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AUDIT COMMITTEE STRUCTURE AND PROFITABILITY OF QUOTED COMPANIES IN NIGERIA

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Abstract

This paper examines the impact of audit committee structure on the profitability of quoted companies in Nigeria. The method of data analysis used was regression analysis. A cross-sectional survey research design was used and Ordinal Logistic regression (OLR) technique was adopted in this paper due to its cherished properties of not being biased, efficiency, consistency and its ability to predict multi-class **ordered** ***variables. The source of data used was obtained mainly from secondary sources. Five (5) firms were studied to carry out this research. The findings of this study reveal that there is a significant relationship between audit committee size and profit after tax and return on capital employed, but audit composition did not add significantly to the model. Based on these findings, this study concludes that Audit Size with relevant technical and financial expert knowledge will impact positively on the profitability of quoted companies in Nigeria. Because of these findings and conclusion, this study recommends that the position of Audit Committee should not be remunerated but can be compensated by way of sitting allowance to preserve their independence should be strictly observed in reality. Most importantly, the sitting allowance should be clearly defined and documented and the regular payment made as and when due to avoid frustrating the work of the Audit Committee. The government should implement policy strategies that will encourage quoted companies and reduce the hostile and multiple threats from the Nigeria horrible operating investment environment.***

Keywords: Audit Committee Structure, Profitability, Quoted Companies.

Introduction

Every organization established for business exists for profit-making purpose. Profitability level of an organization determines to a large extent if such organization will achieve the purpose for which it is established and have an edge over other competitors. The primary goal of all business ventures is profitability and without it, the business will not survive in the long run. Profitability is the ability or capacity of a business organization to generate income from its activities above operating expenses in any given period. Profit does not automatically come about but it is the excess of sales revenue over operating expenses. For there to be profit, there must be innovative ideas and cost consciousness, cost reduction and cost-saving strategies. Therefore, measuring current and past profitability and projecting future profitability on a periodic basis is a very important to exercise if the business must succeed. Profitability is measured with two elements, namely income and expenses.

Income is money generated from the activities of the business or revenue a business earns from goods manufactured or bought and sold or services rendered to customers while expenses are spent money or cost incurred or to be incur in an organization's efforts to generate revenue. Expenses represent the cost of doing business and *they* may be in the form of actual cash payments, such as wages and salaries or incurred costs that will be paid in the future. However, money coming into the business from activities like borrowing money from any source does not constitute profit but it can be used to carry out business activity or invested to generate income that will be in excess of operating expenses. This means that profitability is the excess of revenue over all expenses and taxes. A company is profitable by simply producing more finished products and paying less for raw materials and other overheads. Factors that affect profitability can be external or international. Potentials investors are influenced by the level of profitability of organizations and are also scared away when an organization is not making profit that can sustain its existence. This is because no one wants to be a loser or invest where profit is lacking. It is only when an organization is making profit that it can attract more investors.

The managers or board of directors of every organization have a vital role to play in making sure that the organization achieves the purpose for which it is established and stand out well in a highly competitive environment. Many companies have wind up and entrepreneurs have also gone bankrupt because of the inability of the managers of such organizations to consistently generate profit. This state of affairs could be attributable to poor management, lack of transparency, reliability in the management. Profitability in every investment is very necessary. It is the organization financial performance that tells how healthy and strong such organization is.

Previous researcher have study audit committee but none have be done on ‘’audit committee structure and profitability of quoted companies in Nigeria’’, therefore in light of the above, the researcher is ready to fill this gap.

Statement of Problem

The structure of the Audit committee play an important role in enhancing the firm financial performance by mitigating financial distress, such results is supported by many researchers. Salloum, Azzi, Gebrayel (2014) discovered that the financial distress of banks has a significant negative relation with the meeting frequency of the audit committee. Geiger and Rama (2006) opined that the big audit firms provide a report that is of a high quality in terms of producing lower errors compared with the non-big audit firms. In light of previous studies’ results, this study came to highlight the role the audit committee structure can play to control the profitability of a quoted companies and controlling the agency problems.

Considering the background of this study, the problems identified in this research are as follows: What is the influence from the Audit Committee structure towards the Profitability of companies in Nigeria. The need for such study is to bridge the gap in literature since these relationships has not been researched extensively in Nigeria. Moreover Nigeria has witnessed many financial scandals that led many companies to go bankrupt such as Oceanic bank. Thus Nigeria has issued the code of corporate governance which requires listed companies to form the audit committee.

