Effect of Audit Committee Attributes on the Value of Firms in Nigeria

[1]Manafa, Chinyere Joan, [1]Ofor, Nkechi. T. PhD & [2]Ugbah. Andrew. A

[1]Department of Accountancy, Chukwuemeka Odumegwu Ojukwu University, Igbariam, Campus
[2]Department of Accounting and Finance, University of Delta Agbo
Email: Chi2joan@yahoo.com, Kechi4lv@yahoo.com & ugbahaa@gmail.com

Abstract

In a bid to unravel the effect of audit committee attributes on the values of fifty listed firm in Nigeria from 2013 -2022, the study adopted *expost facto* research design. Secondary data were collected from annual reports of selected financial and non-financial firms that constantly published their annual report. The independent variables are audit committee independence, audit committee tenure and audit committee rotation, while the dependent variable is firm value. The study adopted stratified sampling technique and ordinary linear regression method. The result of study empirically emerged strong that audit committee rotation (ACRO) and audit committee independence (ACID) affected firm value positively but non-significantly, while audit committee tenure (ACTE) proved negative and insignificant in affecting firm value of the sampled firms. The study concluded audit committee attributes affect the firm value and recommended that audit committee rotation and independence should be maintained and sustained as it positively impacts firm value.

Keywords: Firm Value, Audit Committee Attributes, Financial and Non- Financial Firms

Introduction

The audit committee plays a crucial role in ensuring the transparency, accuracy, and integrity of financial reporting within a company. It is responsible for overseeing the financial reporting process, monitoring internal controls, and ensuring compliance with relevant laws and regulations. The effectiveness of an audit committee can have a significant impact on value of firms in Nigeria, as it can influence investor confidence, reduce information asymmetry, and mitigate the risk of financial misstatements or fraud (Kassem, 2016).

The Nigerian Code of Corporate Governance (2018) provides guidelines and best practices for audit committees, emphasizing their independence and competence. Firms that adhere to these guidelines are often viewed more favorably by investors, which can positively affect their firm value. Closely related is the financial Reporting Quality of the firms. An active and independent audit committee can enhance the quality of financial reporting. When investors have confidence in the accuracy and reliability of a company's financial statements, they are more likely to invest in the firm's stock. This can lead to higher firm value.

The presence of audit committee is also reflected in the monitoring and Risk Management of the firms. Audit committees are responsible for monitoring internal controls and risk management processes. Effective risk management can prevent financial crises and scandals, which can have a detrimental impact on firm value. A strong audit committee can help identify and mitigate risks before they escalate (Contessotto & Moroney, 2014). Audit committee also plays a critical role in corporate Scandals and Reputation. In Nigeria, as in many other countries, corporate scandals can lead to a loss of investor trust and a decline in firm value. An audit committee that is proactive in detecting and addressing financial irregularities can help protect a company's reputation and, consequently, its firm value (Tai, Lai & Yang, 2020)

There is no gain saying that audit committee boosts investor Confidence. Investors tend to have more confidence in companies with strong corporate governance structures, including effective audit committees. This confidence can translate into higher stock prices and valuation multiples, ultimately increasing firm value. Similarly, the audit committee aids a thorough financial disclosure and Transparency. Audit committees are responsible for overseeing the disclosure and transparency of financial information. Improved transparency can attract more investors and lead to higher firm valuations. The perception of the market and stakeholders regarding the audit committee's effectiveness can influence a company's stock performance. Positive perceptions can drive demand for the company's shares, positively impacting its firm value (Market perception). It's important to note that the relationship between the audit committee and firm value is not limited to Nigeria; it applies to companies globally (Al-Shaer, Malik & Zaman (2021). However, the specific impact may vary depending on the country's regulatory framework, corporate governance practices, and the overall business environment.

In recent times, audit committee attributes have been deemed as one of the most vital sub-components of the board given its specific role in protecting shareholders' interests in relation to their financial oversight and controls. Gabriela (2016) opined that the roles of audit committee are to supervise firms' financial reporting system, internal control, audit process as well as risk management practices. The roles of audit committee according to Temple (2016) have developed after the adoption of diverse corporate governance codes.

