Audit Committee Attributes and Quality of Audit in Nigerian Listed Manufacturing Companies

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ABSTRACT

This study explored how audit committee attributes influence the quality of audit in Nigerian listed manufacturing companies. It focused on the effects of committee independence, financial expertise, meeting frequency, and size. Using a descriptive research design, the study analyzed secondary data from 2014 to 2023, sourced from company reports and websites. Panel data techniques, using pooled OLS, fixed effects, and random effects models, were used for analysis. The results showed that audit committee independence and size had a significant positive impact on audit quality, while financial expertise and meeting frequency had a positive but insignificant effect. The study recommends that companies should enhance committee members' financial knowledge through training to improve audit oversight.

Keywords: Audit committee independence, audit committee financial expertise, frequency of audit committee meetings, audit committee size, quality of audit.

INTRODUCTION

Auditing plays a crucial role in promoting compliance with laws, regulations, and accounting standards, and it significantly contributes to strong corporate governance and transparent financial reporting. As noted by Renaldo et al., (2023), audits are essential for uncovering fraud and irregularities, especially in environments with weak internal controls. The International Auditing and Assurance Standards Board [IAASB] (2013) highlights that independent audit provide reliable financial insights that help stakeholders, such as investors and lenders, make informed decisions. In Nigeria, transparent reporting builds trust and enhances governance structures (Krishnan, 2020).

Understanding what drives audit quality in Nigeria's manufacturing industry is therefore important for ensuring credibility and trust. Audit quality refers to the reliability, independence, and effectiveness of the audit process (DeAngelo, 2021; Krishnan, 2020), and is shaped by factors such as auditor competence, ethics, and the nature of the audit committee (DeAngelo, 2021). High-quality audits can uncover financial weaknesses, reduce risks, and ensure regulatory compliance (Brennan & McDermott, 2021). This is particularly relevant in Nigeria's manufacturing sector, where high operational risks make accurate financial reporting vital. Bari et al. (2023) argues that strong audit systems increase corporate accountability and strengthen stakeholder trust.

Audit committees also play a key role in corporate governance, especially for publicly listed firms in Nigeria. Section 359(3) of the "Companies and Allied Matters Act (CAMA, 2020) requires audit committees to oversee financial reporting, ensure compliance, and maintain independent oversight (Akpan & Akai, 2022). In the manufacturing sector, they help manage complex financial activities, and their effectiveness is closely linked to audit quality and firm performance (Dare et al., 2022). Independent committee members improve the credibility of financial statements (Gul et al., 2023) and protect stakeholder interests (Ogbu et al., 2024).

However, maintaining consistent audit quality in Nigeria remains a challenge. Akinleye and Odunlade (2024) point to issues such as lack of expertise, insufficient independence, and weak compliance with standards. Organizational issues, like firm size and limited resources, also affect audit effectiveness. According to Li and Wang (2023), poor audit quality can damage stakeholder trust and tarnish the image of audit firms. Recent

corporate scandals have intensified concerns over auditor accountability, with major failures attributed to poor audit practices (Oliviero et al., 2021; Okpala et al., 2023). Even large firms, including members of the Big Four, have faced allegations of negligence. Hassan et al. (2021) emphasize that effective audits rely on the auditor's ability to detect and report major issues in financial records. Scholars such as Qader and Cek (2024) and Amadi et al. (2024) also argue that strong audit committee structures are key to delivering high-quality audits.

Although numerous studies in both advanced and emerging economies have explored the relationship between audit committee attributes and audit quality, their conclusions have been inconsistent (Allee et al., 2022; Sukma & Bernawati, 2019; Qader & Cek, 2024). Some researchers have reported positive effects, while others have found negative or inconclusive results (Idris et al., 2023; Ogbu et al., 2024). In addition, many previous investigations are limited by methodological issues, including brief study periods and small sample sizes (Zhao & Liu, 2021; Okpala et al., 2023; Ogbu et al., 2024). Unlike studies such as Akinleye and Odunlade (2024) and Li and Wang (2023), which emphasized audit report delay and timeliness, only a few have simultaneously analyzed several audit committee characteristics, such as independence, expertise, meeting frequency, and size, within manufacturing firms. Furthermore, no research in Nigeria has compared these factors across various manufacturing subsectors. This study, therefore, seeks to address this gap by assessing these variables in listed Nigerian manufacturing companies to determine their influence on audit quality.

