

**AUDIT COMMITTEE INDEPENDENCE AND FINANCIAL REPORTING
QUALITY OF LISTED MANUFACTURING FIRMS IN NIGERIA:
MODERATING ROLE OF PROFITABILITY**

**Adejuwon Olugbenga Ajibaiye¹, Yahaya Onipe Adabenege², Ahmed Nma Mohammed³,
Samuel Gambo Joshua⁴**

^{1,2,3,4}*Department of Accounting, Faculty of Management Sciences,
Nigerian Defence Academy, Kaduna, Nigeria*

*Corresponding Author(s)' Email/Mobile: adejuwonolugbenga@gmail.com/
[+2348135337860](tel:+2348135337860)¹, yoadabenege@nda.edu.ng/[+2348036064334](tel:+2348036064334)²,
nmaahmed64@gmail.com/[+2348065293366](tel:+2348065293366)³,
Jg.samuel@nda.edu.ng/[+2348037614371](tel:+2348037614371)⁴*

Abstract

This study examines profitability as a moderator on audit committee independence and financial reporting quality of listed manufacturing firms in Nigeria. The quantitative, observational, and explanatory correlational research design was adopted, secondary data was extracted from annual reports and accounts of listed manufacturing firms in Nigeria. Utilizing purposive sampling technique, twenty-five (25) sampled firms out of a population of thirty-four (34) manufacturing firms listed on the Nigerian Exchange from 2012-2023 making it a period of twelve (12) years. The study utilizes panel least square technique. Hausman's test was carried out and random effect estimate was fitting. The result showed that audit committee independence has a negative and significant effect on financial reporting quality of listed manufacturing firms while the interaction between audit committee independence and profitability reflected a positive and significant effect on financial reporting quality. This implies that firms with higher profitability are more likely to benefit from the presence of independent audit committees in terms of financial reporting quality. It recommends that in order to attain better financial reporting quality, firms should give more attention to the independence of the audit committee and effective asset usage, which can result in financial statements that are more accurate, transparent, and trustworthy. This is beneficial to stakeholders and may improve decision-making as well as corporate governance in general.

Keywords: audit committee independence, financial reporting quality, profitability, return on asset, manufacturing firms

1. Introduction

The role of financial reporting cannot be overemphasized as financial reports need to provide transparent financial information to guide users. The objective of financial reporting is to provide high-quality financial data of organization so as to make valuable economic decisions (Akanbi et al., 2022). The accuracy, timeliness, transparency and standard-compliant are key components in expressing the quality of a financial report. This promotes confidence and trust among stakeholders and enhances the stability and

effectiveness of the financial markets. Similarly, a company's financial stability, effectiveness of operations, and reputation can all be negatively impacted by poor financial reporting. Consequently, the extent to which financial statements provide pertinent and reliable information about an entity's financial situation to its users is known as financial reporting quality.

It is therefore crucial to note that the credibility of a financial report is dependent on the audit quality. In other words, the purpose of an audit is to ensure the quality of financial reporting. Quality audit on financial reporting is attainable through interaction among participants in the financial reporting supply chain. It is achievable when there is an exhibition of appropriate values, ethics, skills, compliance to the law and timeliness to report.

In the setup of an organization, Company and Matters Act 2020 mandated the introduction of audit committee to make annual financial statements of public corporations more acceptable and reliable. The audit committee is to examine and review financial reports with the aim of making adequate, essential and necessary recommendations to stakeholders of an organization. Audit committee plays a critical role in overseeing financial reporting, internal controls, and the organization's compliance in line with legal and ethical practices available (Ekumankama & Uche 2009). In fulfilling these responsibilities, it is essential that independence is displayed. Thus, audit committee independence ensures that the role of the committee is carried out with integrity and undue influence, exuding objectivity and free of biases.

Saeed et al. (2022) regarded audit committee independence as the most significant factor to ensure the overall effectiveness of the audit committee in executing their duties. Audit committee independence has been found to be a major determinant within the financial reporting process that guarantees financial reporting quality (Feng, 2014; Ifeanyichukwu & Okaha, 2019). Velte and Loy (2018) concluded that audit independence is paramount to achieve financial reporting quality. Independence of the audit committee helps improve the integrity of the financial report of a firm which builds the confidence of stakeholders.

