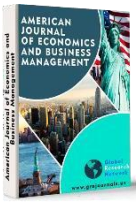

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Article

Moderating Effect of Audit Committee Financial Expertise on The Relationship Between Audit Quality and Earnings Management of Listed Financial Services Firms in Nigeria

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Abstract: The credibility of financial reporting is undermined when earnings management occurs, posing risks to stakeholders, investors, and the overall financial system. This study examined the moderating effect of audit committee financial expertise on the relationship between audit quality and earnings management of listed financial services firms in Nigeria, from 2012 to 2023. The population comprises all the 45 quoted financial service firms in Nigeria while filtering criteria was used to arrive at a sample size of thirty-two (32) financial firms. The hypotheses were tested using robust random effect regression model after conducting some diagnostics tests. The results of the first model showed that audit tenure and audit committee financial expertise have insignificant positive effects on earnings management of listed financial services firms in Nigeria. Further results based on the second model indicates that audit committee financial expertise significantly moderates the relationship between audit fees and earnings management of listed financial services firms in Nigeria. Also, audit committee financial expertise moderates the relationship between audit tenure and earnings management of listed financial services firms in Nigeria. However, audit committee financial expertise does not significantly moderate the relationship between audit firm size and earnings management. Also, audit committee financial expertise does not significantly moderate the relationship between the non-audit services and earnings management of listed financial services firms in Nigeria. The study recommends among others that financial services firms should engage auditors for non-audit services that directly enhance financial reporting processes, such as internal controls and compliance-related services. In addition, non-audit services should be strategically utilized to address areas of operational and financial risk. The Financial Reporting Council of Nigeria (FRCN) should also establish clearer conflict-of-interest guidelines and cooling-off periods that prevent audit committee members with financial expertise from developing relationships that compromise their objectivity, particularly in firms where auditors also provide non-audit services.

Keywords: Earnings Management, Audit Quality, Audit Committee Financial Expertise, Non-Audit Services, Audit Tenure

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1. Introduction

Earnings management, remains an issue of great concern as it undermines the credibility of the financial reports, leading to confusion and misinformation of various stakeholders, including investors, regulators, creditors, etc., which is of particular concern in the financial services industry, as stability is key in this industry, as well as the

confidence of the stakeholders in the reports of the organizations. Recent synthesis of the earnings management literature has shown that earnings management is an active research problem, as managers still have the ability to influence the reports of the organizations, as indicated by Bui (2024). In Nigeria, recent studies have shown that earnings management is still an issue of concern in the financial institutions, as indicated by Davidson *et al*. (2024).

An important external governance practice that is expected to reduce earnings management is audit quality. Audit quality adds value to financial reporting by increasing the probability that material misstatements and opportunistic accounting practices are reported. However, recent evidence suggests that the relationship between specific audit quality factors and their influence on earnings management is not consistent. In other words, evidence based on Nigerian listed deposit money banks suggests that there is a link between auditor-related factors and earnings management. This suggests that audit mechanisms may not constrain earnings management as expected [1]. In addition, recent evidence based on Nigerian audit data suggests that audit tenure and fees are important factors related to audit that are linked with earnings management [2].

Audit tenure, abbreviated as AUTEN, is at the center of the debate on audit quality and earnings management, as it is argued that it may influence auditor competence, as well as earnings management, in two different ways: by possibly increasing competence via auditor knowledge, as well as by possibly decreasing auditor independence via familiarity, which may lead to increased earnings management. Recent studies on Nigerian-listed banks continue to find significant relationships between earnings management outcomes and audit tenure, implying that the debate on the influence of audit tenure is not settled in the Nigerian environment, with the findings needing further verification in the broader financial services industry [3]. In the same vein, non-audit services (NAS) may also affect auditor independence through economic bonding, hence affecting their willingness to confront management's aggressive reporting. International research continues to support this concern, and a Malaysian study confirmed that NAS has a negative impact on accruals' quality, and strong audit committee characteristics help mitigate some of the adverse impact [4]. This implies that NAS-related threats to independence persist and could be more severe given differences in monitoring and enforcement.

In view of this, there has been a growing move towards internal governance structures, such as the audit committee, as an additional layer of protection against earnings management. In the case of Nigeria, there is a growing practice and guidance on corporate governance that places emphasis on the audit committee's competence, such as the need for members with the ability to comprehend financial statements and contribute meaningfully [5]. In recent times, there is also evidence in support of the importance of audit committee financial expertise in reducing earnings management in Nigeria. Research on listed firms and banks in Nigeria found that there is a negative relationship between audit committee financial expertise and earnings management [6]. Internationally, there is evidence that audit committee financial expertise is important in reducing accrual and real earnings management, which underscores the importance of the audit committee as a monitoring device [7].

Nevertheless, a major research gap has been identified in the Nigerian context with regard to the moderation effect of audit committee financial expertise on the association between audit quality attributes, namely audit tenure and non-audit services, and earnings management, especially with regard to listed financial services firms in Nigeria, using recent data, including data collected after the IFRS implementation, and appropriate regression analysis. In this regard, most of the studies were either focused on deposit money banks only, were conducted using old data, or did not jointly examine the effect of audit tenure, NAS, as well as the audit committee's financial expertise as a moderator of the association between these variables [8]. Therefore, this study is motivated by the need to fill the research gap with regard to the effect of audit tenure, as well as non-audit services, on earnings management, as well as whether the association between these

variables is moderated by the audit committee's financial expertise, especially with regard to listed financial services firms in Nigeria.

Earnings management (EM) continues to be an important concern as it threatens the credibility of financial reporting, thereby misleading investors, creditors, and regulators, especially in the financial services industry, where market trust plays an important role in the success of the industry. Despite the introduction of the IFRS reporting standard in Nigeria, there are indications that some financial institutions in the country, particularly those in the financial industry, may still be engaging in discretionary accrual activities, casting doubt on the effectiveness of the monitoring systems in place [9].

Audit quality is expected to limit earnings management, but the effectiveness of particular audit quality attributes is debatable. For example, findings from the Nigerian environment suggest that audit tenure, as well as other audit-related variables, may show a positive relationship with earnings management, implying that longer auditor-client relationships may erode independence via the threat of familiarity [10]. On a global basis, ongoing audit independence concerns, as well as tenure-related compliance issues, highlight that auditor independence is an ongoing regulatory concern, not an addressed issue, as evidenced by Reuters (2026). The findings, therefore, create ambiguity with regard to whether audit tenure actually improves or hurts the effectiveness of financial reporting in the Nigerian financial services industry.