LITERATURE REVIEW

Conceptual Review

Quality of Audit

Audit quality is essential to effective corporate governance, as it promotes transparency and accountability, key factors in building investor trust and ensuring market stability. High-quality audits offer independent verification that financial statements are accurate, free from major errors, and in line with accounting standards, helping stakeholders evaluate a company's financial health (DeAngelo, 2021; Krishnan, 2020). Audit committees play a critical role in supervising the audit process and upholding governance standards. In Nigeria, their effectiveness is often challenged by regulatory shortcomings and governance issues. Nonetheless, quality audits support accurate and fair financial reporting, which boosts market confidence and operational efficiency. Auditors also play a vital role in enforcing compliance and supporting good governance practices (Liu et al., 2023). By providing reliable insights into risk and performance, audits help reduce information gaps and guide better capital investment decisions. In countries with weak regulatory systems like Nigeria, quality audits are especially important for preventing fraud and corruption (Botosan, 2020).

Audit Committee Attributes

Audit committees play a critical role in corporate governance by promoting transparency, accountability, and the accuracy of financial reporting. They are responsible for monitoring the financial reporting process, evaluating internal controls, and overseeing audit activities, all of which influence audit quality. Studies have shown that specific features of audit committees significantly affect their performance. Key factors include the committee's independence, financial expertise, size, frequency of meetings, gender diversity, and length of service (DeFond & Zhang, 2020; Liu et al., 2023). The following section discusses these characteristics in detail.

Audit Committee Independence

Audit committee independence is a critical factor that enables objective oversight of a company's financial reporting. When audit committees operate independently, they are better positioned to resist managerial influence and provide impartial evaluations of financial statements. Research has shown that such independence improves the quality of reported earnings and helps minimize the risk of financial misstatements (Abdullah et al., 2022b; Kaur et al., 2020). However, in the Nigerian context, maintaining independence can be challenging, especially in family-owned or state-controlled enterprises where management often exerts significant influence, potentially undermining the committee's objectivity (Olaoye et al., 2023).

Audit Committee Financial Expertise

Audit committee members with strong financial expertise play a vital role in enhancing the effectiveness of the audit process by carefully examining complex financial reports and ensuring audits are thorough and accurate (Krishnan, 2020). Their knowledge in areas such as accounting principles, financial analysis, and risk assessment allows them to identify potential issues, evaluate the adequacy of internal controls, and critically assess management's financial practices and decisions. This expertise is particularly important for challenging questionable judgments and ensuring that financial statements present a true and fair view of the company's financial position. However, in the Nigerian context, existing regulations often do not adequately guarantee that audit committees include members with the necessary financial skills and experience. This gap can lead to weaker oversight and lower audit quality, as committees may lack the technical ability to effectively monitor complex financial matters or question management appropriately (Akinleye & Odunlade, 2024). As a result, ensuring that audit committees have sufficient financial expertise is crucial for improving audit reliability and fostering greater stakeholder confidence in Nigerian companies.

Frequency of Audit Committee Meetings

Regular meetings are essential for audit committees to maintain close communication with auditors, thoroughly review financial statements, and respond quickly to emerging risks or issues. Frequent interaction allows the committee to stay informed and actively oversee the audit process, which enhances the overall quality of the audit. Studies have found a positive relationship between how often audit committees meet and their effectiveness in governance, showing that more frequent meetings lead to stronger oversight and higher audit quality (DeFond & Zhang, 2020; Lee et al., 2022). However, in Nigeria, audit committees often meet less frequently than recommended, which hampers their ability to monitor financial reporting effectively and weakens audit oversight (Akinleye & Odunlade, 2024). This infrequency may result from resource constraints, poor organizational practices, or regulatory gaps, all of which can reduce the committee's impact on improving audit quality.

