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The Mediating Role of Accruals Earnings Management on the Effect of Audit Committee Attributes on Firm Performance: Evidence from Nigerian Listed Companies

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Abstract
This paper examines how accruals earnings management mediates the link between audit committee attributes and firm performance of Nigerian registered companies. A sample of 64 companies registered on the Nigerian Stock Exchange with 704 firm-year observations over eleven years from 2011 to 2021 was used for the study. The research variables were examined by descriptive, correlation, and regression analysis. The findings reveal that audit committee characteristics have a substantial and favourable impact on firm performance. However, the research results show a significant inverse correlation between audit committee attributes and accruals earnings management. Furthermore, these data have shown that accruals earnings management mediates the link between audit committee characteristics and firm performance. These findings have practical implications such as the need for the Nigerian Securities and Exchange Commission to strengthen audit committees of listed Nigerian companies. This has the potential to boost firm performance by enhancing corporate governance and the quality of financial reports. The results of the study will be useful to investors, regulators, and other interested parties.

Keywords
Audit committee attributes, Accruals earnings management, Firm performance, Nigerian listed companies

INTRODUCTION

This research investigates the effect of accruals earnings management (AEM) in mediating the connection between audit committee (AC) attributes such as AC chair, share ownership, tenure and female member of the AC and the firms' performance registered on the Nigerian Stock Exchange (NSE) for the years 2011 until 2021. Corporate performance has an impact on the future of a company. A company's board committees are important tools to safeguard stakeholders' interests and optimise the value of shareholders' investments. In addition to many other board committees, AC has been considered by various scholars as an important tool for achieving quality corporate governance and enhancing corporate performance. The significant role of AC in corporate governance (CG) and firm performance is correlated with its contribution towards mitigating agency issues and agency costs in the company, thereby improving CG mechanisms, which in turn enhance corporate performance (Azim, 2012; Khan et al., 2020; Mohd Ghazali, 2020). The monitoring role of audit committees (ACs) is generally regarded as a crucial component of CG that contributes to the oversight and monitoring of managers' practises (Abdullah et al., 2018). There is a prevailing belief that the implementation of ACs has the potential to enhance the overall quality of financial reporting, thus improving the accuracy and reliability of reported profits (Buallay & Al-Ajmi, 2019; Jim-Suleiman & Ibiamke, 2021). These assertions imply that the job of the AC is significant in terms of providing oversight and monitoring of a company's management to protect owners' interests and investments.

Firm performance is critical for market efficiency because it impacts the decisions of market participants and stakeholders (Hasan et al., 2023). Market efficiency can also be greatly influenced by other elements such as external shocks, governmental rules, and market structure. As a result, businesses must concentrate on enhancing performance while also monitoring the larger market environment. By doing this, they will be able to make well-informed decisions that consider both external and internal issues, potentially improving results for the company and its stakeholders. The firm's performance issue has become a key concern in management accounting managers and business practice following the global financial scandals and the collapse of large corporations such as Enron (2001), WorldCom (2002), Cadbury Nigeria Plc (2006), Transmile (2007), and Oando Oil Plc (2017) (Ali & Kamardin, 2018; Alqatamin, 2018). According to Al-ahdal & Hashim, (2022), many companies' failures have been attributed in large part to weaknesses in CG practices, such as poor external audits and ineffective ACs. The integrity of financial reporting was questioned as a result of these scandals, and investors' faith in financial statements was eroded. As a result, public perceptions of profit manipulation and the reliability of financial reports have risen (Hamid et al., 2013). Some nations have tried to avoid this unexpected failure by introducing corporate governance-focused legislation targeted at strengthening corporation disclosures, processes, and practices (Cooray et al., 2020). This is due to the failure of the firm, which has impacted shareholder trust in the accuracy and dependability of financial statements.

According to Selahudin et al., (2018), Earnings management (EM) refers to a variety of accounting methods used by managers with the intention of enhancing the appearance of a company's financial reporting via manipulation. Managers use the practice of creative accounting to obfuscate bad data within financial statements, intending to entice more stakeholders to invest cash in a firm. According to Zayol et al., (2017), EM is a strategy employed by a company's management to intentionally influence the corporation's financial statement toward a desired aim. EM occurs not just because of opportunistic management actions, but also as a result of inadequate oversight or monitoring, which allows for deviant behaviour. Companies must have corporate governance to avoid earnings management done by management. This oversight is critical to prevent management from engaging in opportunistic behaviour (Handayani & Ibrani, 2020). Moreover, a corporate governance system is one method of suppressing opportunistic management conduct. Furthermore, for earnings to stay relevant and credible, the ability to improve reported profits must be provided.

