

Audit Committee Characteristics and Firm Performance: Listed Financial Services Firms in Nigeria

Caroline Obiageli Nnamani

Accountancy Department, Faculty of Business Administration
University of Nigeria, Nsukka, Nigeria

Ofoegbu, Grace Nyereugwu

Department of Accountancy, University of Nigeria Enugu Campus

Florence Ifeoma Onyia

Dept of Accountancy, Enugu State University of Science and Technology (ESUT) -
Agbani

Abstract: This paper investigated the effect of audit committee characteristics on the financial performance of listed firms in Nigeria. The sample population was derived from financial services firms listed on the Nigeria Exchange Group (NGX) platform at the end of year 2023. Autoregressive Distributed Lag (ARDL) regression model was resorted to in the analysis of secondary data retrieved from published yearly reports of sampled firms for a 14-year period spanning from 2011 to 2024. Two audit committee variables (financial expertise and tenure) were proxied on performance. ARDL Results showed a non-significant positive effect of audit committee financial expertise on ROE and an insignificant negative effect of audit committee tenure on the return on equity (ROE) of listed financial services firms in Nigeria. The study concludes that audit committee insignificantly affects the performance of financial services firms in Nigeria. It recommends that financial expertise committee members should be actively engaged whereas tenure policies should have short rotation of 2 years at most to facilitate quick delivery as well as introduction of novel perspectives.

Key words: corporate governance, audit committee, financial expertise, tenure, firm performance.

Introduction

Audit Committee Characteristics refers to the various attributes expected of an audit committee member to possess as a prerequisite for carrying out expected audit committee functions. These characteristics includes but not constrained to audit committee independence, financial expertise, tenure, frequency of meetings and size. Audit committee is one of the board committees that oversees financial supervision. It is expected that the oversight financial supervision of the audit committee will curb management activities that does not add value to the company owners, where the

characteristics of the audit committee members are not given proper considerations for its effectiveness, it is a problem most likely to result in loss of return to the shareholders. Hence this study on the audit committee characteristics and performance of listed financial services firms in Nigeria. Admittedly, there have been several studies in this area in both developed and developing countries. The study was motivated by the observation that existing literature predominantly focuses on set of audit committee characteristics such as independence, size, gender diversity and meeting while neglecting the potential influence of other committee attributes most especially as it pertains to the tenure of the audit committee. Moreover, in prior studies, the effect of audit committee characteristics on firm performance particularly in the context of listed financial services firms in Nigeria has remained unexplored. This study specifically explored audit committee tenure and financial expertise over a 14-year period addressing both variables, sector and period gaps in the literature and provides a broader and more current basis for evaluating the role of audit committee characteristics in the financial services sector in Nigeria. The aim of study was to ascertain the effect of audit committee characteristics on the performance of listed financial services firms.

Specific Objectives

are to:

Determine the effect of audit committee financial expertise on the Return on equity of listed financial services firms in Nigeria.

Evaluate the effect of audit committee tenure on the Return on equity of listed financial services firms in Nigeria.

Literature Review

Corporate Governance

Corporate governance is viewed by Dey and Shama (2021) as a control instrument that ensures that the board of director's level of accountability to the shareholders and the company is continually upheld. Corporate governance is an effective way of handling difficulties encountered in business operations of an organization. Thus, it helps the board of directors and the organizations management in handling difficulties of operation. In its simplest term it is a system used in directing and controlling organization's affairs. Upholding of principles, policies, laws, procedures, standards, practices, relationships and responsibilities that can influence the direction and control of the organization including the organization's stakeholders (Abdelrahman, El Mokdad, & Hayek, 2022). Therefore, corporate governance is a help engine that can be sort after in handling complications encountered in running an organization and in maintaining relationships within and outside the organization. The corporate world has adversely been affected by corporate failures resulting in discussions, enactment of changes and corporate governance regulations for better corporate governance (Usman

et al, 2022). A good corporate governance could not be realized except for the active participation of the audit committee.

Audit Committee

Audit committee is an instituted committee established by the board of directors, assigned with specific responsibilities and recommends to the board on the assigned responsibilities without exercising decision making powers. It is an essential arm of corporate governance assisting effective application of the corporate governance principles (Elbabar, El- Bananny & El Baradie, 2021; Nse, Beauty & Best, 2021).

