

MANAGEMENT & ACCOUNTING REVIEW

Volume 19 No. 1
April 2020

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Audit Committee Characteristics and Investors' Stake in Nigerian Quoted Companies

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ABSTRACT

Financial scandals that occurred in the early 21st century have put to test the integrity of financial reports that relay the performance of an entity to its investors. The audit committee has been argued in the extant literature as a factor that can put to rest the prevalence of these scandals. Nevertheless, these scandals still recur. This study investigated the nexus between audit committee qualities and investors' stake in quoted companies in Nigeria. Ex-post facto was adopted as the research design, while the Fixed Effect Panel Analysis and Pairwise Granger Causality Test were used to analyze the data. The results of the Fixed Panel Analysis revealed that the financial expertise, audit committee meetings, numbers of non-executive directors on the audit committee, audit committee size, and the proportion of non-executive directors on the board of the selected companies demonstrated an insignificant effect on investors' stake in the selected quoted companies in the country, while the Panel Granger Causality Test revealed unidirectional causality between earnings per share and proportion of non-executive directors of the company's board in selected quoted companies in Nigeria. This study concluded that audit committee quality has affect on investors' stake depending on the qualities adopted by the audit committee. Based on the above, the study recommended among other things, that the management and government should devise internal control mechanisms or strategies that will ensure the suitability of who could act as an independent non-executive director to a company.

Keywords: *Audit Committee Qualities, Performance, Earning per Share, Standard Variance, Stakeholders.*

ARTICLE INFO

Article History:

Received: 29 July 2019

Accepted: 2 January 2020

Available online: 30 April 2020

INTRODUCTION

The agitation for financial reporting credibility has been the focus of financial accounting for the past four (4) decades. Various interests and corporations, regulatory bodies, and governments around the world have made several moves towards ensuring that the integrity of corporate financial reporting is upheld. The moves had paved the way to corporate governance that has been a concept of organizational values, ethics, culture, and practices, and has witnessed improvements over the years in Nigeria and other countries of the world. Apart from national attempts in specific countries' laws and enactments, International Auditing and Financial Accounting Standards have been established to ensure that the quality of financial reporting is improved globally. Corporate governance is another measure which provides for integrity in financial reporting. In fact, an audit committee constitutes an important aspect of corporate governance. Corporate governance has received an increasing focus from management, governments, and investors because it has formed the bedrock for the proper administration of companies and businesses. Evidence has it that investors are more attracted to companies with good corporate governance compared to companies in which corporate governance is poor because they believe that the environment prospect of the latter's company would not allow for the security of their investments even if such a company declares huge profits or dividends (Mckinsey & Company 2002). Therefore, the audit committee becomes a factor to reckon with, as it plays an essential role in aligning the interest of the management with the interest of the investors as specified in the roles and oversight functions of the committee.

Showing interest to invest in company equity has been viewed from the two perspectives of profitability or sound corporate governance, Jensen and Meckling (1976) revealed that at the expense of profitability or good corporate governance, investors behave alike. It is crystal clear that there is a direct link between governance and the value a company tends to maximize in the short and long-run planning period. The relationship, however, brings about continuous improvements in corporate cultures and values to ensure that stakeholders' interests are properly safeguarded. Control mechanisms have been put in place to ensure that corporate governance structures give credence to the proper functioning of audit committees. Control mechanisms are aimed at improving and ensuring integrity in reporting,

attracting investors, ensuring compliance with established standards; and upholding the culture of auditors' independence. Considering the alarming level of corruption and business closure between 2001 and 2018, about 93 companies have been delisted from the Nigerian Stock Exchange (NSE 2018). The level of corruption and misappropriation would make concerned stakeholders question the process and credibility of accounting and reporting best practices; especially, the qualities of the audit committee and its implications on companies' performance indicators. Though the Company and Allied Matters Act (1990) empowers the audit committee to monitor the financial reporting process of an enterprise closely, there have been gaps between realities and what is reported. Since interest groups depend largely on the audit reports of private and public enterprises, the attention of fraud perpetrators may be focused on how to cover loopholes concerning identified misappropriations or financial scandals which in turn decreases the operational results and could result in a gross decrease in companies' performance and financial reporting quality.