Limited study has been undertaken so far regarding the correlation between the AC and corporate performance in Nigeria. They do not analyse the attributes of the AC, such as the chair, share ownership, tenure, and female member of the AC. Therefore, it is interesting to analyse the effect of the AC attributes on firm performance in the Nigerian context. In this present paper, we investigate the mediating role of AEM on the effects of these AC attributes on firm performance. The present research is expected to provide several additions to the existing body of literature and professional practises. This study is anticipated to make a substantial contribution to the existing body of knowledge on CG and agency theory. This research will provide valuable insights for companies seeking to enhance their strategic decision-making processes about the composition of their ACs, financial reporting practises, and overall CG. The subsequent sections of this article will undertake a comprehensive examination of the relevant scholarly works and construct a methodological framework to guide the present investigation, afterwards followed by the analysis of the collected data. The report will finish by examining the empirical data and drawing a conclusion based on the study's results.

LITERATURE REVIEW

Agency Theory

In an agency relationship, the principal contracts with the agent to carry out certain duties on the principal's behalf (Jensen & Meckling, 1976). According to agency theory, one of the main purposes of CG is to ensure that the firm's stakeholders' interests are protected. The implementation of this mechanism serves the purpose of mitigating the potential misuse of the organization's resources by managers for their benefit (Shatnawi et al., 2019). The implementation of an AC is a strategy used to mitigate an agent's inclination towards self-serving behaviour. One strategy to reduce information asymmetry and monitor the self-interest of agents is to create board subcommittees made up of directors with relevant qualities such as independence, expertise, and experience. Information asymmetry is often seen as being linked to the economic incentives of principals and agents to use disparate information systems to reduce corporate costs. (Jensen & Meckling, 1976). By minimizing information asymmetry between internal and external corporate governance systems, an effective AC may aid in the alleviation of agency issues, which in turn helps to protect shareholder interests and improve firm performance (Schmalz, 2018). In their study, Farber et al., (2018) discovered that the audit committee plays a crucial role in protecting shareholders' returns via the provision of fair and unbiased judgements and discernment. Islam et al., (2010) argued that AC enhances the quality of information by facilitating the monitoring of executives and auditors, hence reducing agency costs. Based on the theory, a corporation with a sound governance structure would result in a reduction of agency costs and an improvement in overall performance. The separation of control and ownership serves as a means to reduce agency fees, creating a foundation for the development of effective corporate governance processes, robust internal controls, and AC that improves financial reporting accuracy.

Audit Committee Attributes and Firm Performance

ACs have become increasingly important to academics in recent years (Al-ahdal & Hashim, 2022). The AC is in charge of overseeing the integrity and dependability of firm financial reporting (Almaqtari et al., 2020; Gerayli et al., 2021). According to Meah et al., (2021), the AC is widely regarded as an essential component of CG, playing a pivotal role in mitigating managerial errors, and unlawful behaviours, enhancing financial performance, and bolstering the credibility of financial disclosures. Most research shows that AC attributes are critical to firm performance (Abbott et al., 2003; Oroud, 2019).

Audit Committee Female Member and Firm Performance

One of the characteristics of AC is female members. Prior studies examining the effect of AC female members on firm performance have discovered that AC female member has a substantial and positive correlation with firm performance (Fiardhani, 2022; Omotoye et al., 2021). In contrast, Agyemang (2020) discovered that AC gender diversity is inversely connected with firm performance in a study of eight banks registered on the Ghana stock market. Hence, the following hypothesis is formulated:

H1a: The AC female member has a significant positive effect on Tobin's Q of the firm.