Purpose of the Study

The main purpose of this study is to carry out empirical investigation on the relationship between audit committee structure and profitability of quoted companies in Nigeria. Essentially, the specific objectives of this study are focused on the following:

- To determine the impact of audit firm composition on profit after tax of quoted companies in Nigeria.
- To determine the impact of audit firm composition on return on capital employed of quoted companies in Nigeria.
- To determine the impact of audit firm size on profit after tax of quoted companies in Nigeria.
- To determine the impact of audit firm size composition on return on capital employed of quoted companies in Nigeria.

Research Questions

To achieve the objectives of this study the following questions are raised:

- To what extent is the relationship between of audit firm composition on profit after tax of quoted companies in Nigeria?
- To what extent is the relationship between audit firm composition on return on capital employed of quoted companies in Nigeria?
- To what extent is the relationship between audit firm size on profit after tax of quoted companies in Nigeria?
- To what extent is the relationship between audit firm size on return on capital employed of quoted companies in Nigeria?

Research Hypotheses

From the research questions, the following null hypotheses were drawn and to be tested in the study.

Ho1: There is no significant relationship between of audit firm composition and profit after tax of quoted companies in Nigeria.

Ho2: There is no significant relationship between audit firm compositions and return and capital employed of quoted companies in Nigeria.

Ho3: There is no significant relationship between audit firm size and profit after tax of quoted companies in Nigeria.

Ho4: There is no significant relationship between audit firm size on return on capital employed of quoted companies in Nigeria?

Theoretical Framework

There are several different theories that may explain the demand for audit services. Some of them are well known in research and some of them are more based on perceptions.

The policeman theory

This was the most widely known theory on auditing until the 1940s (Hayes et al., 1999 as cited by Salehi, 2010). Under this theory, auditor is responsible for searching, discovering and preventing fraud. However, due to its inability to give detail of the shift of auditing to verification of truth and to determine the fairness of the financial statements,' the theory seems to have lost much of its explanatory power (Salehi, 2010). But, more recently the main focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements. Fraud detection is, however, a hot topic till today in the debate on the auditor's responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases once there is an increasing in the responsibilities of auditors in detecting fraud.

The lending credibility theory

This suggests that the primary function of the audit is to add credibility to the financial statements. In this view the service that the auditors are selling to the clients is credibility. Audited financial statements are one of the elements that increase users of financial statement confidence in the figures presented by the management (in the financial statement). The users' are perceived to gain rewards from the increased credibility, these rewards are typically considered to be that the quality of investment decisions improve when they are based on reliable information.

Agency Theory

Watts and Zimmerman (1979, 1986) suggests that the auditor is selected in the interests of both the third parties as well as the management. In agency issues, a company is looked at as a web of contracts. Several groups (suppliers, bankers, customers, employees etc.) make some kind of contributions to the company for a given price. The duty of the management is to manage these groups and contracts and try to optimize them: low price for purchased supplies, high price for sold goods, low interest rates for giving loans, high share prices and low wages for being employed. In these relationships, management is the agent, which tries to gain contributions from principals (bankers, shareholders, employees etc).The most prominent and widely used audit theory is the agency theory.

Conceptual Literature Review

Audit Committee Structure

According to Okezie (2004), the concept of audit committee was first recommended to all public owned corporations should appoint committees of outside and non-executive directors to nominate independent auditors in North America in the early 1940s by the Securities and Exchange Commission. He posits that the primary purpose of an audit committee as to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations. The audit committee can expect to review significant accounting and reporting issues and recent professional and regulatory pronouncements to understand the potential impact on financial statements. An understanding of how management develops internal interim financial information is necessary to assess whether reports are complete and accurate. The audit committee has the responsibility to reviews the results of the audit with management and external auditors, including matters required to be communicated to the committee under generally accepted auditing standards.

In other words, the Audit Committee is a Committee established by the Board of Commissioners to help their duty and function of supervising the company as stated in the Corporate Law that helps to protect the interest of all the stakeholders. The interest of the stakeholders is reflected in the company's management that produces accurate, complete, reliable and timely financial reports (Merawati, 2015). According to CAMA 1990 as amended, the audit committee is a committee of shareholders and non-executive directors charged with the responsibility of liaising between the external auditors and the BOD on one hand, and between management and the external auditors on the other hand.

