financial reporting depends on the monitoring mechanisms to safeguard the right of investors in getting true and fair information of the company (Abdulrahman & Ali, 2006).

In Nigeria like elsewhere, Iyoha (2012) document concerns about companies financial reporting quality. The concerns regarding the quality of financial reporting have raised questions regarding the effectiveness of monitoring mechanisms of companies like the audit committee. Ofo (2010) noted that the regulatory provision on audit committee in Nigeria is unique and significantly differs from what is obtained in other countries. This difference particularly relates to audit committee composition (independence) and activity level (issues of meeting frequency and attendance). With the increase cases of financial reporting falsification and failures, Ofo (2010) state there is an urgent need to review the structure, format and operations of audit committees of public companies in the country in order to make them effective therefore achieve the purpose of establishment.

The Companies and Allied Matters Act 2004 stipulates audit committee should be made up of equal number of directors and shareholders with further emphasis that the majority of the directors should be non-executive directors. This provision is contentious as empirical evidence exists that the more independent the audit committee is, the more effective it performs the financial reporting oversight function (Carcello & Neal, 2000; Klein, 2002). NEDs than executive directors on the audit committee ensures more independence (Dabor &

Adeyemi, 2009). This reality has led the regulatory authorities in other countries including among others the United States, Malaysia to provide that all the directors on the audit committee should be independent NEDs (Abdullahi, 2006; Ofo, 2010). Similarly, there is a growing debate on the ideal number of times the audit committee should meet in a year (see Beasley, 1996; Vefeas, 2005 and Erena & Tehulu, 2012). The Code of Best Practice 2003 in Nigeria requires that the audit committee meet at least three times in a year. Menon & Williams (1996) posits that the more regular the audit committee meets, the more active it is perceived in its oversight role.

Several studies have examine the influence of the audit committee attribute of independence (Klein, 2002; Felo, Krishnamoorthy & Solieri, 2003; Vafeas, 2005; Bradbury, Mak & Tan, 2006; Abdulrahman & Ali, 2006; Saleh, Iskandar & Rahmat, 2007; Yusof, 2010) and activity level (Xie, Davidson & Dadalt, 2003; Abbott, Parker & Peters, 2004; Agrawal & Chadha, 2005; Vefeas, 2005; Abdulrahman & Ali, 2006; Saleh, Iskandar & Rahmat, 2007) to mention but a few. Most of these studies are outside Nigeria and the results are mixed. With the increase concerns about financial reporting quality, there is need for more studies on these matters for appropriate regulatory policy action in Nigeria.

This paper, therefore, examines the influence of audit committee independence, meeting frequency and attendance on financial reporting quality of listed deposit money banks in Nigeria. Specifically, it is hypothesized that audit committee independence, meeting frequency, attendance has no significant influence on financial reporting quality of listed deposit money banks in Nigeria. The results of this paper provides regulatory basis to strengthen audit committee as a monitoring mechanism, therefore, better promote financial reporting quality of listed deposit money banks in Nigeria. The paper is divided into introduction, literature review, methodology, results, implications of the results and conclusion and recommendations.

2. Literature Review

2.1 Financial Reporting Quality in Nigerian Banks

Jonas & Blanchet (2000) posits financial reporting quality as full and transparent financial information devoid of any intent to either obfuscate or mislead users of the information. Though, what is meant by “full” financial information is debatable, it could be understood as financial information that contain sufficient information useful to the users. According to Tang, Chen & Zhijun (2008) financial reporting quality has to do with the degree to which the financial statements of an issuer discloses true and fair information about its underlying performance and financial position. These views show financial reporting quality as the sufficiency and truthful reflection of the economic activities of the company to those who have interest in its activities.

