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# Moderating Effect of Risk Management Committee on the Relationship Between Corporate Governance Mechanisms and Financial Reporting Quality of Listed Non-Financial Firms in Nigeria

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## **Abstract**

This study examined the moderating effect of risk management committee on the relationship between corporate governance mechanisms and financial reporting quality among listed non-financial firms in Nigeria. Audit committee characteristics were explained using audit committee gender diversity, audit committee financial expertise, audit committee size and audit committee independence. The study employed ex post facto research design. The population of the study consisted of 116 non-financial companies quoted on the Nigerian Exchange Group (NXG) as at 31st December, 2022. The sample size of forty-nine (49) companies was determined using the Taro Yamane sampling size technique. Data collected for this study were solely from secondary sources. Data were extracted from the Published Audited Accounts and the Annual Reports of the listed non-financial firms in Nigeria. The study adopted the use of multiple regression to analyse the data. The result of the fixed effect regression as suggested by the Hausman specification test revealed that risk management committee has significant moderating effect on the relationship between audit committee financial expertise, audit committee size, audit committee independence and financial reporting quality among listed non-financial firms in Nigeria. On the other hand, the study found that risk management committee as a moderator has no significant moderating effect on the relationship between audit committee gender diversity and financial reporting quality among listed non-financial firms in Nigeria. This is because the presence of audit committee gender diversity adds little or no improvement to financial reporting quality. Hence, from the findings, the study concluded that risk management committee is indeed a viable governance strategy aimed at improving the financial reporting quality through the scrutiny of the assessment and disclosure of risks inherent in the company. From the findings and conclusion, the study recommended that non-financial companies should strengthen their corporate governance system through establishment of a risk management committee to dissect the vulnerable areas that might threaten the going concern of the companies.

**Keywords:** Audit committee, Audit committee gender diversity, Corporate governance, Financial reporting quality, Risk management, Risk management committee

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## **1. Introduction**

Financial reporting is a requirement for firms by the International Financial Reporting Standards (IFRS) and many regulatory agencies across the globe. It is a means by which

enterprise conveys information regarding its financial performances and conditions to its external users and other stakeholders. The objective of financial reporting as stipulated by IFRS is to inform both current and potential investors to make rational investment decisions and assess the expected firm cash flows. It is a known fact that “better” corporate governance may lead to improved financial reporting, however there is a divergent agreement as to what constitutes “financial reporting quality.” For example, the Sarbanes-Oxley (2002) and Blue-Ribbon Committee (BRC, 1999) requires auditors to discuss the quality of the financial reporting methods and not to rely on their acceptability alone, however the view on the quality of financial reporting still remains an unclear concept. As Jonas and Blanchet (2000) states that “in light of these innovative requirement, management, auditors and audit committee members are confronted with the idea of defining “the quality of financial reporting.” (p. 353). Thus, financial reporting quality can simply be defined as “the precision with which financial reporting conveys information about the firm’s operations, in particular its expected cash flows that inform equity investors” (Biddle et al., 2009, p.113).

Corporate governance (CG) and financial reporting are very much interwoven. A significant number of empirical studies has provided evidence that the quality of financial reporting system to a large extent depends on corporate governance mechanisms such as audit committee characteristics and board characteristics (Wati et al., 2020; Vafeas, 2005; Krishnan, 2005; Farber, 2005; Abbott, Parker & Peters, 2004). Hence, financial reporting quality is regarded as a vital part of corporate governance mechanisms (Kulustayeva et al., 2020; Wati et al., 2020; Tjahjadi et al., 2020; Chanatup et al., 2020; Melis, 2005; Melisa & Carta, 2010). In the light of current macroeconomic challenges, corporate governance is seen as a significant driver of financial reporting quality in firms (Okpamen & Ogbeide, 2020). This is because most of collapse of gigantic companies were attributed to poor corporate governance. For example, the spread of financial and accounting scandal that resulted to the sudden collapse of significant number of international companies (which had indicated positive financial report) such Parmalat Company in Europe in 2003, Chuo Aoyama in Asia, JCI and Randgold in South Africa. The trend was replicated across the globe as evidenced by WorldCom and Enron in U.S.A (Sorensen & Miller, 2017) and Cadbury Company in Nigeria (Muriuki et al., 2018).

Further, in recent times, the COVID-19 pandemic has wreaked havoc on the global economy and financial markets, exacerbating the systemic risk management issues already faced by companies around the world. As companies continue to navigate an uncertain economic landscape and make plans to resume operations as pandemic-related restrictions are relaxed or lifted, they must also grapple with the fact that the pandemic has amplified the scrutiny of environmental, social and governance (ESG)-related risks and so on. Thus, in these unprecedented times, beyond economic losses, the reputational damage to companies, boards and management teams that fail to properly manage risk is substantial. It is for these reasons that the risk oversight function of boards of directors (i.e. risk management committee) has never been more critical and challenging than it is today.

The relationship between corporate governance (CG) mechanisms and financial reporting quality is still inconclusive. Likewise, the inconclusiveness of the results of previous studies in this area could be attributed to the existence of different context and environment in which CG is implemented. Also, prior research has neglected the indispensable role of risk management committee as one of the essential mechanisms for Good Corporate Governance (GCG) mechanisms especially with regard to this period of covid-19 era. And according to Yatim (2010) “poor risk management is a symptom of poor corporate governance practices”.

Over the years, the reports from Enron, WorldCom and other concerned financial institutions have shown that there have been substantial financial information irregularities in the way companies have reported their annual reports. Nowadays, many non-financial institutions and financial institutions have either collapsed or is in the verge of collapsing and in need of government rescue in spite of the reported unqualified audit reports. These developments have ushered in the need to focus attention more on the quality of financial statements report and thereby encouraging researchers and regulators to seek for ways to improve the quality of the financial reporting process and its integrity. The audit committee is regarded as one of the vital element of this reforms with uninterrupted governance reports in both the US and UK recommendation on the use of appropriate constituted audit committees that will monitor and co-ordinate all aspects of the financial reporting process of the company (Smith, 2003; Blue Ribbon, 1999; Cadbury, 1992).

More so, the failure of significant number of both financial and non-financial institutions to fully integrate risk management practices into the corporate governance (CG) led to colossal failures at a global level (Elamer et al., 2018; Berger et al., 2016; Dermine, 2013). The performance of these institutions and their accountability as well as their risk-taking behaviour have come under increased scrutiny (Berger et al., 2016; Hines & Peters, 2015; BCBS, 2015; Aebi et al., 2012).

