

Audit Committee Attributes and Earnings Management: Evidence from Quoted Non-Financial Companies in Nigeria

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Abstract: *This study examined effect of audit committee attributes and earnings management of quoted non-financial companies in Nigeria. The objectives were to find out; the extent audit committee size impacts on return on equity of selected quoted non-financial companies in Nigeria; impact on the number of meeting of audit committee on return on equity of selected quoted non-financial companies in Nigeria; and impact of audit committee fees on return on equity of selected quoted non-financial companies in Nigeria. Ex-post facto research design was adopted. Data were collected from Cadbury Nigeria Plc, Cussons PZ, Dangote Plc, Nigerian Breweries Plc and Guinness Nigeria Plc covering the period 2013 to 2023. Panel least square regression analysis was used for data estimation since the data set involves a cross sectional time series. Based on empirical analysis, the study found that audit committee size has positive but no significant impact on return on equity of selected quoted non-financial companies in Nigeria. It was also observed that number of meeting of audit committee has negative and no significant impact on return on equity of selected quoted non-financial companies in Nigeria. Result also revealed that Audit committee remuneration has negative and no significant impact on return on equity of selected quoted non-financial companies in Nigeria. The study concluded that audit committee attributes*

have no influence on earnings management of non-financial quoted companies in Nigeria. Based on the findings, it was recommended that management of quoted companies should ensure that audit committee meets regularly to ensure better audit quality reporting.

Keywords: Audit committee, audit committee remuneration, audit committee size, audit committee meetings, earnings management, return on equity, financial performance.

INTRODUCTION

Background to the study

All over the world there has been cases of corporate financial scandals and abuse of power by top executives of organizations, leading to heavy losses for investors. As a result, there have been increased demands for the establishment of effective audit committees. The audit committee's role is one of oversight and monitoring, and in carrying out this responsibility, the committee may rely on management, the external auditors, and any adviser the committee might engage, provided its reliance is reasonable (Ekundayo & Ilori, 2019; Hadi, Triyani & Retnoningsih, 2025). The audit committee is one of the operating committees of the board of directors of organizations saddled with the board responsible for financial reporting and disclosures (Ademola et al., 2022; Appah, 2023).

The impact of audit attributes such as audit size, independence, meeting frequency, and the presence of financial expertise promoted by either hard laws (e.g., the Sarbanes-Oxley Act, 2002) or soft ones (e.g., various national/supranational codes of good governance) have been of central interest as means of improving the oversight of financial reporting, internal control, and auditor activity (Nerantzidis, Koutoupis, Drogalas, Vadasi & Mitskinis, 2023). That is, the audit committee has been proven to play a significant role in financial reporting, and it is considered one of the most important board committees (Karim, Robin & Suh, 2016).

The Cadbury Report (1992) was set up by the Committee on the Financial Aspects of Corporate Governance, known as the Cadbury Committee in May 1991 by the Financial Reporting Council, the London Stock Exchange, and the accountancy profession. The report made far reaching recommendations on corporate governance concerning the way in which companies are directed and controlled. The central components of the voluntary code of corporate practice are: that there be a clear division of responsibilities at the top, primarily that the position of Chairman of the Board be separated from that of Chief Executive, or that there be a strong independent element on the board; that the majority of the Board be comprised of outside directors; that remuneration committees for Board members be made up in the majority of non-executive directors; and that the Board should appoint an Audit Committee including at least three non-executive directors (Onakoya, Ofoegbu & Fasanya, 2012).

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According to Ekundayo and Ilori (2019), membership, compensation and tenure of the committee is dependent on the charter of the company in question. The committee has the responsibility to oversee the firm's financial, accounting reporting processes and preparation of the financial statement in compliance with regulatory standards and relevance statutes. Non –executive Directors are usually inclusive in the membership of the audit committee, however where no audit committee exists in the establishment, the entire board of directors assumes audit committee responsibility (Amponsah et al., 2024).

Considering the other component of our research, audit fees, they are among the most topical audit quality issues and have attracted considerable attention from researchers, audit standard setters, regulators, and stakeholders (Camfferman & Zeff, 2018). The increased interest in audit fee arises from the assumption that it represents one of the most common measures of audit quality in the literature (Fredriksson, Kiran, & Niemi, 2020). This suggests that the audit effort is reflected on audit fee and is linked to the quality of financial reporting. Thus, a decrease in the allowable detection risk causes an increase in the audit effort and audit fees (Duellman, Hurwitz, & Sun, 2015). Consequently, audit pricing could be interpreted as a way of improving audit quality (Nerantzidis et al., 2023).

Over the past three decades, the roles and responsibilities of audit committees have been evolving due to environmentally-related economic and regulatory reforms (Kang et al., 2015). Audit committee meeting improves financial reporting quality and enhances earnings management (Hussaini, Noor & Hasnah, 2018). Studies of Ormin, Tutaand Shadrach (2015); Oji and Ofoegbu (2017); Mwangi (2018) confirmed that financial reporting quality is improved with the formation of audit committees. The oversight function of audit committee has a great impact in the true earnings of the company. Mal, Babangida and Shadrach (2015) found that audit committee meetings have a positive effect on the quality of the financial reports. Thus, there is huge importance of the presence of experienced member among the audit committee in order to achieve quality of financial report.

Statement of the problem

The audit committee has faced some challenges in the past years that have caused lack of trust with financial reports. Thus, effective audit committee characteristics are fundamental determinants of high-quality financial reporting. Previous studies have proven that introduction of audit committee into companies improves the quality of financial report, despite these; there are still issues with the quality of financial report especially with the increased rate of fraud, misappropriations and manipulations. However, some studies oppose the above proposition, that there is no effect of audit committee characteristics on the quality of financial report. There is still need therefore to examine the audit committee components, assess the background profile of the audit committee members and the audit committee statutory checklists and also to determine if these factors can further improve the quality of financial report. Hence this study will examine the

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audit committee components in terms of (audit committee frequency of meetings, audit committee diversity and audit committee size) and financial reporting quality of selected non-financial companies in Nigeria.

Objectives of the study

This study assessed the effect of audit committee attributes and earnings management of quoted non-financial companies in Nigeria. Other objectives of the study include to:

- i. investigate the extent audit committee size impacts on return on equity of selected quoted non-financial companies in Nigeria.
- ii. determine the impact on of number of meeting of audit committee on return on equity of selected quoted non-financial companies in Nigeria.
- iii. examine the impact of audit committee fees on return on equity of selected quoted non-financial companies in Nigeria.

Research questions

This study is aimed at finding answers to the following relevant questions:

- i. To what extent does audit committee size impacts on return on equity of selected quoted non-financial companies in Nigeria?
- ii. What impact does number of meeting of audit committee have on return on equity of selected quoted non-financial companies in Nigeria?
- iii. What is the impact of audit committee remuneration on return on equity of selected quoted non-financial companies in Nigeria?