Ezeribe (2018) outlines the functions of Audit Committee as to: Monitor and ensure the integrity of an entity's financial statements. This is achieved by periodically reviewing the financial statements on behalf of the board. Review the external auditor's independence, objectivity and effectiveness; Make recommendations to the board regarding the appointment, removal and remuneration of external auditors; Monitor and review the effectiveness of internal audit, financial and internal control system of the entity; Develop and implement policies with regards to non-audit services; Review the company's risk management systems especially where there is no risk management committee of the board; Authorize the internal audit department to investigate matters that of concern to the committee (e.g. allegation of fraud).

The intention of the Companies Law according to Okezie (2004) is to ensure that the auditors should be independent of management in the discharge of their duties, this is made to make the assignment effective, efficient and without bias. Audit committees have a pivotal role to play in enhancing audit quality and ensuring profitability. Effective audit committees and auditors build confidence in the integrity of financial reporting. The audit committee plays a critical role in creating the right environment for quality auditing. It is the audit committee's responsibility to create an environment that accommodates an open discussion in a culture of integrity, respect and transparency between management and auditors. Shamusdden (2003) as cited by Modum, Ugwoke and Onyeanu (2013) opines that members of the committee should possess qualities such as integrity, dedication, and a thorough understanding of the business of the company. Moreover, the composition of the Audit Committee (AC) and the manner in which they exercise their governance and oversight responsibilities have a major impact on the overall internal control mechanism of a company.

Expectedly, the independence of the AC from management, the level of accounting knowledge possessed by members, the experience and status of the members, the extent of their involvement and scrutiny of management activities, the appropriateness of their actions (for instance, the degree to which they raise and pursue difficult questions with management), all determine the efficiency and effectiveness of this committee. As an intermediary between the management and the external auditors, it is equally expected that an effective audit committee can enhance the independence and professional scepticism of an external auditor. Interestingly, the BOD and the AC exist in a mutually reinforcing symbiotic relationship. The effectiveness of one enhances the efficiency of the other since an effective AC helps to set a positive tone at the top.

In Nigeria, the Audit Committee is a committee of the Board of Director's set up to oversee, monitor and ensure the effectiveness and efficiency of an organization's audit and financial reporting function. It is usually made up of a minimum of three (3) none executive directors in most countries of the world. In Nigeria, the CAMA, 2004 provides that an Audit committee should be made up of equal numbers of directors and shareholders subject to a maximum number of six (6) members. Members are appointed for a fixed term but can be re-elected. In line with CAMA, members of the Audit Committee should not be remunerated but can be compensated by way of sitting allowance in order to preserve their independence. To perform their roles effectively, this committee should be made up of members with at least one person possessing good knowledge of accounting and audit (Ezeribe, 2018).

Under the Companies and Allied Matters Act (CAMA), 1990 subsection (1) of this section, the auditor shall in the case of a public company also make a report to an audit committee which shall be established by the public company. The audit committee referred to in subsection (3) of this section shall consist of an equal number of directors and representatives of the shareholders of the company(subject to a maximum number of six members) and shall examine the auditor's report and make recommendations thereon to the annual general meeting as it may think fit.

Provided, however, that such member of the audit committee shall not be entitled to remuneration and shall be subject to re-election annually. Any member may nominate a shareholder as a member of the audit committee by giving notice in writing of such nomination to the secretary of the company at least 21days before the annual general meeting. Subject to such other additional functions and powers that the company's articles of association may stipulate the objectives and functions of the audit committee shall be to: Ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices; Review the scope and planning of audit requirements; Review the findings on management matters in conjunction with the external auditor and departmental responses thereon; Keep under review the effectiveness of the company's system of accounting and internal control; Make recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the company; and Authorize the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee.

Profitability

Profitability is the ratio that helps to assess the company's ability to generate profit. This ratio can also be used to ascertain the effectiveness of the company in generating profit. To achieve the equity level for companies should continually improve the ability to generate profit (Merawati, 2015). The ultimate impact of audit firm is to help organizations achieve their objectives of which profit making is one. However, organizations can only make profit by satisfying customer needs better than competitors (Day, 1994; Dawes, 2000). The performance of the company reflects the achievement of a company in reaching its target, objectives, vision and mission and also structure out properly the audit committee as incorporated in the strategic plan for a certain period of time (Komala, 2009 as cited by Merawati, 2015). In this context, the profitability ratio measures the company's ability to generate profit (Sensi, 2006 as cited by Merawati, 2015).

