Effect of Audit Committee Characteristics on Auditors Efficiency of Conglomerate Firms in Nigeria

Ofor, Nkechi Theresa (Ph.D) & Orjinta, Hope Ifeoma (Ph.D)
Department Of Accountancy
Faculty of Management Sciences,
Chukwuemeka Odumegwu Ojukwu University
Igbariam Campus, Anambra State

Mayah, Eunice
Department of Accounting Education,
School of Secondary Education (Business)
Federal College of Education, (T)
Asaba, Delta State

ABSTRACT
This paper examined the effect of audit committee characteristics on auditors efficiency of all conglomerate firms quoted in Nigerian Exchange Group (NGX). A sample of 5 listed firms was used for the period of ten years spanning 2011 to 2020. Auditors' efficiency was taken as our dependent variable and was measured as a dummy variable 1 if the firm is audited by any of the BIG4 audit firms and 0 if otherwise while audit committee characteristics was taken as our independent variable proxied using audit committee independence, audit committee gender diversity, audit committee financial expertise and audit committee diligence. The study was predicated on ex post facto research design and used secondary data for the analysis. The secondary sources of data were collected from annual reports of the selected conglomerate firms and four (4) specific objectives and hypotheses were subjected to some preliminary data tests such as descriptive statistics and Variance inflation factor and was analyzed using panel regression analysis taking cognizance of hausman effects tests. The result revealed that there is a significant positive relationship between audit committee independence, audit committee financial expertise and auditors efficiency which was statistically significant at 5% levels of significance respectively while an insignificant effect was documented against audit committee diligence and auditors efficiency. Generally, the findings showed that 59% of changes in the auditors efficiency of conglomerate firms can be attributed to the audit committee characteristics while about 41% were unaccounted for hence captured by the stochastic error term. The study recommends among others, that conglomerate firms' audit committees should be constituted by independent persons with high level of integrity that can match words with action to improve auditors efficiency and also enable them perform their oversight functions effectively and ensure that audit committee members meet frequently in order to tackle important issues that might hinder auditors efficiency

Keywords: *Auditors efficiency, audit committee characteristics, conglomerate firms, Nigeria*

Introduction

Audit committees as a supervisory body on behalf of all stakeholders are authorized to ensure financial information's trustworthiness by creating a management-free environment where external auditors can certify the company's accounts and financial statements. An audit committee must have the competence and be empowered to perform its role. Prior literature establishes that the audit committee plays a critical role in ensuring credibility in how financial reporting is carried out (Qeshtaa, & Ali, 2020; Qeshta, Abu Alsoud, Hezabr, Ali, &Oudat, 2021). The likely hood of the audit committee manipulating financial reports is unlikely. However, if such manipulation occurs, it can only be due to a lack of independence, honesty, integrity and accountability among the committee members (Juhmani, 2017). Prior studies like Qeshta, Abu Alsoud, Hezabr, Ali, and Oudat, (2021) indicates that most of the corporate scandals that happened after the establishment of the audit committee resulted from an audit committee failure to discharge their duties as expected. The irregularities and criticism that have been facing corporate entities have been due to an audit committee failure to carry out effective financial oversight (Bin-Ghanem, &Ariff, 2016). Some audit committee members may even end up colluding with the corporate managers to carry out fraudulent schemes (Bansal, & Sharma, 2016) if they lack certain qualities and attributes among themselves.

The characteristics and composition of the audit committee have a significant influence on corporate entities' audit quality. The audit committee must comprise of independent persons who have some background in finance and accounting to quickly understand and interpret figures presented in the financial statement (Weber, 2020; Qeshtaa, & Ali, 2020). Sequel to the above, a good constituted audit committee must be composed of sound independent members of mixed gender proportion with expertise in financial and accounting related matters that meets regularly to deliberate on issues that borders around their responsibility to ensure auditors efficiency in discharge of their professional duty. Therefore, audit committee members' independence and integrity are paramount for a financial oversight role. Audit committees have asignificant impact on the auditors' efficiency of conglomerates firms because they act as watchdogs. They canprevent fraudulent financial reporting by ensuring that the financial statement reflects the actual stateof affairs on the ground (Samoei, &Rono, 2016). To maintain this auditors' efficiency, audit committees must meet with the external auditor regularly to assess financial reports, audit processes and internal control mechanisms. Committees must ensure that auditors function independently and without prejudice.

