IMPACT OF AUDIT COMMITTEE QUALITY AND AUDIT QUALITY OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

The quality of financial reporting is a critical component in ensuring transparency, accountability, and investor confidence in the banking sector. This study investigates the effect of audit committee characteristics specifically independence, diversity, financial competence, and frequency of meetings on the quality of financial reporting among listed money deposit banks in Nigeria. Despite extensive global research on audit committee effectiveness, limited studies have addressed this issue within the Nigerian context, particularly in the banking sector. The study adopts a descriptive research design and draws on secondary data from annual reports of selected banks listed on the Nigerian Stock Exchange. By addressing both conceptual and contextual gaps identified in prior literature, this research provides new empirical insights into how specific audit committee attributes influence financial reporting outcomes in Nigeria. The findings contribute to the ongoing discourse on corporate governance and regulatory reforms, offering practical implications for policymakers, regulators, and financial institutions aiming to enhance the credibility and reliability of financial disclosures.

***Keywords**: Audit Committee Characteristics, Financial Reporting Quality, Corporate Governance, Money Deposit Banks, Nigeria*

1.0 INTRODUCTION

Corporate financial reporting plays a vital role in delivering essential information to a wide range of stakeholders, aiming to present a true and fair view of a company's performance and financial position to support economic decisions (Mbobo & Ekpo, 2016). Stakeholders such as shareholders, creditors, analysts, and tax authorities rely on quality reports, typically communicated through financial statements (Mbobo & Ekpo, 2016). These statements reflect management's stewardship and help users predict future cash flows (Ibadin & Dabor, 2015).

The rising demand for credible financial reports has highlighted the need for robust monitoring mechanisms, such as the board of directors and audit committees. Audit committees became more prominent following global corporate scandals like Enron (2001), WorldCom (2002), and Cadbury Nigeria PLC (2007) (Siam et al., 2014; Naiker & Sharma, 2005).

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Weak monitoring, particularly ineffective audit committees, has led to financial crises due to undetected accounting irregularities. This has cast doubt on the credibility of financial reports, reinforcing the importance of audit quality in ensuring transparency and stakeholder trust (Ado et al., 2020; Hasan et al., 2020). High-quality audits reduce earnings management and enhance the effectiveness of audit committees (Hasan, 2020). Factors like accounting standard convergence, financial crises, and past scandals have brought financial reporting quality into sharp focus (Herath & Albarqi, 2017).

In Nigeria, the financial sector—especially Deposit Money Banks (DMBs)—has undergone significant restructuring due to performance issues, necessitating standard-compliant audit procedures to prevent misreporting and fraud (Herath & Albarqi, 2017). Audit quality, though primarily the auditor's responsibility, requires support from all stakeholders to enhance report reliability (Adeyemi et al., 2012). Corporate fraud is also prevalent in Nigeria, with cosmetic accounting practices contributing to significant investor losses. The collapse of Cadbury Nigeria Plc, audited by a top firm, illustrates this issue (Otunsanya & Uadiale, 2014; Okaro et al., 2013). As a result, there is increasing distrust in Nigerian financial reports (Adeyemi & Akinniyi, 2011), reflecting global concerns about financial reporting reliability (Herath & Albarqi, 2017). To address this, several reforms and regulations have been introduced to enhance financial transparency (Alwardat, 2019). Yet, audit quality remains a contested concept, with ongoing debate about its definition, measurement, and impact (Christensen et al., 2016). The audit committee plays a crucial role in mitigating misstatements and improving reporting quality.

Financial intermediaries, including banks, have been central to recent financial crises, often due to asset misvaluation and governance failures (Sanusi, 2016). Factors such as audit fees, committee tenure, size, and independence have been linked to the failures of banks like First Bank, GTBank, Access-Diamond, Polaris, Zenith, and others (Adeyemi & Fagbemi, 2017). Auditor' independence is often compromised by regulatory weaknesses, non-audit services, and personal interests. Given these concerns, several studies have examined the relationship between audit practices and reporting quality, though many are based outside Nigeria. Therefore, this study aims to investigate the impact of audit committee characteristics on the financial reporting quality of Deposit Money Banks in Nigeria.

