Journal of Business and Economic Policy
UNIZIK Business School, Nnamdi Azikiwe University, Awka

UBSJBEP
1 (3)
https://journals.unizik.edu.ng/index.php/ubsjbep
Quarterly Journal of UNIZIK Business School, Awka, Nigeria

AUDIT COMMITTEE ATTRIBUTES AND FIRM PERFORMANCE: THE MODERATING ROLE OF AUDIT COMMITTEE EXPERTISE

CITATION: [1] Ozigi Omoyi Obeitoh, [2] Ismaila Yusuf & [3]Yunusa Abdulateef (2023), Audit Committee Attributes And Firm Performance: The Moderating Role Of Audit Committee Expertise, *UBS Journal of Business and Economic Policy,* 1(3), 255-274

Paper Type: *Original Research Paper;* ***Correspondence***: ozigiobeitoh@gmail.com

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Abstract

This study extends previous studies by examining the role of young women and the financial expertise of female gender on the audit committee. The sample size consists of 95 firms listed on Nigerian Exchange Group from year 2013 to 2022. The period from 2013 to 2022 was a period of renewed effort by regulators to reposition the corporate governance mechanism in Nigeria. The findings of our study show that young women within the age of 40 years below, financial expertise of female gender serving on the audit committee and audit committee expertise promote firm performance. In addition, audit committee size and meeting promote earnings per share as a measure of firm performance. The interaction of audit committee expertise with young women and financial expertise of female gender moderates the two measurements of firm performance. Our findings show that audit committee expertise moderates relationship between audit committee attributes and firm performance.

Keywords: Audit committee Expertise, Expertise of women on audit committee, Nigerian Code of Corporate Governance, Companies and Allied Matters Act, Young Women on the Audit committee.

Introduction

The recent accounting scandals in Nigeria due to corporate governance failure have highlighted the need to examine the corporate governance mechanism and firm performance in Nigeria. In view of this recent development, researchers, industry experts, corporate governors and policy makers have underscored the need to examine audit committee oversight responsibility as an essential component of corporate governance structure that affects firm performance. The Companies and Allied Matters Act saddles audit committees with the responsibility of overseeing financial reporting and monitoring the choice of accounting policies and principles. Thus, an audit committee is expected to protect shareholders' interests by promoting firm performance and maximizing shareholders' wealth. One potential factor that may be contributing to poor firm performance in Nigeria is the characteristics of the audit committee. The audit committee is responsible for overseeing the financial reports and ensuring that the firm is run in the best interests of shareholders and other stakeholders (Ogbechie & Koufopoulos, 2014). Therefore, the attribute of audit committee may influence performance. Notwithstanding the responsibilities placed on the audit committee there are still obvious cases of poor financial performance, decline in financial fortune and loss of confidence in financial report and performance as a result of poor corporate governance practice. A good example of decline in financial performance arising from corporate governance failure was the case of First Bank of Nigeria. The board of the bank was removed from office by the regulator, the Central Bank of Nigeria on 29th April 2021 as result of corporate governance failure due to weak corporate governance structure and insider abuse. The insider abuse relates to a loan the board approved to a dominant shareholder without due process. Which later turned out to be a bad loan, which costs the bank a yearly provision of additional 150billion naira for loan losses as part of forbearance measure (Thisday). In a similar twist of fate in the oil and gas sector, the board of Oando Plc was removed and the firm suspended from trading from stock market by Nigerian Security and Exchange commission on April 19 2017 after a major corporate governance menace. The board paid dividend to shareholders out of unrealized profit with a view to distort the true financial position of the firm (The premium Times). This has negatively affected the firm's financial fortune. Further investigations by Security and Exchange Commission (SEC) disclose that most related party transactions were not conducted on arm's length basis, which contravenes SEC rules and regulation. The fact that related party transactions were not carried out in arm's length basis suggests insider trading and abuse. The above problems underscore the need to examine audit committee whose responsibility is to review and monitor the financial reporting process so as to promote firm performance.

In addition to the above practical problems, the review of related literature reveals a major gap on issues relating to expertise of female gender on audit committee and membership of young women on audit committee. While most studies examine gender diversity on audit committee, little or no study examine the expertise of a woman or young women serving on the audit committee. In a bid to bridge this gap, our study examines expertise of women and young women serving on the audit committee in relation to financial performance within context of Nigeria where corporate governance institutional framework is perceived to be weak. Within the context of agency theory according to Jensen and Meckling (1976), it is believed that a firm with sound corporate governance structure reduces agency costs which improves firm performance. It is therefore logical to examine various dimensions of audit committee mechanisms in relation to firm performance in view of recent accounting and corporate governance scandals in Nigeria. The audit committee mechanism includes audit committee size, audit committee independence, audit committee meeting, young women on audit committee, financial expertise of women on the audit committee and audit committee expertise. These mechanisms interact in a way that may influence performance. Thus, from agency theory point of view, audit committee independence, meetings, expertise may play important role in promoting firm performance.