The literature on the effect of audit committee characteristics on auditors efficiency of firms in an emerging economy like Nigeria is scarce and limited. Also, the literature on conglomerate firms is scarce. It is, therefore,appropriate to conduct this study in the context of Nigeria conglomerate listed companies. Even the few previous studies that examined the effect of audit committee characteristics shifted their attention to firm performance and also found mixed and inconsistent results (Qeshtaa, & Ali, 2020; Qeshta, Abu Alsoud, Hezabr, Ali, &Oudat, 2021; Weber, 2020; Qeshtaa, & Ali, 2020; Juhmani, 2017) but this current study shifted base to measure audit committee attributes on auditors efficiency. It is therefore evident from the above studies that prior researchers have not established a clear cut direction of the relationship between audit committee characteristics and auditors' efficiency of conglomerate firms in Nigeria. To the best of our knowledge, the novelty of thisstudy over other previous studies is that the effect of independence of the audit committee, her gender composition, the meetings and expertise of the audit committee on the auditors efficiencywere not previously explored in the conglomerate firms in Nigeria. Moreover, most of the literaturechose only two to four years to explain the impact, and there was no practical explanation. However,using a longer time period of ten years and extending study reach by investigating conglomerate companies could provide amore in-depth interpretation that could lead to more reliable results. We therefore expand the work that hasalluded to the value of audit committee characteristics with many new but critical attributes embodiedin audit committees and further theorize and test how these audit committee characteristics play a rolein sustaining auditors' efficiency in conglomerate firms of an emerging economy context. This is the void the current study seeks to fill thereby adding to the existing literature. Therefore, in the light of the foregoing, this study aims to investigate the effect of audit committee characteristics (independence, gender, financial expertise and committee diligence) on auditors efficiency of conglomerate firms in Nigeria. The remnant of this paper is subdivided into five sections including this introduction. In the second section, we review some related literatures to explore the theoretical constructs and hypothesis development while third section discusses the methodology. Fourth section looks at the data presentation and analysis while in the last section we draw our conclusion and proffer recommendations for policy implication.

2.1: THEORETICAL CONSTRUCTS AND HYPOTHESES DEVELOPMENT

Audit Committee Independence and Auditors Efficiency

Some conditions in the reporting environment can make it difficult to assess thequality of information by users directly. The conflict of interest between the two; producer and user groups is the most crucial justification for an audit. If there is no conflict of interest between the two groups, the demand for audit services will significantly decrease. Preferably, one of the essential characteristics of the auditor is his independence. According to Haddad, El Ammari, and Abdelfattah (2021), every audit committee member is called independent, who has no personal or financial connection with the firm or executive managers. He also believes that the risk of fraud is reduced when the audit committee is independent. An audit committee's Independence is achieved when the members' monitoring mechanism is not interfered with by third parties (Al Farooque, Buachoom, & Sun, 2019). Audit committee members should be allowed to carry out their monitoring role without interference from the managers and auditors (Eyenubo, Mohammed, & Ali, 2017). Orjinta and Ikueze (2018) in their empirical analysis found that audit committee independence is positively and statistically significant to firm performance of non-financial firms. The audit committee should be independent of the economic unit to be effective. To maintain independence, members of the audit committee should be selected from non-executive managers. The audit committee is supposed to review and monitor the management response to the recommendations and findings of the internal audit. Nevertheless, considering the contradicting theoretical argument, this study does not predict any sign for the effect of audit committee independence on auditors' efficiency but propose that ***there is a significant relation between audit committee independence and auditors efficiency (Hypothesis 1)***

Audit Committee Gender Diversity and Auditors Efficiency

Orjinta and Ikueze (2018) explains that gender diversity implies the presence of women sitting in the board and it leads to greater board diversity and that the presence of audit committee gender is viewed as an enhancement to the organizational value and performance because it provides new insights and perspectives. They suggested that female have a characteristic of being more prudent in financial matters and they naturally tend to avoid risk. The above assertions suggests that the feminine gender is endowed naturally a peculiar psychological capability which enables her to coordinate her corporate responsibilities with utmost care and vigor.Ratna and Bambang (2020) disclosed that audit committee with female directors tend to decrease the level of corporate earnings management, and that becomes more effective when balanced with financial expertise of the women in audit committee membership. In the study of Albawwat et al (2019) which examined the Gender Attributes of Audit Committee Members and the Quality of Financial Reports found that there is a positive relationship between the presence of a female in the Audit Committee and the quality of the financial reports. However, there are some inconsistencies that existed in the literature, for that reason, the current study does not intend to propose any sign, rather we hypothesize that ***there are significant relation between audit committee gender diversity and auditors' efficiency (Hypothesis 2).***