Likewise, the provision of non-audit services (NAS) creates the possibility of an economic bonding relationship between auditors and clients that may impair auditor independence and lower their willingness to resist opportunistic reporting. In theory, the provision of NAS may enhance auditors' knowledge of their clients' businesses; however, empirical evidence in different countries is inconclusive, with some studies linking NAS with increased earnings management and others reporting no significant relationship. Thus, it is important that the relationship between NAS and earnings management be re-examined in the context of the Nigerian environment.

While Nigeria's corporate governance structure highlights the need to recognize the role of financial expertise in the audit committee to improve corporate governance (Financial Reporting Council of Nigeria [FRCN], 2018), some concerns exist with regards to its ability to address earnings management when audit tenure increases or NAS is high. Recent global research findings have shown that financial expertise in the audit committee reduces accrual and real earnings management [11]. However, few studies have explored the moderating role of financial expertise in the audit committee on the relationship between audit quality attributes and earnings management with recent panel data from Nigeria.

Financial fraud cases have also occurred in the country over the past few years, especially concerning major financial institutions in the country. Financial fraudulent activities have resulted in serious damage to the economy and the financial sector as well as the public's perception of the sector. Oceanic Bank International, which is now known as Ecobank Nigeria, was taken over by the Central Bank of Nigeria (CBN) in the year 2009 due to major financial irregularities and fraudulent acts committed by the bank. The bank was involved in cases of insider abuse, money misappropriation, and unauthorized loans extended to individuals and companies. It was found that the bank had misrepresented its liabilities and assets, which resulted in a major financial crisis. Likewise, Intercontinental Bank Plc (now Access Bank Plc) was also intervened by the CBN in 2009, with the bank's board and management being removed from office over allegations of mismanagement, abuse of insider positions, and fraudulent activities. The bank was accused of releasing unauthorized loans to customers, using customers' deposits for personal consumption, and unethical conduct that undermined the bank [12]. In 2018, Skye Bank Plc (now Polaris Bank) also passed through the same ordeal as Oceanic Bank and Intercontinental Bank, with its operating license being revoked by the CBN. Consequently, Polaris Bank was incorporated as a bridge bank to take over the liabilities of Skye Bank.

Most of the studies that have been conducted in recent time in Nigeria using audit committee financial expertise as moderating variables were not directing the relationship

between audit quality and earnings management in Nigeria except the studies by Abdulkarim *et al*. (2022), Bello and Ugoh (2021), and Isa and Farouk (2022), which covered the variables. The studies have also empirically established that the studies conducted in recent times, such as [13], regarding audit tenure and non-audit services and absolute discretional accrual in Nigeria and other countries of the world were not current in the data used for the analysis to reflect the current economic realities. These identified gaps in literature call for further study in this area which necessitates this study: The moderating effect of audit committee financial expertise on the relationship between audit quality and earnings management of listed financial services firms in Nigeria, to update the study, use appropriate panel regression technique, cover only the periods of IFRS implementation in Nigeria [14].

The main objective of this study is to examine the moderating effect of audit committee financial expertise on the relationship between audit quality and earnings management of listed financial services firms in Nigeria. This study is specifically intended to: (i) evaluate the effect of audit tenure (AUTEN) on earnings management of listed financial services firms in Nigeria; (ii) examine the effect of non-audit services (NAS) on earnings management of listed financial services firms in Nigeria; (iii) evaluate the moderating effect of audit committee financial expertise on audit tenure (AUTEN) and earnings management of listed financial services firms in Nigeria; and (iv) determine the moderating effect of audit committee financial expertise on non-audit services (NAS) and earnings management of listed financial services firms in Nigeria. The hypotheses are formulated for test in line with the specific objectives as follows: H_{o1}: Audit tenure (AUTEN) has no significant effect on earnings management of listed financial services firms in Nigeria; H_{o2}: Non-audit services (NAS) has no significant effect on earnings management of listed financial services firms in Nigeria; H_{o3}: Audit committee financial expertise has no significant moderating effect on audit tenure (AUTEN) and earnings management of listed financial services firms in Nigeria; and H_{o4}: Audit committee financial expertise has no significant moderating effect on non-audit services (NAS) and earnings management of listed financial services firms in Nigeria.

Literature Review

Conceptual Review

Earnings Management

Earnings management (EM) is generally defined in the accounting literature as the discretionary use of managerial judgment in financial reporting to affect reported earnings. Bui (2024) defined earnings management as the intentional intervention in the financial reporting process to generate private gains or change the perception of stakeholders regarding the performance of the firm, which emphasizes the intentionality of earnings management. Consistent with this definition, Hua *et al*. (2024) defined earnings management as the utilization of accounting and operating decisions to affect reported income by using accrual-based and real activities manipulation. This definition of earnings management extends beyond discretionary accruals to include the timing of revenue recognition and the management of expenses [15]. From the governance perspective, Alquhaif and Alobaid (2024) described earnings management as an act of management that attempts to influence the company's performance in order to meet contractual, regulatory, or market expectations, especially with regard to executive compensation arrangements as well as debt covenants. In the Nigerian economy, Davidson *et al*. (2024) described it as the manipulation of the company's accounts via the use of discretionary accruals with the intent of altering the actual performance of the company, especially in deposit money banks. All these definitions, however, indicate that the core of earnings management is the deliberate attempt by the company, through the use of discretion, either by the application of accounting principles or actual activities, with the intent of influencing the company's performance, and in this study, it is described as the deliberate manipulation of the company's information with the intent of meeting specific objectives [16].

Audit Tenure

On the other hand, audit tenure is the duration that an audit firm has been involved in auditing the financial statements of a specific company. In other words, it is the duration of the relationship between the auditor and the company. Audit tenure has been a subject of interest in auditing and governance literature because of its possible influence on auditor independence and skepticism [17]. Various institutions have provided definitions that are quite similar in nature. For example, the International Auditing and Assurance Standards Board (IAASB) (2020) refers to audit tenure as the period that an audit partner or firm is responsible without any breaks, while the Public Company Accounting Oversight Board (PCAOB) (2017) refers to it as the number of consecutive fiscal years an auditor has been the principal auditor of a company. In academic literature, audit tenure is normally regarded as the period that an audit firm has been working with a specific company [18].

Similarly, Okoh and Audu (2024), Kohlbeck and Wang (2025), and Yousefi Nejad *et al*. (2024) described audit tenure as the continuous period during which an auditor renders services to his or her clients, stressing the importance of the concept in terms of auditor independence and objectivity [19]. Other researchers, such as Yeng and Oppong (2024) and Judge *et al*. (2024), also emphasized the importance of audit tenure as an important determinant of the quality of the audit and the reliability of the financial reporting process. Audit tenure, therefore, refers to the duration of the professional relationship between an audit firm and its clients, and in this study, it refers to the duration of the continuous services rendered by an audit firm to the clients or organizations [20].