Profitability has been an area of concern to shareholders and prospective investors because it reflects the firm's capacity to efficiently utilise its resources, generate earnings, meet its financial obligations, provide returns to stakeholders and support future growth. Profitability is a performance index identified to have a great influence on financial reporting quality (Adegboye et al., 2019). Profitability, which is a method of financial measurement and an evaluation of a firm's ability to generate income. Adegboye et al. (2019) proposed that a profitable firm will certainly reveal relevant information to stakeholders, which is always their expectation. It is also important to note that the level of profitability is a factor that influences the decisions of potential investors and stakeholders.

Several companies have held the opinion that a company's profitability significantly influences the quality of its financial reporting. The contents of a profitable company's financial results may motivate it to release more information, aiming to enhance the public's perception of it (Musa & Oloruntoba, 2014). Consequently, this study seeks to ascertain the moderating role of profitability on audit committee

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independence and financial reporting quality using manufacturing firms as an area of concern.

In Nigeria failures of Cadbury Nigeria Plc, Skye bank plc, Oando Plc and Evans Medical plc whose licenses was revoked, SEC investigation and forensic audit and delisting from NGX are connected to poor financial reporting, governance issues and financial mismanagement (Central Bank of Nigeria [CBN], 2018; Nigeria Deposit Insurance Corporation [NDIC], 2018; Securities and Exchange Commission [SEC], 2007, 2019). This questions audit committee independence as it is seen as one of the pillars that ensures the effectiveness of the audit committee.

Prior studies on the direct relationship between audit committee independence and financial reporting quality show mixed results which may be as a result of differences in corporate governance regulations, institutional settings, firm characteristics, sample periods including operationalisation of audit committee independence (Akhor & Oseghale, 2019; Al-Daoud et al., 2015; Bédard & Gendron, 2010; Chukwu & Nwabochi, 2019; Lin & Hwang, 2010; Onyabe et al., 2018; Puasa et al., 2014 Yeng & Oppong, 2024). These mixed results create an empirical gap for further examination of the relationship between audit committee independence and financial reporting quality within the Nigerian context where variations institutional governance may influence the effectiveness of audit committee monitoring.

The discourse on the efficacy of audit committee independence is because of the continued global financial reporting scandals that appear to be a repeated issue which has greatly affected the view of accounting information users to the reliability of financial reports. The empirical literature in audit committee independence has lightly considered the moderating role of profitability on the relationship between audit committee and financial reporting quality. Therefore, the focus of this study empirically examines the moderating role of profitability on the relationship of audit committee independence and the financial reporting quality.

The manufacturing firms are series of subsectors listed on the Nigerian Exchange such as consumer goods, industrial goods and conglomerates. This study adopts the consumer and industrial goods sector as the scope of the study. They are into production of foods and beverages, building materials, chemicals and paints. These sectors were considered because they continue to be the most potent drivers of national economies and could be exposed to economic volatility, regulatory compliance and mismanagement. It is in this light that the study aims to assess the moderating role of profitability on the relationship of audit committee independence and the financial reporting quality of listed manufacturing firms in Nigeria for the period of 2013 to 2023.

The main objective of this study is to evaluate the role of profitability on the relationship between audit committee independence and the financial reporting quality of listed manufacturing firms in Nigeria. The specific objectives are:

- i. to examine the effect of audit committee independence on the financial reporting quality of listed manufacturing firms in Nigeria.
- ii. to ascertain the effect of profitability on the financial reporting quality of listed manufacturing firms in Nigeria

- iii. to evaluate profitability as a moderator on the audit committee independence and financial reporting quality nexus of listed manufacturing firms in Nigeria.

To accomplish the stated objectives, hypotheses were formulated in the null form as follows:

- H₀₁:** Audit committee independence has no significant effect on the financial reporting quality of listed manufacturing firms in Nigeria
- H₀₂:** Profitability has no significant effect on the financial reporting quality of listed manufacturing firms in Nigeria.
- H₀₃:** Profitability does not significantly moderate the effect of audit committee independence on the financial reporting quality of listed manufacturing firms in Nigeria

The findings of this study provide empirical evidence on the relationship between audit committee independence and financial reporting quality amongst listed manufacturing companies in Nigeria, with emphasis on the moderating role of profitability. The findings are relevant to potential investors and stakeholders who rely on reliable financial information and effective corporate governance in making decisions. This research contributes to existing literature by providing evidence on whether profitability influences the effectiveness of audit committee independence in enhancing financial reporting quality.

