Audit Committee Attributes and Financial Performance of Insurance Firms in Nigeria

Okeke, Prince Chinedu
Department of Accountancy, Faculty of Management Sciences,
Chukwuemeka Odumegwu Ojukwu University, Anambra State

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Abstract
The study investigated the effect of audit committee characteristics on the financial performance of firms listed under insurance sector, on the Nigerian stock exchange group covering 2017 to 2021. The study set out four objectives that includes examining the impact of audit committee independence, audit committee size, audit committee gender diversity and audit committee meeting on the return on assets of insurance firms in Nigeria. Ex post facto research design was adopted as suitable which allowed the study to gather secondary data from annual reports of the firms. The insurance sector has twenty three firms listed under it from which seven were chosen as the sample size on the basis of judgment of the researcher. The data were analysed with the descriptive statistics, correlation and regression analysis. The results show that audit committee meeting and audit committee independence have negative and no significant effect on financial performance of insurance firms. Again audit committee size has positive no significant impact but audit committee gender diversity has positive and statistical significant impact on financial performance of Nigerian insurance firms at 5% level. The study recommends amongst others that larger percentage of the audit committee members should be drawn from women gender to maximally utilize the potentials inherent in them that drive financial performance.

***Keywords**: Audit Committee Gender Diversity, Audit Committee Size, Audit Committee Independence, Audit Committee Meeting, Corporate Governance*

1. Introduction

The rise in corporate failures in the world since the twentieth century has necessitated intensification of corporate governance practices to safeguard the interest of the stakeholders. Audit committee is an important component of corporate governance mechanism that stands to reduce information asymmetry by the conduct of its periodic review of reporting processes and disclosure, compliance to operational standards and oversight over management's process (Li, Mangena, & Pike, 2012). Kurawa and Shuaibu (2022) Posit that the agency problem that arose from the separation of ownership (shareholders) and the management (agents), could be minimized through the instrumentality of audit committee, and thereby pave way for wealth maximization. However, many regulatory bodies have made regulations on the compositions and operations of the audit committee. Such regulatory framework include CAMA 2020 and Nigeria Code of Corporate Governance 2018. These frame work provided that at least one member of the audit committee should be financial expert. The framework also highlighted that members of the audit committee should be of non-executive directors and would meet at least once quarterly.

Prior studies purport that certain attributes of the audit committee like independence, size, diversity in gender and number of meetings and financial expertise would determine how the existence of audit committee could improve firm performance (Kurawa & Shuaibu, 2022; Umoh-Daniel et al., 2021; Ashari & Krismiaji, 2019).

The regulatory frameworks as highlighted have empowered audit committee to monitor business operation processes and internal control systems of the organisation, and to ensure that financial statements maintain credibility for both internal and external users. Notwithstanding these statutory supervisory roles, , Odubuasi, Ofor and Ugba (2022) reported that some firms like Uniliver Plc, Cadbury Nigeria Plc, still collapsed and that raised lots of concerns on the reliability and proficiency of audit committee in organisations. Hence it becomes even more imperative to determine if the audit attributes have strong influence on the performance of firms in Nigeria. The specific objectives of this study was to investigate;

1. The effect of audit committees' independence on the financial performance of listed insurance companies in Nigeria.

2. The effect of audit committees' size on the financial performance of listed insurance companies in Nigeria.

3. The effect of audit committees' gander diversity on the financial performance of listed insurance companies in Nigeria.

4. The effect of audit committees' meetings on the financial performance of listed insurance companies in Nigeria.

The following hypotheses were tested by the study;

H01: Audit committees' independence has no significant impact on the financial performance of listed insurance companies in Nigeria.

H02: Audit committee size has no significant impact on the financial performance of listed insurance companies in Nigeria.

H03: Audit committee gander diversity has no significant impact on the financial performance of listed insurance companies in Nigeria.

H04: Audit committees' meetings have no significant impact on the financial performance of listed insurance companies in Nigeria.

The result of this study would empower the regulators on the knowledge of the areas to tighten with regulation in order on to guard against lapses in audit process that compromises the activity. Researchers would be equipped with more reference material on this area and shareholder would be conscious of the persons they appoint to audit committee as would expose by this result.

The study is structured that next section have the review of related literature, followed by methodology. Data interpretation and discussion of result comes in section four, while conclusion and recommendation is in the last section.