Non-Audit Services

Non-audit services are defined by Eke *et al*. (2024) as follows: Non-audit services are defined as the provision of professional services by audit firms to their audit clients which are not related to the audit of the financial statements. Friedrich *et al*. (2024), Loew and Nguyen (2024), and Geiger *et al*. (2025) also defined non-audit services as the provision of a wide range of professional services such as tax planning, management consulting, information technology consulting, transactional advisory services, and internal audit outsourcing [21]. Hohenfels and Quick (2023) also defined non-audit services as the provision of any kind of professional service by the auditor apart from the audit service. These definitions highlight that non-audit services encompass various services that seek to improve the business processes and decision-making processes of clients. Nevertheless, despite their contribution to better business processes and financial statement reliability, non-audit services may also raise concerns regarding auditor independence. As such, it is vital to understand non-audit services in order to appreciate their implications on audit quality. In this study, non-audit services are defined as consulting services, tax services, advisory services, etc., offered by audit firms to support business processes [22].

Audit Committee Financial Expertise

Audit committee financial expertise (ACFE) has gained prominence as an essential internal corporate governance tool that adds value to the effectiveness of external audit quality in regulating earnings management (EM) in public firms. Audit committee members in financial services organizations, where transaction complexity and regulatory scrutiny are high, having financial expertise would be valuable in overseeing the scrutiny of accounting estimates, tackling aggressive reporting, and engaging more productively with external auditors, hence regulating opportunistic earnings management. Empirical evidence confirms the monitoring role of ACFE in regulating accrual and real earnings management [23]. In the Nigerian environment, the role of ACFE in corporate governance is supported by the Financial Reporting Council of Nigeria (FRCN, 2018), which stipulates those members of the audit committee must be financially literate, including having at least one financial expert with recent accounting knowledge [24].

Following Baron and Kenny (1986), ACFE can be conceptualized as a moderating variable when it changes the nature of the relationship between audit quality (AQ) and earnings management. In this study, audit quality is measured by audit tenure (AUTEN) and non-audit services (NAS). While longer audit tenure may improve the knowledge of the auditor and reduce earnings management, it may also lead to familiarity threats, thus

undermining independence. Similarly, while non-audit services may improve efficiency, they may lead to economic bonding, thus undermining objectivity [25]. ACFE may moderate these relationships by improving oversight and thus leading to higher audit quality. The moderating role of ACFE may be examined empirically by including interaction terms (AUTEN*ACFE and NAS*ACFE) in the panel regression model. The moderating role of ACFE may thus be supported by significant interaction terms, implying that ACFE may either reduce the positive relationship between audit quality measures and earnings management or enhance the constraining role of audit quality measures. This may align with previous findings and expectations in Nigeria [26] .

Empirical Review

Audit Tenure and Earnings Management

Empirical research on the relationship between audit quality and earnings management has yielded mixed and conflicting results for Nigeria. For example, Aondoakaa and Achika (2022) used panel data from listed industrial goods firms for the period 2010-2019 and concluded that audit size and specialization were not significant, while audit tenure and client importance were significant for earnings management. Similarly, Oladejo (2022) established a positive and significant relationship between audit tenure and earnings management for deposit money banks. However, Hassan *et al*. (2020) established a negative relationship between audit tenure and earnings management, and also a positive relationship between audit industry specialization and earnings management. On the other hand, Atagboro and Ihenyen (2021) and Camillus and Celestine (2021) failed to establish a significant relationship between audit tenure and discretionary accruals. The mixed results suggest that the relationship between audit tenure and earnings management is still inconclusive [27].

Other Nigerian research works also yielded divergent results. For instance, Lambe *et al*. (2021) established a positive and significant relationship between audit tenure and discretionary accruals. Similarly, Soyemi *et al*. (2020) established that longer audit tenure and auditor independence reduced accrual-based earnings management. Nwoye (2021) also established a significant relationship between audit quality and earnings management for insurance firms. Prior research works such as Awa and Obinabo (2019), Falola (2018), and Tyokoso (2017) equally yielded divergent results regarding audit firm size, independence, specialization, and tenure. Other research works outside Nigeria, such as Ozcan (2019), Wisdom *et al*. (2019), Henk-Jan (2017), and Mohammed (2016), equally yielded divergent results [28].

Although the relevant statistical tests have been employed in the studies, the data employed by the studies was relevant until the year 2017–2020. Furthermore, the data employed by the foreign-based studies may not be generalized due to environmental factors. Therefore, the need to conduct more recent studies on the relationship between audit quality and earnings management in the Nigerian context using recent data post-IFRS is evident, especially with regards to the financial sector of the Nigerian economy [29].

Non-Audit Services and Earnings Management

Empirical studies on the effect of non-audit services (NAS) and earnings management suggest mixed, cautionary findings. Wan *et al*. (2022), in their study of Malaysian firms between 2009 and 2011, concluded that the effect of NAS was negative on accruals quality, implying that economic bonding between auditors and their clients may adversely affect auditor independence. The study, however, also revealed that if the audit committee was completely independent, the adverse effect of NAS was mitigated. In another study, Mohammad and Javad (2021), using panel data of firms listed on the Tehran Stock Exchange between 2011 and 2016, reported that the relationship between NAS and earnings response coefficient was negative and statistically significant, implying that although NAS may provide some information advantages, they may adversely affect auditor independence and earnings quality [30].

Earlier studies reinforce these concerns. Mohammad (2015) found that non-audit service fees were positively associated with accrual-based earnings management during IPO years, particularly among clients of low-quality audit firms. Hasan and Wan (2015)

reported that although longer audit firm tenure reduced earnings management, higher non-audit fees exacerbated it. Likewise, Michael *et al*. (2004), using UK data, documented a positive and significant association between NAS purchases and earnings management. Collectively, these studies suggest that excessive NAS may compromise auditor independence and weaken financial reporting quality. Despite employing appropriate statistical techniques, most of these studies relied on relatively old datasets (ranging from 1996 to 2016) and were conducted outside Nigeria. Differences in regulatory frameworks, institutional environments, and economic conditions limit the generalizability of their findings to the Nigerian context. These limitations highlight the need for updated, Nigeria-specific research to reassess the effect of non-audit services on earnings management under current economic and regulatory realities [31].