It is worth pointing out that whether or not financial information will commend confidence and reliance by users is dependent on the perceived financial reporting quality. The increase cases of financial reporting manipulation and scandals reported in the Nigerian banking industry has more than ever casted doubts about their financial reporting quality. Not only have frauds been on the increase in the industry, most of the banks have huge problems of non-performing loans (Mamman & Ormin, 2012). Unfortunately, this does not seem to reflect in the performance disclosed in the financial reports. It is in this light that Bello (2009) questioned the huge profits declare by banks in comparism to firms in the real sector of the economy. It is against this backdrop that the regulatory authorities evolved the code of corporate governance including the requirement for the establishment of audit committees to ensure that financial reports produced are of high quality in the industry.

2.2 Audit Committee Independence, Meeting Frequency and Attendance and Financial Reporting Quality

Menon & Williams (1996) state audit committee as a committee of the board of directors which assumes some of the board’s responsibilities. It is a statutory committee vested with the responsibility of performing oversight function on the financial reporting process of companies with a view to ensure financial reporting quality. Song & Windram (2004) and Yang & Krishnan (2005) show that audit committee attributes are of critical importance to the effectiveness of its oversight function thereby enhancement of financial reporting quality.

The ability of the audit committee to realize its mandate of ensuring financial reporting quality is significantly dependent on its independence (Klein, 2002). The independence of audit committee has to do with the committee neutrality from those whose influences might put to jeopardy its assignment. The Nigerian audit committee uniqueness essentially relates to the issue of independence (Ofo, 2010). In Nigeria, the code of corporate governance issued by the CBN seeks particularly to ensure independence of audit committee by requiring that majority of the directors on the audit committee should be non-executive directors while CAMA (2004) in section 359 subsection 4 does so by banning members from being entitled to remuneration. Research evidence on the influence of audit committee independence on financial reporting quality is mixed. Klein (2002) study of S&P 500 firms during the period 1992 and 1993 documented a negative relationship between the magnitude of abnormal accruals and audit committee independence. Bradbury, Mak & Tan (2006) sample of Singapore and Malaysian firms reveal that audit committee independence is associated with lower abnormal working capital accruals. On his part, Vafeas (2005) investigation of 252 US firms spanning the period 1994 to

2000 reported that audit committees consisting of a higher proportion of insider directors are more likely to report small earnings increases. In their separate studies, Bedard, Chtourou & Courteau (2004) and Saleh, Iskandar & Rahmat (2007) also found that audit committee independence constrains discretionary accruals. On the contrary, evidence from Abdulrahman & Ali (2006), Piot & Janin (2007) and Yusof (2010) did not support the notion that audit committee independence constrains discretionary accruals meaning that it does not contribute to financial reporting quality.

Audit committee activity level also known as audit committee diligence has two components namely audit committee meeting frequency and attendance at meetings. Audit committee meeting frequency is concern with the number of meeting held by the committee during the year. Audit committee performance is associated with its meeting frequency. Menon & Williams (1994) argue that the more frequent the audit committee meets, the more active it is and capable to contribute to financial reporting quality. Empirically, Xie, Davidson & Dadalt (2003) and Vefeas (2005) show that audit committees which meet more frequently are associated with not only lower discretionary accruals but there is also a likelihood of reporting a smaller earnings increase by the firms. In the case of financial reporting restatements, Abbott, Parker & Peters (2004) found that higher levels of audit committee activity proxy by the committee holding a minimum of four meetings in a year is positively and significantly associated with lower incidence. While these studies indicates audit committee meeting as impacting financial reporting quality, Abdulrahman & Ali (2006) and Saleh, Iskandar & Rahmat (2007) reported otherwise as they found no evidence of audit committee meeting frequency reducing incidences of discretionary accruals.

Audit committee members attendance at meetings is also a crucial criterion for evaluating the committee performance. The regular presence of committee members at meetings is of no less importance compare to the number of meetings held in a year. This is because there is a tendency that even if meetings are frequently organized, and members turn up is poor; those who are absent make no input into the committees' deliberations hence its effectiveness. This position is established by Agrawal & Chadha (2005). Agrawal & Chadha (2005) show that the higher the attendance level of audit committee members at meeting, the more effective the committee will be. Rickling (2014) also provide evidence suggesting that audit committee members "busyness" especially the directors category which might affect attendance and contribution at meetings has effect on the effectiveness of the committee in discharging its financial reporting oversight function.

