
Impact of Audit Committee Characteristics on the Financial Performance of Listed Non-Financial Firms in Nigeria

Ahmad Muhammad Ahmad (Ph.D.) *

Madu Kida Hauwa **

* Department of Accounting, Nigerian Army University Biu. Borno state.

** Department of Accounting, Nigerian Army University Biu. Borno state.

ahmad.ahmad@naub.edu.ng

hmadukida@gmail.com

Abstract

This study examines the impact of audit committee attributes on the financial performance of listed non-financial firms in Nigeria over a 10-year period (2013–2022). The study uses a sample of 76 firms from a total population of 113 listed non-financial firms on the Nigerian Stock Exchange. Data were sourced from published annual reports, and multiple regression techniques were employed for the analysis. The results indicate that audit committee size and financial expertise positively and significantly affect ROA, supporting the hypothesis that larger, more financially knowledgeable committees enhance performance. However, audit committee independence and meeting frequency showed no significant impact, suggesting that mere independence and frequent meetings do not necessarily translate into improved financial outcomes. The study recommends that regulatory bodies, such as the Financial Reporting Council, consider increasing both the minimum required number of committee members and the required frequency of meetings. This would help enhance the oversight function of audit committees, leading to improved financial performance, especially in firms where such practices are not sufficiently institutionalized.

Keywords: audit committee, return on asset, financial performance

1. Introduction

The financial performance of business organizations serves as a critical indicator of their operational success, reflecting how well management meets its financial obligations and policies. In the global economy, the financial success of listed companies is pivotal, influencing both corporate stability and the broader economic and financial systems (Mehmood, Hunjra & Chani, 2019). The ability of firms to maintain financial health is essential, as it impacts the confidence of various stakeholders, including employees, investors, shareholders, and policymakers. Inadequate financial performance can lead to significant corporate failures, resulting in decreased investments and a loss of stakeholder trust. Such failures underscore the importance of reliable financial reporting and sound governance structures in safeguarding firms against financial crises.

Numerous corporate scandals, such as the cases of Enron and Worldcom in the US, and Cadbury and Afribank in Nigeria, have highlighted the dangers of financial statement fraud and governance lapses (Al-Shaer, Salama, & Toms, 2017). In response, organizations have increasingly relied on audit committees to ensure the accuracy of financial reporting and compliance with corporate governance standards. The audit committee plays a key role in this context, overseeing accounting processes, financial reporting, and internal controls, thereby reinforcing the integrity of financial information (Eyenubo, Mudzamir, & Ali, 2017).

Grounded in agency theory, which suggests that conflicts of interest between management and shareholders can be mitigated through effective oversight mechanisms, this study explores the attributes of audit committees and their influence on financial performance. Specific attributes, such as audit committee independence, size, financial expertise, and meeting frequency, are critical to determining the effectiveness of audit committees in monitoring and ensuring transparency (Mustafa, 2012).

This study aims to investigate the impact of these audit committee attributes on the financial performance of listed non-financial firms in Nigeria from 2013 to 2022. By focusing on these variables, which align with the Financial Reporting Council of Nigeria (FRC) guidelines (FRC, 2018), this research seeks to fill gaps in the literature regarding the role of audit committees in enhancing financial performance. It also aims to contribute to a deeper understanding of how audit committee composition can impact the governance and performance of firms in the Nigerian context.

Despite the various measures taken by the relevant authorities, regulatory bodies and policy makers to tackle fraud and embezzlement of shareholder funds, various companies across the world are still experiencing inefficiency as a result of negligence of management. Management of companies is in fiduciary responsibility of the assets of a company but instead in many cases the management is found hands on in taking advantage of the decision-making process for their personal gains and as a result many companies suffer the consequences. Since the board of directors are mandated to constitute an audit committee to ensure the smooth running of the internal control process and monitoring, and also to serve as the watch dog and as well as ensuring that the assets of the company are safeguarded, then the responsibility of ensuring a sound financial performance resides on the audit committee of a company. Many decided cases have proven the inability of the audit committee to act with integrity and utmost good faith and these malicious actions tend to negatively affect the financial performance of companies which sometimes leads to bankruptcy and or closure of many well-structured companies. Again, in Nigeria companies listed on the stock market are continually being delisted while some are on the list of companies to be delisted anytime soon as a result of failure to publish the mandatory annual financial statements of these companies involved. This has necessitated the need for urgent research to be undertaken in order to investigate the impact of audit committee on financial reporting quality. Various literatures have been undertaken in order to investigate the impact of audit committee attributes on the financial performance of listed companies in Nigeria but most of these studies did not combine the variables captured by these studies thereby making this study among the few to use these variables. Again, this study will increase the time scope up to 2022 which will make the study more current in research gap. Again, the method in analysing the secondary data will be more robust than previous literatures as this will improve the quality of this study, thus increasing the reliability and validity of this study.