Literature Review

Empirical Review

Audit Committee Size and Firm Performance

In a split finding, study by Rahman and Ali (2022) provides an empirical evidence to suggest that audit committee size has a significant positive association with return on assets and significant negative relationship with return on equity. The finding by this study suggests that audit committee improves return on assets but diminishes return on equity. Further study by Hamdan, Sarea and Reyad (2018) indicates significant positive association between audit committee size and firm performance suggesting that size improves firm's financial fortune through return on assets and earnings per share. Thus, this finding is similar to the finding of Umoh-Daniel, Eguasa and Excellence (2021) which provides empirical basis to support the fact that audit committee size promotes financial performance. On the other hand the studies by Al-Matari (2022); Albawwat, Almansour, Al Zobi and Alrawashedh (2020); Kristian and Siswanto (2021); Qeshta, Alsoud, Hezabr, Ali and Oudat, (2021) provide evidence to suggest the fact that there is no association between audit committee size and firm performance. The studies by Al-Jalahma (2022); Fariha, Hossain and Ghosh (2022) provide empirical evidence that support a significant negative association between audit committee size and firm performance. This suggests that audit committee size reduces firm performance. The finding of the above studies imply that audit committee size on its own does not determine performance rather the quality of the size does hence the need to examine the association between the two variables by audit committee expertise, which serves as a mediator. The quality of audit committee size is in the expertise of the committee. Thus, this study is of the view that audit committee expertise influences the association between audit committee size and financial performance. In view of the above arguments, this study proposes the following hypothesis:

H1: There is positive association between audit committee size and firm performance

Audit Committee Independence and Firm Performance

According to the study by Al-Hadrami et al. (2020), audit committee independence influences firm investment decision which promotes firm performance with empirical evidence that suggests a significant positive association between audit independence and investment decision making that aids firm performance. Similar findings by the studies of Hamada and Rajab (2021); Iheyen (2020); Okolie and Ogbaragu (2022) adduce empirical evidence to support the fact that audit committee independence improves firm performance. The studies provide evidence that appointment of executive directors into audit committee increases firms' financial fortune. On the contrary, finding from the studies of Olowookere and Lasisi (2021); Umar et al.(2020) suggest significant negative relationship between the variables. The finding suggests that audit committee independence reduces firm performance suggesting that the more non-executive directors on audit committee the more abysmal the firm performance. The finding from the study of Eseoghene and Oghenevwogaga (2021) signifies no form of association between audit committee independence and firm performance especially return on assets, return on equity and earnings per share.

From the above review of literature, it is evident that findings between the two variables are contradictory and inconclusive which opens it up for further examination hence the need to explain the association with an intervening variable in form of a moderator. A non-executive director is a person of sound mind and judgment when expressing his professional expertise suggesting that expertise plays a role when a non-executive director is discharging his duties, the finding of Azam and Wang (2021) supports this fact. In view of the above arguments, this study proposes the following hypothesis:

H2: There is positive association between audit committee independence and firm performance

Audit Committee Meeting and Firm Performance

Empirical evidence from the study of Orjinta and Nkem (2018) provides strong reason to support the fact that audit committee meeting influences performance. In a similar study by Abeygunasekera, Weerasuriya and Kehelwalatenna (2021), empirical finding reveals that audit committee meeting positively and significantly influences firm performance with 2% increase in firm performance by one additional meeting held. Thus, audit committee meeting frequency improves firm financial fortune. Further finding by the study of Farwis, Siyam, Nazar Aroosiya (2021) indicates similar finding which suggests that frequency of meeting improves financial performance, this is also corroborated by the finding of Osevwe-Okoroyibo and Emeka-Nwokeji (2021). These findings appear logical as meeting avails opportunity to debate robust ideas that can improve the firm finances. On the contrary, a few studies e.g. Anasweh (2021); Meah, Sen and Ali(2021) suggest a negative but significant association between audit committee meeting and firm performance which implies that firm performance drops as the committee hold more meeting. Further empirical findings from the study of Al-Jalahma (2022); Al-Mamun, Yasser, Rahman, Wickramasinghe and Nathan (2014); Qeshta et al. (2021) suggest that the frequency of audit committee meeting do not have any effect on firm performance. This implies that the number of times the committee meet to deliberate on issues of importance do not affect the financial fortune of the firm.

From the above findings, it is evident that empirical results are contradictory and inconclusive suggesting the need to examine the variables with an intervening variable to see the interaction. This study believes that expertise of audit committee makes audit committee meeting interactive and robust which implies that audit committee expertise could moderate the association between audit committee meeting and firm performance. It is the light of the above arguments that this study proposes this hypothesis:

H3: There is positive association between audit committee meeting and firm performance