Furthermore, this study is motivated by several major considerations and differs from other previous studies in many ways. Firstly, significant number of studies have been carried out on the link between corporate governance mechanisms (such as audit committee characteristics) and financial reporting quality but have produced mixed results (Bensaid et al., 2021; Ogbeide et al., 2021; Madugba et al., 2020; Al-Khonain & Al-Adeem, 2020; Ahmadu, 2020; Aifuwa & Embele 2019; Albawwat 2019; Akpan et al., 2020; Onuyabe et al., 2018; Umobong & Ibanichuka, 2017; Moses 2016; Moses et al., 2016; Onuorah & Imene, 2016; Kamolsakulchai, 2015; Ojeka et al., 2015; Oba, 2014; Bala & Ibrahim, 2014; Myring & Shortridge, 2010, Ong & Wan, 2008; Mansi & Reeb, 2004; Singh & Davidson, 2003; Mak & Li 2001). Secondly, some of the studies have so far been done in different sectors and locations and have reported conflicting results. More specifically, previous studies on the relationship between corporate governance and financial reporting quality in Nigeria focused more on financial institutions (banks) that constitutes about 20% of the total listed financial firms. Therefore, concentrating on non-financial listed firms would provide a more comprehensive insight and robust explanation. More so, the study introduced a moderator because of the inconsistency and mixed results between corporate governance and financial reporting quality. Hence, the essence of introducing the moderator in this study is to find out whether RMC has the capacity to strengthen or weaken the oversight function of the AC, thereby improve the quality of financial report. Also, there is barely little or no study that has studied the effect of risk management committee in moderating the relationship between audit committee and financial reporting quality especially within the context of Nigeria. Additionally, this study is informed as a result of several calls for future study (Ahmed 2019; Ishak and Mohamad Nor 2017; Dabari and Saidin 2014; Hassan et al. 2012; Liew et al. 2012; Subramaniam and Carey 2011; Subramaniam et al., 2009; Yatim 2009; and Yatim 2010. Lastly, the motivation for this study is that RMCs are found to be generally combined or integrated with audit committees (KPMG, 2005). This is because a combined RMC is found to be less efficient compared to the one with separate committee, as such future studies needs more empirical evidence to validate this assumption.

The main objective of this study is to examine the moderating effect of risk management committee on the relationship between corporate governance mechanisms and financial reporting quality among listed non-financial firms in Nigeria. Thus, the specific objectives

are to; Examine the effect of audit committee characteristics (gender diversity, financial expertise, size and independence) on financial reporting quality of listed non-financial firms in Nigeria. Examine the moderating effect of risk management committee on the relationship between audit committee characteristics and financial reporting quality of listed non-financial firms in Nigeria.

## **1.2 Hypotheses**

The following hypotheses are formulated in order to achieve the above stated objectives

HO<sub>1</sub>: Audit committee characteristics have no significant effect on financial reporting quality of listed non-financial firms in Nigeria.

HO<sub>2</sub>: Risk management committee has no significant moderating effect on the relationship between audit committee characteristics and financial reporting quality of listed non-financial firms in Nigeria.

## **2. Literature Review**

This section discusses the relevant and related literature to the study. The main items discussed in this section include: financial reporting quality, corporate governance mechanisms and risk management committee, review of empirical studies and lastly theoretical framework underpinning the study.

### **2.1 Financial Reporting Quality**

Financial reporting quality refers to the extent that accounting information presented to users are free from misstatements and other unethical accounting and managerial practices. In addition, quality financial reports give both shareholders and other stakeholders the opportunity of understanding the financial statements thereby reducing information asymmetry. Financial reporting quality can also be defined as “the precision with which financial reporting conveys information about the firm’s operations, in particular its expected cash flows that inform equity investors” (Biddle et al., 2009, p.113). Jonas and Blanchet (2000) explained that financial reporting quality has two main issues. The first issue relates to user needs, and the second issue relates to shareholder and (or investor protection).

### **2.2 Corporate Governance Mechanisms**

#### **2.2.1 Audit Committee Characteristics**

Audit committee (AC) is defined 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” (SOX Act, 2002, p. 29). In other words, it is a subcommittee of the board of directors that is shouldered with the responsibility of operating the company’s financial reporting. It is arguably the most important and challenging sub-committee that forms part of the governance structure of any company's board of directors. The fundamental role of the AC is mainly to supervise the corporate’s financial reporting practice, auditing practice, internal accounting controls, review of financial reports and presently its risk management processes (Cohen et al., 2017; Abdullah et al., 2017). In other words, the AC’s responsibilities include financial reporting (including internal controls), auditing and supervising other proceedings, (e.g., facilitating communication between the board and the external auditor) (Wolnize, 1995; DeZoort, 1997). Also, Rezaee (2005) describes it as a guardian of a company's financial integrity and “has the potential to improve the quality of financial reporting by reviewing the financial statements on behalf of the board” (Cadbury, 1992, p. 67).

### **2.2.2 Audit Committee Gender Diversity**

Al-Hamed (2017) highlighted that the presence of the female member in the audit committee has an impact on the kind of decision that the company makes. Women are known to have a distinct feature that qualifies them as being more prudent in financial matters in addition to being risk averse in nature (Watson & Robinson, 2003). According to Nelson and Jamil (2012) they are more likely to behave neutral in their judgment. This particular kind of cognitive function, conservatism and decision making tend to have substantial implications on the financial reporting quality (Peni & Vahamaa, 2010).

### **2.2.3 Audit Committee Expertise**

Audit committee expertise can be described as the AC members that have the knowledge and experience in accounting and financial reporting, auditing and internal controls (SOX, 2002). The expectation is that experts are people with a better understanding of risks and on the opinions of auditors and a greater knowledge on financial reporting quality than non-expert auditors. The above notion is supported by evidence in previous studies. literatures that supported the above notion found that AC members with accounting and financial expertise often provides more support on auditing output and reduces the problems of auditor's disagreement, in addition to confining earnings management of (Bedard & Johnstone, 2004; DeZoort & Salterio, 2001; DeZoort, 1997). However, Peasnell (2005) findings contradict the above assertion, in that his findings show that there is no relationship between audit subcommittee characteristics and earnings management.

### **2.2.4 Audit Committee Size**

Audit committee size refers to 'the number of directors appointed to be members in the audit committee which may be small, medium or large audit committees. Also, the amount of the audit committee "is the total members of a team selected by the corporate governing body to oversee the financial management and disclosure" (Moses, 2016). According to Companies and Allied Matters Act, 1990 a public limited liability company should have an AC with maximum of six members of equal representation of three members each, representing the management/directors and shareholders in place. The members of AC are expected to have the basic knowledge of financial statements.

### **2.2.5 Audit Committee Independence**

Cadbury (1992) recommended strongly on the formation of oversight committee. It also suggested that audit committee should be included in the appointment of directors and financial auditor that are supported by agency theory. According to agency theory, the effectiveness of AC depends on the attributes of audit committee (García et al., 2009). Similarly, Taylor (2011) stress that the agency theory debate shows that when the independence of the AC is higher from that of management, the better the motivation to work in the stakeholders' interest thereby leading to the reduction of information asymmetry and improved financial reporting quality.