Although there is research on the concept of audit committee qualities and financial performance, the results are mixed. Azim (2012), Muhammad, Suleiman and Sani (2017), found that the relationship between audit committee members and financial performance among Nigerian listed companies was negative. But, Cheah, Chew, Kuan, Low and Poon's (2016) found an insignificant positive relationship between firms' performance and audit committee's size; Modum, Robinson and Edith (2013) found that a positive relationship exists between audit committee composition and financial performance. Samoei and Lucy (2016) and Ahmed (2018) revealed a negative and significant impact of audit committee experience and size on companies' performance. Aldamen, Duncan, Kelly, McNamara, and Nagel (2012); Allam, Adel, and Sameh (2013); Robin and Noor (2016); Rateb (2017) and Haiyan, Stephen and Anastasia (2018) revealed that audit committee size positively and significantly contributes to companies' financial performance. As a result of these mixed results in the literature, it is imperative to examine how audit committee size has impacted investors' stake (earnings per share) in quoted non-financial companies on the Nigerian Stock Exchange.

LITERATURE REVIEW

Conceptual Issues

Audit committee qualities

The collapse of Enron in 2001 led to the enactment and adoption of the Sarbanes - Oxley Act of 2002 (SOX Act) which deliberated extensively on corporate governance structure and corporation board committees thereby placing more emphasis on the audit committee. The Act defines an audit committee as a committee or its equivalent body among the board of directors of a company created to oversee the accounting, auditing and financial reporting processes of a company (SOX Act 2002).

An audit committee, as emphasized in the SOX Act, is to strengthen and ensure quality financial reporting and total independence on the part of the external auditing process in a corporation, which is targeted at protecting stakeholders' interests (SOX 2002). In the Nigerian setting, section 358(3) of the CAMA Act (1990) and the Nigerian Code of Corporate Governance (2004 & 2018) are the legal bases for the audit committee and corporate governance. The latter advocates that the committee should comprise 7 members, who should be financially literate and meet once in every quarter at least.

Audit committee meetings in quoted companies are generally timed to match legal reporting. Audit committees are expected to meet three or four times a year (Wei & Thiruvadi 2010; Financial Reporting Council of Nigeria, 2016). However, there is an emerging view that the number of meetings and their duration should vary depending on the committee's engagement or oversight functions and complexity of its responsibilities. It has been noted that an audit committee may need to meet at least eight times a year to properly carry out its duties and to ensure adequate oversight of the organization's assurance processes (Hamdan, Mushtaha & Al-Sartaw, 2013: CAMA 1990). Audit Committee meeting provides an avenue for the committee members and auditor(s) to discuss issues pertaining to the financial statements of the organization.

Audit Committee expertise, as used in this study connotes members' knowledge of accounting, internal control, and law acquired through

learning and practices. Findings have shown that a positive relationship exists between audit committee composition and a company's financial reporting quality, and the documented evidence proves that overstatement and errors in annual reports are less likely among companies that have an audit committee. Independent studies provide evidence that the presence of independent non-executive directors on the audit committee strengthens the functions of an audit committee and audit committee report, and hiring of reputable external auditors (Abbott, Parker & Peters, 2000; Carcello & Neal 2003).

Audit Committee composition has been debated in regulations (Financial Reporting Council of Nigeria (FRCON), 2016; Companies and Allied Matters Act (CAMA), 1990) and with respect to different countries, audit committee membership should be between three to seven members which is the maximum. The regulations have since generated controversial results in the extant literature on whether the size of the audit committee impacts performance or not. Amer, Ragab and Shehata (2014) used Audit Committee size as a variable in a study that oversees the impact of Audit Committee characteristics on company performance in Egyptian companies listed under the stock exchange using return on equity and return on assets (ROE, ROA) and Tobin's Q (TQ) as a proxy for performance. The study found that the higher the audit committee size, the lower would be the ROE and TQ. These assertions may be considered from the viewpoints of the remunerations payable to the committee members. However, Azim's (2012) study proved that the audit committee size has a negative effect on the performance of the firm, but the justification in the study for the results faulted governance inefficiency. Al-Rassas and Kamardin (2015), revealed that the company might have recorded losses due to diffusion accountability resulting from an oversized audit committee .

The presence of non-executive directors on the composition of the board or audit committee composition has been regarded as the best for corporate governance. This has been argued to represent a fair judgment for stakeholders or parties that have stakes in the business in that it ensures checks and balances of the executive so that the total independence and interests of investors could be protected. This development also checkmates the excesses of the executive directors (Seema 2014; Shleifer & Vishing, 1997; Fama & Jensen 1983). Abbott and Parker (2000) were of the opinion

that Audit Committee composition with entirely independent directors is more likely to hire industrial specialists as external auditors.

