AUDIT COMMITTEE EFFECTIVENESS AND THE FINANCIAL PERFORMANCE OF QUOTED FIRMS IN NIGERIA

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Abstract

The study examined the effectiveness of external audit on the financial performance of listed firms in Nigeria. Listed companies are companies with shares that can be traded on the floor of the Nigeria Stock Exchange by inviting the public to put their stake in the business of the firms with the expectation of positive returns. Ex-post facto research was adopted. Secondary data was adopted and data were collected from 10 out of 18 food and beverages manufacturing firms using non-probability sampling technique called purposive sampling. Data were analyzed using pooled regression model together with the fixed effect and random effect models. After which Wu Hansman specification test which shows the functional relationship between the dependent and independent variables was employed to make decision between the results of the random and fixed effect models. While the results of the fixed effect model was similar to the pooled regression model, the random effect model results differ quite significantly from that of the fixed effect model. It was discovered that there is a positive relationship between audit effectiveness and financial performance of manufacturing companies. It was concluded that audit committee meeting and external audit quality had a significant positive relationship with return on asset but generally the result showed that audit committee size did not had value to the firm's financial performance in Nigeria. The study recommended that there is need for the food and beverages firms to ensure that they have proper audit committee size as this may improve their return on asset and by extension financial performance.

Keywords: Effectiveness, Financial Performance, Audit Committee, Food and Beverages.

Introduction

Companies with shares that are traded on the floor of the Nigeria stock exchange invite the public to put their stake in the business of the firms with the expectation of positive returns from financial performance. There is therefore a need for an independent judgment on the financial performance of such firms in order to give assurance on the investment of the stakeholders.

Modern economies are based on corporations. Economic growth depends on performance of corporations. Besides, stakeholders also want positive performance from the corporations. Corporate governance is one of the crucial factors that ensure positive performance of the corporations (Ebrahim, Abdullah & Faudziah, 2014). Corporate governance is a buzzing issue in business world after several scandals in some leading companies. The quality of corporate governance is still to be flourished as it is not up to the satisfactory level in most of the countries (Subhi & Mile, 2016).

There have been massive fraud and unethical practices within and among a number of organizations in Nigeria including the manufacturing firms. Suleiman, Ayoib and Nor (2018) posited that "the recent insider trading, massive and prevalent frauds, mandatory retirement of CEOs of banks, due to corrupt practices and inefficient rubber-stamped board, have combined to signal the absence of or failure of existing corporate governance structure". In addition, the Companies and Allied Matters Act (CAMA) 2004 which was enacted to ensure that the relationship among the board, shareholders and the management including other stakeholders is balanced for healthy competition has not lived up to expectation both from the government and the public at large.

The events had serious devastating effect on stakeholders in terms of losses in their investments (Rateb, 2018). The events also resulted in the loss of hundreds of jobs especially in the manufacturing sector and drastic drop in the share prices of most listed companies on the Nigerian Stock Exchange Market. The shock to the stakeholders and the public led to the yet unanswered question of 'how' such event could have happened when companies were declaring

billions of Naira in profit. Therefore, the trust which investors had on the credibility and the quality of financial report presented by the management of companies could no longer be sustained as they were considered misleading. Hence, a higher need to protect stakeholders' interest so as not to have another overwhelming shock becomes imperative (Shehu & Musa, 2014). The cumulative effects of the ugly events led to the total overhaul of the Nigerian Code of Corporate Governance by the Securities and Exchange Commission (SEC) in 2011.

Prior studies were basically based on less sample obstruct to draw a generalized conclusion regarding the role and impact of auditing effectiveness on firm performance. Earlier studies on the impact of auditing effectiveness on firm performance used only one firm performance proxy which is ROA weakens the power of the conclusion on the impact of auditing effectiveness on firm performance in Nigeria. These are the points and motives that inspire this study to focus on this vital part of corporate governance in Nigeria. Therefore, this study is an initiative to explore solely the impact of auditing effectiveness on firm performance in Nigeria by covering the above mentioned gaps.