Audit Committee Financial Expertise and Auditors Efficiency

One of the essential tasks of the audit committee is to review financial information and control the behaviour of management in current affairs. It is also considered to be a control mechanism aimed at reducing information asymmetries between the internal and external members of the board of managers. Therefore, in terms of accounting, establishing an audit committee improves the quality and accuracy of financial information and ensures that authorities' responsiveness to reporting and disclosure are monitored and controlled (Namakavarani, Daryaei, Askarany&Askary, 2021). The presence of expert members in the accounting or financial area among members of the audit committee increases the likelihood of the disclosure of inaccurate statements in financial statements because these individuals are required to observe the ethic code to maintain their reputation. Such expertise may not only determine the quality of the financial report but may also affect the auditors efficiency of the firm (Puni, &Anlesinya, 2020). Audit committee expertise helps to ensure that the auditing tasks are carried out effectively, leading to higher financial performance and audit efficiency (Mardnly, Mouselli, &Abdulraouf, 2018). Having the right people with the required expertise levels may significantly improve the firm's auditing efficiency. Similarly, there is a perception that the implementation of internal audit recommendations is more when there is more expertise among members of the audit committee. Therefore, the presence of expert members in the audit committee can lead to more effective monitoring of companies. As a result, we expect a direct relationship between the expertise of the audit committee members in the fields of finance, accounting and auditing in relation to auditors efficiency***(Hypothesis 3)***.

Audit Committee Diligence and Auditors Efficiency

Audit committee diligence otherwise known as audit committee meeting is expressed in the number of meetings held by the audit committee members. According to research that was done by Qeshta, et al (2021) quoting Al-mamun (2014), there is a greater need for a regular audit committee meeting. Such meetings could help ensure that the agency's problem is reduced and eliminate asymmetric information (Garas&ElMassah, 2018; Qeshtaa, & Ali, 2020). The meeting may ensure that shareholders and all investors can get accurate and timely data to make informed financial decisions (Bhuiyan&D'Costa, 2020). The interest of shareholders can be protected by firms that ensure that a regular audit meeting is carried out. Besides, the level of efficiency and accountability tends to be enhanced (Juhmani, 2017). Therefore, regular Audit committee meetings are an imperative factor that can significantly influence the conglomerate sector's auditors efficiency, and hence, it should be taken into consideration. Members of the audit committee should have ample time to carry out meetings and strengthen their internal control. They should not have other duties that may disrupt them or even interfere with their time to be readily available to attend audit team meetings (Ajili, &Bouri, 2018). The more frequent meeting may help the audit committee improve the quality of financial reports and enhance the level of disclosure (Al-Okaily, &Naueihed, 2019). Nevertheless, considering the contradicting theoretical argument, this study does not predict any sign for the effect of audit committee diligence on auditors' efficiency but propose that ***there is a significant relation between audit committee diligence and auditors efficiency (Hypothesis, 4)***

The above scholars attempted to study effect of audit committee characteristics but none of them created a study in Nigeria using conglomerate firms with emphasis on auditors efficiency. The scholars also used audit committee size, audit committee independence, meeting, to proxy audit committee characteristics but this study used audit committee gender, financial expertise, and diligence in addition to the previously used ones by prior studies and extended the study for a long period of time (10years) spanning from 2011 to 2020. This is the knowledge gap this study intends to address therefore contributing to the existing literature. These are the rationale behind this study. Hence this conceptual framework.

Source: Researchers' conceptual Framework (2022)

2.2 Theoretical Framework

This paper is anchored on agency theory propounded by Jensen and Meckling in 1976. Agency theory holds that managers will not act to the best interest of shareholders by maximising their return unless appropriate governance structures are implemented by very big corporation to protect the interest of shareholders (Jensen &Meckling 1976). In their view,Agency theory assumes that each party is acting on their own interests, Principals see the excellent performance of the agents (managers) if the agent is able to maximize earnings and allocated to dividend distribution so the higher earnings and share price, the better the performance of the agent thus the agent gets a high incentive. The Agency theory concentrates on the means through which management of firms can be highly ethical in operation and producing what is true and fair in curtailing opportunistic attitude of managers (Ibrahim, Mansor&Nasidi, 2020). Ratna and Bambang (2020) opined that principals give authority to agents to run their companies with the capabilities and expertise they have. Similarly, Agyemang-Mintah and Schadewitz (2017), stated that the relationship between the principal and the agent conveys two challenges which are information asymmetry between the principal and agent as well as probability of conflict or a divergence of interest between the principal and the agent; in the case of the latter, the agent(manager) may choose to focus on their own personal objectives rather than the primary objectives of wealth maximization for shareholders. A free flow of information between internal and external agents of the company mitigates agency costs by monitoring the audit process and consequently reduces information asymmetries. In this regard, audit committees' role is to create an atmosphere where external auditors corroborate management information.

