

RISK MANAGEMENT COMMITTEE AND AUDIT COMMITTEE ON AUDIT PRICING OF LISTED CONSUMER GOODS MANUFACTURING COMPANIES IN NIGERIA

¹Omes, Israel (Ph.D) & ²Appah, Ebimobowei (Ph.D, FCA)

^{1 & 2}Department Of Accounting, Faculty of Business Studies, Ignatius Ajuru Univeristy of Education, Port Harcourt, Rivers State, Nigeria

Email:israelomesi9@gmail.commappahebimobowei@yahoo.com

ABSTRACT

Risk management and audit committees perform an important function in safeguarding the integrity and quality of corporate financial reporting and external audit process. This study investigated the relationship between risk management and audit committees on audit pricing of listed consumer goods manufacturing firms in Nigeria. The specific objectives were to investigate risk management and audit committees size, independence, meeting and financial expertise on audit fees. The population of the study was twenty one (21) listed consumer goods manufacturing firms as at year end 2020. Probability sampling technique was used to determine the sample for the study. Using Taro Yamene method a sample size of twenty 20 firms was selected for the study. Secondary data from the published annual financial reports of the sampled firms were used for data gathering. Descriptive statistics, correlation coefficient and multivariate analysis were used for data analysis. The results showed that risk management and audit committees size positively and significantly affects audit fees; risk management and audit committees independence positively and significantly affects audit fees; risk management and audit committees meetings positively and significantly affects audit fees; and risk management and audit committees financial expertise positively and significantly affects audit fees. On the basis of the findings, the study concluded that risk management and audit committees size positively and significantly the amount of audit fees of listed consumer goods manufacturing firms in Nigeria. The study recommends among others that Supervisory and monitoring organizations should provide quality guiding principle on minimum requirement for board size, number of experts, number and timing of meetings as well as empowering the shareholder associations to be active and report compliance.

Keywords: Risk Committee, Audit Committee, Audit Pricing, Audit Fees, Consumer Goods

INTRODUCTION

This study investigates the nexus between risk management committee, audit committee and audit fees of listed consumer goods manufacturing companies in Nigeria. The failure of several corporations globally as a result of fraud and poor corporate governance structures provided the need for firms to establish proper risk management committees for effective and efficient accountability and control. Alkilani, et al (2020); Elamer and Benyazid, (2018); Elamer, et al (2017); Abdullah, et al (2017); Al-Hadi, et al (2016) suggested that the failure of firms world-wide happened due to corruption, external audit weaknesses and poor corporate governance. Therefore, the reporting of performance and accountability of firms on the issue of risk management has become a matter of serious investigation (Alkilani, et al (2020). Elamer and Benyazid (2018) emphasize that the weaknesses in corporate governance mechanism have been listed as the main cause of corporate financial crises globally. According to Al-Othman and Al-Zoubi (2019), the inadequacies of corporate governance mechanisms, weaknesses of management controls and poor risk management practices have created issues for corporate entities wide-wide. Therefore, prior research have suggested that the establishment of risk management committee will enable corporate entities provide better services and minimize the agency problems affecting companies (Alkilani, et al 2020; Elamer & Benyazid, 2018).

Many corporate entities have put in place risk management committee separate from that of the board of directors, with the basic functions of reviewing, updating, and changing risk policies to counter any circumstances the company might face in the future (Alkilani, et al 2020). Sani, et al (2018), state that the establishment of a risk management committee improves the transparency and accountability of corporations globally. Some previous studies show that risk management committee assists in the prevention, detection and control of financial risk (Abdullah, et al 2017; Abdullah & Said, 2019). Abdullah et al., (2017) suggest that risk management committee positively associated with risk management disclosure and Abdullah and Said (2019) noted that risk management committee revealed a positive relationship with the non-existence of the incidence of financial crime. However, only limited research have shown the association between risk management committee and audit outcomes (Ahmed & Che-Ahmad, 2016; Ali, et al 2017; Hines, et al 2015). Current research revealed that risk management committee and audit committee have a positive association with corporate financial statement (Ali et al., 2017). The study of Hines, et al (2015) revealed a positive relationship between risk management committee and audit fees. Larasati, et al (2019) indicated a positive association between risk management committee and audit fees.

The effectiveness of the services rendered by members of the audit committee may affect the external auditors' capability to carry out the necessary audit processes in identifying corporate failures in the accounting and reporting system (Al-Dalahmeh, et al 2017). The audit committee characteristics of independence, size, number of meeting, accounting expertise are vital attributes that affect audit fees (Appah & Tebepah, 2020; Toumeh & Yahya, 2017; Suprianto, et al 2017). Abdullatif, et al (2015) suggested that audit committees are basically responsible for overseeing financial reporting, auditing, in addition to risk management practices. Audit committee attributes are important characteristics that could enhance an audit committee's ability to discharge its duties and responsibilities in corporate entities (Larasati, et al 2019). However, doubts exist about the ability and effectiveness of audit committees in companies to work on issues related to risk management, despite the value of these committees for a company (Badriyah, et al 2015). Larasati, et al (2019) study revealed that a stand-alone risk management committee and more independent audit committee would demand more audit coverage and therefore an increase in audit fees. The basic attributes of audit committee serves as a major step in corporate risk management procedures in organizations and audit effectiveness (Alareeni, 2017). The various activities of the audit committee may make the managers of corporate entities to take risk mitigating strategies to safeguard the operating effectiveness of the corporate (Allini, et al 2016). Therefore, risk management committee and audit committee can potentially affects audit fees (Larasati, et al 2019).

