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IMPACT OF AUDIT COMMITTEES AND QUALITY OF AUDIT REPORT OF LISTED HEALTH CARE FIRMS IN NIGERIA

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ABSTRACT

This study focuses on the impact of audit committee and quality of audit report of listed healthcare firms in Nigeria. Data was sourced from secondary sources from annual report and account of sampled listed healthcare firms in Nigeria. The data that were collected were tabulated and analysed using regression analysis. Findings from the study show that audit committee independence and audit committee financial competence has no significant impact on the quality of audit report of listed healthcare firms in Nigeria, audit committee size and audit committee meetings has significant impact on the quality of audit report of listed healthcare firms in Nigeria. The study recommended that for the fact that audit committee independence has no significant impact on the quality of audit report in of listed healthcare firms in Nigeria in *the short run it might have significant impact in the long run so audit committee in of listed healthcare firms in Nigeria must try to maintain their independence always for better quality of audit report, of listed healthcare firms in Nigeria must maintain its audit committee size or increase the size of the committee for better and quality of audit report, for the fact that audit committee financial competence has no significant impact on the quality of audit report in of listed consumer's goods firms in Nigeria now it may have in the future so audit committee members should keep building their financial competence so as to reduce financial misappropriation to enhance quality audit report and audit committee meetings in of listed healthcare firms in Nigeria should be held regularly because vital issues will be discussed to enhance quality audit report.*

Key words *audit committee, audit report, healthcare annual report and account*

Word count 249

INTRODUCTION

An audit committee in an organization is appointed by the board of directors to assist them in performing their oversight functions to stakeholders of the company. It is the duties of the audit committees to maintain free and open communication relationship between the independent auditors, the internal auditors and management of the Company (Salehi, Salehi, Shirazi & Shirazi, 2016). Audit committees are identified as effective means for corporate governance that reduce the potential for fraudulent financial reporting. They can be very effective not only in providing objective oversight of the accounting of an organization, but also in helping to set an ethical "tone at the top" (Locatelli, 2002; Stein, 2003). Corporate governance includes relationships and accountability of the organization's stakeholders, as well as the laws, policies, procedures, practices, standards, and principles which may affect the organization's direction and control (Cadbury, 1992). It also includes reviewing the organization's practices and policies in regard to the ethical standards and principles, as well as the organization's compliance with its own code of conduct. As a corporate governance monitor, the audit committee should provide the public with correct, accurate, complete, and reliable information, and it should not leave a gap for predictions or uninformed expectations (Hassas and Jafari, 2010). The Sarbanes Oxley Act of the United States defines an audit committee as "a committee established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer" (United States of America, 2002).

The primary objective of audit reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic decision making (IASB, 2008). Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions enhancing overall market efficiency (IASB, 2008). The accounting scandals of the early 2000s (Catanach & Rhoades, 2003) clearly demonstrate the importance of quality of financial reporting. However, the interpretation of quality of financial reporting remains problematic due to different financial reporting environments, regulations, procedures, and understandings. One good definition on aspects of quality issues in financial accounting is from the corporate report of the Accounting Standards Steering Committee, Institute of Chartered Accountants in England and Wales (ICAEW, 1975), which identifies seven qualitative characteristics viewed as desirable for the fulfillment of their fundamental objective of communicating decision-useful measurements: relevance, understandability, reliability, completeness, objectivity, comparability, and timeliness. Given the importance of audit committees, Madawaki and Amran (2013) further argued that listed companies in Nigeria are required to include in their annual reports a summary of activities carried out by their audit committees. Nigeria for instance has witnessed a series of corporate collapses and related frauds that have raised doubts about the credibility of corporate governance in the country. A number of professional and regulatory bodies thus recommended reforms to improve the quality of audit reporting in the management and control of corporations by establishing the audit committees. Improved audit reporting quality has been cited as one of the major benefits for companies‟ establishing audit committees. Studies of Baxter and Cotter (2009), Davidson, Godwin-Stewart, and Kent (2005), Yang and Krishnan (2005), and Abbott, Parker, and Peters (2004) found that independent audit committee members are more objective and less likely to overlook possible deficiencies in the manipulation of financial reports. The results of the above studies further suggested that audit reporting quality improved in the year after the formation of audit committees compared with the year before. The focus of this study was to examine the impact of audit committees and quality of audit report of listed health care firms in Nigeria.