1. Review of related literature

Audit Committee: The Companies and Allied Matters Act (2020) made provision for a public limited liability company to have an audit committee in place. The members are expected to be conversant with basic financial statements. The committee has the following objectives as provided according to CAMA (2020), to increase public confidence in the credibility and objectivity of published financial statements; assisting the directors, especially the non-executive directors, in meeting their responsibilities of financial reporting; Strengthening the independent position of a firm's external auditors by providing an additional channel of communication (CAMA, 2020). Prior studies had established relationship between the some attribute of audit committee attributes and emphasize that they can improve performance of firms. Such audit committee attribute are audit committee independence, audit committee size, audit committee meetings and audit committee gender diversity and firm performance (Odudu, et al., 2019; Kamolsakulchai, 2015; Mohiuddin & Karbhari, 2010; SEC, 2003)

Audit committee Gender Diversity: audit committee gender diversity addresses the degree of appointment of women in the audit committee. In the audit committee, it is important to select females because their ethical conduct and attitudes differ from those of their male counterparts when performing their duties (Odubuasi, Ofor & Ugbah, 2022). The percentage of females on the audit committee can have a significant impact on the firm's performance (Oziegbe & Ofe, 2020). In a study conducted by Ibrahim and Alharasees (2019) revealed that entities with equal gender representation are more efficient, capable of reducing misstatement risk, and have a lower audit fee.

Audit committee meeting: audit committee meetings buttresses the effectiveness of the committee which should be observed from the number of meetings they hold in a year. Meanwhile, corporate governance framework provided that audit committee should meet at least once every quarter (NCCG, 2018). Regular meetings of the audit committee would allow for better communication between audit committee members and internal and external auditors of the enterprise.

Audit Committee Size: Audit committee size is a measure of how many persons that should constitute the audit committee. Some school of thought is of the opinion that large audit committee size would be difficult to coordinate and would easily form factions which would result to decreased performance of the firm (Sharma. et al. (2009). The implication of their assertion is that firms should consider constituting small number of audit committee size. Felo (2003) contrary holds that large audit committee size is more preferable as they difficult to be influenced by management.

Audit Committee Independence: audit committee independence measures the proportion of the committee members that are non-executive directors. NCCG (2018) recommended that firms should constitute their audit committee in a way to have independent non-executive members should be more in number. The term qualifies outside directors that are not employees of the company who could have the boldness to confront unethical practices of the CEO.

Financial performance: the bottom line of every business establishment is to make profit. Despite the firm stand of social and environmental responsibilities of the business, it cannot enforce any of them unless it makes profit. Odubuasi, Ofor and Ugbah (2022) therefore maintain that financial performance is the real bases of measuring the operating performance of the company and its going concern possibility. This study however, choose to measure financial performance with the return on assets.

Theoretical framework

Stakeholders Theory (ST): Stakeholders Theory (ST) came to life sequel to its publication by Donaldson and Davis (1984). ST made case for accountability to be made to stakeholders and not to only shareholder. The theory of Donaldson and Davis (1984) becomes very important as all the stakeholders are interested in the information that relates to their stake in the company, therefore disclosure of information should not be targeted to the shareholders alone. This responsibility tops the need for an audit committee to ensure working and effective internal control that protests the interest of all stakeholders of the enterprise are rigidly kept.

Empirical review

Khosa (2017) assessed the audit committee independence on performance of firms listed on the Indian stock exchange. They used sample of 317 firm over five year that span from 2008 to 2012, and arrive at an observation of 1,350. The study used correlation coefficient and found that audit committee independence is negatively related with the value of the firm as measured with Tobin's Q. The second aspect of the analysis, which assessed the cause effect relationship between the dependent and independent variables empirically provide that audit committee independence has a negative effect on the value of the firm.

Gabriela (2016) determined that influence of diverse audit committee measures on firm financial performance with focus on the non-financial listed enterprises on the London stock exchange market. Objectives were formed using predictor variables like audit committee size, independence, expertise and frequency of meeting. They more so measured financial performance with Tobin's Q. Analysis were done using ordinary least square (OLS) regression estimation technique and found that audit committees have an influence on the performance of UK firms. Additionally, their result show that audit committee independence has inverse association with firm performance.

Temple (2016) investigated the effect of audit committee size on quality of financial reporting in quoted Nigerian banks for the periods of five years. They collected secondary data from the annual reports of the sampled firms. The data obtained were analysed with regression estimation method and found that the audit committee size has insignificant effect on the quality of financial reporting on Nigerian banks quoted.