Audit Committee Financial Expertise, Audit Quality and Earnings Management

Regarding the moderating effect of audit committee characteristics, specifically financial expertise, on earnings management, there is evidence in Nigeria. However, the results are inconsistent. In their study on banks in Nigeria using data from 2008 to 2015, Isa and Farouk (2022) found that prior to moderation, most board characteristics were significant in explaining earnings management, except board size. However, after adding moderation, the model's explanatory power increased, and foreign directors, board composition, and the audit committee were significant. They recommended that diversity in the board and the audit committee be enhanced in banks in Nigeria to reduce earnings management [32].

Likewise, Abdulkarim *et al*. (2022) examined the moderating effect of audit committee financial expertise on the association between board characteristics and earnings management in listed deposit money banks from 2014 to 2018. The study findings indicated that board size and independence were significantly associated with earnings management, while board expertise was not statistically significant [33]. Notably, the study revealed that audit committee financial expertise moderated the association between board independence and earnings management, although the moderating effect of board size was not statistically significant. The study highlighted the significance of independent directors as well as financially expert audit committee members, although the study was limited by the size of the sample as well as the timeliness of the data [34].

The discussion was also extended to consumer goods firms in Nigeria by Bello and Ugoh (2021), who analyzed data from 2010 to 2019. Their analysis using panel data indicated that there is a significant positive relationship between audit fees and industry specialization of the auditor with earnings management, conditional on audit committee financial expertise [35]. They recommended strengthening regulations on the composition of audit committees with financial expertise. In general, the aforementioned studies indicate that financial expertise on the audit committee can improve governance effectiveness and impact earnings management. However, the findings differ in their industry and time period. Most of the aforementioned studies were based on data prior to 2019. Therefore, there is a need for updated studies that reflect recent events in the Nigerian economy [36].

Theoretical Underpinning

The study is in line with the agency theory because the theory provides the theoretical foundation for understanding the conflicts of interest between shareholders and managers. Audit committees with financial expertise act as a mechanism to mitigate agency problems by enhancing audit quality and reducing earnings management [37].

2. Materials and Methods

The study adopted an ex-post facto research design, which is suitable for the study since it involves the use of panel data and the examination of the relationships that exist between the variables without manipulation. The study population consists of forty-five (45) quoted financial services firms that are listed on the Nigerian Exchange Group (NGX) as of 31st December 2023, including subsectors such as banking, insurance, microfinance, mortgage institutions, and other intermediaries in the financial services industry. The filtering technique was adopted in selecting the firms that met the following criteria: the

firms had to be quoted on the NGX at least one year before the implementation of the IFRS in 2012, the firms had to be actively trading during the study period, and the firms had to provide the relevant financial information during the study period. Thirteen (13) firms were filtered out, leaving thirty-two (32) financial services firms for the study. The study adopted the use of secondary data, which was obtained from the annual reports, the financial statements, and the factbook published by the Nigerian Exchange Group for the study period 2012-2023. The study adopted the panel regression analysis using the statistical software STATA version 15 to test the moderating effect of audit committee financial expertise on the relationship between audit quality and earnings management. To test the robustness of the study, correlation matrix, variance inflation factor (VIF), Breusch–Pagan heteroscedasticity test, Shapiro–Wilk test for normality, Breusch–Pagan Lagrange Multiplier test, and Hausman specification test were carried out. The study adopted the empirical model from Egbadju and Chijioke (2023) and Oladejo (2022).

3. Results and Discussion

Results

Model Specification

The study uses two different models for achieving the set objectives of the study. The first model, namely Model I, was used in capturing the direct relationship between Audit Tenure (AUTEN), Non-Audit Services (NAS) with Absolute Discretionary Accrual (ADA) without any moderation. The second model, namely Model II, was used in capturing the indirect relationship between Audit Tenure (AUTEN), Non-Audit Services (NAS) as moderated by Audit Committee Financial Expertise (AUCFE) with Absolute Discretionary Accrual (ADA) as the dependent variable [38].

The model I anchored the direct relationship between Audit Tenure (AUTEN), Non-Audit Services (NAS) and Audit Committee Financial Expertise (AUCFE) with Absolute Discretionary Accrual (ADA) with a control variable of Firm Size (FS) as adapted from Bello and Ugoh (2021) as follows:

ADA = f(AUTEN, NAS, AUCFE and FS)

Equation 1 is expressed econometrically as follows:

Model 1: without moderation

$ADA_{it} = \alpha + \beta_1 AUTEN_{it} + \beta_2 NAS_{it} + \beta_3 AUCFE_{it} + \beta_4 FS_{it} + \varepsilon_{it}$ .... (Model I)

Where:

β_1, β_2 – coefficients of proxies of an independent variable

β_3 – coefficient of a proxy of a moderating variable

β_4 – coefficient of a proxy of a control variable

α = constant

ADA = an indicator absolute discretionary accrual (a proxy for dependent variable)

AUTEN = Audit fees

NAS = Non-Audit Services

AUCFE = Audit Committee Financial Expertise

FS = Firm Size

ε = Error term

i = Firms

t = Periods and

f = Functional relationship

A-priori expectations: β_1, β_2, β_4, $\beta_5 < 0$, $\beta_3 > 0$

The second model of this study was specified to examine the indirect relationships of the independent variable, i.e., "Audit Quality" on absolute discretionary accruals as moderated by "Audit Committee Financial Expertise." In the second model, both direct and indirect relationships of "Audit Tenure" (AUTEN), "Non-Audit Services" (NAS), "Audit Committee Financial Expertise" (AUCFE), with a control variable "Firm Size" (FS), as they impact "Absolute Discretionary Accruals" (ADA), were examined. The model is, therefore, specified as follows:

Model 2: with moderation

ADA= f(AUTEN + NAS + AUCFE + FS)

Econometrically, the above function is rewritten as:

$ADA_{it} = \alpha + \beta_1 AUTEN_{it} + B_2 NAS_{it} + \beta_3 AUCFE_{it} * \beta_3 AUTEN_{it} + \beta_4 AUCFE_{it} * \beta_4 NAS_{it} + \beta_5 FS + \varepsilon_{it}$……..(Model II)

Where:

ADA = An indicator absolute discretionary accrual (a proxy for dependent variable)

α = A constant

AUTEN = Audit Tenure

NAS = Non-Audit Services

FS = Firm Size

AUCFE = Audit Committee Financial Expertise

ε = Error term

i = Firms

t = Periods and

f = Functional relationship

A-priori expectations: β_3, $\beta_4 < 0$, $\beta_5 > 0$

These a-priori expectations mean that an increase in audit quality leads to a decrease in earnings management of quoted financial firms in Nigeria.