The study is organized into five sections: Section One introduces the study's background, problem, objectives, and significance; Section Two reviews relevant literature and theories; Section Three explains the research methodology; Section Four presents and analyzes the data; and Section Five provides the conclusions, recommendations, limitations, and directions for future research.

2.0 LITERATURE REVIEW

2.1 Audit Quality

Audit quality consists of two words: audit and quality. Audit traditionally means to do verifying of financial statements that they give a true and fair view in all material respect, that is, with regard to generally accepted accounting standards. Quality means absolute obligation of making sound judgment; it is total commitment to making sound judgments, which means making sure that all right steps are taken consistently in the process of the audit. Audit quality indicates the relevance of independence, integrity, and objectivity to auditor opinion on quality of financial statements (Baah & Fogarty, 2018). In the view of the firm, the audit process entails continuously recognizing critical matters affecting the audit performance, analyzing conditions, formulating a response, and monitoring and enhancing (Martin, 2013). Auditors and investors agree that the auditor's characteristics are the most important determinants of audit quality (Christensen et al., 2016). Existing studies portray audit tenure, audit firm size, and audit quality as positively and significantly related (Alsmairat, Yusoff, Ali, & Ghazalat, 2019).

2.2 Financial Reporting Quality

According to the International Accounting standard Board (IASB), the quality of financial reporting determines the critical qualitative characteristics which strengthen the qualitative characteristics (IASB, 2015). The board defines its fundamental qualitative characteristics as a relevance and faithful representation of the information within the financial statements. It defines enhancing qualitative characteristics as comparability, verifiability, timeliness, and comprehensibility of financial statements. In addition, financial reporting quality is more usefully characterized as financial and non-financial information that is related to decision making (Herath Amp; Albarqi, 2017).

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2.3 Empirical Review

Numerous studies have explored the relationship between audit committee attributes and audit quality in Nigerian listed companies. Adeyemi and Okpala (2017) found a significant positive relationship between audit quality and financial reporting quality based on both primary and secondary data from respondents in Lagos. Madawaki (2018) observed a decline in earnings quality in post-audit committee years, though audit committee independence and expertise were positively associated with improved financial reporting.

Nuraddeen and Hasnah (2019) used a qualitative approach to reveal that audit committees and audit quality reduce earnings management through control of discretionary accruals. Similarly, Adeyemo et al. (2020) reported that audit committee attributes such as meeting frequency, financial literacy, independence, size, and attendance positively affect financial reporting quality.

Contrary to these findings, Temple, Ofurum, and Egbe (2016) found no effect of audit committee independence on earnings management in Nigerian banks. However, Orjinta and Evelyn (2018) noted that audit committee characteristics explain 76% of the variation in non-financial firm performance. Asiriuwa (2018) and Asiriuwa et al. (2018) both found a positive relationship between audit quality and committee attributes such as size, meeting frequency, expertise, and overall effectiveness, though only size and effectiveness were statistically significant. Temple (2019) identified that more independent audit committee members and larger boards positively influence financial reporting quality. On the other hand, Chukwu and Nwabochi (2019) observed a negative relationship between audit committee meeting frequency and timeliness of reporting, and a statistically insignificant relationship involving audit committee gender and independence.

Mbobo and Umoren (2020), analyzing 10 Nigerian banks from 2006 to 2013, found that independence, attendance, size, and existence of an audit charter significantly influence financial reporting quality, while expertise and number of meetings had no significant impact. Lastly, Aronmwan, Uwuigbe, and Uwuigbe (2018), using a binary probit regression based on 2011 SEC regulations, concluded that audit committee size, meeting frequency, number of experts, and overall effectiveness are positively linked to audit quality. However, only size and effectiveness had a significant impact, leading to a recommendation for a 6-member audit committee structure to enhance effectiveness.

2.4 Gaps in Literature

Despite extensive global research on audit committee quality—particularly in listed companies—there is limited focus on this topic within Nigeria's public sector context. Most prior studies center on firms listed on foreign stock exchanges, whereas the current study uniquely examines the influence of audit committee characteristics (independence, diversity, competence, and meeting frequency) on financial reporting quality in Nigerian listed deposit money banks. This setting is critical, as state-owned enterprises may lack performance-driven incentives, potentially leading to earnings manipulation to please stakeholders. For

example, Madawaki (2019) and Madawaki and Amran (2019) focused on share ownership, financial expertise, and chair independence in Ghanaian listed firms. This study goes further by including diversity and competence. Similarly, while Kantudu and Samaila (2018) examined audit committees among oil marketing firms, and Hundal (2013) did not link audit committees directly to reporting quality, this study addresses those conceptual gaps.