Statement of the Problem

When a company fails shortly after the issuance of a clean report, there is often a public perception that users' of the financial statement should have received an early warning signal from the auditors (Carmichael and Pany, 2003). Berton (2002) posed a question of "why do so many accountants fail to warn the public that the companies they audit are on the verge of collapse?" In response to public expectations, the professional standards related to going concern evaluation have become more stringent over the past 20 years. Following this Auditing Standard Board has issued SAS No 34 (AICPA 1981) and SAS No 59 (AICPA 1998). These standards have increased the auditors' responsibility for detecting and reporting going concern uncertainties.

One may expect auditors to have increased their propensity to modify a bankruptcy related opinions in the face of these more stringent standards (Carcello and. Hermanson 2005. In Birkett, (1992) historical analysis suggests that audit committees were established primary to safeguard the independence of external auditors. Prior research suggests that audit committees strengthen the auditor's position in disputes with the management. However, according to Sommer, (2006) audit committee members do not always perform their duties adequately. Their performance could be influenced by their independence of the management. In another words, members of audit committee such as affiliated directors may have personal interest and economic dependence on the company management, which could affect their independence. For companies experiencing financial distress, external auditors might issue going concern reports in order to show a true and fair view of the companies' financial position. According to agency theory, since the management and the owner of the companies are different, the management will try hard to avoid receiving an unfavourable audit report to secure their position. In such an event, the management of the companies will pressure the external auditor so that such a report will not be produced. An independent audit committee should help mitigate such pressure by supporting the external auditors in these disputes with management. Pucheta-Martínez and De Fuentes (2007) further noted that the collapse of large corporations highlighted the intentional misconduct due to the weakness of corporate governance particularly audit committees, as they are not effective enough to protect investors from loss. Companies have gone into liquidation for reasons bordering on ineffective or non-existing system of audit committee. Recent research suggests that effective audit committee characteristics are fundamental determinants of high-quality audit reporting (Boonlert-U-Thai & Kuntisook, 2009; and Dangana & Yancy 2013). Kibiya, Che-Ahmad and Amran (2016) focus on audit committee independence, financial expertise, share ownership and financial reporting quality. The authors noted that the idea of splitting the AC membership into an equal number of representations is to ensure the independence of the committee, thereby creating more confidence in the board activities, enhanced financial control and more credibility to the workings of the committee and company's financial reporting process. The study hypothesizes that quality of audit reporting depends on audit committee characteristics and hence, the specific focus of the study is to establish the effectiveness of audit committee independence, diversity, financial competence and meetings on quality of audit report of listed health care firms in Nigeria.

Objectives of the Study

The broad objective of this research is to examine the impact of audit committees and quality of audit report of listed health care firms in Nigeria. Specifically, the following objectives are highlighted:

i. To examine the impact of audit committee independence on the quality of audit report of listed health care firms in Nigeria.

ii. To determine the effect of audit committee size on quality audit report of listed health care firms in Nigeria.

iii. To determine the impact of audit committee financial competence on the quality of audit report of listed health care firms in Nigeria.

iv. To evaluate the impact of conduct of audit committee meetings on the quality of audit report of listed health care firms in Nigeria.

Research Hypotheses

The research hypotheses are as follows;

H_{01}: Audit committee independence has no significant impact on the quality of audit report of listed health care firms in Nigeria.

H_{02}: Audit committee size has no significant impact on the quality of audit report of listed health care firms in Nigeria.
H_{03}: Audit committee financial competence has no significant impact on the quality of audit report of listed health care firms in Nigeria.
H_{04}: Audit committee meetings have no significant impact on the quality of audit report of listed health care firms in Nigeria.

Significance of the Study

In the reform platform, audit committees play a vital role in enhancing corporate governance in private sector by providing oversight over the institution's governance, including the organization's system of internal controls. Therefore an audit committee that operates effectively is a key feature in a strong corporate governance culture, and can bring significant benefits to the entity. The study findings may be of great value to management of Health Care Firms in Nigeria and Other Organization of Nigeria towards enhancing accountability as well as quality of audit reporting in their organization. It may help in improving guidelines on appointment and management of audit committees of corporations towards making them more effective in their roles and responsibilities. This may include issuing additional guidelines as well as formulating laws that may make the committees better in guiding the process of managing private resources.