The main aim of this research is to evaluate how audit committee characteristics impact the financial performance of deposit money banks listed in Nigeria. The study is expected to contribute to improvement in corporate governance practices, enhance investor confidence, strengthen risk management frameworks, ensure regulatory compliance, and advance academic understanding in the field of finance and corporate governance. Equally the study is expected to provide regulators with valuable insights to support policy development, enhance supervision, strengthen risk management oversight, identify early warning signals, promote transparency and accountability, and improve regulatory oversight practices.

This study will empower investors with valuable insights to make informed investment decisions, manage investment risks, assess transparency and accountability, detect financial distress early, influence corporate governance practices, and contribute to long-term value creation.

2. Literature Review

The understanding of Return on Assets (ROA) as a measure of financial performance, alongside the attributes of the audit committee, establishes a framework for analysing how effective governance can enhance financial outcomes for listed non-financial firms in Nigeria. The insights gleaned from this conceptualization will inform the empirical analysis in this study, addressing gaps in the existing literature.

Return on Assets (ROA) is a crucial metric for evaluating a company's profitability in relation to its total assets. As Aswath (2020) defines it, ROA measures how effectively a company generates profits from its assets, calculated by dividing net income by average total assets. This definition underscores the operational efficiency of a firm. Joel (2010) adds that ROA serves as a vital tool for investors to assess profitability, providing insights into asset utilization effectiveness. Ray (2017) reinforces this notion by asserting that ROA reflects a company's capability to generate profits from its investments in assets, thereby indicating overall financial performance.

Comparatively, Investopedia (2022) offers a more practical perspective, viewing ROA as an indicator of a company's profitability relative to its assets, which is essential for assessing managerial efficiency. Warren (1992) emphasizes that ROA illustrates how well a company utilizes its assets for profit generation, while Benjamin (1949) highlights its significance in evaluating overall financial health.

The consensus among these definitions indicates that ROA is not only a measure of profitability but also a vital indicator of operational efficiency and long-term sustainability. One of the key advantages of using ROA over other performance metrics, such as Return on Equity (ROE), is its comprehensive assessment of how effectively a company utilizes all its assets to generate profits, rather than focusing solely on shareholder equity. This makes ROA particularly valuable for comparative analysis across companies and industries.

The audit committee is an essential component of corporate governance, responsible for overseeing the integrity of financial reporting and internal controls. The American Accounting Association (1978) describes it as a committee composed of outside directors tasked with this oversight. The Financial Reporting Council (2018) elaborates that the audit committee also manages the selection of external auditors and ensures compliance with regulatory requirements. Deloitte (2021) and PricewaterhouseCoopers (2019) reinforce this role, noting that the audit committee's independence is critical for effective oversight.

The attributes of the audit committee such as independence, size, financial expertise, and frequency of meetings are pivotal in influencing a firm's financial performance. An independent audit committee enhances the credibility of financial reports, mitigating risks associated with financial misstatements (KPMG, 2020). Additionally, the size and financial expertise of the committee are essential, as a larger committee with diverse skills can provide more comprehensive oversight, thereby improving the quality of financial reporting.

In the context of agency theory, the audit committee serves as a mechanism to align the interests of management and shareholders, reducing agency costs and enhancing trust among stakeholders. The effectiveness of audit committees in promoting transparency and accountability significantly impacts a company's financial performance, especially in the face of corporate failures.

Empirically, Shatima, Kabiru, and Mohammed (2024) conducted an explanatory survey to explore the impact of audit committee attributes on the financial performance of listed consumer goods companies in Nigeria over a ten-year period from 2013 to 2022. In their study, financial performance was measured using both Return on Assets (ROA) and Tobin's Q as dependent variables. The independent variables related to the audit committee were defined by factors such as audit committee gender, financial expertise, share ownership, and the frequency

of meetings. The study employed multiple regression techniques to analyze secondary data collected from all listed consumer firms in Nigeria.

The findings indicated that audit committee financial expertise and share ownership had a significant positive relationship with financial performance, while audit committee meetings and gender were associated with a significant negative relationship with the performance measures. This research is differentiated from the current study in several key ways. First, the current study encompasses all listed non-financial firms, providing a more comprehensive view of the impact of audit committee attributes across various sectors. In contrast, Shatima et al. (2024) focused specifically on the consumer goods sector. Furthermore, the inclusion of different independent variables related to audit committees highlights the varied influences these attributes can have on financial performance.

