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RISK GOVERNANCE STRUCTURE AND ERANING QUALITY OF LISTED CONSUMMER GOODS FIRMS IN NIGERIA

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Abstract: *The quality of financial report is paramount to stakeholders, despite the implementation of several corporate governance mechanisms, there are cases of financial report manipulation. This study examined the effect of risk governance structure on real earnings management of listed consumer goods firms in Nigeria. Ex-post facto research design was employed and secondary source of data was used. Data was extracted for the period of 10 years, 2012 to 2021. Feasible Generalized Least Squares was employed. The research found that risk management committee has a negative significant impact on earnings quality of listed consumer goods firms in Nigeria. Audit committee also has a negative significant effect on earnings quality. On the contrary, board composition has favourable influence on real earnings management of consumer goods firms listed on the Nigeria exchange group. The study therefore recommends that board of directors should enhance risk management committee and audit committee monitoring activity as both reduces real earnings management and improve real earnings management.*

Keywords*: Risk governance, real earnings management, audit committee, board composition*

INTRODUCTION

Decision making is vital in any business environment both for the stakeholders and managers and one of the basic uses in decision making is the reported earnings. Earnings basically represent the net income generated from operational activities of an organisation, thus an indicator for assessing organisational performance. owing to the important of the reported earnings, it is expected to be reliable predictable, verifiable, informative, timely and accurate in other to guide informed decision making. Stakeholders perceive earnings to be of high quality when the reported earnings accurately portray the current operating performance of a company, and has the ability to predict future earnings (Dechow and Schrand, 2004). Hence, the quality reported earning cannot be over emphasis, as it is aim at reducing erroneous decision from misleading financial

information (Olaoye & Adewumi, 2020). However, the artificial nature of a company that separated the principal from the agent, managers may apply opportunistic discretion to manipulate accounting numbers in the preparation of financial statement to suit private gain thereby distorting the quality of the reported earnings.
Evidence of earnings manipulation financial crisis existed in big corporations around the globe such as, World Com and Xerox, Enron, HealthSouth, Parmalat, Tyco, that has become a point of concern for financial reporting users and has disrupted the confidence of stakeholders. Companies within the Nigeria exchange group were also affected by the financial crises: such as the bank financial crises which took place in the 1990s involving African continental bank, orient bank, 2009 Afribank plc and Oceanic bank and the colossal accounting and corporate scandals in Cadbury Nigeria Plc which came with awful consequences on corporate governance (Okaro & Okafor, 2014). This corporate accounting scandal is still prevalent in Nigeria with the recent allegation of misstatement of financial report practice regarding one of the energy giants, Oando Plc in 2017, (Madu & Shehu, 2021). This financial crisis has been attributed to corporate governance lapses and risk governance ineffective practise. Having a risk governance in an organisation is not enough but the effectiveness of the risk governance architecture can significantly sway the quality of financial reporting (Chen, et al., 2015; Cohen, et al., 2017; Sani, et al., 2018).

Researchers have used different surrogates as measures of risk governance structure, however, for the purpose of this study, the researcher intend to use risk management committee, Audit committee and board composition. Management risk committee is one of the board committees which oversee the policies of risk management and practice of the organization's overall risk (Sani et el., 2018). Risk management committee an important mechanism that minimize the extend of financial manipulation and there by improve real earnings management (Efenyumi and Okoye, 2022; Olayinka et al, 2019). Audit committee plays a critical role in the corporate governance of any organisation by reviewing the processes of identifying significant risk, provide independent counsel, control and direction so as to ensure that financial reporting process is in compliance with relevant law and regulations. (Nguyen & Dang, 2022). Audit committee reduce earnings management thereby improving earnings quality (Galal, et al., 2022; Handan 2020, Sae-Lim & Jermsittiparsert 2019). In the same way, board of directors are responsible to provide appropriate monitoring mechanism for risk oversight of an entity (Shivaani, 2018**)**, hence, the composition of Board of Directors should be design to support risk-based decision making and oversight task across all operations of the organization (Dionne, et al., 2019). Board composition has the capability of enhancing real earnings management (Egbunike & Odum, 2018).
Several researchers have conducted studies on real earnings management some of these studies include: (Abdelfattah & Elfeky 2021; Echobu et al, 2019; Egbunike & Odum, 2018; Gadhoum, 2021; Irom et al 2023; Jeroh & Efeyunmi, 2022); Magaji, 2018; Marlinahb at al 2022; Olaoye & Adewomi, 2020; Ogallah and Sylva 2022; Thomas & Juka, 2022; Tran & Dang 2021; Wati & Gultom, 2021). Most of the aforementioned studies conducted are regarding corporate governance, ownership structure, corporate attribute, board leadership structure and general board characteristics on earnings quality, these studies were conducted in both developed and developing countries. Other previous

studies are on audit committee and quality of earnings (Galai et al, 2022; Hamdan, 2020; Mardessi & Fourani, 2020) while others investigate risk management committee on earnings quality (Sani et al, 2018; Efeyumi & Okoye, 2022). Yet only a handful examines risk governance structure though on performance (Nguyen & Dang, 2022; Shivaani, 2018). The findings from the diverse studies on earnings quality recorded mixed findings, controversial and inconclusive. These controversies could be associated to different domain, methodology or economic development; hence this research intend to investigate the effect of risk governance structure on earnings quality.