### **2.2.6 Risk Management Committee**

According to Hopkin (2013) risk refers to a collection of uncertain events that exerts a negative effect on firms. Therefore, managing risk is associated with attaining the best results in minimizing the risk that occurs in the organization (Hopkin, 2013). Thus, risk management is the attainment of results in line with what is anticipated, hence risk management is very vital for the organization to achieve its goals (Hopkin, 2013). Risk management committee (RMC) is a board sub-committee and the establishment of this committee has a direct relationship with the BOD. Similarly, Yatim (2009) emphasized that the focal point of establishing the RMC is to solely focus on proper and adequate

management of risks. In most countries, the establishment of RMC is still voluntary, particularly for non-financial companies (Subramaniam et al., 2009; Ahmed, 2019). RMC establishment is considered as playing the role of complementing the oversight function of the board of directors (BODS) and which may go a long way to reducing the audit committee burden. According to Zaman (2001) it is somewhat impossible to expect AC members to meet up with implement a high level of review considering the obvious time constrain and the requisite expertise. De Lacy (2005) recommended that separating the audit committee and RMC, especially with regard to complexity of business industries, where the committee could comprise of various levels of cadre, qualifications and experiences.

## **2.3 Empirical Review**

### **2.3.1 Audit Committee Characteristics and Financial Reporting Quality**

Madugba et al. (2021) examined the effect of audit committee attributes on the financial reporting quality of deposit money banks in Nigeria. The study adopted the descriptive research design and obtained data from the annual accounts of seven deposit money banks for a period of seven years to test the hypotheses. Financial reporting quality is the dependent variable which was measured with accrual model while the independent variables were members of the audit committee that has accounting and finance knowledge, audit committee size and audit committee independence. Result of the analysis show that all the variables are insignificant, and as such are not considered to be determinant of financial reporting quality in deposit money banks in Nigeria. Therefore, it was concluded that audit committee attributes are not a good determinant of financial reporting quality among money deposit banks in Nigeria.

Congruently, Majiyebo et al. (2018) examined the effect of the audit committee meeting and expertise on financial reporting quality of commercial banks in Nigeria. Data was sourced from the NSE fact-books and the financial statements of fifteen commercial banks for a period of ten years spanning from 2007 to 2016 and the modified Jones (1991) model was utilized in measuring financial reporting quality. The result of the findings revealed that audit committee expertise has a negative effect on the financial reporting quality of the commercial banks.

Similarly, Umobong and Ibanichuka (2017) examined the relationship between audit committee characteristics and financial reporting quality of food and beverage firms. Data was sourced from the Nigeria Stock Exchange (now changed to Nigerian exchange group) and financial expertise and Audit committee independence were regressed against financial reporting quality which was measured by relevance and reliability. They found that for every increase in audit committee independence and financial expertise of members, invariably there will be an increase in financial reporting quality. Whereas for increase in audit committee size and firm, there was an invariable decrease in financial reporting quality.

Also, Moses, Ofurum and Egbe (2016) carried out a study on “audit committee characteristics and quality of financial reporting in quoted Nigerian banks”. The study obtained it data from the documentary records of annual reports and accounts of fifteen banks for over five years which subjected to analysis using correlation and modified Jones model. The study found no significant impact between audit committee size and the quality of financial reporting in quoted Nigerian banks. Hence, the paper recommended that audit committee size should be considerably increased with members that have accounting and finance knowledge to make up the majority.

More so, Bala and Gugong (2015) examined the relationship between Audit Committee characteristics and earnings quality in the context of food and beverages firms in Nigeria.

The data for the study covered a period from 2007 to 2014 and was extracted from the annual reports and accounts of the firm. The result of the OLS regression analysis revealed a significant relationship between audit committee characteristics and earnings quality of the firms. While audit committee size and audit committee financial expertise indicated an inverse relationship and discretionary accrual, meanwhile audit committee independence is positively and significantly related to discretionary accrual.

Akin to the above studies, Bala and Ibrahim (2014) examined the influence of monitoring characteristics on financial reporting quality of listed conglomerates firms in Nigeria over the period spanning from 2009 to 2014. Francis et al. (2005) model was used in extracting the discretionary accruals of the sampled firms. The multiple regression analysis was adopted to test the model of the study by utilizing OLS regression Model. Thus, the result showed a positive relationship between audit committee independence and financial reporting quality of Listed Conglomerates Firms in Nigeria. While audit committee financial expertise and firm size were negatively and significantly related to financial reporting quality of listed conglomerates firms in Nigeria.

In contrast to the aforementioned studies, Akpan and Nsentip (2020) studied the effect of audit committee attributes on financial reporting quality of listed banks in Nigeria from 2009-2018. Ex-post facto research design is used and the data for analysis are gleaned from annual reports of the sampled banks. 12 out of 13 banks is selected using Taro Yamani formula for determining sample size. The descriptive statistics, correlation and OLS technique were used to analyzed the data. The findings reveal that a well constituted independent audit committee has a significant influence on financial reporting quality of listed Nigerian banks.

Similarly, Eriabie and Izedonmi (2016) examined the impact of Audit Committee on financial reporting quality (FRQ) in Nigerian quoted companies. Data was obtained from annual reports of 131 companies for the periods of 2006-2012 and analyzed using correlation and OLS regression. It was found that audit committee attributes, like financial literacy, independence and size had a positive and significant effect on FRQ.

Also, Kibiya et al. (2016) investigated the “effect of revised Code of Corporate Governance 2011 for public companies in Nigeria and how these changes affect the quality of financial reporting in the nonfinancial firms in Nigeria between 2010 and 2014”. The McNichols (2002) accrual quality measure on pooled panel data was employed with 505 firm-year observations. Findings show that the revised code brought about changes that has positive impact in providing effective mechanisms for monitoring and controlling (which led to decrease in earnings management practices that enhanced the quality of financial reports in Nigerian nonfinancial listed firms). However, some specific variables that contributes to improving the quality of firms’ earnings were found to be insufficient in enhancing the quality of financial reports. Hence, the mandatory disclosure of equity and financial expertise of shareholder’s representatives on the AC in the governance reports were found to improve the oversight monitoring functions of the board and AC.

On the other hand, in terms of studies related to gender diversity, Ud Din et al. (2021) investigated the relationship between the expertise of female audit committee (AC) chairs and (FRQ). The study also examined the moderating effect of the expertise of AC female chairs on the relationships between internal controls (ICS), components of ICS and FRQ. The study analyzed 302 firms that are listed on the Pakistan Stock Exchange over the period spanning from 2010-2016 and data were manually gleaned from annual reports. Findings revealed that the accounting expertise of AC female chairs helps in enhancing FRQ better compared to their male counterparts. Also, findings indicate that as result of the accounting expertise of AC female chairs, they to report less earnings management

compared to the male counterparts, as such the issue of agency conflict is reduced, hence leading to producing quality report.

Similarly, Albawwat and Al harasees (2019) examined the influence of gender attributes of AC members on the quality of financial reports in the Jordanian commercial banks. The quality of financial reports was measured through the use of 9 indicators of voluntary disclosure gleaned from the annual reports. Data was obtained from 13 commercial banks that are listed on the Amman Stock Exchange during the period covering 2013 to 2017 and analysis was done through the use of the statistical program STATA. To test the hypotheses and draw the results, the Multiple regression is utilized. The results of the analysis show that the quality of financial reports has positive influence on the existence of female as a member of AC. Moreover, the study also shows that the presence of female as a chairperson of AC is negatively related to the quality of financial reports.

