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EFFECT OF AUDIT COMMITTEE CHARACTERISTICS ON PERFORMANCE OF NON-FINANCIAL FIRMS: EVIDENCE FROM A RECESSED ECONOMY

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ABSTRACT: This paper examined the effect of audit committee characteristics on performance of selected non-financial firms quoted in Nigerian Stock Exchange. A sample of 50 listed firms was used for the period 2007 to 2016. The study was predicated on ex post facto and cross-sectional research design and used secondary data for the analysis. The data collected were analyzed using descriptive statistics, Pearson correlation analysis and Ordinary Least Square regression. The result revealed that there is a significant positive relationship between audit committee independence, audit committee meeting and firm performance at 5% level of significant while a positive significant association was also recorded against audit committee size and return on assets but at 10% level of significant while an insignificant and positive relationship was observed between audit committee qualification and return on assets of non-financial firms in Nigeria. The findings showed that 76% of changes in the performance of non-financial firms can be attributed to the audit committee characteristics while 24% were unaccounted for hence captured by the stochastic error term. The study recommends among others, that non-financial firms' directors should be constituted by independent persons with high level of integrity that can match words with action to improve performance of non-financial firms and also enable them perform their oversight functions effectively and ensure that audit committee members meet frequently in order to tackle important issues that might hinder organizational performance more especially in this era of economic recession.

KEYWORDS: Audit committee independence, audit committee size, committee meeting, financial qualification and return on asset.

1 INTRODUCTION

The corporate scandals such as Enron, Global Crossing, Tyco, and World Com have shaken the Investors' confidence and made it difficult for companies to raise equity from the stock market (Agrawal, 2005). In commenting on these scandals, many reports believed that the board of directors and its committees do not have a good supervision on the management. Kojola (2008) asserts that financial scandals around the world and the recent collapse of major corporate institutions like Enron, WorldCom, Satyam, South East Asia, Europe and Nigeria have shaken investor's faith in the capital markets and the efficacy of existing corporate governance practices in promoting transparency and accountability. Good corporate governance like audit characteristics is an important step in building market confidence and encouraging more stable, long-term international investment flows (Bergstresser & Philippon, 2006). For example, Enron manipulated its financial statements through off - position statement financing. Therefore, the board was unable to disclose the distorted statements because the board lacked certain qualifications and independence from senior executives (Deakin and Konzelmann, 2004). Moreover, World Com materially overstated its earnings and finally filed for bankruptcy. The investigation showed that the audit committee failed to effectively oversee the mangers duties (Weiss, 2005). Consequently, these well-publicized corporate scandals together with the Nigerian economic recession crisis recently have highlighted the importance of good corporate governance practices for the long-term survival of companies (Mustapha, Daud & Muhamad, 2009). There have been massive fraud and unethical practices within and among a number of organizations in Nigeria. The recent insider trading, massive and prevalent fraud, due to corrupt practices and inefficient rubber stamped board has combined to the absence or failure of the existing firm performance. The events have serious devastating effect on stakeholders in terms of losses in their investment. The events also resulted in the loss of hundreds of jobs especially in the non financial sector and drastic drop in the share price of most listed companies on the Nigeria stock exchange market. The shock to the stakeholders and the public led to the yet unanswered question of "how" such event could have happened when companies were declaring billions of naira in profit. Therefore, the trust which investors had on the credibility and the quality of financial report presented by the management of the companies could no longer be sustained as they were considered misleading. Hence, a higher need to protect stock holders interest so as not to have another overwhelming shock becomes imperative. The importance of an audit committee is increasingly being acknowledged in the literature, yet very little work has been done on board committees in emerging economies.