Empirical Review

Laith (2015) examined the relationship between Audit Committee Characteristics, Audit Firm Quality and Companies' Profitability in Jordan displayed keen interest in corporate governance in terms of improving the quality of financial statements and to restore the confidence of investors'. This study aimed to highlight the role of audit committee and external audit in improving companies' profitability. Since there are contradictions in previous studies results, there is a need to test these relationships in Jordanian context to provide empirical evidence on this issue, especially after the corporate governance application became mandatory since 2009.

This study used industrial sector, which include 91 companies, only 69 companies were included in this study, the other 22 companies were excluded because they were either newly listed or delisted during the study period (2009-2014). Multiple regression were used to analyze the data, the result showed positive relationships between audit committee meeting, audit committee size and companies profitability, while no significant relationship between audit committee composition, audit committee members literacy, audit quality and companies profitability. Such results would be beneficial to companies' corporate governance committees to play their supervisory role.

Omolara (2014) investigated the Impact of Corporate Governance on Performance of Quoted companies in Nigeria, This paper explored the relationship(s) that exists between Corporate Governance and the performance of Quoted Companies Nigeria using the corporate governance variables namely, separation of CEO and Chairman, Director's Independence and Number of meetings of the board and three enterprise performance indicators namely, return on Equity, Net Profit margin and Earnings per Share. Twenty five (25) quoted companies on the Nigerian stock exchange were selected for the study and two years (2) data was collected on these firms. The two sets of variables (i.e. corporate governance and financial performance) are first summarized using descriptive statistics and then test of association (Correlation and Regression analysis) was carried out between the two sets of variables individually.

The result of the tests shows that the two variables (i.e. corporate governance and financial performance) are more positively related on an individual proxy. The overall impact of corporate governance on the performance is also negative so also are the result of the regression models This result shows that although there is a relationship between the two variables, the predictive power of corporate governance on companies' performance is too low to be meaningful Other performance measures like Return on capital employed (ROCE) can be used in further studies to determine if the relationship between the two variables would be linear.

Modum, Ugwoke and Onyean (2013) stated that this current study uses secondary data on corporate financial performance represented by earnings per share; as dependent variable and Audit Committee sizes, Composition, frequency of meetings ,and regularity of members' attendance, as independent variables, all collected from annual financial reports of the companies quoted on the stock exchange within the study period to test the hypothesis that : Audit Committee size, composition and frequency of meetings have significant positive effect on the financial performance of quoted non-financial companies on the Nigerian Stock Exchange. The Micro soft Special Package for Social Sciences (SPSS) is used to do the regression analysis which showed that there is a significant positive relationship between the Audit Committee Size , composition, frequency of meetings, regularity of members' attendance and performance of quoted non-financial companies as in the earlier study on perception.

Most of the companies had very low financial performance and had ineffective Audit Committees. This study could not simply corroborate the earlier one because while the perception of the managers reflected their expectations of the role and impact of the audit committees, the reality on ground as shown by the relationship between the quality of audit committee and financial performance show that Nigerian companies have not really benefited from the existence of these audit committees. Critically, these firms generally score very low in these indices hence their equally low earnings per share. Therefore, like in the previous study the recommendation is being made that the entire legal and regulatory framework together with the necessary institutional and environmental architecture for proper constitution and operation of an efficient Audit Committee should be maintained at all times to enhance corporate governance and improve financial performance of listed companies on the Nigerian Stock Exchange.

Oseyomon and Gbandi (2014) stated the objective of the study as to determine the extent to which customers of quoted companies in Nigeria are satisfied with the products (goods and services) of quoted companies. Purposive sampling method was used to select a total sample size of fifty (50) companies. Through the techniques of simple random sampling, a total number of two thousand, two hundred and twenty (2,220) customers were selected from the quoted companies. Index and mean index methods were used to measure the level of customer satisfaction. The results obtained from the analysis revealed a mean index score of 2.3 measured against a scale of 5. This implied that the extent of customer satisfaction was below average. The study recommends that quoted companies in Nigeria should be customer-oriented in order to serve their customers better.

