RELATIONSHIP BETWEEN AUDIT COMMITTEE CHARACTERISTICS AND DEPOSIT MONEY BANKS' PERFORMANCE IN NIGERIA.

BY

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BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE, COLLEGE OF HUMANITIES, MANAGEMENT AND SOCIAL SCIENCES, MOUNTAIN TOP UNIVERSITY, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE BACHELOR OF SCIENCE (B.Sc.) DEGREE IN ACCOUNTING, MOUNTAIN TOP UNIVERSITY, OGUN STATE, NIGERIA.

November, 2020.

CERTIFICATION

This is to certify that this project work was carried out by **ADEBOWALE PRECIOUS HABIBAT** with matriculation number 17020101045 in partial fulfilment of the requirements for the award of Bachelor of Science (B.Sc.) degree in the Department of Accounting and Finance, College of Humanities, Management, and Social Sciences, Mountain Top University, Ogun State, Nigeria.

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DEDICATION

This research project is dedicated to God Almighty for His strength and wisdom in the course of my programme and to my family members for their love, support, and encouragement.

ACKNOWLEDGEMENTS

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ABBREVIATIONS

DMB	Deposit Money Banks
AC	Audit Committee
ACC	Audit Committee Characteristics
ANOVA	Analysis of Variance
SPSS	Statistical Package for Social Sciences
ROA	Return on Assets
CAMA	Companies and Allied Matters Acts

ABSTRACT

For both developing and developed economies, Banks and Auditors play extensive roles in the process of development and economic growth.

Thus, this paper examines the relationship between Audit committee characteristics and Performance of Deposit Money Banks in Nigeria. The main objective of this research is to ascertain the relationship between audit committee characteristics and DMBs performance in Nigeria over a period of 6 years between 2013 & 2018 using correlative research design. The study employed simple random sampling technique. Data obtained will be subjected to Regression analysis using Statistical Package for Social Sciences (SPSS). Independent variables that was used to measure Audit Committee Characteristics included Independence of Audit Committee Members, Size of Audit Committee Members, and Heterogeneity Audit Committee Members and dependent variable was DMBs Performance. Annual reports were used to measure all the independent variables while ROA was used to measure the dependent variable. The data was subjected to Linear Regression Analysis to test the research hypotheses. The probability level was set up at 0.05 significance. The study concluded that DMBs performance increases proportionately with more inclusive using of Audit Characteristics. This study however recommends that Audit committee size should be maintained to effectively monitor the financial reporting and auditing processes of the organizations. Additionally, Female directors who partake in audit committee should be carefully selected by the management to ensure their full participation. Generally, the study indicated that Audit Characteristics contribute to the performance of DMBs in Nigeria.

Keywords: Audit Committee, Deposit Money Banks, Heterogeneity, Independence, Performance, Size.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In the Nigerian CAMA of 1990 (2004 as amended), the introduction of audit committees as an additional layer of oversight and confirmation is a revised provision in the Nigerian CAMA of 1990 (2004 as amended) in an effort to make public corporations' annual reports more appropriate and accurate. Prior to the 2004 Act, the provision that such accounts be audited by external auditors was the only constitutional prerequisite for the certification of accounting reports of public companies in Nigeria. The idea of assigning external auditors emerged in pursuance to find more efficient ways of promoting accountability in complex organizations where management interests could differ from shareholder interests (Ogbuagu and Chibuike, 2009).

Audit committee being one of the vital functioning panels of a firm's board of directors that is responsible for managing fiscal statements and disclosure. They are collection of non-executive managers set up by and work under the oversight and directive of the board of directors of an organization and almost always set up as a consequence of required state of law, and regulation of the country or jurisdiction where the organization operates in and sometimes sets up as incorporation of the foremost practices of good corporate governance. Their roles include oversight of financial reporting, observing of accounting policies, the oversight of any external auditors, governing compliance and the discourse of risk management policies with management (Section 359 (3) and (4) of CAMA 2004).

Members of audit committee are from a very unique set of background, industry and experiences, but compulsory to at least have a member whose expertise is in finance notwithstanding their size or type, performing functions such as making provision for actionable insights for overseeing the improvement of financial practices and reports, Strengthening credibility with stakeholders, overseeing of the organization's external audit, enhancing the function of the internal audit, maintenance and creation of anti-fraud programs.

However, the connection between the traits of the audit committee and banking industry performance has been the most studied aspect among all audit committee investigations (Ashari & Krismiaji 2019; Buallay 2018; Anis & Indira 2017).

There's a financial business central to the economic expansion of any country's economy, since it influences the level of money stocks through the ability to create deposits and liabilities, influencing interest rates, the selling or buying of government bonds and securities etc. (Prableen 2020). Playing an indispensable segment in this is the financial systems which for which economic expansion has been achieved, and this can be traced back to the era of Goldsmith (McKinnon,1973; Shaw 1973), which demonstrates that, if created, the societies financial sector may perhaps be a reagent for economic growth. Savings mobilization and successful financial intermediation functions will be due to the benefits gained from a stable and developed financial system (Alimi & Adeoye, 2020). The failure of this business, therefore, affects any nation's entire economic activity.

1.2 Statement of the Problem

The cases of accounting and audit failures have heightened concern of investors about corporate reports and the observable weaknesses in the Nigerian DMBs and other Financial intermediaries are at the core of the recent fiscal crises Nationwide. (ZUBAIR & Abdul, 2016; Uwuibge, 2011). Few of the central systemic roots of the predicament were the deterioration of their asset sheets, combined with fraudulent acts of presenting fictitious financial statements and lack of loyalty to corporate governance norms primarily due to skewed credit management. (Sanusi, 2010; Kashif, 2008; Fries, Neven & Seabright, 2002).

This has caused a lot of banks to fizzle out of the banking field (Joshua, Udemeobong, *et al* 2019), This study assumes that a company's financial performance is mainly determined by audit committee characteristics. The attainment of all these functions would help ensure the positive performance of DBMs in Nigeria. This directs the total immersion of the populace, stakeholders and investors' to seeing the audit committee as the core players responsible for organizational failures, both in industrialized and evolving nations. In actual fact, audit committee are criticized for being responsible for the dwindling in shareholders' wealth, both in technologically advanced and emerging economies, particularly, in Nigeria where this study is based Audit committees are seen as

the major causes of all these mishaps (Adeyemi & Fagbemi, 2010; Ogbonna & Ebimobowei, 2011; Ajibolade, 2008).

This study addresses the problem of DMBs in Nigeria which are supposed to serve as a means of financial support and assistance financially, being unstable, unreliable and incapable to extend their obligations to the public. Which is helping to reduce abject poverty faced by citizens in Nigeria (Chinecherem, 2015) and developing the economy and how the audit committee attribues affects the deposits money banks performance and also help in providing solutions to the problem.

Therefore, the performance of some **audit committee characteristics**, such as the Independence of audit committee members, Size of audit committee members, Heterogeneity of audit committee members, to continuously monitor management actions with regard to their incentives to better control earnings would be taken into consideration and used to determine if its relationship on deposit banks performances in Nigeria is positive or negative.

1.3 Objective of the Study

The main or general objectives of the study is to ascertain the relationship between audit committee characteristics and Deposit Money Banks performance in Nigeria. However, the specific objectives of the study are:

1. To evaluate the relationship between independence of audit committee members and deposit money banks performance in Nigeria.
2. To examine the relationship between size of audit committee members and deposit money banks performance in Nigeria.
3. To investigate the relationship between heterogeneity of audit committee members and deposit money banks performance in Nigeria.

1.4 Research Questions

In other to address the problems of the study and to achieve its objective its intent, the following research question will be considered.

1. What is the relationship between independence of audit committee members and deposit money banks performance in Nigeria?

2.	What is the relationship between size of audit committee members and deposit money banks performance in Nigeria?

3.	What is the relationship between heterogeneity of audit committee members have and deposit money banks performance in Nigeria?

1.5 Research Hypotheses

Tentative research hypothesis to the relationship between audit committee characteristics and Deposit money banks in Nigeria in this research study, the following hypothesis will be tested for proof or dismissal.