Variables Measurement and Justification

Table 2 below explains the variables under study.

Variable	Acronym	Type of variable	Measurement	Justification
Absolute Discretionary Accrual	ADA	Dependent (DV)	Absolute discretionary accruals, calculated using Modified Jones model. $TACit/Ait\text{-}1 = \beta 0 (1/A_{it}\text{-}1) + \beta 1 (REV_{it} – RECit)/Ait + \beta 2 (PPE_{it}/Ait\text{-}1) + \varepsilon_{it}$.	Aondoakaa and Achika (2022), Hamzeh *et al*. (2023), Juan and David (2021), Okonkwo *et al*. (2022).
Audit Tenure	AUTEN	Independent Variable (IV)	Audit Firm Tenure was measured using Length of years in which auditor audit their client (sampled financial firms). Auditor's tenures of above five years equal one (1) and zero (0) if not.	Aondoakaa and Achika (2022) and Isito and Patrick (2022).
Non-Audit Services	NAS	Independent Variable (IV)	This is measured using a log of non-audit service paid.	Mohammed (2015), Mohammed and Javad (2021) and Wan *et al*. (2022).
Audit Committee Financial Expertise	AUCFE	Moderating Variable (MV)	Audit committee financial expertise was measured using the number of the Audit Committee members with accounting and financial Knowledge.	Abdulkarim *et al*. (2022) and Bello and Ugoh (2021).

Source: Researcher's compilation, 2024.

Data Presentation And Analysis

The data related to the 32 financial service organizations with respect to audit tenure (AUDTEN), non-audit services (NAS), audit committee financial expertise (AUCFE), size of the firm and absolute discretionary accruals (ADA) was used for the analysis. The analysis was done with the help of Descriptive Statistics, Correlation Matrix, Variance Inflator Factor (VIF), Heteroskedasticity Breusch-Pagan Test, Shapiro-Wilk Normality Test, Breusch-Pagan Lagrangian Multiplier Test, Hausman Test, and Fixed Effect Regression Model [39].

Descriptive Statistics

Table 3. below is the descriptive statistics that summarises the entire data set.

Variable	Obs	Mean	Std. Dev.	Min.	Max.
ADA	384	0.0435651	0.0527205	0.002	0.277
AUTEN	384	0.859375	0.3480878	0	1
NAS	383	0.6553525	0.4758749	0	1
ACFE	384	0.2974453	0.1422997	0.111	0.67
FS	384	7.263867	0.7781832	5.478	10.414

Source: Researcher's Computation (2023) Using Stata 15

From Table 3, it is clear that the minimum value of absolute discretionary accruals, ADA, is 0.002, while the maximum value and mean value for the period of study were 0.227 and 0.0435651, respectively. On the other hand, (ADA) had a standard deviation of 0.0527205, which was more than the mean. This proved that it was skewed to the right for the period of study [40]. Table 3 also shows that for the period of study, audit tenure had a minimum value of 0 and a maximum value of 1, with a mean value of 0.859375. The table also showed that AUTEN had a standard deviation of 0.3480878, which was less than the mean. This proved that it was skewed to the left for the period of study. Table 3 equally reveals that the non-audit services (NAS) has a minimum value of 0, a maximum value of 1, and a mean value of 0.6553525 within the period studied. The table also showed that NAS has a standard deviation that is 0.4758749 less than the mean, which implies that it skewed to the left within the review period [41].

Table 3 also showed that audit committee financial expertise has a minimum value of 0.111, a maximum value of 0.67, and a mean value of 0.2974453 within the period studied. The table also showed that AUCFE has a standard deviation that is 0.1422997 less than the mean, which implies that it skewed to the left within the review period [42]. Finally, table 3 showed that firm size (FS) has a minimum value of 5.478, a maximum value of 10.414, and a mean value of 7.263867 within the period studied. The table also showed that FS has a standard deviation that is 0.7781832 less than the mean, implying that it skewed to the left within the review period [43].

Correlation Matrix

Table 4 below is the Pearson correlation matrix for the data set to show the extent of interdependent variables. The decision rule of Pearson Correlation is that if a pair or more of the independent variables is equal to or above 0.85, there is a presence of multicollinearity in the model but if the independent variables is less than 0.85, there is no presence of multicollinearity in the model.

Variable	ADA	AUTEN	NAS	AUCFE	FS
ADA	1.000				
AUTEN	-0.0018	1.000			
NAS	-0.1417	-0.0254	1.000		
ACFE	0.1281	0.0289	0.1333	1.000	
FS	0.1256	0.0243	0.1885	0.0982	1.000

Source: Researcher's Computation (2023) Using Stata 15

The correlation matrix measures the extent of relationship that exists between the proxies of an independent variable and the dependent variable. It also measures whether there is any relationship that exists between the proxies of independent variables, in order to identify whether there is any multicollinearity problem in the model. From table 3, there is a 0.18% negative and weak relationship that exists between audit tenure (AUTEN) and absolute discretionary accrual (ADA) of quoted financial firms in Nigeria, as indicated in the correlation coefficient of -0.0018 [44].

The table also reveals 14% negative and weak association that exists between the NAS and the ADA of quoted financial firms in Nigeria, as indicated by the correlation coefficient of -0.1417. Further, the table reveals that about 13% positive and weak association that exist between the AUCFE and ADA of quoted financial firms in Nigeria, as indicated by the correlation coefficient of 0.1281[45]. The table also reveals that there exists an approximate 13% positive and weak association that exists between the audit committee financial expertise (FS) and the absolute discretionary accrual (ADA) of quoted financial firms in Nigeria, as indicated by the correlation coefficient of 0.1256. Further, the table reveals the relationships that exist between the proxies of the independent variable, indicating that there is no existence of multicollinearity as all the coefficients are less than 0.85 as suggested by [46].

Variance Inflator Factor (VIF) Results

Table 5. Variance Inflator Factor (VIF)

Variable	VIF	I/VIF
FS	3.27	0.305505
AUCFE	1.08	0.922427
NAS	1.06	0.944697
AUTEN	1.04	0.960578
Mean VIF	1.80	

Source: Researcher's Computation (2023) using STATA 15 software

The decision rule for the test is that if the values of VIF and 1/VIF are up to 10 and 1, respectively, it shows that there is the presence of multicollinearity in the model, but if the values of VIF and 1/VIF are less than 10 and 1, respectively, it shows that there is no presence of multicollinearity in the model. The non-existence of the multicolinearity problem in the exogenous variables was also checked through the colinearity diagnostics test, which was observed to show no problem of multicolinearity in the data since the values of VIF and 1/VIF were less than 10 and 1, respectively [47] as presented in table 5. It shows that the variables are well selected and are fitting well in the same regression model since the model does not show the problem of multicolinearity, which is one of the assumptions that must be met in order for the regression analysis to be applicable in the model [48].