Evidence indicate that the presence of non-executive (independent) directors on the Audit Committee board impacts significantly on the financial performance of the company. However, this performance may not have a direct link with audit committee characteristics, but when the financial scandals and running costs are ruled out in financial reporting, the running expenses will be reduced drastically, thereby, signalling profitability and growth for the company (Richard 2014; Cheah et al.2016).

Investor Stake (Earning Per Share)

The term earnings per share (EPS) represents the proportion of a company's earnings and preferred stock dividends, that is allocated to each share of common equity. It serves as an indicator of a company's profitability growth with respect to shareholders growth indicator. Two methods have been identified to measure EPS. These are: basic and fully diluted. Fully diluted EPS, which factors in the potentially dilutive effects of warrants, stock options, and securities convertible into common stock is generally viewed as a more accurate measure and is more commonly cited. EPS can be subdivided further according to the period involved. Profitability can be assessed by prior (trailing) earnings, recent (current) earnings or projected future (forward) earnings. Calculated as: $EPS = (\text{Net Income} - \text{Preferred Dividend}) / \text{Average Outstanding Shares}$ (Farah, Farrukh & Faizan, 2016).

Empirical Literature

There is documented evidence on the roles which Audit Committees play in the attainment of an organization's stated goals and objectives. This study reviewed the cross spread literature on Audit Committees from developed and developing nations and Nigeria. The imperative of this is to draw empirical differences and similarities in relation to countries' diversity on the code of corporate governance (audit committee provision) and its implication on company performance. Bedard, Chtourou and Courteau (2004) researched the effects of Audit Committee character on management earnings of UK listed companies . The study employed secondary data that was drawn from financial reports of non-financial institutions and analysed these with regression analysis. The study found that management earning is

negatively related to board tenure of independent directors that constitute the Audit Committee.

Stewart (2006) examined the association between the audit committee and internal audit in the Australian setting. The study adopted primary and secondary data, and the data analysis was carried out through an Ordinary Least Square model. The study revealed that audit committees and internal audits are positively and significantly related, thus implying that both of them are complementary mechanisms within the Australian Governance framework or setting.

Xiaochuan (2008) examined whether the corporate governance consequence of multiple directorships of members of the audit committee of a company's board of directors affects the quality of financial reporting in the United States Stock Exchange (S&P 500). The study period was eight years. The study employed secondary data, and descriptive statistics with multiple regressions were used as tools for analysis. The study found that audit committee chairman's multiple directorships are not significantly associated with financial reporting quality. However, high multiple directorships among audit committee members and financial experts is positively related to financial reporting quality. Also, the study further revealed that the increase in multiple directorships of the audit's chair in the post-SOX is mainly due to chairs and financial experts that accounted for low multiple directorships in the pre-SOX era.

Matama (2008) investigated corporate governance and financial performance of selected commercial banks in Uganda. The study employed primary and secondary data. The analysis was done using descriptive analysis, correlation, and regression. The study aimed at establishing whether there exists any relationship between transparency, disclosure, trust, and financial performance. Findings indicated that corporate governance predicts 34.5 % of the variance in the general financial performance of commercial banks in Uganda. However, the study revealed that the significant contributors to financial performance include openness and reliability of corporate code of governance. Openness and reliability were measured based on trust, indicating that the company's measuring credit risk by disclosure maintained an adverse relationship with companies' financial performance.

Rainsbury, Bradbury and Cahan, (2009), examined the impact of audit committee quality on financial reporting quality and audit fees in New Zealand. The study explored secondary data of 87 companies that were not regulated. Multiple regression models were used for data analysis. The study found no significant association between the quality of an audit committee and the quality of financial reporting, and that audit committee quality impact has little effect on fees paid to external auditors.

Dhaliwal, Naiker, and Navissii (2010) researched the association between accrual quality and the characteristics of accounting experts and mix-expertise on audit committee members in the UK. The research employed primary and secondary data that were analyzed through multiple regression. The study found that the long tenure of the independent directors is positive and significant in improving the quality of a company's financial reporting of oversight functions.

Azim (2012) examined corporate governance mechanisms and their impact on company performance: A structural equation model analysis was carried out in the Australia setting. The study used the Ex-post facto research design and the analyses were done through structural equation modeling and multiple regressions. The study revealed that corporate governance mechanisms have a negative impact on investors' trust in board monitoring and in general show a poor fit and the coefficients on corporate board-monitoring variables are in general not significant on performance.