Understanding these methodological distinctions is vital, as they illuminate how varying audit committee attributes can yield different outcomes in financial performance across sectors, thereby contributing to the broader literature on corporate governance and financial efficacy. Rabiou and Hafsat (2022) investigated the impact of audit committee attributes on the financial performance of Nigerian-listed consumer goods companies over an 11-year period from 2011 to 2021. The study employed a census sampling method to select 15 consumer goods firms listed on the Nigerian Stock Exchange. The researchers utilized descriptive and multiple regression analyses to examine financial performance data, alongside correlation and regression analyses to assess the relationships between the identified variables.

The findings revealed a significant and positive association between audit committee size and financial performance, indicating that larger audit committees may enhance oversight and contribute to improved financial outcomes. Conversely, the study found that audit committee independence and the frequency of meetings did not demonstrate a significant relationship with financial performance. Based on these results, the authors recommend that companies should aim to maintain a larger membership within their audit committees to potentially bolster financial performance.

This study differs from the current research in several critical aspects. Firstly, the current study encompasses all listed non-financial firms in Nigeria, providing a broader perspective on the impact of audit committee attributes across various sectors, rather than limiting the focus to consumer goods. This comprehensive approach may yield more generalizable insights into the effectiveness of audit committees. Additionally, while they emphasize the importance of audit committee size, the current study explores multiple attributes, including financial expertise and the frequency of meetings, allowing for a more nuanced understanding of how these factors collectively influence financial performance.

Recognizing these methodological differences enhances the significance of the findings, illustrating how variations in audit committee attributes can lead to different impacts on financial performance across sectors, thereby enriching the existing literature on corporate governance.

Ismaila, Onipe, and Yahaya (2023) conducted a study to examine the impact of audit committee attributes on financial performance over a 10-year period from 2012 to 2021. In their research, audit committee attributes were proxied by committee size, committee independence, committee meetings, and committee expertise, while financial performance was measured using return on investment (ROI) and return on equity (ROE). The authors employed panel data techniques to analyse data from a population of 116 listed firms on the Nigerian Stock Exchange.

The findings indicated that audit committee attributes significantly impact financial performance, suggesting that effective oversight through robust audit committees can enhance overall corporate performance. This study contributes to the understanding of corporate

governance by demonstrating the importance of specific audit committee characteristics in promoting financial performance.

However, this study differs from the current research in several key ways. Firstly, while they utilized ROI and ROE as measures of financial performance, the current study focuses specifically on return on assets (ROA) as the dependent variable. This distinction is crucial, as ROA provides a different perspective on profitability by measuring how efficiently a company generates profit from its total assets, offering insights into operational efficiency and asset utilization.

Furthermore, the current research includes a broader sample of all listed non-financial firms in Nigeria, allowing for a more comprehensive analysis of how various audit committee attributes influence financial performance across different sectors. This broader approach enhances the generalizability of the findings, providing a richer understanding of the role of audit committees in promoting financial stability and performance in the Nigerian context. By highlighting these methodological differences and the unique focus on ROA, the current study aims to fill gaps in the literature and further elucidate the relationship between audit committee attributes and financial performance.

Kasthury and Saratha (2021) conducted a study to investigate the impact of audit committee attributes on the financial performance of listed companies within the materials sector of the Colombo Stock Exchange (CSE). They selected a sample of 14 firms from a population of 23 using a random sampling technique, covering an 8-year period from 2012 to 2019. The analysis employed descriptive statistics and regression techniques on secondary data.

The results indicated that among the various audit committee attributes committee size, committee independence, committee financial expertise, and committee meetings only the frequency of audit committee meetings had a positive and significant impact on earnings per share (EPS). This finding highlights the importance of active engagement and oversight by audit committees in enhancing financial performance, particularly in terms of earnings generation.

However, this study differs from the current research in several important aspects. Firstly, while they focused on EPS as a measure of financial performance, the current study uses return on assets (ROA) as its dependent variable. This distinction is crucial because ROA assesses a company's efficiency in generating profits relative to its total assets, providing a more comprehensive evaluation of operational performance and asset utilization.

Moreover, the current research encompasses a broader population of all listed non-financial firms in Nigeria, as opposed to a singular sector, allowing for a more generalized understanding of how audit committee attributes influence financial performance across different industries. This wider scope enhances the relevance of the findings, offering insights applicable to a diverse range of companies, rather than being limited to a specific sector.

By addressing these methodological differences and emphasizing the unique focus on ROA, the current study aims to contribute valuable knowledge to the existing literature on the relationship between audit committee attributes and financial performance.

Rabiu and Hafsat (2022) conducted a study to examine the impact of audit committee attributes on the financial performance of listed consumer goods firms in Nigeria over an 11-year period from 2011 to 2021. They employed a census sampling technique, selecting a total of 15 firms within the sector. The dependent variable was measured using return on assets (ROA), while the independent variables included audit committee independence, audit committee size, and audit committee meetings. Data were collected from secondary sources and analysed using descriptive statistics and multiple regression techniques.