Moses, Ofurum, and Egbe (2019) used a correlational design on non-commercial banks, while this study applies a descriptive approach to deposit money banks. International comparisons include Ghafran (2020) on UK firms, Gunes and Atilgan (2016) on UK and Turkish banks, and Chang, Chen, and Zhou (2013) on audit committees in China—all offering limited contextual relevance to Nigeria. Wakaba (2014) investigated audit committee characteristics in Kenya, and others like Huang et al. (2011), Huse and Solberg (2006), and Martinez and Fuentus (2007) focused on gender diversity and boardroom effectiveness in international contexts. In contrast, this study emphasizes Nigerian banks' audit committees and includes financial competence, independence, diversity, and meeting frequency. Additionally, while Krishnan and Visvanathan (2007), Kabiru and Rufai (2014), and Bedard, Chtourou, and Courteau (2004) emphasized financial expertise and independence, they omitted other important attributes such as diversity and meeting regularity—now included in this research. Similarly, McDaniel, Martin, and Maines (2002) and Carcello et al. (2006) examined financial literacy and governance broadly, while this study narrows in on audit committee structure.

Finally, Stewart and Munro (2007), Zabojnkova (2016), and Saidin (2007) addressed audit committee characteristics in Australia, the UK, and Malaysia respectively, often focusing on limited features like meeting frequency or financial performance. By contrast, this study fills the conceptual, contextual, and geographical gaps by examining multiple audit committee characteristics and their impact on financial reporting quality in Nigerian listed deposit money banks.

3.0 RESEARCH METHODOLOGY

3.1 Population

The population of the study will comprise of all the listed Deposit Money Banks in Nigeria as at 31st December 2023. There are fifteen (15) listed deposit banks on the Nigeria stock exchange as at 31st December, 2023.

3.2 Sample size

The sample size include all the banks. The choice of all the Deposit Money Banks is informed by the need of the study to cover all the elements of the population such that possible generalization can easily be made.

3.3 Source and Method of Data Collection

This study will use secondary source of data. The secondary data will be collected from the published annual reports and accounts of the sampled banks. The annual reports will be retrieved from the websites of the banks.

3.4 Method of Data Analysis

This study will also analyze quantitative data extracted from the audited annual reports and accounts of the Banks based on multiple regression model with the aid of STATA package over the period of eleven (11) years from 1985- 2023.The major tool of data analysis that shall be used in this study is multiple regression analysis which will be carried out with the aid of statistical software. Robustness tests for Colinearity, normality and Heteroskedasticity will be conducted to ensure reliability of the study results. To address panel effect of the data, fixed effect and random effect options will be explored. Hausman specification test will also be used to provide direction as whether fixed effect or random effect will be used. The essence of these analyses is to improve the validity of all the statistical inferences that will be made.

3.5 Model Specification

The model use for this study is adopted form Ching and San (2015).

$FRQ = f(AF, AFS, AT)$ ..... (i)

$FRQ = \beta 0 + \beta 1\ AF + \beta 2\ AFS + \beta 3\ AT + \Sigma$ ..... (ii)

Where:

FRQ= Financial Reporting Quality AF= Audit Fees

AFS= Audit Firm Size AT= Audit Tenure

$\beta 0$ = Intercept

$\beta 1$ ..... $\beta 3$ =Coefficients of explanatory variables

Σ= Component Error

The model for this study is:

ROA= Measured as a ratio of earnings before interest and taxes to total assets. NIM= Measured as a

difference between interest income and interest

Tobin‟s Q= Measured as a ratio of book value of assets to market values of the assets. AUDIT COMMITTEESIZ= Measured as a total number of committee members.

ACIND= Measured using a dummy variable stating 1 if the audit committee members are all non-executive directors that were appointed at the AGM in each accounting period and 0 for otherwise.