Research hypotheses

The following hypotheses were tested in the study:

- H₀₁: Audit committee size has no significant impact on return on equity of selected quoted non-financial companies in Nigeria
- H₀₂: Number of meetings of audit committee has no significant impact on return on equity of selected quoted non-financial companies in Nigeria
- H₀₃: Audit committee remuneration has no significant impact on return on equity of selected quoted non-financial companies in Nigeria

REVIEW OF RELATED LITERATURE

Conceptual framework

The conceptual framework of this work is discussed below:

Audit

Auditing is obtaining reasonable assurance that misstatement arising from Fraud and error that are material to the financial statements are detected (Ekundayo & Ilori, 2019). The internal auditors

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are the employees of a company who are appointed by the management to carry out audit of the day-to-day affair of the company as part of the internal control system. The external auditor is highly regarded in the corporate governance framework because unlike the internal auditor, is appointed by the shareholders. The external auditor is an independent person or firm of auditors appointed according to statutory requirement to investigate the financial statements of an entity and express his opinion in form of report on the true and fair view of such financial statements (Alawaqleh et al., 2021).

Within the framework of the corporate governance, management is responsible to prepare the annual financial statement detailing the operating results as well as the financial position of a company (Alabede, 2012). The financial statements are presented to shareholders to account for the stewardship of the management. However, such financial statements may lack credibility and shareholders may hardly believe the information contained therein. In order to overcome the problem of credibility of financial statements, an external auditor who is independent of the management is appointed to investigate the information in the financial statements and report his findings to the shareholders (Bi, 2019).

Audit committee

The Cadbury Report (1992) was set up by the Committee on the Financial Aspects of Corporate Governance, known as the Cadbury Committee in May 1991 by the Financial Reporting Council, the London Stock Exchange, and the accountancy profession. The report made far reaching recommendations on corporate governance concerning the way in which companies are directed and controlled. The central components of the voluntary code of corporate practice are: that there be a clear division of responsibilities at the top, primarily that the position of Chairman of the Board be separated from that of Chief Executive, or that there be a strong independent element on the board; that the majority of the Board be comprised of outside directors; that remuneration committees for Board members be made up in the majority of non-executive directors; and that the Board should appoint an Audit Committee including at least three non-executive directors (Onakoya, Ofoegbu & Fasanya, 2012).

The Audit Committee acts as a “guard dog” to ensure that procedures are adhered to (Ademola et al., 2022). As the ultimate supervisory mechanism in the assurance process for company financial reporting, the audit committee is highly relevant. The audit committee aids the board of directors in assessing and establishing effective internal control systems, as well as monitoring and focusing on financial risk and risk management. The audit committee serves as a vital link between a company and its external shareholders (Bolton, 2010).

Audit committees and their chairs are key elements of the financial reporting value chain (IAASB, 2014), and evidence on their inner workings, information gathering activities, and information processing strategies is accumulating (Free et al., 2021; Obermire et al., 2021). Shareholders play

a key role in the provision of corporate governance. Small or diffuse shareholders exert corporate governance by directly voting on critical issues, such as mergers, liquidation, and fundamental changes in business strategy and indirectly by electing the boards of directors to represent their interests and oversee the myriad of managerial decisions (Adedeji & Ajulo, 2021).

Vanstraelen and Schelleman (2017) assert that an audit can be deemed to possess high quality if it adheres to the stipulations of relevant auditing standards and the audit firm's audit execution guide. Additionally, quality of audit evidence, along with its capacity to substantiate the derived conclusion, contributes to the overall assessment of audit quality. However, Detzen & Gold (2021) propose that conceptualizing audit quality necessitates the integration of diverse perspectives from various stakeholders with distinct interests in financial statements. Rajgopal et al., (2021) highlight that the main users of financial statements consider audit quality to be characterized by the absence of material misstatements. Conversely, auditors may perceive quality within the ambit of how effective the audit process in achieving the objectives outlined in their audit methodology or execution guide. Similarly, Brivot et al., (2018) highlighted the existence of divergent perspectives among auditors regarding the definition of audit quality. Their research revealed that auditors working with public companies perceive audit quality as an audit that is free from all technical deficiencies, characterized by meticulous documentation, and devoid of any adverse inspection findings. In contrast, auditors serving private companies emphasize the importance of customizing audit procedures to align with the specific needs of clients, exercising a high level of professional judgment, and delivering value-added services as evidence of quality.

Responsibilities of audit committee

Understanding the responsibilities of an audit committee is crucial for ensuring financial transparency and accountability in an organization (Shamsuddin & Alshahri, 2022). Those responsibilities include:

1. Financial audit reporting

Audit committees are responsible for reviewing and assessing the integrity of the company's financial statement by scrutinizing its accounting practices and operations. They thoroughly review the financial reports prepared by management, including the balance sheet, income statement, cash flow statement, and accompanying notes. In addition to verifying the accuracy of the financial reports, audit committees also assess their completeness. They ensure all necessary disclosures, like information about transactions, contingencies, related party transactions, and significant accounting policies, are appropriately presented (Hadi, Triyani & Retnoningsih, 2025).

2. Internal control and risk management

Audit committees are responsible for reviewing the company's internal control systems to ensure they effectively mitigate risks. This includes collaborating with the risk committee in accordance

with the risk committee charter to evaluate and implement strategies that address operational, financial, and compliance risks.

3. Compliance and regulatory controls

Audit committees ensure the organization operates within the legal and ethical framework, adhering to applicable regulations and industry guidelines. The committee members review compliance programs to assess their effectiveness and identify any gaps or areas of improvement. Audit committees also stay abreast of regulatory changes and assess their impact on the organization. They monitor developments in laws and regulations relevant to the company's industry and operations.

4. Whistleblower and ethics programs

Audit committees establish mechanisms to enable employees and stakeholders to report concerns regarding accounting practices, fraud, or ethical violations. The audit committee oversees the effectiveness of these programs and ensures they provide a safe and confidential environment for reporting.

As part of their oversight, audit committees review reports of alleged misconduct or violations received through the whistleblower and ethics programs. They assess the nature and significance of these issues and determine the appropriate course of action, which may involve initiating investigations or engaging external resources, such as forensic auditors or legal counsel.

Audit fee

Audit fee is a fee that a company pays auditors in exchange for performing an audit. The audit fee charged is influenced by auditor dependent factors: the reputation of the auditor, auditor experience, competition in the audit market (Syder & Big-Alabo, 2022). When external audit is put out for tender, identifying those variables that are significantly associated with audit fees should help refine the tender specification, and thus improve comparison of the tenders received: over time this could increase the competitiveness of the audit market, and consequently reduce prices (Ezinando, 2020).Gammal cited in Arumona and Nev (2021), defines audit fees as the amount of expenses (salaries) received by the auditor for the audit process of the company (auditee). Audit fees are usually determined by an agreement between the auditor and his client, depending on the duration of the audit process, the services, and the number of employees required for the audit process. The audit fee is usually set before the audit process begins. The official assignment of the audit attracts service charge (Nerantzidis, et al., 2023).

Determinants of audit fee

Most organizations comprises of a set of group that are concern with mainly its profitability and long term survival. This is to ensure adequate returns on their investment and in interest in their

stakes on the company. As a result, they make up the corporate governance and include board of directors, shareholders, and stakeholders. These people are often responsible in determining the fee of auditors.

1. Board of directors: The board of directors is frequently the governing body of an organization. Its primary responsibility is to ensure that the organization achieves its shareholders' goals. Consequently, these stockholders hold the board of directors accountable (Al-Baidhani, 2015). Top executives are appointed, fired, and compensated by the board of directors (Johnson et al., 2008). Independent directors on boards are usually seen as essential because they act as true monitors who can discipline management and enhance business performance (Duchin et al., 2010). Inside directors are better than outside directors at enhancing shareholder wealth. One of the aspects that can help to reduce agency disputes within the organization is the board's composition and size (Ademola et al., 2022). Board size refers to the total number of directors on a board.