Again, the roles of the audit committee have evolved and progressively been re-defined from a voluntary monitoring mechanism to a committee which aims at enhancing the flow of quality information from management to shareholders of the firm (Nguyen, & Dang, 2019). Peter and Hannu, (2017); Hanen and Ahmed (2015); asserted that the search for mechanisms to ensure enhanced firm value has largely focused on audit committee structure whose role is to oversee financial reporting process and audit of financial statements.

On the other hand, the value of the firm signifies the financial valuation of corporate firms (Sean, Chew, Kuan Low & Poon, 2016). In the accounting literature, the value of the firm has been categorized using diverse measurements such as Tobin's Q, which is a ratio of the total assets minus book value of equity plus market value of equity to total assets; this study adopts this measurement of the firm of the firm. Moreover, there is robust body of literature linking audit committee attributes such as audit committee independence, audit committee size and other audit committee attributes with the value of the firm (Hanen & Ahmed, 2015).

A study by Chan and Li (2008) found that a greater level of audit committee independence and audit committee remuneration augments the value of the firm. The rationale for this is that the level of audit committee independence is linked with improved monitoring of the financial reporting process, which in turn affected the value of the firm. Contrarily, prior studies suggest that lack of audit committee independence improves monitoring quality and firm value, particularly where audit committee has a high percentage of past associates and ex-employees, also known as grey-directors; it is less likely the auditor will issue a going-concern report (Peter & Hannu, 2017).

Some evidence suggest that smaller rather than larger audit committees are linked with enhanced firm value (Akpan, and Nsentip, 2019; Orife, Orjinta, and Ofor, (2022). Thus, it becomes palpable evidence that there are conflicting viewpoints in the accounting literature of the relationship between audit committee attributes (like audit committee independence, audit committee remuneration and audit committee size) and the value of the firm.

Furthermore, there is landslide of studies on the relationship between audit committee attributes and the value of firm (Peter & Hannu, 2017; Temple, 2016; Hanen & Ahmed, 2015; Osevwe-Okoroyibo & Emeka-Nwokeji 2021; Iheyen,2021; Al-Jalahma, 2022) in both developed and developing nations. However, to the researcher's knowledge, there are scanty studies in this area, particularly as it relates to listed firm across sectors of Nigeria economy.

Most studies had focused on the banking, manufacturing and oil and gas sectors in Nigeria. Perhaps, the dearth of studies on the relationship between audit committee attributes and the value of the firm of listed companies up to 2022 may be linked with the impulsive nature of companies in Nigeria, thereby giving the gap in the accounting literature, The audit committee attributes employed are, audit committee independence, audit committee tenure and audit committee rotation and firm value.

This study is partitioned in a way that section one is the introductory segment, the next section contains the review of the related literature, methodology is contained in section three while data analysis and interpretations, conclusion and recommendations are contained in section four and five respectively.

Conceptual framework

Audit committee Independence

The independence was primarily of British origin in the 19th Century, where auditors doubled as bookkeepers (Edwards and West, 2022). According to Izedonmi, Omoregie and Erah (2012) asserted that independence was a state of the mind characterized by objectivity and integrity on the part of the auditor. It implies the performance of the auditor work without being biased.

Iheyen (2021) asserted that the second category of audit committee attribute is the independence of the audit committee. The independence of the audit committee was measured by the proportion of independent directors over the total number of directors sitting in an audit committee. Saputra (2015) maintains that quality of an audit report is influenced by how independent minded the auditor is as it enables him to conduct his assignment in agreement with generally acceptable auditing standards.

Audit committee Rotation

The relationship between audit committee rotation and firm value is a topic that has been studied in academic research, and the findings are not universally consistent. The impact of audit committee rotation on firm value can vary depending on a range of factors, including the specific context, regulatory environment, and the characteristics of individual companies. In practice, companies and their boards should carefully evaluate the costs and benefits of audit committee rotation, taking into account the unique characteristics of their business, industry, and regulatory context. Additionally, engagement with shareholders and transparent communication about governance practices can contribute to building trust and positively influencing firm value. (Purwanto, 2021) empirically proves that audit rotation affects audit quality because rotation in a company will make the auditor more objective in auditing financial statements and produce a higher-quality audit process. Audit rotation can affect audit quality because the longer the relationship that exists between the auditor and his client will have the opportunity to reduce audit quality which will interfere with the independence of an auditor and will have a tendency to side with the client (Sitta, 2018). Audit committee rotation measured by frequency of auditor change in a firm. If one of the big four remains with the company for more than 3 years, place 1 but if otherwise.