The empirical research outcomes between risk management committee, audit committee and audit fees are inconclusive. The study of Husnin, et al (2013); Johl, et al (2012); and Bliss, et al (2011) showed a positive relationship between audit committee independence and audit fees. While that of Kee (2015); Husnin, et al (2013); Mat and Puat (2012) showed no significant relationship between audit committee independence, size, expertise and meeting on audit fees. Abbott, et al (2003) study in the US revealed a positive and significant association between audit committee independence and expertise on audit fees while meetings of audit committee showed no relationship. Larasati, et al (2019) findings indicate a positive association between risk management, audit committees and audit fees. However, to our knowledge, there is few existing empirical evidence (Larasati, et al 2019) on the effect of risk management committee, audit committee and audit fee. This study intends to fill this gap by providing more robust analysis of the effects of risk management committee using qualification, size, meetings and existence that was not applied as variables in prior studies, audit committee and audit fees of listed consumer goods firms from 2011 to 2020.

The following research questions were answered in this study:

1. What is the relationship between risk management committee independence and audit fees in Nigeria?
2. What is the relationship between risk management committee size and audit fees in Nigeria?
3. What is the relationship between risk management committee meetings and audit fees in Nigeria?
4. What is the relationship between risk management committee qualification and audit fees in Nigeria?
5. What is the relationship between audit committee size and audit fees in Nigeria?
6. What is the relationship between audit committee meetings and audit fees in Nigeria?
7. What is the relationship between audit committee expertise and audit fees in Nigeria?
8. What is the relationship between risk management and audit committee and audit fees in Nigeria?
9. What is the moderating influence of firm size on the relationship between risk management committee and audit fees in Nigeria?
10. What is the moderating influence of firm size on the relationship between audit committee and audit fees in Nigeria?

The following null hypotheses were tested in this study:

Ho₁: There is no significant relationship between risk management committee independence and audit fees in Nigeria.

Ho₂: There is no significant relationship between risk management committee size and audit fees in Nigeria.

Ho₃: There is no significant relationship between risk management committee meetings and audit fees in Nigeria.

Ho₄: There is no significant relationship between risk management committee qualification and audit fees in Nigeria.

Ho₅: Firm size of listed Nigerian Consumer goods manufacturing firms does not significantly moderate the relationship between their risk management committees and audit fees.

Ho₆: There is no significant relationship between audit committee independence and audit fees in Nigeria.

Ho₇: There is no significant relationship between audit committee size and audit fees in Nigeria.

Ho₈: There is no significant relationship between audit committee meetings and audit fees in Nigeria.

Ho₉: There is no significant relationship between audit committee expertise and audit fees in Nigeria.

Ho₁₀: Firm size of listed Nigerian Consumer goods manufacturing firms does not significantly moderate the relationship between their risk management committees and audit fees.

Review of Related Literature

The literature review of this study consists of conceptual framework, theoretical framework and empirical review.

Conceptual Review: The conceptual review consists of risk management committee, audit committee and audit fees. Therefore, these concepts would be discussed extensively below.

Risk Management Committee: Risk management committee is a sub-committee of the board of directors that performs the oversight of risk management process of corporate entity. KPMG (2001) stated that risk management committee is one of the committees of the board of directors that provides risk management practices at the board level, setting risk policies and strategies, develop a risk management oversight and review the company's risk report. The Nigerian Securities and Exchange Commission (SEC) requires every quoted firm in Nigeria to have a risk management committee separate from the audit committee. Therefore, the risk

management committee of a corporate entity is expected to facilitate an important role in risk management practices and monitoring (Sani, et al (2018)). Panda and Leepsa (2017) suggest that the establishment of separate risk management committee in firms would monitor the behaviour of corporate managers in relative to risk management. Ali, et al (2017) state that the formation of risk management committee in firms often provide fewer benefits than what experts expected in preventing financial restatements and that the presence of risk management committees in firms may not have any relevance in assisting the board of directors to reduce financial restatements. However, the majority of studies on the topic of risk management committee have suggested that the presence of risk management committee separate from the board of directors would lead to improvements in the performance of companies and reduce agency problems (Elamer & Benyazid, 2018). Therefore, setting up separate risk management committee might minimize the workload of the members of the audit committee, which bear responsibility for financial and accounting transactions (Lawlor, 2012). According to Abdullah, et al (2017), the presence of risk management committee and audit committee in corporate entities activeness increases voluntary risk management disclosures. Alkilani, et al (2020) submit that risk management committee with independent members with sufficient and reasonable knowledge in accounting and finance can maintain financial effectiveness at a reasonable risk level; make appropriate recommendations to the directors regarding plans and policies of risk management; and examine the effectiveness of the risk management policies and strategies in the identification of risks in terms of quantity, direct and control in any given corporate entity.