Young Women on Audit Committee and Firm Performance

Preponderant majority of gender-based studies in accounting literature e.g. Alqatamin (2018); Chijoke-Mgbame, Boateng and Mgbame (2020); Eni-Egwu, Madukwe and Ezeilo (2022); Hamada and Rajab (2021); Meah et al. (2021); Nekhili, Gull, Chtioui and Radhouane (2020) deal with inclusion of women in corporate governance structure, thus, there are few or no studies that examine age of young female members of audit committee. Recent studies by Gardiner (2022); Simionescu, Gherghina, Tawil and Sheikha (2021) examine age of directors in general but none of the studies examine age along gender line and along age classification. This is a gap our study bridges by examining age of directors serving on audit committee along gender lines and classification as our study examines female directors ages 40 and below. The justification for the choice of young women between the ages of 40 years and below is based on the fact that young people have cognitive advantage which enhances performance as espoused by the studies of Aifuwa, Musa, Gold and Usman (2020); Arioglu (2021). Findings from related studies e.g. Arora (2022); Chijoke-Mgbame et al. (2020) reveal that inclusion of women on the board and audit committee improves financial performance, these studies however did not examine the examine the age classification of such women beyond mere gender inclusion. Interestingly, the study by Bin Khidmat, Ayub Khan and Ullah (2020) deals with age of young directors below 50 years but the study did not do so along gender line a gap our study bridges. Our study examines age of younge female directors who are 40 years below. The above study provide evidence to show that young directors are reformers who challenges the status quo with a view to bringing a new world order with a lot of vigour and ideas. In view of the above arguments, this study put forward this hypothesis:

H4: There is positive association between young women on the audit committee and firm performance.

Expertise of Female Gender on the Audit Committee and Firm Performance

Study according to Meah, Sen and Ali (2021) suggests that the presence of women on the board improves firm performance. In a similar but distinct study, Faccio, Marchica and Mura (2016) provide empirical evidence that female inclusion on the board in the capacity of chief executive officer results in low leverage , higher chances of survival and less earnings volatility which improves performance. This is similar to the finding of Kao, Huang, Fung and Liu (2020) as women on the board are risk averse which reduces negative stock return, the study opines that women are more inclined towards ethics compare to her male counterparts, the study of Zalata, Ntim, Alsohagy and Malagila (2021) also led credence to the above assertion. According to study by Sultana, Singh and Van der Zahn (2015) female members of audit committee improve financial reporting. Female directors are agents of change which bring to bear change mantra of openness, accountability, prudence and adequate disclosure according to Ud Din et al. (2021).

The above studies deal with women inclusion on the board and audit committee in response to women participation in corporate governance. The studies did not examine expertise of the women hence a gap in this regard which our study bridges. In addition to the above arguments, this study believes that the overall expertise of the audit committee can also have effect on the expertise of the women on the committee. In the light of the above, this study presents this hypothesis:

H5: There is positive association between expertise of female gender on the audit committee and firm performance.

Audit Committee Expertise and Firm Performance

The study of Osevwe-Okoroyibo and Emeka-Nwokeji (2021) explains the overall effects of audit committee expertise on firm performance. The finding of the study indicates positive association between audit committee expertise and firm performance. Contrary to this finding, is the finding of the study of Qeshta, Alsoud, Hezabr, Ali and Oudat (2021) which provides empirical evidence to support a negative association between audit committee expertise and performance. The studies of Abeygunasekera et al. (2021); Kirui, Naibei and Rop (2022) provide a strong empirical evidence to support the fact that audit committee expertise improve financial performance. The studies opine that expertise of members of audit committee is an important tool for performance as such expertise brings to bear the technical knowledge that can enhance firm performance through the oversight function of the experts on the audit committee. Within the context of financial reporting quality, study by Lutfi et al. (2022) opines that presence of accounting experts on audit committee improves financial reporting quality. Therefore, drawing inference from the above study we are of the opinion that the presence of accounting and other related experts on the audit committee can improve firm performance. In the light of the foregoing, we put forward this hypothesis:

H6: There is positive association between audit committee expertise and firm performance.

Moderating effects of Audit Committee Expertise on Audit Committee Attributes and Firm Performance.

The review of empirical literature suggests mixed and inconclusive findings as regards audit committee attributes and financial performance this opens up this area to further examination hence the need for audit committee expertise as a moderator. The audit committee expertise is an important attribute of the committee that affects all other attributes thus, the interaction of audit committee expertise with other audit committee attributes influences firms performance. Empirical findings from the studies of Bazhair (2022); Osevwe-Okoroyibo and Emeka-Nwokeji (2021) suggest that expertise of audit committee improves firm performance. The study of Al-Matari (2022) suggests that expertise of the chairperson of the audit mediates the association between audit committee attributes and firm performance. In contrast to the above study is the finding of Kallamu and Saat (2015) which suggests that financial expertise of audit committee members diminishes firm performance before the introduction of Malaysian Code of Corporate Governance. The relationship between the two variables however suggests no form of association after the introduction of code of corporate governance in Malaysia. In view of the above findings from reviewed literature, we put forward the following hypotheses:

H7a: The interaction of audit committee expertise with audit committee size moderates firm performance.

H7b: The interaction of audit committee expertise with audit committee independence moderates firm performance.

H7c: The interaction of audit committee expertise with audit committee meeting moderates firm performance.

H7d: The interaction of audit committee expertise with young female directors on the audit commit moderates firm performance.

H7e: The interaction of audit committee expertise with financial expertise of female members of the audit committee moderates firm performance.