Atu, Atu, and Abusomwan (2013), examined the role of the audit committee in enhancing financial reporting in Nigeria. The study employed primary data using a sample of 50 respondents. The data was analyzed using the Z-Test. The study revealed that the report of the audit committee in the annual reports significantly affects the financial reporting quality and expertise of audit committee members. The study concluded that audit multiple directorships positively affects the function of the audit committee. It was concluded that the importance of the audit committee is immersed and as such, concerned authorities should be dutiful and careful in the composition of the audit committee in public listed companies.

Modum, Robinson, and Edith (2013) examined audit committee qualities and financial performance of quoted companies on the Nigerian

Stock Exchange from 2006 and 2010. The study employed a survey design and Ordinary Least Square regression analysis for data analysis. The study revealed a significant relationship between audit committee size and composition and performance.

Chan, Liu, and Sun (2013) researched into whether independent audit committee member's tenure affects audit fees with a sample drawn from the Investor Responsibility Research Centre (IRRC) in Toronto. Secondary data of 2,849 firms were used and analyzed through the multiple regression model. The study found a negative association between audit fees and the proportion of longboard tenure of directors on the audit committee who are independent.

Ojeka, Iyoha, and Obigbemi (2014) appraised the effectiveness of the audit committee and firms' financial performance of companies quoted on the Nigerian Stock Exchange from 2004 and 2011. The study employed secondary data and sampled 25 manufacturing companies. The study employed multiple regression and correlation matrix as tools for analysis. The study revealed that audit committee independence and expertise showed a positive and significant relationship with firm performance and audit committee size showed a negative relationship with performance while audit committee meetings revealed a positive but insignificant relationship with performance.

Okaro, Okafor, and Oraka (2014), carried out a study to identify factors that affect audit committee quality in Nigeria. The study employed primary data using administered questionnaires. Descriptive statistics was used to determine the most common factors of the variables. Independent t-tests were used to prove whether there exists any significant differences based on the audit committee qualities such as; gender, job type and experience. The study revealed that many factors affect audit committee quality which include; financial literacy of members, the ability of members to ask relevant questions during audit queries, provision of remunerations to members of the committee and committee's willingness to periodically evaluate itself based on internal control mechanisms.

Beck and Mauldin (2014), researched the negotiation power of the Chief Finance Officer (CFO) and the Audit Committee in the US. Samples

were drawn from the US Stock Exchange. Data were obtained from the samples gotten from the Stock Exchange, and regression analysis was used to analyze the data. The study revealed that during an economic recession, more substantial fee reductions are achieved in the presence of powerful CFO's and smaller fee reductions in the presence of powerful audit committees and when the counterpart has less power, both the audit committee and CFO influence fees' reduction.

Musa and Shehu (2014) investigated the impact of audit quality and financial performance of quoted cement firms in Nigeria. The study makes ex-post facto research design and multiple regressions for data analysis of the stated hypotheses. The study revealed that auditor's firm size and auditor's independence significantly impact the financial performance of quoted cement firms on the Nigerian Stock Exchange.

Kusnadi, Leong, Suwardy, and Wang (2014), examined the independence, expertise, and overlapping membership of audit committees. The study used secondary data comprising 539 non-financial firms listed on the Singapore Exchange as at 2010. The Multiple Regression Model was used for data analysis. The study revealed that financial reporting quality is positively and significantly associated with mixed expertise in audit committee composition. i.e., the financial reporting quality will be higher if audit committees have mixed expertise in accounting and finance.

Seema (2014) examined the voluntary audit committee characteristics of a financially distressed and healthy company in Australia. The study was done to test the efficacy of the ASX Corporate Governance 2013 code in the Australian economy. Secondary data were employed, and logit regression model, descriptive statistics, independent sample t-test, as well as, Pearson correlation analysis were used for data analysis. The results indicated that the presence of only non-executive directors on audit committee is significantly and negatively related to financial distress likelihood and that non-executive directors on audit committees improved the internal control mechanisms and monitoring environment of firms.

Prajay (2015) examined the effects that an audit committee has on financial reporting quality of a company among 12 South African and Indian companies that cut across three industries. The study sourced its

data from the annual report of the companies listed on the Stock Exchange of both countries. Data were analysed through a comparative analysis of South African and Indian firms. The study found that the effectiveness of the audit committee does not solely rely on the membership of the audit committee and the structure of its meetings and leadership.