Audit committee Tenure

In their study in India, Jadiyappa et al (2021) found that longer tenure audits generally improve audit quality among Indian companies before mandatory rotation. However, for companies that pay very high compensation to auditors, (Jadiyappa et al., 2021) found that longer tenure reduces audit quality, primarily if the company is affiliated with a business group or a company where the CEO also serves as chairman of the board. Thus, the potential benefits of shorter-term mandates appear limited to high-cost companies with business group affiliations and CEOs with multiple roles.

Firm Value

In the accounting literature Sukesti, Wibowo and Prakasiwi (2020) stated that firm value is the investor's perception the success of a company. The higher stock price of a company gives the higher value of the company. The increase in the value of the company will improve the welfare of shareholders with a high return on investment. Firm value is the investor's view of the company which is usually associated with stock prices. High stock prices make the value of the company also high. High company value makes the market believe that not only the company's performance is good but also that the company has good future prospects as well. Maximizing firm value means maximizing shareholder welfare while achieving company goals. Price to Book Value used in this study as a proxy of firm value. The ratio of stock prices to the book value of a company shows the ability of a company to create value relative to the amount of capital invested. A high Price to Book Value reflects a high share price per share. Onyeahala and Offor (2020) described Firm value as Enterprise value or total enterprise value (TEV), which is an economic metric that indicates a company's market worth. The study will apply two models in order to determine the effect of audit committee attributes on firm value. According to Ali and Amir and Madani (2022). Tobin's Q is a measurement that is used to represent firms' Valuation; Total assets – MVE + BE / total assets is the formula.

Theoretical framework

The Policeman Theory

This study is anchored on the policeman theory propounded by Prof. Limperg 1920. The police theory claims that audit and assurance process was responsible for searching, discovery and preventing fraud. This was the case in the early 20th century. However, more recently the main focus of this process has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud was however, still a hot topic in the debates on the audit's responsibilities, and typically after events where financial statements fraud has been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud and manipulation of financial information. This was the most widely held theory of auditing until the 1940s (Heyes, Schilder, Dassen & Wallage, 1999). Up until the 1940s it to focus on arithmetical accuracy and on prevention and detection of fraud. However, from the 1940s until the turn of the century there was a shift of auditing to mean verification of truth and fairness of the financial statement. Recent financial statement frauds such as those at society Generals, Satyam, Ahold, Enron (2009) has resulted in careful reconsiderations of this theory there now was an ongoing public debate on disclosure of fraud returning us to the base public perception on which this theory derives. According to this theory, the audit committees should put in place mechanism to detect fraud before it happens just like a policeman tries to prevent crime from happening. In terms of quality of financial reporting, audit committee is viewed to perform the chitty synonymous to that performed by the policeman such as to check and detect any instances of fraud in the organizations. Therefore, audit committee that were independent, diversified, and financially competent and has quality meetings is perceived to exercise their mandate more effectively. For instance, Elder et.al (2009) stated that the most common way for users to obtain reliable information (reducing the information risk) was to have on independent audit committee could protect stake holder's interests by ensuring reliable financial reporting, effective internal control, and high-quality risk management. Turley and Zaman (2004) also pointed out that understanding the impact of audit committees as policeman could assist in formulating appropriate expectations about the audit committee function, based on which the effectiveness of audit committee could then be assured. Salehi, Rostami and Mogadam (2010) also adopted policeman the theory in explaining the usefulness of accounting information system in emerging economy. This study adopted the policeman theory in assessing the role of audit committees on quality of financial reporting in Nigeria. As mentioned, early policemen theory claims that the audit and assurance process is responsible for searching, discovery and preventing fraud, therefore audit committees acting as organization policeman go a long way ensuring quality financial reporting.