Risk Management Committee Independence: Alkilani, et al; (2020) suggested that independent committees improve and enhance the quality and efficiency of financial reporting and accounting process. Alkalani, et al (2020), noted that the independence of the members of the risk management committee of firms leads to the improvement of the efficiency and quality of monitoring. Larasati, et al (2019) findings indicated a positive association between risk management committee and audit fees while Elamer and Benyazid (2018) revealed a negative association between risk committee independence and financial performance in the United Kingdom.

Risk Management Committee Size: This is one of the major dimensions of risk management committee. Erkens, Hung and Matos (2012) indicated that the risk management committees should contain at least three members to ensure the adequate progress of work. Elamer and Benyazid (2018) emphasized that an effective and efficient risk management committee would work to improve the quality of corporate risk policies and procedures by limiting the ability of management to engage in excessive risk-taking behaviour, which may affect financial performance negatively. Elamer and Benyazid (2018) study revealed a negative association between the size and risk management committee and corporate financial performance. Al-Hadi, Hasan, and Habib, (2016) investigation showed a significant and positive association between of a firm's disclosure of market risks.

Risk Management Committee Meeting: The objective of the formation of risk management committee in firms was to manage risk procedures and processes without there being any delay (Elamer & Benyazid, 2018). Therefore, a higher meeting rate could bring about a more efficient supervisory duties and responsibilities of the risk management committee. De Andrés Suárez, et al (2013) emphasized that the frequency of meetings was directly associated to the enhancement in the quality of financial reporting information. Elamer & Benyazid (2018) states that the reason for using the frequency of meetings shows the amount of effort made to meet responsibilities and complete tasks of the committee. The expectation is that an active risk management committee would perform their duties and responsibilities more responsibly than those committees that never met rarely or never commit to meetings (Deloitte, 2014). Elamer

and Benyazid (2018) study indicates a negatively significant association between corporate risk management committee meeting and financial performance.

Risk Management Committee Qualification:

Al-Hadi, Hasan, and Habib (2016) stated that when members of the risk management committee possess the necessary qualifications and extensive knowledge in financial and accounting, they would have a better understanding of the issues related to risks. Alkilani, et al (2020) emphasize that this knowledge will allow members of the committee to participate actively in risk management processes and procedures, through better supervision of risk management and notification of risks on time. Many empirical investigations have shown that the increased skills and more profound experiences of risk management committee would lead the committee to choose the most relevant information to report to management (Abdullah, et al 2017). Dionne et al. (2015) argued that individuals with finance and accounting knowledge must handle a company's risk management. Dionne et al. (2015) stated that education in finance and accounting would increase the effectiveness of risk management. Al-Hadi, Hasan, and Habib (2016) suggested that members of the corporate risk management committee who have financial and accounting expertise are expected to make judicious decisions about those risk analysis in more details. Al-Hadi, Hasan, and Habib (2016) study indicates a significant and positive association between the qualifications of the risk management committee and the disclosure of market risks.

Audit Committee: Audit committee is a very important committee of corporate entities that ensures that managers are working to enhance and increase the wealth of all shareholders (Appah & Tebepah 2020; Al-Matari, et al, 2016a; Al-Matari, Hassan & Alaary, 2016b). Audit committee features have a significantly influence corporate financial and risk decision-making practices in contemporary organisations (Alqatamin, 2018). The members of the audit committee provide the basis for safeguarding the interest of stakeholders with respect to financial oversight and control (Hamdan, Sarea & Reyad, 2013). Abdullah and Shukor (2017); Krishnamoorthy & Wright (2017) suggested that the major role of the audit committee is to supervise, monitor and control the financial reporting process, review of financial reports, auditing practice, internal accounting controls, and more currently its risk management processes. Some studies have shown that small audit committee is more effective in supervising the accounting and financial reporting practice and cutting inherent risks while others claimed that larger size and independence of the committee have more effects (Anderson et al., 2012; PVVS & Palaniappan, 2016; Velte & Stiglbauer, 2018).

Audit Committee Size: The size of audit committee is the number of directors appointed to be members in the committee for the performance of their duties and responsibilities. The size of the audit committee is the total members selected by the board of directors to oversee the financial reporting and disclosure process (Moses, 2016). The size of the committee is taken as an indication of means to access and justify the team activity and effectiveness (Palmrose, 1986). This depends on the context where a substantial number of the committee size increase justification for the quality of its activity and control (Aryan, 2015; Inaam & Khamoussi, 2016; Christensen et al., 2016). It has been reported that the audit committee size influences corporate disclosures and performance (Dewayanto et al., 2017).

Audit Committee Independence: According to Eriabie and Izedonmi (2016), audit committee independence means that members of the committee do not have any association with the management of the firm and that there is no influence from any of the majority shareholders, officers and executive directors of the firm on members of the audit committee (Appah, & Tebepah, 2020). The independence of audit committee members can be viewed as one of the

bases of audit committee effectiveness (Inaam & Khamoussi, 2016; Amoush, 2017). Al-Najjar (2011) studied the determinants of audit committee independence and activity in the United Kingdom and the result revealed a positive association between independence of audit committee and activity.