2. Audit committee: The Audit Committee acts as a "guard dog" to ensure that procedures are adhered to (Ademola et al., 2022). As the ultimate supervisory mechanism in the assurance process for company financial reporting, the audit committee is highly relevant. The audit committee aids the board of directors in assessing and establishing effective internal control systems, as well as monitoring and focusing on financial risk and risk management. The audit committee serves as a vital link between a company and its external shareholders (Bolton, 2010).

3. Shareholders: Shareholders play a key role in the provision of corporate governance. Small or diffuse shareholdersexert corporate governance by directly voting on critical issues, such as mergers, liquidation, andfundamental changes in business strategy and indirectly by electing the boards of directors to represent their interests and oversee the myriad of managerial decisions (Adedeji & Ajulo, 2021).

Audit size

The Internal audit size (IAS), is essential to improve performance of companies. The size of internal audit is measured by the number of internal audit seating on the committee of the internal audit department. Shaver (2005), argued that larger boards are often characterized by responsibility diffusion, which leads to social loafing, it encourages group fractionalization and minimizes group commitment to modifying strategy. From the perspective of resource dependence theory, it further postulates that larger board size would result in superior corporate performance owing to the various skills, knowledge, and expertise contributed into the boardroom debate. In addition, large boards could also offer the diversity that would assist companies to obtain critical resources and minimize environmental risks.

Earnings management

Earnings management measures the ability of an organization to effectively use its assets obtained from its primary mode of business to raise revenues (Grimsley, 2018). According to Vernna (2021), earnings management has to do with ascertaining the outcome of policies and operations of a firm in monetary term while to Maka and Suresh (2018) states that earnings management of

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a company shows how efficient management are able to utilize the resource to achieve the company's desired results and meet budgetary expectations.

Mutende, Mwangi, Njihia, and Ochieng (2017) define earnings management as the firm's ability to achieve planned financial results as measured against its intended outputs. Financial performance can be measured using financial ratios such as return on equity, return on assets, return on capital employed and operating margin. Those ratios give a clear understanding about financial performance. Therefore, the emphasis of financial performance is mostly on variables related directly to the financial report. Earnings management is proxied by some indices which include profit offer tax, return on asset, return on equity, return on capital employed, gross and nil profit margins earning per share etc. These indices just as Dabo, Andow and James (2018) asserted, are made available from the annual financial statement of the firms and provide information suitable for decision making to the users of financial statement. Some of the indices are discussed below:

Return on assets (ROA)

Return on Assets (ROA) is a major ratio that indicates the profitability of a firm (Arumona & Nev, 2021). It is an indicator of how profitable a company is relative to its total asset. It is a ratio of income to its total asset. It measures the ability of the firm's management to generate income by utilizing company assets at their disposal. In other words, it shows how efficiently the resources of the company are used to generate income (Amahalu, Okoye & Obi, 2019). A higher ROA shows that the company is more efficient in using its resources (Horton, 2018). The formula goes thus:

$$\text{ROA} = \frac{\text{Profit after tax}}{\text{Total assets}} \times 100\%$$

Return on equity (ROE)

Return on equity (ROE) or profitability of own capital, is a ratio to measure net profit after tax with own capital and generate net profit available to owners or investors. ROE shows the success or failure of the management in maximizing the return on investment of shareholders and emphasizes the return on income about the amount invested. ROE measures the return on investment of shareholders, using the formula for net income available to common shareholders divided by the number of common equity shares (Choiriyahet, Fatimah, Agustina & Ulfa,2021).

Return on equity (ROE) is a closely watched financial ratio among equity investors. It is a strong measure of how well the management of a firm creates value for its shareholders (Sukmawati & Garsela, 2016). The higher the profitability ratio of own capital the better because this shows the amount of own capital in generating several profits which is primarily net profit after tax (Choiriyah et al., 2021). On the contrary, the smaller the profitability ratio of own capital means that the capital invested as operating cost only produces a small or low net profit after tax. In other words, the higher the ROE, the higher the use of own capital owned by the company can generate net income, the more investors will invest their funds (Wardjono, 2010).

$$\text{ROA} = \frac{\text{Profit after tax}}{\text{Total equity}} \times 100\%$$

Dividend per share

The announcements of corporate financials in any period are expected to be accompanied by various corporate action announcements. When companies decide to pay dividends to existing shareholders on a particular date, the announcements will be accompanied by the dividend payment expectation. The unit or rate of dividend in naira is expected to be paid on individual units of shares held (Nwaiwu & Ali, 2018). Dividend per share is defined as the total amount of dividend expected to be paid by the total number of qualifying (Hirschey & Nofsinger, 2008). Dividend per share is expected to be constant throughout the announcement period up to the next dividend period.

Dividend is paid per period rather than a fraction of the period under consideration (Alajekwu & Ezeabasili, 2020). The dividend yield is the rate of return to the market on the dividends declared by an organization. The dividend yield is a financial ratio that depicts how much a company pays out in the form of dividends to its existing shareholders. When dividend is declared, investors' main concern is the return that the dividend will bring back to them based on the prices at which the stocks were bought. As the prices change daily, the current yield on the dividend paid will change from the date the dividend was declared to the dividend closure date when the share price of the entity is marked down on the floor of the exchange (Olowe, 2017).

Audit committee components and earnings management

This can be referred to the functioning among the audit committee in terms of audit committee frequency of meetings, audit committee size and audit committee diversity. Blue Ribbon Committee (BRC) specifically stated that audit committees should meet at least quarterly and this they argued shows the level of diligence expected from audit committees (Martani et al., 2021). Typically, audit committees have to meet three or four times a year (Matawee, 2013). The more frequent audit committees meet, the better the quality of financial reporting because they can monitor the management activities more promptly and effectively in the meeting (Ruzaidah&Takah, 2004).For audit committees to undertake their activities properly, it is suggested that the committee may need to meet at least eight times a year to ensure adequate oversight of the organization's assurance processes (Hamdan, Mushtaha& Al-Sartaw, 2013). Bryan, Liv, and Tiras (2004) posited that audit committees that meet regularly improve the transparency and openness of reported earnings and therefore improve earnings quality. Zhang,Zhou and Zhou (2007) used the number of meetings to measure whether the frequency influences financial reporting quality and found a positive correlation.

By audit committee size, in the context of this study is described as the number of persons that make up the committee. Regulatory bodies such as the Companies and Allied Matters Act 2020 as amended and the Security and Exchange Commission code of corporate governance of 2011 have

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specified the number of persons that should be on the audit committee board. Specifically, the Act stipulates that audit committees must be six (6) in number and should be made up of equal numbers of directors and shareholders representatives S359. For a committee to function properly, it is expected to have adequate manpower hence, the size criteria. It is noted that this size criteria differs across countries.

The International Federation of Accountants (IFAC) reveals five threats to auditor independence: self-interest, self-review, advocacy, familiarity, and intimidation; all these shaped the engagement of auditors. Auditors are expected to comply with these standards and comply with the code of conduct throughout audit engagement. As financial reporting served as the basis for making an economic decision, shareholders and creditors make investment and credit decisions based on this report. These accounting scandals have led to regulatory reform in audit practices (Yakubu & Williams, 2020).