The study will also provide empirical findings that may be of importance to researchers and students in the areas of Finance, Accounting and Audit. These findings may be used to improve understanding of the concept of audit committees in the private sector and suggest various ways of improving their effectiveness in their roles of vetting the quality and integrity of financial statements of the Corporations. The study findings will be an addition to existing literature on audit committees in Nigeria as well as give comparison to similar past studies conducted in developed and developing economies. This study will give a lot of insight to investors when making informed investment decisions. Besides the investors, this study will be of great benefit to the management when deciding on the amount of resources to be allocated to ensure the existence of an effective audit committee.

Scope of the study

The study focuses on the certain audit committee attributes namely audit committee size, audit committee meeting, financial competence, and independence. The study will be limited to Health Care Firms in Nigeria listed in Nigeria. Data on audit committee characteristics and Quality audit report was extracted based on the information disclosed by the firm in their annual reports, the sample period in this study is for the seven (7) years from 2013 -2019. Seven years period was chosen to enable a comprehensive investigation audit committee characteristics and Quality audit report.

REVIEW OF RELATED LITERATURE

Concept of Audit Committee

Audit committee is viewed as an important element of corporate governance because independent directors of the audit committee can, through various monitoring processes, keep in check the faulty conduct of managers. Cohen (2011) argued that independence of the audit committee was an important part of audit committee effectiveness. An independent audit committee may help in ensuring the reliability of the financial reporting process by keeping a check on manipulative, self-centered activities of managers. Governance codes all over the world require firms to set audit committees and ensure their independence. Firms that have more independent members in their audit committees have a lesser probability of becoming victims of fraud (Beasley, 1996), Bukit and Iskandar (2009). Thuneibat (2006) defined it as the committee that is composed of nonexecutive directors in the establishment. The major goal behind forming the audit committee is to increase auditing quality and questioning of board of directors. (Arens, Elder and Beasley, 2009) defines it as a group of persons selected from members of the board of directors who are responsible for retaining independence of the auditor. Audit committee is a corporate governance tool that uses nonexecutive directors as a means of control and oversight over several managerial roles such as internal auditing, risk management, compliance, and financial reporting, and that this role includes intervention when a conflict occurs between executive management and the external auditor over financial reporting matters. For an audit committee to effectively operate and achieve its goals, it members have to be independent from the executive management, have financial knowledge, and meet frequently under a well defined agenda (Rezaee, 2009). Carcello and Neal (2000), posited that audit committee serves as an important governance mechanism because the potential litigation risk and reputation impairment faced by audit committee members ensure that these audit committee members discharge their responsibilities effectively. The audit committee plays an important monitoring role to assure the quality of financial reporting and corporate accountability. We thus expect that firms with high-quality audit committees are less likely to have internal control weaknesses than firms with low-quality audit committees.

Canadian Institute of Chartered Accountants (1992), stated that audit committee is a “committee of directors of an organization whose specific responsibility is to review the annual financial statements before submission to the board of directors. The committee generally acts as liaison between the auditor and the board of directors and its activities may include the review of nomination of the auditor, overall scope of the audit, results of the audit, internal financial controls, and financial information for publication. The audit committee is very crucial to a listed company because they are to report on the work done by the external auditors. Not only that, Company and Allied Matters Act (2014) stated that the audit committee are to certify that the scope and planning of the audit were adequate in their opinion; account and that the reporting policies of the Bank conforms to the statutory requirements and agreed ethical practices; that internal control system is being constantly and effectively monitored; whistle blowing channel run by an external and independent third party is found adequate; and external auditor’s management controls report receives satisfactory response from the management.

Audit Committee Characteristics

There are variables that audit committee are measured in every limited companies. Some of these yardsticks are briefly discussed below:

i. Independence

The independence of an audit committee is considered a vital characteristic influencing the committee's efficiency in managing the process of financial statements (Baxter, & Cotter, 2009). The independence of an audit committee can serve as active to control the financial reporting. Therefore, audit committee independence has been found to be significantly associated with measures of earnings quality in prior studies (Baxter & Cotter, 2009). On the other hand, Nimer, (2012) documented that, the results of the multiple regressions indicated that there is no significant relationship between audit committees' effectiveness factors and dividend payout policies in 63 listed Jordanian firms. Audit committee is viewed as an important element of corporate governance because independent directors of the audit committee can, through various monitoring processes, keep in check the faulty conduct of managers. Cohen (2011) argued that independence of the audit committee was an important part of audit committee effectiveness. An independent audit committee may help in ensuring the reliability of the financial reporting process by keeping a check on manipulative, self-centered activities of managers.