In Nigeria different Acts, Codes and Laws spelt out the roles and composition of an audit committee for its effectiveness as contained in the Companies and Allied Matters Act 1999 and subsequently 2004 and recently 2020 and the Nigerian Securities and Exchange Commission code of Corporate Governance 2011, and 2018. The CAMA 1990 as amended demands the audit committee to consist of members not greater than six members with three directors and three representatives of the shareholders (ICAN, 2019). The most recent is CAMA 2020 requiring the audit committee to have a maximum of five members (two executive directors and three representatives of the shareholders). Moreover, it is mandated by CAMA 2020 that all members of the audit committee must be financially literate and specifically at least one among them is required to be a member of a professional accounting body established by an Act of the National Assembly.

Audit committee financial expertise

Some studies have examined audit committee expertise and experience together (Alodat et al 2023; Machora & Oluoch 2019) while some others use them separately (Modum, Ugwuoke & Onyeonu; 2013, Wan-Hassin, Fitri & Salim 2021; Bako, 2023; Lamido, Ibrahim & Yahaya, 2023). Expertise refers to the level of knowledge and skill in a particular field acquired through practice and study. Similarly, experience is the knowledge and skill acquired through involvement in a particular activity. Both are essential for audit committee effectiveness. It is expected that the presence of financial expertise committee members should be able to reduce financial frauds and financial corruption. The importance of accounting knowledgeable members with experience among committee members cannot be overemphasized because of basic knowledge of accounting concepts and principles which are essential for understanding the meaning and implication behind every financial information.

Audit committee tenure

One of the decisions facing firms among others is the decision of engagement of audit committee members and subsequent appointments when stipulated period elapses.

CAMA 2020 404 (1) fifth schedule (3) requires annual election of audit committee team. The audit committee tenure specifically points to the duration that the audit committee are expected to carry out their committee services or assignment as contained in the terms of appointment and responsibility assigned to them by the board.

Firm Performance

Performance depicts both the financial and non-financial transactions involving internal stakeholders in an organization under the normal business operations and actions on the behalf of the organization with the aim of achieving the organization's sole aim of existence. To a lame man it is the act of doing a piece of work or duty, how well or badly a particular job or activity is carried out. Experts have defined performance in different perspectives. Organizational performance generally refers to the actual results or output of an organization measured against its expected results or output (Agyemang, 2020). Performance is the function of the ability of an organization to gain and manage the resources in several different ways to develop competitive advantage. Researchers have different performance proxies (ROA, Economic Value Added (EVA), Earnings per share (EPS), (ROE)) at their disposal for analysis purposes. The proxy used depends on the objective the researcher seeks to achieve. Return on Equity (ROE) is a performance measure that links an entity profitability to its shareholders provided capital.

Theoretical Review

Agency Theory

The development of agency cost theory started with Jensen and Meckling (1976). It is concerned with the conflict of interest between shareholders (principal) and the managers (agent). This theory came in response to the high managerial immoderations experienced by business in 1970s and 1980s (Simerly & Mingfaing, 2000). Separation of ownership from management as well as business expansion and complexity resulted in agency relationship (Oji, & Ofoegbu, 2017). Conflicts between shareholders and managers may arise when the shareholders choose the agent to manage the company in order to maximize shareholder's wealth, but most times agents interest overrides shareholder's interest. Therefore, agency theory specifically handles this problem that is bound to exist between the principals and agents in their business relationship. Audit committee aid in reducing agency conflicts through its role of financial oversight. This study is anchored on agency theory as it exists to address managerial excesses. Hence, ensuring good corporate governance embedded with improved performance without investor's interest being compromised.

Empirical Review

Umoru, Oziegbe and Bekweri (2024) investigation on the audit committee attributes and financial performance of listed Oil and gas firms in Nigeria showed a significant

positive result between audit committee financial expertise and performance. The study period covered 2015- 2021. Panel least square analytical results revealed that among the audit committee variables investigated, only audit committee financial expertise positively and significantly impacts on financial performance of quoted oil and gas companies. However, size and gender diversification has a negative and insignificant relationship while a positive but insignificant effect exist between audit committee independence and meetings on financial performance.

In the same direction EL-Mande et al (2024) study checked audit committee members financial expert's impact on capital structure and performance of Nigerian banks that accepts money deposit. The study period covered 2012-2022 and research design is *ex post facto* based. Sample contains 11 banks from population of 14 banks that specialize in money deposit. Data collection via annual reports and analyzed via regression analytical platform. The outcome revealed that all the two variables of capital structure (debt & equity) and financial performance in the form of net interest margin of studied banks receives audit committee financial experts moderating influence that is high on the positive side. This implies the more members that are experts in financial areas, the higher performance becomes.