Empirical Review

This section reviewed literature from prior committee attributes and financial reporting from various studies as follows. As presented in the literature, Ozer, and Merter, (2023) examined the impact of audit committee characteristics on the capital structure, with a particular focus on the financial expertise and tenure of audit committee members. The study was carried out on audit committee which helps to make financial decisions more soundly by providing coordination between a company's independent audit, internal audit, and the board of directors. In addition, firms ensure, through the audit committee, that managers' decisions to improve firm performance are ethically monitored. Previous studies have so far given little weight to the relationship between the audit committee and capital structures. The sample of the study includes mostly hand-collected 1,638 firm-year observations obtained from Turkey's listed non-financial companies between 2009 and 2019. Empirical results indicate that the financial expertise and long tenure of the audit committee members are associated with lower financial leverage. Moreover, the presence of less tenure and nonfinancial expert members in the audit committee is associated with higher financial leverage. This study fills a literature gap where empirical evidence on how the audit committee affects capital structure is insufficient.

Empirically, Orife, Orjinta, and Ofor, (2022) performed an investigation on the effect of audit committee characteristics on financial reporting quality of selected oil and gas companies listed in Nigeria from 2011 to 2020 adopting ex-post facto and longitudinal research design. The study conducted a comprehensive analysis of data based on audit committee characteristics represented by audit committee size, audit committee busyness, audit committee gender diversity and audit committee independence, while our dependent variable financial reporting quality was captured using timeliness of financial report. The Secondary data was subjected to some preliminary data tests such as descriptive analysis, correlation analysis and variance inflation factor and was analyzed using panel multiple regression technique taking cognizance of non-homogeneity of firm's data, hence the use of hausman effect tests. The panel regression result indicates that audit committee size has positive but insignificant, audit committee busyness, audit committee gender diversity and audit committee independence has negative and insignificant effect on financial reporting quality of oil and gas firms in Nigeria. Given a negative effect of audit committee independence and gender, regulatory bodies should increase the independence of audit committee members in order to have adequate members who can monitor financial reporting process and also encourage more male participation in order to improve financial reporting quality of companies.

In line with previous studies, Sidiq and Krismiaji (2019) investigate the effect of audit committee characteristics, which includes independence (ACIN), size (ACSIZE), competence

(ACCO), and frequency of meetings (ACMT) on the financial performance (PERF) of manufacturing firms listed on the Indonesian Stock Exchange for the year of 2016 and 2017. PERF was measured and proxy with the return on assets (ROA); ACIN in percentage of members from outside the company; ACCO in percentage of audit committee members who have accounting and finance educational background; and ACMT is measured using the number of audit committee meetings in 2016 and 2017. The study finds that all of the characteristics of audit committee positively affect the company's performance. The research also uses three control variables, which are the quality of auditors (BIG4), financial leverage (LEV) and company size (SIZE). BIG4 and LEV positively affect the company's financial performance, while the financial performance of the company is negatively affected by SIZE.

In attempting more discoveries, Sarea (2020) investigate the relationship between audit committee characteristics (namely: audit committee size, financial experience, and audit committee independence) on performance, which includes financial, operating and stock performance. The study sample contained 106 corporations from the financial sector listed in the Amman Stock Exchange Market with a total of 212 observations during the 2008-2009 sample years. The results showed that the audit committee has an impact on financial and stock performance. It does not have an effect on operating performance.

In order to prove the nexus between the audit committee (AC) and the reporting quality, Syofyan, Septiari, Dwita, Rahmi and Ntim (2021) proxied reporting quality by the reporting timeliness in the Indonesian context. The AC effectiveness is measured by the committee size, number of its expertise or competence, and its meeting frequency. The study employs 240 observations from 48 manufacturing companies from 2014 to 2019 in the Indonesian Stock Exchange (IDX) as samples. A logit regression analysis is used to test the hypotheses in this study. The findings reveal that the AC size and financial expertise are not significantly associated, whereas the meeting frequency has a significant effect on it. The results indicate that the AC effectiveness depends on the occurrence of communication between members. The study findings also suggest that the number of the AC meetings is crucial in ensuring its oversight roles in companies, leading to timely submission of audited financial statements.

Furthermore, Safari, Rezaei and Abdollahi, (2021) investigate the association between certain audit committee characteristics like independence and financial expertise with financial reporting quality (FRQ) of the firms listed on the Tehran Stock Exchange (TSE). Design/methodology/approach - The sample includes the 558 firm-year observations from companies listed on the TSE during the years 2012–2017, and the study's hypotheses were tested using multivariate regression model based on panel data. The authors find that audit committee independence has no significant effect on corporate FRQ, whereas audit committee's financial expertise significantly improves firms' FRQ.