The information gathered from this study provides useful reference for researchers and academics undergoing further studies on audit committee characteristics, financial reporting and profitability. For regulators and professional bodies, the finding present useful evidence for assessing and strengthening corporate governance requirements concerning audit committee independence. The findings of this study equip shareholders and the company's management team with insight into the importance of an effective and independent audit committee to ensure quality financial reporting practices and promote stakeholder confidence.

Section 2 of this study examines existing empirical literature on audit committee independence and financial reporting quality; section 3 presents the methodology that was adopted for the study. Section 4 outlines the analysis of results, and finally, section 5 concludes the study with summary and recommendations made by the researchers.

2. Literature Review

This section reviews the literature on the moderating role of profitability on audit committee independence and financial reporting quality of listed manufacturing firms in Nigeria. The section begins with a clear conceptual framework detailing the link between the variables (audit committee independence, profitability and FRQ). The section also presents the theories that underpin the study and concluded with a review of empirical studies.

The conceptual framework of this study exhibits the interaction of profitability on the relationship between audit committee independence and financial reporting quality of listed manufacturing firms in Nigeria. This implies that profitability may play a significant role in audit committee independence in manufacturing firms which can

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influence financial reporting quality. The conceptual framework of this study is presented in Figure 1.

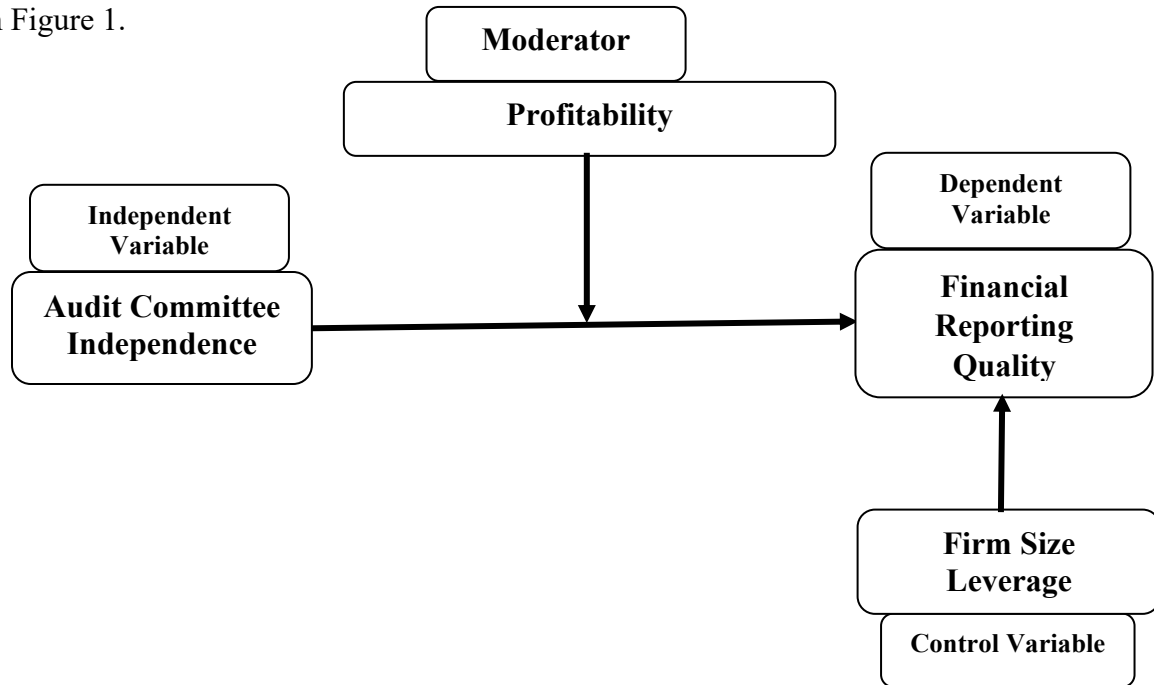


Figure 1: Conceptual Framework
Source: Researcher's Compilation, 2026

The concept of Financial Reporting Quality is to illustrate how decision-makers and other stakeholders can benefit from the credibility and reliability of financial reports (Atabo et al., 2023). It relates to the unbiased disclosure of financial statement information in accordance with statutory provisions. It is the correctness with which financial transactions are communicated as the accountability of stewardship is extended to shareholders and stakeholders of organizations through financial reporting (Olaoye & Bamidele, 2023).