ACFEX= Measured as a dummy variable stating 1 if the audit committee has a member who currently has (or had previously) work experience as certified chartered accountants, chief financial officers, financial controllers, or any other major accounting positions in each accounting period and 0 for otherwise.

ACMET= Measured as a total number of times the committee holds meeting during an accounting period.

3.6 Measurement of Variables

The variables of the study are described in Table 1

Variables Description	**Name**	**Measurement**	**Source**
Return on Assets	ROA	Measured as a ratio of earnings before interest and taxes to total assets.	Bouaziz (2012)
NetInterest Margin	NIM	Measured as a difference between interest income and interest expenses divided by total assets.	Ojulari (2012)
Tobin‟s Q	Tobin‟s Q	Measured as a ratio of book value of assets to market values of the assets.	Ojulari(2012) and Nagel (2011)
Audit Committee Size	AUDIT COMMITTEE SIZ	Measured as a total number of committee members.	(2008) & Beasley, *et al.*(2000)
Audit Committee Independence	ACIND	Measured using a dummy variable stating 1 if the audit committee members are all non-executive directors that were appointed at the AGM in each accounting period and 0 for otherwise.	Ame (2013), Saat, Karbhari, Xiao and Saed (2012)

Audit Committee Financial Expertise	ACFEX	Measured as a dummy variable stating 1 if the audit committee has a member who currently has (or had previously) work experience as certified chartered accountants, chief financial officers, financial controllers, or any other major accounting positions in each accounting period and 0 for otherwise.	Defond*et al.* (2005) and Bouaziz (2012)	
Audit Committee Meetings	ACMET	Measured as a total number of times the committee holds meeting during an accounting period.	Sharma (2009), Cohen (2014) Turley &Zamam (2007)	

Source: Researchers Compilation from Literature

Therefore, the study test hypotheses one to three ($H0_1$ to $H0^2$) from the regression results of models one to two.

4.0 RESULTS AND DISCUSSION

4.1 Presentation and analysis of qualitative data

The descriptive statistics of the data collected is presented in Table 4.1 as follows;

Table 4.2.1: Mean-variables distribution of response of the study

Variables	Mean	SD	Min	Max	Skewness	Kurtosis	N
ROA	0.0495	0.0638	-0.0307	0.2406	1.5437	4.1275	105
NIM	0.3320	0.1203	0.0349	0.5871	0.0013	2.5848	105
TOBINQ	0.4961	0.0830	0.4060	0.8991	2.6141	11.2556	105
AUDIT COMMITTEESIZ	5.3619	0.6523	4.0000	6.0000	-0.5228	2.3150	105
ACIND	0.8667	0.3416	0.0000	1.0000	-2.1573	5.6538	105
ACFEX	0.8286	0.3787	0.0000	1.0000	-1.7436	4.0402	105

ACMET	2.6571	0.7048	2.0000	4.0000	0.5897	2.1805	105
BCOMP	0.5901	0.0777	0.3333	0.8333	0.6006	4.4359	105
INSHL	0.2688	0.2026	0.0000	0.6805	0.1851	1.9911	105
FSIZE	27.2	1.0038	24.0000	29.0000	-0.8665	3.7883	105

Source: STATA Output (Appendix A1)

Table 4.1 presents the descriptive statistics for the variables used in the study of Nigerian deposit money banks. The financial performance indicator, Return on Assets (ROA), has a mean value of 4.95% and a standard deviation of 6.38%, indicating that ROA values deviate from the mean by approximately 6.38%. The minimum and maximum ROA values are -3.07% and 24.06%, respectively. The distribution of ROA is positively skewed, as shown by a skewness coefficient of 1.5437, and the kurtosis value of 4.1275 suggests that the data is not normally distributed. Net Interest Margin (NIM) shows an average of 33.20% with a standard deviation of 12.03%, and a range from 3.49% to 58.71%. The skewness coefficient of 0.0013 indicates a near-symmetrical distribution, but the kurtosis of 2.5848 still implies non-normality.