Auditing Effectiveness

Audit effectiveness means different things to different people. Formal definitions revolve around the quality, competence, procedures and independence of the audit firm. In practice, the effective audit is less easy to identify than the ineffective audit. However, the latter may only come to light if problems surface at some future time. If there are no underlying problems, the fact that an audit was ineffective may not be apparent. The output of an audit is in the form of a series of reports and presentations. To some extent, the effectiveness of the audit is judged on these, and on the level of service given by the audit firm. The outcome of an effective audit includes financial statements that present a true and fair view, and advice on how the company's processes may be improved (Abdullah, 2013).

An effective audit is completed to schedule, and with minimal disruption to the company. Prerequisites for an effective audit are an effective audit firm and team (Abu, Adabenege & Abah, 2018). The firm needs sound procedures; the team needs an understanding of the company and industry, together with judgment, objectivity and independence of mind. Some audit committees use checklists as a means to evaluate the effectiveness of their audits. Others choose to do the evaluation in a less formal way, by means of a discussion. In either case, the input of management is essential to the process, as the audit committee members are at a remove from the detail of the audit process (Oji & Ofoegbu, 2017).

Agency Theory

Agency theory was originated in the early of 1970s and the first scholars to propose agency theory were Stephen Ross and Barry Mitnick (Mitnick, 2006). Agency theory had been highly applied in the companies in the year 1980's because companies had the assumption which the managers are agents work on behalf of shareholders who are so called principals (Zajac & Westphal, 2004). According to agency theory, agency issue may occur due to separation of corporate management and ownership as the agents have control rights in the company and they may conduct opportunistic behaviors which are exploiting interests of principals (Jensen & Meckling 1976; Fama & Jensen 1983). Meanwhile, Fama and Jensen (1983) asserted that agency costs have basically reduced welfare of principal, resulting in the agency problem such as the incurrence of expenses due to the incentives or monitoring of agents.

Stewardship Theory

The steward theory expresses that a steward ensures and boosts shareholders wealth through firm Performance. Stewards are organization officials and directors working for the investors, ensures and make benefits for the investors. The stewards are fulfilled and propelled when hierarchical achievement is accomplished. It weighs on the situation of workers or administrators to act all the more self-ruling so the investors' profits are augmented. The employees take responsibility for occupations and work persistently.

Both of these theories are considered relevant to the current study because they help to corroborate the view that management is an agent and steward of the stakeholders. As such, they have certain obligations to be met.

2.0 Empirical Review

Evidence from Developed Countries

Hu, Tam and Tan (2014) investigated internal governance mechanisms and firm performance in China. Adopting a principal–principal perspective, this study employed structural equation modeling to evaluate the independent and interdependent effects of internal governance mechanisms in enhancing firms' value in China. Based on a 3-year

dataset covering 304 publicly listed companies over 2003–2005, the findings suggest that ownership concentration has the most significant governance effect and has impacted negatively on firm performance. Furthermore, the governance role of the board of directors and supervisory boards is found to have been hindered by ownership concentration, rendering them unable to improve firm performance at present.

Pao-Chen (2014) explored China's supervisory mechanisms whether the listed companies with Audit Committees (G2) are more effective than those without (G1). Using a panel data base of 2148 compared to 1873 firm-year observations over the 2005 to 2007 period by the multiple linear regressions, the findings report Chinese listed companies with Audit Committees have better independence, expertise and activities proved by 12 of 15 variables of better G2 coefficient than G1; and statistically significant evidences present in 5 aspects, the listed companies with Audit Committees have (1) less proportion of independent directors receiving remuneration; (2-3) more legal and internal auditing expertise in Supervisory Boards; (4) more meeting times on the BoD; and (5)the quantity of Supervisory Boards' size may not impact upon the effective quality of supervisory mechanisms. The findings of which may provide impetus for further research in Chinese setting and help refine general knowledge on the role of supervisory mechanisms in corporate governance.