More so, Zalata et al. (2018) investigated the effect of financial expertise on earnings management by particularly taking cognizance of the gender of the financial expert. They used a sample of 5,660 US firm year observations covering the period from 2007-2013 and the data was analyzed using least squares regressions clustering. The results of the findings show that the proportion of AC financial expertise and gender reduces earnings management. The results also revealed that the proportion of AC female financial experts is significantly related to less earnings management while the reverse result was the case of the proportion of the male counterpart. Further findings also shed more light by partly explaining the reason why studies on “the effect that financial expertise has on the AC are conflicting”. More so, the study brought to bear the cause of mixed findings which it shows maybe due to previous studies failure to distinguish between the genders of the AC financial experts.

Contradictorily, Ahmadu et al. (2017) examined the effect of AC financial expertise and AC gender mix on FRQ of quoted companies in the health care sector. The study employed the Correlational design and five out of the nine companies in the sector were selected through the use of purposive sampling technique over the period of 8 years (i.e. 2010-2017). The result of the panel regression analysis showed that AC financial expertise has insignificant effect on FRQ while AC gender mix has significant effect on FRQ of the selected quoted companies in the health care sector.

### **2.3.2 Risk Management Committee, Audit Committee and Financial Reporting Quality**

Ojeka et al. (2021) examined the relationship between AC characteristics and risk management of some selected listed firms in Nigeria. Secondary sources of data were used to describe the dependent variable (i.e. financial risk broken down into credit risk and liquidity risk) and the independent variables (broken down into AC accounting expertise, AC independence and AC gender). The study utilized student t-test, pair sample t-test, Pearson Moment Correlation and random panel data estimator for 20 selected listed firms for over 2012 to 2016 period. Findings revealed that audit committee accounting expertise is negatively related to financial risk. This mean that audit committees accounting expertise are likely to be involved in activities and practices that curbs financial risk. Additionally, AC gender and AC independence were found to be negatively related to liquidity risk. Thus, the above study differs from the current study in that it will focus on listed non-financial firms and the period of firm year observation will cover 2011-2020 so as to take cognizance of the newly review NCCG.

Malik et al. (2021) examined whether the adoption of a Board risk committee (BRC) improves firm’s access to capital by reducing financial constraints risk while utilizing a



sample of 28,265 firm year observations from the U.S. listed firms for the period spanning from 2005 to 2017. Their findings show that the voluntary adoption of a BRC reduces financial constraints risk significantly. Their findings also revealed that BRC characteristics such as size, financial experts and female directors have negative relationship with financial constraints risk. More so, they find that voluntary adoption of a BRC is vital for listed firms especially for those who don't have an effective risk governance structure at the board level. However, their studies vary with the current study due to the fact that the current study will be conducted in a developing country with slight differences in some of the variables that will be considered and as such may produce different results due to contextual differences between the two countries.

Jia (2019) investigated the relationship between risk management committee (RMC) gender diversity and the likelihood of a firm's financial distress. Data were extracted from the annual reports of the top 300 Australian Stock Exchange (ASX) listed companies over the period of 2007 to 2014. In order to control for potential endogeneity, the relationship between RMCGD and the likelihood of a firm's financial distress was examined via the use of an instrumental variable approach (i.e. panel 2SLS regression). Findings revealed that RMCGD is related with a lower probability of financial distress, implying that women are considered to be better at monitoring and reduction of firms' excessive risk-taking behaviors, which invariably leads to a decrease in firms' financial distress risk. Essentially, the proportion of women that has financial experience on RMC are found to be more effective in reducing the chances of financial distress than the proportion of male counterpart that has financial experience on RMC. However, the present studies will focus on the moderating effect of RMC on the relationship between CGM and FRQ of listed nonfinancial firms.

Ahmed (2019) investigated the "effect of risk management committee (RMC) characteristics (risk management committee size and risk management committee independence) and board financial expertise on the financial performance of quoted banks in Nigeria". The study utilized secondary data which was gleaned from the annual report of banks listed in the Nigerian exchange group for the period of 2013-2016 with 56 firm-year observations and was based on panel data approach. And the regression estimates were anchored on random effect and fixed effect models. Findings revealed that RMC size and RMC independence are insignificantly related with financial performance of ROA, ROE and Tobin's Q, suggesting an increase or decrease in RMC size has no effect on financial performance. While board financial expertise was found to be negatively related with ROA and ROE, suggesting that the more the financial expert in an organization the lesser the financial performance due to the risk that will be avoided. However, the present study tends to focus on the effect of RMC on FRQ of listed non-financial firms.

Ishak et al. (2017) investigated the relationship between the board of directors (BOD) and the establishment of RMC for the non-banking and non-financial companies listed on Bursa Malaysia. The study obtained data from the annual reports of companies for the year 2014 to 2015. Some characteristics of BOD and the establishment of RMC are tested in their study including some control variables. The study employed the descriptive and multivariate analyses to answer the research question. Their findings show that the BOD size is positively related to the establishment of RMC. Also, the BOD outside directorship was found to be negatively related to the establishment of RMC. Further, companies that are audited by the big 4 audit firms are found to be positively associated with the formation of RMC. The result also indicates that the company audited by big 4 audit firms are preferred to have risk management committee either as combined or separate. However, their studies vary from the present study in that their study was conducted in Asian country

which has some degree of variance in the way their code of corporate governance is governed.

Bhuiyan et al. (2016) examined the association between the existence of a risk committee (RM) in a firm and financial reporting quality. They also examined whether having a risk committee moderates the effect of financial reporting quality on audit pricing. They used two different measures of risk committee existence to examine the impact on FRQ and audit pricing. Multivariate regression analysis is applied to data from Australian Stock Exchange listed companies during the years 2001 – 2013. The results show that the existence of a RM reduces discretionary accruals; this means financial reporting quality improves when risk committees are in operation. The results also indicate that risk committee existence plays a moderating role to reduce audit fees when firms have higher discretionary accruals.

There are many governance theories that have been used to explain corporate governance studies. However, this study employs the agency theory with the aim of explaining its suitability to the present study. In particular, this theory is considered due to its prominence in the recent times literatures and its suitability to support and explain better the relationship between the board, audit committee characteristics and financial reporting quality as well as risk management committee. The theory explains the principal-agent relationship and their behaviours. It also explains how BODs can act on behalf of the principal such that they can control and monitor the activities of the agents. Consequently, the agency theory is utilized in this study because it focusses more on providing advice, counselling and monitoring functions that helps in resolving principal-agent relationship problem as dominated by agency cost (Hillman & Dalziel, 2003; Eisenhardt, 1989), and corporate governance mechanisms can be used in this regard to reduce agency cost (Shleifer & Vishny, 1986; Fama & Jensen, 1983; Fama, 1980).

### **3. Research Methodology**

#### **3.1 Research Design**

The ex post facto research design was adopted in this study to examine the possible causes and effects of the variables of interest. The design establishes these relationships by first identifying some existing phenomena and then analyzing data to establish possible causal factors. As the study is quantitative in nature, it aligns with the positivist philosophy. Also, the choice of ex-post facto research design is based on the objective to be achieved in the study. In line with the objectives and hypotheses formulated the study used panel multiple regressions to determine the impact of independent variables on the dependent variable, since it is the most suitable techniques for determining the extent of impact of independent variables on dependent variable. STATA Statistical Package were used since it allows establishing the impact of the independent variables on the dependent variable as well as testing for robustness such as heteroscedasticity test, fixed and random effect test, Multicollinearity test.