Audit Committee Expertise: According to Abbott, et al (2003), effective audit committee must comprise of members with accounting and financial skills and competences. The experience and knowledge in accounting and financial management issues is considered as an critical dimension for an audit committee, this advantage can assists the audit committee members to be more conversant with financial and operational reports that enable them to execute their oversight duties effectively (Emeh and Appah, 2013; Appah & Tebepah, 2020). The accounting and financial expertise of audit committee is critical for optimum efficiency in financial reporting practice (Ghafran & O'Sullivan, 2017). The members of the committee with expertise in accounting and finance skills and competences promote effective and efficient supervision of the financial reporting practice more successfully (Sun, et al 2014). The committee is more efficient in reviewing the financial reporting practice for having appropriate skills, knowledge, and experience to identify financial malpractice and frauds (Liu, Harris & Omar, 2013). The committee provides proper and better recommendations to members of the board of directors regarding accounting and financial reporting information made by the managers of corporation prior to being presented to stakeholders for decision-making process (Honggowati et al., 2017).

Audit Committee Meetings: The number of audit committee meetings is a matrix of audit committee effectiveness. This is because the various users of financial reports perceive fewer meetings as an indicator of less commitment and insufficient time to oversee the financial reporting process (Madawaki and Amran, 2013; Appah & Tebepah, 2020). Audit committee has been shown to be associated with the quality of financial reporting (Al-Daoud, et al 2015). Audit committee commitment has been measured as the number of committee meetings that took place during the financial period (Alaswad & Stanišić, 2016), with the anticipation that the more frequently the committee meets, the more probably it carry out its duties and responsibilities.

Audit Fees: This is the price paid by an organization to an external auditor (audit firm) for external audit service. Shiyi and Jeyaraji, (2017) state that audit fees also called audit pricing are the amount of money which auditees pay to audit firms for their auditing service. Audit fees consist of two elements which are audit resource costs and risk premiums. Audit resource costs are relates to the amount of audit efforts the auditors' took in auditing and the risk premium is a compensation for risk taking. Shakhathreh, et al (2020) suggested that in the provision of audit services, independent external auditors are paid fees for their services rendered. The level of fees paid relates to the efforts of the external auditors. Markelevich and Rosner (2013) emphasized that fraudulent companies pay more fees for non-audit services. According to Karsemeijer (2012), higher fees increase the chances of auditor-client economic bonding, which may put the auditor independence in jeopardy (Oladipupo & Monye-Emina, 2016; Xie et al., 2010). Lower fees might increase the client's loyalty to the auditor, so the auditor might tolerate misstatements of management in the financial reporting (Ettredge, et al 2007). Some studies support the view that higher audit fees result in better audit quality (Larasati et al., 2019; Okolie, 2014), because higher fees are a consequence of a greater effort. Alkilani, et al (2020) study in Jordan showed a negative association between attributes of the risk management committee such as existence of a committee, qualifications of members, and frequency of meetings and the issuance of a modified audit opinion. Their study also revealed that independence of the risk management committee significantly and positively influence on the issuance of a modified opinion and no significant impact of the size of a risk committee on the issuance of a modified opinion. The study of Kee (2015) in Malaysia did not show a significant association between audit committee independence, expertise, frequency of meetings and size on audit fees.

Theoretical Framework

There are several theories that can be used to explain risk management. Therefore, this study is anchored on signaling theory.

Signalling Theory: This theory is credited to Spence (1973) that explains the behaviours regarding information asymmetry in the labour market. This theory states the relevance of information when two parties are involved. Connelly, et al (2010) explained that this theory is useful raising alarm when there is information asymmetry. Tang, Lai and Cheng (2012) indicate that the signaling theory shows the signals from corporation actions as a reflection of reputation. This theory reveals how the information asymmetry can be decreased by signaling the informed party to others. Bebchuk and Weisbach (2010), emphasize that this theory also indicates that organisations' insiders are more informed about the firm than outsiders. Scott (2014) noted that investors and other outsiders of the firm may consider actions of managers as signals. The signals found in actions and affairs of a company inform the kind of opinions that the participants of the company form to examine the performance and value of a company (Arowolo, 2016). According to Arowolo, et al (2017), signalling theory indicates that risk management committee in a company assure the shareholders that the board of directors is strong enough to implement good corporate governance that relates their interest with that of management of the corporation. This study provides that signalling theory is important in risk identification and the challenges in managing moral hazards and information asymmetry and provides the relevant monitoring mechanisms needed to manage the risks (Almania, 2019). Similar to prior research (such as Elshandidy, et al 2013; Elzahar and Hussainey 2012; Muzahhem 2011) that examine the implications of signalling theory on risk reporting, this study tests this relationship by examining the association between corporate risk management committee, audit committee and audit fees in Nigeria.

Empirical Review: There are several previous empirical investigations on the association between audit committee, risk management committee and audit fees in developed and developing countries. Some of these studies are reviewed below with a view to observing the trends of the findings and the gaps in literature.