The literature on effect of audit committee characteristics on firm performance in an emerging and recessed economy like Nigeria is scarce. Thus, it is needful to conduct this study in the Nigerian context to investigate the role of audit committee as it relates to the concept of interest bearing in mind the current economic recession being experienced in Nigeria where several quoted firms are facing cash crush challenges which is adversely affecting their operations. Even the few prior studies that examined effect of audit committee characteristics on firm performance found mixed results and therefore have inconsistent results. For example, Bansal and Sharma (2016) studied audit committee, corporate governance and firm performance in India and found no effect between audit independence and firm performance but found positive effect between audit committee size and firm performance while Gabriela (2016) found audit committee independence to be negatively correlated with firm performance and Salisu and Nur Ashikin (2016) examined the impact of audit committee attributes on the performance of financial companies in Malaysia and found significant positive relationship between audit committee independence and firm profitability. These are some evidence of contradictions of previous research. It is therefore evident from the above studies that prior researchers have not established a clear cut direction of the effect of audit committee characteristics on firm performance. These prior studies depicts mixed results and inconclusive findings, hence there exists a knowledge gap. To the best of our knowledge, the uniqueness of this research over other prior studies is that audit committee independence, audit committee size, audit committee meeting and qualification in relation to firm performance have not been examined in the past by prior research in Nigeria. Moreover, most of the literature has selected only two to four years to explain the effect and this has not provided a beneficial explanation. However, using a longer period of time and expand the scope of research by examining non-financial firms as no study in Nigeria has ever studied non-financial firms as this research will help to provide a more in-depth explanation which could lead to more accurate findings. We extend the work that has alluded to the importance of the characteristics of audit committee(independence, size, meeting and audit qualification) with several unexplored, yet crucial, attributes represented in audit committees and additionally theorize and test how these audit committee characteristics play a role in an emerging economy context. This is the void the present study intends to fill. Therefore, there is need to ascertain the effect of audit committee characteristics (independence, size, meeting and audit qualification) as the independent variables and decomposes firm performance as dependent variable with the aim of ascertaining the effect of audit committee characteristics on performance of non-financial firms in Nigeria for the smooth and sustainable economic growth. Against this background, the following objectives were raised to guide this study.

- To ascertain the effect of audit committee independence on return on assets of non-financial firms.
- To investigate the effect of audit committee size on return on assets of non-financial firms.
- To determine the effect of frequency of audit committee meetings on return on assets of non-financial firms.
- Ascertain the effect of audit committee qualifications on return on assets of non-financial firms.

2 Review of Related Literature

2.1 Audit Committee Independence and Firm Performance

Bansal and Sharma (2016) studied audit committee, corporate governance and firm performance in India and found no effect between audit independence and firm performance. Gabriela (2016) analyses the effect of audit committee characteristics on firm performance of non-financial UK companies and found audit committee independence to be negatively correlated with firm performance. Salisu and Nur Ashikin (2016) examined the impact of audit committee attributes on the performance of financial companies in Malaysia and found significant positive relationship between audit committee independence and firm profitability. Murya (2010) argued that independence of the audit character was an important part of audit committee effectiveness. Xie, Davidson and DaDal (2003) states that the independent of the board and audit characteristics should be continuously maintained and reviewed at least annually and more often as necessary. Listed companies should have policies in place to facilitate timely identification of changing relationships or circumstances that may affect the independence of audit characteristics members. Abbott (2002) also found an inverse relationship between audit committee independent and earning management. Arslan (2014); Bouaziz and Triki (2012), Nuryanah and Islam (2011); Yasser (2011) mentioned that independent audit committees improved the quality of audit reports and enhanced performance of firm.

2.2 Audit Committee Size and Firm Performance

The size of an audit committee can have a positive impact on firm performance. This was supported by the empirical study of Bansal and Sharma (2016) that studied audit committee, corporate governance and firm performance in India and found positive effect between board size and firm performance. Gabriela (2016) analyzed the effect of audit committee characteristics on firm performance of non-financial UK companies and found audit committee size to have significant positive association with firm performance. Larger audit committees can be more effective as they are likely to include members with varied expertise to perform more intense monitoring of financial reporting practices (Baxter & Cotter, 2009). Deoliveira (2012); Fauzi and Locke (2012); Saibaba and Ansari (2012) and Ujunwa (2012) argued that a large audit size would bring more knowledge, visions, opinions and investment proposals that would ultimately benefit stakeholders. Hambrick (2008) asserted that smaller boards were incapable of making strategic changes due to their inefficiency in considering various alternatives for firm growth. On the other hand, numerous researchers favour smaller audits and are of the view that large audits lead to non-cooperation and waste of time in decision making as they suffer from social loafing. Thus, their knowledge and skills remain unutilized (Dharmadasa, 2014; Drakos, & Bekiris 2010; Jensen, 1993; Lin, 2011).