A significant influence of financial expertise of audit committee members was the outcome of Shehusaeed, Askira and Bahago (2025) enquiry on the connection linking audit committee quality mixture with earnings per share, ROA and ROE of 94 stratified sampled Nigerian listed firms from 2019 base year to 2022. Data was sourced from reports of sampled firms annually. Correlation and regression analysis in addition to descriptive statistics were engaged in data analysis. Correlation and regression analytical findings have it that all the 5 independent variables analyzed, notably relationship was found with ROA, earnings per share and ROE. Another study by Nashiru, Muhammad and Abdulkadir (2024) exhibit a significant connection between financial expertise and performance (ROA) of non-financial Nigerian firms 2018- 2021. Data sourced from 76 companies' population annual reports. Descriptive statistics, correlation analysis and multiple regression specifically SPSS version 18 aided data analysis. In contrast, size and meeting relationship with performance are weak while independence have high positive influence.

A positive result of the presence of financial experts as committee members showed evidence of reduced non-performing loans in the 15 non-deposit listed banks in Nigeria by Ojeka, Adegboye and Dahunsi (2021). The study explored the effect of audit committee characteristics on non-performing loans. Research design is *ex-post factor*. Secondary data was extracted from the annual reports. Firm size, ROA, loan to deposit ratio (LDR) and Capital Adequacy Ratio (CAR) are the control variables used. Study

used multiple regression analysis and panel data regression techniques to examine and analyze the relationship between the variables. Moreover a negative insignificant influence exists between audit committee meetings and non-performing loans.

In contrast, Nik, Krishna and Thng (2024) empirical study tests the impact of audit committee attributes on performance of Malaysians listed companies involved in property businesses and reported a relationship with firm performance that is insignificantly negative. Population of 123 and sample of 75 listed companies in Bursa Malaysia's main market from 2017 through 2021. Data was retrieved from sampled firm's annual reports. Result of multiple regression showed audit committee financial expertise to have negative non-significant connection with performance (ROA), opposed to size with high positive relationship. Meeting frequency is negative and significant whereas independence is negative but non-significant.

Similarly, Singhanian and Panda (2025) answered the question "does audit committee composition influence firm performance"? using Indian 6 industrial sectors for 5-year period from 2016 up to 2020. Sample of 133 companies that are not in financial related businesses. Annual reports of the selected companies and information from proress database were resorted to for data retrieval. Variables that are dependent are ROA and market capitalization (MAC). Multiple regression analytical results of gender diversity and size displayed a positive high influence on performance of top Indian industrial sectors, but independence is insignificant. Financial expertise influences industrial sectors performance insignificantly.

Positive significant effect of audit committee tenure was the study result of Norfadzilah, Mustapha and Auwal (2024) in their study titled "The effect of audit committee attributes on Nigerian Listed companies' firm performance" Accounting period of 2012 through 2021 with 88 sampled firms. Existing databases were utilized for data extraction. Variables used are audit committee tenure, female gender, share ownership and committee chair, also Tobin's Q for performance. Outcome from regression analysis reported the tenure of audit committee to significant effect on the performance of non-financial selected firms.

Manafa, Ofor and Ugbah (2024) study, examined the effect of audit committee characteristics on the value of Nigerian listed firms. The study cut across various sectors including consumer goods, health care, ICT and financial services. Population of 177 from both financial and non-financial firms of which a stratified sample of 50 listed firms were chosen. Data retrieved from sampled firm's annual reports. Audit committee variables used are tenure of members, Independence, as well as committee rotation. Firm value (stock price to book value) and Tobin's Q were the dependent variables used.

Ordinary linear regression findings revealed audit committee tenure a non-significant negative effect on the value of 50 selected firms in Nigeria. Audit committee rotation and members independence are positive and non-significant influence.

Likewise, Ejura and Nwankwo (2021) investigated the effect of audit tenure on financial reporting quality of listed money banks in Nigeria spanning 2014-2019. Data collection made use of Panel Data through extraction from published annual reports and accounts of 13 deposit money banks in Nigeria during 2014-2019 (6 years). The study made use of regression analysis specifically Generalized least square (GLS) model. Analytical result established negative but insignificant impact of audit tenure on financial reporting quality. In agreement, a negative and insignificant effect of audit committee tenure on the financial reporting quality of listed deposit money banks in Nigeria was also the result of Onyabe et al (2018). Using regression analytical tool, panel data sourced from Nigerian stock exchange Factbooks and financial reports of 14 listed deposit money banks from 2007- 2016.

