Audit Committee Attributes and Financial Performance of Quoted Food Manufacturing Companies in Nigeria

Sigah Jacob Martin[1] **Edheku Ochuko Joy**[2]

Ajuru University of Education, Rumuolumeni Port Harcourt, Nigeria

Email: jacorbsigah@mail.com, ochukoedheku@gmail.com

ABSTRACT

This study centered on audit committee attributes and financial performance of quoted food manufacturing companies in Nigeria. The broad objective of this study was to determine the extent to which audit committee size, audit committee independence, audit committee meeting influences financial performance of quoted food manufacturing companies in Nigeria. The study is aim at filling the gap created by the dearth of empirical literature on a comprehensive analysis of audit committee attributes and financial performance of quoted food manufacturing companies in Nigeria. Samples of ten (10) quoted food manufacturing companies quoted on the floor of the Nigerian Stock Exchange were conveniently selected for a period of five (5) years (2014 – 2018). The Panel Least Square (PLS) regression technique was employed in estimating the data and testing the formulated hypotheses. The result of the study shows that, there is a positive and insignificant relationship between audit committee size, audit committee meeting and financial performance of quoted food manufacturing companies in Nigeria, while audit committee independence exhibited a negative and insignificant relationship with financial performance of quoted food manufacturing companies in Nigeria. In line with the findings, the researcher recommended that audit committee meeting should not only meet regularly but discuss more on issue affecting the financial performance of quoted food manufacturing companies.

Keywords: Audit, Committee Attributes, Financial Performance, Food, and Company.

Introduction

Performance is the result of the fulfillment of the tasks assigned. Company performance describes how individuals in the company try to achieve a goal. Company performance illustrates the magnitude of the results in a process that has been achieved compared with the company's goal (Abubakar, Sulaiman & Haruna, 2018). Financial performance is a determinant of an organization's income, profits, increase in value as evidenced by the appreciation in the entity's worthiness (Abubakar, Sulaiman & Haruna, 2018). Financial performance is very important; more financial performance reflects more effective management of resources, and low financial performance can slow the pace at which a firm progresses and certain obligations or targets may not be met (Adebayo & Onyeiwu, 2018).

According to Dioha, Mohammed and Okpanachi (2018) explained that "financial performance can be described as a measurement of how well a firm uses its assets from its primary mode of business to generate income". The term is also used as general measure of a firm's overall financial health over a given period of time. Odusanya, Yinusa and Ilo (2018) opined that companies with high level financial performance create value, hire people, tend to be more innovative, more socially responsible and are beneficial to the entire economy through payment of taxes, income generation and overall development of an economy.

Ojeka, Iyoha and Obigbemi (2014) reported that there have been massive fraud and unethical practices within and among a number of organizations in Nigeria including Unilever Plc. Similarly, Isa and Farouk (2018) affirmed that the corporate environment in Nigeria has experienced cases of earnings management, such as the reported manipulative accounting scandal in African Petroleum Plc, Cadbury Nigeria Plc in 2006, the case of Oceanic Bank Plc, and Intercontinental Bank Plc. These brought doubt in the credibility of the financial reporting. Isa and Farouk (2018) buttress that based on these series of reported accounting scandals, there is a need to identify factors that could be used to mitigate the management tendencies to engage in manipulative accounting practices. The audit committee

attributes is believed to be one of the factors that could be used to curtail the extent of manipulative accounting.

Amer, Ragab and Shehata (2014) disclosed that "the main function of an audit committee is monitoring the firm's financial performance and financial reporting". Amer, Ragab and Shehata (2014) further explained that, it is expected that audit committees should strongly affect the selection, removal and remuneration of auditors, the content and extent of audit work, auditor independence, and the resolution of disputes between auditors and executive management. Alqatamin (2018) opined that "the primary role and responsibility of audit committees is to make recommendations on the appointment and change of external auditor; it covers wider areas including the monitoring of managers and review of the company's internal control system". Zabri, Ahmad and Wah, (2016) suggested that "knowledgeable audit committees help enhance the company's performance; therefore, good characteristics of audit committees are associated with good company performance".

In this regard, this study examines audit committee attributes and financial performance of quoted food manufacturing companies in Nigeria.

Statement of the Research Problem

Besides the makeup of an audit committee, three attributes were adopted in this study to measure its impact on the financial performance of quoted food manufacturing companies in Nigeria. They are: audit committee size, audit committee independence and audit committee meetings.

It has been observed that in Nigeria and the world over, empirical evidence on the relationship between audit committee attributes and financial performance of quoted food manufacturing companies are relatively scanty. Therefore, to the best of the researcher's knowledge, only the study of Olaoye, Olaoye and Adebayo (2019), Hope and Ikueze (2018) and Ojeka, Iyoha and Obigbemi (2014) investigate audit committee attributes and financial performance of quoted companies in Nigeria. This establishes a gap in knowledge and the

call for more investigation and consequently the need for the study. This study is aim at filling the gap by empirically investigates audit committee attributes and financial performance of quoted food manufacturing companies in Nigeria. Premised on the above problem, this study would seek to answer the following research questions;

1.   What is the relationship between audit committee size and financial performance of quoted food manufacturing companies in Nigeria?

2.   Is there significant relationship between audit committee independence and financial performance of quoted food manufacturing companies in Nigeria?

3.   To what extent does audit committee meeting affect financial performance of quoted food manufacturing companies in Nigeria?

Objectives of the Research

The broad objective of the study is to investigate audit committee attributes and financial performance of quoted food manufacturing companies in Nigeria. The specific objectives are to:

1.   examine the relationship between audit committee size and financial performance of quoted food manufacturing companies in Nigeria;

2.   investigate the relationship between audit committee independence and financial performance of quoted food manufacturing companies in Nigeria; and

3.   ascertain the extent to which audit committee meeting affect financial performance of quoted food manufacturing companies in Nigeria.

Research Hypotheses

The hypotheses to be tested in course of this study are stated in null form as follows:

H_1:   There is no significant relationship between audit committee size and financial performance of quoted food manufacturing companies in Nigeria;

H_2:   There is no significant relationship between audit committee independence and financial performance of quoted food manufacturing companies in Nigeria;

H₃: Audit committee meeting does not have significant effect on financial performance of

quoted food manufacturing companies in Nigeria.