Ho$_1$ There is no significant relationship between Independence of audit committee members and Deposit Money Banks in Nigeria.

Ho$_2$ There is no significant relationship between Size of audit committee members and performance of Deposit Money Banks in Nigeria.

Ho$_3$ There is no significant relationship between Heterogeneity of audit committee members and Deposit Money Banks Performance in Nigeria.

1.6 Significance of the Study

The importance of addressing these problems mentioned in the Statement of the problem above is because it has led to the need for the establishment of Audit Committees to ensure the credibility of financial statements. This seeks to ascertain the relationship between Audit Committees characteristics (ACC) and the performance of the listed Deposit Money Banks (DMBs) in Nigeria. The specific objectives of the study are to evaluate the relationship between characteristics of Audit Committees (Independence, Size, and Heterogeneity) and performance of Deposit Money Banks in Nigeria. The purpose and relevance of addressing this problem is that it's going to improve the standard of living of Nigerian citizens in areas such as education, increase the trust of the public on both the audit committee and banks, reduce Nigeria's dependence on other countries, strengthen our banking sector and finally to restore investors' confidence in the dependability of financial records.

In summary this study would help shareholders to protect the integrity of financial statements, allow for the development of awareness on the banking industry so as to assure that the stakeholder understands the relationship between the characteristics of the audit committee and the performance of DMBs in Nigeria, Provide an insight for the public to o enable them rely on the audited reports performed by these banks and finally to also monitor their respective interests in the banks and the growth and expansions of these banks over the years.

1.7 Scope of the Study

The study will focus on Audit committee characteristics on the performance of Deposit Money Banks in Nigeria.

The research will cover four listed DMBs in Nigeria under the Nigerian Stock Exchange for gathering of data related to audited financial statements of Deposit Money Banks in Nigeria. The four banks selected for this study include:

1. Zenith Bank Nigeria.
2. Guaranty Trust Bank (GTB) Nigeria.
3. Access Bank plc.
4. First Bank Nigeria plc.

The geographical area covered is Nigeria. The period covered is from 2013 – 2018. The duration of the project is for one year.

Audit committee in this research study was evaluated using just three basic attributes (Independence of audit committee members, Size of audit committee members and Heterogeneity). This is to enable the researcher have precise basis aimed at policy and decisions references from the research work.

1.8 Limitations of the Study

During the course of this research, the limitations faced which influenced the outcome of the research project are as follows:

- Initial misunderstanding of topic matter – On inception, the researcher misunderstood how to approach the topic.

- Lack of stable and reliable wi-fi – The academic environment where this study was written, had a time limit on the availability of internet which is a huge constituent of the project work. Also, Inability of having a personal means of internet connection to enable working on the

research after the wi-fi of the school is turned off caused a drag and prolonged the time used in conducting the research.

- Financial Constraint – Lack of enough fund will limit the researcher in accessing the essential Materials relating to the research work such as books/journals, Internet etc.

- Multi-Tasking – The researcher is a student and has to balance both academic and project work therefore cutting down available research time.

1.9 Operational Definitions of Terms

- Auditing: The procedure of investigating the financial statements, books of accounts and records of individual or organizations by a qualified audit personnel to determine the actuality and fair-mindedness of that account and to secure that they are being prepared according to appropriate and accepted accounting reporting framework is called auditing.

- Audit Committee – It is defined as a Committee of Managers of a Firm whose specific duty and expectation is reviewing the Yearly Fiscal Reports before submission to the Board of Directors.

- Audit Committee Characteristics – These are the Audit Committee Characteristics that have huge effect on the DMBs Performance. They include Independence of audit committee, Size of the committee and Heterogeneity.

- Deposit Money Banks (DBMs) – DMBs are inhabitant's depository corporations and part-corporations which have any accountability or responsibility in the like of payments due on requests, consignable by cheque or other means available for at disposal.

- Independence of Audit Committee Members – This is when audit members are free from control of other entities.

- Size of Audit Committee – It is an important factor used in enhancing quality in financial statement reporting and performance. It is the number of members serving in the committee.

- Heterogeneity – This is when there is the presence of females amongst the member.

CHAPTER TWO
LITERATURE REVIEW

2.0. Introduction

This chapter supplies a high review of existing literatures, discussed the conceptual review of this study. It discusses relevant theoretical reviews which includes the agency theory and stakeholder's theory connected to this research project. This study also provides reviews on empirical analysis of previous studies.

2.1 Conceptual Review

This is a subsection that consists of detailed descriptions of the selected audit committee characteristics such as Independence of audit members, Size of the members and Heterogeneity will be discussed.

In addition, an in-dept review of the study variables taken from the relevant concepts considered in this study definitions, explanation of DMBs, its objectives and its scope would be accessed.

2.1.1 Concept of Deposit Money Banks

Deposit money banks (DBMs) are fiscal institute certified by the supervisory authority (CBN) to organize deposits from the excess components and transmit the reserves through advances to the shortage components and accomplishes other fiscal services functions.

Deposit money banks (DBMs) which are also known as mercenary banks are fiscal institutes that provide services, in the likes of, taking on deposits, giving out business advances and auto credits, mortgage lending, and basic outlay products such as savings accounts and documentations of activities on deposits.

Businesses are not created equally, unlike people. Life would go on if some companies fold up even though they would be greatly missed. There are others whose absence would cause massive sectors of economies and societies to crash. Into this second category falls the Deposit Money Bank. DMBs are the most vital investment assembling and fiscal resource apportionment institutions. Thus, they are been made a significant spectacle and sturdy pillar in economic advancement and expansion by their roles. Chinecherem, 2015).

According to mainstream theory, they serve as representatives or fiscal mediators to transmit savers' cash to establishments and persons who seek out funding for their acts. Their significance as

important catalyst to economic development/ growth is vastly known by both fiscal and advancement economic experts.

The fiscal system of Nigeria is governed by the banking field, particularly the DMB which provides the foundation for the development of financial system. Their credit factor makes up a major link between the monetary sector and the real sector of the Nigerian economy.

In the execution of these roles, deposit money banks must understand that they have the potentials, scopes and prospects of assembling financial resources and apportioning them to productive investments and, in return, encourage sustainable performance and ensure that businesses are thriving and alive. They not only store our saved cash and lend us money when we need it, but act as the routes that transport money around the economy.

2.1.2 Scope and Objectives of Deposit Money Banks

By law, DMBs are placed in an audit committee as stipulated by the Company and Allied Matters Act (2014) and Code of Corporate Governance (2011) so as to make available assistance in good governance. In the light of the preceding, a lot of authors have come to the decision that the audit committee is an instrument of strong corporate governance (Owolabi & Dada, 2011; Kumar & Singh, 2012) and that they affect the financial reporting procedure for improved operation.

In their study, Mohiuddin and Karbhari (2010) postulated that an audit committee that will have impressions on corporate and fiscal reporting positively and effectively must own certain attributes such as independence, financial expertise, membership mix, size and number of meetings.

Some of the objectives of DMBs include:

- ➤ Deposit Taking
- ➤ Ensuring there is adequate flow of money to service sectors with deficit in the economy
- ➤ Facilitate the movement of funds amongst economic units
- ➤ Effective credit allocation

2.1.3 Characteristics of Audit committee members

2.1.3.1 Independence of Audit Committee Members

This is when audit members are free from control of other entities. Independent directors are labeled as persons who have no substantial personal interests in the institution, for an example, an important contractual relationship with the firm. An independent audit committee is anticipated to make available an unbiased assessment and judgment and able to supervise management efficiently (Osemene & Fakile, 2018).

According to Agency theory independence of audit committee directors are much significant in maintaining the truthfulness of financial reporting and increase the monitoring quality as they are representatives of the shareholders and minority in particular (Watts & Zimmerman, 1978; Fama & Jensen, 1983). Independent directors have more motivation and expertise to reduce opportunistic behavior, fraud and misleads in the accounting records thereby guaranteeing the interests of shareholders (Watts & Zimmerman, 1978; Baatwah et al., 2015), and monetary information quality (Al-Rassas & Kamardin, 2016). Moreover, directors with financial expertise in audit committee are more efficient when they are independent (Sharma & Kuang, 2014). On further examination it is discovered that if majority of the panel of executive are independent, significantly the timeliness of audit report will be strengthened. Also, Independent board of directors are likely to enhance the performance of DMBs positively.