Heteroskedasticity Breusch-Pagan Test

Based on the assumption of the multivariate analysis, the Heteroskedasticity Breusch-Pagan test was carried out. This is done in an attempt to ascertain whether the variance of the regression results is dependent on the independent variables. If so, the study is said to be homoscedastic. In other words, heteroscedasticity is the situation where the variance of the error term of any given cross-sectional unit is not constant (Gujarati, 1995). Hair *et al*. (2010) and Pallant (2003) are of the view that in order for the data to be outside the range of heteroscedasticity, the result must be statistically insignificant (α>0.05) [49]. The Breusch-Pagan Heteroscedasticity test is carried out in an attempt to identify the problem. The null hypothesis of heteroscedastic variance is subjected to testing. If the p-value is less than 0.05, it accepts the null hypothesis and is said to be heterogeneous [50].

Table 6 below shows the diagnostic test results using Heteroskedasticity Breusch-Pagan. The decision rule of heteroscedasticity is that if the P-value ≤ 0.05, there is a problem of heteroscedasticity but if the P-value > 0.05, there is no problem of heteroscedasticity.

Type of test	Chi2(1)	Prob>chi2
Heteroskedasticity Breusch-Pagan	32.28	0.0000

Source: Researcher's Computation (2024) using STATA 15 software

The Heteroskedasticity Breusch-Pagan test is a statistical test used to determine whether or not the variance of a given variable in a regression model does not change or changes over time. However, Table 6 proved that the data was heteroskedastic because it showed that there was not constant variance in the model. This confirmed that the basic linear regression model would not be appropriate for this data. This was confirmed by the heteroskedasticity results obtained from Table 6, where it was revealed that the chi2 value of 32.28 and the probability value of 0.000 for the model were statistically significant at 1% alpha level ($p < 0.05$). However, robust regression was used to deal with the heteroskedasticity problem because it fails to satisfy the classical linear regression assumption of homoscedasticity [51].

Normality

Normality of the variables is essential across two or more variables [23]. Normality in the distribution of the data is one of the prerequisites that must be observed in order to satisfy the assumption of normality in the case of multivariate analysis. Failure to observe this requirement may result in an erroneous relationship between the variables of interest and, therefore, an erroneous outcome of the research (Gujarati, 1995). Normality of the data is subjected to the Shapiro-Wilk normality test and the normal distribution curve as presented in table 7 and figure 1 below:

Shapiro-Wilk Normality Test

Table 7 and figure 1 below show the results of the normality test using the Shapiro-Wilk Normality test and the normal distribution curve. The rule for the test is, if P-Value > 0.05, then the residuals are normally distributed, but if P-Value is equal to or less than 0.05, then the residuals are not normally distributed.

Variable	Obs	W	V	Z	Prob>Z
Residual	384	0.97789	5.870	4.203	0.00001

Source: Researcher's Computation (2024) using STATA 15 software

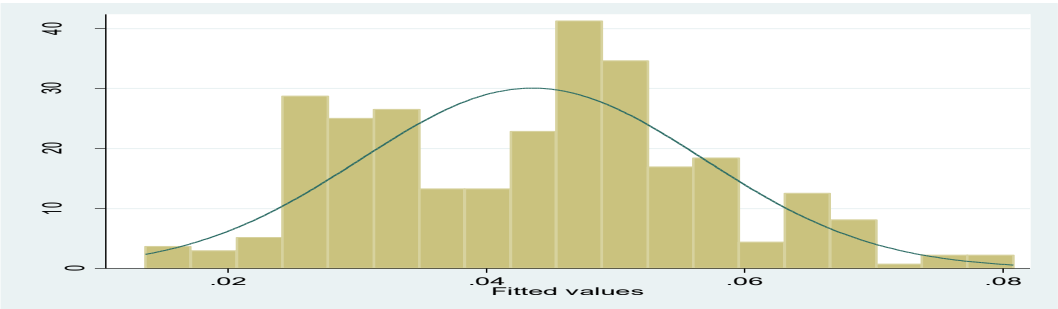

Figure 1. Normal Distribution Curve

From Table 7 above, it is clear that the residual and the z value of 4.203 are associated with the probability value of 0.00086, which is less than 0.05, signifying that the residual is not distributed around their mean in a normal manner. This has been collaborated by the normal distribution curve as depicted in Figure 1 above. This, in essence, indicates that one of the fundamental assumptions of linear regression techniques, which require the residuals to be distributed in a normal manner, has been violated, thus requiring a robust regression technique [52].

Pooled Effect Vs. Random Effects Models: Breusch-Pagan Lagrangian Multiplier test

The first step in the analysis of panel data is to decide on the best approach for the panel data to be used. This is done by deciding whether to use the Pooled effect model or

the Random effect model, which is determined by conducting the Breuschi-Pagan Lagrangian Multiplier test for Random Effects. The Lagrangian Mutiplier test is used for testing the presence of any unobserved effects in the Random effect model. If the value obtained in the test is greater than the critical value, then the Random effects model for panel data is used, or vice versa [53].

Breusch-Pagan Lagrangian Multiplier Test

Table 8 below shows the result of the Breusch-Pagan Lagrangian Multiplier test conducted. The decision rule of Breusch-Pagan Lagrangian Multiplier Test is that if the P-value equals and is less than 0.05, then the random effect model is appropriate, otherwise the pooled ordinary least square regression is appropriate [54].

Variable	Chibar2	P-Value
ADA	4.96	0.0129

Source: Researcher's Computation using STATA 15 software

From Table 8, it is clear that the calculated Breusch-Pagan Lagrangian Multiplier test, whose value is (4.96) along with the corresponding probability of (0.0129), is greater than the critical value for all the models, as the probability is (0.000). Hence, it is clear that the null hypothesis is rejected. The significance of the chi-square value of the Lagrangian Multiplier test indicates that the variance of the random effect model is not zero (0). Hence, the Random Effect Regression Model (REM) is more appropriate compared to the pooled effect model.

Hausman Specification Test

Table 9 below presents the result of a Hausman specification test conducted.