Evidence from Developing Countries

Ebrahim, Abdulla and Faudziah (2014)attempted to propose a structure of the relationships between the internal audits characteristics (IAC); such as professional qualifications of the chief audit executive of the Internal Audit (IA), size, experience, and qualification; and firm performance. The presence of an internal audit department is significant as it is considered as the main element in employing accounting systems and this, in turn, assists in evaluating the department's work. The internal audit is deemed as the core of business accounting as it is the section that keeps track of all businesses associated with the sector. The internal audit efficiency assists in developing the company's work because the financial reports present the internal audit department's quality. In addition, an internal audit is a crucial part of corporate governance structure in an organization and corporate governance **(**CG) covers the activities of oversight conducted by the board of directors and audit committees to ensure credible financial reporting process (Public Oversight Board, 1994). Consistent with previous studies of the importance of internal audit, this study provides comprehensive oversights on the relationship between internal audit and firm performance. The past literature reveals there is a paucity of studies exploring the association between internal audit characteristics (IAC) and firm performance whether conceptual or empirical. The main objective of this study is to fill up the gap in the literature and provide an opportunity for future research to deeply investigate this relationship.

Evidence from Nigeria

Abu, Adabenege and Abah (2018) examined the effects of audit committee effectiveness on audit quality of listed insurance companies in Nigeria using secondary data extracted from published audited annual reports and accounts of insurance companies in Nigeria. 15 companies out of the total 25 listed insurance companies in Nigeria with 150 firm-year observations for a period of 10 years, 2008-2017 form the study sample size. Ordinary least square (OLS) regression model was employed to analyze the data and test the hypotheses with the aid of STATA version 14. The result shows that audit committee meetings and audit committee independence have a positive and significant effect on audit quality of listed insurance companies in Nigeria. The other elements of audit committee effectiveness do not have a significant effect on audit quality of listed insurance companies in Nigeria. The study recommends that: (i) the board of directors of Nigerian insurance companies should review or revisit their policy on the number of meetings to change from a minimum of 4 and maximum of 8 meetings to a minimum of 6 and 10 maximum meetings per annual for audit committees. This is because regular meetings provide an opportunity for the audit committee to attend critical issues, which in turn improve audit quality; (ii) the regulatory authorities who are responsible for monitoring listed insurance companies in Nigeria should come up with policies or revisit the policy on audit committee size. To mandate all insurance companies to have a uniform maximum of 7 members for the audit committee in respective of the company's' size. This will go a long way in improving the monitoring capability of audit committee independence toward achieving audit quality of listed insurance companies in Nigeria.

Bello, Ahmad and Yosuf (2018) examined the moderating effects of top management support in the relationship between internal quality dimensions and organizational performance in Nigerian federal universities. The study employed a sample of internal audit staff at senior level from 40 federally owned universities in Nigeria where 400 samples have been drawn for the analysis. Questionnaire instrument was used in generating the data having subjected to Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) aimed at establishing underlying dimensions. The data was collected and analysed using inferential statistics and the findings revealed that interaction

of internal audit competence, internal audit independence, and internal audit size, with top management support significantly and positively influence organization performance of Nigerian federal universities. The findings provide ground for new policy initiatives to strengthen internal audit and enriched the literature by providing the moderating effect of top management support as instrumental to organizational performance. It is therefore recommended that internal audit competence internal audit independence and internal audit size should be given more attention and mechanism through which these qualities can be employed and sustained for more internal audit service delivery and efficiency in Nigerian federal universities.

These are the points and motives that inspire this study to focus on this vital part of corporate governance in Nigeria. Therefore, this study is an initiative to explore solely the impact of auditing effectiveness on firm performance in Nigeria by covering the above mentioned gaps.

3.0 Methodology

The study contains research design, population of the study, sample of the study, sampling technique, type of data, model specification, variable identification, and method of data analysis.

Research Design

Ex-post factor design was employed for this study. This design was employed because the researcher does not have the intention of manipulating the variables in the study. Data obtained from the secondary source were employed the way they were provided without any form of control or manipulation.