2.3 Measurement of Financial Reporting Quality

There are several estimation models of financial reporting quality. This is shown to be associated with user's expectations and perceptions of what information is useful and of good quality (Achim & Ochis, 2014). Beest, Braam & Boelens (2009) identify four broad but not restrictive model often adopted in estimating financial reporting quality. These included accrual models, value relevance models, specific elements of financial reports, and methods that operationalize the qualitative characteristics of financial reports.

The accrual model is stated to be based on the concept of earnings management which is conceived by Schipper (1989) as management manipulation of the financial reporting process with the aim of obtaining some private gain. The assumption behind this model is that due to the reporting alternatives allowed by accounting standards, managers utilize accruals which they have discretion over to manage earnings (Beest, Braam & Boelens, 2009). Jones (1991) provided the earliest model on earnings management (accrual quality) as proxy for financial reporting quality. Subsequent modifications has been made by Dechow & Dichev (2002) and others. This model relies heavily on the cash flow statement. As a measure of financial reporting quality, the accrual model is criticized for providing biased and noisy estimates but its greatest shortcoming rest in distinguishing between discretionary and non-discretionary accruals (Healey & Wahlen 1999).

Barth, Beaver & Landsman (2001) document the value relevance model as been particularly useful to assess if particular accounting amounts reflect information that is used by investors in valuing firms' equity. The model therefore measures financial reporting quality from the stand point of investor's accurate valuation of the firm value based on information disclosed in the financial reports. The Ohlson (1995) model and its further modifications by Feltham & Ohlson (1995) have been widely adopted in estimating financial reporting quality by value relevance studies. The models' is identified with a distinction problem between relevance and reliability.

Unlike the accrual and value relevance models that focuses only on information disclosed in financial statements, the specific elements of financial reports measurement tool incorporates both financial and non-financial information in estimating financial reporting quality. Beest, Braam & Boelens (2009) states that studies utilizing this technique are more interested in investigating the influence of specific information in the financial reports on users decision making. Because the use of this technique focuses on particular segment of the financial reports such as graphs, auditors reports, chairman's report etc it has also been criticized for not been a comprehensive measure of financial reporting quality.

Financial information is expected to possess certain specific characteristics for it to be decision useful (IASB, 2008). The methods that operationalized qualitative characteristics by design assess the qualities of the different

aspects and dimensions of financial and non-financial information of financial reports in order to determine their decision usefulness (Beest, Braam & Boelens, 2009). This is achieved through the use of indexes or questionnaire created to capture the qualities of the qualitative characteristics which include relevance, faithful representation, comparability, timeliness and understandability. This approach is also not devoid of subjectivity in estimating financial reporting quality as it is likely that two persons using same financial reports during the same time period will arrive at the same results.

By inference, it can be said that financial reporting quality is either quantitatively or qualitatively measured. The first discussed three approaches are quantitative measures while the last is qualitative. This paper measures financial reporting quality from a quantitative approach using earnings management (accrual quality) specifically because of its wide adoption by previous studies (Dichows & Dichev, 2002; Klein, 2002; Vafeas, 2005; Abdulrahman & Ali, 2006; Saleh, Iskandor & Rahmat, 2007; Hassan, 2011).

3. Methodology

This paper examines the influence of the audit committee attributes of independence, meeting frequency and attendance at meetings on the financial reporting quality of six purposively selected listed deposit money banks in Nigeria. The sampled banks include Access Bank Plc, First Bank Plc, Guaranty Trust Bank Plc, Sterling Bank Plc, Union Bank Plc, and United Bank for Africa Plc. The sampled banks provide an adequate representation of the industry in terms of size (assets) and age of the banks. Data was collected from the annual reports and accounts of the sampled banks and the Nigerian Stock Exchange (NSE) factbook during the period 2003 to 2012. The dependent variable; financial reporting quality is proxy by earnings management following Dichow & Dichev (2002) model and consistent with Hassan (2011). The empirical model is as follows: $FRQ=a_0+a_1ACIND_{it}+a_2ACFREQ_{it}+a_3ACATT_{it}+a_4\ FAGE_{it}+a_5FSIZE_{it}+e_.$ Where; FRQ=Financial Reporting Quality (Accrual Quality), ACIND=Audit Committee Independence, ACFREQ=Audit Committee Meeting Frequency, ACATT=Audit Committee Attendance, FAGE=Firm Age, FSIZE=Firm Size, a_0= Parameters to be estimated, a_1–a_5 =gradients of the independent variables, and e= error term. Firm age and firm size proxy by year of listing and natural log of total assets respectively were introduced in the model as control variables. The Pearson correlation and OLS regression were utilized to analyse the data.