Dare, Efuntade, Alli-Momoh, and Efuntade (2021) examined audit committee characteristics on audit quality in Nigeria, for 10 years spanning from 2009-2018. Specifically, this study assessed the effect of audit committee size on audit quality in the oil and gas sector and examined the effect of audit committee meetings on audit quality in the oil and gas sector. The study adopted an expo-facto research design and the population covered all the 12 listed Oil and Gas sectors; out of which, 10 firms were selected through a random sampling technique. The study used secondary data, sourced from the published financial reports of the sampled firms covering the period of 2009-2018. Through logistic regression, it was discovered that audit committee size exerted a positive significant effect on audit quality of firms in the oil and gas sector in Nigeria and that audit committee meeting exerts a positive but insignificant effect on audit quality of firms in the oil and gas sector in Nigeria. It was concluded that audit committee has a statistically significant effect on audit quality in Nigeria. Thus, it was recommended that emphasis and focus should be placed on the size of the audit committee to improve audit quality and that modalities surrounding the meetings of the committee members should be revisited. Also, adequate supervision and monitoring should be ensured in every meeting of the committee members.

Kabiru and Usman (2021) investigated the effect of audit committee characteristics on the financial reporting quality of Deposit Money Banks (DMBs) in Nigeria. The study used correlational research design. The source of data was secondary data which were collected from the published annual financial reports of the studied DMBs in Nigeria. The population/sample size was 14 DMBs in Nigeria. A period of eleven years was covered from 2009 to 2019. The secondary data collected were analyzed using multiple regression analysis which was carried out using STATA software. Findings from the analysis show that frequency of audit committee meeting and audit committee female gender have positive and significant effect on the financial reporting quality of DMBs in Nigeria while audit committee financial expertise has significant negative effect on the financial reporting quality of DMBs in Nigeria. However, it was reported that audit committee independence has no significant effect on the financial reporting quality of DMBs in Nigeria. Based on the above findings, the study recommends that banks should sustain frequency of audit committee meetings, audit committee members should be well motivated so that they will not derail from their traditional roles of evaluating authenticity of financial reports prepared by management, and that more female audit committee members should be encouraged to make up the composition of audit committees of DMBs in Nigeria.

Namakavarani, Daryaei, Askarany and Askary, (2021) explored the relationship between audit committee characteristics and accounting information quality by justifying the role of the internal information environment and political connections under the theocracy state of Iran with syncretic politics. Using panel data of 558 firms from the Tehran Stock Exchange (TSE) for 2011–2016, we rank firms using Technique for Order Preference by Similarity to Ideal Solution (TOPSIS) and entropy method for determination of the weight of evaluating indicators. The firms are positioned into high- to low-level political connections, and two proxies for audit committee characteristics are used: independence of audit committee and financial knowledge. Furthermore, three proxies are used for an internal information environment: learning announcement speed, the accuracy of earning forecasting and lack of financial restatements. Our findings show that there is a significant and positive relationship between the audit committee and financial information quality characteristics in high-level political connections, as well as between financial knowledge and financial information quality. Furthermore, the findings of this study suggest that the application of political economy theories could be appropriate for more inquiry.

Asaad, Mushtaq and Ameer (2021) examined the impact of audit committee characteristics such as audit committee size, audit committee meetings, audit committee independence, and the financial expertise of audit committee on the quality of financial reporting in non-financial firms operating in Iraq. The study also examines the direct and moderating role of regulatory changes at the nexus between audit committee characteristics and quality of financial reporting in the context of non-financial firms in Iraq. The particular focus of the study is on the implications of Sarbanes-Oxley Act in Iraq. The author selects 170 organizations as the study sample which comprises a total of 850 firm-year observations. For further analysis, only 575 organizational-years observations are included. The multiple regression model is used to analyze this data. Referring to the resource dependence theory, results indicate that characteristics of an Audit Committee are highly resourceful, which leads to enhancement of the financial reporting quality because of the expertise, greater skills, and shared experiences. The regulatory changes also appear to be a significant direct and intervening factor in the relationship between the characteristics of an Audit Committee and reporting quality in the non-financial firms of Iraq.