Larasati, et al (2019) carried out an investigation of independent audit, risk management committee and audit fees in Indonesia. The study employed five hundred and ten observations from two hundred and sixteen firms listed on the Indonesia Stock Exchange for the period 2014 to 2016. The study employed ex post facto and correlational research design and the population consisted of all companies listed on the Indonesia Stock Exchange for the period 2014 to 2016 but the study used sample selection criterion to arrive at the 216 companies. The study collected data from secondary sources such as annual reports and ORBIS. The dependent variable was audit fees and the independent variables comprised of risk management committee, audit committee while the control variables consisted of big four, leverage, size, profitability and audit opinion. The data obtained from the secondary sources was analysed with descriptive and inferential statistics. The inferential statistics was guided by ordinary least square regression with year-industry fixed effect and clustered standard errors. The results obtained suggests that risk management committee influences audit committee positively and the existence of independent audit committee improves the association between risk management committee and audit fee.

Tarus, et al (2019) conducted a study of audit committee size on risk management in Kenya for the period 2010 to 2017. The study adopted longitudinal research design and content analysis. The investigation obtained data from secondary sources using the annual financial statements. The dependent variable was risk management and the independent variable was audit committee size while the control variables comprised of firm size and firm age. The data from the annual reports was analysed with descriptive statistics and binary logistic regression analysis. The result obtained indicated that audit committee size negatively and significantly affects risk management of listed firms in Kenya.

Shiyi and Jeyaray (2017) investigated audit risk and audit fees in the United States of America. The study employed secondary sources of data collection and the sample comprised a total of five hundred and seven quoted companies for two hundred and sixty observations for the year 2007 separated into two sub-samples of financial and non-financial firms. The study adopted descriptive statistics, z-score and regression analysis for the purpose of data analysis technique. The regression analysis revealed that inherent risk and control risk positively affects audit fees while detection risk does not influence audit fees.

Kee (2015) studied audit committee and audit fees of quoted companies in Malaysia for the period 2003 to 2012. The study employed secondary sources of data collection obtained from the Bursa Malaysia Knowledge Centre and ex post facto and correlation research designs were utilized. The population consisted of all companies listed on the Malaysian Stock Exchange and the sample comprised of 4,570 observations while the sample frame comprised of listed non-financial companies in the country. The dependent variable was audit fee while the independent variable was audit size, independence, meetings and expertise. The study employed descriptive and inferential statistic for the purpose of data analysis. The inferential statistics was multiple regression analysis of pooled ordinary least square technique. The result obtained from the regression analysis revealed that audit committee proxies of size, independence, meetings and expertise does not significantly affect audit fees.

Sani, et al (2018) investigated risk management committee and real earnings management through sales in Nigeria. The study adopted ex post facto research design and correlational research design. The population consisted of all companies listed on the Nigeria Stock Exchange and the sample comprised of eighty (80) companies for the period 2012 to 2015. The data employed secondary sources of data from the annual financial statements of the sample companies and descriptive and inferential statistics were employed for the purpose of data analysis. The inferential statistics was panel corrected standard error regression. The result revealed that risk management committee and independent directors minimize the desire of management to manipulate reported earnings.

Alkilani, et al (2020) examined risk management committee characteristics and modified audit opinion in Jordan for the period 2015 to 2018 of all industrial and service firms listed on the Amman Stock Exchange. The sample included 109 firms with 436 firm-year observations. The study employed ex post facto and correlational research designs. The data for this study was secondary and the data obtained was analysed with Logistic regression analysis (univariate - and multivariate). The independent variables comprised of size, qualifications, meeting frequency, and independence while the dependent variable as modified opinion. The result obtained revealed a negative association between qualifications and meetings with modified opinion. Also the independence of risk management committee showed a significant and positive association with modified opinion. Furthermore, the study found no significant effect between risk management committee size and the issuance of modified opinion.

Kakanda, et al (2018) investigated risk management committee characteristics and market performance of listed banks and non-banks financial firms in Nigeria. The study employed ex post facto and correlational research design. The study used secondary sources of data collection from the annual reports and financial statements of sample companies. The population comprised all financial services companies listed on the Nigeria Stock Exchange for the period 2012 to 2016. The study employed descriptive statistics, correlation analysis and panel corrected standard errors regression. The panel regression result indicates that risk management committee size has a negative and significant impact on firm performance while risk management committee composition and meeting showed a positive and significant impact on firm performance.

Fali, et al (2020) carried out a study of risk management committee characteristics and firm performance of listed insurance companies for the period 2012 to 2018 in Nigeria. The study employed ex-post facto research design and the data was secondary in nature obtained from the

annual report and financial statements of sampled companies. The study employed a sample size of twenty four companies from a population of twenty seven companies. The dependent variable was measured by return on assets while the independent variables were size, independence and expertise. The data obtained from secondary sources was analysed with descriptive and inferential statistics. The inferential statistics was random effect regression model and the results obtained indicates that risk management committee expertise revealed a negative and significant influence on financial performance while risk management committee size and independence showed no influence with financial performance.