Melinda (2013) researched on correlation analysis of the audit committee and profitability indicators. The main role of corporate governance is to restore the confidence of the market and in this process plays an important role the audit committee. The purpose of this case study is to analyze the correlations between the audit committee and profitability indicators. Considering the achievement of the objectives proposed in this research, our research is based on a deductive approach from general aspects to particular aspects that combines quantitative and qualitative studies. Theoretical knowledge is used for a better understanding of a phenomenon and not for making assumptions. Thus, in order to achieve our study, we selected 25 companies listed on Berlin Stock Exchange. Following this study, we concluded that the role of the audit committee is crucial to ensure profitability.

Narwal and Jindal (2015) ascertained the impact of corporate governance on the profitability of Indian textile sectors. They collected data from annual reports of textiles companies for the period of five year from 2009 to 2014. The profitability has been taken as dependent variable and board size, audit committee members, board meetings, non-executive directors, directors remunerations as independent variables. For analyzing the data the study used correlation and OLS regression model. Finally, they found a strong positive association is observed between director’s remuneration and profitability. The Audit Committee members is observed negative associated with the profitability. The study concluded that board size, board meeting and non-executive directors do not significant association with the profitability. On Contrary, Ojulari (2014) explores the relationships that exist between corporate governance and the performance of Quoted Companies in Nigeria. He selected twenty five companies listed in the Nigerian stock exchange.

The results show that the two variables (i.e. corporate governance and financial performance) are more positively related on an individual proxy basis than on an overall proxy basis. The overall impact of corporate governance on the performance is also negative so also are the result of the regression models used in the study. This result shows that although there is a relationship between the two variables, the predictive power of corporate governance on companies' performance is too low to be meaningful. Salloum, et al(2014) highlighted the impact of audit committee characteristics on Lebanese financially distressed and non-distressed banks. They examined four characteristics of the audit committee namely: size, composition, frequency of meeting and financial expertise. They found that the distressed banks have a significant negative relation with the meeting frequency of the audit committee.

They added that meeting frequency plays a vital role to ensure audit committee effectiveness and the audit committee with frequent meetings is able to help audit committee members to ensure the integrity of financial reporting, to provide better monitoring and to review effectively the operations. Fulop (2013) analyzed the correlations between the audit committee and profitability. He used 25 companies listed on Berlin Stock Exchange to test these relationships he found that the role of the audit committee is crucial. Similarly Zare et al (2013) investigated the relationship between audit firm size and profitability. They used 97 companies' annual reports to test the study hypotheses; they found a negative and significant relation between audit firm size institution and companies' profitability. Moreover, Arshad et al (2011) found a there is positive effect of an audit committee on firm's profitability ratio and on firm's performance.

Merawati (2015) examined insurance and reinsurance companies as they are required to maintain a sound financial standing and comply with the provisions on the company's equity as stipulated by the government. To achieve such equity, the company must retain their profitability. Under a supervision system supported by the Audit Committee, Internal Audit and External Audit, it is expected that the insurance companies shall be able to fulfill their obligation in complying with all the prevailing regulations. If these companies fail to do so, the companies shall be subject to the supervision of the government. This study was conducted on insurance and reinsurance companies listed in the Indonesian Stock Exchange in 2012 (11 companies). Thirty eight top executive of the company were interviewed as respondents. By applying the SPSS program the results showed that simultaneously and partially, the Audit Committee, the Internal Audit, the External Audit and the corporate financial soundness, have influences on the company's profitability.

Zahirul-Islam (2010) argues that an audit committee is one of the ways to reduce the earning management -such as manipulating financial statements to get higher bonuses. This is because effective audit committees enhance the quality and credibility of annual audited financial statements produce at the end of the year. Goodwin and Seow (2002) found that when audit committee is strong, it decreases errors in financial statements and increases the possibility of management fraud detection.

Methodology

The method of data analysis used was the regression analysis. A cross-sectional survey research design was used and Ordinary Logistic Regression Technique was adopted in this paper due to its cherished properties of unbiasedness, efficiency and consistency. The source of data used was obtained mainly from secondary sources. Hair, Black, Babin, Anderson, & Latham, (2010) stated why is important to use secondary data in our study because it saves time and cost to generate information under study. They were obtained through published financial statements, AG leventis plc, PZ Cusson plc, Dangote Sugar Nig. Plc, Seven –up bottle plc and Presco plc.