Financial reporting quality, according to Idris (2021), reflects pertinent, trustworthy, comparable, and thorough information to financial statement users. Yaghoobi and Khansalar (2016) conceptualized financial reporting quality as the degree to which financial statements provide pertinent and reliable information about an entity's financial situation to its users. This means that a quality financial report is determined by its relevance, reliability and understandability to stakeholders. This study defines financial reporting as the very essence of informing stakeholders of financial and non-financial transactions within an organization for a period.

Tijjani (2018) espoused that financial reporting is determined by how free it is from inaccuracies, misstatement and other unethical managerial and accounting activities. In the same manner, Adeleke (2021) asserts that the capacity of financial statements to give accurate, fair, and dependable information about a company's performance and financial status that will not mislead investors is a necessary component of financial reporting quality.

Reviews from existing literature show that the purpose of financial reporting is to tend to the diverse needs of its users. Therefore, it must have certain characteristics that make it presentable to its user. In the Conceptual Framework for Financial Reporting, the Financial Accounting Standard Board (FASB) and the International Accounting Standards Board (IASB) specified that there are established characteristics of high-quality financial reporting which includes relevance, verifiability, faithful representation, understandability, comparability, and timeliness. These characteristics are the core qualitative elements and qualitative traits that improve quality. If the objectives and qualitative characteristics of financial reporting information are satisfied, then financial reporting quality will surely increase (Kurawa et al., 2021).

Being a fundamental element of corporate governance, audit committee independence ensures the accuracy and dependability of financial reporting procedures. The word independence connotes willpower based on objective thoughts, beliefs, patterns and regulation. Maintaining objectivity during test execution, assessing examination results, and generating audit reports are all components of independence in auditing (Ardillah & Chandra, 2022). In the view of Pinatik (2021), independence is the capacity to remain uninfluenced by external factors, to be resilient against unacceptable influences, to retain one's independence, and to uphold honesty in the assessment of the facts and the formulation of unbiased opinions as auditors perform their duties in the public interest. This study states audit committee independence as an important characteristic that ensures audit committee members carry out their obligations objectively, efficiently and effectively. In the situation of audit committee, independence cannot be undermined or impaired as it is of uttermost importance that committee members share an uninfluenced opinion on reviews and reports from the digest of a financial statement.

Abbott et al. (2000) regarded audit committee independence as a requirement for the effectiveness of its work. Leng (2023) noted that audit committee independence facilitates the examination and confirmation of the internal control systems that are in existence. In other words, monitoring financial data, disclosing internal controls and the process of corporate financial reporting all depend on it. It is believed by Mehdi et al. (2021) that the independence of the audit committee governs professional behaviour, offers an opportunity for objectivity, and allows for professional evaluation of accounting data to determine its integrity, accuracy, and further enhance its quality. Thus, preserving the audit committee's independence is thought to be essential to enhancing its capacity for preventing financial statement errors and, as a result, deliver audit quality. This study regards independence of audit committees as a fundamental component of modern corporate governance to upholding financial reporting procedures, regulatory compliance, internal control system and organizational oversight to attain financial reporting quality.

Beyond the characteristics determining financial reporting quality, the going concern of an organization is of uttermost importance to stakeholders as it is anchored on profitability. In Hassan and Farouk (2014) thought, profitability is a crucial organization-level factor that influences the quality of financial reporting by Nigerian firms. As noted by Kamalluarifin (2016), there are two approaches to account for the relationship between profitability and disclosure quality. First, to get compensation and maintain their position, management of more lucrative companies typically releases more information to

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demonstrate their consistent performance. Put differently, an increase in profitability leads to a decrease in earnings management and an improvement in the quality of financial reports. Conversely, less profitable businesses reveal more details to support their performance, sustain support, and protect their integrity. Profitability is essentially directly (inversely) correlated with earnings manipulation (quality of financial reporting).