3 METHODOLOGY

Ex post facto research design was used to describe the effect of audit committee characteristics on auditors efficiency of five conglomerate firms in Nigeria for a period of ten years spanning 2011 to 2020 by using existing secondary data on the selected proxies from financial statement of the quoted firms which cannot be manipulated or altered by the researcher. The conglomerate firms used are Chellarams, John Holt, SCOA Nig., Transcorp Nig., and UAC of Nig. Five firms were used based on complete data availability since A.G. Leventis Nigeria was delistedon January 7th 2020 by voluntary decision of the company’s board. Auditors’ efficiencywas taken as our dependent variable and was measured as a dummy variable 1 if the firm is audited by any of the BIG4 audit firms and 0 if otherwise. This is premised on the assumption that the BIG4 audit firms with their global presence have higher potential to deliver more efficient service than other smaller or indigenous audit firms. Audit committee characteristics was taken as our independent variable proxied using audit committee independence, audit committee gender diversity, audit committee financial expertise and audit committee diligence. The model adopted in this study assumed a linear relationship between audit committee characteristics and auditors efficiencywhile panel least square was adopted for the purpose of hypothesis testing and was guided by the following linear model:

$AUDEF_{it} = \beta_0 + \beta_1 ACIND_{it} + \beta_2 ACGDV_{it} + \beta_3 ACFEXP_{it} + \beta_4 AUCDL_{it} + \mathcal{E}_{it}$………1

Where,

AUDEF stands for audit efficiency *measured as a dichotomous variable 1 if a firm is audited by Big4 audit firm and 0 if otherwise*; ACIND stands for Audit Independence measured as the number of independent committee members divided by total audit committee members. ACGDV connotes audit committee gender diversity calculated as the number of women in the audit committee, ACFEXP stands for audit committee expertise measured as the number of audit committee members with finance or accounting qualifications while AUCDL means audit committee diligence measured as the number of meetings throughout the year by the audit committee members.

4 RESULTS AND DISCUSSION OF FINDINGS

The study investigated the causal effect that exists between audit committee characteristics and auditors efficiency of listed conglomerate firms in Nigeria between 2011 and 2020. The study carried out some preliminary data tests like descriptive statisticsand variance inflation factor (VIF) analysis while panel least regression was used to test the formulated hypothesis. Descriptive statistics were used to analyze the data in order to ascertain the normality and nature of the data. To further check for the case of perfect correlation among variables, the variance inflation factor (VIF) was conducted to test for the presence of multi-colinearity. Finally, the study used panel least regression analysis in obtaining functional causal effect between the regressors putting into consideration the fixed or random effect testing for interpretation of regression result.

Descriptive Statistics

The aim of the descriptive statistics was to describe the general distributional properties of the data, to identify any unusual observations or any unusual patterns of observations that may cause problems for later analyses to be carried out on the data. Thus, initial exploration of the data using simple descriptive tools was provided to describe and summarize the data generated for the study. The table below shows the descriptive statistics of the selected conglomerate firms in Nigeria that make up our sample.

Table 4.1: Descriptive Statistics

	AUDEF	ACIND	ACGEND	ACFEXP	AUCDL
Mean	0.820000	52.89580	1.200000	1.640000	5.880000
Median	1.000000	50.00000	1.000000	2.000000	6.000000
Maximum	1.000000	75.00000	3.000000	3.000000	8.000000
Minimum	0.000000	20.00000	0.000000	1.000000	4.000000
Std. Dev.	0.388088	10.04412	0.808122	0.525279	1.002853
Skewness	-1.665853	-0.133083	-0.140625	-0.151570	-0.126171
Kurtosis	3.775068	4.691350	2.007813	1.945555	2.610005
Jarque-Bera	24.37709	6.107307	2.215703	2.507809	0.449527
Probability	0.000005	0.047186	0.330268	0.285388	0.798705
Observations	50	50	50	50	50

Source: researcher's summary of descriptive result (2022) using E-view 10

The descriptive statistics result in table 4.1 above shows the mean values for each of the variables, their maximum values, minimum values, standard deviation and Jarque-Bera values which show the normality and nature of the data. The result provides some insight into the nature of the selected quoted conglomerate firms from Nigeria Exchange Group that was used in the study. The researcher sought to establish the central tendency and distribution of audit committee characteristics and auditors efficiency among the selected listed conglomerate firms in Nigeria. Auditorsefficiency which was the dependent variable was captured using a dichotomous value1 if the firm is being audited by any of the BIG4 auditing firm or 0 if otherwise. It was observed that over the period under review that auditor efficiency (BIG4) has an average value of 0.8200 with standard deviation of 0.388. While the minimum and maximum values which are dichotomous are 0 and 1 respectively. Within the period under review, it was discovered that about 82% of the firms selected are being audited by BIG 4 auditing firm which is an indication of efficiency while about 18% are being audited by other auditing firms not classified under

BIG4. This implies that BIG4 auditors' service was about 82% during the period of the study and the deviation from the mean is 38.8%.The skewness for auditor efficiency was -1.665 implying that data on auditor efficiency were skewed to the left and therefore does not conform to the symmetrical distribution requirement hence most values were bunched to the right of the distribution. The kurtosis for auditor efficiency was 3.775 that isgreater than 3 shows that the data on auditor efficiency is normal hence the data is said to be leptokurtic having no outliers.