ii. Audit Committee Meetings

Al-Mamun (2014) was of the view that regular meetings of audit committee could help reduce agency problems and information asymmetry of a firm by providing fair and timely information to investors. If the audit committee is independent, and work of the committee fair, then frauds occurring in firms could be curbed (Yunos, 2014). Independent members of the committee could fairly look into financial statements and observe components such as equity, net income, total assets and sales, which represent the performance and financial position of the firm (Subrata Sarkar, 2013). DeZoort (2002) suggested that a company where the audit committee met more frequently was likely to be more careful in safeguarding the interest of its investors.

iii. Financial Expertise

Financial expertise improves the effectiveness of audit committees. The expertise of the audit committee is generally considered an important characteristic for its effective operation (Baxter, & Cotter, 2009). According to Lisic, et al. (2011), they found negative association between audit committee financial expertise and incidence of restatements is moderated by CEO power. The audit committee financial expertise is negatively associated with incidence of restatements when the proxy for CEO power is low. Thus, they suggest that having a financial expert on the audit committee does not automatically translate into more effective monitoring. Rather, the substantive monitoring effectiveness of audit committee financial expertise is contingent on the power of the top management.

iv. Audit Committee Size

In addition, this study also includes audit committee size as audit committee size is likely to have significant effect on firm performance. Accordingly, the Code of Corporate Governance (2000) also requires the audit committee to be comprised of at least three members. However, Saleh et al., (2007) raised question whether larger audit committee can result effective monitoring or not. There are number of studies reported positive relationship between board size and firm performance. Dalton et al., (1999) found a positive association between size and monitoring process of the board that result in higher performance, whereas Saleh et al., (2007) asserted that audit committee with more members likely to possess diverse skills and knowledge which is likely to enhance monitoring. This finding was subsequently supported by Mir &Souad (2008). Raghunandan& Rama (2007) argued that the size of audit committee increases the number of meetings. This increase in meeting frequency is argued to provide more effective monitoring and hence better firm performance.

Quality of Audit/Financial Reporting

As a response to the need for improvement and convergence of existing financial reporting frameworks, IASB issued in 2008 an exposure draft titled "An improved conceptual framework for financial reporting". According to IASB‟s conceptual framework a key prerequisite for quality in financial reporting is the adherence to the objective and the qualitative characteristics of financial reporting information, (IASB, 2008). Qualitative characteristics are the attributes that make financial information useful and comprise of relevance, faithful representation, comparability, verifiability, timeliness and understandability. The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic decision making (FASB, 1999; IASB, 2008). This is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions enhancing overall market efficiency (IASB, 2008).

To assess quality of Audit/financial reporting, the study used prior literature which defines financial reporting quality in terms of the fundamental and enhancing qualitative characteristics underlying decision usefulness as defined in the exposure draft of IASB. The fundamental qualitative characteristics of relevance and faithful representation are most important and determine the content of financial reporting information. The study used faithful representation as assessed and reported in the external auditor‟s opinion. Low frequency of unqualified audit opinion was taken to represent faithful representation and therefore quality financial reporting while high frequency of qualified, disclaimer of opinion and adverse opinion was taken to represent non-faithful representation and therefore poor quality financial reporting. Zero ratios of queried transactions to annual budget was interpreted as higher quality of financial reporting as opposed to high ratio of queried transactions to annual budget which was taken as poor financial reporting. The enhancing qualitative characteristics of understandability, comparability, verifiability and timeliness can improve decision usefulness when the fundamental qualitative characteristics are established. However, they cannot determine financial reporting quality on their own (IASB, 2008).

An annual financial report can never be completely free from bias, since economic phenomena presented in annual reports are frequently measured under conditions of uncertainty. Many estimates and assumptions are included in the annual report. Although complete lack of bias cannot be achieved, a certain level of accuracy is necessary for financial reporting information to be decision useful (IASB, 2008). Therefore, it is important to examine the argumentation provided for the different estimates and assumptions made in the annual report (Jonas &

Blanchet, 2000). If valid arguments are provided for the assumptions and estimates made, they are likely to represent the economic phenomena without bias. In addition, valid and well grounded arguments provided for the accounting principles used increase the likelihood that preparers fully understand the measurement method.