The findings revealed that audit committee size had a positive and significant influence on the financial performance of the listed consumer goods companies, indicating that larger audit committees may enhance oversight and improve financial outcomes. In contrast, both audit

committee independence and the frequency of audit committee meetings were found to have an insignificant relationship with financial performance, suggesting that merely having independent directors or frequent meetings may not necessarily translate into better financial results for these firms.

This study differs from the current research in several key aspects. Firstly, while they focused exclusively on the consumer goods sector, the current study examines the entire population of non-financial firms listed on the Nigerian Stock Exchange. This broader approach allows for a more comprehensive understanding of the relationships between audit committee attributes and financial performance across various sectors of the economy.

Additionally, the current study extends the research period to include 2022, thereby enhancing the relevance and timeliness of the findings in light of recent economic conditions and regulatory changes. This extension is expected to provide insights that are more reflective of the current landscape of corporate governance and financial performance in Nigeria.

By addressing these methodological distinctions and emphasizing the broader scope and updated timeframe of the current study, it aims to contribute valuable insights to the literature on audit committee effectiveness and its impact on financial performance across diverse sectors.

Ammauddin and Ghazi (2022) conducted a study to investigate the impact of audit committee characteristics on the financial performance of listed non-financial firms in Oman over a four-year period from 2016 to 2019. The independent variables included audit committee size, audit committee independence, and audit committee meetings, while the dependent variables were measured using Tobin's Q and return on assets (ROA). The researchers utilized multiple regression techniques to analyse secondary data collected from the selected firms.

The findings revealed that audit committee independence had a significant negative impact on Tobin's Q, indicating that higher levels of independence might not be effectively contributing to financial performance in this context. Furthermore, both audit committee size and the frequency of audit committee meetings were found to have an insignificant influence on the financial performance of the listed non-financial firms in Oman. This suggests that merely increasing the size of the audit committee or meeting frequency may not enhance financial outcomes.

This study differs from the current research in several critical ways. Firstly, the current study will introduce a new independent variable audit committee financial expertise which has become a mandatory requirement by the Financial Reporting Council of Nigeria (FRCN) as amended in 2018. This addition aims to explore the role of specialized knowledge in the audit committee's effectiveness, potentially filling a gap in existing literature.

Secondly, the current study will extend the research period to 2022, thereby incorporating more recent data that reflects the evolving corporate governance landscape and economic conditions. This extension allows for a more comprehensive understanding of the relationships between audit committee attributes and financial performance.

Finally, while the study focused on non-financial firms listed in Oman, the current research is centred on firms listed on the Nigerian Stock Exchange (NSE). This geographical shift introduces an environmental gap that the current study seeks to address, providing insights specific to the Nigerian context that may differ from those observed in Oman.

By highlighting these methodological distinctions and emphasizing the incorporation of financial expertise and an extended timeframe, the current study aims to contribute valuable insights to the discourse on audit committee effectiveness and its impact on financial performance in Nigeria.

The agency theory provides a theoretical framework for understanding the dynamics between principals (such as shareholders or owners) and agents (such as managers or executives) within a company. This theory is crucial for analysing the relationship between

audit committee attributes and financial performance, as it highlights the inherent conflicts of interest that can arise when agents prioritize personal objectives over those of the principals.

In this study, the audit committee serves as a critical governance mechanism aimed at mitigating the challenges posed by the principal-agent relationship. By consisting mainly of independent directors who represent the interests of shareholders, audit committees are positioned to bridge the information gap that often exists between shareholders and management. The agency theory posits that because managers typically possess more detailed knowledge about the company's operations and financial performance, this information asymmetry can lead to misaligned interests and potential agency costs, such as monitoring and bonding costs.

The agency theory underscores the necessity of aligning the interests of both principals and agents to enhance organizational performance. Audit committees play an essential role in this alignment by overseeing key aspects of corporate governance, including financial reporting processes, internal controls, and risk management practices. Their effectiveness hinges on specific attributes such as independence, financial expertise, and diligence. When these attributes are present, audit committees can significantly enhance transparency and accountability in financial reporting, thereby safeguarding shareholders' interests.

Moreover, effective audit committees contribute to reducing agency costs by ensuring that management actions align with the expectations of shareholders. For instance, an independent audit committee can provide rigorous oversight of financial practices, thereby discouraging managerial opportunism and fostering a culture of accountability. Conversely, ineffective audit committees characterized by a lack of independence or expertise may fail to fulfil their monitoring responsibilities, potentially leading to increased agency costs and unresolved conflicts. While Agency Theory provides a useful lens for understanding the relationship between audit committee attributes and financial performance, a more nuanced examination of each characteristic is warranted. For instance, the independence of audit committee members may significantly mitigate agency conflicts by ensuring that decisions are made in the shareholders' best interest. Similarly, the size of the audit committee can influence its effectiveness; larger committees may bring diverse perspectives but could also face coordination challenges. Financial expertise is critical, as it directly correlates with the quality of oversight in financial reporting processes. Each of these attributes not only interacts with one another but also serves a pivotal role in enhancing overall corporate governance, thereby impacting financial performance. Future research should explore these dynamics further, supported by empirical studies in diverse contexts.