Tobin's Q (TOBINQ), another financial performance metric, has a mean of 49.61% and a standard deviation of 8.30%, with values ranging between 40.60% and 89.91%. The skewness value of 2.6141 suggests strong positive skewness, and the high kurtosis of 11.256 confirms that the distribution is not normal. Regarding corporate governance variables, the average audit committee size (AUDIT COMMITTEESIZ) is 5.36 members, with a standard deviation of 0.6523. The skewness of -0.5228 indicates a negatively skewed distribution, while the kurtosis value of 2.3150 confirms non-normality. Audit Committee Independence (ACIND) averages 86.67%, with a standard deviation of 34.16%, and ranges from 0 to 100%. The data is negatively skewed (-2.1573) and not normally distributed (kurtosis = 5.6538).

Audit Committee Financial Expertise (ACFEX) has a mean of 82.86% and a standard deviation of 37.87%, with a minimum of 0 and a maximum of 100%. The skewness of -1.7436 indicates a negatively skewed distribution, and the kurtosis value of 4.0402 confirms a non-normal distribution. Audit Committee Meeting Frequency (ACMET) averages 2.66 meetings annually, with a standard deviation of 0.7048, and ranges between 2 and 4 meetings. The data is positively skewed (0.5897) and not normally distributed (kurtosis = 2.1805).

Board Composition (BCOMP), representing the proportion of non-executive directors, has a mean of 59.01%,

a standard deviation of 7.77%, and ranges from 33.33% to 83.33%. The distribution is positively skewed (0.6006) and non-normal (kurtosis = 4.4359). Institutional Shareholding (INSHL) shows that an average of 26.88% of equity is held by corporate entities, with a standard deviation of 20.26%, and a range between 0 and 68.05%. The skewness of 0.1851 suggests slight positive skewness, and the kurtosis of 1.9911 indicates non-normality. Lastly, Firm Size (FSIZE), measured in natural logarithm, has a mean of 27.2 with a standard deviation of 1.0038, and ranges from 24 to 29. The skewness of -0.8665 and kurtosis of 3.7883 both reveal that the data is negatively skewed and not normally distributed. These results collectively suggest that the data distributions deviate from normality, a consideration that is crucial for subsequent statistical analysis.

Table 4.2.2: Normalcy test of distribution of response variables

Variables	W	V	Z	P –values	N
ROA	0.7340	22.875	6.962	0.0000	105
NIM	0.9869	1.131	0.274	0.3921	105
TOBINQ	0.6876	26.865	7.320	0.0000	105
AUDIT COMMITTEESIZ	0.9779	1.905	1.434	0.0758	105
ACIND	0.9052	8.155	4.668	0.0000	105
ACFEX	0.9373	5.395	3.749	0.0001	105
ACMET	0.9771	1.967	1.505	0.0662	105
BCOMP	0.9145	7.357	4.439	0.0000	105
INSHL	0.9474	4.526	3.359	0.0004	105
FSIZE	0.9675	2.795	2.286	0.0111	105

Source: STATA Output

Table 4.2 reveals result for normalcy of distribution of response variables. Shapiro technique tests the null hypothesis (that the data is normal), that is, the variables came from a normally distributed population. The results from table 4.2 indicate that the data from response variable; ROA, TOBINQ, ACIND, ACFEX, BCOMP, INSHL, and FSIZE are not normally distributed, because the P-values are statistically at 5% and below (0.0000, 0.0000, 0.0000, 0.0001, 0.0000,0.0004 and 0.0111 respectively). On the other hand, the data

from response variable; NIM , AUDIT COMMITTEESIZ, and ACMET variables are normally distributed because they are not statistically significant at 5% or below levels of significant (0.3921, 0.0758 and 0.0662 respectively). Thus, the null hypothesis (that, the data is normally distributed) is not rejected. Hence, the variables follow the normal distribution assumption of normality.