Audit fee and earnings management

Realizing the income or loss figure presented through the income statement can help to identify the audited profitability (Ogbeifun & Olorunsola, 2020). Profitability firms pay more audit fees to their auditors in view of the fact that higher profits may require accurate audit testing of the authority for the identification of revenue and expenses which require more audit time. The key issue in the field of auditing and assurance is to recognize that auditing can be of even greater value if it looks beyond traditional financial issues and focuses on areas that matter to a wide range of stakeholders and the public (Abubakar & Obansa, 2020).

There is variation in the amount of the fee, depending on audit size and how complex the auditing process is (Lyon & Maher, 2005). This is further corroborated by Turley and Willekens (2008) who states that there are three composite factors which contribute to the establishment of audit fees, which include complexity, Client size and associated risk. Audit fees are the fees paid to the auditors that reflect the cost of the effort conducted by the public editors and litigation risks (Choi, Kim, Liu & Simunic, 2009). According to Ettredge, Scholz and Li (2007), if a client (auditee) pays lower audit fees than other firms in the same sector, the firm is more likely to become faithful to the audit firm, which could lead to the auditor ignoring material misstatement or permitting management to engage in aggressive earnings management. Exorbitant fees paid to auditors, especially for non-audit services make them more reliant on their clients (Kimeli, 2016). While the determinants of audit fees are not new in literature, the significance of the determinants in pricing audit fees within a developing country context is limited. Gunther and Moore (2020) note that auditing is conducted in diverse legal and cultural environment within organization that varies in purpose, size, complexity and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with the international standards for the professional practice of internal auditing is essential in meeting the responsibilities of auditors and the audit activity. Audit fees shall generally

be based upon the degree of responsibility, risk and skill involved in the time necessarily occupied on the work. It is also a measure by remuneration of auditors (Paradisa & Yustriela, 2020). Audit fees are specified in financial statements of companies.

Theoretical framework

The theoretical framework of this study is centered on the agency theory and stakeholder theory.

The agency theory

The fundamental premise of the theory was developed by William & Michael (1976) to explain the concept, context, and principles of the agency relationship. Auditors acts as agents who are responsible for safeguarding the interests of the shareholders, who are the principals. According to Ibitamuno et al., (2018), the theory aims to match the interests of managers, who act as agents, and shareholders, who act as principals, in order to reduce any potential agency conflicts. Knowledge asymmetry between business owners and corporate auditors results from distinction between ownership and control. Due to this information asymmetry, auditors may take use of their informational advantage and act in ways that are detrimental to the interests of owners. Financial reporting fraud is one example of these actions. As a result, several research works have discovered an association between information asymmetry and earnings management that is favorable (Prisilla & Bimo, 2022). Because of the information asymmetry and their lack of trust in agents, shareholders have established procedures and mechanisms to reduce information asymmetry and managers' opportunistic behaviors. These measures have been successful in addressing shareholders' concerns. Additionally, the concepts of agency theory are adhered to by the audit committee's function as a subset of the board in fostering the quality of financial reporting and supervising the accounting and auditing processes (Amponsah et al., 2024).

Stakeholder theory

Stakeholder Theory was viewed from the perspective of Edward Richard Freeman. According to Enekwe et al., (2020), Edward R. Freeman in 1963 and 1984 advanced the concept of "stakeholder" as those who affect or are affected by the operation of a business. He concluded that the focal point of the theory is for management to identify the group of stakeholders in a corporate entity and pursue their interests collectively. Similarly, Syder et al., (2020) submitted that in order to succeed and be sustainable over time, business executives must keep the interests of customers, suppliers, employees, host communities, and shareholders aligned to go in the same direction. Okoye et al., 2019) recounted that such stakeholders are customers, suppliers, creditors, employees, the government, shareholders, and society. A critical look at the viewpoint reveals it aims at achieving business objectives with concern for return for interested parties. Such a return is attributable to financial performance; therefore, the theory was chosen to direct the focus of the dependent variable.

Empirical review

Singhania and Panda (2025) examined the influence of Audit Committee composition on firm performance (FP) by measuring Audit Committee composition with a composite score based on the varying effect of each composition-characteristic. Partial Least Squares- Structural Equation Modeling (PLS-SEM) technique is used to weigh Audit Committee composition characteristics. Based on 133 companies and covering five years from 2016 to 2020, the study analyses data after controlling endogeneity through the Gaussian Copula approach. The study found a significant positive influence of audit committee composition on firm performance. Among the audit committee composition characteristics, the absence of executive directors has the highest positive weight on audit committee composition to influence firm performance, followed by audit committee size and gender diversity. Audit committee independence and members' accounting and financial expertise have no significant weight on its composition. Apart from the theoretical contribution, the study reveals that each audit committee composition characteristic has a varying effect on audit committee effectiveness to influence the FP that needs to be considered by regulators while framing regulations on audit committee composition and by board of directors while constituting audit committee for a company.

Hadi, Triyani and Retnoningsih (2025) analyzed the empirical testing of four hypotheses, i.e., the influence of the independent board of directors, the board gender, the independent audit committee, and the audit committee features on the extent of social disclosure. This study was conducted on companies listed on the Indonesia Stock Exchange (IDX) in the mining and energy industries, totaling 63 companies. Out of these, 55 companies met the criteria to be included in the unit of analysis. The data analysis then used ordinary least squares (OLS). The study results found that independent board of directors, independent audit committee, and audit committee features have a significant effect on the extent of social disclosure. Meanwhile, board gender has no significant effect on the extent of social disclosure. The results of testing this hypothesis also imply that the existence of an independent party, both on the board of commissioners and the audit committee, is urgently needed. They use an independent, professional, and non personal interest attitude in their assignments. In addition, the existence of gender in the audit committee is essential to improve oversight of disclosure.

Onwubiko and Nwankwo (2024) sought to ascertain the effect of audit quality on financial performance of quoted conglomerates in Nigeria. The study specifically investigated the effect of audit size, fee and tenure on return on asset of selected conglomerates in Nigeria. Purposive sampling technique was used to select the conglomerates in the study. The study involved a time series data between 2011-2021 involving 12 years. Data was excerpted from their financial summaries. The study adopted Ordinary least square regression technique, and also applied econometric estimations such as Augmented Dickey Fuller (ADF) and Johanson Cointegration tests. The study found that audit tenure affects a propensity to disclose key audit matters while

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noting that audit size and fee are not strong drivers of financial performance. The study recommended that organisations should ensure credibility and transparency in audit; this will enhance the quality of audit report.

Ernstberger (2024) investigated how audit committees chairs' personal incentives help explain their audit-related preferences and actions. Guided by a three-step risk management framework (risk identification, evaluation, and mitigation) we conduct semi-structured interviews with 23 Audit committee chairs of public German firms. First, they documented how Audit committee chairs' objective of avoiding financial reporting out-comes that pose personal (reputational) risks leads them to focus on specific attributes of management's accounting judgments to evaluate their personal risks. Second, the data revealed that Audit committee chairs considered specific auditor attributes helpful in evaluating these risks. Concerning risk mitigation, the study found that Audit committee chairs preferred to be actively involved in critical discussions with management, rather than delegate these entirely to the external auditor. Overall, the study found that document that Audit committee chairs' concerns about personal risk can translate into different preferences (e.g., an aversion to even positive surprises) than concerns about governance effectiveness.