This study will explore how specific attributes of audit committees impact financial performance, contributing to the broader understanding of corporate governance's effectiveness in addressing agency problems within organizations. By examining the interplay between audit committee characteristics and financial outcomes, this research aims to offer insights into how enhanced governance structures can lead to improved organizational performance and shareholder value.

3. Methodology

In an attempt to investigate the impact of audit committee characteristics on the financial performance of listed non-financial firms in Nigeria, this study adopts the ex-post facto research design. The approach of this study is quantitative because the study is deductive in nature; the paradigm of this study is therefore post-positivism. The population of this study consist of all the listed non-financial firms in Nigeria and due to the availability of data components in the sector the adjusted census sampling technique was adopted which consisted of 76 listed non-financial firms in Nigeria. The secondary data was sourced from published annual reports of individual selected firms. The secondary data was analysed by adopting the panel standard corrected error technique by STATA version 11.

Model specification

$$ROA_{it} = a_0 + a_1 ACIND_{it} + a_2 ACSIZ_{it} + a_3 ACFEX_{it} + a_4 ACMEE_{it} + a_5 FRMSIZ_{it} + \mu_{it}$$

Where:

ROA = Return on Asset

ACIND = Audit committee independence

ACSIZ = Audit Committee Size

ACFEX = Audit Committee Financial Expertise

ACMEE = Audit Committee Meetings

FRMSIZ = Size of the Firm (control Variable)

a_0 = Intercept

$a_1 + a_5$ = Coefficient of independent variables

μ = Error Term

Measurement of Variables

The Table 3.1 presents the definitions as well as the measurement of all the variables in this current wok.

Table 3. 1: measurements of variables

S/N	Variable	Measurement
1	Return on Asset	Log of Profit after tax/total Asset.
2	Audit committee independence	During the sample period, if there is a non-executive director or independent director, we code the sampled company 1, and if otherwise we code the sampled company 0.
3	Audit committee size	The code requires the composition of audit committee to have a minimum of three directors. If the audit committee of a sampled company has three directors and above in the audit committee, we code the sample company 1, and if otherwise we code the sampled company 0.
4	Audit committee financial expertise	The code of corporate governance (2018) requires that every audit committee must comprise of at least one director with financial literacy. We therefore, code sample companies in percentage of audit member with financial expert to the overall members of the audit committee.
5	Audit committee meetings	The code requires the audit committee to conduct at least 4 times annually. We therefore, code sample companies 1 if they conduct meetings up to 4 times in the sample period, and if otherwise we code sampled company 0.

Source: Author, 2024

4. Presentation of data and analysis

This section present and discuss the descriptive statistics, correlation matrix result of the model, the summary of the regression result is presented, interpreted, discussed and hypotheses of the study were tested accordingly.

Table 4.1 Descriptive Results

Variable	Mean	Std. Dev.	Minimum	Max	Skewness	Kurtosis
LROA	2.276018	17.08939	-179.9173	176.2669	0.0000	0.0000
CMTIND	47.92738	13.80764	0	100	0.0000	0.0000
CMTSIZ	5.486166	.9997392	2	9	0.0000	0.2229
CMTFEX	23.54109	9.953714	0	71.6752	0.0000	0.0000
CMTMEE	3.907773	.886385	1	10	0.0000	0.0000

Source: STATA 11 output

The table 4.1 above provides a summary of the descriptive results of the dependent and independent variable of the study. The table shows that Return on asset which is the dependent variable of the study has a mean value of 2.276018, minimum value of -179.9173 and a maximum value of 176.2669 with a standard deviation of 17.08939 which depicts that the standard deviation is not very far from the mean. The skewness reveals a value of 0.0000 which

means that the data is within the range. The Kurtosis with shows the peak of the data also reveals a value of 0.0000.

Furthermore, the independent variable audits committee which is represented by audit committee independence, size, financial expertise and meetings respectively. The result shows a mean value of 47.92738, 5.486166, 23.54109 and 3.907773 for independence of the audit committee, size of the committee on audit, financial expertise of the audit committee and meetings held by the audit committee respectively. The table also shows a minimum value of 0, 2, 0 and 1 for the independent variables respectively. The table further shows a maximum value of 100, 9, 71.6752 and 10 for all the independent variables respectively.