Audit Committee Tenure and Firm Performance

Tenure is another characteristic of AC, and it has been the subject of much discussion recently. The question that arises is whether the company should change its AC members after a short time or if it should work to establish and sustain a long-term tenure However, the findings of these investigations are contradictory. While some research has shown a negative association between AC tenure and firm performance (Onyabe et al., 2018; Ozer & Merter, 2023), others have found a favourable relationship (Alodat et al., 2023). Limited empirical research has been carried out on the issue of AC tenure in Nigeria, with the existing literature mostly consisting of anecdotal perspectives (Mgbame et al., 2012). Consequently, the following hypothesis is formulated:

H1b: The AC tenure has a significant positive effect on Tobin's Q of the firm.

Audit Committee Share Ownership and Firm Performance

Another characteristic of AC concerns the number of shares held by the members of the committee. Al Farooque et al., (2019) suggest that high levels of stock holdings among AC members may lead them to prioritise their interests above those of other shareholders. This implies that a high level of share ownership in the AC may potentially undermine its ability to independently oversee the financial reporting process. Bolton, (2014) conducted a study on a sample of major U.S. firms that were active throughout the period from 1998 to 2008. The result of the study revealed a statistically significant and favourable connection between the ownership of AC stocks and firm performance. In contrast, Dakhlallh et al., (2020) investigation of AC attributes and firm performance reveals that AC ownership of shares is inversely correlated with firm performance. However, considering the critical role that AC share ownership plays in the operation of ACs, studies on the effect of AC share ownership, especially on firm performance, have been scarce. Hence, the following hypothesis is formulated:

H1c: The AC share ownership has a significant positive effect on Tobin's Q of the firm.

Audit Committee Chair and Firm Performance

One of the most essential qualities of an audit committee is the AC chair's vital role in supporting the AC's capacity to carry out its obligations successfully. The efficient running of AC necessitates the presence of a competent and knowledgeable chair who has the necessary expertise and experience to oversee the operations and activities of the committee. The chair has a pivotal role in safeguarding the integrity of financial reporting and performance. Nevertheless, a limited amount of study is available about the influence of the AC chair on firm performance. The research conducted by Alodat et al., (2022) examines the impact of sustainability disclosure practises on the association between characteristics of audit committee chair and corporate performance. The research examined a total of 405 annual reports from firms that were listed on the Amman Stock Exchange between the years 2014 and 2018. The study's findings indicated a statistically significant and favourable correlation between the attributes of the audit committee chair and the company's overall performance. Thus, the following hypothesis is formulated:

H1d: The AC chair has a significant positive effect on Tobin's Q of the firm.

Audit Committee Attributes and Accruals Earnings Management

Female Audit Committee Member and Accruals Earnings Management

Previous research has found that when making organisational decisions, Females exhibit lower levels of tolerance for opportunistic conduct and a greater tendency to prioritise the interests of others above their own (Krishnan & Parsons, 2008). According to Qi & Tian, (2012), female ACs are more conservative and ethical than male ACs. Prior studies on gender diversity and EM discovered strong connections between women on boards and EM (Chen et al., 2016; Gull et al., 2018). Man & Wong, (2013); and Qi & Tian, (2012) found that female ACs are less prone to engage in fraud and participate in less AEM. This is also in line with Barber & Odean, (2001) findings, which revealed that Females have a higher degree of risk aversion compared to males. Dakata et al., (2016) investigate whether female members of the AC who simultaneously serve on other board committees have a role in preventing AEM. The study documents that having a female overlapping director on an AC reduces AEM. Moreover, Renaldo & Murwaningsari, (2023) states that gender diversity mitigates earnings management's detrimental impact on future company value. Consequently, the following hypothesis is formulated:

H2a: Female AC member has a significant negative effect on AEM.

Audit Committee Tenure and Accruals Earnings Management

Several investigations have indicated that the length of time a director has served on a board of directors of the company, the more educated he or she is about the operations of the company, and therefore better equipped to safeguard shareholder interests and enhance the performance of the firm (Yang & Krishnan, 2005). Furthermore, according to Sun et al., (2014) AC directors who have served for a long time may have more expertise in monitoring managers and providing better financial reporting oversight. This notion is evidenced by a study presented by Ghosh et al., (2010) discovered that ACs with longer tenure had more effective control EM practices. Thus, the following hypothesis is formulated:

H2b: AC tenure has a significant negative effect on AEM.