El-Deeb, Alarabi and Mohamed (2024) examined the association between audit committee characteristics (ACC) and risk disclosure (RD) of firms, focusing on the moderating effect of audit quality (AQ). In this respect, the literature sources were reviewed, and a hypothetical framework was developed to test the hypotheses. The sample selection comprises 54 companies with non-financial companies listed in the Egyptian Exchange Market, EGX100, for the period 2018 to 2021, which amounts to 216 observations. According to the results, audit committee characteristics, such as size and financial expertise, are significant for risk disclosure, while audit committee characteristics relating to meetings and independence are less important for risk disclosure. The study further established that audit quality moderates the relationship between audit committee characteristics and risk disclosure, implying that the significant influence of audit committee characteristics is stronger when audit quality is high. These inferences are of essence to policy makers and companies in understanding the implication of audit committee characteristics on risk disclosure and the relation to high-quality audits in improving the effectiveness of audit committees. It underlines the importance of audit committees in giving assurance about transparency and accountability in financial reporting.

Amponsah et al., (2024) examined the critical roles of audit rotation and size of audit committee in enhancing audit quality among non-financial firms that are publicly traded on the Ghana Stock Exchange. An explanatory research design was employed to examine these objectives, and the two-step system analyzing method of moments (GMM) was analyzing on a sample of 19 firms. The study found evidence to support the notion that audit rotation harms audit quality. In addition, the empirical evidence revealed that larger audit committees have a positive impact on audit quality. Finally, the study discovered that larger audit committees can moderate the negative

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consequence of audit rotation on audit quality. The study recommended that policymakers consider revisiting regulations regarding mandatory audit rotation to ensure that they do not harm audit quality.

Altin (2024) investigated the impact of audit committee characteristics on firm performance. In particular, the authors employed the random-effects variant of the Hunter–Schmidt meta-analyze procedure to analyze the effects of key audit committee attributes, namely audit committee independence, audit committee expertise, audit committee size, audit committee meeting along with big four impact on firm performance. The authors hope to gain a better understanding of the function of audit committees in enhancing firm performance and to uncover potential discrepancies in prior findings due to varying economic levels or performance metrics. This study used the Hunter–Schmidt method to conduct a meta-analysis of 39 previous studies published between 2012 and 2022 to investigate the relationship between audit committee characteristics and firm performance. The results indicated that audit committee independence, expertise, size and affiliation with the big four have a significant and positive effect on firm performance, while audit committee meetings have a non-significant effect. Furthermore, findings suggest that companies should carefully consider the contextual factors that may impact the effectiveness of their corporate governance structures, such as economic level, when designing and implementing governance mechanisms.

Nerantzidis et al., (2023) presented a comprehensive systematic and objective review of existing research on the interaction between Acs and Afs. Using a sample of 78 articles, the study found that most studies are empirical and country-specific and focus on developed markets in Europe and America. It also found that the majority of the examined papers use quantitative research methods by employing demand and supply theory either implicitly or explicitly. Further, the study developed a categorization scheme, allocating the previous studies to six research themes (i.e. Composition, Diligence, Discrimination, Disclosure, Presence of (strong) AC and Compensation) and ten sub-themes.

Fadila et al., (2023) studied the influence of audit fee, audit tenure, and auditor competency on audit quality. This study employed a systematic review approach, analyzing articles downloaded from the Google Scholar online database covering journals published from 2019 to 2023 using keywords like audit fee, audit tenure, auditor competency, and quality of financial audit reports. The research incorporates 10 quantitative journals, with 5 employing linear regression analysis, 4 using logistic regression analysis, and 1 utilizing the partial least squares method. The findings revealed that a majority of the journals demonstrate a positive and significant correlation between audit fees, audit tenure, auditor competency, and the quality of audit reports. Nonetheless, a few articles assert the absence of a relationship between audit fees, audit tenure, and audit quality.

Kalita and Tiwari (2023) investigated the association between three corporate governance (CG) idiosyncrasies, namely audit committee characteristics, external audit quality (AQ), board

diversity and firm performance (FP) in the South Asian Association for Regional Cooperation (SAARC) nations. The study used a sample of 200 listed non-financial firms in the SAARC nations from 2012 to 2021. The System Generalized Method of Moment model was applied to the data consisting of 2000 firm-year observations. The Generalized Estimating Equation population-averaged model was also employed for added robustness. The study employed Tobin's Q as the measure of firm performance. The findings revealed that amongst the corporate governance variables tested, external audit quality exhibited a significantly positive relationship with Tobin's Q. Significant negative influences on firm performance have been demonstrated by the variables of audit committee meeting and board's independence. Furthermore, gender diversity, CEO duality, audit committee strength and independence failed to record any significant association.

Almunawwaroh and Setiawan (2023) examined the influence of audit committee characteristics on risk disclosure. This analysis includes 202 bank statements from 2017 to 2021, the observation period for banks listed on the Indonesia Stock Exchange. Regression was used for data extracted from annual reports, corporate governance reports, and company websites. The results demonstrated that the audit committee's expertise positively impacted risk disclosure. Risk disclosure is unaffected by the size and frequency of the audit committee. The audit committee plays a crucial role in providing information regarding risks; therefore, the corporation must pay close attention to the audit committee's quality. The knowledge of audit committees with a background in accounting or financial education can promote risk disclosure.

Shamsuddin and Alshahri (2022) observe the effect of audit committee (AC) characteristics, namely audit committee size, audit committee independence, and audit committee meetings on two financial performance indicators; return on assets (ROA) and Tobin's Q. This study was conducted on 63 non-financial firms listed on the Muscat Securities Market (MSM) in Oman for the period from 2016 to 2019. Multiple regression techniques have been applied to analyze the data and get empirical results. The findings revealed that two of the three independent variables have an insignificant effect on financial performance, and audit committee independence has a substantial negative effect on Tobin's Q. Based on the findings, it can be implied that the corporate governance mechanism and audit committee structure in Omani firms need to be improved. Stricter control government authorities may be necessary to ensure that firms appoint audit committee members who can enhance the firm's performance, and contribute to the country's economic expansion.

Orji and Nwaeze (2022) evaluated the causal link between audit fees paid by deposit Money Banks in Nigeria and their financial performance. Ex-post facto research design was adopted for the study where panel data extracted from the financial reports of ten (10) banks in Nigeria for the period 2014- 2020 were used. The dependent variable was financial performance measured with return on asset while the independent variable was audit fee. The variables were moderated with firm size and leverage. Generalized Method of moments (GMM) Model was used to analyze the data

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under E-Views version 10. The result revealed that audit fee has a positive and significant on financial performance of banks while firm size and leverage show negative but significant relationship with financial performance. The study therefore concludes that audit fee positively influences the financial performance of banks in Nigeria. The study recommends among others that banks management should ensure that audit fees charged by the auditors translate to better audit quality, which is reliance of financial users.

Kanakriyah (2022) examined the factors that have an impact on external audit fees on manufacturing companies listed on Amman Stock Exchange (ASE). Also, it tries to build a model to determine and measure external audit fees. A multiple regression model was developed for the (such as client size, profitability, client's risk, client's complexity, client's industry type, status of audit firm, external audit report lag, audit rotation and audit committee independence). The data were collected from the annual reports and information available important factors that have significant effect on audit fees are: Audit Report Lag, Risk, client Size, Status of the audit firm and corporate complexity. Also audit fees are negatively and significantly associated with industry type and profitability. More even, no relations were detected between audit committee independence and audit rotation with the audit fees. To the best of the researcher's knowledge, there are little studies that have been performed to examine the factors influencing external audit fees of manufacturing companies listed to Amman Stock Exchange (ASE) for 5 years period. In addition, this study is considered among the first studies to build a model which help companies to determine auditing fees.