Literature Review

Concept of Financial Performance

The term financial performance cannot be put into a tight framework of definition. It

is a distinct phenomenon that can be interpreted and measured in different ways. Different

users from their point of views can evaluate from various angles and viewpoints (Olaoye,

Olaoye & Adebayo, 2019). A financial analyst can judge performance from profitability and

growth point of view. An economic planner can be concerned with the equal distribution of

gains and wealth, besides the effective and efficient utilization of resources. A welfare

economist will be concerned with the equal distribution of gains and wealth bedsides efficient

utilization (Olaoye, Olaoye & Adebayo, 2019).

Concept of Audit Committee

Audit committee is a sub-committee of the board and acts as a link between the

management, internal and external auditors (Umobong & Ibanichuka, 2017). Umobong and

Ibanichuka (2017) buttress that the committee has the responsibility of making

recommendations for the appointment of external auditors to the board and also monitoring

management opportunistic behaviors on behalf of shareholders.

Audit committees are regarded as contributing to auditing process since they are

established to assist in improving audit quality (Salawu, Okpanachi, Yahaya & Dikki, 2017).

Audit committee's primary duties are to oversee the financial reporting, auditing processes

and monitor management tendencies to manipulate earnings and other accounting

malpractices (Salawu, et al., 2017).

According to Rahman, Meah and Chaudhory (2019) audit committee is an extended

part of board of the company. Its primary responsibility is to design, oversee, and implement

financial reporting procedures related to companies and thus ensure better corporate governance.

Selected Audit Committee Attributes

Audit Committee Size

The concept of the size of the audit committee has to do with the degree of the smallness and largeness of the membership of an audit committee (Olaoye, Olaoye & Adebayo, 2019).

Asiriuwa, Aronmwan, Uwuigbe and Uwuigbe, (2018) described audit committee size, as the number of persons that make up the committee. Regulatory bodies such as the Companies and Allied Matters Act (2004 as amended) and the Security and Exchange Commission code of corporate governance of 2011 have specified the number of persons that should be on the audit committee board. Specifically, the Act stipulates that audit committees must be six (6) in number and should be made up of equal numbers of directors and shareholders representatives S359 (4) (Asiriuwa, Aronmwan, Uwuigbe & Uwuigbe, 2018). For a committee to function properly, it is expected to have adequate manpower hence, the size criteria. The size of an audit committee may have effect on its effectiveness and ultimately on financial performance (Mbobo & Umoren, 2016).

Audit Committee Independence

Audit committee independence is the ability of committee to discharge its function without influence from auditors and management (Salawu, Okpanachi, Yahaya & Dikki, 2017). According to Oji and Ofoegbu (2017) an independent audit committee member is a person who is not employed by or providing any services to, the organization beyond his or her duties as a committee member. Oji and Ofoegbu (2017) buttress that "the expectation is that independent audit committee members will be more objective and less likely to ignore possible deficiencies in the misappropriation and manipulation of financial reporting".

Accordingly, Kibiya, Che-Ahmad and Amran (2016) explained that the audit committee should comprise three non-executive board members and three shareholders elected from among them at each annual general meeting. However, the board appoints audit committee representatives and presents them to shareholders for their approval at the annual general meeting (Kibiya, Che-Ahmad & Amran, 2016). The idea of splitting the audit committee membership into an equal number of representations is to ensure the independence of the committee, thereby creating more confidence in the board activities, enhanced financial control and more credibility to the workings of the committee and company's financial reporting process (Kibiya, Che-Ahmad & Amran, 2016). Thus, audit committee independence is measured by the proportion of independent non-executive directors on a total number of audit committee members.

Alqatamin, 2018) posit the independence of the audit committee from managers will allow the committee to take an independent view of the financial reporting process of the company and ensure that the committee is not dominated by managers, leading to a higher financial performance.

Audit Committee Meeting

With respect to the recommendations of the Blue Ribbon Committee, Audit committees are expected to meet regularly in order to be effective in the discharge of its oversight functions (Asiriuwa, Aronmwan, Uwuigbe & Uwuigbe, 2018). The audit committee meetings provide an avenue for the committee members and auditor to discuss issues bordering on the organization's financial statements (Olaoye, Olaoye & Adebayo, 2019).

Review of Empirical Studies

Ashari and Krismiaji (2020) investigate the effect of audit committee characteristics, which includes independence (ACIN), size (ACSIZE), competence (ACCO), and frequency of meetings (ACMT) on the financial performance (PERF) of manufacturing firms listed on the Indonesian Stock Exchange for the year of 2016 and 2017. PERF is measured and proxy

with the return on assets (ROA); ACIN is measured by the percentage of members from outside the company; ACCO is measured using percentage of audit committee members who have accounting and finance educational background; and ACMT is measured using the number of audit committee meetings in 2016 and 2017. This study uses a sample of 466 observations of publicly listed companies on the Indonesian Stock Exchange for the fiscal year that ends on December 31, 2016 through 2017 which are retrieved for 660 listed companies' population. The study finds that all of the characteristics of audit committee positively affect the company's performance. The research also uses three control variables, which are the quality of auditors (BIG4), financial leverage (LEV) and company size (SIZE). BIG4 and LEV positively affect the company's financial performance, while the financial performance of the company is negatively affected by SIZE.

Olaoye, Olaoye and Adebayo (2019) examined the impact of audit committee qualities on the return on asset of companies quoted on the Nigerian Stock Exchange between 2003 and 2017. Data for this study were gathered from secondary sources and collated randomly from a sample of 20 companies' annual reports out of the 112 non-financial companies listed on the Nigerian Stock Exchange for 15 years. The study made use of panel data analysis as the estimation technique to explore the stated objectives. Hausman test was employed as a post-estimation method to test for the appropriateness of fixed effect or random effect estimator. More so, diagnostic tests such as heteroscedasticity test and Breusch-pagan LM test of independence were conducted to test for the variance of error and autocorrelation respectively. The results of the Hausman test revealed that the panel fixed effect model is the most appropriate estimator for this study. The findings of the fixed effect of the impact of the audit committee qualities on the return on assets revealed that financial expertise (FEX), audit committee meetings (AUM) and numbers of non-executive director on the audit committee composition (NENAU) have a negative and insignificant relationship with return on assets. The results of the analysis also showed a positive and significant impact

of audit committee size (AUSIZE) and total assets (TA) on the return on assets (ROA) of companies quoted on the Nigerian Stock Exchange.