Audit Committee Share Ownership and Accruals Earnings Management

Members of AC who own a significant proportion of shares are likely to exhibit more motivation in supervising the activities of managers. AC directors who own stock in the company may have a stronger motivation to act in the best interests of the firm's owners (Ali & Kamardin, 2018), Wright cited in Habbash et al., (2013) believe that share ownership by members of the AC may decrease their independence. Also, Nguyen et al., (2021) discovered a favourable link between EM and AC members' share ownership. Consequently, the following hypothesis is formulated:

H2c: AC share ownership has a significant negative effect on AEM.

Audit Committee Chair and Accruals Earnings Management

The chair of the AC is a key figure in the operation of the AC. Amran, (2021) investigated the influence of AC chair characteristics on AEM. The findings reveal that the age of the AC chair, social networking, and industry are all favourably related to EM. In their study, Krishnamoorthy et al., (2023) conducted a comprehensive analysis of the influence exerted by the accounting financial knowledge of the audit committee chair on both the quality control of financial reporting and the audit process. The analysis, which is based on a substantial sample size of 13,840 observations from publicly traded corporations in the United States, reveals a significant correlation between the financial accounting expertise of the audit committee chair and reduced instances of earnings management. Thus, the following hypotheses are formulated:

H2d: AC chair has a significant negative effect on AEM.

Mediating Effect of Accrual Earnings Management on the Relationship between Audit Committee Attributes and Firm Performance

AEM refers to managers' opportunistic deliberate misreporting of earnings by making use of allowed flexibility under the General Acceptability of Accounting Procedures (GAAP) to modify reported results without altering underlying (previous) cash flows (Healy & Wahlen, 1999). Managers engage in EM as a strategic approach to attain the desired level of profitability by manipulating market perceptions of the company's real results (Caylor et al., 2015). In instances when the market fails to discern opportunistic conduct shown by managers, it is inclined to attribute the reported profit figures to favourable managerial performance. Darmawan, (2019) discovered that AEM performed by managers was proven to deceive the market and have a favourable impact on the firm’s value. However, Abbas et al., (2017), revealed that the act of managers manipulating earnings leads to a negative response from the market, resulting in lowering the firm's value. Previous research conducted by Issa & Siam, (2020) investigated the impact of AC attributes and firm performance using a sample of 37 manufacturing companies quoted on the Amman Stock Exchange for the years 2013 to 2017. The study findings show that there is a significant positive relationship between AC attributes and firm performance. Furthermore, the findings show that the relationship between AC effectiveness and the performance of the firm becomes stronger when there is an interaction with family ownership. Therefore, the following hypothesis has been formulated:

H3: There is a mediating effect of AEM on the relationship between AC attributes and firm performance.

METHODOLOGY

The purpose of this research is to investigate the potential effect that accruals earnings management plays in mediating the connection between AC attributes and firm performance among NSE-listed companies.

Population and Sample

The population under investigation in this study consists of 192 firms registered with the NSE as of 31st December 2021, spanning the eleven years from 2011 to 2021. Out of this number 64 firms with 704 firm-year observations were identified through the availability of the required information.

Variable Measurements

To examine the mediating role of AEM in the association between AC attributes and the firm performance of listed companies on the NSE, we use firm performance proxied by Tobin’s Q which serves as the dependent variable. The independent variables examined in this study are AC attributes which include chair, share ownership, tenure, and female member of the AC. Finally, the mediating variable is AEM. Table 1 displays the measurements of the variables.

Table 1 Variable definitions and measurements

Dependent Variable		
Firm Performance	FP	The proxy for FP, Tobin's Q ratio is derived by dividing the aggregate market value of equity and total debts by the corresponding book value of equity and total debts (Darmawan, 2019).
Independent Variables		
AC Female Member	FEAUDCOM	The dummy variable is set to 1 when there is at least one female member in the AC, and 0 otherwise (Bala et al., 2018).
AC Tenure	AUDTEN	Average number of years in office for the present AC membership (Abernathy et al., 2014; Braswell, 2018).
AC Share Ownership	AUDOWN	The percentage of the company's stock that AC members possess relative to the total number of shares (Dakhlallh, et al., 2020; Kibiya et al., 2016).
AC Chair	AUDCHAIR	The dummy variable is set to one (1) when the AC's head is a shareholder, and if the head is a director, it is set to zero (0) (Bala et al., 2018).
Mediating Variable		
Accrual Earnings Management	AEM	The Modified Jones Model, as proposed by Dechow et al., (1995)