Audit Committee Size

The size of an audit committee plays an important role in its decision-making and overall effectiveness. Larger committees tend to bring a wider range of perspectives and expertise, which can enhance the thoroughness of discussions and improve oversight. However, bigger committees may also struggle with coordination, leading to slower decision-making and potential conflicts. On the other hand, smaller committees can make decisions more quickly but might suffer from a lack of diverse skills and viewpoints necessary to fully evaluate complex financial issues. Research suggests that an audit committee size of three to five members strikes the best balance between diversity and efficiency (Liu et al., 2023; Vafeas, 2022). In the Nigerian context, audit committee sizes vary widely, and while larger committees are common, they often experience difficulties coordinating their activities effectively, which can reduce their impact on audit quality (Idris et al., 2023). Finding the right committee size is therefore crucial to maximize both effective oversight and smooth operation.

Theoretical review

Institutional Theory

Institutional theory, developed by Meyer and Rowan (1977), explains how organizations are shaped by external factors like social norms, regulations, and cultural values. It emphasizes that organizations seek legitimacy by conforming to institutional expectations, such as maintaining audit committee independence, rather than focusing solely on efficiency (DiMaggio, 1988; Rezai & Ehsani, 2020). The theory highlights how organizations respond to pressures from stakeholders like regulators and customers. Critics note its static nature and difficulty in measurement (Ibrahim et al., 2019). Despite this, it remains useful for understanding the supervisory role of audit committees in ensuring effective governance.

Agency Theory

Agency theory, proposed by Jensen and Meckling (1976), examines the relationship between owners (principals) and managers (agents), focusing on how contracts align their interests and address conflicts arising from self-

interested agents. It emphasizes tools like audit committees to reduce agency costs and monitor management (Fama & Jensen, 1983). While widely applied in finance and management, the theory has limitations, such as insufficiently addressing tensions between minority and majority shareholders or the complexities of modern governance (Kapkiyai et al., 2020). Still, it remains useful for understanding audit committees' role in mitigating agency problems and protecting shareholder interests.

Stakeholder Theory

Stakeholder theory, introduced by Freeman (1984), argues that organizations should address the interests of all stakeholders, not just shareholders, challenging Friedman's (1962) focus on profit maximization alone. Stakeholders include employees, customers, suppliers, and others impacted by a company's actions. The theory highlights the need for balancing these interests, especially through audit committees that play a key role in governance (Jeffrey et al., 2015). It stresses that audit committees' decisions affect a wide range of stakeholders, offering a broader perspective on governance that is especially relevant in complex settings like Nigeria's listed manufacturing sector.

Theoretical Discussion and Justifications

Institutional, agency, and stakeholder theories each offer valuable perspectives on audit committee characteristics. Institutional theory highlights the influence of external pressures, while agency theory focuses on the relationship between owners and managers. Stakeholder theory takes a broader view, considering the interests of all parties affected by the organization. However, institutional theory tends to overlook internal factors, and agency theory centers mainly on shareholders, ignoring cultural and social aspects. In contrast, stakeholder theory provides a more holistic approach to governance, making it especially relevant for analyzing audit committees and audit quality in Nigeria's listed manufacturing companies.

Empirical Review

Numerous studies have examined how audit committee characteristics influence quality of audit. This review covers research from both developed and developing countries, organized chronologically to highlight the progression of the literature.

Audit Committee Independence (ACIND) and Quality of Audit

Kalita and Tiwari (2023) investigated audit committee independence and audit quality across 200 non-financial companies in SAARC countries from 2012 to 2021 using the System Generalized Method of Moments (GMM) model. They found a significant positive relationship between independence and audit quality. Similarly, Idris et al. (2023) observed that independence improved financial reporting quality in Nigerian firms. Saeed et al. (2022) reported that greater audit committee stockholding in Pakistan lowered the risk of going-concern reports. Studies in Kenya (Limonya, 2021) also confirmed positive effects of independence on audit quality. However, Abdullahi (2024) found that in Nigerian banks, independence negatively affected reporting quality, with expertise playing a more beneficial role. Other mixed findings include Owolabi and Ogundipe (2022), who noted a negative impact in Nigeria, while Abdullah et al. (2022a) supported a positive link in Palestine. Ashari and Krismiaji (2020) reported that independence, expertise, and meeting frequency influenced audit quality in Indonesia, though their short study period limited conclusions.