Population of the Study

The study sample included all the quoted manufacturing companies in the food and beverages sector. According to the Nigerian Stock Exchange fact book (2020), there are 18 food and beverages manufacturing firms quoted on the NSE. Hence the population of this study included all the 18 food and beverages manufacturing firms quoted on the Nigerian Stock Exchange (NSE).

Sample Size and Sampling Technique

Out of the 18 food and beverages firms quoted on the NSE, 10 firms were sampled. Hence, the sample of this study included 10 quoted food and beverages manufacturing firms in Nigeria. The sampled firms included: Nestle Nigeria Plc., Dangote Sugar, De-United Foods, Cadbury Nigeria Plc., Flour Mill of Nigeria, United Africa Company Foods, Dangote Flour Plc., Dangote Salt Plc., Unilever Nigeria Plc., and Dangote Flour Mill. This study employed non-probability sampling technique called purposive sampling. This technique allowed the researcher to pick all the 10 firms in the study area based on availability of their annual reports and accounts from 2011-2020.

Sources of Data

The study employed panel data because data on audit committee size, frequency of audit committee meeting, external audit quality, and return on asset from the annual reports and accounts from 2011 to 2020. The secondary data were quantitative in nature. Information on the study variables: audit committee size, frequency of audit committee meeting, external audit quality, and return on asset were computed from the annual reports and accounts of the 10 sampled firms in this study.

Model Specification

This study formulated one model to guide the study. The model for this study was based on the assumption of agency theory and in line with the conclusion of Abu, Adabenege and Abah (2018). The model is specified below:

$ROA_{it} = f\,(ACS_{it}, ACM_t, EAQ_{it})$ ……..*equ. 1*

$ROA_{it} = \alpha_0 + \alpha_1 ACS_{it} + \alpha_2 ACM_{it} + \alpha_3 EAQ_{it} + \mu_i$ ……*equ. 2*

Variables Identification

The variables in the model specified above are identified as follows:

ROA = Return on Asset (Dependent variables). It is the ratio of earning to total asset. It measures how well a company use investment to generate asset growth and serves as proxy for financial performance. It is obtained by dividing profit after tax by total asset.

ROA = Profit after tax/total Asset.

ACS = Audit Committee Size (Independent variable). It is the number of people in the audit committee of each firms in the study. It serves as proxy for audit effectiveness.

ACS = Audit Committee Size (Independent Variable), It is the number of people in audit committee of the firms under the study.

ACM= Audit Committee Meeting (Independent Variable). It is the number of times the audit committee members meet in a year. It serves as proxy for ownership structure. It is the percentage of shares held by private institutions and companies.

EAQ = External Audit Quality (Independent Variable). This is the nature of opinion expressed on the accounts by external auditors of the firms under the study.

α_0= the vertical intercept of the line.

α_1, α_2, α_3= variable units of activities

Table 3.1: Summary of the Measurement of Variables

S/N	Variables	Measurement
	Independent Variables: Audit Effectiveness	
1	Audit Committee Size	This is the number of members in audit committee
2	Audit Committee Meeting	The number of times meeting is held by audit committee in a year.
3	External Audit Quality	The quality of audit conducted by external auditor. 1 for audit by big audit firm; 0 for small audit firm.
	Dependent Variable	
4	Return on Asset	Profit after tax/total asset

Source: Author's Conceptualization (2021).

Model Estimation Technique

The study adopted panel regression with random and fixed effect to test the formulated hypotheses.

4.0 Result and Discussions

This study presents the presentation of results and discussion of findings. This study contains four sections. Section one contains the descriptive results of the study variable. Section two contains correlation matrix. Section three deals with the analysis of regression result. The fourth section deals with the discussion of the results obtained through data analysis. In this section, the results are discussed in relation to research objectives, research questions and findings of other researchers on the study subject.

Presentation of Descriptive Statistics

This section contains the summary of result on the descriptive statistics such as minimum and maximum values, mean and standard deviation of the study variables. The results are presented on table 4.1.