Rahman, Meah and Chaudhory (2019) explore the impact of audit characteristics on firm performance. In this study, external audit quality (BIG4), frequencies of audit committee meetings, and audit committee size are used as the proxies of audit characteristics and firm performance is measured through ROA, profit margin and EPS. A total of 503 firm years are considered as sample size from the listed manufacturing firms of Dhaka Stock Exchange (DSE) during the period of 2013 to 2017 to find out the impact of audit characteristics on firm performance. In this study, multivariate regression analysis is conducted using the pooled OLS method. Moreover, time dummy and lag model of multivariate analysis are also analyzed as robust check. The multivariate regression results find that external audit quality (BIG4) and audit committee size are significantly positively associated with firm performance. This study also finds that there is a significant negative relationship between audit committee meeting and firm performance.

Maina and Oluoch (2018) establish the effect of corporate audit committee characteristics on financial performance of manufacturing firms in Kenya. The specific goals guiding this research were: to determine the effect of audit committee composition and frequency of meetings on financial performance of manufacturing firms in Kenya. This research adopted the agency, institutional, and stewardship theories. The research design for the study was descriptive research design. This study focused on 766 manufacturing firms in Kenya for a period of 5 years, 2013-2017. The study used Krejcie and Morgan's sampling technique to calculate the sample size. Both secondary and primary data was gathered for the research. Primary information was accumulated by means of a structured questionnaire. On the other hand, secondary information was gathered from the financial reports. Content validity was adopted to establish whether the research instruments are able to give answers to the study questions. The study utilized Cronbach's alpha formula for reliability testing, with value of 0.7. Inferential and descriptive statistics were utilized to analyze the data. Multiple

linear regression analysis was used to show the effect of audit committee composition and frequency of meetings on financial performance of manufacturing firms in Kenya. The hypotheses were tested using multiple linear regression and correlation at 95% confidence level of both the dependent and independent variable and also between variables in the study. The study revealed that large audit committee tends to lose focus and becomes less participative than those with smaller size, regular holding of audit committee meetings helped in ensuring that organizational finance department consistently comply with accounting guidelines and other accounting actions and that most of the firms factored in the third gender rule while constituting the audit committees which led to improved effectiveness on the firm's financial management process. The study concludes that there exists a significant relationship between audit committee composition and audit committee meetings frequency and firm financial performance.

Alqatamin (2018) investigate the effect of audit committee characteristics on the company's performance. The sample consists of 165 non-financial companies listed on the Amman Stock Exchange (ASE) over the period 2014-2016. The results of the study show that the audit committee size, independence and gender diversity have a significant positive relationship with firm's performance, whereas experience and frequency of meetings has an insignificant association. The results of the study could be beneficial for managers and boards in making suitable choices about audit committee characteristics and corporate governance mechanisms to enhance the company's performance.

Zraiq and Fadzil (2018) examining the association between audit committee and firm performance of the Jordanian firms. This study used OLS regression to test the relationship between independent variable and dependent variable as discussed in the section explaining the study method. The data comprised of 228 firms industrial and services. As this study Jordan attempts to bridge the gap. In the existing literature by investigating the association between audit committee and firm performance in the emerging market of Jordan. The findings indicated a positive direction but insignificant relationship between audit committee

size and ROA. Whereas, audit committee size with EPS is positive direction and significant. Farther more, the result shows audit committee meetings significant and positive direction with ROA. Correspondingly, audit committee meetings with EPS represent positive direction but insignificant.

Hope and Ikueze (2018) examine 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.

Glover-Akpey and Azembila (2016) examine the association between the characteristics of audit committees and performance of firms. Data were collected from a sample size of 36 trading stocks on the Ghana Stock Exchange for the financial year of 2015. The number of meetings and financial experts among other characteristics were the predictors of the performance of the traded stock on the Ghana Stock Exchange (GSE). To test the hypothesis for the study, Logit cross-sectional regression using SPSS 17.0 version was utilized. This study revealed a relationship between the characteristics of the audit committees and the performance of the firms. Meanwhile, the number of independent members on the audit committee had no influence on the performance of the firms. However, the number of independent members of the audit committee with finance or accounting degrees impacted negatively on the firm's performance.

Hussaini and Gugong (2015) investigate the relationship between audit committee characteristics and earnings quality of listed food and beverages Firms in Nigeria. The study covered the period of six years from 2007 to 2014. Data for the study were extracted from the firms' annual reports and accounts. After running the OLS regression, a robustness test was conducted for validity of statistical inferences. The dependent variable was generated using two steps regression in order to determine the discretionary accrual of the sample firms. Multiple regression was employed to run the data of the study using OLS. The results from the analysis revealed significant association between audit committee characteristics and earnings quality of the firms. While audit committee size and committees' financial expertise showed inverse relationship with earnings management, committee's independence and frequency of meetings are positively and significantly related to earnings management.

Ojeka, Iyoha and Obigbemi (2014) explore the influence of audit committee effectiveness on firm's performance using four characteristics: independence, financial expertise, size, and meetings of the audit committee. The performance measures were Return on Equity (ROE), Return on Asset (ROA) and Return on Capital Employed (ROCE). Twenty five (25) manufacturing firms were selected and from which data were collected for the period (2004-2011). Empirical analysis was carried out using regression and correlation. The result of the analysis showed a positive significant relationship between independence and financial expertise of the audit committee and ROA, ROE and ROCE. However, the size and meetings of audit committee showed no significant relationship with all performance variables.

Review of Theory

Corporate Governance Theory

This study has adopted agency theory to explain the relationship between audit committee and quality of financial reporting in listed firms in Nigeria Stock Exchange.