2.3 Audit committee meeting and Firm Performance

Bansal and Sharma (2016) studied audit committee, corporate governance and firm performance in India and found no effect between audit committee meeting and firm performance. Gabriela (2016) analyzed the effect of audit committee characteristics on firm performance of non-financial UK companies and found frequency of audit committee meetings to have significant positive association with firm performance. The level of activity of an audit committee has been recommended as important to enhance its effectiveness in improving firm performance (Baxter & Cotter, 2009). Al-Mamum (2014) was of the view that regular meetings of audit committee could help reduce agency problems and information asymmetry of a firm by providing fair and timely information to investors. DeZoort (2002) suggested that a company where the audit committee meets more frequently was likely to be more careful in safeguarding the interest of its investors. Menon and Williams (1994) considered two audit committee traits (meeting frequency and independent) to ascertain if the board directly relied on audit committee as a tool to control managers and found that these two characteristics improved the monitoring of the firm and could thereby improve its performance. Several studies observing the relationship between audit committee meeting frequency and firm performance have given mixed results. Abdul and Haneem (2006) and Mohd (2007) provided evidence that lesser number of audit committee meetings improved financial performance of the firm as it reduced the additional cost that was incurred with every meeting, but Kyereboah (2008) established favorable outcome of frequent audit committee meetings on market measures of firm performance. Greene (2003) was of the view that regular meetings of audit characteristics could help reduce agency problems and information asymmetry of a firm by providing fair and timely information to investors. Cheu and Zhou (2004) noted that audit meetings serve as important mechanism for improving and promoting corporate governance in firms. There is likeliness that financial fraud would be reduced if the audit meets frequently and carry out its duties as required (Stewart & Munro, 2007). This frequency of audit meetings has also been observed to have a good effect on firm performance.

2.4 Audit Committee Qualification and Firm Performance

Qin (2007) found that firm with higher quality of earning are more associated with audit committee members who have financial expertise. This position has also been confirmed in more recent studies. Bouaziz (2012) found that audit committee qualification has a significant effect on return on equity and return on asset. Iskandar (2009) suggested in its study that firm performance was tone down by audit committee qualification. Harrast and Olsen (2007) indicate that the audit committee gain significant clout under SOX and have greater power participate in the financial reporting process if their expertise has already been documented. Dofond (2005) claim that a positive market reaction to the appointment of financial experts assigned to audit committee is found however, there is no reaction to non-financial experts assigned to audit committees. Davidson (2004) show significant positive stock price reaction when new members of audit committees have financial expertise. Similarly, Dezoort (2001) have found that the amount of experience of audit committee members as well as their knowledge of auditing is positively associated with the likelihood that members support the listener in the discussion of the managerial firm. Song and Windram (2000), a high degree of financial literacy is necessary for an audit committee to effectively oversee a company's financial control and reporting. The role of an audit committee in overseeing accountability of the management covers a wide scope to include the overall process of corporate reporting. This requires the audit committee to have accounting knowledge requirements. The need to comprehend the overall financial and non financial contents of corporate reports is greater considering that listed companies are operating as conglomerates with some having complex group structures and therefore, presenting technically advanced financial reporting contents. Financial literacy reduced fraud in corporate financial reporting.

3 EMPIRICAL STUDIES

Gabriela Zabojnikova (2016) examined the impact audit committee characteristics on firm performance using evidence from non-financial firms listed on London Stock Exchange in UK from 2011 to 2015. The main findings of his study suggest that there is a significant positive relationship between the audit committee size, frequency of meetings and its financial performance. They also found audit committee independence to be negatively correlated with firm performance.

Bansal and Sharma (2016) examined the role of audit committee characteristics in improving firm performance. The study considered the role of audit committee characteristics (independence and frequency of meetings) in addition with other components of corporate governance (duality, promoter shareholding, board composition and board size) in firm performance. Fixed effect panel data regression was applied on 235 non-financial public limited companies listed in NSE 500. The time period considered was ten years (2004-2013). Their result revealed significant positive association of board size and CEO-chairman dual role with firm performance and their findings did not reveal any additional effect of audit committee independence and its meeting frequently on the financial performance of India firms.