Table 4.1: Descriptive Statistics of Variables

Descriptive Values	Variables			
	ROA	**ACS**	**ACM**	**EAQ**
Mean	0.2516	3.200	10.390	0.500
Median	0.2312	5.000	8.000	0.250
Maximum	0.5721	6.000	12.000	1.000
Minimum	0.1291	4.000	6.000	0.000
Std. Dev.	0.0173	1.0956	1.0244	0.009
Skewness	-1.1093	-1.6282	-1.7202	-0.8910
Kurtosis	3.1973	3.0123	2.2190	2.1115
Jarque-Bera	12.8192	8.1022	6.7191	18.9012
Probability	0.8102	0.12091	0.2719	0.4923
Obs	100	100	100	100

Source: Author's Computation (2021)

Table 4.1 contains the descriptive statistics such as minimum and maximum value, mean and standard deviation for the variables in the study. The minimum and maximum values for return on asset (ROA) are 12.91% and 57.21% respectively with mean and standard deviation of 25.16% and 1.73% respectively. The standard deviation of 1.73% implies that the data employed for this study deviate from the mean value from both sides by 1.73%. This means that there is a wide dispersion of the data from the mean because standard deviation is lower than the mean value.

Table 4.1 also shows that the minimum and maximum values for audit committee size (ACS) are 4.000 and 6.000 respectively with mean and standard deviation of 3.200 and 1.0956 respectively. The standard deviation of 1.0956 implies that the data employed for this study deviate from the mean value from both sides by 1.0956. This means that there is a wide dispersion of the data from the mean because standard deviation is lower than the mean value.

The maximum and minimum values for audit committee meeting (ACM) are 12.000 and 6.000 respectively with mean and standard deviation of 10.390 and 1.0244 respectively. The standard deviation of 1.0244 implies that the data employed for this study deviate from the mean value from both sides by 1.0244. This means that there is a wide dispersion of the data from the mean because standard deviation is lower than the mean value.

Also, external audit quality (EAQ) has maximum and minimum values of 0.000 and 1.000 respectively and mean value of 0.500. The standard deviation for external audit quality is 0.009. This shows that the data deviate from the mean value from both sides by 0.009. This means that there is a wide dispersion of the data from the mean because standard deviation is lower than the mean value.

From table 4.1, the skewness values for ROA, ACS, ACM and EAQ are negative and this implies that the distribution is negatively skewed. Also, ROA and ACM are leptokurtic because their kurtosis values were greater than three (3), while ACM and AEQ are platykurtic since their values are less than three (3) which implies that the variables produces fewer and less extreme outliers than those of the normal distribution. The Jarque-Bera values indicate the normality test for the variable which tests if the residuals are normally distributed. The Jarque-Bera values for all variables suggest that the residuals are normally distributed given the probability values.

4.2. Presentation of Correlation Matrix

Correlation matrix shows the association among the independent variables (audit committee size, audit committee meeting, and external audit quality) and the criterion variable (return on asset). The summary of the associations among the variables of the study is presented in table 4.2.

Table 4.2: Correlation Matrix Showing Relationship among the Study Variables

Variables	ROA	ACS	ACM	EAQ
ROA	1.0000	0.6911 (0.0612)	0.5918 (0.0000)	0.3013 (0.0017)
ACS	0.6911 (0.06120)	1.0000	-0.2891 (0.0005)	-0.2891 (0.0005)
ACM	0.5918 (0.0000)	-0.2891 (0.0005)	1.0000	0.2965 (0.0001)
EAQ	0.3013 (0.0017)	0.5723 (0.5210)	0.2965 (0.0001)	1.0000

Source: Researcher's Computation (2021)

Table 4.2 revealed that ACM and EAQ of the firms under the study were positively correlated with ROA. The values of 0.5918 and 0.3013 of the variables indicated p-values of 0.0000 and 0.0017 that were significant at 5% respectively. In contrast, ACS had positive relationship with return on assets that was not statistically significant ($r = 0.6911$, $p > 0.05$).