Sean et al. (2016) considered firms listed on the Malaysia stock exchange as they investigated the impact of audit committee characteristics on performance of firms. They proxy audit committee with audit committee size, financial expertise and independence and collected secondary data from annual reports of the firms sampled. They used multiple regression estimation for analyses of data and found that audit committee characteristics have influence on the firm performance in Malaysia.

Kamolsakulchai (2015) investigated the relationship between Audit Committee effectiveness and audit quality on Financial Reporting Quality of listed company in Stocks Exchange of Thailand. The study collected secondary data of Panel nature from the Form 56-1 and annual reports of the sampled firms, from 2008 to 2012 of the firms listed on Thailand stock exchange market. Panel regression estimation was employed on data analysis and the result indicate that audit committee effectiveness had a positive and significant effect on financial reporting quality of the firms.

Farouk and Hassan (2014) assessed the association of audit quality to financial performance of quoted Cement Firms in Nigeria. Ex-post facto design was the research design adopted and obtained data from annual reports of the companies selected. The used multiple regression estimation technique for data analysis and found that auditor size and auditor independence have significant effect on the financial performance of cement firms in Nigeria. Auditor independence and auditor size have impact on financial performance of cement companies in Nigeria.

Mamun et al. (2014) investigated the association between audit committee attributes and financial reporting qualities of public listed companies in Malaysia. Using samples of 75 companies over three year from 2008-2010, employed Economic Value Added (EVA) and F-test in their analysis and found that audit committee independence has significant association with financial reporting.

Musa, Oloruntoba and Oba (2014) investigated the impacts of audit committee characteristics on quality financial reporting by deposit banks in Nigeria. The multivariate regression documented a positive impact of audit committee independence on financial reporting quality. In addition, it was found that audit committee size has an insignificant effect on financial reporting quality.

Miring'u and Muoria (2011) found a positive relationship between Return on Equity (ROE) and board compositions of all State Corporations. They took sample of 30 SCs out of 41 state corporations in Kenya and studied the relationship between financial performance, board composition and size. They nevertheless, used descriptive research design as the appropriate deign for their study.

3. Methodology

The expo-facto research design was adopted by this study because the study was aimed at obtaining important information on specific phenomena after their natural occurrence without manipulating the situation. The population of this study is the entire twenty three firms listed under insurance sector of Nigeria exchange group. Judgmental sampling method was applied to select only the firms that measured up with our requirement. For instance, the study removed the insurance companies that were not in operation for the five years coverage, insurance companies that lost their independence were eliminated, and those that did not disclose information relative to our data extraction requirement were also eliminated. At the end, only insurance companies that were selected included Allco plc, Landway plc, Custodian and Allied, Cornerstone plc, AXA mansard, Guinea Insurance and African Alliance plc. Secondary data was sourced from annual reports of the concerned firms for the periods covering 2017 to 2021. The data generated were analyzed using the frequency tables, which provided knowledge of the distribution pattern of the data set collected. The data were tested to know how they were related to themselves using correlation analysis and the hypotheses formulated were tested using the Multiple-Regression analytical tool.

Model specification

The multiple-regression is set up to investigate the hypothesized relationship between the dependent variable and the four independent variable in this study. The econometric form of the equation is given as:

$$ROA_{it} = \beta_0 + \beta_1 (ACI)_{it} + \beta_2 (ACS)_{it} + \beta_3 (ACGD)_{it} + \beta_4 (ACM)_{it} + e_{it}$$

Where ROA= Return on Asset; ACI = Audit committee independence; ACS = Audit committee size; ACGD= Audit committee gender diversity; ACM = Audit committee meeting; e = Error Term.

Variable measurement

The variables of this study are defined and measured as follows:

a) Return on Assets (ROA): calculated as profit after tax divided by total assets.
b) Audit committee independence (ACI): measured as the proportion of independence directors on the Audit committee.
c) Audit committee size (ACS): is the number of directors on the audit committee.
d) Audit committee gender diversity (ACGD): Is the number proportion of women in the audit committee.
e) Audit committee meeting (ACM): Is the number of meetings of audit committee in a year.