#### **3.2 Population, Sample and Sampling Technique**

The population of the study consisted of 116 non-financial companies quoted on the Nigerian Stock Exchange (now Nigerian Exchange Group) as at 31st December, 2022, in the Agriculture, Conglomerate, Consumer Goods, Industrial Goods, Healthcare, Technology, Real Estate and Construction, Oil and Gas, Services and Natural Resources sectors.

The study employed stratified and simple random sampling techniques in selecting the sample of the study. The stratified sampling method was used because of the distinct nature of the study population. While simple random sampling gave each unit of the population an equal opportunity of inclusion in the sample.

This initial sample size is supported by Yamane (1967) sample selection method (Guilford & Frucher, 1973) as stated below:

According to Yamane (1967),  $n = N / [1 + (Ne^2)]$ ,

Where: “n” is the sample size,

“N” is the population,

“e” is the error limit (5% precision level was used for the purpose of this study)

Therefore,  $n = 116 / [1 + 116 (0.05^2)]$

$n = 116/1.29$

$n = 90$

Adjusted Yamane (1967),  $n_1 = n/1+(n-1)/N$

Therefore,  $n_1 = 90/1+(90-1)/116$

$n_1 = 90/1.77$

$n_1 = 49$

Based on the above calculation. The sample size of 49 with error limit of 5% is considered appropriate for this study. The proposed samples from each sector of the study were determined through the use of proportional sampling technique as thus:

**Table 1 Population and Sample Size of the Study**

S/N	Sector	Population	Computation	Sample
1	Agriculture	5	$5/116*49$	2
2	Conglomerate	6	$6/116*49$	3
3	Consumer goods	23	$23/116*49$	10
4	Industrial goods	13	$13/116*49$	5
5	Healthcare	10	$10/116*49$	4
6	Technology	9	$9/116*49$	4
7	Real Estate and Construction	9	$9/116*49$	4
8	Oil and Gas	12	$12/116*49$	5
9	Services	25	$25/116*49$	10
10	Natural resources	4	$4/116*49$	2
Total		116		49

**Source: Researcher’s computation, 2023**

### **3.3 Method of Data Collection**

Data collected for this study were solely from secondary sources. Data were extracted from the Published Audited Accounts and Financial Statements and the Annual Reports of the listed non-financial firms in Nigeria from 2013-2022. The data were quantitative and panel in nature. Therefore, the panel dataset comprised of 490 firm years’ observations which were subjected to different tests for analysis.

### **4. Technique of Data Analysis and Model Specification**

This study used descriptive statistics to summarize the data, and to describe and understand the basic features of the data in the study. Also, correlation analysis was conducted to explain the relationship between the independent and the dependent variables and also the association among the all pairs of independent variables themselves. Again, multiple regression analysis technique was adopted for the purpose of analysis because it is used to test the changes in the combination of two or more predictors. Basically, it is used to predict the level of change in the outcomes of variables. Furthermore, in estimating multiple regression models, researchers are usually challenged by the following: Fixed

Effects estimation and Random Effects estimation. The Hausman (1978) test helps to determine the choice between the fixed or random effect models in conducting the regression by calculating the value of Probability chi-square.

The summary of Hausman test is presented in Table 2

**Table 2: Hausman Specification Test**

Variable	Chi <sup>2</sup>	Prob>Chi <sup>2</sup>
Board Attributes	27.31	0.0012
Audit Committee Attributes	24.41	0.0027

Source: STATA, 2023

From table 2 the result of the Hausman Test reveals chi2 values of 27.31 and 24.41 for board and audit committee attributes respectively with a corresponding probability of 0.0012 and 0.0027. The significant values presented by the two models suggest that the fixed effect is more appropriate for interpretation.

**4.1 Model Specification**

This study applied the multiple regression analysis technique and the Fixed-Effect and Random-Effect models to test the various hypotheses. The preference for multiple regression analysis is that it allows researchers to assess the strength of the relationship between the outcome (the dependent variable) and several predictor variables as well as the importance of each predictor variable to the relationship, often with the effect of other predictors statistically eliminated (Wooldridge, 2002). The Fixed-Effect and Random-Effect models allow the researchers to examine variations among cross-sectional units simultaneously with variations within individual units over time (Gaur & Gaur, 2006). It assumes that regression parameters do not change over time and do not differ between various cross-sectional units, enhancing the reliability of the coefficient estimates.

Hence, the model is specified thus;

$$FRQ_{it} = \beta_0 + \beta_1ACGD_{it} + \beta_2ACFE_{it} + \beta_3ACS_{it} + \beta_4ACIND_{it} + \beta_5RMC_{it} + \beta_6ACGD_{it} * RMC_{it} + \beta_7ACFE_{it} * RMC_{it} + \beta_8ACS_{it} * RMC_{it} + \beta_9ACIND_{it} * RMC_{it} + e_{it} \dots \dots \dots (i)$$

Where: ACGD = Audit Committee Gender Diversity; ACFE = Audit Committee Financial Expertise; ACS = Audit Committee Size; ACIND = Audit Committee Independence;  $\beta_0$  = Parameters estimated; e = an error term assumed to satisfy the standard OLS assumption.

$\beta_1$ -  $\beta_9$  = Partial derivatives or the gradient of the independent variable.

**Table 3: Measurements of Variables**

Variables	Definition	Measurements	Source	Theory
<b>FRQ</b>	Financial Reporting Quality	Proxies grounded on properties of reported earnings, comprising of accruals quality (earnings management), earnings smoothing, earnings persistence and the value relevance	(Leuz et al., 2003; Francis et al., 2005)	Agency theory
<b>ACGD</b>	Audit committee	Total number of female directors on the audit committee	(Fodio et al., 2013; Ittonen, et al., 2015)	Agency Theory

	Gender Diversity			
<b>ACFE</b>	Audit Committee Financial Expertise	Total number of audit committee members with financial expertise	(Carcello et al., 2006; Mustafa & Youssef, 2010)	Agency theory
<b>ACS</b>	Audit Committee Size	Number of audit committee members	(Fodio et al., 2013; Saleh et al., 2005)	Agency theory
<b>ACIND</b>	Audit Committee Independence	Total number of independent directors on the board	(Fodio et al., 2013; Rahman & Ali, 2006)	Agency theory/Resource dependency theory
<b>RMC</b>	Risk Management Committee	The number of directors serving on the RMC	(Ng et al., 2012; Tao & Hutchinson, 2013)	Agency theory

Source: Developed by the researcher (2023).

### Descriptive Statistics

The table below shows the description of the properties of the variables ranging from the mean of each variable, minimum, maximum and standard deviation. Table 4 presents the details of the result.