There is dearth of research on the impact of risk governance structure on earnings quality, this serves as a major motivation for this study. The study is also motivated by the importance of accounting earnings in making financial decision. Despite the implementation of several corporate governance mechanisms over the years, there are still cases of financial reporting manipulation. Another motivation is to come up with findings that can be used by Standard setters as a mechanism to oversee the structure of risk governance in enhancing risk management. In as much as this problem is still prevalent, the major question raise is: what is the impact of risk governance structure on earnings quality of listed consumer goods firms in Nigeria.

Objective of the Study

The focal objective of the study is to investigate the impact of risk governance structure on earnings quality of listed consumer goods firms in Nigeria.

The specific objectives are as follows:

(i) To examine the impact of risk management committee on earnings quality of listed consumer goods firms in Nigeria.

(ii) To investigate the impact of audit committee on earnings quality of listed consumer goods firms in Nigeria.

(iii) To determine the impact of board composition on earnings quality of listed consumer goods firms in Nigeria.

Hypothesis of the Study

In consonant with the objective of the study, the succeeding hypotheses were formulated in null form.

Ho1. Risk management committee has no significant impact on earnings quality of listed consumer goods firms in Nigeria.

Ho2. Audit committee has no significant impact on earnings quality of listed consumer goods firms in Nigeria.

Ho3 .Board composition has no significant impact on earnings quality of listed consumer goods firms in Nigeria.

REVIEW OF EMPIRICAL STUDIES AND THEORETICAL FRAMEWORK

This section reviewed empirical literature of the connexion between risk governance constructs and the integrity of financial reporting. And review of relevant theories related to the study

Risk Management Committee and Earnings Quality

Efenyumi and Okoye, (2022) examine the outcome of risk management committee features on earnings quality of corporations listed on the Nigeria stock exchange. The study used 70 non- financial firms and data were collected for the period of 10 years 2012 to 2021. The research design employed for the study was Ex- post facto. The result from the study shows that risk management committee as measure by risk committee independence and risk committee diligence is statistically insignificant with earnings quality of the sampled firms. Similarly, Madu and Shehu, (2021) examine the impact of enterprise risk management and financial information quality of listed non-financial firms in Nigeria. The study espoused the correlation research design. A total of 74 non- financial firms were used as the sample size and data was collected from for the period of 2010 to 2019. The study recorded positive significant effect between risk management committee and real earnings management. Each of the two studies was able to cover a reasonable time frame of 10 years which allows justifiable conclusion to be reached, however a similar study on risk governance structure can produce a different result.

On the contrary, Olayinka et al, (2019) conducted a study to ascertain if enterprise risk management impact earning quality of financial institutions in Nigeria. The study was based on content analysis, with data extracted from 50 samples for the period of 2007 - 2011 which was a pre-enterprise risk management (ERM) era and 2013 - 2017 post ERM era. The study recorded a negative significant between risk management committee and accounting quality for the post ERM era. This study though, relevant but was restricted on financial firms, a study on non-financial firms may record a different result. In another study, Sani et al, (2018) investigated the impact of risk management committee and real activity management in Nigeria. The study covers 80 listed non-financial organisations for the span of 2012- 2016, findings from the study disclosed that risk management committee has significant negative influence on real earnings management. The study was able to cover listed non-financial firm, nonetheless, the period is short, a similar study with a longer period could generate a more revealing result.

Audit Committee and Real earnings management

Galai et al, (2022) examined the contribution of audit committee qualities on earnings manipulations, evidence from firms listed on the Egyptian stock exchange. The sample of the study consists of 80 non-financial firms and data was collected from 2012 to 2019. The findings from the study divulges that audit gender, size and expertise are negatively significant to earnings management, while audit committee independence shows a positive significance effect and audit committee meeting presented an insignificant result. In the same vein, Solikhah et al., (2022) observes the influence of corporate governance instruments and earnings quality with a moderating effect of firm size. 20 manufacturing firms from Indonesia Stock Exchange was the sample size and data was collected for the span of 2013–2016. Result from this study indicates that audit committee had insignificant effect on earnings quality of manufacturing companies. The above studies though relevant but were conducted in other countries, a study conducted in Nigeria could produce a different result.

However, Kantudu and Alhassan, (2022) carried out research on audit committee and financial information quality in the non- financial firms in Nigeria. The study made used of 41 non-financial firms listed on the Nigerian exchange group for the span of 10 years 2011 to 2019. The outcome from the study shows that audit committee size, shareholding and financial expertise had negative significant effect on real earnings management of listed non–financial firms in Nigeria. This study is relevant, but a similar study coving more recent years could improve on the findings capture the impact of the reverse corporate governance code of 2018.