The interaction of the independent variables among themselves showed that ACS and ACM were negatively correlated among themselves ($r = 0.2891$; $p = 0.0005$, $p < 0.05$). On the other hand, the relationship between ACS and EAQ were positively and insignificantly related among themselves ($r = 0.5728$; $p = 0.5210$; $p > 0.05$). Also, the result indicated ACM and EAQ are positively and significantly related ($r = 0.2965$; $p = 0.0001$; $p < 0.05$).

The result showed that some of the variables exhibited strong association while some exhibited low association. Overall, the relationship for the independent variables among themselves is not significant. This does not mean that multicollinearity exists among the independent variables of the study. This can only be assumed when the variance inflation factor and tolerance values are comparatively beyond the established rule of thumb. The tolerance value and variance inflation factor (VIF) are advanced measures for assessing harmful multicollinearity among independent variables. The variance inflation factor and tolerance values are determined with the use of STATA 10 and were found to be concurrently smaller than ten and one respectively, indicating the absence of harmful multi-collinearity. This therefore, indicates the adequacy of fitting the model of the study with three independent variables.

4.3 Analysis of Regression Results

Due to the nature of the data employed for this study, the fixed effect and random effect models are tested. After which Wu Hausman specification test is employed to make decision between the results of the random and fixed effect. The result from the Hausman test reveals a Chi^2 value of 32.91 with p-value of 0.000 that is statistically significant at 1%. This implies that the test considered the fixed effect as the most appropriate estimator. In view of this, the fixed effect model was used for analysis.

Table 4.3 Pooled Regression Model

Variables	**Coefficient**	**Std. Error**	**T-statistics**	**Prob.**
ACS	0.0391	0.0082	4.7831	0.0621
ACM	0.1782	0.2017	0.8838	0.0062
EAQ	0.0678	0.0092	7.3627	0.0052
R-Squared	0.6710	Mean dependent variable		9.2910
Adjusted R-Squared	0.6181	S. D. dependent variable		2.1006
S.E regression	1.2889	Sum Squared resid		517.92
F-Stats.	5.1022	Durbin Watson		0.9812
Prob. (F-Stats)	0.0000			

Source: Researcher's Computation (2021)

Table 4.3 showed the result of the pooled regression. The result revealed that the p-values of audit committee meeting and external audit quality of 0.0062 and 0.0052 were significant at the 5% level of significant. Meanwhile, the p-value of audit committee size of 0.0621 was not significant at 5% level. All variables appeared to have the correct signs.

Table 4.4 Fixed Effect Model

Variables	**Coefficient**	**Std. Error**	**T-statistics**	**Prob.**
ACS	0.4819	0.2190	2.2007	0.0525
ACM	0.8627	0.3729	2.3134	0.0001
EAQ	0.7782	0.4278	1.8191	0.0007
Weighted Statistics				
R-Squared	0.7456	Mean dependent variable		11.89323
Adjusted R-Squared	0.7287	S. D. dependent variable		6.745190
S.E regression F-Stats.	1.2986 6.8920	Sum Squared resid Durbin Watson		521.8932 1.762211
Prob. (F-Stats)	0.0001			
Source: Researcher' Computation (2021)				

The result of the fixed effect model is similar to that of the Pooled regression model. Precisely, only the audit committee size and remains insignificantly different from zero at the 5% level. Meanwhile, the R-squared and the adjusted R-squared of the fixed model shows a better fit of the model. It is clear from the t-statistics that the intercepts are all significantly different from zero at the 5% level of significance. This may not be at all surprising since the intercept terms may subsume the company variable, which were proven to be significant in the Pooled regression models.