2.1.3.2 Size of Audit Committee

The size of the audit committee is thought-out to be one of the central features if not the first factor of audit committee characteristics. It is measured by the figure of members serving on the audit committee of the firm (Bauer et al., 2009; Hsu & Petchsakulwong, 2010; Nuryanah & Islam, 2011; Obiyo & Lenee, 2011). It is a significant feature used in enhancing the quality of fiscal reporting and also performance. It is reported that, the sufficient size of audit committee could handle companies' issues in a more effective way (Sultana et al., 2015).

The Blue-Ribbon Committee (BRC) (1999) stipulates that three directors form a minimum size of audit committee. The OCGC (2002, revised 2015) positions that the audit committee will comprise at minimum three non-executive directors, with the majority of whom are independent directors.

According to agency theory, the supervisory effectiveness and group unity can be boosted by small audit committee size (Jensen, 1993; Hillman & Dalziel, 2003). Though it is debated that an intensification in audit committee size might result in lack of energetic contribution by some executives, which results in damaged cohesion in decision-making, and undermining the controlling and monitoring functions (Lipton & Lorsch, 1992; Hillman & Dalziel, 2003). Bédard and Gendron (2010) asserted that the audit committee with a small size has a diversity of expertise and can ensure the appropriate monitoring.

On the contrary, other scholars have also proposed that large committee size increases the variety of experience and sufficient resources, as well as improves the management quality (Xie, Davidson & DaDalt, 2003; Shukeri & Islam, 2012). Preceding studies have found that the Audit Committee size has both an undesirable and substantial association with audit report lag, indicating that more members in AC improve the timeliness of audit report (Mohamad-Nor et al., 2010; Shukeri & Islam, 2012; Li, Zhang & Wang, 2014). Nevertheless, preceding research works such as Wan-Hussin and Bamahros (2013) and Baatwah et al. (2015a) found an irrelevant relationship between Audit Committee size and audit report delay, based on the overhead discussion, and incompatibility of views.

2.1.3.3 Heterogeneity of Audit committee members

Any kind of variability among studies in a systematic review may be termed heterogeneity. In this study, this is when there is the presence of females amongst the members.

Evolutionary Biology literature indicates that women are specialized in different tasks as a product of the requirements of nature. As a result, there have been numerous deliberations about women displaying significant features essential for good governance. Specifically, it has been debated that women folk are scrupulous, risk opposed, experts in accounting and finance, and good decision-makers (Azmi & Barrett, 2013). This has made several researchers to recently focus on the effects that female executives and directors may possibly have on the firm's financial performance and market value. Imagine the effects on Deposit Money Banks.

Due to women having all these qualities there would be development in team performance, as this may bring in various ideas or opinions that would result to better range of perception, which would ultimately lead to better performance and good decisions (Abu and Okpe. et al. 2016).

Numerous scholars, such as Adams & Ferreira (2009), Campbell and Mingues-Vera (2008), and Farrell and Hersch (2005) document that female directors may have proficient influence on firm performance and market value. Similarly, Nielsen and Huse (2010) also document that female directors reduce the level of discrepancies in corporate boards, and they use board development activities, such as work instructions, evaluations, and development programs to improve board effectiveness.

2.2 Theoretical Review

The Agency Theory and the Stakeholders theory are the fundamental theoretical framework for understanding this research work. These theories have been majorly included in the studies of Audit committee and their characteristics and also in the study of Deposit Money Banks.

2.2.1 The Agency Theory

Audits plays an important role in encouraging assurance and emphasizing conviction in fiscal information. The principal-agent relationship, as shown in agency theory, is vital in understanding how the audit has advanced.

Principals employ agents and assigns loosely decision-making authority to them. Principals pledge faith in their agents by doing this to work in their best interests. However, due to information irregularities and conflicting intentions between principals and agents, trust deficiencies can grow from the principals towards their agents and may therefore need to invest in processes such as auditing to improve this trust (Institute of Chartered Accountants, 2005).

As propounded by Jensen and Meckling (1976) Agency theory is the legal separation of possession and control. This includes that the owner (the principal) engages the executive (the agent) to perform services on behalf of her and delegates decision making authority to the agent but in same regards both stakeholder's views and interest are not the same. Thus, the firm grows in size, the shareholders (principals) tend to lose effective control of the business, leaving professional managers (agents) who possess more information than principals to manage the affairs of the business.

The theory agency assists in analyzing the relationship between the agent and the principal. It analyzes agreements designed to encourage a rational agent to act on behalf of a principal when her interests can otherwise clash with those of the principal (Egbunike and Abiahu, 2017). As a result of

the conflicting interest, the owners (shareholders) engage the services of a third party (Auditor), who is independent to serve as a watch dog and to protect the value of the owners (Zhang, 2009). The Agency theory is used in this paper as such that reinforces effective audit committee's function. It states that the separation of corporate management and ownership results in an agency problem: the management (agents) may not always act in the benefits of the shareholders (principals) (Fama and Jensen, 1983).

In order to solve the agency problem, boards of directors through its omission role involves appointing the CEO, approving business tactics, monitoring control systems, connecting with external auditors, etc. Given its varied responsibilities, the board of directors stereotypically delegates its omission activities to different committees.

One of these committees is the audit committee consigned primarily with the obligation to oversee fiscal reporting. In accordance with the agency theory, efficacy of audit committee is allied with the supervisory and regulator need of that firm. For instance, the work of Klein (2002) discoverers that audit committee independence is undesirably associated with growth opportunities.

While we believe that independence of audit could be tight to its effectiveness, Klein (2002) interprets that investors in high growth firms rely less on financial statements, and therefore demand less monitoring functions from audit committee by derailing its effectiveness. Similarly, Beasley and Salterio (2001) find that voluntary increases in the number of outside audit committee members are positively associated with board size and the separation of the Executive Chief Officer and board chair roles. This also relates to how effective the audit committee will function.

To support this, Matthew (2011) in determining the impact of more outsiders on the efficacy of audit committee, has found that the more the number of outside directors, the better effective is the audit committee.

In relation to Audit committee and their effects on the efficiency of DMBs in Nigeria, the audit committee stand as the agents for the Deposit Money Banks to assure the Shareholders, Stakeholders and the public at large of the legality of the Reports, Statements and General activities. Thus, the worth of the Agency theory cannot be emphasized enough, therefore must be taken into thoughtful consideration if satisfaction of Stakeholders is to be achieved.

2.2.2 Stakeholders Theory

Stakeholder theory is grounded on the notion that beyond shareholders there are several agents who have concerns and interests in the actions and decisions of firms. Stakeholders are "clusters and persons who obtain advantage from or are impaired by, and whose civil liberties are sullied or esteemed by, corporate actions" (Freeman, 1998: 174).

As an add on to shareholders, stakeholders include creditors, personnel's, clienteles, contractors, and the communities at large. Stakeholder concept avows that firms have a social charge that necessitates them to reflect on the benefits of all affiliates impacted by their doings. Management ought to not only ponder on its shareholders in the decision-making procedure, but also persons who are affected by commercial decisions. In counter point to the classical view, the stakeholder view grasps that "the goal of any first is or ought to be the thriving of the firm and all its prime stakeholders" (Werhane and Freeman, 1999: 8). It is imperative to strain that shareholders are stakeholders and that splitting the world into the concerns of the two is "the rational equivalent of counterpointing 'apples' with 'fruit'" (Freeman *et al*., 2004: 365). (Antonelli V., D'Alessio R., et al., 2016).

Various interesting categories of stakeholders have been proposed. Clarkson's category of stakeholders is the most widely cited and accepted. Clarkson (1995) distinguishes primary and secondary stakeholders.