Mikoa and Hasnah (2015) measured the effectiveness of two codes (code of 2003 and 2011) of corporate governance and made comparisons using audit committee and audit quality against management earnings in the pre and post-code 2003 and 2011 in Malaysia. The study used multiple regressions to measure the association between audit committee, audit quality, and discretionary accruals in both periods. The study employed the t-test for the independent sample to compare the results of the pre- and postcode 2011 periods. The study revealed that discretionary accruals have been used to manipulate accounts and mislead investors, audit committee, and audit quality contributed to reducing management earning drastically.

Ali and Ali (2016) studied the significance of selected components of corporate governance over the performance of companies listed in Bursa Malaysia. The study employed a sample of 150 best non-financial companies listed on the Malaysian Stock Exchange. The data was analysed through multiple regression analysis. The study showed that board size, board independence, board expertise, audit committee independence, audit committee expertise have a positive and significant relationship with firms' performance.

Mbobu and Umoren (2016) examined the influence of audit committee's attributes on the quality of financial reporting in the Nigerian quoted banks. The study adopted content analysis as its method. Measurement check-list were constructed and were used in extracting data from audited annual reports of 10 banks from 2006 and 2013. The study found that appropriate audit committee characteristics, namely: independence, meeting attendance, size, and the existence of a written charter impact significantly the quality of financial reporting than other characteristics.

Cheah et al. (2016) examined the relationship that exist between audit committee characteristics and financial performance of quoted companies in the Malaysian setting. The study employed the ex-post facto research

design. Pearson Correlation and Multiple Linear Regression Analysis were used. The study revealed that there is a significant and positive relationship between non-executive director on the audit committee composition and the financial performance of companies listed on the Malaysian Stock Exchange.

Muhammad, Suleiman and Sani (2017) examined the effect of audit committee qualities on the financial performance of quoted food and beverage industry in Nigeria between the period of 2007 and 2016. The study used the ex-post facto research design, Correlation and structural equation modeling were used for data analysis. The study found a significant and positive relationship between audit committee busy schedules, financial expertise, and financial performance. Also, it revealed an insignificant and negative relationship between audit committee composition and financial performance.

Haiyan, Stephen, and Anastasia (2018) examined the board of directors, audit committee, and the performance of Greece companies listed on the Athens Stock Exchange between 2008 and 2012.. The study employed secondary data and used multiple regressions as tools for analysis. The study found that audit committee size is positively and significantly related to performance and firm size. From the foregoing, this study considers it imperative to examine how audit committee qualities affect the stakes of equity holders of companies quoted on the Nigerian stock Exchange between 2003 and 2017.

RESEARCH METHODS

Model Specification

This study adopted the model of Cheah et al. (2016). Their study examined the relationship between audit committee characteristics and companies' financial performance of companies listed on the Malaysian Stock Exchange with modifications. Thus, the model is specified in Equation 1.1.

$$IS = \beta_0 + \beta_1 ACIND_{it} + \beta_2 ACSIZE_{it} + \beta_3 ACEXP_{it} + \beta_4 ACBUSY_{it} + \epsilon \dots \dots \dots 1.1$$

Following Cheah et al. (2016), the study adopts and modifies the regression model as:

DEPENDENT VARIABLES

The investors' stake (Earnings per share (EPS))

INDEPENDENT VARIABLE

Audit committee quality: This is a function of financial expertise (AFE), committee meetings (ACM), independence of the committee (ID_AC) and size of the committee (ACS). This is based on the Smith report's (2003) guideline.

It is controlled for by firm's Size (FZE) proportion of total asset, leverage ratio (LEV), Accounting Standards Variance (ST_D).

The modified model for this study is explicitly specified in both functional and econometric form. The functional form is stated in Equation 1.2; the functional form is transformed into econometric form as given in Equation 1.3

The model is modified as follows;

$$EPS = F(AFE, ACM, ACS, ANNEDED, ANNEDED_B, FSZE, ST_D, TA, LR \lambda) \dots \dots \dots 1.2$$

Specification

$$\ln EPS_{it} = \alpha - \beta_1 AFE_{it} + \beta_2 \ln ACM_{it} + \beta_3 \ln ACS_{it} + \beta_4 \ln ANNEDED_{it} + \beta_4 \ln ANNEDED_B_{it} + \beta_5 \ln FSZE_{it} + \beta_6 ST_D_{it} + \beta_6 \ln TA_{it} + \beta_6 \ln LR_{it} \dots \dots \dots 1.3$$

Description of Variables

Dependent Variables

The investors' stake is proxied by earnings per share (EPS)
 $\ln EPS_{it}$ = Natural logarithm of each companies earning per share.