Table 4.5: Random Effect

Variables	**Coefficient**	**Std. Error**	**T-statistics**	**Prob.**
C	0.2665	0.0338	7.8771	0.0000
ACS	0.2819	0.0782	3.6026	0.0031
ACM	0.0172	0.0068	2.5196	0.0001
EAQ	0.0159	0.0039	4.0858	0.0026
GLS Transformed Regression				
R-Squared	0.5603	Mean dependent variable		10.5198
Adjusted R-Squared	0.5590	S. D. dependent variable		2.14456
S.E regression	1.4908	Sum Squared resid		513.937
F-Stats.	5.9027	Durbin Watson		1.56281
Prob. (F-Stats)	0.0091			

Source: Researcher's Computation (2021)

The random effect model results differ quite significantly from that of the fixed effect model. Although the audit committee size and variable remain to be significantly different from zero at the 5% level together with the intercept.

In the above two models of fixed effect and random effect models, the study has developed two estimators that have different properties depending on the correlation between α_i and the repressors. Specifically, if the effects are uncorrelated with the explanatory variables, the random effects (RE) estimator is consistent and efficient. The fixed effects (FE) estimator is consistent but not efficient. However, if the effects are correlated with the explanatory variables, the FE estimator is consistent and efficient but the RE estimator is now inconsistent. Hence, it is natural to proceed by computing the Wu-Hausman test to identify which estimator is correct.

Table 4.6: Wu-Hausman Test

Variables	**Coefficient**	**T-Values**	**P-Values**	**Tolerance**	**VIF**
C	0.0275	2.90	0.010		
ACS	0.0292	1.63	0.329	0.6729	2.13
ACM	0.0619	2.19	0.001	0.7191	1.32
EAQ	0.0793	3.53	0.005	0.5280	1.24
R^2			0.682		
Wald Chi^2			32.91		
Prob. Chi^2			0.000		

Source: Researcher's Computation (2021).

Table 4.6 shows that the functional relationship between the dependent and independent variables is:
$ROA = 0.0275 + 0.0292\ ACS + 0.0619\ ACM + 0.0793\ EAQ + \mu_i$

The table showed that audit committee size has positive insignificant impact on the return on asset of the listed food and beverages firms. This can be observed from the value of beta the coefficient of 0.0292 with p-value of 0.329 indicating that the p-value was not statistically significant at 5%. This implies that audit committee size as one of the proxies of audit effectiveness insignificantly affected the financial performance of listed food and beverage manufacturing firms in Nigeria. The result serves as a basis for accepting the first null hypothesis, which states that there was no significant effect of audit committee size on return on asset. Hence, this study concluded that there was no significant effect of audit committee size on return on asset.

The table also revealed that audit committee meeting has positive significant impact on the financial performance as proxy by return on asset of listed food and beverage firms in Nigeria. This can be seen from the value of the beta coefficient of 0.0619 with p-value of 0.001 indicating that the p-value was statistically significant. This implied that audit committee meeting had significant effect on the financial performance of the firms as proxied by return on asset. The result provided sufficient evidence to reject the second hypothesis, which states that there was no significant effect of audit committee on the return on asset of the food and beverage firms under the study. Hence, this study found that there was significant effect of audit committee on return on asset of food and beverage firms in Nigeria.

From table 4.6, it was also shown that external audit quality had positive significant impact on the financial performance as proxied by return on asset of listed food and beverage firms in Nigeria. This can be seen from the value of the beta coefficient of 0.0793 with p-value of 0.005 indicating that the p-value was statistically significant. This implied that external audit quality had significant effect on the financial performance of the firms as proxied by return on asset. The result provided sufficient evidence to reject the third hypothesis, which states that there was no significant effect of external audit quality on the return on asset of the food and beverage firms under the study. Hence, this study found that there was significant effect of external audit quality on return on asset of food and beverage firms in Nigeria.

The Wald Chi square value of 32.91 showed the combined effect of audit committee size, audit committee meeting, and external audit quality on return on asset. The p-value of 0.000 for the Wald Chi square indicated that had significant effect of audit committee size, audit committee meeting, and external audit quality on return on asset. This form the basis through which the study rejected the fourth hypothesis which stated that, "There was no significant combined effect of audit committee size, audit committee meeting, and external audit quality on return on asset". Hence, this study found that there was significant combined effect of audit committee size, audit committee meeting, and external audit quality on return on asset of food and beverage firms in Nigeria.