Soyemi and Olawale (2019) defined profitability as an indicator of satisfactory or unsatisfactory financial report stating that highly profitable companies have high financial reporting. Utilising return on assets as a measure of profitability, Kolawole et al. (2021) discovered that profitability was positive but had no influence on the quality of financial reporting. However, they concluded that an important proportion of the variation in the quality of financial reporting within organizations can be attributed to profitability. According to Hassan and Bello (2013), companies that are more profitable tend to use less earnings management because they think that consistent profitability is a far stronger indicator of investment security for prospective investors. This study assumes profitability to have a significant influence on financial reporting quality as this index serves as a yardstick for decision making and an essential determinant of financial performance to investors and stakeholders. In this light, profitability will be measured by return on assets as a moderator to ascertain the effect of audit committee independence on financial reporting quality of listed manufacturing firms in Nigeria.

Theoretically, the study discussed stewardship theory and resource dependence theory to provide the foundation for understanding the relationship between audit committee independence and financial reporting quality as well as the role of profitability in this relationship. It provides perspective to the behaviour of managers, effectiveness of audit committee and quality of information communicated to stakeholders

Stewardship theory often associated with Theodore Roosevelt proposes that a manager acts as a responsible steward of the assets they control. It argues that people are jointly minded and pro-organizational rather than individualistic and therefore work toward the attainment of organizational, group, or societal goals because doing so gives them a higher level of satisfaction. Menyah (2013) defines a steward as one who does not have ownership of what they are responsible for, nonetheless, carry out their duties diligently and are accountable.

The premise of stewardship theory is that an agent's choice is categorized as self-service and that companies are given greater consideration in this regard. Orife et al. (2022) perceives stewardship theory as a substitute to the agency theory. The theory is more about understanding the relationship between managerial role and organizational objectives. Unlike agency theory which looks out for personal financial interests, stewardship theory proposes that the directors operate as stewards and are willing to act for the greater good of their firm, rather than for themselves.

On the other hand, the resource dependence theory was developed by Pfeffer and Salancik (1978) to describe how an organisation's behaviour is influenced by the external resources it possesses. They suggest that for businesses to have access to the resources they require to survive, they should both alter and bargain with their external environment. This implies that a company's ability to compete is based on how well it manages its external resources. According to Van (2018), this is more significant than their internal resources.

Resource dependence theory has numerous significant ramifications since obtaining outside resources is crucial to any company's tactical and strategic management. These cover things like the best organisational structure, hiring board members like the audit committee, financial expertise, production strategy, external organisation connections, and other organisational strategy-related matters. To this effect, this study adopts stewardship theory as its perspective goes beyond ensuring utmost benefits to shareholders as their primary objective but valuing each commitment concerning the organization. Thus, serving as an audit committee member is stewardship and upholding independence is commitment to organizational values and goals.

Empirically, Eriabie and Izedonmi (2016) reviewed audit committee attributes and the financial reporting quality of 131 listed firms on the Nigerian Stock Exchange for a period of 7 years (2006-2012). The independent variable was measured by audit committee independence while financial reporting quality by discretionary accruals. Sequel to a regression test, result showed audit committee independence to be positively significant to financial reporting quality. This study differs in respects to scope as the current study focuses on listed consumer and industrial good firms in Nigeria. Furthermore, it adopts audit committee independence as the independent variable and initiate profitability as a moderating variable.

Mbobbo and Umoren (2016) studied the impact of audit committee attributes on financial reporting quality of listed deposit money banks in Nigeria. They examined a sample size of 10 banks for the period 2006 to 2013. The independent variable was proxied as audit committee independence measured as the percentage of non-executive directors on the audit committee while financial reporting quality was proxied using the qualitative features model of the International Financial Reporting Standard (IFRS). Following the analysis, the outcome revealed that audit committee independence has a positive impact on the financial reporting quality of listed deposit money banks in Nigeria. On the other hand, the current study is concentrated on listed consumer and industrial good firms in Nigeria, whereas the examined study domain is the listed deposit money bank. In the current study, profitability is included as a moderating variable.

Onyabe et al. (2018) examined audit committee independence on financial reporting quality of listed deposit banks in Nigeria. They examined 15 listed deposit money banks for a period of ten years (2007-2016). Data was extracted from the audited annual reports and accounts on the Nigerian exchange groups. The modified Jones (1991) model was adopted to measure financial reporting quality. The study adopts correlational research design to examine relationships. In addition, ordinary least square (OLS), fixed effect and random effect regression technique of data analysis were employed. The study concludes that audit committee independence has a negative significant effect on financial reporting quality of listed deposit money banks in Nigeria. Also, audit committee size has no significant effect on the financial reporting quality of listed deposit money banks in Nigeria. The study differs in scope. The study focused on listed deposit money bank while the current study will be on consumer and industrial good firms in Nigeria. The current study adopts audit committee independence but will introduce profitability as a moderating variable.