Elamer and Benyazid (2018) examined risk committee and financial performance of financial institutions in the United Kingdom. The study employed ex post facto and correlational research designs. The population of the study consist of all financial institutions while the sample consist of 23 listed FTSE- 100 benchmark financial institutions for the period 2010 to 2014. The data employed secondary sources of data and descriptive and inferential statistics was used. The inferential statistics was ordinary least square (OLS) regression model. The independent variables comprised of risk committee of size, meetings and independence while firm size, liquidity, gearing, audit quality and year control variables whereas the dependent variable was the return on assets (ROA) and return on equity (ROE). The empirical study revealed a negative relationship between risk committee characteristics of presence, scale, flexibility, and meetings with financial efficiency. The result also suggests that companies without risk management committee (RC) performed considerably better than companies with risk management committee

Abubakar, et al (2018) examined the effect of risk management committee skills and financial board information on the financial performance of quoted banks in Nigeria for the period 2014 to 2016. The study employed ex post facto and correlational research design. The population of the study consisted of all banks quoted on the Nigeria Stock Exchange and sample size was of fourteen (14) banks. The study utilized secondary sources of data collection from the annual report and financial statements. Descriptive and inferential statistics was used for data analysis. The inferential statistics was panel random effect was in analyzing the data. The results of the analysis indicates that risk management committee independence and board financial knowledge revealed a negative and significant effect with the return on assets while risk management committee size has a positive and insignificant influence on the return on assets. The study recommended that the board of directors should consist of more independent directors and members with financial skills as these would enhance banks financial performance.

METHODOLOGY

Research Design: This study employed ex post facto and correlational research designs. This is because ex post facto research design is a systematic empirical inquiry in which the scientist does not have direct control of independent variables because they are inherently not manipulated (Appah, 2020). Egbunike and Abiahu (2017) stated that a correlational research design is the measurement of two or more factors to determine or estimate the extent to which the values for the factors are related or change in an identifiable pattern.

Population and Sample of the Study: The population of the study is made up of consumer goods manufacturing companies quoted on the Nigerian Exchange Group as shown on the Nigerian Exchange Group Factbook for the year 2020. Therefore, the sample size of this study is made up of ten consumer goods manufacturing firms which were purposively selected on the availability of data during the years 2011 to 2020.

Source of Data Collection and Analysis Technique: The study employed secondary sources of data collection mainly from the published audited financial statements of sampled consumer goods companies in Nigeria obtained from their website for the study period to analyse the effect of the independent variables on the dependent variables. The data collected

were analyzed using descriptive statistics, diagnostic tests and multiple linear regression analysis of panel data for the years 2011 to 2020.

Variables of the Study: The study employed dependent, independent and control variables. The dependent variable consists of audit fees while the independent variables and control variables consists of risk management committee and audit committee characteristics while the control variables are return on assets, leverage, BIG Four, firm size and opinion. The variables were measured as follows:

Table 1: Measurement of Variables

Variables	Type of Variable	Symbol	Measurement	Sources
Audit fees	Dependent	AUF	Natural logarithm of audit fees paid by the company to their external auditor	Larasati, Ratri, Nasih and Harymawai (2019); Hines et al., (2015); Keane, Elder, & Albring, (2012); Shiyi & Jeyaray (2017).
Risk Management Committee Size	Independent	RCS	Total number of directors on the committee.	Alkilani, Hussin, & Salim (2020); Elamer and Benyazid (2018); Armaya'u, Rohaida, and Redhwan (2018)
Risk Management Committee Independence	Independent	RCI	The number of independent non-executive members divided by the total number of RMC members.	Alkilani, Hussin, & Salim (2020); Armaya'u, Rohaida, and Redhwan (2018); Elamer and Benyazid (2018);
Risk Management Committee Meeting	Independent	RCM	Total number of meetings held in a year.	Alkilani, Hussin, & Salim (2020); Elamer and Benyazid (2018)
Risk Management Committee Expertise	Independent	RCE	The figure was generated by the total number of risk committee members with a qualification (accounting and finance) divided by the total number of members sitting on the RMC.	Alkilani, Hussin, & Salim (2020); Abdullah, Shukor, and Rahmat (2017)
Audit Committee Size	Independent	ACS	Number of members in the audit committee	Appah & Tebepah (2020); Kee (2015); Allini et al., (2016); Dewayanto et al., (2017); Shatnawis, Hanefah, Adaa & Eldaia (2019).
Audit Committee Independence	Independent	ACI	Number of independent non-executive directors in the board of directors	Appah & Tebepah (2020); Kee (2015); Alqatamin, (2018); Shatnawis, Hanefah, Adaa & Eldaia (2019).
Audit Committee	Independent	ACM	Number of audit committee meetings	Appah & Tebepah (2020); Kee (2015); Alaswad &

Meeting			during the year	Stanišić, (2016); Cohen et al., (2017); Shatnawis, Hanefah, Adaa & Eldaia (2019).
Audit Committee Expertise	Independent	ACE	Number of audit committee member with accounting or finance expertise	Appah & Tebepah (2020); Kee (2015); Allini, Manes & Hussainey, (2016); Dewayanto et al., (2017); Shatnawis, Hanefah, Adaa & Eldaia (2019).
Firm Size	Moderator	FIS	Natural log of total assets	Alkilani, Hussin, & Salim (2020); Tarus, Tenai & Komen (2019); Kee (2015); Allini et al., (2016); Dewayanto et al., (2017); Sani, Latif & Al-dhamari (2018)

Source: Compiled by Authors (2020)

Model Specification: Gujarati & Porter, (2009) state that model specification is the ascertainment of the endogenous and exogenous variables to be included in the model as well as the a priori expectation about the sign and the size of the parameters of the function. The following two models were developed based on the study variables:

Model One

$$AUF = \beta_0 + \beta_1RCS_{1it} + \beta_2RCI_{2it} + \beta_3RCM_{3it} + \beta_4RCE_{4it} + \beta_5FIS_{5it} + \epsilon \dots \dots \dots (1)$$

Model Two

$$AUF = \beta_0 + \beta_1ACS_{1it} + \beta_2ACI_{2it} + \beta_3ACM_{3it} + \beta_4ACE_{4it} + \beta_5FIS_{5it} \epsilon \dots \dots \dots (2)$$

$\beta_1 - \beta_5$ are the coefficients of the regression, while ϵ is the error term capturing other explanatory variables not explicitly included in the model. The subscript, i , indicates the cross-sectional dimension of the panel data while the subscript, t , indicates the time series dimension.