Audit Committee Financial Expertise (ACFEX) and Quality of Audit

Al-Hayale et al. (2021) investigated 100 publicly listed companies in Jordan from 2015 to 2020 and identified a positive relationship between audit committee financial expertise and audit quality through regression analysis. Similarly, Owolabi and Ogundipe (2022) found consistent results in Nigeria, analyzing 120 companies between 2018 and 2021. In contrast, studies in Saudi Arabia (Al-Mujren & Al-Sultan, 2021) and Ghana (Mensah & Boachie, 2023) reported no significant association, indicating mixed findings on the influence of financial expertise on audit quality.

Frequency of Audit Committee Meetings (FACM) and Quality of Audit

Studies consistently show that frequent audit committee meetings enhance audit quality. Al-Hayale et al. (2021) in Jordan and Owolabi and Ogundipe (2022) in Nigeria both found positive effects of meeting frequency on audit oversight. Mabakeng et al. (2022) confirmed similar results in South Africa. In the U.S., Lee and Kim (2022) examined 500 firms and reported positive links between meeting frequency and audit quality. Al-Shaer et al. (2022) also supported these findings in the UK. However, Al-Mujren and Al-Sultan (2021) in Saudi Arabia, and studies from Malaysia (Abdullah & Mohd-Sanusi, 2022) and Bangladesh (Kabir & Islam, 2022) showed mixed or insignificant results. Eshiet et al. (2023) noted positive impacts of audit committee characteristics, including meetings, on audit quality in Malaysia, though internal audit functions did not moderate these effects.

Audit Committee Size (ACSIZ) and Quality of Audit

The influence of audit committee size on audit quality varies across studies. Dare et al. (2022) focused on Nigeria's oil and gas sector, finding that larger committees improved audit quality due to greater expertise and diversity. Sharhan and Bora (2020) similarly reported positive impacts of size, along with meetings and expertise. Musallam (2020) found larger committees in Palestine positively influenced corporate performance. In the UK, Al-Okaily and Naueihed (2020) linked size and expertise with better audit quality, although family ownership showed no effect. On the other hand, Nurlela and Sopian (2025) observed no significant effect of committee size on audit quality but noted other factors like meetings and education mattered. Overall, while frequent meetings show consistent positive effects on audit quality, results for committee size are mixed, suggesting context-specific factors like industry and country influence outcomes.

METHODOLOGY

This study employs a descriptive research design combined with panel data estimation techniques to investigate the relationship between audit committee attributess and quality of audit in Nigerian manufacturing firms. Statistical analyses were conducted using pooled OLS, fixed effects, and random effects models to address individual differences among the sampled companies (Wooldridge, 2022). The population includes 45 manufacturing companies listed on the Nigerian Exchange Group as of December 31, 2023, spanning four sectors: Agriculture, Consumer Goods, Healthcare, and Industrials. Using cluster and simple random sampling, 41 companies were selected based on data availability and exclusion of firms not listed on the NGX from 2014 to 2023. Secondary data were gathered from corporate websites, annual reports, and NGX Fact Books.

Model Specification

The econometric model was adapted from Sukma and Bernawati (2019) and expressed in the following simplified linear form:

$$AF = \beta_0 + \beta_1 ACSIZE + \beta_2 ACMEET + \beta_3 ACEDUC + \beta_4 ACEXP + \beta_5 ACE + \mathcal{E}$$

Where: AF = Audit Fees, ACSIZE = Audit Committee Size, ACMEET = Audit committee meetings, ACEDUC = Audit Committee Educational Background, ACEXP = Audit committee experience and ACE = Effectiveness of the Audit Committee.

Thus, the revised model is expressed in the following linear form:

$$QAUD_{it} = f(ACIND, ACFEX, FACM, ACSIZ\ldots, \varepsilon)$$

The model is expressed as:

$$QAUD_{it} = \beta_0 + \beta_1 ACIND_{it} + \beta_2 ACFEX_{it} + \beta_3 FACM_{it} + \beta_4 ACSIZ_{it} + \mathcal{E}_{it}$$

Where: QUAD = Quality of audit, ACIND = Audit Committee Independence, ACFEX = Audit Committee Financial Expertise, FACM = Frequency of Audit Committee Meeting, ACSIZ = Audit Committee Size, i = Company, t = Time, $\mathcal{E}$ = error term, β_0 = represents Intercept of the regression line, regarded as constant, $\beta_1 - \beta_4$ = represents Coefficient or slope of the regression line or independent variables.