Regression Model

Using 704 data observations of 64 companies registered on the NSE for the period from 2011 to 2021. Regression Analysis is used to investigate the mediating role of AEM on the link between AC attributes and firm performance. The following regression models are formulated:

$$Tobin'sQ_{it} = p_0 + p_1FEAUDCOM_{it} + p_2AUDTEN_{it} + p_3AUDOWN_{it} + p_4AUDCHAIR_{it} + \epsilon_{it} \quad (1)$$

$$AEM_{it} = p_0 + p_1FEAUDCOM_{it} + p_2AUDTEN_{it} + p_3AUDOWN_{it} + p_4AUDCHAIR_{it} + \epsilon_{it} \quad (2)$$

$$Tobin'sQ_{it} = p_0 + p_1AEM_{it} + p_2FEAUDCOM_{it} + p_3AUDTEN_{it} + p_4AUDOWN_{it} + p_5AUDCHAIR_{it} \quad (3)$$

where:

AEM is Accrual Earnings Management
FEAUDCOM is an AC Female Member
AUDTEN is AC Tenure
AUDOWN is AC Share Ownership
AUDCHAIR is AC Chair
$\boldsymbol{p_0}$ is Constant
$\boldsymbol{p_1, p_2, p_3, p_4}$ & $\boldsymbol{p_5}$ is Parameters/Slopes
$\boldsymbol{\epsilon}$ is Error Term
t is the Study Period
i is No. of Firms

RESULTS AND DISCUSSION

This study evaluates the mediating role of AEM on the connection between AC attributes and firm performance in Nigeria. The research performed some preliminary analyses, including descriptive statistics and a correlation matrix. Table 2 presents a comprehensive overview of the descriptive statistics about the dependent, independent, and mediating variables for the whole sample years. Tobin's Q, the dependent variable, is a performance indicator with values of 0.983 and 0.536 for the mean and median, respectively. According to these statistics, listed firms in Nigeria experienced a positive market return between 2011 and 2021. For independent variables of AC characteristics, the AC in some firms did not include any women. Female directors were present in 56% of ACs on average, with the remaining 44% without female participation. The statistics also show that the lowest and maximum AUDTEN values are 2.5 and 5, respectively. This implies that members of audit committees often serve for two to five years. In addition, some ACs' directors own substantial stock interests in their firms, whereas the directors of other companies ACs hold no stock in their companies. The findings also reveal that the lowest (highest) value of AUDCHAIR is 0.000 (1.000). This means that the ACs of some firms are headed over by directors, while others are headed over by shareholder representatives.

Table 2 Descriptive Statistics

	TOBINSQ	FEAUDCOM	AUDTEN	AUDOWN	AUDCHAIR	AEM
Mean	0.982570	0.562500	4.221591	0.684433	0.928977	-0.197071
Median	0.536071	1.000000	4.500000	0.009719	1.000000	-0.077287
Maximum	10.90605	1.000000	5.000000	228.5389	1.000000	2.744767
Minimum	0.013937	0.000000	2.500000	0.000000	0.000000	-80.47389
Std. Dev.	1.396147	0.496431	0.763622	12.17132	0.257045	3.045761
Skewness	3.052003	-0.251976	-0.770983	18.67837	-3.340128	-26.08086
Kurtosis	15.30777	1.063492	2.576136	349.9220	12.15645	687.4931

Table 3 Correlation Matrix

Variables	TOBINSQ	FEAUDCO	AUDTEN	AUDOWN	AUDCHAIR	AEM
TOBINSQ	1.000000					
FEAUDCOM	0.112886	1.000000				
	0.0027	-----				
AUDTEN	0.048809	0.029081	1.000000			
	0.1958	0.4411	-----			
AUDOWN	-0.024586	-0.059699	-0.016955	1.000000		
	0.5149	0.1135	0.6534	-----		
AUDCHAIR	0.049875	0.157458	-0.068270	0.015220	1.000000	
	0.1862	0.0000	0.0702	0.6868	-----	
AEM	-0.005636	-0.027924	0.015086	0.003267	-0.010311	1.000000
	0.3813	0.4595	0.6895	0.6310	0.5848	-----

The correlation matrix is employed to investigate the relationships between each dependent variable and the independent variable as well as to test for multi-collinearity. Table 3 shows that all of the coefficients are less than 0.7, indicating that there are fewer multicollinear issues. The model has no problems with multicollinearity, which often requires 80% or more to demonstrate that the correlations between variables exist, as Shrestha, (2020) recommended. Hence, the presence of multicollinearity is not a concern, as shown by the correlation analysis.