Theory

Audit committee is an important committee of the board established by law to deal with agency problem created by separation of mangers from owners with divergent interest and lack of goal congruence. Thus audit committee is an antidote to agency problem according to Muhanguzi (2019) as the committee reduces opportunistic nature of managers that puts the shareholders' wealth at risk. Jensen and Meckling (1976) opine that both agents (the managers) and principals (the owners) are two groups of individuals trying to maximize their interests thus, there is a sound reason to suggest that agent (the mangers) may act opportunistically at the expense of the principal (the owners). To this end, audit committee plays a significant role through its monitoring, control and review functions to address these opportunistic tendencies of managers. To this end, women play a significant role in this regard as study by Khamis, Barone, Sarea and Hamdan (2019) opines that women are tougher in monitoring. Therefore, this study expects women to bring tough monitoring skills to the audit committee in a way that reduces information asymmetry which is the basis of opportunistic tendency of manager according to Nasution, Putri and Faruqi (2020) as such reduction in opportunistic behaviour improves firm performance.

From resource dependence viewpoint, audit committee independence is critical for leveraging external resources that improves firm performance. In addition, expertise of female directors on the audit committee is a critical resource that improves firm performance; therefore, the theory suggests that the presence of female experts on the audit committee promotes the committee's unrestricted access to knowledge which enhances firm performance.

Methodology

Sample Size

The entire population of the study is based on 161 firms listed on the Nigerian Exchange Group as at December 2022. The appropriate sample size for population of 161 firms is 114 firms as per appropriate sample size formula. Our study carefully selected 95 firms out 114 firms after removing 19 firms due to incomplete and non-availability of data within the specified period of 2013 to 2022. This period falls within the period of renewed efforts from regulators and government in repositioning Nigeria's corporate governance mechanisms. We are extracted our data from annual reports firms submitted to Nigerian Exchange Group.

Measurement of Firm Performance.

Past performance indictors used in previous studies can analysed into market-based measures and accounting/book value measures. Lin et al. (2015) opine that accounting based measures are better performance index especially return on assets, as it is not distorted by market idiosyncratic risk. Thus, this study measures firm performance as a function of Return on Assets (ROA) and Earnings Per Share (EPS). We collected data on ROA and EPS from firms' annual reports submitted to Nigerian Exchange Group as the exchange group is credible source of data, as the law requires firms listed on the exchange group to submit their annual reports.

Measurement of Audit Committee Attributes

Audit committee size is the total number of directors serving on the audit committee which includes all directors serving on the committee according to Garad, Rahmawati and Pratolo, (2021); Samoei, Rono and Kipkoech (2016). Our study adopts this measurement in line with past studies. We measure audit committee independence as number of non-executive directors on the audit committee. This measure is in line with past studies such as Adegboye, Ojeka, Alabi, Alo and Aina (2020); Anasweh (2021); Angsoyiri (2021); Balagobei and Velnampy (2018). Audit committee meeting is the frequency of meetings held in a year according to Eluyela et al. (2018); Yakob and Hasan (2021) thus, we measure audit committee meeting as number of times meetings are held in a year. Young women on the audit committee is measured by number of women age 40 years and below on the audit committee while number of women on the audit committee with accounting/finance background measures financial expertise. For the purpose of measurement, a woman with accounting or finance background is any woman with a either a degree or professional certification in accounting or finance.

Measurement of Moderating Variable

Our study moderates the association between audit committee attributes and firm performance by audit committee expertise. We measure audit committee expertise by number of audit committee members with accounting/finance expertise. For the purpose of measurement, audit committee expertise is the number of directors on audit committee with a degree or professional qualification in accounting or finance.

Measurement of Control Variable

According to Udayasankar (2008), size is an important and undisputed control variable. It is believed that the bigger and older a firm is the more the possibility of having strong corporate governance culture. In the light of the above argument, firm size and age control this study. For the purpose of measurement, we measure firm size as a function of firm total assets while age is measured as the date the firm was listed on the floor of Nigerian Exchange Group until date. Table 1 below is the summary of measurements of variables in the study.

Variables	Types	Measurement
Firm Performance	Dependent	Our study measures firm performance as function of return on assets and earnings per shares (Taouab, 2019). The data on ROA and EPS were sourced from Nigerian Exchange Group.
Audit Committee size	Independent	In line with the studies of Garad et al. (2021); Rosikah et al, (2018); Samoei et al. (2016) we measured audit committee size as the total number of directors on the committee.
Audit Committee Independence	Independent	In line with studies of Adegboye, Ojeka, Alabi, Alo and Aina (2020); Anasweh (2021); Angsoyiri (202); Balagobei and Velnampy (2018) the study measures audit committee independence as number of non-executive directors serving on the committee.
Audit Committee Meeting	Independent	Our study measures audit committee meeting as the number of meetings held in a year in line with the studies of Eluyela et al. (2018); Yakob and Hasan (2021).
Young Women on Audit Committee	Independent	Our study measures young women on audit committee as number of young women within age bracket of 40 years and below
Financial Expertise of Women on Audit Committee	Independent	This study measures financial expertise of women on audit committee as number of women with degree or professional certification in accounting or finance.
Audit Committee Expertise	Moderating	We measure audit committee expertise as number of directors on the committee with accounting or finance background.
Firm Size	Control	Firm size is the logarithm of the firms' total assets in line with past study e.g. Pavic Kramaric, Miletic, and Piplica (2021).
Firm Age	Control	We measure Firms' age as the age of the firm from the year it was listed to date, this measure is similar to measurement by Yilun (2020).