Theoretical Framework

The theories underpinning this study are Agency Theory. The separation of ownership and control in modern business creates conflicts of interest between managers and stakeholders. Following this conflict was between the principal and the agent, companies are obliged to use control mechanisms to reduce agency costs and information asymmetry like the audit committees (Kalbers & al 1998). Similarly Pincus & al (1989) argues that audit committees are used primarily in situations where agency costs are high to improve the quality of information flows from the agent to the principal. According to the agency theory, to ensure the effectiveness of an audit committee, managers are encouraged to prepare financial statements adequately to specify the return generated by the companies. Beasley (1996) and Felo (2003) based on the agency theory provide for the existence of a positive and significant relationship between the presence of an audit committee and the quality of financial statements. Similarly Mc Mullen (1996), based on the agency theory, finds a positive relationship between the existence of an audit committee and the reliability of financial statements. The agency theory states that the presence of an audit committee within the board of directors is sufficient to ensure the reliability of financial statements. However, Beasley (1996) concluded that the mere presence of an audit committee does not necessarily mean that this committee is effective in performing its oversight role.

Empirical Framework

Mohammad & Faudziah (2018) examined the association between audit committee and firm performance of the Jordanian firms. This study used OLS regression to test the relationship between independent variable and dependent variable as discussed in the section explaining the study method. The data comprised of 228 firms industrial and services. As this study Jordan attempts to bridge the gap. in the existing literature by investigating the association between audit committee and firm performance in the emerging market of Jordan. The findings indicated a positive direction but insignificant relationship between audit committee size and ROA. Whereas, audit committee size with EPS is positive direction and significant. Farther more, the result shows audit committee meetings significant and positive direction with ROA. Correspondingly, audit committee meetings with EPS represent positive direction but insignificant..

Jerubet and Winrose (2017) established the effects of audit committee characteristics on quality of financial reporting among firms listed in Nairobi Securities Exchange, Kenya. The study was guided by the agency theory. Explanatory research design was used. A survey of all firms was done and only 46 firms were extracted because they were operating in NSE at the year 2014. This study utilized secondary data which was collected by use of a document analysis guide. Data collected was analyzed by using both descriptive and inferential statistical methods. The findings indicated that audit committee size has a positive and significant effect on the quality of financial reporting ($\beta 1= 0.417$, $\rho<0.05$). However, findings showed that audit committee independence had a negative and significant effect on the quality of financial reporting ($\beta 2= -0.478$, $\rho<0.05$). The findings indicated that increase in audit committee size increases quality of financial reporting.

Osemene & Fakile (2018) examined audit committee impacts on financial performance of deposit money banks in Nigeria. Return on equity (ROE) was used as a measure of financial performance, independence; financial expertise and frequency of meetings was identified as possibly having effects on financial performance. Correlation and regression analysis was used to estimate the relationship between audit committee characteristics and financial performance. Findings show that audit committee, financial expertise and audit committee meetings have significant influence on the financial performance of deposit money banks' in Nigeria.

Mohammad and Chaudhory (2019), explored the impact of audit characteristics on firm performance. In this study, external audit quality (BIG4), frequencies of audit committee meetings, and audit committee size are used as the proxies of audit characteristics and firm performance is measured through ROA, profit margin and EPS. A total of 503 firm years are considered as sample size from the listed manufacturing firms of Dhaka Stock Exchange (DSE) during the period of 2013 to 2017 to find out the impact of audit characteristics on firm performance. In this study, multivariate regression analysis is conducted using the pooled OLS method. Moreover, time dummy and lag model of multivariate analysis are also analyzed as robust check. The multivariate regression results find that external audit quality (BIG4) and audit committee size are significantly positively associated with firm performance. This study also finds that there is a significant negative relationship between audit committee meeting and firm performance.

Zalailah, Saeed And Ahmad (2017), examined whether Malaysian audit committee financial expertise is relevant for financial reporting timeliness. Using data from 2005 to 2011 from the top 100 Malaysian companies and the fixed effects panel data approach; we find that audit committee financial expertise is not significantly associated with audit report lag proxies. We further examined this issue with the basic premise that audit committee independence enhances the role of audit committee financial expertise. However, the interaction between these mechanisms shows an insignificant association. Additional investigation reveals that these results are driven by the lack of independence on Malaysian boards.