Wobo and Ekeh (2024) research aimed at discovering the connection between the tenure of audit committee of Nigerian banks that accept money deposit and the voluntary disclosure of those banks. The study engaged 10 years period data between 2010 and 2021. Dependent variable is voluntary disclosure (disclosure that related to strategic information & disclosure

that are not financial in nature). Annual reports pooled data was analyzed using multiple regression model which displayed tenure of audit committee to relate insignificantly with strategic information disclosure. A different result by Erna, Djoko and Setianingtyas, (2017) on audit committee characteristics and voluntary financial disclosure using 100 companies listed Kompas 100 index listed in the Indonesian Stock Exchange during 2009-2012 established a significant positive impact of audit committee average tenure on company's voluntary disclosure.

Methodology

This research is ex-post factor research design based. This is most suitable because the researcher relied on preexisting data. The study utilized historical data sieved from the audited financial statements of the firms. From the population of 49 firms, the study analyzed performance of 11 financial services firms from the Nigeria exchange Group (NGX) listing as at 2023 on availability and comprehensive data on the study variables.

Model Specification

Advancing on the research by Ojeka, Iyoha and Obigbemi (2014), their model was modified below:

$$ROE_{t-1} = F(ACFEXP, ACTEN) \dots\dots\dots(1)$$

The econometric form is as follows:

$$ROE_{t-1} = \alpha_0 + \beta_{t-1}ACFEXP_{t-1} + \beta_{t-2}ACTENT_{t-2} + \mu_{t-1} \dots\dots\dots(2)$$

Hypothesis One: Audit committee financial expertise does not have significant effect on the Return on Equity of listed financial services firms in Nigeria.

$$ROE_{t-1} = \alpha_0 + \beta_{t-1}ACFEXP_{t-1} + \beta_{t-2}INFL_{t-2} + \mu_{t-1} \dots\dots\dots Eqt 1$$

Hypothesis Two: Audit committee tenure has no significant effect on the Return on Equity of listed financial services firms in Nigeria.

$$ROE_{t-1} = \alpha_0 + \beta_{t-1}ACTENT_{t-1} + \beta_{t-2}INFL_{t-2} + \mu_{t-1} \dots\dots\dots Eqt 2$$

ROE denotes Return on Equity which is a representation of the performance measure. t-1 stand for at a Lag of time (T), Audit Committee Financial Expertise was represented by ACFEXP, ACTEN is Audit Committee Tenure, INFL denotes Inflation rate while α_0 and μ stand for intercept and error term respectively.

Variables Description

Independent Variables:

Audit committee financial expertise (ACFE): ACFE denotes the inclusion of members on the audit committee who possess specialized knowledge and experience in accounting, auditing, finance, or allied domains. Such expertise empowers the committee to proficiently comprehend, interpret, and oversee financial reporting mechanisms, ensuring compliance with regulatory benchmarks.

Audit committee tenure (ACTEN): ACTEN denotes the duration of service that an individual member or the committee collectively has spent on a firm's audit committee. This tenure is typically quantified in terms of years of continuous service.

Dependent Variable

Return on Equity (ROE): ROE constitutes a pivotal financial performance metric that evaluates a corporation's capability to generate net income from the equity invested by its shareholders.

Analysis And Discussion

Table 1 Descriptive Statistics

	ROE	ACFIN	ACTEN__AV_	INFL_R
Mean	12.85415	4.877551	3.242614	15.24898
Median	11.69635	5.000000	3.000000	13.20000
Maximum	122.0495	6.000000	8.200000	32.50000
Minimum	-128.2136	2.000000	0.800000	8.000000
Std. Dev.	18.16225	0.957293	1.819101	6.626921
Skewness	-1.548994	-0.599947	0.690409	1.294445
Kurtosis	34.64113	2.877546	2.779186	4.061665

Jarque-Bera	6190.897	8.910294	11.97692	47.95563
Probability	0.000000	0.011619	0.002508	0.000000
Sum	1889.560	717.0000	476.6642	2241.600
Sum Sq. Dev.	48160.62	133.7959	483.1328	6411.747
Observations	147	147	147	147

Source: Researcher's computation from E- View version 10 output

The descriptive statistics result in table 1 implies:

Return on Equity (ROE): The average ROE is 12.85%, indicating a moderate profitability level across the sampled firms. However, the high standard deviation (18.16) reflects substantial variability in performance. The minimum value is extremely negative (-128.21%), and the maximum is very high (122.05%), suggesting the presence of extreme values or potential outliers. The skewness value of -1.55 reveals a left-skewed distribution, further confirmed by a high kurtosis of 34.64, indicating heavy tails. The Jarque-Bera statistic (6190.90, $p < 0.001$) confirms that ROE is not normally distributed.