Table 1: Variable Measurement Tables

Regression Model Specification

Our regression analysis seeks to examine the impact of audit committee attributes on firm performance, to this end; we came up with regression model measure the impacts of independent variables on dependent variables.

$$EPS = \alpha_1 + \beta_1 ACS + \beta_2 ACI + \beta_3 ACM + \beta_4 YWAC + \beta_5 FEWAC + \beta_6 ACEX + \beta_7 ACSACEX + \beta_8 ACIACEX + \beta_9 ACMACEX + \beta_{10} YWACACEX + \beta_{11} FEWACACEX + Size + Age \ldots equation\ 1$$

$$ROA = \alpha_1 + \beta_1 ACS + \beta_2 ACI + \beta_3 ACM + \beta_4 YWAC + \beta_5 FEWAC + \beta_6 ACEX + \beta_7 ACSACEX + \beta_8 ACIACEX + \beta_9 ACMACEX + \beta_{10} YWACACEX + \beta_{11} FEWACACEX + Size + Age \ldots equation\ 2$$

Descriptive Statistics

Descriptive statistics provide useful details on the mode and nature of data obtained. The table below shows the result of the descriptive statistics with average mean value, standard deviation minimum and maximum values of data described. The lowest values of EPS and ROA are -0.04 and -0.01 respectively while the maximum values of the same variables are 99 and 82 respectively, which suggests that some sampled firms made profit while some made loss. The minimum values of audit committee size is 4 and the maximum is 8 with average value of 5.607368. This suggests that most of the firms maintain average audit committee size of 5.607368, which is close to the minimum number of 6 prescribed by recent legislation in Nigeria. The minimum value for audit committee independence is 2 while maximum value is 4 which simply suggests that maximum number of non-executive directors appointed to the audit committee is 4 while the minimum is 2. The number of meetings held ranges from 1 to 9 in a year with mean value of 4.034737 which implies a meeting per quarter which is the norm among companies in Nigeria. The minimum value for young women on audit committee is zero while the maximum is 2 with mean value of 0.7957895, this suggest that there are young women on the audit committee in Nigeria. This may be as result poor legislation on women appointment into the board. The maximum value of women with financial expertise on audit committee ranges from zero to 2 with mean value of 0.6462856 which implies that there are few women on the audit committee with expertise in accounting or finance. In the same vein, the overall expertise of audit committee ranges from 1 to 3 with a mean value of 2.568421, this suggests that out of average mean value of 5.607368 of audit committee size, 2.568421 are expertise in accounting or finance which means approximately 50% of the audit committee size are experts in either accounting or finance.

Table 2: Descriptive statistics table

Variables	Obs.	Mean	SD	Min.	Max.
EPS	950	28.36986	22.84126	-0.04	9.9
ROA	950	10.95015	9.929624	-10.01	40.5
ACS	950	5.607368	0.8034098	4	6
ACI	950	2.752632	0.4691409	2	4
ACM	950	4.034737	1.086294	1	9
YW	950	0.6126316	0.7341213	0	2
EFAC	950	0.7957895	0.6462856	0	2
ACEX	950	2.568421	0.5143388	1	3
ACSACEX	950	14.6	4.104278	5	24
ACIACEX	950	7.187368	2.154381	2	9
ACMACEX	950	10.46842	3.763357	2	87
YWACEX	950	1.673684	2.086345	0	6
EFACACEX	950	2.017895	1.666851	0	6
FA	950	22.30737	12.93472	7	51
Log FS	950	7.347164	0.8240346	5.6881	9.985

Note: EPS: Earnings Per Share, ROA: Return on Assets, ACS: Audit Committee Size, ACI: Audit Committee Independence, ACM: Audit Committee Meeting, YW: Young women on the Audit Committee, EFAC: Expertise of Female members of Audit Committee, ACEX: Audit Committee Expertise. ACSACEX: Interaction of Audit Committee Size and Audit Committee Expertise, ACIACEX: Interaction of Audit Committee Independence and Audit Committee

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UBSJBEP
1 (3)
https://journals.unizik.edu.ng/index.php/ubsjbep
Quarterly Journal of UNIZIK Business School, Awka, Nigeria

Expertise, ACMAACEX: Interaction of Audit Committee Meeting and Audit Committee Expertise. YWACEX: Interaction of Young Women on the Audit Committee and Audit Committee Expertise, EFACACEX: Interaction of Expertise of Female on Audit Committee and Audit Committee Expertise, FA: Firm Age, Log FA: Log of firm size.