A **primary** stakeholder cluster is one whose discontinuation in participation would lead to the corporation not surviving as a going concern. Primary stakeholder groups naturally consist of shareholders and Shareholders, workers, consumers, and suppliers, together with what is defined as the public stakeholder group: the governments and communities that make obtainable structures and marketplaces, whose laws and regulations must be adhered to, and to whom taxes and other compulsions whitethorn be due. There is a prominent high level of interdependence amongst the firm and its prime stakeholder groups (Clarkson, 1995: 106).

Secondary stakeholder clusters are described as those who impact or involve, or are impacted or involved by, the firm, but they aren't entangled in dealings with the firm and aren't vital for its survival. The media and a broad scope of special interest groups are considered as secondary stakeholders under this definition. They have the capacity to assemble popular opinion in consideration of, or in resistance to, a firm's performance (Clarkson, 1995: 107).

Class of stakeholders can be recognized by their ownership or ascribed custody of one, a combination or all of the following attributes: (1) the stakeholder's ability to impact the firm; (2) the

authenticity of the stakeholder's relationship with the firm; and (3) the dynamism of the stakeholder's claim on the firm. The manager's acuity of a stakeholder's attribute is grave to the manager's insight of stakeholder salience (Mitchell *et al*., 1997: 854, 871).

Some of the hitches with stakeholder theory lie in the difficulty of considering "silent" stakeholders (the natural environment) and "absent" stakeholders (such as forthcoming generations or likely victims) (Capron, 2003: 15). The trouble of considering the natural setting as a stakeholder is tangible for the reason that the bulk of the definitions of stakeholders on a regular basis treat them as clusters or persons, In so doing excluding the natural setting as a matter of characterization because it is not a human cluster or community as are, for example, employees or consumers (Buchholz, 2004: 130). Phillips and Reichart (2000) contend that only people can be considered as organizational stakeholders and disapprove of attempts to grant the natural environment stakeholder status. Shareholders and other stakeholders need companies to divulge information concerning their prospects for future performance and the sustainability of current value-creation drivers. This requires effective communication about the risks affecting a firm's strategies and the planned steps to take to capitalize on evolving opportunities as well as to minimize the risk of disappointments (Beretta and Bozzolan, 2004: 265; 267).

When applied to the financial sector, the essence of the theory is that majority of the stakeholders are more vested in a financially feasible government. Their motivation to use a government's fiscal statement, a source of their joint knowledge of the government comes from their desire to know the degrees, expanse and timing of uncertainty of the benefit they expect to derive from the government (Sunder, 1997).

2.3 Empirical Review

Gabriela Zabojnikova (2016) examined the impact audit committee characteristics on firm performance using evidence from non-financial firms quoted on London Stock Exchange in UK from 2011 to 2015. This study made use of many theoretical frameworks such as Agency Theory, The Stakeholders Theory, Stewardship Theory and Resource Development Theory. Correlation Analysis was used for the analysis. The focal discoveries of his study suggest that there is a significant positive relationship between the audit committee size, frequency of meetings and its

financial performance. They also found audit committee independence to be adversely interrelated with firm performance.

Bansal and Sharma (2016), the role of characteristics of the audit committee in enhancing firm efficiency was examined. A time span of ten years (2004-2013) was considered in the study. The study considered the role of the characteristics of the audit committee (independence and frequency of meetings) in accumulating firm performance with other corporate governance mechanisms (duality, founder stake in the company, composition of the board and board size). Their result revealed The important positive correlation between the size of the board and CEO-chairman double role with firm performance and their discoveries didn't reveal any further outcome of audit committee independence and its meeting frequently on the fiscal performance of India firms.

Buallay A. (2018) Researched on Audit committee characteristics: an empirical investigation of the contribution to intellectual capital efficiency. Audit committee features are the study's independent variable. Intellectual capital components include the dependent variable used and these are (Human: human capital efficiency [HCE]; Structural: structural capital efficiency [SCE]; Relational: relational capital efficiency [RCE]; and Physical/Financial: capital employed efficiency [CEE]). The data used in this study were garnered from the annual reports of listed banks. Besides, four bank-specific control variables were used in the study's analysis. The findings gathered from the empirical results suggest that the characteristics of the audit committee have a major positive effect on intellectual capital. In addition, the relationship between the audit committee and the components of intellectual capital (HCE, SCE, RCE and CEE) is also substantially positive if calculated individually. In addition to other corporate governance components (duality, promoter shareholding, board composition and board size), the study considered the role of audit committee characteristics (independence and frequency of meetings) in firm results. Their outcome revealed a major positive correlation between the size of the board and the double position of CEO-chairman with firm performance and their results did not disclose any additional impact of the independence of the audit committee and its meeting frequently on the financial performance of Indian firms.

Hisham Kamel Madia *et al* (2014). Investigated on the impact of audit committee characteristics on corporate voluntary disclosure. The data used Multiple Regression Analysis. Data listed on the Bursa

Malaysian as at ending of the year 2009, Annual reports of companies were collected and used. It made use of Audit committee independence, Audit committee Expertise, Audit committee Frequency, Audit committee Size and Multiple Directorship of Audit committee members as its Dependent variables. Research results provide evidence to policy makers, investors and accounting professionals on the level of the characteristics of the audit committee correlated with such efficacy in tracking corporate reporting processes.

Hope and Ikueze (2018) examined the effect of audit committee characteristics on performance of selected non-financial firms quoted in Nigeria Stock Exchange. It employed ex post factor and cross-sectional research design. Data collected were subjected to analysis using descriptive statistics, Pearson correlation analysis and Ordinary Lease Square regression. The sample size considered consisted of 50 listed firms and was used for the time period of ten years (2007-2016). During the analysis, it was revealed that there is a positive important relationship between independence of the audit committee, meeting of the audit committee and firm performance at a significant 5 percent level, while a positive important correlation was also reported against the size and return on assets of the audit committee but at a significant 10 percent level while an insignificant and positive relationship was recorded. The results disclosed that 76 per cent of changes in the performance of non-financial firms can be ascribed to the audit committee characteristics while 24 per cent were unaccounted for hence captured by the stochastic error term. The study urges amidst others, that non-fiscal firms' executives should be formulated by independent persons with high level of integrity that can match words with action to better the performance of non-fiscal firms, also to enable them perform their oversight functions excellently and guarantee that audit committee members meet frequently in order to tackle important issues that might hinder firms performance most particularly in this era of economic recession.

Samson and Tarila (2014) researched on the effect of Deposit Money Banks Intermediation role on economic growth and development in Nigeria. Time Series data extending over the period of 1973 – 2011 for deposit money banks credits in Nigeria and per capita gross domestic product were analyzed within the framework of Engle-Granger Representation Theorem. Analysis was made based on the Ordinary Least Square (OLS) method involving regression analysis. In order to regress per capita Gross Domestic Product as an index of economic growth on deposit money banks loans to

manufacturing, General Trade Services and other sectors (PD, GC, SV and OT), annual data from the Nigerian central bank spanning 38 years (1973 - 2011) was used. The main objective of the analysis was to find out to what degree the allocation of sectoral loans by deposit money banks has affected economic growth.

Temple M, *et al* (2016). This study examined the Audit Committee Characteristics and Quality of Financial Reporting in Quoted Nigerian Banks. The study used documentary records gotten from the fiscal statements of fifteen twelve-monthly reports and accounts of the banks whose stocks are traded in the Nigerian Stock Exchange as at December 31, 2014. The study made use of correlation research design for its research design. The investigator adopted Jones (1991) modified model which provided the measure for earnings management which is the representation for quality of financial reporting. The test of hypotheses and other divisions of data were empirically completed by SPSS statistic 22.0. The conclusions of the study portrayed that audit committee "independence has no significant effect on earnings management in quoted Nigerian banks. The study seconds that audit committee should be ingenious and operative so as to curtail earnings management. It was also recommended that the orientation and reorientation of audit committee members to ensure significant impacts on financial reporting quality.