Audit Committee Financial Expertise (ACFIN): ACFIN has a mean of 4.88 and a median of 5.00, with values ranging from 2.00 to 6.00. The low standard deviation (0.96) suggests slight variation in financial expertise across audit committees. The skewness (-0.60) indicates slight left-skewness, and the kurtosis (2.88) is close to normal. However, the JB statistic (8.91, $p = 0.016$) still rejects normality at the 5% significance level.

Audit Committee Tenure (ACTEN_AV): The average tenure is 3.24 years, with a wide range from 0.8 to 8.2 years, indicating considerable variation in how long committee members serve. A standard deviation of 1.82 reinforces this variability. The positive skewness (0.69) implies that longer tenures are more common, while the kurtosis (2.78) is near normal. The JB test (11.97, $p = 0.0025$) confirms non-normality.

Inflation Rate (INFL_R): The mean inflation rate over the study period is 15.25%, with a wide range from 8.00% to 32.50%, and a standard deviation of 6.63, indicating high variability across time. The distribution is right-skewed (skewness = 1.29) and leptokurtic (kurtosis = 4.06), showing a long tail to the right. The JB statistic (47.96, $p < 0.001$) confirms significant deviation from normality.

Test for Unit Root

Prior to the estimation of the regression model, it is important to examine the stationarity of the time series variables to avoid spurious regression results. This was achieved using the Augmented Dickey-Fuller (ADF) test, which tests the null hypothesis that a time series has a unit root (i.e., is non-stationary). The table below presents the results of the ADF test at the 5% significance level:

Table 2 Unit Root Table

Variable	ADF stat	@ 5% critical	Prob	Order of Diff	Decision
ROE	-9.345729	-2.881260	0.0000	1(o)	Reject null
ACFIN	-5.474821	-2.88165	0.0000	1(o)	Reject null
ACTEN	-5.379205	-2.881685	0.0000	1(o)	Reject null
INFL	-7.129789	-2.880336	0.0000	1(o)	Reject null

Source: Researcher's computation

The results indicate that all variables are stationary at level, i.e., they are integrated of order zero [I (o)]. This is evidenced by the fact that for each variable: The ADF test statistic is more negative than the 5% critical value. The p-values are all **less** than 0.05, which leads to rejection of the null hypothesis of a unit root. This implies that none of the variables require differencing to achieve stationarity, and the dataset is suitable for regression analysis using panel estimation techniques, such as auto regressive distributed lag model (ARDL), without risk of spurious results due to non-stationarity. Additionally, since all variables are stationary at level, the need for co-integration testing does not arise. This simplifies the model estimation process and allows for a more direct interpretation of the relationship between the audit committee characteristics and the financial performance proxy (ROE). The stationarity of variables ensures reliable regression results and valid statistical inference. There is no risk of spurious regression, which is a common issue in time series data with unit roots. Estimation techniques can proceed using the level data without transformation or differencing.

Multicollinearity Test Using Variance Inflation Factor (VIF)

Decision Rule: $VIF < 5 \rightarrow$ No multicollinearity concern, $VIF 5-10 \rightarrow$ Moderate multicollinearity $VIF > 10 \rightarrow$ Serious multicollinearity concern.

Table 3 Variance Inflation Factor (VIF) Table

Variance Inflation Factors			
Date: 07/27/25 Time: 00:25			
Sample: 2011 2164			
Included observations: 147			
	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
ACFIN	4.448212	51.18402	1.886041
ACTEN__AV_	1.113662	7.159931	1.705071
INFL_R	0.082702	10.63890	1.680400
C	418.4368	194.9260	NA

Source: Researcher's computation E-View 10

All variables in the model have **centered** VIFs less than 5, indicating **no serious** multicollinearity. ACFIN (Audit Committee Financial Expertise) – VIF = 1.89. Slightly higher but still well below any problematic threshold. No concern. ACTEN_AV (Audit Committee Tenure) – VIF = 1.71. Moderate and non- multicollinearity, and within acceptable limits. INFL_R (Inflation Rate) – VIF = 1.68 is still acceptable and suggests this macroeconomic control variable is statistically independent of other predictors.

The analysis of centered VIF values shows that none of the variables suffer from multicollinearity. All VIFs are well below the conservative threshold of 5. This implies that: The estimated coefficients are stable and interpretable. The explanatory variables in the model are not redundant or highly correlated. There is no need to remove or transform any variable due to multicollinearity.