Egiyi (2022) empirically investigated the relationship between audit quality and audit fees in companies listed on the Nigerian Stock Exchange in the financial services sector with a panel data set spanning the years 2010-2020. The likelihood of employing the services of a Big audit firm is used as the proxy for audit quality. In Nigerian companies, the data show a significant negative association between audit quality and audit size. Leverage and firm size the two explanatory variables, had an insignificant impact on audit quality. The empirical findings suggest that high audit fees threaten auditor's independence, which has a detrimental impact on audit quality. As a result, the report recommends that policies and guideline be developed to govern and regulate the audit pricing process.

Abdulla (2022) analyzed the relationship between different audit committee attributes and company performance in Bahrain. The study investigated the impact of audit committee independence, size, and meeting frequency on company performance (employing ROE, ROA, and Tobin's Q). Data from all 14 non-financial publicly listed companies on Bahrain Bourse during 2005–2019 were used. The results revealed that companies with independent audit committees and big audit committees in terms of size are performing poorly. It is also shown that the number of audit committee meetings does not affect company performance. Further, this study failed to find any association between the number of audit committee meetings and company performance.

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The findings showed that shareholders might lack knowledge of the importance of corporate governance mechanisms.

Bolaji (2021) examined the effect of audit committee characteristics, namely; audit committee components, background profile of audit committee and audit committee statutory checklists on the quality of financial report of listed financial institutions in Nigeria. The study adopted the correlational research design. The population size was fifty seven (57) financial institutions listed on the Nigerian Stock Exchange as at December 2017. A sample size of forty (40) companies was selected using purposive sampling technique. Data was collected through secondary sources from annual report of selected companies and Nigerian Stock Exchange factbook for the years 2008 to 2017. Data collected was analyzed through descriptive statistics, panel data analysis and pooled ordinary least square regression. The findings of this study showed that audit committee size and diversity have significant effects on the quality of financial report while audit committee meeting has no significant effect on the quality of financial report. Secondly it showed that experience and area of specialization have significant effect on the quality of financial report while educational qualification has no significant effect on the quality of financial report. Lastly it showed that financial expertise has a significant effect on the quality of financial report while audit committee independence and attendance of meetings have no significant effect on the quality of financial report. The study therefore, concluded that audit committee components and background profile affect the quality of financial statement while audit committee statutory checklists do not affect the quality of financial statement. It recommended that the size of the audit committee, diversity among the committee and the experience, area of specialization, expertise among the audit committee should be taken into consideration because it can positively affect the quality of financial statement.

Sheikh and Siddiqui (2020) carried out a study to investigate the impacts of audit fees and audit firm's reputation on audit quality from listed companies from Pakistan. A sample comprised of 49 listed firms from the KSE-100 index of Pakistan Stock Exchange (PSX) is selected for 5 years. Secondary data was sourced from the financial statement of the companies. The data is evaluated through multiple regression and correlations. The outcomes suggested that audit Fee seems to have a significant and negative effect on the quality of auditing, Audit quality also seems to affect ROA negatively, whereas, audit fee affected ROA positively. Lastly, the Big 4 representation has a negative effect on cash flows, whereas audit quality seems to have an inverse effect. The outcomes indicate that non-Big 4 audit firms in Pakistan perform higher quality of auditing than Big 4 audit firms. It concluded that in exchange for higher audit fees; auditors perform lower quality audits. The basic job of audit quality has gathered remarkably academic consideration.

Olabisi et al., (2020) examined the factors that determine audit quality among listed insurance companies in Nigeria. The study adopted Ex-post facto research design and 15 companies are purposively selected, out of 25 listed insurance companies in Nigeria as of 2018. Panel data is

extracted from the annual account and reports of the selected companies over a period of ten years (2009-2018). Pearson correlation analysis, ordinary least square (OLS) and Regression are the statistical tools used for the analysis. The results of the study reveal a significant relationship between the audits from size. Audit tenure, audit fees, cash flow and audit quality. However, there is no significant relationship between auditors independence, joint audit and audits quality. The study concludes that audit fees, audit firm size, audit tenure and cash flow from operations are major determinants of audit quality as each of them has significantly contributed to audit quality of listed insurance companies should place a high premium on audit firm size, audit fees, and short term tenure when engaging services of an audit firm.

Ezinando (2020) investigated the determinants of external audit fees of Nigerian deposit money banks. Specifically, the study ascertains the extent client complexity, and audit committee independence significantly affects audits fees of Nigerian deposit money banks. Ex-post facto research design will be adopted for the study. Using a sample of 15 banks quoted on the Nigeria Stock Exchange, data for the study was obtained from annual published financial reports of the banks covering a period of eight years from 2009-2018. Ordinary least Square Regression was used to test the two formulated hypothesis. Findings show that audit size. Client complexity and audit committee independence have positive influence on sample quoted Nigeria deposit money banks audit fees but these influences are not statically significant on audit fees. It therefore recommended that regulators of auditing practice should embraced a strategy to client and monitor the audit fees process in order to strike a balance and reduce over-charging and under-charging which could be used to impair the independence of the auditor.

Adegboye et al., (2020) investigated the influence of audit committee characteristics on the sustainability disclosure among the Nigerian listed banks. Using the Fixed Effect regression estimator of panel data for ten (10) listed banks in Nigeria over the period of 2014–2016, the result shows that the influence of audit committee independence and gender diversity of audit committee are significantly positive on the sustainability disclosure. However, the audit committee magnitude has a negative and significant influence on the sustainability disclosure. This study considered the importance of the gender diversity of the committee given its relative contribution to sustainability reporting quality.

Abdullahi, Norfadzilah, Umar and Lateef (2020) examined the impact of audit quality on the financial performance of listed companies Nigeria. Based on a panel data technique, 84 companies listed on the NSE were used, using 756 samples during a nine-year period from 2010 to 2018. To test the model, the study used multiple regression. The findings demonstrate that audit fee has a favorable but minor connection with ROA. This suggested that lowering the fee paid to auditors for audit services will improve the financial performance of Nigerian publicly traded companies. Auditor size has a large positive association with ROA, which supports the agency argument. This positive figure shows that as the number of enterprises audited by Big4 grows, so does financial

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performance (ROA). Auditor independence is likewise linked to the ROA in a positive and statistically meaningful way. Finally, auditor independence was demonstrated to have a greater impact on financial performance than auditor size.

Ozegbe and Jeroh (2022) examined audit quality attributes as possible determinants of companies' financial performance. The study drew inference from quoted companies in Nigeria, with data covering 10 years (2011 to 2020). The proxy for audit quality were statutory audit services, audit tenure, auditor's independence, and audit-firm size; whereas, firm performance was measured by Return on Assets (ROA). Firm year data which were collated from their respective annual reports were obtained from the database of MACHAMERATIOS. The study adopted the Panel Least Square technique, descriptive analysis and relevant diagnostic tests as part of the tools used in analyzing the data collated. The study found that audit independence exerts significant negative influence on ROA; audit tenure and audit firm size had positive relationship with ROA, although, this relationship was not significant. Conversely, statutory audit service on its own significantly influenced firm performance (ROA). Overall, measures of audit quality exert joint significant influence on ROA. The study recommended among others that the country's Financial Reporting Council and other regulators should develop policy guidelines to specifically checkmate auditors' tenure vis-à-vis compliance to existing regulatory framework for financial reporting.