Modum, Robinson and Edith (2013) examine audit committees and corporate performance of selected firms cited in the Nigeria stock exchange: a perception analysis. Selected as sample size were of 287 via the Taro Yameni formula and to conduct the regression analysis, Microsoft Special Package for Social Sciences (SPSS) statistical analysis was adopted. This focused on the Non-fiscal firms cited in the Exchange within a time period of 4 years (2006 - 2010). Evaluate the standing of the audit committee on corporate performance. The standard of the audit committee, rather than its mere nature, was found to have a positive effect on the performance of companies through a positive impact on the corporate governance of those companies. Therefore the report tests the value of the organizational performance audit committee. It lowers the average assumed efficiency of the audit committees, contrary to the vital financial ratios protected by these firms over the years. It was exposed that the quality of audit committee rather than its meager existence influences the performance of firms through a positive impact on corporate governance of such firms. For majority of the companies (more than 80 %), their audit committees are inadequately formulated with a larger

part of the members having deficiencies in the necessary qualities of integrity, dedication, a detailed understanding of the business of the company among others. These qualities according to Shamsudden (2003) are the bedrock of or sterling qualities of audit committee membership.

Nwaorgu, et al 2019. Investigated on the Creative Accounting, Audit Risk and Audit Failure in Nigeria: What is the Auditor's Perspective? International Journal of Economics, Business and Management Studies, 6(2): 261-271. That being said, the research study explored the point of view of the auditors on the influence of innovative accounting practices on Nigeria's audit risk and audit failure. The study used the Chi-square survey analysis design to evaluate data collected from questionnaires distributed to 115 practicing auditors in Nigeria from different geo-political areas. The study results showed that creative accounting has a major impact on audit risk, with a non-significant impact on the failure of the audit. It is recommended that auditors should ensure that extensive attention is given to the detecting of innovative accounting activity by managers during the course of audit practice, based on the findings obtained from this report. Frequently, Auditors must ensure that they strictly conform to the criteria of international auditing standards in order to comply with them to avoid audit failures.

Ashraf, Husam, Keith, Simone, Ray and Stephan (2015) researched the characteristics and firm efficiency of the audit committee during the global fiscal crisis. Their research found that lower audit committees with more financial practice and expertise are more likely to be correlated with positive company market results. Knowledge was collected manually from annual report. The study uses percentage price change (RETURN) and return on assets (ROA) for its robustness test to run the logit analysis. The results show support to the view in the literature that says knowledge and experience on the Audit Committee, drives better financial reporting and in turn, all equal, increases firm performance.

Allam, Adel and Sameh (2015), studied impact of audit committee characteristics on firm performance, evidence from Jordan. They analyzed the relationship between features of the audit committee (namely: size of the audit committee, financial expertise and independence of the audit committee) on performance that includes financial, operating and stock performance. Their research sampled 106 Amman stock exchange companies from the fiscal sector, with a total of 212

observations during the 2008-2009 sample year. The result showed that the audit committee has an impact on fiscal and stock results and does not have an operational performance outcome as well.

Similar studies also have been carried out in the framework of Nigeria (Oaikhenan & Udegbunam, 2008; Uwuigbe, 2011). These researches have fixated on audit characteristics on fiscal performance of manufacturing firms in Nigeria.

CHAPTER THREE
METHODOLOGY

3.0. Introduction

The term methodology is used to define all activities involved in the collection of the essential data required for this research project. This section is concerned with the researcher's scope of procedural strategies to be used in the research. These include; research design, population of study, sampling technique, sample size determination, method of data collection, research instrument, pilot study, validity of research instrument, reliability test, method of data analysis, model specification and measurement of variables.

3.1 Research Design.

This study will employ correlative research design to depict the relationship between Audit committee characteristics (independence, size and heterogeneity) and the performance of DMBs in Nigeria. The general population of the study comprises of 21 Deposit Money Banks in Nigeria as at 31 Dec 2019. The specific population comprises of the 9 Deposit Money Banks with International Authorization (sample of four Deposit Money Banks). Secondary data will be obtained from the audited annual reports of the selected banks for the period 2013-2018 Financial years. Data obtained will be subjected to Regression analysis using SPSS.

3.2 Population of Study

The 21 DMBs in Nigeria make up the population of this study. Participants will be taken from Banks with International authorization thereby reducing the population to 8. Four (4) participants will be selected from the population at random as the sample size and their annual reports over a period of 6 years (2013 – 2018) will also be used.

3.3 Sampling Unit

The sampling units for this study are the 21 DMBs in Nigeria, which include:

List of commercial banks with International Authorization in Nigeria. Central Bank of Nigeria. (2011).

1.   Access Bank Plc

2.   Fidelity Bank Plc

3.   First City Monument Bank Limited

4.   First Bank of Nigeria Limited

5.   Guaranty Trust Bank Plc

6.   Union Bank of Nigeria Plc

7.   United Bank for Africa Plc

8.   Zenith Bank Plc

List of commercial banks with National Authorization in Nigeria,

9.   Citibank Nigeria Limited

10.   Ecobank Nigeria Plc

11.   Heritage Banking Company Limited

12.   Keystone Bank Limited

13.   Polaris Bank Limited (The successor to Skye Bank Plc)

14.   Stanbic IBTC Bank Plc

15.   Standard Chartered

16.   Sterling Bank Plc

17.   Titan Trust Bank Limited

18.   Unity Bank Plc

19.   Wema Bank Plc

List of non-interest banks in Nigeria,

20.   Jaiz Bank Plc

21.   TAJBank Limited.

3.4 Sampling Technique

The sampling technique used to make statistical inference in this research is the simple random sampling technique. All 21 members of the deposit money banks are considered equally and 4 are chosen at random to serve as representatives for the population. This sampling technique is used because of its reliability in saving time and resources, obtaining accurate data, increase in higher quality data collection and lastly, the research is conclusive in Nature.

3.5 Sample Size Determination

The secondary data was analysed using a sampling unit of four (4) banks (Zenith Bank Nigeria, Guaranty Trust Bank (GTB) Nigeria, Access Bank Plc and First Bank Nigeria) with international authorization, this was arrived at using (Ezejelue & Ogwo 1990) who indicated that 10% sample size is appropriate for a homogeneous population.

3.6 Method of Data Collection

Secondary data will be collected from annual reports of 4 banks over a period of 6 years between 2013 and 2018. Therefore, 24 observations will be sufficient for the analysis obtained.

3.7 Research Instrument

During this study, The Annual reports of the four listed Banks where used for the purpose of acquiring secondary data for the DMB in Nigeria. They were used to gather already existing information on the banks. Information from the Banks annual reports, related journals on DMBs and Audit committee characteristics constitute majority of the basis of data for this research study because they discuss extensively on the subject matter.

3.8 Method of Data Analysis

In testing the hypothesis, the study deals with methods for analyzed data collected. The method used to analyze this study is the linear regression analysis is the appropriate method of data analysis and is used in this study in order to ascertain the relationship between Audit committee characteristics and the performance of DMBs in Nigeria. This will also be used to accept or reject the Hypothesis. The results of the study were presented in tables using Statistical Package for Social Sciences (SPSS) for better exhibition of the analysis result.

3.9.1 Model Specification

Dependent variable = Return on assets (ROA)

Independent variables = Audit Committee Independence, Audit Committee Size, and Audit Committee Heterogeneity.

Thus, the general model would be represented as:

$ROA = \beta_0 + \beta_1 IND + \beta_2 SIZE + \beta_3 HET + \varepsilon_i$.