Okechukwu et al. (2022) studied the effect of audit committee characteristics on the financial reporting quality of listed industrial goods companies in Nigeria. The

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population of the study was the 13 industrial good firms listed on the Nigerian Exchange (NGX) as at 31st December 2021 for the period of 10 years (2012-2021). Regression analysis results showed that audit committee independence has a significant positive effect on financial reporting quality. Notably, the reviewed study utilised audit quality as a moderator. In the current study, profitability will be included as a moderating variable complementing the adoption of audit committee independence as the independent variable.

Orife et al. (2022) explored the effect of audit committee characteristics and financial reporting quality of selected firms in Nigeria. The data for this study were sourced from the audited annual reports and accounts of sampled oil and gas firms spanning from 2011-2020. The study sampled ten (10) listed oil and gas firms on the Nigerian exchange. Audit committee was measured by audit committee independence while financial reporting quality was captured using timeliness of financial report. Panel regression results showed that audit committee independence has a negative insignificant effect on financial reporting quality of oil and gas firms in Nigeria. The current study will adopt audit committee independence while the study period is from 2013-2022 on listed consumer and industrial good firms. It will also introduce foreign ownership as a moderating variable.

3. Methodology

The study employs quantitative, observational, and explanatory correlational research design. The population of the study consists of the thirty-four (34) manufacturing firms listed on the Nigerian Exchange Group as at 31st December, 2023. The use of listed manufacturing firms can be justified based on availability and reliability of their financial data. Purposive sampling technique was adopted for the study. The requirement met to be included in the sample is the availability of complete financial data for the 12 years under review. This is crucial to ensure the completeness and reliability of the financial data over the period, consistent reporting of audit committee composition and active trading without delisting. A sample size of 25 out of the 34 listed manufacturing firms were selected from the population. The sample size is a mix of listed consumer and industrial good firms

To achieve the stated research objective, the study employed panel data from secondary sources which are quantitative in nature. The data were obtained from the annual reports of the sampled firms listed on Nigerian Exchange. The technique of data analysis employed in this study is multiple regression analysis. The data was analyzed using STATA 15 statistical package, and the outcome was used to test the hypothesis formulated for the study after conducting necessary tests.

The model for this study is based on Okechukwu et al. (2022) model with an extensive modification to ascertain whether profitability moderates the effect of audit committee independence and financial reporting quality of listed manufacturing firms in Nigeria. The model was selected because it assists in achieving the specific objectives of the study and testing the hypotheses formulated in Section 1. The model of Okechukwu et al. (2022) is stated as follows:

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AHMED NMA MOHAMMED³, SAMUEL GAMBO JOSHUA⁴**

$DAC_{it} = F(ACFE_{it}, FACM_{it}, ACID_{it}, ACSI_{it}, \mu_{it}) \dots (i)$;
whereas; DAC_{it} = Financial reporting quality; $ACFE_{it}$ = Audit committee financial expertise; $ACID_{it}$ = Audit committee independence; $ACSI_{it}$ = Audit committee size. The modified version of the model to achieve the hypotheses of this study is presented below:
 $FQR_{it} = f(ACINP_{it}, ROA_{it}, \mu_{it}) \dots (ii)$;
 $FQR_{it} = f(ACINP_{it}, ACINP*ROA_{it}, ROA_{it}, FSZ, LEV_{it}, \mu_{it}) \dots (iii)$.

The econometric form of equation (iii) is given as:

$FQR_{it} = \beta_0 + \beta_1 ACINP_{it} + \beta_2 ACINP*ROA_{it} + \beta_3 FSZ_{it} + \beta_4 LEV_{it} + \beta_5 ROA_{it} + e_{it}$
.....(iv); whereas: FRQ= Financial reporting quality; ACINP= Audit committee independence; ACINP*ROA= Interaction variable between Audit committee independence and Profitability; ROA= Profitability; FSZ= Firm size; LEV= Leverage; β_0 = Constant; β_1 to β_4 = Regression Coefficients; e = Error Term; i = Observation; t= Year of Observation.