5.0 Discussion of Findings

This study investigated the effect of audit effectiveness on firm performance in Nigeria. The study was designed to achieve four (4) objectives. The result from the first objective indicated that there was no significant effect of audit committee size on return on asset. This result supported the views expressed by Abu (2018), Boe *et al*. (2015), Cheah *et al*. (2016) who found that audit committee size did not have significant relationship with return on asset. However, this result negated the findings of Dauda (2015) and Ejoh and Ejom (2014) who found that audit committee size had significant effect on financial performance.

Result from the second objective revealed that there was significant effect of audit committee meeting on return on asset. This finding supported the findings of Ejoh and Ejom (2014), Dauda (2015), Lee (2014) who found significant effect of audit committee meeting on firm performance. However, the findings disagreed with the conclusion of Abu (2018), Boe *et al*. (2015), Cheah *et al*. (2016) who concluded that audit committee had insignificant effect on return on asset.

Result third objective indicated that there was significant effect of external audit quality on return on asset. This result supported the views expressed by Oji and Ofuegbe (2017), Osemene and Fakile (2018), Ozan (2019) who found that external audit quality has significant relationship with firm performance. However, this result negated the findings of Dauda (2015), Abu (2018) found that external audit quality have insignificant effect on firm performance.

Result from the fourth objective revealed that there was significant combined effect of audit committee size, audit committee meeting on return on asset. This finding supported the findings of Abu (2018), Boe *et al*. (2015), Cheah *et al*. (2016) who found significant effect of audit effectiveness on financial performance of firms. However, the findings disagreed with the conclusion of Dauda (2015), Ejoh and Ejom (2014) who concluded that audit effectiveness did not have any effect on return on asset.

5.1 Conclusion

This study considered the relationship between audit effectiveness on financial performance of manufacturing firms in Nigeria. The results showed that certain measures of audit effectiveness (such as audit committee size, audit committee meeting and external audit quality) have positive coefficients and significantly influence the firm's financial performance. Although, the result showed that audit committee meeting and external audit quality had a significant positive relationship with return on asset, but generally the result showed that audit committee size did not add value to the firm's financial performance in Nigeria.

The results suggest important implications for practitioners and policy makers in Nigeria. One important and major implication is that, audit committee members with financial expertise do contribute significantly to the financial performance of firms and likewise the independence of the members. Therefore, Nigeria needs to strengthen policies by ensuring that the provision made in the Nigeria Securities and Exchange Commission Code of 2011 about the financial expertise of audit committee members is made compulsory particularly when new members are being

considered. The particulars and biographical data of members of the audit committee with required experience and expertise should as a matter of compulsion, be disclosed in the annual financial report

5.2 Recommendations

Based on the findings and conclusion of this study, the following recommendations were made:
There is need for the food and beverages firms to ensure that they main proper audit committee size as this may improve their return on asset and by extension financial performance.Firms in the food and beverage manufacturing industry should ensure that their audit committee holds meeting frequently, as least twice in a month.

This is to ensure that they strengthen the internal control mechanism within their organization in order to improve their financial performance, particularly their return on asset.Food and beverage manufacturing firms should ensure external audit quality. This is possibleby employing the services of big audit firms. This will improve their financial performance.

5.3 Contribution to knowledge

This study is expected to provide information to the various stakeholders in the corporate world. Hence, this study will be of immense benefits to management and academician. The study will highlight the significant contribution of auditing effectiveness to the performance of listed companies in Nigeria. The internal and external auditors will understand their role in organizations and provide benchmark as they carry out these roles.

To the academicians and scholars, the study will contribute significantly to the auditing effectiveness debate and reference material for those interested in further research. The insights are also relevant for external auditors who are required to consider various aspects of corporate governance, including the objectivity and quality of auditing.

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