Salisu and Nur Ashikin (2016) analysed the impact of audit committee attributes on the performance of finance companies in Malaysia in both period before and after the Malaysian Code on Corporate Governance (MCCG) was issued. The period covered 5years from 2007 to 2011. Their findings suggest a significant positive relationship between independent audit committee members and profitability while dual membership of directors on audit and nomination committee is significant and negatively related to profitability.

Abdullah, Qaiser, Ashikur, Ananda and Thurai (2014) studied relationship between audit committee characteristics, external auditors and economic value added (EVA) of public listed firms in Malaysia. They examine the association between audit committee characteristics and firm performance among public listed firms in Malaysia. Their study employed EVA as performance measurement tool. The sample is 75 firm year observations and covers fiscal years 2008-2010. The study found that audit committee independence is positively associated with firm performance while audit quality is negatively associated in Malaysia. Also audit committee characteristics have a positive effect on firm performance.

Allam, Adel and Sameh (2013), studied impact of audit committee characteristics on firm performance, evidence from Jordan. They investigated the relationship between audit committee characteristics (namely: audit committee size, financial experience and audit committee independence) on performance which includes financial, operating and stock performance. Their study sample contained 106 corporations from the financial sector listed in Amman stock exchange market with a total of 212 observations during the period 2008-2009 sample year. The result showed that the audit committee has an impact on financial and stock performance and also does not have an effect on operating performance.

Modum, Robinson and Edith (2013) examine audit committees and corporate performance of selected companies quoted in the Nigeria stock exchange: a perception analysis. They evaluate the relevance of the audit committee on corporate performance. It was discovered that the quality of audit committee rather than its mere existence impacts on the performance of companies through a positive impact on corporate governance of such companies.

Zied (2012) studied impact of the presence of audit committees on the financial performance of Tunisian Companies. They examine effect of audit committee characteristics at each of the endogenous variables taking into account the impact of firm size and the level of debt. Empirical validation was conducted on a sample of 26 Tunisian firms listed on Tunis stock exchange over a period which lasts 4 years (2007-2010).

Similar studies have also been carried out in the context of Nigeria (Oaikhenan & Udegbunam, 2008; Uwuigbe, 2011). These studies have focused on audit characteristics on financial performance of manufacturing firms in Nigeria.

Husam, Keith, Simone, Ray and Stepham (2011) studied audit committee characteristics and firm performance during the global financial crisis. Their analysis revealed that smaller audit committee with more experience and financial expertise is more likely to be associated with positive firm performance in the market. They also find that longer serving chairs of audit committees negatively impacts accounting performance.

Table 1. Webometric analysis of selected studies on the effect of audit committee characteristics on performance of non-financial firms