The variables to be used for the study are classified and defined below.

Table 1

Measurement of Variables

Variables	Measurement	Source
Financial reporting quality (FQR)	Measure as a dummy, “1” if the number of days is below the deadline stipulated by the regulatory authority and “0” if above	Ozoanigbo et al. (2018), Orjinta et al. (2016), Kolawole et al.(2022), Orife et al. (2022), Emife and Akhor (2023).
Audit committee independence (ACINP)	The proportion of independent directors in the statutory audit committee	Yakubu et al. (2023), Okechukwu et al. (2022), Akanbi et al. (2022)
Return on Assets (ROA)	Measured as profit after tax divided by total assets	Kamalluarifin (2016), Enakirerhi et al. (2020)
Firm Size (FSZ)	Measured as the natural logarithm of total assets	Ashhoob (2016), Lamido et al. (2022)
Leverage (LEV)	Measured as the ratio of the company’s total liabilities to the company’s total assets	Hassan and Bello (2013), Celik et al, (2023) and Mohammed et al. (2021).

Source: Researcher’s compilation (2026)

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4. Results and Discussion

This section presents the result of the data analysis and test of hypothesis formulated. It begins with the presentation and analysis of the descriptive statistics, correlation matrix, variance inflation factor, heteroskedasticity, Hausman and results of the regression.

Table 2

Descriptive Statistics

Variable	Obs.	Means	Std. Dev.	Min	Max
FQR	300	.836	.370	0	1
ACINP	300	.432	.104	0	.6
ROA	300	.101	.576	-1.390	9.765
FSZ	300	10.508	.927	8.417	12.595
LEV	300	.553	.212	0	1.504

Sources: Researcher's compilation from STATA-15 (2026)

The FRQ shows a mean value of 0.836 which indicates that the sampled manufacturing firms showed qualitative factors in their financial reports. The mean percentage of 83.6% indicates that most firms under consideration met the minimal requirement as prescribed by CAMA (2020) and FRCN (2011) in the preparation of financial reports. The minimum of FQR is 0 and maximum is 1. This also means that there are few companies without quality financial reports.

Audit committee independence (ACINP) specified a mean value of 0.432, standard deviation of 0.104 and max of 0.6. This implies a 43.2% presence of independent directors in the audit committee within manufacturing firms in Nigeria. This indicates that the sample firms have considerably average audit committee independence (Akanbi et al., 2022).

In the case of return on asset, which shows how much return a firm has generated from the asset employed within a financial year shows a mean value of 0.101 and a standard deviation of 0.576. This means that the manufacturing firms have generated an average of 10.1% return for each asset employed, and the deviation from the mean value was 57.6%, which implies that the profit made by the sampled firms is widely spread. Also, the minimum and maximum figures for the return on assets of the sampled firm are -139% and 976%, respectively. This indicates that there is a manufacturing firm with a maximum return on asset ratio of 976 percent and a company with a minimum return on asset ratio of -139 percent.

Consequently, the minimum of firm size stood at 8.417, with an average of 10.508 and a maximum of 12.595. This suggests that within the period under study, the majority of the sampled manufacturing firms were relatively large firms. The leverage has the mean of 0.553 which means that the average debts owed by the sampled firms is about 55.3% this indicates that most of the firms have high debts with a maximum debt of 1.5044 and minimum debts of about 0.0005%. The standard deviation of 0.2126 indicates that there is difference between leverage of the selected firms since mean is greater than standard deviation.

Table 3

Correlation Matrix

Variable	FQR	ACIN	ROA	FO	FS
FQR	1.0000				
ACINP	0.0015	1.0000			
ROA	0.0281	-0.0293	1.0000		
FSZ	-0.0883	0.0143	0.0155	1.0000	
LEV	0.0118	0.0170	0.0216	0.2466	1.0000

Source: Compilation from STATA-15 (2026)

Table 3 displays the correlation coefficients that were computed to determine the direction and quantum of the relationship between the dependent and explanatory variables. It is important to remember that correlations higher than 0.80 suggest that there is a multicollinearity issue. This submits that, if other factors remain constant, audit committee independence (ACINP) can affect financial reporting quality (FRQ) at the proportionate level of its increase. To further test multicollinearity, variance inflator factor (VIF) was carried out and showed a mean of 1.03 with a range from 1 to 1.07.