Independent Variables

FE= the proportion of financial expertise on audit committee (Dichotomous with 1 if any disclosure is made in the annual report or 0 otherwise)

ACM= the frequency of meetings held by the audit committee during a financial year.

ACS= The proposition of persons that constituted the composition of the audit committee

ANNED = the proportion of non-executive directors on the audit committee

NNED_B = the proportion of non-executive directors on the firm’s board

Control Variables

FSIZE = the size of a company based on the natural logarithm of its total assets.

LEV= Leverage position of the company measured by the ratio of long-term liability to its total assets.

ST_D= accounting standards used in reporting (Dichotomous with 1 if IFRS or 0 otherwise)

α_i = intercepts

β_0 =parameters

t = Time. Dummy variables will be used for each year: 2003 to 2017.

ϵ_{it} and λ = Standardized residuals of the error term.

A priori Expectation

The relationship assumed to exist between the audit committee qualities and earnings per share listed on the Nigerian Stock Exchange can be expressed mathematically; as follows:

$$\frac{EPS}{AFE} > 0, \frac{EPS}{ACM} > 0, \frac{EPS}{ACS} > 0, \frac{EPS}{AUDISC} > 0, \frac{EPS}{NNEDA} > 0, \frac{EPS}{FSZE} > 0$$

Estimation and Diagnostic Techniques

The estimating technique employed in this study is panel data and panel granger causality test. Panel data involves the constant effect , fixed effect, and random effect models. The application of these techniques on data estimation gathered for this study is to guarantee efficient and unbiased estimates having avoided loss of a degree of freedom. With respect to this study, the fixed and random estimation techniques and the Hausman post-estimation test were used. The estimation technique is subjective to whether the data is a small panel or long panel (Gujarati 2004).

Sources of Data

The study adopted data from secondary sources. The data were collated from annual reports of 20 non-financial companies listed on the Nigerian Stock Exchange (Nigeria Stock Exchange 2018) between 2003 and 2017. The choice of the exclusion of financial companies such as banks and insurance companies is based on the fact that those companies have other extra regulatory and supervisory bodies that issue guidelines for the conduct of their activities which as a result, may impair the results of this study. Audit committee qualities and board characteristics were sourced from the report of the board committees of the respective companies and data relating to performance were sourced from the financial statement of the companies.

RESULTS AND DISCUSSION OF THE FINDINGS

Panel Data Analysis

Fixed Effect Estimation

Table 1.2: The Nexus between Audit Committee Quality and Investors' Stake (Earnings Per Share) Fixed effects parameter estimates (cross-sectional and specific) Series- EPS, FEX, AUM, NENAU, AU_SIZE, PNEDB, TA, LR AND SD.

Variable	Coefficient	Standard error	T-Test Statistics	Probability
C	0.3175858	1.898301	0.17	0.867
FEX	-0.0075282	0.2231146	-0.03	0.973
AUM	-0.1630673	0.3671728	-0.44	0.657
NENAU	-0.2427623	0.3155513	-0.77	0.443
AU_SIZE	0.5922886	0.9581517	0.62	0.537
PNEDB	-0.0147503	0.2564631	-0.06	0.954
TA	0.1386666	0.069874	1.98	0.049
LR	-0.2703461	0.173843	-1.56	0.121
St_D	-0.5236121	0.1806202	-2.90	0.004

Source: Authors' Compilation (2019)

R- Square= 0.485
 F- Statistics= 34.10
 Prob. (F- Statistic)= 0.0000

From Table 1.2, variables like: financial expertise (FEX); audit committee meetings (AUM); number of non-executive directors on the board (NENAU) signify the committee's independence from executive interference- Audit committee size (AU_SIZE); proportion of non-executive directors on the board of the companies (PNEDB) and the leverage ratio (LR) revealed a coef.-0.0075282, -0.1630673, -0.2427623 & -0.0147503 which have negative and insignificant relationship with earnings per share. However, accounting standards' variance (St_D) (coef.-0.2703461 exhibited a negative relationship but a significant impact on earnings per share (EPS).