The independent variables respectively showed standard deviation values of 13.80764, 0.9997392, 9.953714 and 0.886385 which depicts that the standard deviation is not very far from the mean values respectively. The skewness reveals a value of 0.0000 for all the independent variables respectively, which means that the data is not negatively nor positively skewed. The Kurtosis with shows the peakness of the data also reveals a value of 0.0000. for three of the independent variables expect for audit committee size which shows a value of 0.2229.

Table 4.2 Correlation Matrix

Variable	LROA	CMTIND	CMTSIZ	CMTFEX	CMTMEE
LROA	1.0000				
CMTIND	0.0300	1.0000			
CMTSIZ	0.1740	0.0168	1.0000		
CMTFEX	0.0800	-0.0211	-0.1750	1.0000	
CMTMEE	0.0405	0.0179	0.2487	0.0350	1.0000

Source: STATA 11 output

The table 4.2 shows the summary of the Pearson correlation result of this study. From the 4.2 above, the independent variable LROA has a positive relationship with all the independent variables. Audit committee independence shows a value of 0.0300 which depicts that the extent of relationship between audit committee independence and return on asset is 3%. The result also shows that the extent of relationship between audit committee independence with audit committee size is positive and to the tune of 17% approximately. Furthermore, the result shows that the extent of relationship between Audit committee independence and audit committee financial expertise is negative and to the tune of 2% approximately. Finally, audit committee independence shows a positive relationship with audit committee meetings to the tune of 18% approximately.

More so, audit committee size shows a positive relationship with return on asset to the tune of 17% approximately. Audit committee size shows a negative relationship with audit committee financial expertise to the tune of 18% (negatively) approximately. And also, a positive relationship between audit committee size and audit committee meetings is depicted from the result to the tune of 4% approximately.

Additionally, the result depicts that Audit committee financial expertise shows that there is a positive relationship with return on asset to the tune of 8%. The result also shows that the relationship between audit committee financial expertise and audit committee meetings is positive to the tune of 6%.

Finally, the result shows that audit committee meetings has a positive relationship with return on asset to the tune 4% approximately. The relationship between audit committee meetings and audit committee independence is positive to the tune of 18% approximately. While the relationship between audit committee meetings and audit committee size is positive to the tune of 30% approximately.

Table 4.3 VIF

Variable	VIF	1/VIF
CMTIND	1.11	0.904325
CMTSIZ	1.07	0.931582
CMTFEX	1.04	0.962452
CMTMEE	1.00	0.999131
Mean VIF	1.05	

Source: STATA 11 Output 2024

The Table 4.3 above presents the results of the VIF test of the independent variables. The VIF tests for the multi-colinearity among the independent variables of the study. From the result, to further substantiate the position, the mean VIF shows a value of 1.05 which implies that multi-colinearity between the independent variables is not a problem in this study.

Table 4.4 regression result

Variable	Co-efficient	T-value	P-value
CMTIND	.0363829	0.83	0.409
CMTSIZ	3.367574	5.26	0.000
CMTFEX	0.198328	3.18	0.001
CMTMEE	-0.252068	-0.35	0.723
R-square	0.0439		
Chi2	34.60		
F-Sig	0.0000		

Source: STATA 11 output listing, 2024

The above 4.4 presents the summary of the regression results of the study. From the Table 4.4 the results indicate a coefficient of 0.0363829 with a t-value and a p-value of 0.409, suggesting a positive but insignificant relationship between audit committee independence and return on assets (ROA) for listed non-financial firms in Nigeria. This finding raises questions about the effectiveness of audit committee independence in enhancing financial performance. While theoretical expectations posit that an independent audit committee should mitigate conflicts of interest and improve transparency, the lack of significance in this study implies that merely having independent directors may not suffice to drive performance. This result may reflect several underlying factors, such as the potential lack of engagement or influence of independent directors in strategic decisions or limitations in the audit process itself. The study could delve deeper into whether these independent members are genuinely independent in practice, as the effectiveness of independence hinges on the actual authority and engagement they wield within the committee.

Also, the independent variable audit committee size presents a coefficient of 3.367574 with a t-value of 5.26, significant at the 99% confidence level. This indicates a positive and significant relationship between audit committee size and ROA. The implication here is straightforward: an increase in audit committee size correlates with enhanced financial performance. The significant relationship can be attributed to the diversity of perspectives and expertise that a larger committee may provide, leading to more comprehensive oversight and better decision-making. However, it would be beneficial to explore if there are diminishing returns on size whether an excessively large committee could lead to inefficiencies or conflicts within the group dynamics.

Furthermore, with a coefficient of 0.198328 and a t-value of 3.18, the relationship between audit committee financial expertise and ROA is both positive and significant at the 99% confidence level. This finding supports the notion that having financial experts on the audit committee enhances a firm's financial performance, consistent with FRC guidelines that advocate for at least one financially literate member. This result underscores the critical role that financial expertise plays in monitoring and advising on financial matters. It could be interesting to analyse whether the qualifications of these financial experts correlate with

varying levels of performance, potentially providing deeper insights into the importance of specific skills within the committee.