Agency Theory

Proponents of agency theory; Jensen and Meckling (1976) assert that putting apart how businesses are owned and managed could result into disagreements among managers and stakeholders. Varying people that have the same goal or function in doing a specific task have different motivations, and these differences can manifest in divergent ways.

Agency theory is therefore concerned with contractual relationship between people that are termed as agents and are assigned to do functions to represent another individual who has employed them. This makes many firms and organizations to come up with methods through which they can establish controls so as to reduce costs that come with irregularities (Kalbers and Fogarty, 1998). Similarly Pincus *et al.* (1989) argue that audit committees are used primarily in situations where agency costs are high to improve the quality of information flows from the agent to the principal.

According to the agency theory, to ensure the effectiveness of an audit committee, managers are encouraged to come up with financial statements that clearly show the amount of revenues that a company gets within a specific period in time. Ensuring that the audit committees do their functions allows the company to create and putting place accurate financial records and statements to achieve high performance. According to Felo *et al.* (2003) there is a positive correlation between the existence of audit committee and the accuracy of financial statements.

However, Jerubet, Chepng'eno and Tenai (2017) suggest that, management could use earnings to mislead shareholders by showing a different image of the company's earnings. For the purpose of this study, agency theory is adopted. This is due to the fact that it enlightens the relationship between the principal (shareholders) and the agents (management). In the same vein, audit committee, apart from serving as monetary measures, equally represents the shareholders who are the principal since their composition constitutes equal number of shareholders and directors. The directors therefore are acting on behalf of the shareholders.

While the other aspect of the agency theory are the management (agents) who are responsible for the preparation and fair presentation of financial statements in accordance with IFRS, they also suppose to ensure financial statements are free from material misstatement, whether due to fraud or error. This is concluded by the audit committee subject to confirmation, review and verification in order to make sure that the accounting policies are in line with the legal requirements and ethical practices. Therefore agency theory is found to be relevant because it explains the audit committee which functions as a monitoring mechanism to reduce agency cost (Menon Williams 1994).

Methodology

Research Design

The research design adopted and utilized for the purpose of this study is the cross-sectional survey. The cross-sectional survey was adopted for the reason that our sample size is relatively small. Also the cross-sectional survey involves examining the present state of a group or unit at a specific point in time.

Model Specification

In specifying the model for this study, the researcher adopted and modified the model used by Mbobo and Umoren, 2016).

In a functional form, we have

FPER = f(ACSIZE, ACIND, ACMEET)

Expressing equation in econometric form, we have

$FPER_{it} = \beta_0 + \beta_1 ACSIZE_{it} + \beta_2 ACIND_{it} + \beta_3 + ACMEET_{it} + e_{it}$

Where:

FPER   =   Financial Performance (proxy for Return on Asset)

ACSIZE   =   Audit Committee Size

ACIND   =   Audit Committee Independence

ACMEET   =   Audit Committee Meeting

"i" for firms

"t" for time

e_{it} for error terms

Operationalization of Variables
Table 3.1

Variable Labels in the OLS	Corporate Attributes	Measurement	Source	Apriori Sign
FPER	Financial Performance	This was taken as proxy for Return on Asset.		
ACSIZE	Audit Committee Size	Size of the committee	Ibadin and Afensimi, 2015)	+
ACMEET	Audit Committee Meeting	Number of audit committee meeting during the year	Ojeka, Iyoha and Asaolu (2015)	+
ACIND	Audit Committee independence	Proportion of executive director on the audit committee	Aronmwan, Ashafoke and Mgbame (2013)	+

Source: Researcher's Compilation from Previous Studies
Method of Data Analysis

The main statistical tool to be employed in this research is "Ordinary Least Square Technique (OLS)" which helps us to estimate the value of the dependent variables, when we are given the value of one or more independent variables. Other statistical test like descriptive statistics, correlation matrix will also be used to analyze the data.

The Ordinary Least Square is a statistical tool that enables the researcher to establish if there is any relationship between two variables. The computation of Ordinary Least Square is based on the outcomes of the regression which is used to test the various hypotheses formulated previously in section one of this study.

Data Presentation and Analyses

This study analyzes audit committee attributes and financial performance of quoted food manufacturing companies in Nigeria. To achieve the objectives of the study, it employed a period of five (5) years (2014 – 2018) and a large unit of ten (10) food manufacturing companies quoted on the floor of the Nigerian Stock Exchange. The variables used in this study include Financial Performance (FPER) (proxy for Return on Asset) – the dependent variable, while the independent variables consist of Audit Committee Size (ACSIZE), Audit Committee Independence (ACIND) and Audit Committee Meeting (ACMEET). The model was estimated in the previous section and the data are run with E-Views 9.0 econometric computer software. The hypotheses were tested using the t-ratios from the Ordinary Least Square (OLS) regression result.

The presentation of the results is as follows; firstly, the descriptive statistics result is presented. Secondly, the correlation result and analysis is also presented. Next, the ordinary least squares regression result is presented and analyzed.

Descriptive Statistics

The results of the descriptive statistics are analyzed in the table below:

Table 1: Descriptive Statistics

	FPER	ACSIZE	ACIND	ACMEET
Mean	0.165446	6.040000	0.536000	3.840000
Median	0.085160	6.000000	0.500000	4.000000
Maximum	2.563784	9.000000	1.330000	5.000000
Minimum	0.003935	4.000000	0.420000	1.000000
Std. Dev.	0.359934	0.781417	0.159220	0.791795
Skewness	6.092770	1.486558	4.405313	-1.953931
Kurtosis	41.07210	10.73538	21.31963	8.113485
Jarque-Bera	3329.109	143.0740	860.9082	86.28980
Probability	0.000000	0.000000	0.000000	0.000000
Sum	8.272293	302.0000	26.80000	192.0000
Sum Sq. Dev.	6.348075	29.92000	1.242200	30.72000
Observations	50	50	50	50

Source: E-views, 9.0.