Correlation Analysis and Heteroscedasticity Test

Our study conducts correlational analysis to examine the extent of correlation among variables. The values of correlation among independents and dependent variables fall within the acceptable threshold as the values of correlation between dependent variable, independent variables, moderating variable and control variable fall within the acceptable threshold of 0.8 according to studies of Hair, Babin and Krey (2017) suggesting that there is no presence auto correlation in our data. Further confirmatory test as contained in table 4 shows that values for variance inflation factor (VIF) are within threshold of 10, which further confirms absence of auto correlation in our study. The Breusch-pagan/Cook Weisberg test for heteroscedasticity however suggests the presence of heteroscedasticity given the p value of 0.000 for EPS and other variables and P value of 0.000 for ROA and other variables, below is the correlation matrix. Table 3 and 4 below depict the result of correlation and VIF.

Table 3: Result of Correlation Matrix

EPS ROA ACS ACI ACM YW EFAC ACEX FA LOG FS
EPS 1
ROA 0.043 1
ACS 0.0067 -0.0138 1
ACI 0.0208 0.0176 0.08547 1
ACM -0.001 -0.0648 0.2668 0.2381 1
YW -0.0129 -0.078 0.1224 0.0856 0.2653 1
EFAC 0.1212 -0.0348 -0.0856 -0.1494 -0.134 0.204 1

ACEX 0.0099 0.1128 0.4795 0.4873 0.1891 0.2656 -0.0784 1
FA 0.1276 0.0672 0.2834 0.2798 0.1967 0.0575 0.0084 0.2155 1
LOG FS -0.1211 0.0598 0.2331 0.1742 0.0239 0.0798 -0.2182 0.2481
0.0631 1

Table 4: Result of Multicollinearity

Variables	VIF	1/VIF
ACI	4.02	0.248793
ACS	3.99	0.250340
ACEX	1.45	0.688986
YW	1.24	0.805235
ACM	1.22	0.819906
EFAC	1.19	0.837539
LOGFA	1.15	0.869694
FA	1.11	0.897957
Mean VIF	1.9	

Diagnostic Tests

As earlier reported we conducted correlation analysis and multicollinearity test the results of which indicate absence of auto correlation in our study The Breusch-pagan/Cook Weisberg test of heteroscedasticity however suggests the presence of heteroscedasticity, which is in violation of homoscedasticity assumption, which may lead to wrong inference and conclusion. To overcome the heteroscedasticity challenges, we conducted robust regression to deal with the challenge. The robust regression result is presented below in table 5.

Results

The table 5 below indicates the result of robust regression analysis, which explains the association between audit committee attributes and firm performance. The associations between EPS and audit committee size, audit committee meeting, young women on audit committee, expertise of female directors on audit committee and audit committee expertise have positive and significant relationships suggesting that the above variables improve firm performance as measured by earnings per share. The association of EPS with audit committee independence however, indicates a negative but significant association, which implies that audit committee independence reduces firm performance. The moderating interaction of audit committee expertise with independent variables produce a positive and significant association with EPS. This suggests that audit committee expertise moderates the association between audit committee attributes and firm performance. On the contract, the association between ROA as the second measure of firm performance and independent variables produces mixed result. The associations between ROA and audit committee size and independence produce positive but insignificant association while the relationship with audit committee meeting produce negative and insignificant relationship.

The relationships between ROA and young women on the audit committee, expertise of female directors on audit committee and audit committee expertise produce significant positive association, which suggest that young women on the audit committee, expertise of female directors on audit committee and audit committee expertise promote firm performance as measured by ROA. The interaction of audit committee expertise with audit committee size, independence, and meeting produces no moderating effect on ROA, suggesting that the interaction of audit committee expertise on those three variables above has no moderating effect on firm performance as measured by ROA. On the contrary, however, the interaction of audit committee expertise with young women on the audit committee and expertise of women on audit committee produces significantly positive association with ROA, which suggest a moderating association.

Table 5: Robust Regression

Variables	**EPS**			**Variables**	**ROA**		
	Coefficient	T value	P value		Coefficient	T value	P value
ACS	23.67831	2.51	0.012	ACS	3.964212	0.90	0.367
ACI	-31.68734	-2.58	0.023	ACI	1.459296	0.23	0.821
ACM	13.72118	3.83	0.000	ACM	-1.12917	-0.68	0.498
YW	16.13567	2.63	0.009	YW	7.118751	2.49	0.013
EFAC	28.32985	5.00	0.000	EFAC	6.528661	2.48	0.013
ACEX	53.39481	3.05	0.002	ACEX	20.32159	2.50	0.013
ACSACEX	12.2662	2.92	0.004	ACSACEX	-2.697247	-1.38	0.167
ACIACEX	17.12301	2.84	0.005	ACIACEX	0.356192	0.13	0.899
ACMACEX	5.540626	4.00	0.000	ACMACEX	0.273122	0.42	0.672
YWACEX	5.585041	2.47	0.014	YWACEX	3.117701	2.97	0.003
EFACACEX	10.3813	4.65	0.000	EFACACEX	2.632191	2.13	0.011
Log FS	-4.845288	-5.23	0.000	Log FS	0.659977	1.53	0.126
FA	0.3071549	5.47	0.000	FA	0.431961	-1.66	0.098