Audit committee independence which was measured as a ratio of number of independent committee members to total audit committee members have about 52% of their average audit committee members as independent members, implying that the independent members were almost half of the committee members. Mean Gender diversity was 1.20 suggesting that the average gender diversity for the 5 listed conglomerate firms in Nigeria was about 1.20% female audit committee members. The minimum gender diversity was 0.000 implying that some firms do not even have one female member in their total number of audit committee and the maximum gender diversity was 3persons. The mean of the audit committee expertise (ACFEXP) is 1.64. On the average, the firms have about 2 members on their board that are financially literate with expertise in accounting and finance while the minimum number of people with extra qualifications were just 1 member in the committee. It can also be observed that the maximum number of members with expertise and additional qualification were 3members in the board. Again, audit committee diligence manifested in the frequency of meetings indicates that on average additional one sitting of the members at a meeting improves auditors efficiency.
Generally, the JB Probability values of 0.0000 shows that only two variables are normally distributed at 1% and 5% level of significance respectively.This means that there are no variables with outlier, even if there are, they are not likely to distort the conclusion and are therefore reliable for drawing generalization. This also justifies the use of panel least square estimation techniques. Hence, any recommendations made to a very large extent would represent the characteristics of the true population of study.

4.2: Variance Inflation Factors

Multicollinearity was tested by computing the Variance Inflation Factor (VIF) and its reciprocal or the tolerance. Collinearity diagnostics measure how much regressors are related to other regressors and how this affects the stability and variance of the regression estimates. To further check for multi-collinearity problem or to know whether the independent variables used are perfectly correlated, we conducted Variance Inflation Factor (VIF) to further check for the multi-collinearity problem. The result of the Variance Inflation Factor (VIF) is provided below in table 4.2.below:

Table 4.2: Variance Inflation Factor Result

Variance Inflation Factors
Date: 02/13/22 Time: 22:26
Sample: 2011 2020
Included observations: 50

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.160770	73.48466	NA
ACIND	2.35E-05	31.14708	1.063027

ACGEND	0.003743	3.558519	1.094929
ACFEXP	0.008393	11.35488	1.037284
AUCDL	0.002310	37.54963	1.040746

Source: Researcher's summary of VIF result (2022)

To detect multicollinearity, we used the variance inflation factor (VIF) test to quantify its severity in our model, where the variance factors of each variable is calculated. According to the guidelines of this test, the existence of multicollinearity can be confirmed only in circumstances where the value of the variance inflation factor is more than 10. Based on the VIF test and the Pairwise rank correlation, we found that there is no intercorrelation between our independent variables.

It can also be seen from the table that all the variables had a variance inflation factor (VIF) of less than 10: audit committeeindependence (1.063), audit committee gender diversity(1.095) approximately, audit committee financial expertise (1.53) and finally, audit committee diligence (1.041) approximately. This implies that there was no multicollinearity problem with the variables, thus all the variables were maintained in the regression model. This also supports the use of Jacque Bera (JB) in descriptive analysis to check for the problem of normality and multi-collinearity.

4.3: Test of Hypotheses and Discussion of Findings

In order to examine the relationship between the dependent variable (AUDEF) and the independent variables (ACIND, ACGEND, ACFEXP and AUCDL) and to test the formulated hypotheses, we employed panel regression analysis since the data had both time series (2011-2020) and longitudinal properties (5 quoted conglomerate firms).

4.3. 1: Hausman Effect Test

The summary result of regression analysis is presented below. However, the study takes into cognizance the non homogeneity nature of the firms, hence the need for testing its effect on the data. This necessitated the use of Hausman effect test to ascertain which effect to explain. That is whether fixed effect or random effect is to be used in interpreting the regression result.

Hausman Effect Test: Decision rule

H_0 – random effect is more preferable than fixed effect

H_1 – fixed effect is more preferable to random effect

When the Chi square (Prob) value is greater than 5%, you interpret random effect and said that random effect is more preferred to fixed effect but when it is less than 5%, you interpret fixed effect and said that fixed effect is more preferred to random effect. Below is the summary of the Hausman test result, details of the result was presented at the appendix.