Ayinla, Aliyu, and Abdullah (2022) investigate the influence of audit attributes on the financial reporting quality of twelve (12) listed Deposit Money Banks in Nigeria from 2012 to 2018. The study used a correlational research design. As a data analysis approach pooled OLS regression was employed. Audit committee independence, audit committee expertise, and audit tenure were employed as proxies for audit attributes, whereas financial reporting quality was utilized as a dependent variable in Nigeria utilizing discretionary accrual (DMBs). The study's population consists of fourteen (14) listed DMBs, whereas the adjusted population consists of twelve (12) listed DMBs. Panel data were extracted from the financial report based on the Modified Jones model. The panel data regression results demonstrated that audit committee independence and audit committee expertise had a favourable and significant impact on the financial reporting quality of Nigerian listed DMBs. As a result of the study's findings, audit committee independence and audit committee expertise have a significant propensity to enhance financial reporting quality. By the findings, the research suggests that bank regulators consider mandating professional qualifications, as proposed by the FRCN in the 2016 draft of the suspended NCCG, to improve the audit committee's expertise and diligence. It also suggests that audit committee independence should be focused on how to guarantee financial reporting quality properly reflects the honest and fair picture of the financial report to avoid misleading all of the consumers across the globe of accounting information.

Anaytically, Akpan and Nsentip (2019) studied the effect of audit committee attributes on financial reporting quality of listed banks in Nigeria from 2009-2018. Expost facto research design is used. 12 out of 13 banks is selected using Taro Yamani formula for determining sample size. Data is analysed using descriptive statistics, correlation and ordinary least square technique. The findings reveal that a well constituted independent audit committee significantly influence financial reporting quality, audit committee frequency of meeting may not influence financial reporting quality. Thus, it recommends that Nigerian banks should ensure that their audit committee update their functionality through regular training in order to meet up world class benchmark.

In similar study, Akanbi, Adedipe, and Ajayi (2022) selected sample data from 15 quoted consumer goods firms in Nigeria Stock Exchange (NSE) from 2008-2019, which comprises of 180 firms in Nigeria. The study adopted correlation analysis and ex-post facto design to evaluate the effect of audit committee attributes measured by audit committee independence, financial expertise, meetings, size, audit fees with external auditor tenure and firm’s size as control variable on the quality of financial reporting in Nigeria. Committee independence is statistically insignificantly influenced the quality of financial reporting. The study concluded that audit committee independence is statistically insignificantly influenced the quality of financial reporting. The study recommended that audit committees should consist of members with knowledge of accounting and finance which provides a good basis for audit committee members to examine and analyze financial information.

The research team of Madugba,Howell,Nwanji, Faye, Egbide, and Eluyela (2021**)** examined the effect of audit committee quality on the quality of financial reporting of deposit money banks in Nigeria. A descriptive research design was adopted, and secondary data sourced from annual accounts of seven deposit money banks for seven years were used to test our hypotheses. The dependent variable in this study is financial reporting quality measured with accrual model. In contrast, the independent variables are audit committee with accounting and finance knowledge, the size of the audit committee, the number of audit committee meetings held in a year and audit committee independence. A notable outcome revealed that except for several audit committee meetings held in a given year the other independent variables were found to be insignificant and are not, therefore, determinant of financial reporting quality in deposit money banks in Nigeria. The study concluded that audit committee quality is not a determinant of financial reporting quality in deposit money banks in Nigeria and the study recommends that ability should be paramount for the appointment of members to the audit committee and advises that the audit committee should always be given adequate consideration by management in decision making.

Recently, Musa (2020) investigated the significant relationship between audit committee attributes and financial reporting quality in the Nigeria banking sector. The study variables are audit committee independence, audit committee meetings and audit committee gender. This study employed a quantitative and longitudinal research design in which secondary data were collected from the quoted banks in the Nigeria Stock Exchange from 2013 to 2018. Descriptive statistic, ordinary least square regression and Ramsey Reset test were adopted for the data analysis. The empirical results showed that audit committee independence has a significant relationship with financial reporting lag while audit committee meeting and audit committee gender has no significant relationship with financial reporting lag. The study recommends that banks should reduce the number of non-executive directors in the audit committee for timely release of audited financial statements to users of the financial information.