4. Results

The suitability of the data used in testing the formulated hypotheses was established through conduct of multicollinearity, heteroskedasticity, Hausman specification, and normality tests. The results of these tests shows the data is free from any regression errors capable of invalidating the underlining regression assumption of the study. In particular, the multicollinearity test indicates Variance Inflation Factor (VIF) of between a minimum of 1.06 and maximum of 1.52 with mean of 1.29. Since, the VIF is less than 10, it is clear that there is absence of multicollinearity between the independent variables of the study. The result of the heteroskedasticity test shows the presence of heteroskedasticity as the p-value of the chi-square is 0.0000 which is significant. This was corrected through the Ordinary Least Square (OLS) robust test. Samaila (2014) documents that when there is strong suspicion of heteroskedasticity or it is found to exist, robust estimation should be considered. The Hausman specification test was performed to decide between the use of Random Effect (RE) or Fixed Effect (FE) approach of the OLS model for analysing the results. The chi-square p-value of 0.8107 is insignificant and indicates absence of correlation between the independent variables. This further reveals the result is best interpreted based on the Random Effect (RE) model. The normality test of the dependent variable was performed following Barde (2009) using normal Probability Plot and histogram of standardized residuals. In the normal P-Plot of the regression standardized residual, the points on the plot do not appear to deviate significantly from the line of best fit indicating that the normality assumption is valid. Also, the bell shaped nature of the histogram of the standardized residuals confirms the normality of the data.

Table 1 presents the correlation results of the variables in the regression model.

Table 1: Correlation Matrix of the Dependent, Independent and Control Variables

Variables	FRQ	ACIND	ACFREQ	ACATT	FAGE	FSIZE
FRQ	1					
ACIND	-.271*	1				
ACFREQ	.341**	.103	1			
ACATT	.162	-.097	-.288*	1		
FAGE	-.173	.134	.028	-.271*	1	
FSIZE	.147	-.042	.297*	.264*	.490**	1

*, **Correlation is significant at the 0.05 and 0.01 level (2-tail) respectively.

Source: Generated from the Annual Reports and Accounts of Sampled Banks using Stata 12.0.

Table 1 shows that audit committee independence is negatively and significantly correlated with financial reporting quality. The negative relationship between audit committee independence does not conform to expectation. Bradbury, Mak & Tan (2006) and Saleh, Iskandor & Rahmat (2007) documented that the more independent the audit committee is, the more it impact financial reporting quality. Audit committee meeting frequency has positive and significant correlation with financial reporting quality. It is also instructive that audit committee attendance and firm size has positive but insignificant correlation with financial reporting quality while firm age is negatively and insignificantly associated with financial reporting quality.
The correlation coefficients on the main diagonal are 1.0 because each variable has a perfect positive linear relationship with itself. The correlation among the independent variables indicates that audit committee meeting frequency, audit committee attendance and firm age are all positively and significantly correlated with firm size. Audit committee meeting frequency is negatively and significantly correlated with audit committee attendance whereas audit committee attendance is also negatively and significantly correlated with firm age. Though, audit committee independence is negatively and insignificantly correlated with audit committee attendance and firm size, it is positively but insignificantly correlated with audit committee meeting frequency and firm age. Also, audit committee meeting frequency is positively but insignificantly correlated with firm age.
Table 2 presents the summary regression results of the OLS, RE and FE approach.