On the other hand, audit committee size (AU_SIZE) exerted a positive relationship with coef.0.5922886 but had an insignificant impact with EPS. It is only Total asset that had a significant positive relationship with earnings

per share. The independent variables can jointly explain the reported R-Square of the value of 0.485, which is almost 49% of the systematic variation of the earnings per share of the firms. The R-Square value is low and jointly explains 49% of the variation in the explanatory variables.

Random Effect Estimation

Table 1.3: Random Effect of the nexus between Audit Committee's Qualities and Earnings Per Share Random effects parameter estimates
Series: EPS, FEX, AUM, NENAU, AU_SIZE, PNEDB, TA, LR AND S.D.

Variable	Coefficient	Standard error	T-Test Statistics	Probability
C	-0.1228745	1.909253	-0.06	0.948
FEX	0.0512838	0.2210319	0.07	0.945
AUM	-0.0663661	0.3636505	-0.18	0.855
NENAU	-0.2888149	0.3140957	-0.92	0.358
AU_SIZE	0.6879277	0.9470937	0.73	0.468
PNEDB	0.0466397	0.253603	0.18	0.854
TA	0.13606	0.0684924	1.99	0.047
LR	-0.3061952	0.1729416	-1.77	0.077
St_D	-0.5361521	0.1800256	-2.98	0.003

Source: Authors' Compilation (2019)

R- Square = 0.662
Wald Chi² (8)= 15.92
Prob. Chi² = 0.0435

The result of the random effect is nearly the same as the fixed effect. Variables like: audit committee meetings (AU_M,) and non-executive director on the audit committee (NEN_AU) had a coef. -0.0663661, -0.2888149 respectively which confirm the negative and insignificant effects on earnings per share while accounting standards variance (St.D) (coef. -0.5361521) also confirmed their negative but significant impacts on EPS. The only different result is financial expertise (FEX) (coef. 0.0512838) that showed a positive and insignificant relationship with earnings per share (EPS). Likewise, variables like audit committee size (Au_size) (coef. 0.6879277) and the proportion of non-executive directors of the company's board (PNED_B) (coef. 0.0466397) also confirm positive and insignificant relationship with earnings per share (EPS). It is only accounting standards'

variance (St_D) with coef. -0.5361521 that exhibited a negative and significant relationship. The reported R-Square showed almost 70% of the systematic variation that can jointly be explained by the explanatory variables.

The Post Estimation Test

To ascertain which of the estimator is relatively consistent, efficient and preferred between the fixed effect and random estimation, the Hausman test was conducted to validate whether the difference between coefficients estimates of the fixed and random effect estimates are systematic. The null hypothesis underlying the test is that fixed effect estimates do not differ substantially from the random effect estimates. Notably, the test statistics evolved by Hausman has an asymptotic chi-square distribution

Table 1.4: Hausman Test

Null hypothesis	Chi-Square Stat.	Prob.
The difference in coefficient is not systematic	627.43	0.000

Source: Authors' Compilation (2019)

In a bid to determine the most preferred estimator between fixed effect and random effect estimation, the Hausman test was conducted to ascertain whether the difference between coefficient estimates of fixed and random effect is systematic. The null hypothesis underlying the test is that fixed effect estimates do not differ substantially from random effect estimates. Notably, the test statistics developed by Hausman has an asymptotic chi-square distribution. Table 4.4 reveals a chi-square value of 627.43 alongside a probability value of 0.0000. The result exerts that there is enough evidence to reject the alternative hypothesis that the difference in coefficients of the random effect estimator is not appropriate as there is the likelihood that there is a correlation between the random effects incorporated into the composite error term and one or more of the independent variables. Therefore, the Hausman post estimations test affirms the appropriateness of the fixed effect model.