4.2.1 Correlation Matrix for response variable

The summary of the Pearson Correlation Coefficients of the variables of the study are presented in Table 4.3 as follows;

Table 4.2.3: Correlation Matrix for response variables

Variables	ROA	TOBIN	AUDIT	ACIND	ACFEX	ACMET	BCOM
FSIZE	NIM	Q	COMMIT TEESIZ				
ROA				1.000			
NIM		0.603*			1.000		
TOBINQ	0.602*			0.638*			
AUDIT	1.000		0.398	0.231**	0.621		
COMMITTEESI	1.000	0.084	0.103	0.099	-0.244*		
ACIND							
ACFEX	1.000	0.442*	0.446*		0.359*	0.074	**-0.083**
ACMET	1.000	0.501*	0.721*	0.620*	0.344*	0.202	**0.403***
BCOMP	0.098	0.037	-0.0001	-0.19**	-0.038	0.077	**-0.031**
INSHL	-0.009	0.166***	0.010	0.158	-0.107	0.092	**-0.073**
FSIZE	**-0.024**	**0.078**	**-0.022**	**-0.154**	**-0.074**	**0.146**	**0.067**

**Correlation is significant at the 1%level (2-tailed).*

***Correlation is significant at the 5% level (2-tailed).*

****Correlation is significant at the 10% level (2-tailed).*

Source: STATA Output

Table 4.3 presents the correlation results between various audit committee and corporate governance variables

and the financial performance of Nigerian deposit money banks, measured using Return on Assets (ROA), Net Interest Margin (NIM), and Tobin's Q (TOBINQ). The findings reveal a consistent and significant positive relationship between audit committee size and all three performance indicators. Specifically, audit committee size correlates significantly with ROA ($r = 0.3983$, $p < 0.01$), NIM ($r = 0.2312$, $p < 0.05$), and TOBINQ ($r = 0.6211$, $p < 0.01$), indicating that financial performance improves with larger audit committees across the study period. Audit committee independence shows a positive relationship with all three performance metrics—ROA ($r = 0.0843$), NIM ($r = 0.1033$), and TOBINQ ($r = 0.0995$)—though none of these correlations are statistically significant. This suggests that while the presence of more independent or non-executive directors may contribute to improved financial outcomes, the impact is not strong enough to be conclusive within the context of the study.

Audit committee financial expertise, however, displays a significant and positive correlation with ROA ($r = 0.4418$, $p < 0.01$), NIM ($r = 0.4462$, $p < 0.01$), and TOBINQ ($r = 0.3589$, $p < 0.01$). This implies that financial performance tends to increase when audit committees include members with accounting and financial skills, highlighting the importance of technical competence in audit oversight.The frequency of audit committee meetings also emerges as a strong determinant of financial performance. A significant positive relationship exists between meeting frequency and ROA ($r = 0.5009$, $p < 0.01$), NIM ($r = 0.7206$, $p < 0.01$), and TOBINQ ($r = 0.6202$, $p < 0.01$), suggesting that more frequent meetings enhance audit committee effectiveness and, in turn, boost financial outcomes.

Board composition (BCOMP) shows a mixed pattern. It has a positive but statistically insignificant correlation with ROA ($r = 0.0980$) and NIM ($r = 0.0374$), while a slight negative and insignificant correlation exists with TOBINQ ($r = -0.0013$). These findings indicate that board composition may not play a significant role in influencing performance within the context of Nigerian banks during the study period. Institutional ownership (INSHL) exhibits weak and statistically insignificant relationships with all performance indicators: ROA ($r = -0.0085$), NIM ($r = 0.1656$), and TOBINQ ($r = 0.0103$). Similarly, firm size (FSIZE) shows consistently negative and insignificant correlations with ROA ($r = -0.0241$), NIM ($r = -0.0779$), and TOBINQ ($r = -0.0222$), suggesting that larger firm size does not necessarily translate to improved financial performance in the sample banks studied.

4.2.2 Analysis of Regression Results

This section presents and discusses the regression results of all the models of the study. The section begins

with the presentation of regression results of model one

Table 4.2.4: OLS Regression Results: Model One

Variables	Coefficients	t-values	p-values
AUDIT COMMITTEESIZ	0.0667	4.14	0.000
ACIND	0.0037	1.89	0.062
ACFEX	0.1517	3.94	0.000
ACMET	0.0548	2.57	0.012
BCOMP	11.6636	2.97	0.004
INSHL	1.7196	1.50	0.137
FSIZE	-2.8122	-2.31	0.023
CONSTANT	1.9339	6.49	0.000
R SQUARE			0.4605
ADJ. R SQUARE			0.4215
F-STATISTIC	11.83		0.0000
HETTEST: CHI2	0.59		0.4426
HAUSMAN CHI2	9.28		0.2333
Random Effect: Chibar	20.52		0.2348
Mean VIF	1.54		