Findings

The analysis results indicate a positive, statistically significant connection between FEAUDCOM and firm performance (Beta = 0.335, p = 0.001). This result agrees with Hypothesis 1a, which asserts that FEAUDCOM has a large impact on a firm's performance, and hence with the hypothesis model. A one-unit rise in FEAUDCOM is correlated with a 0.335% improvement in firm performance. From a practical standpoint, it may be inferred that there exists a positive correlation between a one-unit rise in FEAUDCOM and a corresponding 0.335 increase in firm performance. The results demonstrate that FEAUDCOM has a direct and significant impact on the performance of publicly traded firms in Nigeria. Furthermore, the analytical findings demonstrate a positive and statistically significant impact of AUDTEN on the performance of the company. This is shown by a path coefficient (Beta = 0.174, p = 0.000). The observed result is consistent with the proposed hypothesis and provides evidence in favour of Hypothesis 1b, which posits that AUDTEN has a significant impact on a firm's performance. In practical terms, a single unit rise in AUDTEN is correlated with a 0.174 increase in the performance of the company. Moreover, the findings demonstrate a positive and statistically substantial impact of AUDOWN on the performance of firms, as shown by a path coefficient (Beta = 0.204, p = 0.000). This discovery is in line with the hypothesis model and provides support for Hypothesis 1c, which posits that AUDOWN has a substantial effect on firm performance. In practical terms, a single unit increase in AUDOWN is correlated with a 0.204 rise in firm performance. Additionally, the investigation revealed a statistically significant and favourable correlation between AUDCHAIR with firm performance. The obtained path coefficient ($\beta = 0.378$) with a statistically significant p-value of 0.009 suggests that a one-unit rise in the AUDCHAIR variable is associated with a comparable increase of 0.378 units in firm performance. This discovery is consistent with Hypothesis 1d, which posits that the presence of an audit committee chair (AUDCHAIR) headed by a shareholder has a substantial influence on a company's performance.

Similarly, the findings of the investigation reveal a statistically significant and inverse correlation between FEAUDCOM and AEM. The obtained path coefficient ($\beta = -0.169$, $p < 0.001$) suggests that a one-unit rise in the FEAUDCOM variable is associated with a comparable drop of -0.169 units in AEM. This discovery provides support for Hypothesis 2a, which posits that FEAUDCOM has a statistically significant detrimental impact on AEM. The findings of the research suggest that AUDTEN exhibits a statistically significant negative influence on the AEM. The obtained path coefficient ($\beta = -0.615$) signifies the presence of a substantial inverse correlation between AUDTEN and AEM. This implies that for every one-unit rise in AUDTEN, there is a corresponding drop of -0.615 units in AEM. The associated p-value (p = 0.000) suggests that this relationship is statistically significant. The observed result aligns with the proposed hypothesis framework and provides evidence in favour of Hypothesis 2b, which suggests that AUDTEN has a statistically significant detrimental impact on AEM. The findings of the investigation indicate a substantial and inverse correlation between AUDOWN and AEM. The obtained path coefficient (Beta) of -0.465, which is statistically significant with a p-value of 0.000, indicates a negative correlation between AUDOWN and AEM. Specifically, a one-unit rise in AUDOWN is related to a drop of -0.465 units in AEM. The present finding is consistent with the hypothesis framework and offers corroborating evidence for Hypothesis 2c, which suggests that AUDOWN has a substantial adverse effect on the AEM of listed Nigerian corporations. The results of the investigations suggest that AUDCHAIR had a statistically significant negative impact on the AEM, as shown by a path coefficient (Beta) of -0.546, with a p-value of 0.000. This result indicates that there is a negative connection between AUDCHAIR and AEM, such that a one-unit rise in AUDCHAIR is associated with a decrease in AEM by -0.546. The obtained result aligns with the proposed hypothesis model and provides support for it. Hypothesis 2d posits that AUDCHAIR has a significantly adverse impact on AEM. The findings of this investigation indicate that the presence of AUDCHAIR has a statistically significant negative impact on the AEM of companies listed on the NSE.