The specific models for testing each of the hypotheses include:

$ROA = \beta_0 + \beta_1 IND + \varepsilon_i$ ……………………… (1)

$$ROA = \beta_0 + \beta_1 SIZE + \varepsilon_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

$$ROA = \beta_0 + \beta_1 HET + \varepsilon_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3)$$

Three Models will be derived from the study as shown below:

Model 1

$$ROA = \beta_0 + \beta_1 IND + \varepsilon_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where:

ROA=Return on Assets

IND = Independence of Audit committee

β_0= Intercept

β_1= Regression/ Slope of coefficient

ε_i = Error Term

Model 2

$$ROA = \beta_0 + \beta_1 SIZE + \varepsilon_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Where:

ROA =Return on Asset

SIZE = Size of Audit committee

β_0 = Intercept

β_1 = Regression/Slope of coefficient

ε_i = Error Term

Model 3

$$ROA = \beta_0 + \beta_1 HET + \varepsilon_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3)$$

Where:

ROA =Return on Asset

HET = Heterogeneity of Audit committee

β_0 = Intercept

β_1 = Regression/Slope of coefficient

ε_i = Error Term

3.9.2 Measurement of Variables

The dependent variable in this research is DMBs Performance using Return on Assets (ROA). The three independent variables in this study are Independence of audit members, Size of audit committee and Heterogeneity which will be measured using annual reports gotten from the listed banks.

In the annual report, audit committee independence can be measured by the proportion of independent directors to total number of directors. Size can be measured as the number of audit committee members in the annual reports, Heterogeneity can be measured as the proportion of female to total number of committee members. While performance will be measured by ROA.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents analyses and findings of the research as laid down in the research methodology. The study findings were presented to ascertain the relationship between audit committee characteristics and DMBs performance in Nigeria. During this study, the annual reports of four selected banks were used for the purpose of acquiring secondary data. Other sections of the data analysis were done in congruence with the research objectives.

4.1 Data Presentation, Analysis and Interpretation

4.1.1   Descriptive Analysis

Table 4.1: Descriptive Statistics

	Observations	Minimum	Maximum	Mean	Std. Deviation
Return on Assets (%)	24	.074	5.617	2.62559	1.441821
Independence of Audit Members	24	.05	28.57	14.9911	10.15252
Size of Audit Members	24	3.00	8.00	6.1667	.86811
Heterogeneity	24	.00	50.00	17.4385	13.52201

Source: Researcher's Analysis, 2020

Table 4.1 above shows the maximum values, minimum values, the mean (average), and standard deviation. The results expressed helps to provide some insight into the nature of the deposit money

banks in Nigerian used in this study. First, it can be observed that on the average, in a 6-year period (2013-2018), the sampled deposit money banks used for this study were characterized by positive ROA = 2.63%. This is an indication that most quoted banks in Nigeria have a positive Return on Assets (ROA). In addition, results from the descriptive statistics present a mean distribution of 15%, with maximum and minimum values of 28.57 and 0.05 respectively for independence of audit members. This indicates that the audit members' independence status for the selected banks stood at 15%, which implies that, there is a lower fraction of independent directors than executive directors on the board.

Also, listed DMBs have an average audit committee size of 6 members. It also indicates at minimum Nigerian DMBs have 3 members at the audit committee and a maximum of 8 across the banks. Similarly, the table shows a low number of women on the audit committee with some having no women at all.

4.2 Test of Hypotheses and Discussion

4.2.1 Test of Hypothesis One

H_0: There is no significant relationship between independence of audit committee members and performance of Deposit Money Banks in Nigeria.

H_1: There is a significant relationship between independence of audit committee members and performance of Deposit Money Banks in Nigeria.

Table 4.2: Linear Regression Analysis between independence of audit committee members and performance of Deposit Money Banks in Nigeria

Table 4.2.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.608[a]	.369	.340	1.170900

a. Predictors: (Constant), Independence of Audit Members

Source: Researcher's Analysis, 2020

Table 4.2.1 above shows that independence of audit committee members and Return on Assets has a moderate correlation (coefficient R) of 0.608 indicating that there is a positive relationship between the two variables while the increasing degree in independence of audit committee members will increase Return on Assets by 60.8%. Analysis in table 4.2.1 also shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R square equals 0.369, that is, independence of audit committee members explains 36.9% of observed change in Return on Assets.

Table 4.2.2: ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	17.651	1	17.651	12.875	.002[b]
Residual	30.162	22	1.371		
Total	47.813	23			

a. Dependent Variable: Return on Assets

b. Predictors: (Constant), Independence of Audit Members

Source: Researcher's Analysis, 2020

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. Moreover, the change statistics shows that the research model and variables are fit ($p<0.05$). The ANOVA results showed that at 0.002 level of significance, there existed enough evidence to conclude that the independence of audit committee members was useful for predicting Return of Assets of deposit money banks in Nigeria. From the results, it can be concluded that there is a linear relationship between the dependent variable and the independent variable. It also shows that the F-value which is the mean square model divided by the mean square residual yielded F=12.875

Table 4.2.3: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

(Constant)	1.332	.433			3.080	.005
Independence of Audit Members	.086	.024	.608	3.588		.002

a. Dependent Variable: Return on Assets

Model 1 for ($H_0$1) is stated as $= \beta_0 + \beta_1 IND + \varepsilon_i = 1.332 + 0.608 + \varepsilon_i$

Source: Researcher's Analysis, 2020

From the regression result, model 1 shows that independence of audit committee members has a significance level of 0.002 ($p<0.05$). This finding hence accepts the alternate hypothesis H_1 that there exists a significant relationship between independence of audit committee members and performance of Deposit Money Banks in Nigeria and rejects the null hypothesis H_0 that there is no significant relationship between independence of audit committee members and performance of Deposit Money Banks in Nigeria.

4.2.2 Test of Hypothesis Two

H_0: There is no significant relationship between size of audit committee members and performance of Deposit Money Banks in Nigeria.

H_1: There is a significant relationship between size of audit committee members and performance of Deposit Money Banks in Nigeria.

Table 4.3: Linear Regression Analysis between size of audit committee members and performance of Deposit Money Banks in Nigeria.

Table 4.3.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.474[a]	.225	.190	1.297842

a. Predictors: (Constant), Size of Audit Members

Source: Researcher's Analysis, 2020

Table 4.3.1 above shows that the size of audit committee members and Return on Assets has a moderate correlation (coefficient R) of 0.474 indicating that there is a positive relationship between the two variables while the increasing degree in the size of audit committee members will increase

Return on Assets by 47.4%. Analysis in table 4.3.1 also shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R square equals 0.225, that is, size of audit committee members explains 22.5% of observed change in Return on Assets.

Table 4.3.2: ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	10.757	1	10.757	6.386	.019[b]
Residual	37.057	22	1.684		
Total	47.813	23			

a. Dependent Variable: Return on Assets

b. Predictors: (Constant), Size of Audit Members

Source: Researcher's Analysis, 2020

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. Moreover, the change statistics shows that the research model and variables are fit ($p<0.05$). The ANOVA results showed that at 0.019 level of significance, there existed enough evidence to conclude that size of audit committee members was useful for predicting Return of Assets of deposit money banks in Nigeria. From the results, it can be concluded that there is a linear relationship between the dependent variable and the independent variable. It also shows that the F-value which is the mean square model divided by the mean square residual yielded F=6.386.

Table 4.3.3 Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-2.232	1.941		-1.150	.262
Size of Audit Members	.788	.312	.474	2.527	.019

a. Dependent Variable: Return on Assets

Model 2 for ($H_0$2) is stated as $= \beta_0 + \beta_1 SIZE + \varepsilon_i = -2.232 + 0.474 + \varepsilon_i$

Source: Researcher's Analysis, 2020

From the regression result, model 2 shows that the size of audit committee members has a significance level of 0.019 ($p<0.05$). This finding hence accepts the alternate hypothesis H_1 that there exists a significant relationship between size of audit committee members and performance of Deposit Money Banks in Nigeria and rejects the null hypothesis H_0 that there is no significant relationship between size of audit committee members and performance of Deposit Money Banks in Nigeria.

4.2.3 Test of Hypothesis Three

H_0: There is no significant relationship between heterogeneity of audit committee members and Deposit Money Banks Performance in Nigeria.

H_1: There is a significant relationship between heterogeneity of audit committee members and Deposit Money Banks Performance in Nigeria.