Finally, the coefficient of -0.252068 with a t-value of -0.35 indicates a negative and insignificant relationship between audit committee meetings and ROA. This unexpected finding contradicts the prior expectation that increased meetings would lead to improved decision-making and, consequently, better performance. This result may suggest that merely increasing the frequency of meetings does not enhance effectiveness; it could indicate that the quality of discussions and decisions made during those meetings is more critical than the quantity. It may also reflect the possibility that frequent meetings could stem from underlying issues within the firm that require addressing, rather than being a proactive measure. Further qualitative research could provide insights into the dynamics of these meetings and how they translate (or fail to translate) into financial performance.

Conclusively, while some results align with theoretical expectations, others, particularly regarding audit committee independence and meetings, suggest complexities that merit further investigation. This inconsistency highlights the need for deeper exploration into the mechanisms through which audit committees influence financial performance and the contextual factors that may shape these relationships.

lastly, that Table 4.4 shows the analysis reveals an R-squared value of 0.0439, indicating that the model explains only 4.39% of the variance in return on assets (ROA) for listed non-financial firms in Nigeria. This low explanatory power suggests that the chosen independent variables audit committee independence, audit committee size, audit committee financial expertise, and audit committee meetings are insufficient to account for the multitude of factors influencing ROA. This limitation underscores the importance of recognizing that financial performance is multifaceted and can be affected by various external and internal variables not considered in this study. Factors such as industry-specific dynamics, macroeconomic conditions, firm size, market competition, management practices, and other governance structures may play significant roles in shaping financial performance. To enhance the model's robustness in future research, it would be beneficial to include additional variables that are known to influence financial performance. This could involve incorporating measures of firm characteristics, operational efficiency, and broader economic indicators. Acknowledging the limitations posed by the low R-squared value also opens avenues for further exploration into how different factors interact and contribute to financial performance in the context of audit committees. By doing so, the study can provide a more comprehensive understanding of the determinants of ROA, offering valuable insights for both academia and practitioners. The F-statistics and the P-value which showed a value of 34.60 and 0.0000 respectively, this implies that the model of the study is fit and the variables captured by the study are properly selected.

4.1 Implications for findings

The findings of this study have significant implications for various stakeholders, including regulatory bodies such as the Financial Reporting Council of Nigeria (FRC) and the Securities and Exchange Commission (SEC). Beyond merely advocating for increased audit committee meetings or independent directors, it is essential for these entities to consider implementing training programs for audit committee members to enhance their effectiveness. Additionally, regulatory frameworks could be evaluated to encourage best practices in corporate governance, ensuring that audit committees are not only compliant but also effective in their oversight functions. Policymakers should also examine the potential for incentives that reward firms with strong audit committee practices.

4.2 Test of Hypotheses

The H_{01} of this study states that there is no significant relationship between audit committee independence and return on total asset of listed non-financial firms in Nigeria. But the result of

this study from Table 4.4 shows that there is an insignificant positive relationship between audit committee independence and return on asset. This gives evidence which fails to reject the H_{O1} of this study.

The H_{O2} of this study states that there is no significant relationship between audit committee size and return on total asset of listed non-financial firms in Nigeria. But the regression result of the study showed that audit committee size has a positive and significant relationship with return on asset. This provides evidence to reject the H_{O2} of this study.

The H_{O3} of this study states that there is no significant relationship between audit committee financial expertise and return on total asset of listed non-financial firms in Nigeria. But the regression result of this study showed that there is a positive and significant relationship between audit committee financial expertise and return on asset. This provides evidence to reject the H_{O3} of this study.

The H_{O4} of this study states that there is no significant relationship between audit committee meeting and return on total asset of listed non-financial firms in Nigeria. The regression result however showed that there is a negative and insignificant relationship between audit committee meetings and return on asset. This provides evidence which fails to reject the H_{O4} of this study.

5. Conclusion and Recommendations

The continuous occurrence of delisting of companies in Nigeria by Securities and Exchange Commission (SEC) in the Nigerian stock exchange has forcefully raised the issue of what is fundamentally wrong. And one of the key reasons is due to failure of these companies to file their mandatory annual reports in a timely manner; this necessitated the need for undertaking this research. The main objective of this study is to investigate the impact of audit committee on financial performance of listed non-financial firms in Nigeria. In order to achieve this; four hypotheses have been formulated in null form. The scope of the study is all the listed non-financial firms in Nigeria and secondary data is extracted for ten (10) year period from 2013-2022 and financial performance as well as audit committee are the variables of the study. The study reviewed various literatures and the Agency theory was adopted in order to explain the relationship between the subsisting variables. The study also adopted the ex-post facto research design and data source was secondary from published annual reports, the population of the study consisted of all the listed non-financial firms and the sample size was determined using filtration technique, and finally the multiple regression technique was employed for analysing the data.