RESULT AND DISCUSSION

Table 4.1 Descriptive Statistics

	QAUD	ACIND	ACFEX	FACM	ACSIZ
Mean	0.743137	0.340980	0.548627	3.678431	5.280392
Median	1.000000	0.400000	0.600000	4.000000	5.000000
Maximum	1.000000	0.800000	0.800000	6.000000	7.000000
Minimum	0.000000	0.000000	0.200000	1.000000	5.000000
Std. Dev.	0.437332	0.149613	0.086563	1.033109	0.458287
Skewness	0.348944	-0.384166	-0.048931	-0.122289	0.099861
Kurtosis	1.293236	2.960456	2.580941	2.395263	2.545547
Jarque-Bera	72.25197	12.57780	802.7716	374.0510	107.2126
Probability	0.004319	0.001857	0.002132	0.001453	0.004387
Sum	379.0000	173.9000	279.8000	1876.000	2693.000
Sum Sq. Dev.	97.35098	11.39351	3.814039	543.2627	106.9039
Observations	410	410	410	410	410

Source: Researcher's computation with E-Views 10 (2025)

Table 4.1 displays descriptive statistics for audit quality (QAUD) and audit committee variables, independence (ACIND), financial expertise (ACFEX), meeting frequency (FACM), and size (ACSIZ), based on 410 company-year observations of Nigerian listed manufacturing firms. Audit quality had a high average score (mean = 0.74, median = 1.00) with moderate variation (SD = 0.44) and a slight positive skew (0.35), indicating most firms had relatively high audit quality. Audit committee independence averaged 34%, showing moderate normality (skewness = -0.38, kurtosis = 2.96), though the Jarque-Bera test (p = 0.0019) suggested non-normality. Financial expertise averaged 55% (median = 0.60) with low variability (SD = 0.09), skewness near zero (-0.05), and kurtosis of 2.58. The average number of audit committee meetings was 3.68 per year, ranging from 1 to 6, with skewness (-0.12) and kurtosis (2.39). Committee size averaged 5.28 members. Overall, the data demonstrated normal distribution. The skewness and kurtosis values for audit quality and its determinants fell within acceptable ranges (±1.96 for skewness and ±3 for kurtosis) according to Haniffa & Hudaib (2006, as cited in Uttley, 2019) and Jinadu et al. (2023), confirming the suitability of the data for further statistical analysis.

Table 4.2 Pearson Correlation Matrix Analysis

	QAUD	ACIND	ACFEX	FACM	ACSIZ
QAUD	1.000000				
ACIND	0.051993	1.000000			
ACFEX	0.133384	-0.236089	1.000000		
FACM	0.060331	-0.097607	0.355340	1.000000	
ACSIZ	0.090855	0.244693	-0.562275	-0.195093	1.000000

Source: Researcher's computation with E-Views 10 (2025)

Table 4.2 displays the correlation matrix among audit quality (QAUD) and audit committee variables: independence (ACIND), financial expertise (ACFEX), meeting frequency (FACM), and size (ACSIZ). Audit quality has weak positive correlations with ACIND (0.05), ACFEX (0.13), FACM (0.06), and ACSIZ (0.09), indicating these factors have a slight positive impact on audit quality. Among the committee variables, ACFEX and ACIND show a moderate negative correlation (-0.24), while ACFEX and ACSIZ have a stronger negative correlation (-0.56), suggesting that committees with greater size or independence might have fewer members with financial expertise. Committee size (ACSIZ) is positively correlated with independence (ACIND) at 0.24, and meeting frequency (FACM) has a positive correlation with financial expertise (ACFEX) at 0.36, but negative correlations with ACSIZ (-0.19) and ACIND (-0.09). Overall, the correlations are weak, implying that other factors likely influence audit quality. Furthermore, since all correlation coefficients are below 0.8,

multicollinearity is not a concern, consistent with guidelines from prior studies (Gujarati & Porter, 2020; Shrestha, 2020).