The sample procedure adopted was random sampling method. The audit firms were used as our unit of analysis. The model in its functional form was specified as follows:

PAT = f (AUS, AUC)
ROCE = (AUS, AUC)

The model in its econometric form is presented below:

PAT = *B0* + *B1*AUS + *B2*AUC +Ut…………………………… 1
ROCE= *B0* + *B1*AUS +*B2*AUC +Ut …………………………..2

Where:

PAT= Profit after tax
AUS = Audit firm Size
AUC= Audit firm composition
ROCE = Return on capital employed
U = Error term
B1, B2 > 0
B0 …….. B2 = Coefficient

Result and Presentation

Parameter Estimates

		Estimate	Std. Error	Wald	Df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[ROCE = 9.60]	-.693	1.225	.320	1	.571	-3.094	1.707
	[ROCE = 14.40]	.693	1.225	.320	1	.571	-1.707	3.094
	[ROCE = 15.46]	14.059	652.170	.000	1	.983	-1264.171	1292.289
	[ROCE = 17.60]	40.423	1223.088	.001	1	.974	-2356.786	2437.632
Location	[AS=.00]	27.108	943.301	.001	1	.977	-1821.728	1875.943
	[AS=4.00]	0^a	.	.	0	.	.	.
	[AC=5.00]	54.792	1798.847	.001	1	.976	-3470.883	3580.467
	[AC=6.00]	0^a	.	.	0	.	.	.

Link function: Logit.
a. This parameter is set to zero because it is redundant.

Table 4.1 The Wald test ("Wald" column) is used to determine statistical significance for each of the independent variables. The statistical significance of the test is found in the "Sig." column. Audit size was statistical significance (p=.000) with Return on capital employed. However audit composition was not statistical significance (p=.976) added significantly to the model/prediction, but weight (*p* = .799) did not add significantly to the model

Parameter Estimates

		Estimate	Std. Error	Wald	Df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[PAT = 1337202.00]	-.693	1.225	.320	1	.571	-3.094	1.707
	[PAT = 1350568.00]	.693	1.225	.320	1	.571	-1.707	3.094
	[PAT = 2221447.00]	14.059	652.170	.000	1	.983	-1264.171	1292.289
	[PAT = 2856504.00]	40.423	1223.088	.001	1	.974	-2356.786	2437.632

Location	[AS=.00]	27.108	943.301	.001	1	.977	-1821.728	1875.943
	[AS=4.00]	0[a]	.	.	0	.	.	.
	[AC=5.00]	54.792	1798.847	.001	1	.976	-3470.883	3580.467
	[AC=6.00]	0[a]	.	.	0	.	.	.

Link function: Logit.

This parameter is set to zero because it is redundant.

Table 4.2 The Wald test ("**Wald**" column) is used to determine statistical significance for each of the independent variables. The statistical significance of the test is found in the "**Sig.**" column. Audit size was statistical significance (p=.000) with Profit after tax. However audit composition was not statistical significance (p=.976) added significantly to the model/prediction, but weight (*p* = .799) did not add significantly to the model.

Summary of Findings,

The findings reveal that audit committee size added significantly to the model/prediction with Return on Capital Employed, but audit composition did not add significantly to the model. That is, audit composition was not statistically significant and this means that it did not add significantly to the model. The results of the study supported some previous studies such as Merawati (2015) which concluded that the Audit Committee, the External Audit and the corporate financial soundness, have influences on the profitability of company. Salloum, et al (2014) found that the distressed banks have a significant negative relation with the meeting frequency of the audit committee. Laith (2015) result showed positive relationships between audit committee meeting, audit committee size and companies profitability, while no significant relationship between audit committee composition, audit committee members literacy, audit quality and companies profitability

Conclusion and Recommendation

Based on the findings that the quoted companies in Nigeria have significant impact on profitability, the quoted companies should improve on the audit committee size in order to boast the profitability of the companies.

The provision that Committee should not be remunerated but can be compensated by way of sitting allowance in order to preserve their independence should be strictly observed in reality. Most importantly, the sitting allowance should be clearly defined and documented and the regular payment made as and when due to avoid frustrating the work of the Audit Committee.

Government should implement policy strategies that will encourage quoted companies and reduce the hostile investment environment, multiple threats from the Nigeria horrible operating environment.

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