Chen (2019) studied the relationship between internal control audit fees and internal control audit quality. Using the 2011-2016 A-share listed company data test, it is found that under the control of other possible conditions, the higher the internal control audit fee and its proportion, the lower the probability of being issued a non standard internal control audit opinion which means that the relatively high internal control audit fee may be paid by companies to purchase more favourable internal control audit opinions. Further, the above result is found to be more significant in non-state-owned, relatively smaller companies, and client whose total audit fees are higher. In general, from the research conclusions of this paper, the high internal control audit fees can be a form of damage to the independence and quality of internal control audit. The results have certain guiding significance for policy makers to further improve the internal control auditing system and regulate the disclosure of internal control audit fees, and also for the decision-making of auditors and listed companies.

Ugwunta, Ugwuanyi and Ngwa (2018) assessed the effect of audit quality on share prices in Nigerian oil and gas sector using regression and covariance analyses. The audit committee membership and auditor type have a considerable impact on quoted company market prices, according to the findings. According to the covariance study, whereas auditor type, auditor independence, and audit committee composition all have a significant association with share price, audit tenure has a negative link with share price. Chen (2019) studied the relationship between internal control audit fees and internal control audit quality. Using the 2011-2016 A-share listed company data test, it is found that under the control of other possible conditions, the higher the

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internal control audit fee and its proportion, the lower the probability of being issued anon-standard internal control audit opinion, which means that the relatively high internal control audit fee may be paid by companies to purchase more favorable internal control audit opinions. Further, the result was found to be more significant in non-state-owned, relatively smaller companies, and clients whose total audit fees are higher. The study concluded that the high internal control audit fees can be a form of damage to the independence and quality of internal control audit.

Ilechukwu (2017) carried out a study to examine the effect of audit fee on audit quality using a sample of selected firms from the consumer goods sector in Nigeria. Ex post facto research design was adopted because the data are already in existence. Secondary sources of data were obtained from the financial statement and Nigerian stock exchange fact book and the sample size consisted of 28 quoted consumer goods firms in Nigeria. The researcher adopted a purposive sampling technique to select a sample of eleven consumer goods firms for the study. The time frame ranges from 2011 to 2016 making it six years. The core explanatory variables employed were the audit fee and audit tenure. Added to these explanatory variables were the control for firm size, profitability, and leverage. The pooled data OLS regression technique was employed for data analyses. The results showed that audit fees and other explanatory variables determine of audit quality of the selected firms. Specifically, the study found that audit fees, client profitability, and financial leverage have a positive but insignificant effect on audit quality in the consumer goods sector of quoted firms in Nigeria. However, audit tenure and client size have a significant positive effect on audit quality in the consumer goods sector of quoted firms in Nigeria. The study concludes that the quality of firm audit is significantly enhanced by the length of audit tenure and client size, much more than the amount of audit fee, firm profit, and leverage. It is recommended that firms should contract audit firms for longer than three years to encourage the quality of audit reports.

Gap in literature

Previous studies explored various audit committee characteristics with different variables but the justification for the relationship between studied variables and the quality of financial report is inconclusive. This study is therefore conducted to perform an in depth study into the effects of audit committee components on the earnings performance of nonfinancial quoted firms firms in Nigeria. This is done to lend a voice to existing literatures and to further establish and improve existing findings.

METHODOLOGY

This study adopts ex-post facto research design as it involves the use of time series data to determine the economic relationship between two or more variables and such data have already been documented thus cannot be manipulated. Data were sourced mainly from secondary source. The data used for this study were collected and extracted from the summaries of financial reports

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of selected companies which are Cadbury Nigeria Plc, PZ Cussons Plc., Dangote Plc, Nigerian Breweries Plc and Guinness Nigeria Plc. The companies were selected based on availability of data and up-to-date financial report on their website. The sample size of this study is five selected quoted companies which are Cadbury Nigeria Plc, Cussons PZ, Dangote Plc, Nigerian Breweries Plc and Guinness Nigeria Plc, purposively selected for the study. The time frame covers from 2013 to 2023 which is 11 years. The panel data collected were analyzed using multiple regression. The study specified the following model:

The model is in the stated hypotheses are expressed in the following functions:

$$Y = f(X)$$

Where, Y= Dependent variable

X= Independent variable

Return on equity = f (Audit Size)..... i

The relationship expressed in equation form is

$$ROE_t = a + b_1AUDITSIZE_t + U_t.....ii$$

Where;

ROE = Return on equity

AUDITSIZE = Audit committee size

Return on equity = f (Audit Size).....v

The relationship expressed in equation form is

$$ROE_t = a + b_2AUDITNM_t + U_t.....ii$$

Where;

ROE = Return on equity

AUDITNM= Number of meeting of audit committee

Return on equity = f (Audit committee remuneration).....v

The relationship expressed in equation form is

$$ROE_t = a + b_3AUDITREMU_t + U_t.....ii$$

Where;

ROE = Return on equity

AUDITREMU= Audit committee remuneration

Using the multiple regression analysis, the model can be restated as

ROE = f (AUDITSIZE, AUDITNM, AUDITREMU).....vii

The relationship expressed in equation form is

$$ROE_t = a + b_1AUDITSIZE_t + b_2AUDITNM_t + b_3AUDITREMU_t + U_t.....viii$$

Where; $b_1, b_2, b_3 > 0$

DATA ANALYSIS**Data analysis****Table 4.1: Correlation matrix**

	ROE	AUDITSIZ	AUDITNM	AUDITREMU
ROE	1.000000	0.214221	-0.022420	-0.082311
AUDITSIZ	0.214221	1.000000	0.064127	0.029875
AUDITNM	-0.022420	0.064127	1.000000	-0.045718
AUDITREMU	-0.082311	0.029875	-0.045718	1.000000

Source: Author's Computation

In the table 4.1 above, to examine whether multicollinearity exists amongst independent variables, the highest correlation is 0.064127 which is between AUDITNM and AUDITSIZ while the lowest is -0.045718 which is between AUDITNM and AUDITREMU; therefore, there is a low level of multicollinearity amongst the independent variables.

Table 4.2: Descriptive statistics

Date: 03/12/25

Time: 13:37

Sample: 2013 2023

	ROE	AUDITSIZ	AUDITNM	AUDITREMU
Mean	0.026416	5.685185	3.851852	4.78E+08
Median	0.025000	6.000000	4.000000	4.23E+08
Maximum	0.112000	8.000000	4.000000	9.91E+08
Minimum	-0.002000	4.000000	2.000000	1.13E+08
Std. Dev.	0.018587	0.886462	0.491720	2.38E+08
Skewness	1.899934	-0.327559	-3.224403	0.799355
Kurtosis	9.598022	3.941785	11.95559	2.742814
Jarque-Bera	130.4390	2.961310	274.0270	5.899538
Probability	0.000000	0.227489	0.000000	0.052352
Sum	1.426449	307.0000	208.0000	2.58E+10
Sum Sq. Dev.	0.018310	41.64815	12.81481	3.00E+18
Observations	54	54	54	54

Source: Author's Computation

The descriptive analysis shows that ROE averaged 2.64% annually for the period under review with a maximum of 11.20%. AUDITSIZ averaged 5.6 with a maximum value of 8 members. AUDITNM averaged 3.85 with a maximum value of 4 meetings per annum. AUDITREMU

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averaged ₦4,780,000 with a maximum value of ₦9,910,000. This suggests that the auditors averaged meetings per annum is 4 times a year.