Table 2: Summary Regression Results

	OLS				RANDOM				FIXED			
Variables	Coefficient	Robust Std Error	T	p>/t/	Coefficient	Std Error	z	p>/z/	Coefficient	Std Error	T	p>/t/
CONSTANT	2076.939	3842.301	0.54	0.591	2076.939	4512.081	0.46	0.645	-1471.867	4409.419	-0.33	0.740
Acind	-2460.375	289.2575	-8.51	0000*	-2460.375	1117.121	-2.20	0.028**	-1364.229	1078.93	-1.26	0.212
Acfreq	494.4226	325.8523	1.52	0.135	494.4226	157.7176	3.13	0.002*	419.0948	170.1415	2.46	0.017
Acatt	359.9642	288.8169	1.25	0.218	359.9642	178.5938	2.02	0.044**	236.0567	168.5094	1.40	0.168
Fage	-15.10511	12.03120	-1.26	0.215	-15.1051	12.8039	-1.18	0.238	-21.3897	66.5512	-0.32	0.749
Fsize	266.4296	210.277	1.27	0.211	266.4296	227.5144	1.17	0.242	375.1685	265.428	1.41	0.164
R Square	0.2976											
F Value	0.000											
Prob F(Sig.)	0.000											
R Square:												
Within					0.2280				0.2446			
Between					0.5734				0.3869			
Overall					0.2976				0.2784			
rho					0				0.2511			
F-value												
u_i=									3.29			
o									0.0122			
P Value												

*, **Correlation is significant at the 1% and 5% significant level respectively.
Source: Generated from the Annual Reports and Accounts of Sampled Banks using Stata 12.0.
Table 2 presents the regression results of the OLS robust, FE and RE. However, only the OLS and Random Effect (RE) is discussed because the Hausman specification test performed indicated that the RE regression is more efficient.

The OLS regression results reveal the cumulative R^2 of 0.2976. The R^2 of 0.2976 implies that about 29.76% of total variation in the dependent variable is accounted for by the independent variables jointly. This further shows that the model is a good fit. Table 2 shows that in both the OLS and RE estimates, audit committee independence has negative and significant influence on financial reporting quality of listed deposit money banks in Nigeria. The coefficients are both -2460.375 while the p-value is 0.000 at 1% level for the OLS and 0.028 for RE which is less than 5% significant level. This finding concurs with Abdulrahman & Ali (2006) and Yusof (2010) but contradicts the previous findings of Carcello & Neal (2000), Klein (2002), Bedard, Chtourou & Courteau (2004), Vafeas (2005), Bradbury, Mak & Tan (2006) and Saleh, Iskandor & Rahmat (2007).

Audit committee meeting frequency has a positive and significant influence on financial reporting quality at 5% level of significance in the RE regression only. The coefficient is 494.4226 and the p-value is 0.002 which is less than 1% level of significance. This finding reiterates the earlier studies of Xie, Davidson & Dadalt (2003), Abbott, Parker & Peters (2004) and Vefeas (2005) but negates that of Abdulrahman & Ali (2006) and Saleh, Iskandar & Rahmat (2007). Table 2 also shows that audit committee attendance has positive influence on financial reporting quality in both the OLS and RE but this is only significant in the RE regression. This finding aligns with Agrawal & Chadha (2005) and Rickling (2014).

The results with respect to the control variables of firm age and firm size reveal these variables do not influence financial reporting quality. In particular, firm age is indicated to be negatively but insignificantly related with financial reporting quality of listed deposit money banks in Nigeria in both the OLS and RE models. This finding contradicts Barde (2009) and Samaila (2014). A consideration of the variable of firm size, reveal that in both the OLS and RE estimates, it has a positive but insignificant influence on financial reporting quality of listed deposit money banks in Nigeria. This finding is much in agreement with Hassan (2011, 2012) but is opposed to Kamaruzaman, Mazlifa & Maisarah (2009) as cited in Samaila (2014).