Table 4.4: Linear Regression Analysis between heterogeneity of audit committee members and performance of Deposit Money Banks in Nigeria

Table 4.4.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.778[a]	.605	.587	.927065

a. Predictors: (Constant), Heterogeneity

Source: Researcher's Analysis, 2020

Table 4.4.1 above shows that the heterogeneity of audit committee members and Return on Assets has a moderate correlation (coefficient R) of 0.778 indicating that there is a positive relationship between the two variables while the increasing degree in the heterogeneity of audit committee members will increase Return on Assets by 77.8%. Analysis in table 4.4.1 also shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R square equals 0.605, that is, heterogeneity of audit committee members explains 60.5% of observed change in Return on Assets.

Table 4.3.2: ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	28.906	1	28.906	33.633	.000[b]
Residual	18.908	22	.859		
Total	47.813	23			

a. Dependent Variable: Return on Assets

b. Predictors: (Constant), Heterogeneity

Source: Researcher's Analysis, 2020

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. Moreover, the change statistics shows that the research model and variables are fit ($p < 0.05$). The ANOVA results showed that at 0.000 level of significance, there existed enough evidence to conclude that the heterogeneity of audit committee members was useful for predicting return of Assets of deposit money banks in Nigeria. From the results, it can be concluded that there is a linear relationship between the dependent variable and the independent variable. It also shows that the F-value which is the mean square model divided by the mean square residual yielded F=33.633

Table 4.3.3 Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.180	.313		3.770	.001
Heterogeneity	.083	.014	.778	5.799	.000

a. Dependent Variable: Return on Assets

Model 3 for (H$_0$3) is stated as $= \beta_0 + \beta_1 HET + \varepsilon_i = 1.180 + 0.778 + \varepsilon_i$

Source: Researcher's Analysis, 2020

From the regression result, model 3 shows that heterogeneity of audit committee members has a significance level of 0.000 ($p < 0.05$). This finding hence accepts the alternate hypothesis H$_1$ that there exists a significant relationship between heterogeneity of audit committee members and performance of Deposit Money Banks in Nigeria and rejects the null hypothesis H$_0$ that there is no significant relationship between heterogeneity of audit committee members and performance of Deposit Money Banks in Nigeria.

4.2.1.1. Discussion of Findings

This study investigated the relationship between audit committee characteristics and Deposit Money Banks' performance in Nigeria. The data generated were subjected to both descriptive and inferential statistics. The descriptive statistics revealed the individual characteristics of the variables used in this study while the inferential statistics tested the hypotheses using the simple linear regression analysis. The test of hypothesis one was to ascertain whether a significant relationship exists between independence of audit committee members and the performance of DMBs in Nigeria. The findings reveal that there is a significant relationship between independence of audit committee members and the performance of DMBs in Nigeria with a significance level of 0.002 ($p<0.05$). Therefore, the null hypothesis H_0 is rejected and the alternate hypothesis H_1 is accepted. This implies that when the composition of independent non-executive directors in the audit committee is increased by one-member, financial performance increases significantly, suggesting that, the higher the composition of the non-executive directors, the higher the financial performance. This finding is compatible with the work of Hassan (2011). Also, Moses, Ofurum & Solomon (2016) arrived at the same conclusion. Their paper examined Audit committee characteristics and quality of financial reporting in quoted Nigerian banks. They established that there is no significant relationship between Audit Committee's independence and on earnings management. However, this result contradicts the findings of Yadirichukwu and Ebimobowei (2013) that investigated audit committee and timeliness of financial reports empirical evidence from Nigeria. The aims of their study were to examine the effect of audit committee and timeliness of financial reports for thirty-five (35) companies listed in the Nigerian Stock Exchange (NSE) for the period 2007 – 2011. Their findings recommend that audit committee independence is significantly associated with timelessness of financial reports. The disagreement could be as a result of statistical tools used, period of study and study scope (as cited by Moses, Ofurum & Solomon, 2016). The findings also disagree with those of Priya & Nimalathasan (2013) whose see the independent non-executive director to be responsible for reduce firm performance and may affect firm performance negatively.

The test of hypothesis two was to ascertain whether a significant relationship exists between the size of audit committee members and the performance of DMB in Nigeria. The findings reveal that there is a significant relationship between the size of audit committee members and the performance of Deposit Money Banks in Nigeria with a significance level of 0.019 ($p<0.05$). Therefore, the null

hypothesis H_0 is rejected and the alternate hypothesis H_1 is accepted. That is, the audit committees' size has positively impacted the performance of Deposit Money Banks in Nigeria as an increase in the audit committee by one member significantly increases its performance. This suggests that when more people are involved in checking the activities of managers, wrongdoings will be reduced and performance will be enhanced. Blao et al., (2003) and Kyereboah (2007) revealed a positive relationship between audit committee size and firm performance. This finding is also in support with the works of Bouaziz (2012), and Cornett et al., (2010). However, the finding contradicts that of Emeka and Alem (2016) who posited that audit committee size does not have positive relationship with return on assets of companies in Nigeria.

The test of hypothesis three was to ascertain whether a significant relationship exists between the heterogeneity of audit committee members and the performance of Deposit Money Banks in Nigeria. The findings reveal that there is a significant relationship between the heterogeneity of audit committee members and the performance of Deposit Money Banks in Nigeria with a significance level of 0.000 ($p < 0.05$). Therefore, the null hypothesis H_0 is rejected and the alternate hypothesis H_1 is accepted. The outcome shows that females are insufficient on the audit committee boards of DMBs in Nigeria.

This supports the finding of the study conducted, by Krishnan and Park (2005) who found that women directors perform better than men directors do. Therefore, the presence of female entities on the board contributes positively to the financial performance of a firm. Numerous scholars, such as Adams & Ferreira (2009), Campbell and Mingues-Vera (2008), and Farrell and Hersch (2005) document that female directors may have positive impact on firm performance and market value. Similarly, Nielsen and Huse (2010) also document that female directors reduce the level of disagreement in corporate boards, and they use board development activities, such as work instructions, evaluations, and development programs to improve board effectiveness. Also, Bart and McQueen (2013) explained that women are naturally more risk averse and therefore less inclined to go along with bet-the-company strategies, thereby reducing the risk of bankruptcy.

This however contradicts the study conducted by Adams and Ferreira (2009) who found that there is no significant relationship between firm performance and female director on board.

However, a summary of the models from the three hypotheses and their results are shown in Table 4.5 below:

Table 4.5: Summary of models and hypotheses results

S/N	Models	Hypothesis Results (0.05 significance level)
1	$1.332 + 0.608 + \varepsilon$	p=0.002: H_01 is rejected
2	$-2.232 + 0.474 + \varepsilon$	p=0.019: H_01 is rejected
3	$1.180 + 0.778 + \varepsilon$	p=0.000: H_01 is rejected

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

In this section of the research work, the researcher provides a summary of the findings derived from the study, the conclusion of the study, and recommendation for the study.

5.1 Summary of the Study

A new requirement in the Nigerian Companies and Allied Matters Act (CAMA) of 2004 (as amended) is the launching of audit committees as an added layer of control and certification in an attempt to make annual accounts of public corporations more acceptable and reliable. Audit committee being one of the vital functioning cluster of a company's board of directors that is in charge of supervising fiscal reporting and exposure. They are a group of non-executive administrators set up by and work under the supervision and directive of the board of directors of an organization and sometimes set up as a consequence of necessary condition of law, and regulation of the country or jurisdiction where the organization operates in and sometimes sets up as adoption of best practices of good corporate governance. (Section 359 (3) and (4) of CAMA 2004).

This research was established to determine the relationship between audit committee characteristics and DMBs Performance in Nigeria. This study assumes that a company's financial performance is mainly determined by audit committee characteristics. The attainment of all these functions would help ensure the positive performance of DMBs in Nigeria. This attracts the attention of the public, stakeholders and investors to have insight on the audit committee as the major actors accountable for the failure of corporations, both in technologically advanced and emerging nations. In actual fact, audit committee are criticized for being responsible for the dwindling in shareholders' wealth, both in developed and developing economies, particularly, in Nigeria where this study is based Audit

committees are seen as the major causes of all these mishaps (Adeyemi & Fagbemi, 2011; Ogbonna & Ebimobowei, 2011; Ajibolade, 2008).