**Table 4: Descriptive Statistics**

Variable	Obs	Mean	. dev.	Min	Max
frq	490	.1870754	.122498	-.812479	.504019
acgd	490	2.120408	.6264385	1	3
acfe	490	2.534694	.5646546	1	3
acs	490	6.018367	.812523	4	9
acind	490	2.389796	.6042606	1	3
rmc	490	3.879592	.7290298	2	6
acgdrmc	490	8.24898	2.976948	2	15
acfermc	490	9.844898	2.948159	2	18
acsrmc	490	23.34898	5.455776	8	45
acindrmc	490	9.240816	2.831167	2	15

Source: STATA 16 output, 2023

The descriptive statistics show a summary of data for all selected variables for the 49 listed non-financial companies in Nigeria within the time frame of 10 years. The result from table 4 shows that the average FRQ which is a measure of the extent of discretionary accruals is .1870 with a standard deviation of .1224. This figure indicates a low ratio of discretionary accruals. From the values of the minimum and maximum which stands at -.8124 and 5040 respectively is an indication of a low level of variability in the data.

Regarding the independent variables, for ACGD, the descriptive statistics on table 4 shows a mean value of 2.1204 and a corresponding standard deviation of .6264. This shows that on average 2 members of the audit committee are female. The minimum is 1 while the maximum is 3 suggests that there is a little degree of variance in the composition of female directors of companies in the area covered by the study.

The descriptive statistics from Table 4 also indicates the mean of the ACFE to be 2.5346 which signifies that on the average it can be said that approximately of the companies have

directors with financial expertise. This result has a range between 1 and 3 which show that the data is widely dispersed around the mean. The Table also indicates that the sample firms have an average ACS of 6 and standard deviation of .8125. The figure of the standard deviation insinuates that there is a high level of variance in the level of audit committee members by companies. The minimum and the maximum as shown by the table is 4 and 9. The descriptive statistics in Table 4 shows that on average, the ACIND during the period of the study stands at 2.3897, with standard deviation of .6042. This shows that on average 2 members of audit committee are independent directors. The minimum and maximum values have a range of 1 and 3 respectively.

The study introduced a moderator variable and according to the descriptive statistics result in Table 4, show that on average companies have 3 risk management committee members with a standard deviation of .7290. The minimum and maximum ranges between 2 and 6 respectively. The descriptive statistics show that the moderation of ACGD and RMC produced a mean of 8.24 and a standard deviation which is 2.96. The minimum and maximum which stands at range between 2 and 15. Nevertheless, the interaction between ACFE and RMC has a mean of 9.84 and a standard deviation of 2.94. The value of minimum and maximum which is 1 and 18 respectively. Nevertheless, the descriptive statistics show that the moderation of ACS and RMC produces an average of 23.34 with a corresponding standard deviation of 5.45. The maximum value is 8 while the minimum stands at 45. Lastly, the descriptive statistics show that the interaction between ACINDP and RMC produce a mean of 9.24 with a corresponding standard deviation of 2.83. The value of the SD indicates a substantial difference in the number of independent directors in the sector covered in the study. This is substantiated by the minimum and maximum which ranges from 2 and 15 respectively.

#### **4.2 Regression Result**

This study tested the effect of selected audit committee attributes on financial reporting quality of quoted non-financial companies in Nigeria with risk management committee moderating the entire variables. Given this instance, regression models were stated in methodology aimed at achieving the specific objectives of the study. The model tested the moderating effect of risk management committee on the relationship between audit committee characteristics (audit committee gender diversity, audit committee financial expertise, audit committee size and audit committee independence) and financial reporting quality. The summary of the regression results for the models are presented below:

**Table 5 Fixed Effect Regression Model**

Fixed-effects (within) regression	Number of obs	=	490
Group variable: id	Number of groups	=	49
R-sq: within = 0.5851	Obs per group: min =		10
between = 0.6934	avg =		10.0
overall = 0.6892	max =		10
	F(9,432)	=	3183.19
corr(u_i, Xb) = -0.0274	Prob > F	=	0.0000

frq	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
acgd	.0297952	.0099833	2.98	0.003	.0101733 .0494171
acfe	.1069335	.0085942	12.44	0.000	.0900418 .1238251
acs	.073066	.0035576	20.54	0.000	.0660737 .0800584
acind	.0938896	.007308	12.85	0.000	.079526 .1082531
rmc	.0434174	.0020505	21.17	0.000	.0393872 .0474476

```

acgdrmc | -.0005324 .000525 -1.01 0.311 -.0015644 .0004995
acfermc | -.005284 .0005589 -9.45 0.000 -.0063825 -.0041856
acsrmc | -.0035589 .0002679 -13.28 0.000 -.0040855 -.0030322
acindrnc | -.003542 .0004451 -7.96 0.000 -.0044169 -.0026671
cons | .0026695 .0034711 0.77 0.442 -.0041529 .009492

```

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**Source: STATA 16, 2023**

The regression results for audit committee attributes indicate an overall R<sup>2</sup> of 0.6892 which is the multiple coefficients of determination that signifies the proportion or percentage of the total variation in the dependent variable explained by the independent and moderator variables jointly. This suggests that audit committee gender diversity, audit committee independence, audit committee size and audit committee financial expertise as well as risk management committee jointly explain 69% variations in financial reporting quality of listed non-financial companies, while the remaining 31% of the total variation in the financial reporting quality is attributed to other factors not included in the model. Accordingly, the value of F-statistic is 3183.19 with a corresponding p-value of 0.0000 which signify the fitness of the model. This serves as substantial evidence to conclude that audit committee attributes can be used to predict the quality of financial reporting in the non-financial sector.

### 4.3 Correlation Matrix

The Pearson correlation analysis matrix shows the relationship between the explanatory and the explained variable and the relationship among all pairs of independent variables themselves. Generally, high correlation is expected between dependent and independent variables while low correlation is expected among independent variables. According to Gujarati (2004), a correlation coefficient between two independent variables 0.80 is considered excessive and thus certain measures are required to correct that anomaly in the data. Table 4.2 presents the elaborate result of the correlation matrix between the variables.

### 4.4 Correlation Matrix

Correlation

```

. correlate frq acgd acfe acs acind rmc acgdrmc acfermc acsrmc acindrnc
(obs=490)

```

**Table 6**

**Source: STATA 16 output, 2023**

	Frq	Acgd	Acfe	Acs	Acind	Rmc	Acgdrmc	Acfermc	Acsrnc	Acindrnc
Frq	1.000									
Acgd	0.0372	1.0000								
Acfe	-0.036	0.2454	1.0000							
Acs	0.2402	0.3130	-0.048	1.0000						
Acind	-0.019	-0.038	-0.031	0.0020	1.0000					
Rmc	-0.139	0.0497	0.0276	0.0003	-	1.0000				
Acgdrmc	-0.049	0.8436	0.2126	0.2526	-	0.5585	1.0000			
Acfermc	-0.117	0.2117	0.7600	-0.045	-	0.6554	0.5156	1.0000		
Acsrnc	0.0337	0.2186	-0.013	0.5752	-	0.8116	0.5994	0.4997	1.0000	
Acindrnc	-0.101	-0.004	-0.003	0.001	0.7878	0.5422	0.2758	0.3468	0.4393	1.0000

From Table 5, it can be seen that all the correlation coefficients among the independent variables are below 0.80. the study shows that ACGD and ACS has a positive correlation with financial reporting quality while ACIND and ACFE have a negative correlation with

financial reporting quality. This implies that the two explanatory variables move in a direction with financial reporting quality. From the moderated result, ACINDRMC, ACFERMC, ACGDRMC have negative correlations with financial reporting quality while ACSRMC has a positive relationship with financial reporting quality.