By and large, the results provides premise to accept the hypotheses that audit committee independence, meeting frequency, and attendance has significant influence on financial reporting quality of listed deposit money banks in Nigeria. In particular, audit committee independence has negative and significant influence on financial reporting quality of listed deposit money banks in Nigerian while audit committee meeting frequency and attendance all has positive and significant influence on financial reporting quality of listed deposit money banks in Nigeria.

5. Implications of the Results

The results of the data analysis has fundamental regulatory policy implications regarding the use of audit committee as a corporate governance mechanism in banks to enhance their financial reporting quality. The unexpected revelation that audit committee independence has negative and significant influence on financial reporting quality leaves much to be desired of the selection and composition process of audit committees in deposit money banks in Nigeria. In particular, it is indicative that the requirement that audit committee be made up of shareholders and directors with majority being NEDs has not help to achieve true independence that enhances financial reporting quality. In fact, this may be why in most other countries audit committee is composed entirely of independent NEDs. Furthermore, the result is suggestive that the selection of persons into the audit committee is masterminded by the CEOs. Nelson & Jamil (2012) show that where the CEO is not divested from the audit committee selection process, it will impair the committee independence. It is therefore high time that regulatory amendment should be made regarding the composition of audit committees not only in the industry but the country at large.

The finding that audit committee meeting frequency has positive and significant influence on financial reporting quality have far reaching implications on the number of times that audit committee opt to meet in a year. It is at audit committee meetings that critical decisions that will checkmate the excesses of management and non-misleading auditor’s report are taken. It suffices to say that where an audit committee meet irregularly, there will likely be too many issues on the agenda to discuss or deliberate upon. This situation may not permit extensive deliberations of issues leading to poor decisions thus its ability to enhance financial reporting quality. Moreover, familiarity with the firm business and managerial dealings, the auditor’s challenges and limitations may better be gained by the audit committee members when meetings are organized on a regular basis. Therefore, a statutory increase in the minimum number of meetings to be held by audit committees in banks will be a step in the right direction.

Also, the finding that audit committee attendance has significant influence on financial reporting quality have explicit regulatory consequences on the disposition of audit committee members to be present at meeting, number of members that should turn up at the committees’ meeting were critical decisions are taken and the scheduling of meetings. Though, statutorily any decision taken at a meeting where two-third of members are present is held as valid and binding, in the real sense, the issue as it affects audit committee is more than having a two-third attendance but rather all members being present at meetings. Apart from the truth in the adage that “two heads are better than one”, it is undisputable that the audit committee is usually made up of experts who are

expected to bring technical know-how (such as in the area of financial expertise) into the committee work. Where members, especially those selected into the committee for having technical knowledge are not always present at meetings, but the two-third majority condition is met, the outcome of the committees' assignment is likely to be unsatisfactory hence financial reporting quality. Furthermore, the time when audit committee meetings are scheduled is critical. There is every need for meetings to be scheduled at times when all members will unfailingly be present in order to maximize the quality of decisions taken.

6. Conclusion and Recommendations

Financial reporting is fundamental to investors and other users in their decision making but of even more importance is the financial reporting quality. Without financial reporting been of high quality, it has no usefulness and relevance. The increase cases of financial reporting manipulation in Nigeria and elsewhere has serious effect on its quality. Audit committee is established to play an oversight function therefore enhance financial reporting quality. However, for audit committee to effectively achieve its mandate in ensuring financial reporting quality, it must be independent, meet frequently and record high member's attendance at meetings.
The following courses of action are considered necessary in order to strengthen audit committees in banks hence their financial reporting quality. To better promote audit committee independence, the regulatory authority (CBN) should amend the provision on the composition of audit committees from being shareholders and directors to entirely directors who are independent NEDs and step up its monitoring to ensure that banks CEOs do not mastermind the selection of persons into the audit committee. With respect to meeting frequency, the minimum number of meetings to be held by the audit committee should be increase from three to at least four. This will promote audit committee activity level and ensure that the committee meet to consider financial reports quarterly. Finally, there should be regulatory provision that considers a member who is absent for more than one meeting in the year as inactive therefore requiring for the replacement of the member. This would likely ensure greater members attendance at meetings.

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