The Jarque-Bera statistics for all the series shows that ROE has a prob-value of 0.0000 and AUDITNM has a prob-value of 0.000 which implies that the residuals of ROE and AUDITNM are significant but not normally distributed. The residuals of AUDITSIZ has a prob-value of 0.2274 while AUDITREMU has a prob value of 0.052352 which are greater than 0.05 level of significance meaning that they are not significant but normally distributed.

Table 4.3: Result of OLS analysis

Dependent Variable: ROE
Method: Panel Least Squares
Date: 03/12/25 Time: 13:44
Sample: 2013 2023
Periods included: 11
Cross-sections included: 5
Total panel (unbalanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.009550	0.025821	0.369859	0.7130
AUDITSIZ	0.004603	0.002889	1.593097	0.1174
AUDITNM	-0.001536	0.005212	-0.294780	0.7694
AUDITREMU	-7.09E-12	1.08E-11	-0.659047	0.5129
R-squared	0.055409	Mean dependent var		0.026416
Adjusted R-squared	-0.001267	S.D. dependent var		0.018587
S.E. of regression	0.018598	Akaike info criterion		-5.060296
Sum squared resid	0.017295	Schwarz criterion		-4.912963
Log likelihood	140.6280	Hannan-Quinn criter.		-5.003475
F-statistic	0.977651	Durbin-Watson stat		1.846804
Prob(F-statistic)	0.410775			

Source: Author's Computation

Estimated model is linear and given as

$$\text{ROE} = 0.00955010207025 + 0.00460309587728 * \text{AUDITSIZ} - 0.00153641212647 * \text{AUDITNM} - 7.0895752646e-12 * \text{AUDITREMU}$$

The coefficient of determination R^2 is 5.55%, indicating that the proxies of sustainability reporting variables and return on equity are poorly fitted on the regression line. The adjusted coefficient of determination is -1.27% implying a high level of deviation from the regression line. The F-statistics is 0.977651 with a prob-value of 0.410775 which implies that the overall regression is statistically insignificant and the proxies of audit committee attributes do not jointly impact on return on equity. The Durbin Watson shows a value of 1.847 which is close to 2.00 implying that there is no positive autocorrelation in the model and hence the model is reliable to predict any forecasting.

Hypotheses testing

The research hypotheses are tested here under for acceptance or rejection.

Test of hypothesis 1

H₀₁: Audit committee size has no significant impact on return on equity of selected quoted non-financial companies in Nigeria

H_{i1}: Audit committee size has significant impact on return on equity of selected quoted non-financial companies in Nigeria

From the regression results in table 4.3, the regression coefficient of Audit committee size is 0.0046 which implies a positive relationship with return on equity. That is, the higher the audit committee size, the better the returns of the companies. The t-statistics value of 1.593097 has a prob value of 0.1174 which is greater than 0.05 level of significance; thus this indicates that audit committee size exerts an insignificant influence on return on equity. Therefore, the null hypothesis is accepted that audit committee size has no significant impact on return on equity of selected quoted non-financial companies in Nigeria.

Test of hypothesis 2

H₀₂: Number of meeting of audit committee has no significant impact on return on equity of selected quoted non-financial companies in Nigeria

H_{i2}: Number of meeting of audit committee has significant impact on return on equity of selected quoted non-financial companies in Nigeria

The result in table 4.3 shows that the coefficient of regression between Number of meeting of audit committee and ROE is -0.001536 implying a negative relationship with ROE. That is, the higher the number of meetings of the audit committee, the lower the return on equity. The t-statistics value of -0.294780 has a prob value of 0.7694 which is greater than 0.05 level of significance; this indicates that Number of audit committee meetings exerts an insignificant influence on return on equity. The null hypothesis is accepted that Number of meeting of audit committee has no significant impact on return on equity of selected quoted non-financial companies in Nigeria.

Test of hypothesis 3

H₀₃: Audit committee remuneration has no significant impact on return on equity of selected quoted non-financial companies in Nigeria

H_{i3}: Audit committee remuneration has significant impact on return on equity of selected quoted non-financial companies in Nigeria

The result in table 4.3 shows that the coefficient of regression between Audit committee remuneration and ROE is -7.09E-12 implying a negative relationship with ROE. That is, the higher the Audit committee remuneration, the lower the return on equity. The t-statistics value of -0.659047 has a prob value of 0.5129 which is greater than 0.05 level of significance; this indicates that Audit committee remuneration exerts an insignificant influence on return on equity. The null hypothesis accepted that Number of meeting of audit committee has no significant impact on return on equity of selected quoted non-financial companies in Nigeria.

DISCUSSION OF FINDINGS

The analysis revealed a positive but insignificant relationship between audit size and return on equity. This result implies that audit size has an insignificant impact on firm performance. In other words, the amount of the number of auditors does not influence the profitability of firms. The duties of auditors are simply to ensure accuracy in the financial reports presented by the company and as such have no responsibility in determining the profit or loss of the company. This result is consistent with findings by Ishak and Abidin (2021).

Our results also reveal a negative significant relationship between audit remuneration and return on equity. This result suggests that increase in audit remuneration results in a decrease in return on equity of the firms. This result is supported by the findings of Ezinando (2020) and Ernstberger (2024) and contradicts the studies of Ohidoa and Okun (2018).

We also found a negative and insignificant relationship between the number of meetings of the committee and return on equity. This result implies that the number of meetings does not translate into profitability rather at ensuring that the financial report are accurate and provide full financial information of the companies to the shareholders and other stakeholders of the companies. This is in line with the observations made by Hadi, Triyani and Retnoningsih (2025) and Singhanian and Panda (2025) in their studies.

CONCLUSION

Audit of financial statements is an important part of the regulatory and supervisory framework which is significant to public interest. The extent to which audit lends credence to the reliability of financial statements in turn depends on the quality of audit services rendered by the audit committee and their attributes. This study therefore looked at attributes such as the audit committee size, number of meetings held annually and the remuneration received and how these affects the earnings of the companies under audit. The result of the study shows that audit committee size positively affects the earnings of the companies studied. However, audit remuneration and number of meetings have negative influence on the earnings. The findings is a justification to previous studies which have argued that auditors have the sole responsibility of ensuring that the financial reports presented by the executives reflects the true financial nature of the company and therefore have nothing to do with whether what the companies do to make profit or loss. Based on the analysis conducted this present study concludes that audit committee attributes have no influence on earnings management of non-financial quoted companies in Nigeria.

Recommendations

Based on the findings of this study, the following recommendations are made:

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1. Following from the research findings, the study recommends that management of quoted companies should ensure that audit committee meet regularly to ensure better audit quality reporting.
2. Also, management should adopt stringent measures to regulate and monitor the determining factors in charging audit fees.
3. Policymakers should carefully consider the different characteristics among countries (e.g., corporate governance system, financial reporting environment, and culture background) before designing the introduction of new audit committee practices, as most prior empirical studies are concentrated on shareholder/market-based systems.

Contribution to knowledge

The practical implications contributed from the results of this study are that regulators need to go deeper to understand the factors that drive companies to quality information reporting. The results of this study fully support the role of the audit committee's existence and experience in governance implementation, which is to encourage corporations to provide quality financial reporting.

Suggestion for further studies

It is expected that future studies consider the importance of ownership structure in their study.

Conflict of interest

The authors declare no conflict of interest.

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