Author/Date	Topic	Methodology	Findings
Bansal and Sharma (2016)	Audit committee, governance and firm performance: empirical evidence from India	Fixed panel data regression method	Their result revealed significant positive association between board size, CEO-chairman dual role with firm performance while they found no effect between board independence and its meeting with firm performance.
Salisu and Nur Ashikin (2016)	Audit committee attributes and firm performance: Evidence from Malaysian finance companies	Multiple regression analysis	Their study examined the impact of audit committee attributes on the performance of finance companies in Malaysian Code of Corporate Governance (MCCG) covering period of 5years from 2007 to 2011. They observed a significant positive relationship between independent audit committee members and profitability while dual membership of directors on audit and nomination committee is significant and negatively related to profitability.
Gabriela (2016)	Audit committee characteristics and firm performance: evidence from UK.	Multiple regression analysis	The study found that there is a significant positive relationship between the audit committee size, frequency of its meeting and its financial performance. The study also observed that audit committee independence was negatively correlated with firm performance and that longer serving chairs of audit committees negatively impacts accounting performance.
Okaro, Okafor and Oraka (2014)	Factors affecting audit committee quality in Nigeria.	Survey method.	The findings uphold the Nigeria security and exchange commission recommendation that an audit committee should have at least one financial expert in the team.
Ebrahim, Abdullah and Faudziah (2014)	The measurements of firm performance dimensions.	Econometric model and panel data.	The result show that performance measurement has great significance in effective management of an organization and in the enhancement of the processes since only measureable things is manageable.
Zied (2012)	Impact of the presence of audit committees on the financial performance of Tunisian companies.	Panel date.	The resulting shows the importance of the impact of the characteristics of the audit committee on the financial performance.
Modum, Robinson and Edith (2013)	Audit committees and corporate performance of selected companies quoted in the Nigeria stock exchange: a perception analysis.	Survey method.	The result reveals that the quality of audit committee rather than its mere existence impacts on the performance of companies through a positive impact on corporate governance of such companies.
Husam, Keith, Simone, Ray and Stephan (2011)	Audit committee characteristics and firm performance during the global financial crisis.	Simple regression analysis	Its findings revealed that longer serving chairs of audit committees negatively impacts accounting performance.
Juliana and Luiz (2012)	Toward a subjective measurement model for firm performance.	Co-integrated test analysis & error correction method	The findings shows that dimensions cannot be used interchangeable, since they represent different aspects of firm performance and corroborate the idea that stakeholders have different demands that need to be managed independently.
Laith (2014)	Relationship between audit committee characteristics, audit firm quality and companies' profitability.	Multiple regression model	The result showed positive relationships between audit committee meeting, audit committee size and companies profitability, while no significant relationship between audit committee composition, audit committee members literacy, audit and companies profitability.
Allam, Adel and Sameh (2013)	Impact of audit committee characteristics on the performance: evidence from Jordan.	Time series analysis method.	The result shows that the audit committee has an impact on financial and stock performance. It does not have an effect on operating performance.
Abdullah, Qaiser, Ashikur, Ananda and Thurai (2014)	Relationship between audit committee characteristics, external auditors and economic value added of public listed firms in Malaysia.	Multiple regression model	The result show that audit committee independence is positively associated with firm performance while audit quality is negatively associated in Malaysia.

4 METHODOLOGY

4.1 RESEARCH DESIGN

This study was ex- post facto in nature since it sought to investigate the effects of independent variables on the dependent variable after occurrence. Thus, ex post facto research design was used to describe the effects of audit committee characteristics on firm performance.

This study utilized secondary data as the main source of information and was sourced from the annual report and accounts of the various non-financial companies from 2007 to 2016.

4.2 DATA AND VARIABLE DESCRIPTION

The study bases its selection of variables on the theoretical proposition and evidence in the literature; two categories of variables were used; dependent and independent variables. The independent variables are audit independence, audit size, audit meeting and audit qualification while dependent variable is return on assets.

Table 2. Operationalization of variables

Variables	Measurement
Audit Committee independence (ACI)	Percentage of independent directors to total number of audit committee.
Audit Committee size (ACS)	Total number of audit committee members.
Audit Committee meetings (ACM)	Frequency of audit committee meeting held during the financial year
Audit Committee Qualification (ACQ)	Percentage of audit committee member with finance or accounting qualification
Returns on assets (ROA)	Profit before tax/total assets.

4.3 MODEL SPECIFICATION

The linear regression model used in this study is adapted from the prior studies of (Husam et al, 2011) and Laith (2014). Consistent with previous studies, this model modified and extended the model tested by prior studies and the ordinary least square was guided by the following linear model

$$Y = F[X_1, X_2, X_3, X_4,] \quad (1)$$

$$\text{Profitability} = F[\boldsymbol{ACI}, \boldsymbol{ACS, ACM, ACQ}] \quad (2)$$

Based on the above model, we specify the following regression equation

$$ROA_{it}=a_{0it}+ a_1ACI_{it}+ a_2ACS_{it}+ a_3ACM_{it} +a_4ACQ_{it} + E$$

Where

ROA = Return on asset
ACS = Audit Committee Size
ACI = Audit Committee Independence
ACM = Audit Committee Meetings
AQ = Audit Committee Qualification.
£ = Stochastic error term capturing other unexplanatory variables
a = Constant
a_1, a_2, a_3, and a_4 are the co-efficient of the regression equation.