Discussions

Audit Committee Size and Firm Performance

The findings of our study indicate significant positive association between audit committee size and EPS. On the contrary, however, the findings between audit committee size and ROA indicate insignificant association. Thus, our finding suggests a mixed result. This is synonymous with the findings of the studies of Fariha et al., (2022); Rahman and Ali (2022) which establish a mix findings. The outcome of our study especially the finding of audit committee size and EPS supports the findings of Al-Jalahma (2022); Okeke (2021). On the other hand the studies by Al-Matari (2022); Albawwat, Almansour, Al Zobi and Alrawashedh (2020); Kristian and Siswanto (2021); Qeshta, Alsoud, Hezabr, Ali and Oudat, (2021) provide evidence to suggest the fact that there is no association between audit committee size and firm performance. From theoretical viewpoint, the separation of ownership from control creates conflict of interest hence the need for audit committee as a control mechanism therefore; the audit committee goes a long way to address conflict of the interest. The outcome of our study especially the findings of audit committee size and EPS support this theoretical argument according to Moses (2016). The number of audit committee member is paramount as appropriate audit committee size provides required hands to carry out the monitoring function of the committee. Within context of Nigerian statue e.g. Companies and Allied Matters Act (2020) and corporate governance code issued by Nigerian Security and Exchange Commission (2020) stipulate equal number of directors and shareholders' representative on the audit committee subject to maximum of 6. This has a major managerial implication among companies in Nigeria as sampled firms comply with this statue thus a significant positive association between audit committee size and EPS. The study believes that emphasis laid by the statue as to audit committee size and compliance by firms in Nigeria is germane to the outcome of our findings which the reason why audit committee size improves earnings per share.

Audit Committee Independence and Firm Performance

The finding of our study indicates a significant negative association between audit committee independence and EPS that implies that audit committee independence diminishes EPS, the more audit committee increases in independence the more the value of EPS drops. The finding of audit committee independence and ROA however, shows no significant relationship. The finding of our study especially as it relates to audit committee independence and EPS is in agreement with the findings of the studies of Ibrahim, Ouma and Koshal (2019); Olowookere and Lasisi (2021); Umar et al. (2020) which provide empirical evidence to support significant negative association between audit committee independence and firm performance. The outcome of our study, which agrees with the past studies, implies that audit committee independence reduces firm performance, the more the committee becomes independent the more firm performance drops. The outcome of our study is contrary to theoretical assumption that an independent board should have an improved firm performance. The Companies and Allied Matters Act 2020 and the Nigerian corporate governance code require companies to have a minimum of 5 directors with a mix of executive and non-executive directors. The corporate governance code however fails to stipulate the proportion of mix between executive and non-executive directors. Our study believes that the lack of clear-cut regulation as to the proportion of mix between executive and non-executive director is responsible for a significant negative association between audit committee independence and EPS, which is contrary to theoretical expectation.

Audit Committee Meeting and Firm Performance

The finding of our study reveals strong association between audit committee meeting and EPS, which implies that the more meetings are held the better the firm performance. The empirical evidence from our finding suggests that audit committee meetings are proactive rather than being reactive thus our finding aligns with the notion in literature that audit committee meeting should be proactive rather than being reactive. Our study also align with another notion in literature that meetings avail the committee the opportunity or platform to meet frequently to address issues that could affect the firm. The finding of our study indicates strong association between audit committee and EPS, which implies that meetings are held frequently to address issues that could have impaired performance.

The Nigerian Corporate Governance Code does not stipulate the number of times audit committee should meet but the code encourages frequent meeting of audit committee. From our findings, audit committee meets an average of 4 times a year, which implies once in quarter. This explains why audit committee meeting promotes EPS. From the perspective of theory, agency theory expects audit committee to safeguard interests of the shareholder, the decision to safeguard the interests of the shareholders are debated and decisions are taken at audit committee meeting, and thus, our finding aligns with this theoretical position. In relation to past studies however, our findings as regard audit committee meeting and EPS aligns with the findings of Abeygunasekera et al. (2021); Farwis et al. (2021); Orjinta and Nkem (2018); Osevwe-Okoroyibo and Emeka-Nwokeji (2021) which provide that audit committee meeting promotes different measures of firm performance. Our finding on audit committee meeting and ROA however suggests an insignificant association suggesting that audit committee meetings do not have any effect on ROA, which aligns with the findings of Al-Jalahma (2022); Al-Mamun, Yasser, Rahman, Wickramasinghe and Nathan (2014); Qeshta et al. (2021).

Young Women on Audit Committee and Firm Performance

The empirical result from our findings indicates strong association between young women on audit committee and our measures of financial performance. Our findings suggest that young women serving on the audit committee improves financial performance. The finding of our study aligns with gender based but not age related studies of Alqatamin (2018); Chijoke-Mgbame, Boateng and Mgbame (2020); Eni-Egwu, Madukwe and Ezeilo (2022); Hamada and Rajab (2021); Meah et al. (2021). Our finding also align with age related studies of by Gardiner (2022); Simionescu, Gherghina, Tawil and Sheikha (2021): Bin Khidmat, Ayub Khan and Ullah (2020). The Nigerian Code for Corporate Governance encourages various forms of diversity such as age and gender. The finding of our study aligns with this as young female directors within the age of 40 years below improves firm performance.