Table 1.5: Pairwise Granger Causality

Null Hypothesis:	Obs	F-Statistic	Prob.
AU_M does not Granger Cause EPS	298	1.67791	0.1886
EPS does not Granger Cause AU_M		1.04129	0.3543
M_SIZE does not Granger Cause EPS	298	0.40673	0.6662
EPS does not Granger Cause AU_SIZE		0.14689	0.8635
NEN_AU does not Granger Cause EPS	298	0.66191	0.5166
EPS does not Granger Cause NEN_AU		0.08757	0.9162
PNED_B does not Granger Cause EPS	298	0.34144	0.7110
EPS does not Granger Cause PNED_B		5.72073	0.0037
M_SIZE does not Granger Cause AU_M	298	4.13071	0.0170
AU_M does not Granger Cause AU_SIZE		4.46900	0.0123
NEN_AU does not Granger Cause AU_M	298	4.26254	0.0150
AU_M does not Granger Cause NEN_AU		1.69599	0.1852
PNED_B does not Granger Cause AU_M	298	2.42358	0.0904
AU_M does not Granger Cause PNED_B		2.25853	0.1063
NEN_AU does not Granger Cause M_SIZE	298	0.80875	0.4464
M_SIZE does not Granger Cause NEN_AU		0.01678	0.9834
PNED_B does not Granger Cause M_SIZE	298	1.22588	0.2950
M_SIZE does not Granger Cause PNED_B		2.67953	0.0703
PNED_B does not Granger Cause NEN_AU	298	0.66316	0.5160
NEN_AU does not Granger Cause PNED_B		1.56706	0.2104

Source: Authors' Compilation (2019)

As shown in the Table 1.5, the results revealed there is unidirectional causality between earning per share and proportion of non-executive directors on the board of the company(PNEDB) at the 10% level of significance while there is no direction of causality between non-executive directors on the audit committee (NEN_AU), audit committee size (AU_SIZE) and audit committee meetings (AU_M). This implies that the direction of the relationship cannot be established between audit committee qualities and earnings per share in the company listed on the Nigerian Stock Exchange.

DISCUSSION OF FINDINGS

The results as presented in Table 1.3 show that the variable financial expertise (FEX) showed a negative and insignificant relationship with return on asset which was congruent with the position of Rateb (2017) and in contradiction with the study of Allam, Adel, and Sameh (2013); Ali and Ali (2016) and Samoei and Lucy (2016).

The study discovered that audit committee meeting (AU_M), and the number of non-executive directors on the audit committee (NEN_AU), the proportion of non-executive directors on the board (PNEDB) and the leverage ratio (LR) confirms the negative and insignificant relationship with earnings per share. This is also contrary to a priori expectation. These results corroborate the position of Mrwan Aiman and Shehata (2014) and Ahmed (2018) who confirmed that a negative relationship exists between committee meetings and financial performance and the result is not in line with the result of Allam, Adel and Sameh (2013) and Richard (2014). The position of scholars like Cheah et al. (2016) and Rateb (2018) differs on the negative relationship between the proportion of non-executive directors' presence on the board and audit committee on earnings per share as those studies recorded a positive relationship.

The reasons for the poor performance of the financial expertise might be that they expect more financial remuneration compared with other members on the same committee. Accounting standards have a significant impact on earnings per share. This implies that the firms are keeping to the principles and ethics of accounting best practices. The results reveal that accounting best practices before and after transitions to international

financial reporting standards are adequate measures to depict the reward of the company, as regards the fair return on asset and the shareholders' earnings, inform of earnings per shares. Committee size revealed a weak positive relationship with earnings per share. The finding is in line with theoretical expectation. However, the overall result of the model has shown that audit committee qualities revealed a positive and significant impact on earnings per share of companies quoted on the Nigerian Stock Exchange. This also indicates that the resources were reasonably used.

CONCLUSION AND POLICY RECOMMENDATIONS

This study investigated the nexus between audit committee quality and the investors' stake of non-financial companies listed on the Nigerian Stock Exchange. The choice for the study was born out of the fact that most literature had focused mainly on one aspect in which organizational ethics and the core value of administration with a keen consideration on the banking sectors. This study decided to focus on non-financial companies.

It can be concluded that the relationship between audit committee quality and earnings per share from the estimation results revealed a positive and significant contribution, reflecting that financial expertise, audit committee meetings, non-executive directors on the audit committee, the proportion of non-executive directors on the board leverage ratio and accounting standards decrease earnings per share, while the audit committee's size and total asset increase earnings per share. Based on the revelations from the study, it is recommended that management and government should devise strategies to ensure the suitability of who could act as an independent non-executive director to a company. Also, as government's regulatory bodies such as Central Bank of Nigeria, Corporate Affairs Commission, and the Nigerian Stock Exchange should organise training facilities to provide capacity building for inexperienced or upcoming individuals elected into audit committees of companies. The Board should also monitor firm size closely, and authorities should keep track of company size in order to ensure that investors' funds are not diverted or mismanaged.

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