Balagobei and Velnampy (2018), investigated the impact of audit committee on organizational performance of listed hotels and travels in Sri Lanka. The sample consists of 15 listed hotels and travels in Sri Lanka. In this study, data was collected from secondary sources and hypotheses are examined by using Pearson's correlation and multiple regression analysis (Eviews). The results reveal that audit committee attributes such as AC independence, AC experts and AC meetings have a significant impact on organizational performance of listed hotels and travels in Sri Lanka. Further audit committee size is not found to have a significant impact on the organizational performance.

Oroud (2019), investigated the relationship between audit committee characteristics (size, independence, meeting and financial expertise) and the profitability of industrial companies listed on the Amman Stock Exchange (ASE) for the years 2013 to 2017. The model of this study is theoretically founded on both the agency theory and the resource dependence theory. To examine the developed model, the data were gathered from the annual reports of 51 listed industrial firms. To analyse the data, this study utilized the panel data methodology on 51companies with 255 observations. Moreover, this study used company size and leverage as control variables. Based on the panel data results, the fixed-effect model was used to examine the effect of the experimental variables on profitability, measured by return on investment (ROI) and return on equity (ROE). The results show that the audit committee characteristics have a significant effect on profitability of the industrial companies listed on the ASE.

Muhammad, Umaru and Salisu (2017), examined the effect of audit Committees' Quality (audit committee members, audit committee meetings and audit committee financial expertise) on financial performance with a focus on the Nigerian food and beverages sector. The population of the study comprises of food and Beverages companies that are listed in the Nigerian Stock Exchange. The study samples were selected using purposive sampling method. Data were collected from the Annual report and accounts of the selected companies for a period of ten years (2007- 2016). The study also employed correlation and structural equation modelling for analysing the data. The results revealed a significant positive effect between audit committee meetings, audit committee financial expertise and financial performance. The result of the study also shows a insignificant negative effect between audit committee members and financial performance of the Nigerian food and beverages sector.

Majiyebo and Okpanachi (2018), examined the effect of audit committee independence and size on financial reporting quality of listed deposit money banks (DMB) in Nigeria. Cross sectional data was obtained from the Nigerian Stock Exchange fact books and the financial statements of fifteen (15) listed deposit money banks over a period of ten years (2007-2016). The modified Jones (1991) model was adopted to measure financial reporting quality. The data was analyzed using STATA 13. The study reveals that audit committee independence has a negative but significant effect on financial reporting quality of listed deposit money banks in Nigeria. Also, audit committee size has no significant effect on the financial reporting quality of listed deposit money banks in Nigeria.

METHODOLOGY

The study adopts Ex post facto design. Ex post facto design is a quasi-experimental study examining how an independent variable, present prior to the study, affects a dependent variable.

The population of this study is made up of all Healthcare Firm Listed in Nigeria Stock Exchange (NSE). Essentially, nine (9) companies are classified under healthcare firms from industrial classification of NSE website as at 31st December, 2019.In order to ensure accuracy and reliability of data, the approach adopted in this study for sample size determination is through judgmental or purposive sampling technique. The criteria for the sampled firms are: it must be quoted under NSE for more 10 years, recognized and have a large customer base. The sample firm May & Baker Nigeria Plc., Evans Medical Plc., Fidson Healthcare Plc., Glaxo Smithkline Plc. In this study, the secondary sources of data collection were used. The secondary source of data for this study includes the annual report of the sampled firm for all the relevant years. The data covers the period from 2013-2019. The reason for using this source is because estimation models used in this study requires the use of time series data. The data were gathered through the secondary sources to examine the impact of audit committee and quality of audit report sampled firm is processed using a multiple regression analysis to determine the relationship between dependent variable and independent variable. The data are analysed for a period of seven years from 2013- 2019.