Table 4.3.1. Hauseman Effect Tests

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	13.541430	4	0.0089

Source: Researcher's summary of Hausman effect analysis result (2022)

The Hausman test result above shows a chi-square statistics value of 13.5414 and probability value 0.0089 which was less than 5%, this means that there is homogeneity in the collection of the firms' data. Since the Chi-square (Prob) value is less than 5%, hence we accept the fixed effect and interpret its regression while the random effect is rejected. The fixed effect regression result is presented in table 4.3.2 below.

Table 4.4 Fixed Effect Regression Result

Cross-section random effects test equation:
Dependent Variable: AUDEF
Method: Panel Least Squares
Date: 02/13/22 Time: 22:24
Sample: 2011 2020
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.676037	0.542329	1.246544	0.2196
ACIND	1.104163	3.106397	2.657361	0.0188
ACGEND	-0.111991	0.085800	-1.305253	0.1991
ACFEXP	1.005104	2.096496	2.053352	0.0481
AUCDL	0.083365	0.056638	1.471893	0.1487

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.592279	Mean dependent var	0.820000
Adjusted R-squared	0.473699	S.D. dependent var	0.388088
S.E. of regression	0.330741	Akaike info criterion	0.786589
Sum squared resid	4.484984	Schwarz criterion	1.130753
Log likelihood	-10.66472	Hannan-Quinn criter.	0.917649
F-statistic	3.308141	Durbin-Watson stat	1.658322
Prob(F-statistic)	0.005253		

Source: Researcher's summary of regression result (2022).

The table 4.4 above shows the panel regression analysis of quoted conglomerate firms in Nigeria. From the result above, the study observed that the R. squared value was 0.592 (59.2%) and R-squared adjusted value was 0.474 (47.4%) approximately. The value of R- squared which is the coefficient of determination stood at 59.2% which implies that 59.2% of the systematic variations in individual dependent variables were explained in the model while about 40.8% were unexplained thereby captured by the stochastic error term. This indicates that all the independent variables jointly explain about 59.2% of the system variation in auditor's efficiency of our sampled companies over the 10years period while about 40.8% of the total variations were unaccounted for, hence captured by the stochastic error term. Moreover, the F-statistics value of

3.308and its probability value of 0.0052 shows that the overall auditcommittee characteristics model used for the analysis were statistically significant at 1% level. This confirms the appropriateness of our model used for the analysis. Moreover, the Durbin Watson statistic of 1.658 showed that the model is well spread since the value is approximately 2 and that there have not been self or auto correlation problem and that error are independent of each other.

The study established that audit committee independence has positive and significant effect on auditors efficiency of firms in Nigeria having recorded a positive coefficient value of 1.104 and p-value of 0.0188, hence when number of independent audit committee increases by one person, auditors efficiency increases by 1.104%. By implication this means that a 1% increase in the proportion of independent audit committee members will lead to a proportionate increase in auditors efficiency. The t-value of 2.657 reveals that audit committee independence has a strong effect in sustaining auditors efficiency of selected conglomerate firms and its effect is statistically strong enough to drive efficiency. The probability value of 0.0188 further confirms that the effect of audit committee independence in Nigeria is statistically significant. Based on the significant resultobtained, the study rejected the first null hypothesis and therefore concludes that audit committee independence has positive and significant effect on auditors efficiency which was statistically significant at 5% level of significance.

From the regression result in Table 4.4 above, the result of audit committee gender diversity shows a negative but insignificant effect on auditors efficiency having recorded a negative coefficient value of -0.1119 and P-value of 0.1991. This implies that a 1% decrease in the number of women in the audit committee will lead to a magnificient increase in the auditors efficiency by 11.2 percent approximately. The t-value of -1.305 reveals that audit committee gender diversity has a strong effect on auditors efficiency of selected conglomerate firms but its effect is not statistically strong enough to improve efficiency hence a non significant effect was documented.The negative relationship should be expected since when an audit committee increases the number of women sitting in the meeting, women tends to be very conservatives and this adversely affects auditors efficiency but when number of women is reduced, efficiency is improved. This suggests that a 1% decrease in the number of female representatives in the audit committee leads to a magnificent increase in auditors efficiency by 11.2% approximately. As a result of this non significant effect we documented, we accepted our second null hypothesis and therefore conclude that audit committee gender diversity has negative but insignificant effect on auditors efficiency conglomerate firms in Nigeria.

It can be seen from the regression table that audit committee expertise has positive and significant effect on auditors efficiency having a recorded a positive coefficient value of 1.0051 and p-value of 2.053. This entails that a firm with more proportion of its audit committee members who are professionals in any accounting body with financial expertise are more likely to improve auditors efficiency. As a result of this significant effect we documented, we accepted our alternate hypothesis and conclude that audit committee expertise has positive and significant effect on auditors efficiency of quoted conglomerate firms in Nigeria which was statistically significant at 5% level of significance. Similarly, audit committee diligence evidenced in the number of meetings held within the year showed a positive but insignificant effect on auditorsefficiency. The insignificant effect of audit committee diligence implies that the extent to which members of the audit committee meet cannot influence auditors efficiency.