Expertise of Female Gender on the Audit Committee and Firm Performance

The empirical result of our findings suggests that expertise of female gender on the audit committee improves the two dimensions of firm performance. This implies that inclusion of women with expertise in accounting and finance on the audit committee enhances firm performance. There are plethora of evidence in literature by Kao, Huang, Fung and Liu (2020): Zalata, Ntim, Alsohagy and Malagila (2021) that women are more diligent and more careful, the above traits associated with women are noticeable when such women combine the above traits with expertise in accounting and finance hence the outcome of our findings. This supports our finding on women with accounting and finance expertise on the audit committee and firm performance. Our findings also support the finding of a related but distinct study of Sultana, Singh and Van der Zahn (2015) which provides empirical evidence that inclusion of women on the audit committee improves performance. The outcome of our finding supports theoretical assumption of resource dependence theory which explains the need for presence of resource individuals such as experts in corporate governace mechanism. The findings confirm resource depence theory assumptions. In addittion, our findings have implications on the audit committee composition and firm perfromance. The Nigerian Code of Corporate Governance ecourages inclusion of women but the Nigerian company law does not mandate firms to include women with accounting and expertise on audit committee. The law and the code merely require that the audit committee should be chaired by an accouting/finance expert regardless of gender. The implication of our finding suggests the need for the law and governance code to be amended to include women with expertise in accounting/finance.

Audit Committee Expertise and Firm Performance

The empirical findings from our study suggest that audit committee expertise improves firm performance along the two dimensions of measure, which are EPS and ROA. The outcome of our study aligns with the studies of Abeygunasekera, Weerasuriya and Kehelwalatenna (2021); Kirui, Naibei and Rop (2022); Osevwe-Okoroyibo and Emeka-Nwokeji (2021) where audit committee expertise is an important tool for firm performance. The outcome of our finding supports resource dependence theory, which is one of the theoretical, underpins for this study, which implies that the board is reservoir of resource for a firm. The audit committee is a technical and subcommittee of the board, which requires expertise and technical resource in discharging its duties. This explains why the company law in Nigeria made it mandatory for audit committee to be chaired by an accounting/finance expert. The finding of our study supports the mandatory position of the law.

The Moderating effects of Audit Committee Expertise on Audit Committee Characteristics and Firm Performance.

From our findings, the relationship between audit committee size and earnings per share indicate significant positive association, which suggest that audit committee size improves earnings figure. The strength of association however remains the same with introduction of audit committee expertise as moderator which such that audit committee moderates the association between audit committee size and earnings per share. The result of direct association between audit committee independence and financial performance indicates a significant negative association with earnings per share. The introduction of audit committee expertise as moderator however changes the direction of the association between audit committee independence and EPS, which implies that audit committee expertise moderates the association between audit committee independence and EPS. The implication of our finding is that the appointment of independent director with adequate expertise is important for firm performance. The finding of our study aligns with the finding of Bazhair (2022) which suggests that audit committee expertise improves firm perfromance in a direct relationship while our finding is a moderating relationship. The study of Al-Matari (2022) suggests that expertise of the chairperson of the audit mediates the association between audit committee attributes and firm performance.

The interaction of audit committee expertise with audit committee meeting improves earnings per share while no such association exists with return on assets. The interaction of audit committee meeting and audit committee expertise that produces significant association with earnings per share supports the notion in literature that meeting is a platform to express expertise. The outcome of our findings on the interaction of audit committee expertise and young women on audit committee produces significant result with the two dimensions of firm performance. Which implies that appointing financially literate young women into the audit committee improves firm performance. The implication of our finding suggests the need for financially literate young women to be appointed to audit committee hence the need for Nigerian Code of Corporate Governance to be reviewed to incorporate this important finding. In a similar vein, the outcome of interaction between audit committee expertise and expertise of women on the audit committee show significant improvement on the two dimensions of firm performance.

Conclusions and Recommendations

This study contributes to literature by examining young female directors within the age 40 years below on the audit committee; examining young female director along gender line within age bracket of 40 below is new to accounting literature. In addition, this study examines the financial expertise of women serving on audit committee beyond mere gender inclusiveness. This is another contribution to accounting literature as most past studies examine only gender inclusion. The introduction of audit committee expertise as moderator is another contribution to literature as against previous studies which moderates with non-expertise moderator despite the fact that audit committee is an expertise driven committee. The need for strong corporate governance structure underscores the importance this study. The result of our finding indicates that audit committee size, meeting, young women serving on the audit committee, financial expertise of female directors serving on the audit committee as well as audit committee expertise are crucial factors that promotes firm performance especially earnings per share. In addition, the study shows that audit committee expertise moderates relationship between young women on the audit committee, financial expertise of female director serving on the audit committee and firm performance. In the light of our findings, we recommend that Audit committee size, audit committee meeting should be reinforced to boost firm performance. In addition, we recommend the appointment of more young women and female gender with financial expertise into the audit committee. To improve overall audit committee effectiveness, we recommend appointment of accounting and finance experts into the audit committee as audit committee expertise moderates the relationships between audit committee attributes and firm performance. To this end, we recommend that the Nigerian company law should be amended to make appointment of financial experts, young women and financial expertise of women on audit committee mandatory.

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