### **Test of Hypotheses**

#### **Audit Committee Characteristics and Financial Reporting Quality**

##### **1. Audit Committee Gender Diversity and Financial Reporting Quality**

The regression result in Table 5 shows that audit committee gender diversity has a significant positive effect on financial reporting quality of listed non-financial firms in Nigeria, as can be seen from the coefficient of 0.22979 and a p-value of 0.003 which is statistically significant at all levels of significance. This means that 1% increase in audit committee gender would lead to 30% increase in financial reporting quality of listed non-financial firms in Nigeria while holding audit committee independence, financial expertise, and size constant. Hence, this study failed to reject the hypothesis which states that audit committee gender diversity has no significant effect on significant positive effect on financial reporting quality of listed non-financial firms in Nigeria.

##### **2. Audit Committee Financial Expertise and Financial Reporting Quality**

The regression results also present evidence to show that audit committee financial expertise has a positive and significant effect on financial reporting quality of listed non-financial firms in Nigeria. This is evidenced by the coefficient of 0.1069 and the p-value of 0.000 which is significant at 95% level of confidence. This means that 1% increase in audit committee financial expertise will result in 11% increase in the financial reporting quality of listed non-financial companies in Nigeria while holding audit committee gender diversity, audit committee size and audit committee independence constant. Given this outcome, the study has significant evidence to reject the null hypothesis which states that audit committee financial expertise has a positive and significant effect on financial reporting quality of listed non-financial firms in Nigeria.

##### **3. Audit Committee size and Financial Reporting Quality**

The summary of the regression results in table 5 showed that audit committee size has a positive and significant effect on financial reporting quality of listed non-financial firms in Nigeria. This is based on the evidence that the coefficient is 0.0730 and a p-value of 0.000. This means that 1-unit increase in audit committee size would lead to 7% increase in financial reporting quality in the sector covered by the study while audit committee gender diversity, audit committee financial expertise and audit committee independence constant. Hence, the study rejects the null hypothesis that audit committee size has no significant effect on financial reporting quality of listed non-financial firms in Nigeria.

##### **4. Audit Committee Independence and Financial Reporting Quality**

The study also, looked at the extent to which audit committee independence can predict the level of financial reporting quality of listed non-financial firms in Nigeria. The regression output in table 5 showed a positive and significant relationship between audit committee independence and financial reporting quality as evidenced from a coefficient and p-value which of 0.0938 and 0.000 respectively. This shows that audit committee independence can positively determine the extent of financial reporting quality to the tune of 9%. Also, from the p-value which is less than 0.05 this study rejects the hypothesis which states that audit committee independence has no significant effect on financial reporting quality of listed non-financial firms in Nigeria.

#### **Moderating Effect of Risk Management Committee on the Relationship Between Audit Committee Characteristics and Financial Reporting Quality**



### **1. Risk Management Committee, Audit Committee Gender Diversity and Financial Reporting Quality**

The study finds no evidence which suggests that risk management committee has a significant moderating effect on the relationship between audit committee gender diversity and financial reporting quality of listed non-financial companies in Nigeria. This is evidenced by the coefficient of -0.0005 and the corresponding probability of 0.311 which is insignificant at 95% level of confidence. It therefore, means that there is negative increase in financial reporting quality when risk management interacts with audit committee gender diversity in the area covered by the study while holding other factors constant. Based on this, the study accepts the null hypothesis which states that, the moderating effect of risk management committee has no significant effect on the relationship between audit committee gender diversity and financial reporting quality of listed non-financial companies in Nigeria.

### **2. Risk Management Committee, Audit Committee Financial Expertise and Financial Reporting Quality**

The summary of the regression in table 5 again shows that risk management committee negatively and significantly moderates the relationship between audit committee financial expertise and financial reporting quality of listed non-financial companies in Nigeria. This assertion is supported by the coefficient of -0.0003 and a p-value of 0.000 which is statistically significant given that the p-value is less than 0.05. The study, therefore, has evidence to reject the null hypothesis that risk management committee has no significant moderating effect on the relationship between audit committee financial expertise and financial reporting quality of listed non-financial companies in Nigeria.

### **3. Risk Management Committee, Audit Committee Size and Financial Reporting Quality**

Furthermore, the regression result for audit committee size in table 5 shows a coefficient of -0.0003 and a p-value of 0.000. The import of this result is that risk management committee as a moderator negatively and significantly moderates the relationship between audit committee size and financial reporting quality of listed non-financial companies in Nigeria. Given that the p-value is less than 0.05, the study rejects the null hypotheses which states that risk management committee does not have a significant moderating effect on the relationship between audit committee size and financial reporting quality of listed non-financial companies in Nigeria.

### **4. Risk Management Committee, Audit Committee Independence and Financial Reporting Quality**

This study again hypothesized that risk management committee has no significant moderating effect on the relationship between audit committee independence and financial reporting quality of listed non-financial companies in Nigeria. The result of the regression analysis provided evidence from the coefficient and p-value of -0.0003 and 0.000 respectively that risk management committee as a moderator has a negative but significant effect on the relationship between audit committee independence and financial reporting quality. Supported by the statistical evidence, the study rejects the hypothesis which states that risk management committee has does not have any significant moderating effect on the relationship between audit committee independence and financial reporting quality of listed non-financial companies in Nigeria.

## **4.5 Discussion of Findings**

### **Audit Committee and Financial Reporting Quality**

#### **Audit Committee Gender Diversity and Financial Reporting Quality**

The regression result showed that audit committee gender diversity has a significant and positive effect on financial reporting quality of listed non-financial companies in Nigeria. By this result increase in the number of female members of the audit committee bring significant influence on the financial reporting quality of listed non-financial companies in Nigeria. This result is in tandem with that of Al-Hamed (2017) that the gender diversity of the audit committee and the presence of a female member of the Committee have an impact on the different types of decisions made by companies. Also, Nelson (2012) found that more likely to be neutral in judgments and behaviors. This particular difference in cognitive function, conservation and decision-making may have significant implications for the quality of financial reporting. This result aligns with that of Dissanayake and Wickramasinghe (2016) and contradicts Mahmoud et al. (2016) who found that audit committee gender diversity to has an insignificant relationship with financial reporting quality.