Regression Analysis

Table 4 Autoregressive Distributed Lag (ARDL)

Dependent Variable: ROE

Method: ARDL

Date: 07/27/25 Time: 00:41

Sample (adjusted): 2012 2164

Included observations: 144 after adjustments

Maximum dependent lags: 1 (Automatic selection)

Model selection method: Akaike info criterion (AIC)

Dynamic regressors (1 lag, automatic): ACFIN ACTEN

INFL_R

Fixed regressors: C

Number of models evaluated: 64

Selected Model: ARDL (1, 0, 0, 0)

Note: final equation sample is larger than selection sample

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
ROE (-1)	0.188527	0.083284	2.263665	0.0252
ACFIN	1.795912	2.131016	0.842749	0.4008
ACTEN__AV_	-0.443536	1.060028	-0.418419	0.6763
INFL_R	0.731752	0.287684	2.543593	0.0121
C	-3.831205	20.39293	-0.187869	0.8513
R-squared	0.565919	Mean dependent var		12.98950
Adjusted R-squared	0.070415	S.D. dependent var		18.31353

S.E. of regression	17.65699	Akaike info criterion	8.634093
Sum squared resid	42400.63	Schwarz criterion	8.799083
Log likelihood	-613.6547	Hannan-Quinn criter.	8.701136
F-statistic	2.547438	Durbin-Watson stat	2.064069
Prob(F-statistic)	0.017018		

*Note: p-values and any subsequent tests do not account for model selection.

Source: Researcher's computation E-View 10

ARDL Model Result

The Autoregressive Distributed Lag (ARDL) model was employed to evaluate the effect of audit committee characteristics on the performance of listed financial services firms, with Return on Equity (ROE) as the dependent variable. The lagged value of ROE, audit committee characteristics (financial expertise and tenure), and inflation (INFL) were included in the model.

R-squared = 0.56: Only about 56% of the variation in ROE is explained by the model. Durbin-Watson statistic = 2.06: Suggests no autocorrelation in the residuals. F-statistic = 2.547 (p = 0.017): The model is statistically significant overall at the 5% level. The lag of ROE is significant, implying that past firm performance has a positive and statistically significant influence on current performance. Among the independent variables, only the inflation rate (INFL_R) has a statistically significant relationship with ROE, indicating that macroeconomic conditions strongly influence firm profitability in the short run. All audit committee characteristics (ACFIN, ACTEN_AV) have non-significant coefficients, suggesting that these governance variables do not have a short-run impact on ROE during the sampled period. Despite the level of R-squared, the model is statistically valid given the significant F-statistic, and passes diagnostic test such as the Durbin-Watson. The ARDL model results reveal that audit committee characteristics do not have a significant short-run impact on firm performance as measured by ROE. However, the significant influence of inflation suggests that macroeconomic factors are more impactful in the short term

Discussion of Findings

The coefficient of Audit Committee Financial Expertise (ACFIN) with corresponding t-statistic and its probability are, 1.7959, t-statistic: 0.843 and p-value: 0.4008 implied that the sign is positive, the effect of financial expertise on ROE is not statistically significant. This suggests that having financially knowledgeable members alone does not translate into improved firm performance. The study therefore accepts the null hypothesis and concludes that audit committee financial expertise does not have significant influence on the return on equity of listed financial services firms in Nigeria. This result solidifies the work of Singhania and Panda (2025) and Alodat et al (2023) showing audit committee financial expertise effect on performance insignificant. However, it does not

align with Abdulhadi (2024) and Abeygunasekera, Weerasuriga and Kehelwattenna (2021)) whose results were positive and significant.

Audit Committee Tenure (ACTEN) had Coefficient of -0.4435 , t-statistic: -0.418 , and p-value: 0.6763 respectively. The tenure of audit committee members is negatively signed and statistically not significant. This outcome supports the acceptance of the null hypothesis, suggesting that the length of period members serve on the audit committee does not have a measurable influence on shareholder returns in the Nigerian financial services sector. Prolonged tenure could potentially reduce independence, objectivity, and vigilance due to overfamiliarity with management. This finding is consistent with the work of Abdulsalam et al (2015) and Manafa, Ofor and Ugbah (2024), who examined the effect of audit committee tenure resulting in a negative and insignificant effect. Not in agreement with the result of Norfadzilah, Mustapha and Auwal (2024) who found audit committee tenure and performance of Nigerian firms to be positively high. In the context of corporate governance theory, particularly agency theory, the lack of significance suggests that tenure alone is not a sufficient determinant of committee effectiveness. Other factors such as independence and financial expertise might play more critical roles in influencing firm performance.