The descriptive statistics in table 1 shows the characteristics of the variables from the ten (10) selected food manufacturing companies in Nigeria that formed the overall sample of the study. As observed, the mean value of the dependent variable Financial Performance (FPER) showed positive values ranging from 0.003935 to 2.563784 suggesting that Financial Performance (FPER) of the selected food manufacturing companies in Nigeria for the period under review skewed towards positive. The mean values of all the other independent variables [Audit Committee Size (ACSIZE), Audit Committee Independence (ACIND) and Audit Committee Meeting (ACMEET)] showed positive values with mean values of 6.040000, 0.536000 and 3.840000 respectively. The standard deviations of each of the variables showed minimal dispersion ($\pm$) from the mean values which are highly desirable. More so, the probability values of the Jargue Bera test for all factors are significantly lower than the 0.05 indicating that the series are uniformly distributed.

Figure 1   Normality Test

Series: Residuals	
Sample 1 50	
Observations 50	
Mean	-4.51e-18
Median	-0.064588
Maximum	2.391432
Minimum	-0.168418
Std. Dev.	0.358634
Skewness	6.103234
Kurtosis	41.19289
Jarque-Bera	3349.365
Probability	0.000000
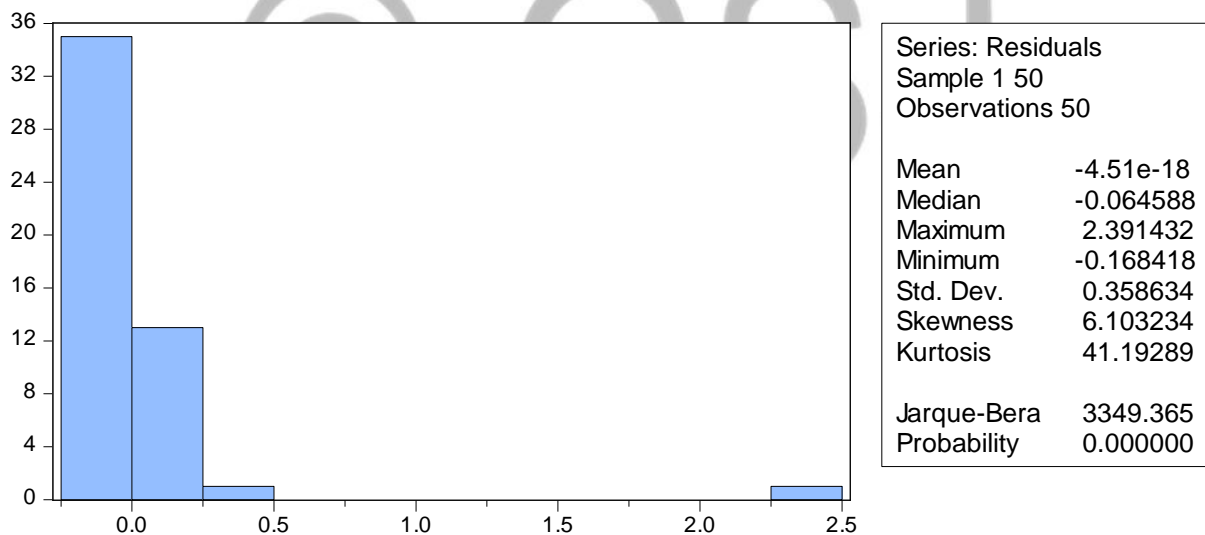
Source: Researchers Computation, 2020

The histogram normality and other descriptive statistics of the regression variables are revealed in the normality test above. The result showed a mean Jarque-Bera test of 3349.365 and associated probability value of 0.000000 which is significantly lower than the 5% level indicating that not all the series are evenly distributed. Thus, the issue of endogeneity arising from the heterogeneous nature of the data are likely evident.

Table 2: Correlation Analysis

Date: 05/19/20   Time: 16:17
Sample: 1 50
Included observations: 50

Correlation t-Statistic Probability	FPER	ACSIZE	ACIND	ACMEET
FPER	1.000000			

ACSIZE	-0.054212	1.000000		
	-0.376143	-----		
	0.7085	-----		
ACIND	-0.081297	0.408107	1.000000	
	-0.565110	3.097098	-----	
	0.5746	0.0033	-----	
ACMEET	0.003741	0.010555	0.062810	1.000000
	0.025916	0.073131	0.436018	-----
	0.9794	0.9420	0.6648	-----

Source: Eviews 9 (2020)

Table 2 presents the correlation matrix of variables adopted in the study. The aim is to show how the variables are related among themselves and to also check for possible high correlations which could lead to multicollinearity problem. As observed from the result, a significant negative correlation exists between the dependent variable Financial Performance (FPER) and the variables of Audit Committee Size (ACSIZE) and Audit Committee Independence (ACIND) at -0.054212 and -0.081297 respectively, while the variable of Audit Committee Meeting (ACMEET) exhibited a significant positive correlation between it and the dependent variable Financial Performance (FPER). However, the variables have significant association with the dependent variable of Financial Performance (FPER) at 1% level of confidence. This suggests that all the independent variables move in the same direction with the dependent variable. It is also observable that the issue of high-correlation is not evident among the variables as none of the correlation coefficients is above 0.90.

Diagnostic Tests

To ensure reliability and validity of the empirical results, some diagnostic tests were conducted. In order to test for the presence of multicollinearity in the model, the Variance Inflation Factor (VIF) was carried out, the Hereroskedasticity test was conducted using Breusch-pagan-Godfrey test.

Table 3: Variance Inflation Factors

Variance Inflation Factors
Date: 05/19/20   Time: 16:17
Sample: 1 50
Included observations: 50

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
ACSIZE	0.005496	74.36835	1.200162
ACIND	0.132879	15.13687	1.204782
ACMEET	0.004479	25.10589	1.004236
C	0.233384	85.17266	NA

Source: Eviews 9 (2020)

The result of the variance inflation factor in Table 3 shows the absence of multicolinearity. The centered VIF values of the explanatory variables are far below the benchmark of 10. The explanatory variables of Audit Committee Size (ACSIZE) reported a centered VIF of 1.200162; Audit Committee Independence (ACIND) 1.204782 and Audit Committee Meeting (ACMEET) 1.004236. All the variables of the model recorded a centered VIFs that are not substantially different from 1.00 and are not indicative of the problem of multicollinearity.