Multicollinearity Check

Table 4.3: Variance Inflation Factor (VIF)

Variable	VIF	Tolerance 1/VIF
ACIND	1.080268	0.925
ACFEX	1.630599	0.613
FACM	1.144853	0.873
ACSIZ	1.491360	0.671
Mean VIF	1.337	

Source: Researchers' Computation from E-view 10

Table 4.3 shows the results of the multicollinearity test for audit committee variables (ACIND, ACFEX, FACM, and ACSIZ) using Variance Inflation Factor (VIF) and tolerance values. VIF measures how much an independent variable is correlated with others, while tolerance is its inverse. According to Gujarati and Porter (2020), multicollinearity is not problematic if VIF is below 10 and tolerance exceeds 0.10. The highest VIF observed was 1.631, with a mean VIF of 1.337 and a lowest tolerance of 0.613, all within acceptable thresholds. This indicates no multicollinearity among the variables, confirming that the predictors are adequately independent. These results support the reliability and stability of the regression analysis, ensuring that coefficient estimates are neither biased nor inflated by inter-variable correlations. Therefore, the regression model using these variables is statistically sound and suitable for examining the effects of audit committee characteristics on audit quality.

Fixed Effect (LSDV) and Random Effects

The fixed effects model, also called the least squares dummy variable (LSDV) method, accounts for unique characteristics of each of the 41 Nigerian manufacturing firms by giving each firm its own constant intercept that doesn't change over time. This helps capture the influence of factors not included in the pooled OLS model. In contrast, the random effects model assumes that these firm-specific influences are random and part of the overall error term, meaning all firms share a common average intercept. The results from both models, shown in Tables 4.5 and 4.6, provide a comparison of how firm-specific differences affect the findings.

Table 4.4 Fixed Effects

Total panel (balanced) observations: 410				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACIND	0.149679	0.073927	2.024677	0.0435
ACFEX	0.066325	0.131582	0.504055	0.6145
FACM	0.006234	0.007038	0.885843	0.3762
ACSIZ	0.042158	0.021312	1.978166	0.0485
C	0.482943	0.133268	3.623843	0.0003
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.716311	Mean dependent var		0.743137
Adjusted R-squared	0.706378	S.D. dependent var		0.437332
S.E. of regression	0.133813	Akaike info criterion		-1.083168
Sum squared resid	8.147238	Schwarz criterion		-0.626516
Log likelihood	331.2079	Hannan-Quinn criter.		-0.904131
F-statistic	92.25508	Durbin-Watson stat		1.697952
Prob(F-statistic)	0.000000			

Source: Researchers' Computation from E-view 10

Table 4.5 Random Effects

Total panel (balanced) observations: 410				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACIND	0.133875	0.072772	1.839644	0.0664
ACFEX	0.034446	0.129898	0.265176	0.7910
FACM	0.006655	0.007020	0.948023	0.3436
ACSIZ	0.037690	0.021071	1.788713	0.0743
C	0.492887	0.145941	3.377307	0.0008
	Effects Specification			
			S.D.	Rho
Cross-section random			0.431746	0.9124
Idiosyncratic random			0.133813	0.0876
	Weighted Statistics			
R-squared	0.014612	Mean dependent var		0.072488
Adjusted R-squared	0.006807	S.D. dependent var		0.134056
S.E. of regression	0.133599	Sum squared resid		9.013624
F-statistic	1.872121	Durbin-Watson stat		1.628710
Prob(F-statistic)	0.114016			
	Unweighted Statistics			
R-squared	-0.016689	Mean dependent var		0.743137
Sum squared resid	98.97566	Durbin-Watson stat		0.057256

Source: Researchers' Computation from E-view 10

To determine which of these models, fixed effects or random effects, was more suitable, the study applied the Hausman Test.

The Hausman Test

The Hausman Test was conducted to check whether there is a significant difference between the estimates from the fixed effects and random effects models. The test's null hypothesis assumes no significant difference between these estimates. The test statistic follows a chi-square distribution. Specifically, the hypotheses are:

H0: The random effects model is appropriate

H1: The fixed effects model is appropriate

If the p-value of the chi-square statistic is significant, the fixed effects model is preferred; if not, the random effects model is deemed more suitable.