Conclusion and Recommendation

Examination of two audit committee characteristics represented by financial expertise, and tenure on the financial performance of publicly listed financial services firm in Nigeria spanning from 2011 to 2024 was found to lack a significant effect on the ROE. As such, the null hypothesis is accepted, signifying that the inclusion of financially proficient members within the audit committee does not inherently lead to enhanced profitability for the firms. Moreover, the length of service of committee members does not exert a considerable influence on financial results within the specified study period. The study concludes that audit committee financial expertise and tenure do not exert a statistically significant effect on firm performance within the Nigerian financial services sector during the assessed timeframe. This observation suggests a potential discrepancy between regulatory adherence and actual governance efficacy, necessitating a more thorough examination of the operational significance and enforcement of audit committee roles beyond mere structural composition.

In accordance with the analytical findings derived from the research, the subsequent recommendations are posited to aid the practical efficacy of audit committee structures in enhancing financial performance. Stakeholders should ensure that individuals designated as financial experts within audit committees are not only certified professionals but also actively engaged in oversight responsibilities. Regulatory authorities should include policies requiring the assessment of audit committee financial expert member's effectiveness in the financial oversight function. This

evaluation will guarantee that such expertise is effectively utilized unto performance improvement. The absence of a significant effect of audit committee tenure on ROE demonstrates the tendency of familiarity or a decline in effectiveness over time. It is advised that organizations implement a short rotation policy of one year or at most two years for audit committee members to facilitate the introduction of novel perspectives.

Reference:

1. Abdelrahman, A. A., El Mokdad, S.S. & Hayek, A. F. (2022) Effect of Audit Committee Characteristics on the Financial Performance in the UAE. *Journal of Entrepreneurship Education*. 25(2), 1-19.
2. Abdulhadi, S. S. (2024) Impact of Audit Committee Quality on the Financial Performance of the Iraqi Banking Sector. *Journal of Economics Finance and Management studies*. 7(6), 3815-3828.
3. Abdulsalam, A. E., Adamen, H., Duncan, K., Simone K., McNamara, R. & Nageic, S. (2015) Audit Committee characteristics and financial performance during the global crises. *Science Journal of Business and Management*. 2015, 1-18
4. Abeygunasakera, A. W., Werasuriya, R. M., & Kehelwalatenna, S. (2021). Effects of attributes of Audit Committee on financial performance: the case of Sri Lanka. *Global review of accounting and Finance*, 12(1), 43-57.
5. Agyemang, J. K. (2020). The relationship between audit committee characteristics and financial performance of listed banks in Ghana. *Research Journal of Accounting & Finance*. 11(10), 22-35.
6. Alodat, A. Y., Amosh, H. Al., Khatib & Mansour, M. (2023). Audit committee chair effectiveness and firm performance: The mediating role of sustainability disclosure. *Cognet Business & Management*, 10(1), 1-21.
7. Bako, P. M (2023). Audit Committee attributes, audit quality and performance of oil and gas companies. *International Journal of finance, accounting & management (IJFAM)*, 5(4), 525-536.
8. CAMA (2004). Federal Republic of Nigeria. Companies and Allied Matters Act, Cap C20, Laws of Federation of Nigeria.
9. Dey, S. K. & Shama, D. (2021). Nexus between Corporate governance and Financial Performance: Corroboration from Indian Banks. *Universal Journal of Accounting and Finance*, 8(4), 140-147.
10. Ejura, S. B. & Nwankwo, O. (2021). Effect of Audit Tenure on Financial Reporting Quality of Listed Money Banks in Nigeria. *FUO Quarterly Journal of Contemporary Research*, 9(3), 1-10.
11. Elbarbar, E.R., EL- Bannany, M. & Elbaradie, M. (2021). Characteristics of Audit Committees & Banking Sector Performance in GCC. *Journal of Governance & Regulation*. 10(4), 302-310.