Chi2	8.98
Prob. Chi2	0.0616

Source: Researcher's Computation using STATA 15 software

4. The decision rule of Hausman specification test is that if the prob. Chi2 is equal to and less than 0.05, then the fixed effect model is appropriate, otherwise the random effect model is more appropriate. The data used in this study is panel data. Panel data may cause an error that is clustered and correlated over time. This is because every financial firm may have an entity-specific characteristic, which may determine the audit quality of the firm. In other words, every financial firm may have some heterogeneity, which may cause bias to the outcome variable as well as the explanatory variable. Therefore, there is a need to control this. The Hausman test was used to find out the most appropriate model. The result of the test shows that the random effect model is more appropriate than the fixed effect model. This can be ascertained by the Chi2 value of 8.98 with a p-value of 0.0616 as shown in table 9, which is not significant at all levels of significance [55].
5. The Moderating Effect of Audit Committee Financial Expertise on the Relationship Between Audit Quality and Earnings Management

Table 10. Random Effect Regression Results: Audit committee financial expertise Moderating Effect: Audit Quality and Earnings Management

	Model 1			Model 2		
Variables	Coefficient	z-value	P-value	Coefficient	z-value	P-value
AUTEN	0.0004	0.06	0.956	-0.0041	-0.32	0.746
NAS	-0.0175	-2.82	0.006	-0.0265	-2.06	0.039
AUCFE	0.0516	2.32	0.020			

	Model 1			Model 2		
Variables	Coefficient	z-value	P-value	Coefficient	z-value	P-value
AUCFE *AUTEN				0.0145	0.42	0.674
AUCFE *NAS				0.0310	0.79	0.429
FS	0.0107	2.47	0.013	0.0109	2.59	0.010
Constant	-0.0383	-1.20	0.231	-.0246	-0.79	0.429
R-Squared	0.6190			0.5430		
Wald Chi2	17.53			15.81		
Prob>Chi2	0.0015			0.0074		

Note: Model 1 (IVs, MV and DV) and Model 2 (IVs, MV*DV). *p<0.05, **p<0.01

The results in table 10 model 1 above indicate that the overall coefficient of determination (R-sq) is 0.6190; this implies that the (audit tenure, non-audit services, firm size, and audit committee financial expertise) used in this study has an approximate 62% effect on the systematic changes in the dependent variable; absolute discretionary accruals during the period under review. Moreover, the Wald chi2 value of 17.53 and the prob. Chi2 value of 0.0015 indicate that the model is appropriate and reliable in decision-making. Results in table 10 model 1 above indicate that audit tenure with a p-value of 0.956 is insignificant, non-audit services with a p-value of 0.006 is significant, and audit committee financial expertise with a p-value of 0.020 is significant at 5%. Results in model 2 in table 10 above indicate that the overall coefficient of determination, R-sq, is 0.5430; this implies that the R-sq has decreased, which indicates that moderation has taken place [56].

That is, the proxies of the independent variable, i.e., audit tenure and non-audit services, moderated by the audit committee financial expertise, which were used in the study, have a combined effect of 54% on the systematic changes of the dependent variable; absolute discretionary accruals during the period under review. The Wald chi2 value of 15.81, along with the prob, shows that the model is fitted and reliable for the purpose of decision making, as indicated by the chi2 value of 0.0074.

This shows that the variables were moderated by the moderator, i.e., the proxies of the independent variable, i.e., audit quality, AUDTEN, and NAS, moderated by the audit committee financial expertise, which was used in the study, are suitable for the study [57].

Test of Hypotheses

In examining the moderating effect of audit committee financial expertise on audit quality and absolute discretionary accrual of listed financial firms in Nigeria, the following hypotheses were tested using a fixed effect regression model.

H_{O1}: Audit tenure has no significant effect on earnings management of listed financial services firms in Nigeria.

The result in table 10 model 1 shows that audit tenure (AUTEN) has a coefficient-value of 0.0004 and a p-value of 0.956 which is not significant at all levels of significance. This means that audit tenure has an insignificant positive effect on earnings management of listed financial services firms in Nigeria and the null hypothesis one is accepted [58].

H_{O2}: Non-audit services has no significant effect on earnings management of listed financial services firms in Nigeria.

The result in table 10 model 1 shows that the non-audit services (NAS) have a coefficient-value of -0.0175 and a p-value of 0.006 which is significant at 5% level of significance. This means that the non-audit services has a significant negative effect on earnings management of listed financial services firms in Nigeria and the null hypothesis two is rejected.

H_{O3}: Audit committee financial expertise has no significant moderating effect on audit tenure

(AUTEN) and earnings management of listed financial services firms in Nigeria.

Table 10 further presents the result of the explanatory powers of audit tenure in explaining earnings management, when moderated with audit committee financial expertise, to see whether audit tenure and earnings management of listed financial services firms in Nigeria have changed when applied with audit committee financial expertise. The result reveals a coefficient-value of -0.0145 with a p-value of 0.674. This implies that audit tenure with the interaction of audit committee financial expertise has a negative statistically insignificant effect in explaining the earnings management of listed financial services firms in Nigeria. As observed from model 1 in Table 10 above, the result of audit tenure without moderation is positively insignificant; while, the indirect relationship of audit tenure in model 2 table 10 as moderated by audit committee financial expertise has a positive insignificant effect on earnings management of listed financial services firms in Nigeria. This, therefore, implies that audit committee financial expertise does not moderate the relationship between audit tenure and earnings management of listed financial services firms in Nigeria. This result also gives the basis for rejecting the null hypothesis three which states that audit committee financial expertise has no significant moderating effect on audit tenure and earnings management of listed financial services firms in Nigeria [59].

H_{O4}: Audit committee financial expertise has no significant moderating effect on non-audit services (NAS) and earnings management of listed financial services firms in Nigeria.

Model 2 in Table 10 further presents the result of the explanatory powers of non-audit services in explaining earnings management, when moderated with the audit committee financial expertise. The question is whether the non-audit services and earnings management of listed financial services firms in Nigeria have changed when moderated with audit committee financial expertise? In addressing this question, the non-audit services when moderated with audit committee financial expertise revealed a positive coefficient-value of 0.0310 with a p-value of 0.429. This implies that the non-audit services with the interaction of audit committee financial expertise is positively insignificant at all levels of significance, in explaining the earnings management of listed financial services firms in Nigeria. As observed from model 1 Table 10 above, the result of non-audit services without moderation is negatively significant however the indirect relationship of non-audit services in model 2 in table 10 as moderated by audit committee financial expertise has a positive insignificant effect on absolute discretionary accrual of quoted financial firms in Nigeria. This, therefore, implies that audit committee financial expertise does not moderate the relationship between the non-audit services and earnings management of listed financial services firms in Nigeria but changes the direction of the relationship. This result gives the basis for accepting the null hypothesis four which states that audit committee financial expertise has no significant moderating effect on non-audit services and earnings management of listed financial services firms in Nigeria.