Table 4.1. Descriptive statistic

Variables	*Mean*	*Max*	*Min*	*Std.Dev*	*JB (p-value)*	*No of Obs.*
ROA	***32.901***	***78.012***	***27.308***	***21.031***	***0.0000***	***500***
ACI	***70.202***	***94.100***	***36.020***	***66.877***	***0.0003****	***500***
ACS	***4.2103***	***6.0920***	***2.1090***	***03.709***	***0.0610*****	***500***
ACM	***26.915***	***30.812***	***4.5640***	***28.286***	***0.0200****	***500***
ACQ	***48.5745***	***77.207***	***2.3780***	***09.602***	***0.6010***	***500***

Source: Summary of researchers' computation (2017)
*Note: *5% level of significance, **10% level of significance.*

The descriptive statistics table above checks the normality distribution of all the variables by showing their mean, minimum, maximum values and Jarque–Bera (JB.) statistics. The study used data from 500 observations of annual reports from the Nigerian stock exchange for a period of ten years from 2007 to 2016. From the table, the proxy for firm performance which is the return on assets (ROA) has a mean value of 33% approximately with the standard deviation of 21%. The maximum ROA is 78% while the minimum is 27%. This means that all the quoted non-financial firms sampled in this study were characterized by positive ROA. On the same vein, the audit committee independence stood at mean value of 70 suggesting that 70% of audit committee members of firm under study are non-executive directors while 30% are executive directors. Similarly the mean value of audit committee size is 4.21 (4 members) with minimum of 2 members and maximum of 6 members. Again, audit committee manifested in the frequency of meetings indicates that on average additional one sitting of the members at a meeting improves firm performance. Furthermore, we observed on the average that audit committee in our sample is comprised of 48% accounting financial experts while the remaining audit committee members consist of non-accounting financial experts as basis of audit committee qualification.

Last but not the least, the Jarque- Bera (JB) statistics which test for normality or existence of outliers among the variables shows that the return on assets, audit committee independence and audit committee meeting are normally distributed at 5% level of significance while audit committee size is normally distributed at 10% level of significant. Audit committee qualification is not statistically significant. This means that there are no variables with outlier that are likely to distort the conclusion and therefore are reliable for drawing generalization.

4.4 CORRELATION ANALYSIS

Pearson's correlation matrix was applied to check the degree of association between audit committee characteristics component and firm performance so as to determine the nature of association i.e. positive or negative correlation and the significance of the relationship between dependent variable and independent variables.

The results of the correlation matrix is presented in Table 4.2

Table 4.2. Correlation Analysis

Variables	*ROA*	*ACI*	*ACS*	*ACM*	*ACQ*
ROA	***1.000000***				
ACI	***0.349003***	***1.000000***			
ACS	***0.275017***	***0.502237***	***1.000000***		
ACM	***0.224038***	***-0.336469***	***0.294336***	***1.000000***	
ACQ	***0.296323***	***0.398398***	***0.72509***	***0.352944***	***1.000000***

Source: Summary of researchers' computation (2017)

The correlation matrix as shown above in table 4.2 reveals that all the independent variables have a positive correlation with the dependent variable which means that the higher the ACI, ACS, ACM and ACQ, the higher the ROA. Although a positive relationship exists between them, the strength of their relationship is very weak with regards to ACM at 22%, ACS at 27%, ACQ at 29% and ACI at 34%. The values on the diagonal are all 1.000000 which entails that each variable is perfectly correlated with itself.

4.5 Regression Analysis

Table 4.3. Regression analysis: The effect of independent variables on return on assets

Variables	*Coefficient*	*t-statistic*	*Probability*
C	*-726543*	*-3.594624*	*0.0011*
ACI	*45.1436*	*2.519464*	*0.0173*
ACS	*85.716*	*0.669460*	*0.0508*
ACM	*92.813*	*2.164346*	*0.0385*
ACQ	*17.960*	*0.114696*	*0.9050*
R^2	*0.7658*	*No. of observations*	*500*
Adjusted R^2	*0.6673*	*F-statistic*	*1.853*
Prob (F-statistic)	*0.0683*		

Source: Summary of researchers' computation (2017)
$P<0.10$ significant (Reject H_0)
$P>0.10$ insignificant (Accept H_0)

In table 4.3 above, the study observed that the adjusted R^2 is 76.58%. This means that the independent variables accounts for about 76.58% change in the dependent variable. The F-statistic value is 1.715887 and its P-value is 0.048382. The table above shows the multivariate regression analysis of selected non-financial firms in Nigeria. As shown in table 4.3 the F-statistic probability of 0.0680 signifies that the model is well specified at 10%. The value of R- squared which is the coefficient of determination stood at 76% which implies that 76% of the systematic variations in individual dependent variables were explained in the model while 23% were unexplained. Again the result showed an adjusted R-squared (R.sq adjusted) of 66%. This shows that over 66% of the total variations (ROA) is explained by the independent variables while about 34% is unaccounted for, hence captured by the stochastic error term. The Durbin Watson value of 1.853 shows the absence of serial correlation in the least square model used in the study.