Summarily, it can be seen from the overall regression result that majority of the independent variables have positive effect of varying directions on auditors efficiency of conglomerate firms except audit committee gender diversity that recorded negative effect on efficiency of firms in Nigeria. Moreover, half of the explanatory variables showed statistically significant effect on auditors efficiency of conglomerate firms in Nigeria which was statistically significant at 5% level of significance respectively.

5. Conclusion and Recommendations

It can be concluded from the insignificant effect of some of the Audit Committee characteristics on auditors efficiency that conglomerate companies in Nigeria may comply with the Corporate Governance Code requirements merely to avoid any possible disciplinary actions. Meeting just the basic minimum standards of effectiveness does not ensure audit committees' efficiency in enhancing quality report of an auditor. Other factors such as the quality of discussions duringmeetings, the commitment of audit committee members, and the organizational environment might have a significant influence on the audit committee's performance. These issues have not been addressed as they require a different research design.On the basis of the findings of the study the paper recommends among others that conglomerate firms should increase the number of independent audit committee members and also ensure that audit committee is constituted by independent persons, with high level of integrity that can match words with action to improve auditors efficiency in Nigeria. Audit meetings should be held at least four times in a financial year. Finally, conglomerate firms should have at least one professional accountant in the audit committee in order to issue an opinion and investigate areas of financial misstatement.

References

Agyemang-Mintah&Schadewitz, H. (2017). Audit committee adoption and firm value: Evidence from UK financial institutions.*International Journal of Accounting & Information Management 26*(3).

Al Farooque, O., Buachoom, W., & Sun, L. (2019). Board, audit committee, ownership and financial performance–emerging trends from Thailand. *Pacific Accounting Review*.

Al-Mamun, A., Yasser, Q.R., Rahman, M.A., Wickramasinghe, A., & Nathan, T.M. (2014). Relationship between audit committee characteristics, external auditors and economic value added (EVA) of public listed firms in Malaysia. *Corporate Ownership & Control, 12*(1), 899-910.

Al-Okaily, J., &Naueihed, S. (2019). Audit committee effectiveness and family firms: Impact on performance. *Management Decision*.

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

Ajili, H., &Bouri, A. (2018). Corporate governance quality of Islamic banks: measurement and effect on financial performance. *International Journal of Islamic and Middle Eastern finance and management*.

Bansal, N., & Sharma, A.K. (2016). Audit committee, corporate governance and firm performance: Empirical evidence from India. *International Journal of Economics and Finance, 8*(3), 103.

Bhuiyan, M.B.U., &D'Costa, M. (2020). Audit committee ownership and audit report lag:

evidence from Australia. *International Journal of Accounting & Information Management*.

Bin-Ghanem, H., &Ariff, A.M. (2016). The effect of board of directors and audit committee effectiveness on internet financial reporting. *Journal of Accounting in Emerging Economies.*

Eyenubo, S. A., Mohammed, M., & Ali, M. (2017). Audit committee effectiveness of financial reporting quality in listed companies in Nigeria stock exchange. *International Journal of Academic Research in Business and Social Sciences, 7*(6), 487-505.

Garas, S., &ElMassah, S. (2018). Corporate governance and corporate social responsibility disclosures. *Critical perspectives on international business.*

Haddad, A., El Ammari, A. &Abdelfattah, B. (2021). Impact of audit committee quality on the financial performance of conventional and islamic banks. *Journal of Risk Financial Management* 14: 176.

Harris, Mary Kathleen, & L. Tyler Williams.(2020). Audit quality indicators: Perspectives from Non-Big Four audit firms and small company audit committees. *Advances in Accounting* 50: 100-485

Ibrahim, G., Mansor, N., &Nasidi, M. (2020). Mediating effect of audit commit independence on the link between firms internal governance tunneling from real earnings management. *International Journal of Academic Research in Business and Social Sciences*, *10*(2), 195–211.

Juhmani, O.I. (2017). Audit committee characteristics and earnings management: The case of Bahrain. *International Journal of Accounting and Financial Reporting, 7*(1), 11-31.

Mardnly, Z., Mouselli, S., &Abdulraouf, R. (2018). Corporate governance and firm performance: Empirical evidence from Syria. *International Journal of Islamic and Middle Eastern Finance and Management.*

Namakavarani, O. M, Daryaei, A. A.,Askarany, D. &Askary, S. (2021). Audit committee characteristics and quality of financial information: The role of the internal information environment and political connections. *Journal of risk and financial management* 14: 273-291.