Methodology

This study employed the *ex-post facto* research design in which secondary data were collected from the listed firms in the Nigeria Exchange group for the periods of ten years from 2013 to 2022 for the period of preparing the financial statement. Data relating to different variables of concern to the study was collected at different times so as not to influence the situation but rather to describe the relationship between the variables that are being considered. The ex-post facto research design is hinged on two major reasons: First, the study relied on historic accounting data obtained from financial statements of the sampled companies; hence the researcher does not intend to control or manipulate the data of the study variables which is a basic feature of ex-post facto research design. Second, *Ex-post facto* design pattern of research was adopted for this study since we determined causal relationship between the independent and dependent variables with a view to establishing the relationship that exist between audit committee attributes and firm value of non-financial and financial firms listed in Nigeria. In this study, firms listed in Nigeria stock exchange were covered for the period 2013 - 2022. The entire population includes one hundred and seventy seven (177) firms in conglomerate, construction and real estate, consumer goods, health care, manufacturing, ICT, Industrial goods, oil and gas and services, on the floor of Nigeria exchange group as 31st December, 2013 and had rendered statutory annual financial report as at 31st December 2022. The study sampled multi sectorial fifty firms from consumer goods, health care, ICT and financial services which were listed before 2013. Panel regression analysis were used for the analysis and Hausman test was used to select the best out of fixed effect and random effect models that was interpreted. The regression estimation model is presented thus:

$$FIRV= \beta 0 + \beta 1\ ACIit + \beta 2ACROit + \beta_3 \mathrm{ACTE}it + \varepsilon it \text{ ....i}$$

Where; ACID = Audit committee independence, ACRO = Audit committee rotation = ACTE = Audit committee tenure, β = constant, ε = Error term.

Data Analysis and Interpretation

The table1 shows that sampled consumer goods, health care, ICT and financial services firms' average value is 16.4, with a maximum value of 19.0 and minimum value of 12.9. So, any firm which mean value below 16.4 is deemed to have no efficiency. The audit committee mean tenure of sampled firms have an average of approximately 3 (ACTE, mean=2.9), audit committee rotation means, ACRO stood at 1.5 as audit committee independence averaged 51%.

Table 1: Descriptive Statistics

Stats	Firm	Acte	Acro	Acid
mean	16.44128	2.928	1.512	51.1728
Max	19.00125	6	4	100
Min	12.96827	2	0	0
p50	16.70712	2	1	50
N	500	500	500	500
sd	1.182217	.885655	.9052596	17.19259

Author's computation 2024

Normality test

The study used Skewness and Kurtosis test to determine the normalcy distribution of data as presented below;

Table 2. Data Normality Test Result

Variables	Obs	F	V	Z	Prob>z
Firs	500	0.94121	19.744	7.170	0.00000
Acte	500	0.96988	10.131	5.566	0.00000
Acro	500	0.98691	4.404	2.564	0.00018
Acid	500	0.98417	5.226	4.031	0.00002

Author's computation 2024

From table 2, normality result shows that audit committee tenure (ACTE), audit committee rotation (ACRO), audit committee independence (ACID) were normally distributed at 5% significant level.

Table 3: Correlation Analysis

Variables	Firv	Acte	Acro	acid
Firv	1.0000			
Acte	-0.0885	1.0000		
Acro	-0.0180	0.2285	1.0000	
Acid	-0.1669	0.0695	0.0022	1.0000

The correlation table above actually provided the fact that all the variables are not strongly related with one another. However, firm value (FIRV) has weak negative correlation with Audit committee tenure (ACTE), audit committee rotation and audit committee independence have very weak positive correlation. However, ACTE had positive weak relationship with ACRO and ACID. More so, Acro exerted weak positive correlation with ACID.

Table 4 Variance Inflation Factor Test Result

Variable	VIF	1/vif
acte	1.06	0.942027
acro	1.06	0.947611
acid	1.01	0.994996
Mean vif	1.04	

Authors' computation (2024)

Furthermore, multi-collinearity among the independent variables is further tested with an advanced econometric technique of Variance Inflation Factor Test (VIF) which suggests that high correlation among predictors' means that you can predict one variable using second predictor variable known as the problem of multi-collinearity. This produces unstable parameter estimates which make it very difficult to assess the unique effect of the independent variables on the dependent variable thereby making the standard error of such parameters to become very high. The test result here reveals that the VIF is 1.04 which is less than the range 10.