4. Data interpretation and analysis

Table 4.2.1- Descriptive statistics

stats	ROA	ACS	ACI	ACGD	ACM
mean	.6478788	5.25	63.35938	14.01188	4.28125
p50	3.36	6	50	16.67	4
max	11.69	8	100	25	5
min	-22.05	4	40	0	3
sd	7.881368	1.163975	22.19567	9.474584	.6831792
N	35	35	35	35	35

Source: Stata 14 output

From table 4.2.1 seen above, the average ROA is 0.64, maximum value of ROA is 11.6, while minimum performance as measured by ROA is -22.05. The standard deviation score of 7.88 is an indication that the performance (ROA) of the insurance firms varied widely among themselves for the periods covered by this study. Audit committee size (ACS) has average value of 0.85, maximum of 5., minimum value of 4 and standard deviation of 1.16, which shows that the constitution of audit committee size does not vary among the insurance firms, this may eb possible because of the regulation of Nigerian corporate governance practice in place.. The table also shows that audit committee independence (ACI) has mean value of 63%, maximum value of 40% and standard deviation value of 22.19, which also show that the composition of nonexecutive directors in audit committee does not vary among the firms, as they are being regulated by corporate governance code. The data distribution disclosed that female inclusion in audit committee was on the average of 14% across the entire insurance sector, the maximum percentage of gender diversity in audit committee is 25, while the standard deviation of 9.4 also passes a message that the style of including women in the audit committee is not dispersed within the sector of insurance. Lastly, the table indicates that audit committee meeting for the years under review was on the average of 4 times. The firm that had highest number of meeting of audit committee in the study periods convened for 5 times while the least held meeting in the periods is 3 times. Like other activities that are being regulated by the code of corporate governance, audit committee meeting had a standard deviation of 0.68 that is far less than the mean score. Which interprets that audit committee meetings is commonly and uniformly practiced among the firms in industrial sector of Nigerian economy.

Normality tests

The study used skewness and kurtosis test and assess the normality distribution of the data generated.

Table 4.2.2 Skewness and kurtosis test

Skewness/Kurtosis tests for Normality

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	joint adj chi2(2)	joint Prob>chi2
ROA	35	0.0021	0.0720	10.36	0.0056
ACS	35	0.5066	0.1252	3.04	0.2185
ACI	35	0.0175	0.2155	6.53	0.0382
ACGD	35	0.1420	0.0325	6.21	0.0449
ACM	35	0.2895	0.2892	2.43	0.2960

Source: Stata 14 output

The normality result in table 4.2.2 above provides that the joint probability of return on assets ROA= 0.00, ACI= 0.03, ACGD = 0.04 are less than critical value of 5% and are not normally distributed. But the joint probability value of ACS = 0.21, ACM = 0.29 are higher than critical value of 5%, which means they are normally distributed..

Correlation Analysis

Table 4.2.3 Correlation Matrix

	ROA	ACS	ACI	ACGD	ACM
ROA	1.0000				
ACS	0.3687	1.0000			
ACI	-0.1291	-0.3051	1.0000		
ACGD	0.4194	0.1354	-0.0131	1.0000	
ACM	-0.0112	-0.1724	0.1431	0.1358	1.0000

Source: Stata 14 output

The correlation result in table 4.2.3 above indicates that a positive and low relationship exists between return on assets and audit committee size (ROA/ACS = 0.36). The table shows that return on assets has low and inverse relationship with audit committee independence (ROA/ACI= -0.12). It also shows positive and moderate relationship between ROA and audit committee gender diversity (ROA/ACGD= 0.41). More so, the table provides evidence that ROA has very low and negative relationship with audit committee meeting (ROA/ACM = -0.01). Audit committee size has low and negative relationship with audit committee independence and audit committee meetings at (ACS/ACI = -0.30) and (ACS/ACM= -0.17) respectively. Though audit committee size is positively relating with audit committee gender diversity. Audit committee independence (ACS/ACI= 0.14), on the other shows a positive and low relation with audit committee meeting but also has negative and very low relation with audit committee gender diversity (ACS/ACGD= -0.01). Finally, audit committee gender diversity has positive and low association with audit committee meeting (ACGD/ACM= 0.13). In all we found no strong correlation as none of the variables has correlation coefficient above 0.8.

Variance Inflation Factor

Variable	VIF	1/VIF
ACS	1.15	0.867187
ACI	1.11	0.898271
ACM	1.07	0.936324
ACGD	1.05	0.955365
Mean VIF	1.10	

Source: Stata 14 output

From the table 4.2.4 above, it is shown that the mean VIF is 1.10. It is however, the rule of VIF to place a threshold of mean VIF of 10 for acceptance level. Hence it is assumed that any result that produces mean VIF above 10 has a case of high correlation of the independent variables. Since our result is 1.10, which is far lesser than acceptable level of 10, we conclude that there is no presence of multicollinearity in our data.