In conclusion, this study concludes that; Audit committee size and audit committee meetings have significant contributions on financial performance of listed non-financial firms in Nigeria. While Audit committee independence and audit committee meetings has no significant contributions on the financial performance of listed non-financial firms in Nigeria.

This study therefore recommends that; Financial Reporting Council of Nigeria should maintain the number of members of audit committees of listed non-financial firms in Nigeria because the higher the number of committee members the better the performance of the companies. Furthermore, the Securities and Exchange Commission should also ensure adherence the number of financial expertise in the composition of the committee as this will assist in improving the performance of the firms. However, as for the number of independent directors in the audit committee, the number of independent directors should be raised so as to have impact in the operations of the firm. Whereas for the number meetings conducted by the committee annually should also be raised to 5 times and be made mandatory for the committee members to meet up-to 5 times as this will give them more avenue for the committee to be always up.

This study primarily examines the relationship between audit committee attributes and financial performance within non-financial listed firms in Nigeria. While the findings provide valuable insights, the results may not be directly applicable to other sectors or geographical

contexts. Future research could benefit from expanding the sample to include financial firms or firms from other countries to enhance the generalizability of the results.

Reference

- Al Shaer, H, Salama, A and Toms, S (2017) Audit committees and financial reporting quality: Evidence from UK environmental accounting disclosures. *Journal of Applied Accounting Research*, 18 (1). 2-21. ISSN 0967-5426
- Amanuddin B. S. & Ghazi M. A. (2022). The effect of audit committee characteristics on firm performance: evidence from non-financial sectors in Oman. *Asian Economic and Financial Review*, 12(9), 816-836.
- American Accounting Association (1978). Regional meetings. *Accounting historians notebook*, 1(1). 4.
- Benjamin Gr. (1949). The intelligent investor. *The definitive book in value investing*.
- Deloitte (2021). The social enterprise in a world disrupted. *Global human capital trends report*.
- Eyenubo S., Ali, M. & Mohamed M. (2017). Audit committee effectiveness of financial reporting quality in listed companies in Nigeria Stock Exchange. *International Journal of Academic Research in Business and Social Sciences*.
- Ismail A. L., Onipe A. Y. & Ibrahim M. F. (2023). Audit committee and financial performance: evidence from Nigeria. *Review of Applied Management and Social Sciences*, 6(1), 581-590.
- Jeremy siegel (2012). The future for investors: why the tried and the true triumph over the bold and the new.
- Joel Greenblatt (2010). The little book that beats the market. The wallsreet journal. Newyork times bestseller
- John B. W. (1938). The theory of investment value: theory of discounted cash flow based valuation (dividend based valuation).
- Kasthury S. & Saratha A. (2021). Impact of audit committee characteristics on financial performance of companies listed under materials sector in CSE. *Proceedings of the International Conference on Business & Information (ICBI) 2020*.
- Mehmood, S., Hunjra, A. I., & Chani, M. I. (2019). The financial success of listed companies worldwide: A critical analysis. *International Journal of Financial Studies*, 7(3), 45-58.
- Moses, J. (2019). Consequences of materially false financial reports: A case study analysis. *Journal of Accounting Ethics & Research*, 5(2), 112-125.
- Mustafa Z. (2012). The effect of age and gender on high school students' attitudes towards using CALL in the EFL classroom. *International Journal of Arabic-English Studies*, 13.
- Omoniyi J. E. & Ifeoluwa M. A. (2023). Attributes of audit committee on the financial performance of Nigerian firms. *American International Journal of Business Management (AIJBM)*, 6(12). 01-15.
- Peter L. (1989) One up on Wall Street. How to use what you already know to make money from the markets.
- Philip A. F. (1958). Common stocks and uncommon profits. *Business & Economics*.
- Rabiu S. J. & Hafsat A. M. (2022). The impact of audit committee attributes on financial performance of listed consumer industries in Nigeria. *International Journal of Accounting and Finance*, 3(1), 117-134.
- Ray dalio (2017). The Principles: Life and work.
- Shatima S., Kabiru S. & Mohammed G. N. (2024). Audit committee attributes and financial performance of listed consumer goods companies in Exchange group. *International Journal of Accounting, Finance, and Administrative Research*, 1(2).
- Warren buffet 1992. The chaiman's letter. Omaha press club. September 1992.
- Williams, J. B. (1938). ROA as a fundamental measure of a company's profitability and efficiency. *Journal of Finance*, 15(4), 567-580