Table 4. Firm value regression result for the data Set of quoted financial and non-financial firms in Nigeria.

Variables	Acid	Acro	Acte	FE	RE
coefficient	.002128	.0154614	-.017143		
	.0016165**	.015025 **	-.017995		
T.stats	(-1.15)	(3.47)	(-1.37)		
	-1.19**	3.61**	1.23**		
Prob-z	**{**0.001**}**	**{**0.001**}**	**{**0.170**}**		
	0.5758**	0.414**	0.349**		
Obs	500	500	500		
Prob. F statistics	0.005				
	0.0000**				
R^2	0.0327				
	0.0249**				
Hausman = 0.4243					

Authors computation (2024)

NB: ** represents random effect otherwise, fixed effect.

From the result in table 4.4, the study observed that F-statistics values 0.005 and 0.000 for fixed effect and random effect models respectively indicate that the models are valid for drawing inferences since they are both highly statistically significant at 5% level. The coefficient of determination (R^2) is observed to be 3% and 2% for fixed effect and random effect models respectively, showed that our models are fit for explaining the changes in the dependent variable. The Hausman Test of 0.4243) indicates the Hausman Test is not significant and according to its rule, random effect result is preferred over fixed effect result. Hence, we selected random effect for our interpretation

Hypotheses Testing

Hypothesis one – Audit committee tenure does not significantly affect firm value of listed firms in Nigeria.

The Table 4 shows that audit committee tenure (ACTE) has coefficient of -.0179952 and P-value of 0.349, which means that audit committee tenure has negative and no significant effect on firm value (FIRV) of listed firms in Nigeria. It proves that FIRV will decrease by 0.01799 percent if the tenure of the audit committee is decreased by one percent. The finding is in agreement with that of Onyabe, Okpanachi, Nyor, Yahaya and Ahmed (2018) who discovered that audit committee tenure has a negative and insignificant effect on financial reporting quality. It also agrees with Özer, and Merter, (2023) that finds long tenure of the audit committee members to be associated with lower financial leverage

Hypothesis Two – Audit committee rotation does not significantly affect firm value of listed firms in Nigeria.

The table 4 shows that audit committee rotation (ACRO) has coefficient of .015025 and P-value of 0.414, which means that audit committee rotation has positive but no significant effect on firm value (FIRV) of listed firms in Nigeria. It proves that firm value will increase by meagre 0.015025 percent if rotation of audit committee is increased by one percent. The finding is not alignment with that of Herda, Khemakhem, Fontaine (2015) whose result indicated that the MAFR was perceived as a threat to their shareholder-granted authority to make audit firm appointment decisions.

Hypothesis Three- Audit committee independence does not significantly affect firm value of listed firms in Nigeria.

The table 4 shows that audit committee independence (ACID) has coefficient of .0016165 and P-value of 0.5758, which means that audit committee independence has positive but no significant effect on firm value (FIRV) of listed firms in Nigeria at 5% level of significance. It proves that FIRV (firm value) will increase by 0.001 percent if the number of non-executive directors is increased by one percent, if all other variables are kept constant. The finding agrees with result obtain by Sidiq and Krismiaji (2019) who finds that ACID of the characteristics of audit committee positively affect the company's performance. it does align with the result of Akanbi, Adedipe, and Ajayi (2022) who finds that audit committee independence is statistically insignificantly influenced the quality of financial reporting. However, it is in disagreement with Orife, orjinta and Ofor (2022) who finds that audit committee independence has negative and insignificant effect on financial reporting quality of oil and gas firms in Nigeria.

Conclusion

The study has successfully completed the quest to examine the effect of audit committee on firm value of listed firms in Nigeria. The study empirically emerged strong that audit committee rotation (ACRO) and audit committee independence (ACID) affected firm value positively but insignificantly; while audit committee tenure (ACTE) proved negative and insignificant in affecting firm value of the sampled firms.

Recommendations

The study recommends that;

i. Audit committee rotation should be maintained and sustained to avoid undetected suppressed financial irregularities in the firms' books.
ii. Audit committee tenure should be spelt out vividly and maintained improved financial reporting, enhanced internal controls, increased accountability, a stronger relationship with auditors, compliance, risk management, objectivity, improved decision-making, and increased investor confidence.
iii. Audit committee independence should be increased so as to significantly impact firm value.

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