Table 4.2.5 - Heteroscedasticity Test

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Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
        Ho: Constant variance
        Variables: fitted values of ROA

        chi2(1)      =     2.27
        Prob > chi2  =   0.1315
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Source: Stata 14 output

Heteroscedasticity test has a decision rule that there is no heteroscedasticity if the probability of F-value is greater than the critical value at 5% level. The table 4.2.5 above indicates that probability value of 0.13 is greater than the critical value of 0.05. Therefore, we conclude that no presence of heteroscedasticity is found in our data.

Table 4.2.6 OLS regression result

Source	SS	df	MS		
Model	545.010453	4	136.252613	Number of obs =	35
Residual	1430.4411	31	52.9793002	F(4, 31) =	2.57
Total	1975.45156	35	63.7242438	Prob > F =	0.0505
				R-squared =	0.2759
				Adj R-squared =	0.1686
				Root MSE =	7.2787

ROA	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
ACS	2.109816	1.206069	1.75	0.092	-.364833	4.584466
ACI	-.0106093	.0621442	-0.17	0.866	-.1381186	.1169
ACGD	.3185702	.1411652	2.26	0.032	.0289232	.6082172
ACM	-.0623617	1.977536	-0.03	0.975	-4.119931	3.995208
_cons	-13.84549	12.17899	-1.14	0.266	-38.83472	11.14373

Source: Stata 14 output

The result from table 4.2.6 provides reports ordinary leas square regression analysis. From the table, we observe that the F-statistics is 2.57 and the P-value of 0.050. The P value is however equal to the critical value of 0.05, which indicates that the model is valid and good for making inferences. The R^2 of 0.275 indicates that the model will explain 27.5% of the variations in return on equity (ROA) of the insurance firms studied, while the remaining 72.5% is contained in the error term.

HYPOTHESES TESTING

Hypothesis one - Audit committee independence has no significant impact on the financial performance of listed insurance companies in Nigeria

The results on table 4.2.6 shows that audit committee independence (ACI) has coefficient of -0.01, which indicates that the increase in the number of non-executive members in the audit committee of the firms will amount to decrease in the financial performance thereof, since are they having negative association. Moreover, the P-value of 0.86 which is higher than the critical value of 0.05 indicates that, ACI has no significant impact on financial performance of insurance industry. Sequel to these findings we accept null hypothesis and conclude that ACI has inverse and no significant effect on financial performance of firms listed under insurance sector in Nigeria.

Hypothesis two -– Audit committee size has no significant impact on the financial performance of listed insurance companies in Nigeria.

The result shows that audit committee size (ACS) has a coefficient 2.1. This indicates that ACS has positive effect on the financial performance of listed insurance firms in Nigeria as measured by ROA. The result implies that a unit increase on the ACS will cause the mean of ROA to increase by 2 units, if every other variables are held constant. The probability value (P>/t/= 0.09) indicates that audit committee size is not affecting return on assets of the insurance firms significantly. Therefore, we accept null alternate hypothesis and conclude that ACS has positive and no significant impact on financial performance of insurance firms listed on the Nigeria stock exchange.

Hypothesis three – Audit committee gender diversity has no significant impact on the financial performance of listed insurance companies in Nigeria.

The result on table 4.2.6 above also shows that audit committee gender diversity (ACGD) has a coefficient 0.31. This implies that ACGD has positive effect on financial performance of listed insurance firms in Nigeria as measured by ROA. The P-statistics (P>/t/= 0.03) indicates that ACGD is affecting the financial performance of insurance firms significantly and becomes a strong determinant of profitability of the sector. Therefore, we accept the alternate hypothesis which says that ACGD has significant impact on financial performance of listed insurance firms in Nigeria.

Hypothesis four - Audit committee meeting has no significant impact on the financial performance of listed insurance companies in Nigeria.

The result in table 4.2.6 further provides that audit committee meeting (ACM) with a coefficient of -0.06 means that, audit committee meeting has negative impact on financial performance of listed insurance firms in Nigeria. The P statistics that has the value of 0.96 indicates that audit committee meeting has no significant effect on the financial performance of the insurance firms since their probability value is higher than the critical value of 5%. There from, we accept null hypothesis and conclude that audit committee meeting has negative and no significant impact on financial performance of insurance firms in Nigeria.