RESULTS AND DISCUSSION

This section of the paper presents the results and discussion obtained from questionnaires administered to respondents from the sampled banks in Nigeria.

Table 1: Descriptive Statistics

	RCS	RCI	RCM	RCE	ACS	ACI	ACM	ACE	FIS
Mean	0.1271 46	1.9802 94	144.08 63	14.190 38	0.6598 56	0.1681 73	4.6848 71	49.427 64	14.197 55
Median	0.0944 50	1.1669 50	1.0000 00	0.3000 00	0.6857 00	0.1429 00	4.8382 50	0.7782 00	0.3005 00
Maximum	1.2441 00	9.4152 00	11761. 00	2222.0 00	0.9457 00	0.8645 00	6.1419 00	7782.0 00	2222.0 00
Minimum	- 0.17970 0	0.0479 00	0.6021 00	0.0769 00	0.0000 00	0.0000 00	0.0714 00	0.6021 00	0.1429 00
Std. Dev.	0.1546 19	1.8402 04	1276.4 85	175.64 05	0.1807 94	0.1376 83	0.9208 23	615.15 84	175.63 99
Skewness	3.5869 94	1.8973 56	8.7857 61	12.530 21	- 1.67199	1.6111 29	- 1.88945	12.530 20	12.530 20

					8		7		
Kurtosis	25.272 41	6.3173 35	78.249 90	158.00 61	6.0560 65	9.2260 59	9.3468 46	158.00 61	158.00 61
Jarque-Bera	3650.1 77	169.36 37	39808. 70	164366 .2	136.81 23	327.64 51	363.75 09	164366 .1	164366 .1
Probability	0.0000 00	0.0000 00	0.0000 00	0.0000 00	0.0000 00	0.0000 00	0.0000 00	0.0000 00	0.0000 00
Observation	100	100	100	100	100	100	100	100	100

Source: Researchers computation 2021

Table 1 shows the descriptive statistical measures such as mean, median, mode, standard deviation, range, kurtosis, skewness, histogram and Jarque-Bera statistic, are calculated for each of the variables with a view to quantify the manifests construct of the variable in terms of central tendency, dispersion and shape of their distributions. In view of that, each of the variables and their descriptive properties are presented collectively and represented individually.

Table 2: Breusch-Godfrey Serial Correlation LM Test:

F-statistic	6.929189	0.113036
	Probability	
Obs*R-squared	13.34731	0.101213
	Probability	

Source: e-view output

Table 2 presents the Breusch – Godfrey Serial Correlation LM test for the presence of auto correlation. The result reveals that the probability values of 0.12 (12%) and 0.10 (10%) is greater than the critical value of 0.05 (5%). This implies that there is no evidence for the presence of serial correlation.

Table 3: White Heteroskedasticity Test:

F-statistic	0.942165	0.496821
	Probability	
Obs*R-squared	9.519861	0.483577
	Probability	

Source: e-view output

Table three shows the White Heteroskedasticity test for the presence of heteroskedasticity. The econometric result reveals that the probability values of 0.496 (50%) and 0.483 (48%) are considerably in excess of 0.05 (5%). Therefore, there is no evidence for the presence of heteroskedasticity in the model.

Table 4: Ramsey RESET Test:

F-statistic	0.067894	Probability	0.794795
Log likelihood ratio	0.071133	Probability	0.789695

Source: e-view
output

Table four shows the Ramsey RESET test for misspecification. The econometric result suggests that the probability values of 0.794 (79%) and 0.789 (79%) are in excess of the critical value of 0.05 (5%). Therefore, it can be seen that there is no apparent non-linearity in the regression equation and so it would be concluded that the linear model for the accounting services is appropriate.

Table 5: Multiple Regression Analysis
Dependent Variable: AUF
Method: Least Squares

Date: 11/20/21 Time: 15:58

Sample(adjusted): 1 100

Included observations: 100 after adjusting endpoints

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.275444	2.256856	1.451330	0.1488
RCS	0.285935	0.095662	2.989017	0.0033
RCI	0.249495	0.106627	2.339885	0.0206
RCM	0.216547	0.102573	2.111150	0.0363
RCE	0.273341	0.123184	2.218965	0.0400
FIS	0.220526	0.104976	2.100727	0.0327
R-squared	0.618414	Mean dependent var	12.99346	
Adjusted R-squared	0.561218	S.D. dependent var	3.098167	
S.E. of regression	2.888766	Akaike info criterion	4.997962	
Sum squared resid	1226.711	Schwarz criterion	5.116803	
Log likelihood	-376.3441	F-statistic	5.567008	
Durbin-Watson stat	2.16401	Prob(F-statistic)	0.000100	