Orjinta, H. I. &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

Puni, A., &Anlesinya, A. (2020). Corporate governance mechanisms and firm performance in a developing country. *International Journal of Law and Management.*

Qeshtaa, M., & Ali, B.J., (2020). The moderating effect of the effectiveness of the audit committee between ownership concentration and intellectual capital disclosures among companies in gulf co-operation council. *International Journal of Psychosocial Rehabilitation, 24*(1), 5979-5986.

Qeshta, M. H., Abu Alsoud, G. F.,Hezabr, A.A. , Ali, B. J.A.&Oudat, M. S. (2021). Audit committee characteristics and firm performance: Evidence from the insurance sector in Bahrain. *Geintec journals*, 11(2), 1666-1680

Ratna J. S. T &Bambang, H. (2020) Influence of audit committee and internal audit on audit report lag: Size of public accounting firm as a moderating variable**.** *International journal of research in business and social science,* 9(1), 137-142

Samoei, R.K., &Rono, L. (2016).*Audit committee size, experience and firm financial performance*. Evidence Nairobi Securities Exchange, Kenya.

Weber, L.H. (2020). Is audit committee expertise related to earnings quality? *Evidence from Germany. Editorial policy, 32*(3), 21-32.

APPENDIX

DESCRIPTIVE ANALYSIS RESULT

	AUDEF	ACIND	ACGEND	ACFEXP	AUCDL
Mean	0.820000	52.89580	1.200000	1.640000	5.880000
Median	1.000000	50.00000	1.000000	2.000000	6.000000
Maximum	1.000000	75.00000	3.000000	3.000000	8.000000
Minimum	0.000000	20.00000	0.000000	1.000000	4.000000
Std. Dev.	0.388088	10.04412	0.808122	0.525279	1.002853
Skewness	-1.665853	-0.133083	-0.140625	-0.151570	-0.126171
Kurtosis	3.775068	4.691350	2.007813	1.945555	2.610005
Jarque-Bera	24.37709	6.107307	2.215703	2.507809	0.449527
Probability	0.000005	0.047186	0.330268	0.285388	0.798705
Sum	41.00000	2644.790	60.00000	82.00000	294.0000
Sum Sq. Dev.	7.380000	4943.337	32.00000	13.52000	49.28000
Observations	50	50	50	50	50

CORRELATION RESULT

	AUDEF	ACIND	ACGEND	ACFEXP	AUCDL
AUDEF	1.000000	-0.072187	-0.208232	0.176196	0.310426
ACIND	-0.072187	1.000000	0.178419	0.125151	-0.041201
ACGEND	-0.208232	0.178419	1.000000	-0.115385	0.181310
ACFEXP	0.176196	0.125151	-0.115385	1.000000	-0.006199
AUCDL	0.310426	-0.041201	0.181310	-0.006199	1.000000

VARIANCE INFLATION FACTORS

Variance Inflation Factors
Date: 02/13/22 Time: 22:26
Sample: 2011 2020
Included observations: 50

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.160770	73.48466	NA
ACIND	2.35E-05	31.14708	1.063027
ACGEND	0.003743	3.558519	1.094929
ACFEXP	0.008393	11.35488	1.037284
AUCDL	0.002310	37.54963	1.040746

REGRESSION RESULT

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	13.541430	4	0.0089

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
ACIND	-0.004163	-0.001249	0.000017	0.4849
ACGEND	-0.111991	-0.119642	0.003619	0.8988
ACFEXP	0.005104	0.113556	0.000919	0.0003
AUCDL	0.083365	0.137463	0.000898	0.0710

Cross-section random effects test equation:
Cross-section random effects test equation:
Dependent Variable: AUDEF
Method: Panel Least Squares
Date: 02/13/22 Time: 22:24
Sample: 2011 2020
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.676037	0.542329	1.246544	0.2196
ACIND	1.104163	3.106397	2.657361	0.0188
ACGEND	-0.111991	0.085800	-1.305253	0.1991
ACFEXP	1.005104	2.096496	2.053352	0.0481
AUCDL	0.083365	0.056638	1.471893	0.1487

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.592279	Mean dependent var	0.820000
Adjusted R-squared	0.473699	S.D. dependent var	0.388088
S.E. of regression	0.330741	Akaike info criterion	0.786589
Sum squared resid	4.484984	Schwarz criterion	1.130753
Log likelihood	-10.66472	Hannan-Quinn criter.	0.917649
F-statistic	3.308141	Durbin-Watson stat	1.658322

Prob(F-statistic)	0.005253