Estimation Check

Table 4

Hausman Test

Test Summary	chi2(2)	Prob.
Model i-V	6.08	0.2981

Source: Researcher's Compilation from STATA-15 (2026)

It was proven that the p -value of the Hausman test was greater than 5%. Implying that Random effect was adjudged suitable in explaining the significant effect of the independent variables on the dependent variable at 5% significant level. As such, the study used Random effect estimate to explain all the estimates in the study.

Table 5

Summary of Regression Results

RANDOM-EFFECTS GLS REGRESSION						
Variable	Coefficient	Std. Err	t-Value	Prob.	95% Conf.	Interval
ACIN	-1.584	0.405	-3.66	0.000	-2.280	-0.689
ROA	-2.568	1.251	-2.05	0.010	-5.020	-0.116
ACINPROA	4.708	2.733	2.05	0.040	-0.250	10.966
FSZ	0.030	0.043	0.72	0.472	-0.053	0.115
LEV	0.055	0.133	0.42	0.677	-0.206	0.317
Constant	1.156	0.485	2.38	0.017	0.205	2.107
Prob>F	0.0229					
R-squared	0.0754					
Number of groups	25					

Sources: Researcher's compilation from STATA-15 (2026)

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Table 5 shows the outputs of the linear regression analysis (robust). It outlines that data from 300 observations were analyzed. It shows the values for R-squared (0.0557) and the p-value (Prob > F; 0.0003). The R-squared value of 0.055 indicates that audit committee independence and other variables explain 5.6% of the variation in financial reporting quality of the sampled manufacturing firms under study, which is statistically significant ($p = 0.0003$). From Table 5, ACINP, ROA, and the interaction term ACINPROA are statistically significant predictors of the dependent variable, while FSZ and LEV are not.

Following the above random effect regression result, $R^2 = 0.0754$ means that audit committee independence, profitability and other control variables account for the variations of 7.54% in the FQR of the sampled manufacturing firms in Nigeria. The ACINP shows a negative coefficient of 1.584 and a statistically significant effect of 0.000 on FQR. This indicates that a 1% increase in ACINP will cause a 1.584 decrease in FQR. ROA resulted to a negative coefficient of 2.568 with a positive statistical significance of 0.010. This implies that a unit increase in ROA will result to a significant decrease of 2.568 units on FQR.

Furthermore, ROA moderates the relationship of ACINP together with FRQ. It indicates that the presence of ROA in ACINP changes the narrative. In the absence of moderation, increase in ACINP causes a proportional decrease in FRQ. However, when ROA interacts with ACINP, the effect on FRQ shows a statistically significant result having a positive coefficient of 4.708 and a p-value of 0.040. This means that for every unit increase in the interaction term, financial reporting quality increases by 4.708 units. The control variables FSZ and LEV highlighted an insignificant effect on FQR with a coefficient of 0.030 and 0.055 respectively. Based on this result, the study concludes that profitability measured as ROA significantly moderates the effect of ACINP on FRQ of listed manufacturing firms in Nigeria.

5. Conclusion and Recommendations

The study examined the moderating role of profitability on audit committee independence and financial reporting quality of listed manufacturing firms in Nigeria for a period of 2012-2023. Based on the analysis, audit committee independence has a negative and significant effect on financial reporting quality among listed manufacturing firms in Nigeria. This finding suggests that numerical representation of independent members on audit committees does not necessarily translate into more effective oversight of financial reporting. The further established that the interactive variable of profitability and audit committee independence has a positive significant effect on financial reporting quality. This means that higher profitability propels audit committee independence which translates into improved financial reporting outcomes.

Based on the findings, it was suggested that firms should prioritize audit committee independence and efficient asset utilization to achieve higher financial reporting quality. This combined approach can lead to more accurate, transparent, and reliable financial statements that will benefit stakeholders, better decision-making and enhancing overall corporate governance. However, diligence is required by the audit committee as high profitability could create negligence of duties and risk of management

exerting influence over the audit committee to maintain favorable financial reporting, which could compromise independence.

Lastly, this study contributes to the literature on audit committee independence and financial reporting quality by analyzing the moderating role of profitability on their relationship. The study has created opportunities for further research to explore the reasons behind the observed relationships. Additionally, examining these relationships in different industries or economic contexts could enhance the generalizability of findings.

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