Source: e-view output

Table five shows the multiple regression analysis for risk management committee characteristics and audit pricing of consumer goods manufacturing firms in Nigeria. The result suggests the risk management committee size, risk management committee independence, risk management committee meeting, risk management committee financial expertise and firm size with p-values of 0.0033, 0.0206, 0.0363, 0.0400 and 0.0327 is less than the critical value of 0.05. Hence, we deduce that there is a significant relationship between risk management committee size and audit fees; a significant relationship between risk management committee independence and audit fees; a significant relationship between risk management committee meetings and audit fees; a significant relationship between risk management committee financial expertise and audit fees; a significant relationship between firm size and audit fees. The R^2 (coefficient of determination) of 0.618414 and adjusted R^2 of 0.585935 shows that the variables combined determines about 62% and 59% of employees productivity. The F-statistics and its probability shows that the regression equation is well formulated explaining that the relationship between the variables combined are statistically significant (F-stat = 5.567008; F-pro. = 0.000100).

Table 6: Multiple Regression Analysis

Dependent Variable: AUF

Method: Least Squares

Date: 11/20/21 Time: 16:12

Sample(adjusted): 1 100

Included observations: 100 after adjusting endpoints

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.275444	2.256856	1.451330	0.1488
ACS	0.285935	0.095662	2.989017	0.0043
ACI	0.249495	0.106627	2.339885	0.0268
ACM	0.216547	0.102573	2.111150	0.0235
ACE	0.273341	0.123184	2.218965	0.0357
FIS	0.220526	0.104976	2.100727	0.0481
R-squared	0.583242	Mean dependent var	12.99346	
Adjusted R-squared	0.515772	S.D. dependent var	3.098167	
S.E. of regression	2.888766	Akaike info criterion	4.997962	
Sum squared resid	1226.711	Schwarz criterion	5.116803	
Log likelihood	-376.3441	F-statistic	5.567008	

Durbin-Watson stat 2.42701 Prob(F-statistic) 0.000100

Source: e-view output

Table six shows the multiple regression analysis for audit committee characteristics and audit pricing of consumer goods manufacturing firms in Nigeria. The result suggests that audit committee size, audit committee independence, audit committee meeting, audit committee financial expertise and firm size with p-values of 0.0033, 0.0206, 0.0363, 0.0400 and 0.0327 is less than the critical value of 0.05. Hence, we deduce that there is a significant relationship between audit size and audit fees; a significant relationship between audit committee independence and audit fees; a significant relationship between audit committee meetings and audit fees; a significant relationship between audit committee financial expertise and audit fees; a significant relationship between firm size and audit fees. The R^2 (coefficient of determination) of 0.583242 and adjusted R^2 of 0.515772 shows that the variables combined determines about 58% and 51% of employees productivity. The F-statistics and its probability shows that the regression equation is well formulated explaining that the relationship between the variables combined are statistically significant (F-stat = 5.567008; F-pro. = 0.000100).

CONCLUSIONS AND RECOMMENDATIONS

This study investigated the relationship between risk management committee and audit committee on audit pricing of consumer goods manufacturing firms in Nigeria. The study reviewed extant literature on the association between risk management committee, audit committee and audit pricing. Also the study anchored on signalling theory to explain the relationship between the variables employed in the study. The result of the multiple regression analysis disclosed that risk management committee and audit committee size influences audit fees positively; risk management committee independence and audit committee independence affects audit fees positively and significantly; risk management committee meeting and audit committee meeting influences audit fees positively and significantly; risk management committee audit committee financial expertise affects audit fees positively and significantly. The study also revealed that firms size affects the amount of audit fees of listed consumer goods manufacturing firms in Nigeria. The study concluded that the level of risk management committee and audit committee significantly and positively affects the amount of audit fees. The following recommendations were made:

1. Risk management committee should be expanded to mitigate the level of financial and non – financial risk affect listed firms;
2. Listed companies in Nigeria should establish Chief Risk Officers in firms to improve the level of financial stability and soundness of firms.
3. Supervisory and monitoring organizations should provide quality guiding principle on minimum requirement for board size, number of experts, number and timing of meetings as well as empowering the shareholder associations to be active and report compliance.
4. The supervisory and monitoring organizations should make stronger their enforcement and compliance structures, show that the code are actually effective and not mere attachments on the administrative system so as to provide result to investor protection and confidence
5. Risk management committee and audit committee independence must be deepened, with accurate and principled regulation and the correct assurance of investors' protection. The entrenchment of effective risk management committee and audit committee would help build and retain investors' confidence and minimise systemic risk and improve corporate governance.

Policy Implications

The implications of these findings are that risk management committee and audit committee as components of corporate governance improve the governance structures in terms of achieving

transparency, accountability and sustainability of listed consumer goods manufacturing firms in Nigeria. The study findings may also have implications associated with reducing risk and improving performance in firms. Corporate governance reforms in Nigeria have assisted in improving risk disclosure practices. This recommends that the introduction of governance guidelines allows the enhancement of corporate governance practices, including risk disclosure, in spite of the weak legal system in Nigeria.

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