Table 4.6: Hausman Test Result

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	23.85158	4	0.0036

Source: Researchers' Computation from E-view 10

Table 4.6 reports a chi-square p-value of 0.0036 (less than 5%), leading to the rejection of the null hypothesis and favoring the fixed effects model. Table 4.5 displays the fixed effects panel regression results (2014–2023, 410 observations) examining the impact of audit committee characteristics on audit quality (QAUD) in Nigerian

listed manufacturing firms. Audit committee independence (ACIND) has a significant positive effect on QAUD ($\beta = 0.150$, $p = 0.0435$), indicating that greater independence improves audit quality. Financial expertise (ACFEX) and meeting frequency (FACM) showed positive but statistically insignificant effects ($\beta = 0.066$, $p = 0.6145$; $\beta = 0.006$, $p = 0.3762$). Audit committee size (ACSIZ) significantly positively influences audit quality ($\beta = 0.042$, $p = 0.0485$), suggesting that larger committees enhance audit quality. The model explains 72% of the variation in QAUD ($R^2 = 0.716$), and diagnostic tests including the F-statistic and Durbin-Watson (1.697) confirm the model's significance and absence of autocorrelation.

DISCUSSION OF FINDINGS

The study found that audit committee independence (ACI) significantly improves audit quality in Nigerian listed manufacturing firms ($p = 0.0435$; $t = 2.025$), leading to acceptance of the alternative hypothesis. This suggests that having independent members enhances objectivity, limits managerial influence, and strengthens oversight, an important factor in Nigeria's governance environment by reducing information asymmetry and boosting audit standards. This finding supports the work of Ashari and Krismiaji (2020) and Abdullah et al. (2022b), but contrasts with Owolabi and Ogundipe (2022).

Audit committee financial expertise (ACFEX) showed a positive but insignificant effect on audit quality ($p = 0.6145$; $t = 0.504$), resulting in acceptance of the null hypothesis. This indicates that, despite technical knowledge, financial expertise alone may not improve audit quality in Nigerian firms due to limited roles, governance weaknesses, and lack of institutional backing. These findings align with Al-Hayale et al. (2021) and Owolabi and Ogundipe (2022) but differ from Al-Mujren & Al-Sultan (2021).

Frequency of audit committee meetings also had an insignificant positive impact on audit quality ($p = 0.3762$; $t = 0.886$), supporting the null hypothesis. This implies that meeting frequency alone does not ensure better audit quality, as Nigerian meetings may focus on routine rather than strategic issues. The effectiveness depends more on the quality and depth of discussions, consistent with Mabakeng et al. (2022), but contradicts Kabir & Islam (2022).

Audit committee size (ACS) was found to significantly enhance audit quality ($p = 0.0485$; $t = 1.978$), supporting the alternative hypothesis. Larger committees appear to bring diverse expertise, foster shared accountability, and strengthen audit quality. This is particularly relevant in Nigeria, where governance gaps make broader oversight necessary. This result agrees with Dare et al. (2021), but conflicts with Nurlela and Sopian (2025).

CONCLUSION AND RECOMMENDATIONS

This study investigated how audit committee characteristics affect audit quality in Nigerian listed manufacturing firms. The results show that audit committee independence significantly enhances audit quality, strengthening the credibility of financial reporting. Financial expertise on the committee had a positive but insignificant effect, suggesting that expertise alone is insufficient if not fully utilized. Likewise, the frequency of audit committee meetings showed a positive but insignificant impact, indicating that meeting frequency alone does not ensure improved audit outcomes. In contrast, a larger audit committee size positively and significantly influenced audit quality, as a bigger group brings diverse skills and better oversight. Overall, the findings highlight the crucial role of audit committee features in ensuring high-quality audits that satisfy stakeholder expectations. The study also supports stakeholder theory and recommends engaging Big Four or industry-expert auditors to further improve audit quality in Nigeria's manufacturing sector.

Based on these insights, Nigerian listed manufacturing firms should increase the number of non-executive directors on audit committees to strengthen independence. To boost financial expertise, companies should invest in training, workshops, and professional development for committee members, enhancing their capacity to oversee complex financial audits effectively. Additionally, the board should prioritize meaningful and well-structured discussions during meetings rather than focusing on frequency. Maintaining a larger audit committee is advised to ensure diverse expertise, broader perspectives, and stronger oversight that collectively improve audit quality.

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