Empirical Model Specification

$QAR= \alpha+\beta 1ACIN+ \beta 2ACFEX+ \beta 3ACMEE+\beta 4ACSIZE +e$

QAR = Quality Audit Report
ACIN= Audit Committee Independence

ACFEX= Audit Committee Financial Expertise

ACMEE= Audit Committee Meetings

ACSIZE= Audit Committee Size

α = Constant, $\beta 1$ - $\beta 4$ = Slopes of the regression model or Coefficients of the variables

μ_{it} = Error term

Measurement of Variables

QAR = the quality of an audit report is measured by the outcome, that is the audit opinion issued. If it is unqualified report =1 and qualified report = 0

Audit Committee Characteristics is used as independent variables and to measures

ACIN= the percentage of non executive director in the audit committee

ACFEX= the percentage of individuals on the audit committee who are experienced in finance knowledge and have MBA, ACCA, ACA and MSC.

ACMET= the log of times which an audit committee required to meet in a year

ACSIZE= the log number of members which an audit committee required to have

DATA ANALYSIS AND INTERPRETATION

Regression Results

This section discusses the regression results in relation to audit committee characteristics on the quality of audit report for the period under review. The results are presented below:

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.390[a]	.152	.005	.31417	2.550

a. Predictors: (Constant), ACSIZE, ACFEXP, ACIND, ACMEET
b. Dependent Variable: QAR

From table 1, the result shows that the co-efficient of the regression which is R^2 is relatively low at 15.2%. This means that 15.2% of QAR is explained by the explanatory variables while 84.8% is unexplained. It indicated that if the audit committee increase by 84.8% the quality audit report will reduced by 15.5%. The Durbin Watson (DW) statistics of 2.550 suggests the absence of serial correlation.

Table 2: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.408	4	.102	1.034	.411[b]
	Residual	2.270	23	.099		
	Total	2.679	27			

a. Dependent Variable: QAR

b. Predictors: (Constant), ACSIZE, ACFEXP, ACIND, ACMEET

From table 2 above, the result shows the overall fitness of the model formulated. The F-statistics as presented in the table is 1.034 which is insignificant at 5% because the p-value is greater than 5% level of significance i.e 0.411>0.05. This shows that the model is well fitted as seen from the ANOVA table.

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.646	3.225		.510	.615
	ACIND	-.944	1.062	-.205	-.889	.383
	ACFEXP	1.038	1.399	.170	.742	.466
	ACMEET	1.402	1.186	-.303	-1.183	.049
	ACSIZE	.281	4.038	-.013	-.070	.045

a. Dependent Variable: QAR

Table 3 shows the regression results on the relationship between ACIND, ACFEXP, ACMEET and ACSIZE. The estimated regression relationship for the model is:

QAR= 1.646 – 0.944 (ACIND) + 1.038 (ACFEXP) + 1.402 (ACMEET) + 0.281 (ACSIZE)

Test of Hypotheses

H_{01}: Audit committee independence has no significant impact on the quality of audit report of listed Health care firms in Nigeria.

The result from table 3 shows that ACIN is having a co-efficient of -0.944 and a p-value of 0.3835. This indicates that the variable has a negative effect on the model and it is statistically insignificant at 5% because the p-value is greater than 0.05. This therefore means that ACIN does not influence the quality of audit report of listed Health care firms in Nigeria. This therefore, leads to the acceptance of the null hypothesis which states that Audit committee independence has no significant impact on the quality of audit report of listed Health care firms in Nigeria and the null alternate is rejected.

H_{02}: Audit committee size has no significant impact on the quality of audit report of listed Health care firms in Nigeria

The result from table 3 shows that ACSIZE is having a co-efficient of 0.281 and a p-value of 0.045. This indicates that the variable has a positive effect on the model and it is statistically significant at 5% because the p-value is less than 0.05. This therefore means that ACSIZE influence the quality of audit report of listed Health care firms in Nigeria**.** This therefore, leads to the acceptance of the alternate hypothesis which states that Audit committee size has significant impact on the quality of audit report of listed Health care firms in Nigeria and the null hypothesis is rejected.

H_{03}: Audit committee financial competence has no significant impact on the quality of audit report of listed Health care firms in Nigeria.

The result from table 3 shows that ACFEX is having a co-efficient of 1.038 and a p-value of 0.466. This indicates that the variable has a positive effect on the model and it is statistically insignificant at 5% because the p-value is greater than 0.05. This therefore means that ACFEXP does not influence the quality of audit report of listed Health care firms in Nigeria. This therefore, leads to the acceptance of the null hypothesis which states that Audit committee financial competence has no significant impact on the quality of audit report of listed Health care firms in Nigeria and the alternate hypothesis is rejected.