Table 4: Heteroskedasticity Test: Breusch-Pagan-Godfrey

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.038745	Prob. F(3,46)	0.9897
Obs*R-squared	0.126025	Prob. Chi-Square(3)	0.9885
Scaled explained SS	2.143647	Prob. Chi-Square(3)	0.5431

Source: Researcher's Compilation (2020)

The test for Heteroskedasticity is presented in Table 4. It checks for the presence of non-constant variable leading to the breakdown of the BLUE properties in which the

efficiency and consistency property may be lost. The decision rule is to conclude that there is no Heteroskedasticity if the F-statistic values are respectively greater than the critical values at 5% level. In the absence of this (i.e. if the critical values at 5% is greater than the F-statistic and observed R-square value), we conclude that there is Heteroskedasticity. As shown in Table 4, the p-value (3.46%) of the corresponding observed chi-square value is greater than 5%. Hence, we accept the null hypothesis of heteroskedasitic error term which is desirable. The implication of this is that the regression results can be applied reliably.

Estimation Results

The fixed effect and random effect model estimation technique were to be adopted. However, in order to ascertain the one that is most appropriate. The Hausman's Test was applied; the result obtained is show below:

Table 5: Hausman Test Result

Correlated Random Effects - Hausman Test
Equation: Untitled
Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	0.336111	3	0.9531

Period random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
ACSIZE	0.010441	0.003052	0.000191	0.5926
ACIND	-0.136355	-0.144935	0.000943	0.7799
ACMEET	0.005077	0.004747	0.000024	0.9459

Source: Author's Computation (2020)

Null Hypothesis: Random effect model is not desirable

Alternative Hypothesis: Random effect model is desirable.

Decision Rule: Accept null if product is greater than 5%.

Accept alternative if product is less than 5%.

From the result of the Hausman Test, the chi-square statistics has a value of 0.33 and the corresponding p-value is greater than 5%. Hence, the null hypothesis was accepted. This implies that the random effect model is most appropriate for the study, (see appendix) in order to provide a comprehensive overview of the results.

Table 6: Regression Results
Dependent Variable: FPER
Method: Panel EGLS (Period random effects)
Date: 05/19/20   Time: 16:25
Sample: 2014 2018
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACSIZE	0.003052	0.076432	0.039931	0.9683
ACIND	-0.144935	0.366226	-0.395754	0.6941
ACMEET	0.004747	0.067115	0.070730	0.9439
C	0.206469	0.503449	0.410108	0.6836

Effects Specification		S.D.	Rho
Period random		0.175711	0.1848
Idiosyncratic random		0.369036	0.8152

Weighted Statistics			
R-squared	0.003982	Mean dependent var	0.091533
Adjusted R-squared	0.060976	S.D. dependent var	0.347746
S.E. of regression	0.358191	Sum squared resid	5.901838
F-statistic	0.061300	Durbin-Watson stat	1.727458
Prob(F-statistic)	0.009894		

Unweighted Statistics			
R-squared	0.005950	Mean dependent var	0.165446
Sum squared resid	6.310304	Durbin-Watson stat	1.768060

Source: Researcher's Computation via Eviews 9 (2020)

From Table 6 above, it can be seen that the R^2 statistic is 0.10 while the adjusted R^2 statistic is 0.06%. This is an indication that about 6% of systematic variations in Financial Performance (FPER) are explained by changes in the explanatory variables of the model. Similarly, the F-statistic, 0.061300 is statistically significant at the 5% level (probability

value of 0.009894). These statistics indicate that our model satisfies the overall goodness of fit statistical test.

The Durbin-Watson statistic of 1.72 shows the absence of autocorrelation. Thus, our econometric model meets both statistical and diagnostic criteria and represents a good and consistent estimator that can be useful for policy direction.

In addition to the above, the specific finding from each explanatory variable from the PLS regression model is provided as followings:

Audit Committee Size (ACSIZE), based on the coefficient 0.003052 and p-value of 0.9683, appears to have a positive influence on Financial Performance (FPER) and was not statistically significant. This result, therefore, suggests that we should accept the null hypothesis one (H_0) and reject the alternative hypothesis, which means there is no significant relationship between audit committee size and financial performance of quoted food manufacturing companies.

Audit Committee Independence (ACIND), based on the coefficient of -0.144935 and p-value of 0.6941 was found to have a negative impact on Financial Performance (FPER) and this was not statistically significant. This result, therefore, suggests that we should accept the null hypothesis which suggests that there is no significant relationship between audit committee independence and financial performance of quoted food manufacturing companies.

Audit Committee Meeting (ACMEET), based on the coefficient 0.004747 and p-value of 0.9439, appears to have a positive influence on our sampled quoted food manufacturing companies' Financial Performance (FPER) and was not statistically significant. This result, therefore, suggests that we should also accept the null hypothesis, which means that audit committee meeting does not have significant impact on financial performance of quoted food manufacturing companies.

Conclusion and Recommendations

This study examines audit committee attributes and financial performance of quoted food manufacturing companies in Nigeria. The model was regressed to analyze the existence of significant relationships between the dependent and independent variables. The study utilized ten (10) quoted food manufacturing companies on the Nigeria Stock Exchange that have maintained 2014 to 2018 annual financial reports. In identifying the possible determinants that would influence financial performance of quoted food manufacturing companies in Nigeria; we conducted descriptive statistics, correlation and firm observable estimation of the regression result. Specifically, we studied the relationship between audit committee size, audit committee independence, audit committee meeting and financial performance of quoted food manufacturing companies in Nigeria.

Of all the variables examined, none of the variables were found to be statistically significant. However, audit committee size and audit committee meeting exhibited a positive association with financial performance of quoted food manufacturing companies in Nigeria for the period under review.

In light of the foregoing discussions, it is our opinion and recommendation that the following should be put in place.

1. Management of quoted food manufacturing companies should not consider increase in the audit committee size, but consider people with financial background/financial experts when constituting audit committee members. This is enhance the financial performance of quoted food manufacturing companies.

2. The independence of audit committee members should be enhanced by ensuring that more of independent directors are introduced into the audit committee as against non-executive directors who still hold one form of interest or the other in the firm.