The results of the research were discussed in detail and the objectives of the study were linked to the current findings of the research. Secondary sources of data were used in collecting data and gathering information. The secondary source of data was obtained from annual reports of the selected deposit money banks, other related journals and articles. This study used a correlative research design to gather data for the period of 2013-2018 from 4 selected DMBs in Nigeria which was extracted from their respective annual reports. The study focused on three explanatory variables as proxies for the independent variable (Audit committee characteristics); independence of audit committee members, size of audit committee members and heterogeneity of audit committee members and one dependent variable which is Return on Assets (Banks' performance).

The Agency Theory and the Stakeholders theory is the fundamental theoretical framework for understanding this research work. The agency theory helps to analyze the relationship between the principal and the agent. It analyses contracts designed to motivate a rational agent to act on behalf of a principal when her interests could otherwise differ from those of the principal (Egbunike and Abiahu, 2017). In relation to Audit committee and their effects on the performance of DMBs in Nigeria, the audit committee stand as the agents for the DMBs to assure the Shareholders, Stakeholders and the public at large of the Genuity of the Reports, Statements and General activities.

The stakeholder theory is grounded on the notion that beyond shareholders there are several agents with an interest in the actions and decisions of firms. These individuals consist of creditors, employees, customers, suppliers, and the communities at large. Stakeholder theory asserts that firms have a social responsibility that requires them to take into consideration the interests of all parties affected by their actions. Management ought not to only consider its shareholders in the decision-making process, but also persons who are affected by business decisions.

Furthermore, simple linear regression analysis was used to test the three-research hypothesis. The probability level was set up at 0.05 significance. The result of the linear regression analysis hence indicates that there is a significant relationship between independence of audit committee members and the performance of DMBs in Nigeria with a significance level of (p value =0.002<0.05), size of audit committee members has a significant relationship with performance of DMBs in Nigeria (p

value=0.019 <0.05), and heterogeneity of audit committee members has a significant relationship with performance of DMBs in Nigeria (p value=0.000<0.05).

5.2 Conclusion

The relationship between audit committee characteristics and deposit money banks' performance in Nigeria from 2013 to 2018 has been explored using data gathered from the annual reports of the four (4) listed deposit money banks.

The research concludes that there is a significant positive relationship between the components of audit committees (independence, size, and heterogeneity) and ROA of chosen DMBs in Nigeria. In particular, the research finalized that the independence of the audit committee has significant relationship with the performance of DMBs in Nigeria. The research also concludes that the size of the audit committees has significant relationship with the performance of Deposit Money Banks in Nigeria. Lastly, the research decides that heterogeneity of audit committee members has a significant relationship with performance of DMBs in Nigeria.

5.3 Recommendations

Sequel to the findings of this research, the following recommendations are made which will be useful to stakeholders;

i.   Audit committee size should be maintained to effectively monitor the financial reporting and auditing processes of the organizations. This would help improve the market value of the quoted DMBs in Nigeria.

ii.   The size of the board should be increased but not exceeding the maximum number specified by the code of corporate governance for banks.

iii. Female directors who partake in audit committee should be carefully selected by the management to ensure their full participation.

iv.   Banks should improve in their internal audit functions and control system in other to achieve its organizational objective with respect to increase in performance.

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APPENDIX

Appendix 1:   Return on Assets

ZENITH BANK	2013	2014	2015	2016	2017	2018
NET INCOME	95,318,000	99,455,000	105,663,000	119,285,000	157,145,000	165,480,000
TOTAL ASSETS	3,143,133,000	3,755,264,000	4,006,842,000	4,283,736,000	4,833,658,000	4,955,445,000
ROA	3.03	2.65	2.64	2.78	3.25	3.34

GTBANK	2013	2014	2015	2016	2017	2018
NET INCOME	90,023,977	98,694,919	99,436,881	132,280,655	170,469,633	184,639,594
TOTAL ASSETS	2,102,846,415	2,355,876,526	2,524,593,709	3,116,393,439	3,351,096,659	3,287,342,641

ROA	4.28	4.19	3.94	4.24	5.09	5.62

ACCESS BANK	2013	2014	2015	2016	2017	2018
NET INCOME	36,297,592	42,976,212	65,868,773	71,439,347	61,990,852	94,981,086
TOTAL ASSETS	1,835,466,000	2,104,360,539	2,591,330,151	3,483,865,564	4,102,242,820	4,954,156,938
ROA	1.98	2.04	2.54	2.05	1.51	1.92

FIRST BANK	2013	2014	2015	2016	2017	2018
NET INCOME	66,451,000	84,842,000	2,946,000	10,451,000	37,708,000	59,667,000
TOTAL ASSETS	3,749,375,000	4,131,635,000	3,973,098,000	4,514,789,000	5,236,537,000	5,568,316,000
ROA	1.772322054	2.053472778	0.074148687	0.231483686	0.720094215	1.07154479

Appendix 2: Independence of Audit Members

ZENITH BANK	2013	2014	2015	2016	2017	2018
INDEPENDENT DIRECTORS	3.00	3.00	3.00	3.00	4.00	3.00
TOTAL NUMBER OF DIRECTORS	12.00	12.00	12.00	13.00	14.00	12.00
INDEPENDENCE OF AUDIT MEMBERS	**25.00**	**25.00**	**25.00**	**23.08**	**28.57**	**25.00**

GTBANK	2013	2014	2015	2016	2017	2018
INDEPENDENT DIRECTORS	2	2	2	4	3	3
TOTAL NUMBER OF DIRECTORS	14	14	14	16	14	14
INDEPENDENCE OF AUDIT MEMBERS	**14.29**	**14.29**	**14.29**	**25.00**	**21.43**	**21.43**

ACCESS BANK	2013	2014	2015	2016	2017	2018
INDEPENDENT DIRECTORS	2	2	2	2	4	4
TOTAL NUMBER OF DIRECTORS	21	16	16	15	17	16
INDEPENDENCE OF AUDIT MEMBERS	**9.52**	**12.50**	**12.50**	**13.33**	**23.53**	**25.00**

FIRST BANK	2013	2014	2015	2016	2017	2018
INDEPENDENT DIRECTORS	1	2	2	3	2	2
TOTAL NUMBER OF DIRECTORS	20	10	10	16	10	10
INDEPENDENCE OF AUDIT MEMBERS	**0.05**	**0.2**	**0.2**	**0.1875**	**0.2**	**0.2**

Appendix 3: Size of Audit Committee

	2013	2014	2015	2016	2017	2018
ZENITH BANK	7	6	7	8	6	6
GTBANK	7	6	6	7	7	6
ACCESS BANK	6	6	6	6	6	6
FIRST BANK	6	6	6	3	6	6

Appendix 4: Heterogeneity

	2013	2014	2015	2016	2017	2018
FEMALE COMMITTEE MEMBERS	2	2	2	2	1	1
TOTAL NUMBER OF COMMITTEE MEMBERS	7	6	7	8	6	6
HETEROGENITY	**28.57**	**33.33**	**28.57**	**25**	**16.67**	**16.67**

GTBANK	2013	2014	2015	2016	2017	2018
FEMALE COMMITTEE MEMBERS	1	1	1	2	3	3
TOTAL NUMBER OF COMMITTEE MEMBERS	7	6	6	7	7	6
HETEROGENITY	**14.29**	**16.67**	**16.67**	**28.57**	**42.86**	**50.00**

ACCESS BANK	2013	2014	2015	2016	2017	2018
FEMALE COMMITTEE MEMBERS	1	1	1	1	1	1
TOTAL NUMBER OF COMMITTEE MEMBERS	6	6	6	6	6	6

HETEROGENITY	16.67	16.67	16.67	16.67	16.67	16.67

FIRST BANK	2013	2014	2015	2016	2017	2018
FEMALE COMMITTEE MEMBERS	0	0	0	1	1	1
TOTAL NUMBER OF COMMITTEE MEMBERS	6	6	6	3	6	6
HETEROGENITY	**0**	**0**	**0**	**0.33**	**0.17**	**0.17**