According to Table 4, the direct effect of the link between FEAUDCOM, AUDTEN, AUDCHAIR, and firm performance is substantial. For the indirect effect, the relationship between FEAUDCOM, AUDTEN, AUDCHAIR and AEM is also significant and that of mediation with AEM, the result was significant. Therefore, since the direct and indirect relationship is significant, and the coefficient of the mediation relationship is less than the coefficient of the direct relationship, it can be concluded that AEM partially mediates the relationship between FEAUDCOM, AUDTEN, AUDCHAIR and firm performance. The result revealed that the direct effect of the connection between AUDOWN and firm performance is significant. For the indirect effect, the connection between AUDOWN and AEM is also significant and that of mediation with AEM, the result was not significant. Therefore, since the direct and indirect relationship is significant, and the coefficient of the mediation relationship is not significant, it can be concluded that AEM fully mediates the link between AUDOWN and firm performance. The obtained result aligns with the proposed hypothesis model and provides support for it. Hypothesis 3 posits that there is a mediating effect of AEM on the relationship between AC attributes and firm performance.

Table 4 Regression Results

	Direct (TOBINSQ)	Indirect (AEM)	Mediator	Decision
FEAUDCOM	0.335* (0.001)	-0.169* (0.000)	0. 2724* (0.000)	Partially Mediated
AUDTEN	0.174* (0.000)	-0.615* (0.000)	0.043* (0.000)	Partially Mediated
AUDOWN	0.204* (0.000)	-0.465* (0.000)	0.002 (0.653)	Fully Mediated
AUDCHAIR	0.378* (0.009)	-0.546* (0.000)	0.375* (0.000)	Partially Mediated

p<0.001 = *, p<0.05 = **, p<0.01 = ***

Discussions

Table 4 shows that the analysis results provide compelling evidence of the favourable and statistically significant effect of FEAUDCOM on firm performance. Female representation in AC has garnered significant attention in recent years due to the growing recognition of gender diversity in CG and its potential effects on organizational outcomes. This finding aligns with previous research that highlights the favourable influence of gender diversity on firm performance (Fiardhani, 2022; Omotoye et al., 2021), although it contradicts Agyemang, (2020). The path coefficient of 0.335 indicates that for every one-unit increase in female AC representation, there is a corresponding increase of 0.335 in firm performance. This implies that companies with higher female representation on their ACs tend to exhibit better performance across various financial and operational indicators. Female directors bring unique perspectives, skills, and expertise that contribute to effective decision-making, risk management, and corporate governance practices (Adams & Ferreira, 2009). Additionally, the findings of the investigation show that there is a strong and favourable link between AUDTEN and firm performance. This discovery implies that the duration of tenure of AC members in a firm has a substantial influence on the firm's performance. The result corresponds to the findings of Alodat et al., (2023) and contradicts Onyabe et al., (2018); and Ozer & Merter, (2023) studies that show a negative correlation between the length of time an AC serves and the overall performance of the firm. Therefore, the positive effect of AC Tenure on firm performance can be attributed to the longer the term of the AC members, the more business skills the AC will have in overseeing the financial reporting process (Ghosh et al., 2010).

The analysis results reveal a favourable and statistically significant influence of AUDOWN on firm performance. This finding suggests that the level of share ownership by AC members has a direct effect on firm performance. In practical terms, this implies that a one-unit rise in AC Share Ownership is positively correlated with a corresponding improvement in company performance. The results align with the hypothesis model and provide support for the notion that AC Share Ownership has a significant influence on the performance of a corporation. This result is similar to the findings of Bolton, (2014) that showed a positive correlation between AC stock ownership and company performance. However, the result is contrary to that obtained by Dakhlallh, et al., (2020). Furthermore, the research also found that there is a statistically substantial positive correlation between AUDCHAIR and firm performance. The result is in agreement with the findings of Alodat et al., (2022) which revealed a positive and statistically significant relationship between AC chair characteristics and firm performance. The results of this study imply that AC headed by a shareholder has a direct impact on firm performance. This finding accords with the Hypothesis model, which states that a firm's performance is significantly impacted by the existence of an AUDCHAIR chaired by a shareholder.