Discussion of Results

Audit committee independence displays negative impact on the financial performance of the firms in insurance sector of Nigerian economy. The result exposes the fact that non-executive members of the committee will have less information than the executive members who are part of the daily running of the business of the enterprise. Because the independent director appointed in the audit committee does not participate in the day to day operations of the firm, it might take require small energy to deceive him into believing what others including the CEO wants to achieve. The inclusion of non-executive members should be to a certain threshold otherwise, the impact on profitability will start to dwindle. However, the industry average of non-executive membership in the audit committee for the period under study is 63%, hence, this might be an ideal combination for greater profitability height in the industry. It is also worthy of note that audit committee composition is not a strong determinant factor, for profitability projecting on the firms listed on insurance sector of Nigerian economy. The result corroborate the finding by Khosa (2017) that audit committee independence has no significant effect on market value. But disagrees with the result of the study by Farouk and Hassan (2014), the audit committee size has significant effect on performance of cement industry in Nigeria.

Furthermore, audit committee size shows a positive predictive power on financial performance of firms listed under insurance industry in Nigeria. This assertion makes it clearer that bringing different people of different skills, experience, educational background, age and sex would amount to beautiful synergistic projections on performance of the firms. Again, the larger the number of the audit committee, the more difficult it will be for the CEO to influence them. Therefore, having more heads in the size of the audit committee would be healthy for the growth prospects of the organisation. Nonetheless, audit committee size is not a strong determinant of financial performance of firms in insurance industry, so will attract lesser attention during decision making processes especially when the issues that border on profitability is brought on the table. The result consolidates that findings by Temple (2016), that audit committee size has no significant effect on financial reporting quality of Nigerian banks. Another corroborative result is that by Musa, Oloruntoba and Oba (2014) that audit committee size has an insignificant effect on financial reporting quality of banks in Nigeria.

Inclusion of female in audit committee is a wonderful way to enforce coherence in policy formulation and implementation. These qualities imbedded in women have enabled them outperform their male counterparts. Our result upholds that the more the female inclusion \in the audit committee, the more opportunity the company has to increase its profit base. Dynamism in women strengthens their potentials and enforces powerful oversight function on the management. Pertinently, our study result indicates that inclusion of female directors in audit committee is an outstanding determinant of financial performance of insurance firms in Nigeria. It is portrayed in literature that a woman will not be influenced or lobbied easily compared to the level of corruption among men. Their qualities of integrity, persistency, transparency, doggedness and incorruptibility transcends to higher profit making by the firms in insurance industry in Nigerian perspective. The result disagrees with the study result of Odubuasi, Ofor and Ugba (2022) who found that gender diversity has no significant effect on firm performance.

Finally, audit committee meeting has no significant impact on the performance of insurance firms in Nigeria as evidenced by this study conducted on Nigerian insurance firms. The meetings of the audit committee associates with the financial performance of insurance firms negatively, meaning that the more the audit committee convenes the less the expected returns in profit of the firms. The meetings of the audit committee does not go without siting allowance, and that greater number of this allowance which is informed by the number of times they meet is directly or indirectly what could be downplaying on the financial performance of the firms. If adherence could be made to the minimum four time that Nigerian code of corporate governance stipulates. Be that as it may, the required responsibilities could be tackled without having to expand the contact times. When skilled, experienced members with requisite accounting and finance background constitute audit committee, their minimum contact would definitely create the required result. The finding disagrees with the empirical discovery made by Kamolsakulchai (2015), whose study posit that audit committee effectiveness measured as meetings of the committee has significant effect on financial reporting quality on Thailand firms.

5. Conclusion and recommendations

Conclusion

The study has successfully completed the quest to ascertain the impact of audit committee on financial performance of insurance firms listed on the Nigerian stock exchange group for the periods covering 2017 to 2021. The study made a special consideration for audit components where it then selected some of the components which includes audit committee size, composition, meetings and inclusion of women for the independent variable and used return on assets for the dependent variable. Empirical study was robustly conducted using data which was extracted from the annual reports of the firms. Seeing that the assumptions of Ordinary Least Square (OLS) regression technique were met, the study employed OLS for the estimation and made its findings that increasing the number of women in the audit committee would foster an improved financial performance level of the insurance firms.

Recommendations

Sequel to the empirical findings made, the study therefore makes policy recommendations as follows;

1. The owners of insurance firms can increase the number of members in the audit committee above the industry average of five.

2. The board is encouraged to lessen the non-executive members in audit committee but ensures that the chairman is a non-executive member.

3. The board of directors should ensure that larger percentage of the audit committee members are drawn from female folks, to maximise the potentials inherent in them that drive financial performance.
4. The shareholders should strive to pool men of high standard in experience, skills and requisite educational background into audit committee, so as to be able to explore the given four times meeting in a fiscal year to exhaust their required legal and fiducially function.

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