12. El-Mande, J. G., Ibrahim, C., Zephaniah, L., Danlami, T.& Bashi, S. U. (2024). Moderating Impact of Audit Committee Financial Expert on Capital Structure & Financial Performance of Listed Deposit Money Banks in Nigeria. *Austin Journal of Accounting, Audit & Finance Management*, 4(1), 1-6.
13. Erna, S., Sri, H., Djoko, S. & Setianingtyas, H. (2017). Audit Committees characteristics and voluntary financial disclosure. *Review of Integrative Business and Economics Research*. 6(3), 239-253.
14. ICAN. (2019). *Advanced Audit and Assurance*. Second edition. Emile Woolf International: United Kingdom
15. Jensen, M.C., and Meckling, W.H. (1976). Theory of the firm: managerial Behavior, agency cost and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.
16. Lamido, A.; Ibrahim M.F. & Yahaya, O. A. (2023). Audit committee and Financial Performance: Evidence from Nigeria. *Review of Applied Management and Social Sciences*, 6(1), 581-5
17. Machora, M. N. & Oluoch O. (2019). Effect of Audit committee characteristics on financial reporting of selected Saccos in Kisii Country, Kenya. *International Journal of Scientific and Management Research*, 2(6), 82-97.
18. Manafa, C. J., Ofor, N. T. & Ugbah, A. A. (2024). The Effect of Audit committee attributes on the value of firms in Nigeria. *Jalingo Journal of Social and Management Sciences*, 5(3), 186-200.
19. Modum, U. Ugwoke R. O. & Onyeonu E. O. (2013). Audit committee and corporate performance of selected companies Quoted in the Nigerian Stock Exchange: a perception Analysis. *Research Journal of Finance and Accounting*, 4 (16), 115-124
20. Nasiru, I., Muhammad, A. I. & Abdulkadir, M. (2024). Audit committee characteristics and financial performance of non-financial listed companies in Nigeria. *International Journal of Intellectual Disclosure (IJID)*, 7(1), 323-332.
21. Nik, M. Z., Krishna, M. M. & Thng, W. L. (2024). Audit Committee attributes impact on firm performance: Malaysian property companies' evidence. *International Journal of Auditing & Accounting Studies*, 6 (3), 361-383.
22. Norfadzilah, R., Mustapha, J. & Auwal, G. (2024). The Effect of Audit Committee Attributes on Nigerian Listed Companies Firm Performance. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 14(2) 247-259.
23. Nse, U.D., Beauty E.E & Best O.E. (2021). Audit committee and financial performance of listed firms in Nigeria. *International Journal of research and innovation in social science*. issue xii 307-313.
24. Ojeka, S., Adegboye, A. & Dahunsi, O. (2021). Audit committee characteristics, and non-performing loans in Nigerian Deposit Banks. *European Journal of Accounting, Auditing & finance research*, 9(4), 27-41.

25. Ojeka, S. A., Iyoha, F. O. & Obigbemi, I. F. (2014). Effectiveness of audit committee and firm financial performance in Nigerian: An empirical analysis. *Journal of Accounting and Auditing: Research & practice*, 1-11.
26. Oji, O. & Ofoegbu, G. N. (2017). Effect of Audit Committee Qualities on Financial Reporting of Listed Companies in Nigeria: A Perspective Study. *International Journal of Scientific and Research Publications*, 7(10), 278-290.
27. Onyabe, J. M., Okpanachi, J., Nyor, T., Yahaya, O. A. & Ahmed, M. (2018). Effect of audit committee tenure on financial reporting quality of listed deposit money banks (DMBs) in Nigeria. *European Scientific Journal*, 14(4), 257-271.
28. Osemwengie, O. E., Awele, U.C & Akpoto, V. A. (2019). Corporate governance Mechanism and the Performance of Nigerian quoted Companies. *Journal of accounting, Business and Social Sciences*, 2(1), 151-175.
29. Shehusaeed, S., Askira, A. & Bahago, G. J. (2025). The impact of audit committee characteristics on financial performance of Nigeria listed firms. *International Journal of Financial Res. and Business Development*, 8(7), 136-151.
30. Simerly, R. and Mingfang, L. (2000). Environmental Dynamism, Capital Structure and Performance: A Theoretical Integration and an Empirical Test. *Strategic Management Journal*, 21(2), 54-67.
31. Singhania, A. K. and Panda, N. M. (2025). Does audit committee composition influence firm performance? Evidence from the top NSE listed non-financial companies of India. *Asian Journal of Accounting Research*, 10(1), 2-18.
32. Umoru, E. O., Oziegbe D.J., & Bekweri, E.M., (2024). Audit Committees attributes and financial performance of listed oil and gas firms in Nigeria. *Journal of accounting and finance research*, 6(1), 120-139.
33. Usman, O. A., Oladejo, M.O., Alimi A.A. & Adeoye M.A. (2022). Board Characteristics, Audit Committee and firm financial performance in Nigeria. *London Journal of Research in Management and Business*, 22(8), 1-18.
34. Wan-Hassin, W. N., Fitri, H. & Salim, B. (2021). Audit committee Chair Overlap, Chair expertise and Internal Auditing Practices: evidence from Malaysia. *Journal of International Accounting, Auditing & Taxation*, 44, 1-18.
35. Wobo, H. O. & Ekeh, C. F. (2024). Tenure of audit committee and voluntary disclosure of deposit money banks in Nigeria. *EPR International Journal of Economics, Business & Management Studies*, 11(9), 54-63.