3. Since audit committee meeting is positively related to financial performance, the study recommend that audit committee meeting should not only meet regularly but

discuss more on issue affecting the financial performance of quoted food manufacturing companies.

References

Abubakar, A., Sulaiman, I. & Haruna, U. (2018). Effect of firms characteristics on financial performance of listed insurance companies in Nigeria. *African Journal of History and Archaeology*, 3(1), 1 – 9.

Adebayo, S. I. & Onyeiwu, C. (2018). The determinants of profitability of manufacturing firms in Nigeria. *International Journal of Economics, Commerce and Management*, 6(4), 479 – 493.

Alqatamin, R. M. (2018). Audit committee effectiveness and company performance: evidence from Jordan. *Accounting and Finance Research*, 7(2), 48 – 60.

Amer, M., Ragab, A. A. & Shehata, S. E. (2014). Audit committee characteristics and firm performance: Evidence from Egyptian listed companies. *Proceedings of 6th Annual American Business Research Conference*, *9 - 10 June 2014, Sheraton LaGuardia East Hotel, New York, USA,* 1 – 25.

Ashari, S. & Krismiaji, K. (2020). Audit committee characteristics and financial performance: Indonesian evidence. *Equity,* 22(2), 139 – 152.

Asiriuwa, O., Aronmwan, E. J., Uwuigbe, U. & Uwuigbe, O. R. (2018). Audit committee attributes and audit quality: A benchmark analysis. *Business: Theory and Practice,* 19(1), 37 – 48.

Dioha, C., Mohammed, N. A. & Okpanachi, J. (2018). Effect of firm characteristics on profitability of listed consumer goods companies in Nigeria. *Journal of Accounting, Finance and Auditing Studies*, 4(2), 14 – 31.

Glover-Akpey, I. & Azembila, A. B. (2016). The effect of audit committees on the performance of firms listed on the Ghana Stock Exchange. *IOSR Journal of Business and Management*, 18(5), 55 – 62.

Hope, I. O. & Ikueze, N. E. (2018). Effect of audit committee characteristics on performance of non-financial firms: Evidence from a recessed economy. *International Journal of Innovation and Applied Studies,* 24(1), 289 – 298.

Hussaini, B. & Gugong, B. K. (2015). Audit committee characteristics and earnings quality of listed food and beverages firms in Nigeria. *International Journal of Accounting, Auditing and Taxation*, 2(8), 216 – 227.

Isa, M. A. & Farouk, M. A. (2018). The moderating effect of audit committee on the relationship between board diversity and earnings management of banks in Nigeria. *Iranian Journal of Accounting, Auditing & Finance*, 2(1), 115 – 132.

Kibiya, M. U., Che-Ahmad, A. & Amran, N. A. (2016). Audit committee independence, financial expertise, share ownership and financial reporting quality: further evidence
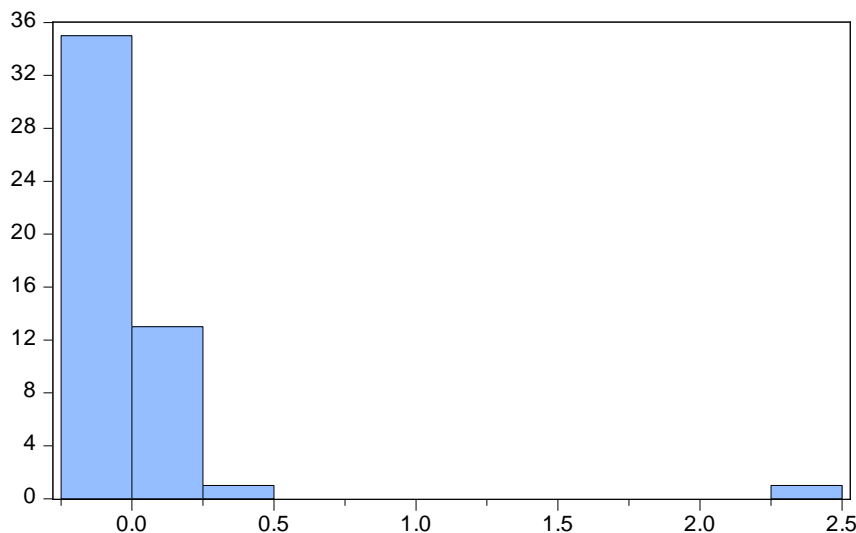
from Nigeria. *International Journal of Economics and Financial Issues*, 6(7), 125 – 131.

Maina, L. K. & Oluoch, O. (2018). Effect of corporate audit committee characteristics on financial performance of manufacturing firms in Kenya. *International Journal of Social Sciences and Information Technology*, 4(10), 684 – 701.

Mbobo, M. E. & Umoren, A. O. (2016), The influence of audit committee characteristics on the quality of financial reporting: evidence from Nigerian Banks, *International Journal of Economics, Commerce and Management*, IV(7), 116 – 141.

Odusanya, I., Yinusa, O. & Ilo, B. M. (2018). Determinants of firm profitability in Nigeria: evidence from dynamic panel models. *SPOUDAI Journal of Economics and Business*, *68*(1), 43 – 58.

Oji, O. & Ofoegbu, G. N. (2017). Effect of audit committee qualities on financial reporting of listed companies in Nigeria: A perspective study. *International Journal of Scientific and Research Publications,* 7(10), 278 – 290.

Olaoye, C. O., Olaoye, F. O. & Adebayo, I. A. (2019). Impact of audit committees' qualities on return on assets of companies` listed on the Nigeria stock exchange (2003-2017): A panel approach. *International Journal of Economics & Business,* 3(2), 218 – 231.

Rahman, M. M., Meah, M. R. & Chaudhory, N. U. (2019). The impact of audit characteristics on firm performance: An empirical study from an emerging economy. *Journal of Asian Finance, Economics and Business*, 6(1), 59 – 69.

Salawu, M. O., Okpanachi, J., Yahaya, O. A. & Dikki, A. D. (2017). Effects of audit committee expertise and meeting on audit quality of listed consumer-goods companies in Nigeria. *European Journal of Accounting, Auditing and Finance Research*, 5(10), 61 – 79.