H_{04}: Audit committee meetings have no significant impact on the quality of audit report of listed Health care firms in Nigeria.

The result from table 3 shows that ACMET is having a co-efficient of 1.402 and a p-value of 0.049. This indicates that the variable has a positive effect on the model and it is statistically significant at 5% because the p-value is less than 0.05. This therefore means that ACMET influences the quality of audit report of listed Health care firms in Nigeria. This therefore, leads to the acceptance of the alternate hypothesis which states that Audit committee meetings have significant impact on the quality of audit report of listed Health care firms in Nigeria and the null hypothesis is rejected.

Discussion of Findings

The study discovered that Audit committee independence has no significant impact on the quality of audit report in Health care firms Plc, Audit committee size has significant impact on the quality of audit report in Health care firms Plc, Audit committee financial competence has no significant impact on the quality of audit report in Health care firms Plc and Audit committee meetings have significant impact on the quality of audit report in Health care firms Plc. Audit committee of corporate board of directors has received broad-based support for many years as a key factor for more efficient level of corporate governance. Their major function is to oversee the process of financial reporting so as to make sure that all transactions are recorded accurately so as to have more reliable and accurate financial data. Inaccurate reporting of firm performance by manipulating laicnanifnumbers is detrimental to 'sredloherahs value because shareholders get false information which may result in higher information asymmetry and higher cost of capital. Functions of the audit committee in overseeing the process of financial reporting majorly depends on how independent the personnel within the audit committee are in conducting their functions, the expertise of audit committee members and the overlapping membership on audit and remuneration committees.

Audit committee independence (ACIN) shows that have no effect on the quality of audit report in Health care firms Plc because it is statistically insignificant, this result is against Chan and Li (2008), who state that there is significant positive relationship exists between Tobin's Q and independence of the audit committee. From the regression results, shows that audit committee financial expertise (ACFEX) is statistically insignificant in explaining changes in the quality of audit report. There is also a significant negative relationship between audit committee financial expertise and quality of audit report. Specifically, an increase in audit committee financial expertise (ACFEX) will not lead to an increase in the quality of audit report. This result is inconsistent with the findings of Ojeka, Iyoha and Asaolu (2015) they state that audit committee financial expertise as the most prominent and impactful determinant of preserving financial integrity and reliability of financial reporting. This confirms the position of regulators (e.g. Sarbanes Oxley Act, Nig. SEC Codes, 2011) and stakeholders in the non financial sector across the world and particularly in Nigeria on the need to have financial experts in the audit committee bearing in mind the recent high profile fraudulent cases. Furthermore, audit committee meeting (ACMEE) is statistically significant in explaining changes in the quality of audit report. There is also a weak positive relationship between audit committee meeting and quality of audit report. Specifically, an increase in audit committee meeting (ACMEE) will lead to an increase in the quality of audit report and a decrease in audit committee meeting (ACMEE) conversely results in a decrease in the quality of audit report.

CONCLUSIONS AND RECOMMENDATIONS

In line with the objective to empirically examine the impact of audit committee and quality of audit report of listed Health care firms in Nigeria. This study concludes that: Audit committee independence has no significant impact on the quality of audit report of listed Health care firms in Nigeria, Audit committee size has significant impact on the quality of audit report of listed Health care firms in Nigeria and Audit committee financial competence has no significant impact on the quality of audit report of listed Health care firms in Nigeria and Audit committee meetings have significant impact on the quality of audit report of listed Health care firms in Nigeria. In line with the findings from this study, the following recommendations are proffered:

i. Despite the fact that audit committee independence has no significant impact on the quality of audit report of listed Health care firms in Nigeria in the short run it might have significant impact in the long run so audit committee in of listed Health care firms in Nigeria must try to maintain their independence always for better quality of audit report.

ii. Listed Health care firms in Nigeria must maintain its audit committee size or increase the size of the committee for better and quality of audit report.

iii. For the fact that audit committee financial competence has no significant impact on the quality of audit report of listed Health care firms in Nigeria now it will have in the future so audit committee members should keep building their financial competence so as to reduce financial misappropriation to enhance quality audit report.

iv. Audit committee meetings in listed Health care firms in Nigeria should be held regularly because vital issues will be discussed to enhance quality audit report.

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