Source: STATA Output (Appendix A4, A5, A6, A9 & A10)

The study employed panel data analysis using Fixed Effects, Random Effects, and Pooled OLS regression models. Model selection was guided by the Hausman specification test and the Breusch and Pagan Lagrangian Multiplier test. While the Hausman test ($Chi^2 = 9.28$, $p = 0.2333$) suggested the Random Effects model could

be suitable, the Breusch and Pagan test (Chibar² = 0.52, p = 0.2348) indicated that the Pooled OLS model is more appropriate for Model One. Diagnostic tests also confirmed the model's reliability: the Breusch-Pagan/Cook-Weisberg test showed no heteroscedasticity (Chi² = 0.59, p = 0.4426), and multicollinearity was not a concern, with a mean Variance Inflation Factor (VIF) of 1.54. The model explained 42.15% of the variation in financial performance (ROA) among Nigerian deposit money banks, as indicated by the adjusted R^2 of 0.4215. Furthermore, the model's overall fit was confirmed by an F-statistic of 11.83, significant at the 1% level (p = 0.0000).

The regression results in Table 4.4 highlight that audit committee size (AUDIT COMMITTEESIZ) significantly and positively affects financial performance (ROA), with a coefficient of 0.0667 and t-value of 4.14 (p = 0.0000). This implies that larger audit committees are associated with higher profitability. Audit committee independence (ACIND) also contributes positively, though at a 10% significance level, with a coefficient of 0.0037 and t-value of 1.89 (p = 0.062), suggesting that an increase in independent members moderately enhances performance. Audit committee financial expertise (ACFEX) showed a strong and significant positive impact on ROA (coefficient = 0.1517, t = 3.94, p = 0.0000), indicating that adding financially literate members improves profitability. Similarly, the frequency of audit committee meetings (ACMET) had a significant positive effect (coefficient = 0.0548, t = 2.57, p = 0.012), reinforcing that regular meetings boost financial performance

Board composition (BCOMP) also significantly influenced performance, with a large coefficient of 11.6636 and a t-value of 2.97 (p = 0.004), reflecting the role of external directors in enhancing governance outcomes. Although institutional ownership (INSHL) had a positive coefficient of 1.7196 and t-value of 1.50, it was not statistically significant (p = 0.137), implying limited influence. Conversely, firm size (FSIZE) negatively impacted ROA, with a coefficient of -2.8122 and t-value of -2.31 (p = 0.023), suggesting that excessive asset accumulation may reduce profitability.

5.0 CONCLUSION, RECOMMENDATIONS, LIMITATIONS, AND FUTURE RESEARCH DIRECTIONS

This study concludes that audit committee characteristics—specifically size, independence, frequency of meetings, and financial expertise—positively and significantly influence the financial performance of listed deposit money banks in Nigeria, measured through Return on Assets (ROA), Net Interest Margin (NIM), and Tobin's Q. The independence of the audit committee emerged as a particularly critical factor in enhancing

performance and boosting investor confidence. The study affirms that audit committee functions significantly affect financial standards compliance and play a pivotal role in reinforcing investor trust.

Based on these findings, it is recommended that audit committee practices be strengthened not only in publicly listed firms but also extended to private companies to promote good corporate governance. Regulatory bodies should issue clearer guidelines regarding board composition, expertise, meeting frequency, and empower shareholder associations to monitor compliance effectively. Enforcement mechanisms must be more robust to ensure these codes serve as real tools for accountability. Furthermore, companies should adopt philosophies that emphasize market education, transparency, and the protection of investors' interests.

However, the study is limited to listed deposit money banks and uses only three financial performance indicators, which may limit generalizability to other sectors or provide a narrow view of bank performance. It also focused on just four audit committee attributes, omitting other relevant corporate governance mechanisms. Future research is encouraged to explore audit committee impacts in non-financial sectors, particularly manufacturing firms. Researchers could also consider additional performance indicators such as earnings per share, liquidity, return on capital employed, and risk asset quality, as well as explore other audit committee attributes like industry knowledge, age, and social networks.

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