The results of the analysis shows that audit committee independence (ACI), audit committee size (ACS) and audit committee meeting (ACM) are positively and significantly related to return on asset. This is evidenced in their t-values ***2.519464, 0.669460*** and ***2.164346*** respectively. This entails that a firm with more percentage of non-executive directors, with reasonable number of members and meets frequently tends to have their profitability improved. This implies that a 1% increase in audit committee independence (ACI), audit committee size (ACS) and audit committee meeting (ACM) is associated with an increase in return on asset by ***45.1436%***, ***85.716***% and ***92.813%*** *respectively*. Thus this led to the rejection of first, second and third null hypothesis (H_1, H_2 & H_3) .This also evidenced in the positive value of return on assets recorded in the descriptive statistics on table 4.3 above. The positive and significant result recorded above is in compliance with the findings of Bansal and Sharma (2016), Gabriela (2016) and Salisu and Nur Ashikin (2016) who also reported positive and significant relationship between audit committee independence, audit committee size and meeting with firm performance. From the above result, the study rejects the null hypotheses and accepts the alternate hypotheses and concludes therefore that there is a positive and significant effect between audit committee independence, audit committee size and audit committee meeting and firm performance of non-financial firms quoted in the Nigerian Stock Exchange.

Last but not the least; we reported a positive but insignificant relationship between audit committee qualification and return on assets. The regression analysis result revealed a t-statistic value of 0.114696 and p-value of 0.9095 which is greater than alpha value of 0.10(10%). Based on the above result, the study rejects the alternate hypothesis and accepts the null hypothesis. Therefore it concludes that audit qualification has an insignificant positive effect on firms' performance of non-financial firms quoted in Nigerian Stock Exchange.

Table 4.4. Summary of Analysis, Result and Decision

Hypothesis (alternate)	*P-value*	*F-statistics*	*R. sq(adj)*	*Decision*
Audit independence has significant effect on return on assets.	*0.0173*	*2.715887*	*0.7658*	*Reject H_0 Accept H_1*
Audit size has significant effect on return on assets.	*0.5085*	*2.715887*	*0.7658*	*Reject H_0 Accept H_1*
Audit meeting is significantly related to return on assets.	*0.0385*	*2.715887*	*0.7658*	*Reject H_0 Accept H_1*
Audit committee qualification is not significantly related to return on assets.	*0.9095*	*2.715887*	*0.7658*	*Accept H_0 Reject H_1*

4.6 SUMMARY OF FINDINGS AND RECOMMENDATIONS

Based on a sample of selected 50 non-financial firms from Nigerian Stock Exchange for ten fiscal years from 2007-2016 and using four measures of audit committee characteristics (ACI, ACS, ACM, and ACQ), we made the following observations:

Audit committee independence and audit committee meeting were found to be positive and statistically significantly related with return on asset at 5% level of significant and audit committee size was observed to be positive and statistically significant with return on asset at 10% level of significant while audit committee qualification was found to be positively and statistically insignificantly related with return on asset of selected non-financial firms in Nigeria.

5 RECOMMENDATION

On the basis of the findings of the study the paper recommends among others that non-financial firms should increase the number of non-executive (independent) directors and also ensure that audit committee is constituted by independent persons, with high level of integrity that can match words with action to improve performance of non-financial firms in Nigeria. Audit meetings should be held at least four times in a financial year. This would help the committee to be able to review matters and also reviews the internal control systems hence improve firm performance. Finally, non-financial firms should have at least one chartered accountant in the audit committee in order to issue an opinion and investigate areas of financial misstatement especially in this era of economic recession. Even though this factor (audit committee qualification) was not statistically significant, it should not be totally ignored because it was found to be positive.

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