Umobong, A. A. & Ibanichuka, E. A. L. (2017). Audit committee attributes and financial reporting quality of food and beverage firms in Nigeria. *International Journal of Innovative Social Sciences & Humanities Research* 5(2), 1 – 13.

Zabri, S. M., Ahmad, K. & Wah, K. K. (2016). Corporate governance practices and firm performance: evidence from top 100 public listed companies in Malaysia. *Procedia Economics and Finance,* 35, 287 – 296.

Zraiq, M. A. A. & Fadzil, F. H. B. (2018). The impact of audit committee characteristics on firm performance: Evidence from Jordan. *Scholar Journal of Applied Sciences and Research*, 1(5), 39 – 42.

Appendix

Dependent Variable: FPER
Method: Least Squares
Date: 05/19/20   Time: 16:15
Sample: 1 50
Included observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACSIZE	-0.011554	0.074133	-0.155854	0.8768
ACIND	-0.161846	0.364526	-0.443990	0.6591
ACMEET	0.003865	0.066923	0.057751	0.9542
C	0.307139	0.483098	0.635770	0.5281

R-squared	0.007212	Mean dependent var	0.165446
Adjusted R-squared	-0.057535	S.D. dependent var	0.359934
S.E. of regression	0.370144	Akaike info criterion	0.926768
Sum squared resid	6.302293	Schwarz criterion	1.079729
Log likelihood	-19.16919	Hannan-Quinn criter.	0.985016
F-statistic	0.111387	Durbin-Watson stat	1.773531
Prob(F-statistic)	0.953017		

	FPER	ACSIZE	ACIND	ACMEET
Mean	0.165446	6.040000	0.536000	3.840000
Median	0.085160	6.000000	0.500000	4.000000
Maximum	2.563784	9.000000	1.330000	5.000000
Minimum	0.003935	4.000000	0.420000	1.000000
Std. Dev.	0.359934	0.781417	0.159220	0.791795
Skewness	6.092770	1.486558	4.405313	-1.953931
Kurtosis	41.07210	10.73538	21.31963	8.113485
Jarque-Bera	3329.109	143.0740	860.9082	86.28980
Probability	0.000000	0.000000	0.000000	0.000000
Sum	8.272293	302.0000	26.80000	192.0000
Sum Sq. Dev.	6.348075	29.92000	1.242200	30.72000
Observations	50	50	50	50

Series: Residuals
Sample 1 50
Observations 50

Mean	-4.51e-18
Median	-0.064588
Maximum	2.391432
Minimum	-0.168418
Std. Dev.	0.358634
Skewness	6.103234
Kurtosis	41.19289
Jarque-Bera	3349.365
Probability	0.000000

Covariance Analysis: Ordinary

Date: 05/19/20 Time: 16:17
Sample: 1 50
Included observations: 50

Correlation
t-Statistic

Probability	FPER	ACSIZE	ACIND	ACMEET
FPER	1.000000			

ACSIZE	-0.054212	1.000000		
	-0.376143	-----		
	0.7085	-----		
ACIND	-0.081297	0.408107	1.000000	
	-0.565110	3.097098	-----	
	0.5746	0.0033	-----	
ACMEET	0.003741	0.010555	0.062810	1.000000
	0.025916	0.073131	0.436018	-----
	0.9794	0.9420	0.6648	-----

Variance Inflation Factors
Date: 05/19/20 Time: 16:17
Sample: 1 50
Included observations: 50

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
ACSIZE	0.005496	74.36835	1.200162
ACIND	0.132879	15.13687	1.204782
ACMEET	0.004479	25.10589	1.004236
C	0.233384	85.17266	NA

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.038745	Prob. F(3,46)	0.9897
Obs*R-squared	0.126025	Prob. Chi-Square(3)	0.9885
Scaled explained SS	2.143647	Prob. Chi-Square(3)	0.5431

Correlated Random Effects - Hausman Test
Equation: Untitled
Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	0.336111	3	0.9531

Period random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
ACSIZE	0.010441	0.003052	0.000191	0.5926
ACIND	-0.136355	-0.144935	0.000943	0.7799

27

ACMEET	0.005077	0.004747	0.000024	0.9459

Dependent Variable: FPER
Method: Panel Least Squares
Date: 05/19/20   Time: 16:24
Sample: 2014 2018
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACSIZE	-0.012054	0.077612	-0.155313	0.8774
ACIND	0.020781	0.434088	0.047873	0.9621
ACMEET	0.128849	0.084646	1.522200	0.1365
C	-0.267664	0.527986	-0.506954	0.6152

Effects Specification		

Cross-section fixed (dummy variables)

R-squared	0.333689	Mean dependent var	0.165446
Adjusted R-squared	0.117588	S.D. dependent var	0.359934
S.E. of regression	0.338111	Akaike info criterion	0.888007
Sum squared resid	4.229793	Schwarz criterion	1.385133
Log likelihood	-9.200180	Hannan-Quinn criter.	1.077316
F-statistic	1.544134	Durbin-Watson stat	2.144583
Prob(F-statistic)	0.152372		

Dependent Variable: FPER
Method: Panel EGLS (Period random effects)
Date: 05/19/20   Time: 16:25
Sample: 2014 2018
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACSIZE	0.003052	0.076432	0.039931	0.9683
ACIND	-0.144935	0.366226	-0.395754	0.6941
ACMEET	0.004747	0.067115	0.070730	0.9439
C	0.206469	0.503449	0.410108	0.6836

Effects Specification				
			S.D.	Rho
Period random			0.175711	0.1848
Idiosyncratic random			0.369036	0.8152

Weighted Statistics			
R-squared	0.103982	Mean dependent var	0.091533
Adjusted R-squared	0.060976	S.D. dependent var	0.347746
S.E. of regression	0.358191	Sum squared resid	5.901838

| F-statistic | 0.061300 | Durbin-Watson stat | 1.727458 |
| Prob(F-statistic) | 0.009894 | | |

Unweighted Statistics			
R-squared	0.005950	Mean dependent var	0.165446
Sum squared resid	6.310304	Durbin-Watson stat	1.768060