#### **Audit Committee Financial Expertise and Financial Reporting Quality**

The regression results also presented evidence to show that audit committee financial expertise has a positive and significant effect on financial reporting quality of listed non-financial companies in Nigeria. The import of this result is that more members with financial expertise on the audit committee can greatly increase the quality of financial reporting of companies. The more a more is willing to consider more members with financial expertise on the audit committee the more likelihood of producing financial statements with high quality. This finding is supported by the signalling theory which avers that the presence of members with high accounting and finance knowledge on the audit committee send a signal to the market and upon this signal analyst and investors will react accordingly. The finding is empirically supported by Oraka et al. (2019) and contradicts that of Mouna et al. (2018).

#### **Audit Committee Size and Financial Reporting Quality**

The summary of the regression result showed that audit committee size has a positive and significant effect on financial reporting quality of listed non-financial companies in Nigeria. This shows that the size of the audit committee can be determined the level of financial reporting quality of listed non-financial companies in Nigeria. From a practical point of view, more members on the audit committee are capable injecting in it more creative ideas and diversification to ensure the reports are carefully prepared to meet the underlying market expectations. This finding is supported by agency theory that the precise number of AC members is very vital as this affects the dedication of the members to the monitoring of management and identifying fraudulent behaviors. Empirically, Allini et al., (2016); Dewayanto et al., (2017) findings are in line with the current findings while and Moses (2016) showed AC size has no significant influence on financial reporting.

#### **Audit Committee Independence and Financial Reporting Quality**

The study also, looked at the extent to which audit committee independence affect the financial reporting quality of quoted non-financial companies in Nigeria. The regression output showed a positive and significance relationship between audit committee independence and financial reporting quality of quoted non-financial companies in Nigeria. This implies that audit committee independence significantly influences the quality of financial reporting in the sector covered by the study. Basically, independence can be considered as one of the bases of AC effectiveness since such independence permits AC members more self-sufficient and freer from consigned interests in reviewing firms' performance. The findings of Inaam and Khamoussi (2016) and Amoush (2017) align with the current findings while Velte (2018) found independent AC who are not managers in other corporates is negatively linked to both the positive and absolute levels of accounting quality.

### **Moderating Effect of Risk Management Committee on Audit Committee Characteristics and Financial Reporting Quality**

The fourth objective of the study is to assess the moderating effect of risk management committee on the relationship between audit committee characteristics and financial reporting quality of listed non-financial companies in Nigeria. The hypothesis stated that risk management committee has no significant moderating effect on the relationship between audit committee characteristics and financial reporting quality of listed non-financial companies in Nigeria.

### **Moderating Effect of Risk Management Committee on Audit Committee Gender Diversity and Financial Reporting Quality**

The study found evidence which suggested that risk management committee has an insignificant moderating effect on the relationship between audit committee gender diversity and financial reporting quality of listed non-financial companies in Nigeria. This means the risk management committee cannot be used to improve the relationship between board gender diversity and financial reporting quality. This means there is no evidence to show that the strength and direction of the dependent and independent variables cannot be determined by the moderator variable. This result points to the fact that risk management committee is not necessary when the company has an increased number of women on the audit committee.

### **Moderating Effect of Risk Management Committee on Audit Committee Financial Expertise and Financial Reporting Quality**

The summary of the regression show that audit firm size has a significant moderating effect on the relationship between audit committee financial expertise and financial reporting quality of listed non-financial companies in Nigeria. This is to say the strength and direction of the relationship between audit committee financial expertise and financial reporting quality is significantly moderated by risk management committee in the area covered by the study. Financial expertise of the members of audit committee is mandatory because the responsibility of fair financial reporting lies on the shoulders of audit committee members. With the help of financial expertise significant value can be offered to the clients as they can easily detect any fraud or manipulation because of their knowledge and expertise. Majority of the studies have highlighted the positive influence of financial and accounting knowledge on the members of audit committee and the quality of financial reporting

### **Moderating Effect of Risk Management Committee on Audit Committee Size and Financial Reporting Quality**

This result signifies that risk management committee as a moderator significantly moderates the relationship between audit committee size and financial reporting quality of listed non-financial companies in Nigeria. This finding imply that risk management committee has moderating effect on the direction of the relationship between audit committee size and financial reporting quality. Accordingly, the study found evidence that suggest that risk management committee has a strong moderating influence on the relationship between audit committee size and financial reporting quality. Generally, previous studies have shown that the size of an audit committee has a positive effect on the audit committee effectiveness. This is because the number of the audit committee members of sufficient size is better than a small committee size. However, it is likely that audit committee effectiveness may be experiencing problems if the committee becomes too large. As a large committee may generate more losses, process and workload distribution is immoderate. Therefore, the right size of the audit committee will provide a high quality of monitoring financial reporting.

### **Moderating Effect of Risk Management Committee on Audit Committee Independence and Financial Reporting Quality**

The result of the regression analysis provided evidence that risk management committee as a moderator has a significant effect on the relationship between audit committee independence and financial reporting quality of listed non-financial companies in Nigeria. This means that risk management committee determines the strength and direction of the relationship between audit committee independence and financial reporting quality in the area covered by the study. This finding suggests the companies with risk management committee add more value to information content of financial reports making them better predictor of financial reporting quality of companies. Companies with risk management committee are considered to have more incentives to scrutinize financial statements making it more error free to be relied upon for effective decision making.

### **5. Conclusion**

From the findings of the study, the following conclusions are drawn:

From the result of the standardized regressions for audit committee showed that audit committee gender diversity does not lead to improved financial reporting quality irrespective of whether such companies have independent risk management committee or not. The study avers that audit committee financial expertise is a necessary factor in determining the level of financial reporting quality when the companies have in place a risk management committee. The study also found that the relationship between audit committee size and financial reporting quality is significantly influenced by risk management committee. The size factor can be compatible with increasing financial reporting quality because the larger the size of the committee the more competencies are embedded in the committee to monitor management towards effective financial reporting. The study also found that audit committee independence has significant relationship with financial reporting quality when moderated with risk management committee. This conclusion aligns with the assertion that risk management committee add more value to information content of financial reports making them better predictor of financial reporting quality. Finally, the study concludes that risk management committee is indeed a viable governance strategy aimed at improving the financial reporting quality through the scrutiny of the assessment and disclosure of risks inherent in the company.

### **6. Recommendations**

From the conclusion of the study, the following recommendations are made:

That the establishment of a risk management committee should be highly considered if not made a priority in a firm's monitoring process. The expectation is that risk management committee provides the necessary confidence to the stakeholders that financial reports are credible and reliable and that possible risk inherent in the organization are carefully reviewed and possess no threats to the going concern of the firm.

That companies with risk management committee need not insist on increased gender diversity to achieve a credible financial reporting. This is based on the assertion that women on the audit committee look out for risk factors and this role is evidently played by risk management committees of the board of directors.

Board of Directors of non-financial companies should increase their monitoring capacity towards discretionary accruals by making the entire audit committee members experts in accounting and finance. This is because the fraudulent financial reporting comes with a lot of managerial discretions through earnings management activities.

That the size of the audit committee can be increased to at least nine members with the aim of including board members with diverse capabilities who can function effectively in advising management towards issues concerning credible financial reporting.

That more members of the audit committee should come from the independent non-executive directors as they possess the requisite experience and are more inclined to perform their fiduciary responsibility to the shareholders by encouraging credible financial reporting.

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