Discussion of Findings

Audit Tenure and Earnings Management

The study further revealed that the effect of audit tenure is not significant on the earnings management of listed financial services firms in Nigeria, implying that the effect of audit tenure on the earnings management of listed financial services firms in Nigeria is 0.0004. The study is not in line with the researcher's a-priori expectation, but it is in line with the moral hazard theory, which asserted that as auditors develop long-term relationships with client firms, there might be a reduced incentive for auditors to rigorously scrutinize financial statements or challenge management assertions. In this regard, long audit tenure could create a situation in which auditors become complacent or overly trusting of management, which could potentially lead to a decrease in audit quality, with an increased likelihood of management engaging in earnings management practices, such as absolute discretionary accruals. The finding is in agreement with the findings of Emmanuel and Emem (2020), Jack and Micah (2021) and Okereke (2022). However, the finding is at variance with the findings of Egbadju and Chijioke (2023), Hamzeh *et al*. (2023), Okereke and Uzoma (2023).

Non-Audit Services and Earnings Management

The study established that the non-audit service has a significant negative effect on the earnings management of listed financial services firms in Nigeria. This implies that an increase in non-audit services will result in a decrease in earnings management of listed financial services firms in Nigeria by -0.0175. This result is consistent with the researcher's a-priori expectation but is inconsistent with the stakeholder theory. This is because the stakeholder theory asserted that the provision of non-audit services by the auditing firm may result in conflicts of interest that may affect the provision of audit services. Therefore, the stakeholder theory asserts that the effect of non-audit services (NAS) on absolute discretionary accruals is subject to the interests and concerns of different stakeholders in relation to non-audit services. The finding is equally in line with the empirical findings of Falola (2018), Masoyi *et al.* (2015), Mohammad and Javad (2021) and Soyemi *et al*. (2020). However, the finding is at variance with the finding of Ozcan (2019) [60].

Audit Committee Financial Expertise Moderating Audit Tenure and Earnings Management

The study found out that audit tenure with the interaction of audit committee financial expertise has a positive statistically insignificant effect on the explanation of earnings management of listed financial services firms in Nigeria. This is because, as observed from model 1 of Table 10 above, the result of audit tenure without moderation had a positive statistically insignificant effect on earnings management of listed financial services firms in Nigeria, while the indirect relationship of audit tenure in model 2 of Table 10 above as moderated by audit committee financial expertise had a positive statistically insignificant effect on earnings management of listed financial services firms in Nigeria. This, therefore, indicates that audit committee financial expertise does not moderate the relationship between audit tenure and earnings management of listed financial services firms in Nigeria. This finding does not conform to the a-priori expectation of the researcher and also not in in line with the agency theory because the theory provides the theoretical foundation for understanding the conflicts of interest between shareholders and managers. Audit committees with financial expertise act as a mechanism to mitigate agency problems by enhancing audit quality and reducing earnings management. The finding is equally in line with the empirical finding of Bello and Ugoh (2021) [61].

Audit Committee Financial Expertise Moderating Non-audit services and Earnings Management

The study revealed that non-audit services with the interaction of audit committee financial expertise was positively insignificant at all levels of significance in explaining the earnings management of listed financial services firms in Nigeria. As observed from model 1 Table 10 above, the result of non-audit services without moderation was negatively significant, however, the indirect relationship of non-audit services in model 2 of table 10 above as moderated by audit committee financial expertise was positively insignificant. This, therefore, implies that audit committee financial expertise does not significantly moderate the relationship between non-audit services and earnings management of listed financial services firms in Nigeria, and it changes the direction of the relationship. This result does not conform to the a-priori expectation of the researcher and also not in line with the agency theory because the theory provides the theoretical foundation for understanding the conflicts of interest between shareholders and managers. Audit committees with financial expertise act as a mechanism to mitigate agency problems by enhancing audit quality and reducing earnings management [62].

6. Conclusion

Longer auditor-client relationships are also related to higher levels of earnings management, as the independence and objectivity of the auditor may be compromised over time. Familiarity threats may build over time, causing the auditor to over-rely on the client, hence compromising the auditor's scrutiny of the financial statements, thereby becoming less effective in preventing manipulative reporting, which may undermine the credibility of the financial statements and the trust of the stakeholders in the organization's reporting. On the other hand, the use of non-audit services is related to

lower levels of earnings management, as these services may be beneficial in improving efficiency in the organization, hence improving transparency in the reporting of the organization's financial performance. However, over-reliance on these services may also compromise the independence of the auditor.

Additionally, financial expertise on the audit committee does not significantly moderate the relationship between audit tenure and earnings management, implying that financial expertise on the audit committee performs independently without affecting this relationship in Nigeria's financial services industry. The reason behind this could be that regulatory bodies are not enforcing this, or that members with financial expertise on the audit committee are not independent. Finally, financial expertise on the audit committee does not significantly moderate the relationship between non-audit services and earnings management but changes the relationship's sign to positive. While non-audit services by themselves are related to lower earnings management, the combination with financially expert audit committee members seems to enhance earnings management tendencies. This result indicates that, despite their expertise, audit committee members may not sufficiently offset potential conflicts of interest resulting from the provision of non-audit services.

Recommendations

Based on the above conclusions, the following recommendations are made:

1. Mandatory audit firm rotation policies should be implemented by the FRCN with the support of the CBN. Restricting the tenure of the auditors to a particular number of years, i.e., 5 years, will help in minimizing the threat of the auditors' independence due to the 'familiarity effect.' In addition to the audit firm rotation policy, the firms should implement the audit partner rotation policy, which may help in looking at things from different angles, minimizing the possibility of auditors colluding with their clients.
2. Firms dealing with financial services should engage auditors for the provision of services that are not audit services but are likely to improve the financial reporting process of the company, such as internal control services and compliance services. Non-audit services should be utilized strategically, focusing on the areas of operation and financial risks of the company.
3. The non-influence of audit committee financial expertise on the relationship between audit tenure and earnings management suggests that policymakers should instead adopt direct regulation of audit tenure through mandatory rotation of auditors. The strict implementation of existing rotation requirements for listed financial services firms is critical in addressing concerns of familiarity and resulting reduced audit skepticism.
4. The FRCN should also formulate more definitive guidelines on conflicts of interest and should establish periods during which audit committee members with financial expertise should not be involved with firms where there is also an existing relationship with non-audit service providers.

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