The analytical findings demonstrate a statistically significant and adverse correlation between FEAUDCOM and AEM. This discovery offers support for the hypothesised relationship between FEAUDCOM and its substantial impact on AEM. The findings agree with Dakata et al., (2016) and demonstrate that the presence of a female overlapping director on an audit committee leads to a decrease in AEM. The inclusion of female members inside the AC contributes to a broader range of opinions, experiences, and expertise in the decision-making process. This diversity has been associated with improved corporate governance practices and better financial reporting outcomes. Female members may offer different insights, challenge groupthink, and promote a more comprehensive evaluation of financial reporting practices, including accruals management. Also, the analytical findings indicate a statistically significant and inverse correlation between

AUDTEN and AEM. This discovery provides evidence in favour of the proposed theory and suggests that longer audit committee tenures are associated with decreased AEM among the listed Nigerian companies. A similar result was reported by Sun et al., (2014), long-term AC directors may have greater experience reviewing financial reports and monitoring management. As AC members gain experience and develop a deeper understanding of the business operations and financial reporting practices, they are better equipped to identify and assess accruals management activities. These findings have implications for corporate governance practices and regulatory frameworks. Regulators and policymakers may consider promoting guidelines and regulations that emphasize the importance of monitoring AEM and the role of ACs in preserving the integrity of financial reporting.

The research discovered a significant adverse correlation between AUDOWN and AEM. The obtained outcome aligns with the proposed hypothesis framework and offers corroborating evidence in favour of the hypothesis, which posits that AUDOWN negatively affects the AEM of publicly traded Nigerian companies. The result is not in agreement with the findings of Nguyen et al., (2021), who found a positive correlation between AC stock ownership and AEM. Moreover, the analysis results indicate a statistically significant and unfavourable association between AUDCHAIR on AEM. These findings accord with the hypothesis model and provide evidence for the assertion that AUDCHAIR has a significant direct effect on AEM among listed Nigerian companies. Results in agreement with Krishnamoorthy et al., (2023) findings that the level of financial accounting proficiency possessed by the head of the AC decreases the occurrences of earnings manipulation. Our finding suggests that the effectiveness and leadership of the AC Chair led by the shareholders. representative influence the extent to which AEM is practised within the organization. A proactive and diligent AC Chair-led shareholder can play a vital role in upholding transparency, accountability, and sound financial reporting practices.

The mediation effect implies that FEAUDCOM, AUDTEN, and shareholder AUDCHAIR indirectly impact firm performance by shaping the organization's AEM practices. The analysis results also reveal that AEM fully mediates the connection between AUDOWN and firm performance. This highlights the importance of having a strong and vigilant AC that can effectively detect and deter manipulative earnings practices, thereby safeguarding the integrity of financial reporting and enhancing firm performance. It is essential to establish robust corporate governance mechanisms and internal controls that discourage the manipulation of financial results for personal gain.

CONCLUSION

This study examines AEM's mediating role between AC attributes and the firm performance of Nigerian public companies. For data analysis, the study used balance panel data from 64 different firms, resulting in a total of 704 firm-year observations spanning eleven years. The research found that AC significantly and positively affected firm performance. However, the data shows that AC characteristics have a strong negative correlation with AEM. Additionally, the data demonstrate that AEM mediates the connection between AC characteristics and firm performance.

The implications for the practice of these findings include a need for the Nigerian Securities and Exchange Commission to ensure effective AC structures for Nigerian registered companies. This has the potential to promote stronger CG and improve financial reporting quality, which can, in turn, lead to improved firm performance. Regulators and policymakers also may consider strengthening regulations and guidelines related to the role and responsibilities of the AC Chair. Promoting independence, expertise, and transparency in the selection and functioning of ACs can reduce the likelihood of AEM.

The present research made a valuable scholarly contribution by demonstrating that AEM mediates the connection between AC attributes and firm performance. This study has contributed to the existing literature on the issue of inconsistency in the link between AC characteristics and firm performance, with a specific focus on developing economies such as Nigeria. The mediating influence of real earnings management on the connection between AC attributes and firm performance may be investigated in future studies by using variables such as AC independence, legal expertise, accounting expertise, size, and meetings.

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DECLARATION OF CONFLICT

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