Similarly, the study conducted by Mardessi and Fourati, (2020) on the impact of audit committee on real earnings management within Netherlands firms, 80 non- financial businesses listed on Amsterdam stock market were used. Data was collected from 2010 to 2017. The result from the study reveals that audit committee as measured by gender and meeting had negative significant impact on earnings management. In another clime, Hamdan, (2020) conducted a study on the contribution of the audit committee in enhancing earnings quality of industrial firms in Gulf cooperation council. The study used 23 banks for the span of 2014 to 2018. Findings from the study reveal that audit committee measured by audit committee size and independence is positively significant to earnings quality however; audit committee meeting recorded an insignificant impact on earnings quality. The two studies above were conducted in did not considered firms in Nigeria; a different result can be documented if such study is conducted in Nigeria.

Board Composition and Real earnings management

Jeroh and Efeyumi, (2022) considered the influence of Diligence and independence of corporate board committee on quality reported earnings among listed companies in Nigeria. The study uses Ex-post factor research design with a sample of 62 non- financial companies listed in the Nigeria stock exchange and data was collected for the period of 2011 to 2020. The result from the study displayed that board independence shows a positively influence on quality of reported earnings. Solikhah et al., (2022) examine the influence of corporate governance surrogate on earnings quality with a moderating effect of firm, also recorded an insignificant impact between board composition and earning quality.

However, Luo and Jeyaraj, (2019) investigated the effect of board characteristics and earnings management of companies listed in United Kingdom, data for the study was collected from 203 sample firms for the period of 2012 to 2016. The study recorded an insignificant impact among board independence and earnings management. This study though relevant but was conducted in a developed economy, a different result could be generated if a similar study is conducted in a developing economy like Nigeria.

In another study, Magaji, (2018) investigated the effect of Board construct on earning management of Oil and Gas firms listed in Nigeria. Ex- post facto research design was used 8 oil and Gas firm's data for a period of 2009 to 2016. The study recorded an insignificant effect amid board composition and earnings management. However, Egbunike and Odum, (2018) examined the impact of Board leadership structure on earnings quality evidence from quoted manufacturing firms in Nigeria. The study employed ex- post facto research design, 45 firms' sample were used and data was collected from 2011 to 2016. Result from the study shows that proportion of non-executive directors had negative significant effect on earnings management. The above studies data all stopped at 2016, hence, this present study intend to extend the period to cover the recent period of 2021, to ascertain whether a different result will be documented

Agency theory was developed from economic theory and further developed by Jensen and Meckling (1976). The theory focuses on the consequences of separation of ownership and control that exist between the owner who is the principal and the manager who is the agents (Haslinda & Benedict, 2009). An agency relationship is "a contract involving person(s) (owners) employing another person (the agent) to carry out responsibilities assign by the owner such as delegating some decision-making authority to the agent" (Jensen & Meckling, 1976). The theory opines that managers tend to pursue personal selfish interests at the expense of the shareholders' interests, when hire to perform the task of agents. In an event of conflict of interest between the principal and the agent, the agent may peruse selfish interest. Leuz et al., (2003) opined that the consequences of such actions usually reflect in the firm earnings. Managers use opportunistic discretion to manipulate the company's reported earnings in order to meet earnings targets in with an anticipation to receive bonuses that may be link to performance. This creates an information asymmetry which in turn reduces the relevance and reliability of reported earnings, and the whole financial statements (Saleh et al, 2020).

Agency theory emphasize the need to reconcile the conflict of interest among the shareholders and management by improving corporate governance monitoring mechanisms such as risk governance and effective internal control (Jensen, 1993; Olayinka et al, 2017). For the purpose of this study, agency theory serves as an underpinning theoretical base for the deployment of risk management committee, audit committee and board composition in mitigating the conflict of interest.

RESEARCH METHODOLOGY

This study was anchored within the preview of quantitative research approach with a philosophical paradigm of positivism, which reality is observing through the eyes of the researcher. This portrays the aim of the current study, which is the impact of risk governance structure on earnings quality with regards to consumer goods firms listed in the Nigeria exchange group. Ex-post facto research design is appropriate for the study, owing to the fact that the data extracted was not primarily meant for this research. Also, this design reflects the impact on one variable on another. The population for the study consists of 22 consumer good firms listed on the Nigeria stock exchange as at 31st December, 2021. The sample of the study was arrived at 15 firms after application of some criteria: 1. any company that was delisted within the year of the study was excluded. 2 Companies without a comprehensive statistic for the study were also excluded. Secondary data was used which was collect from the annual report and accounts of listed consumer goods firms in Nigeria for the period 10 years from 2012 to 2021. Feasible Generalized Least Squares (FGLS) was adopted. FGLS estimator is also one of the estimators that correct for autocorrelation, cross- sectional dependence, and heteroscedasticity associated with panel data models (Reed & Ye, 2011).

Variable Measurement

The variable of the study is grouped in to three: dependant which is earnings quality the independent presented as risk governance structure and control variables. Table 1 below the shows names, code, type and measurement of the variables as well as the source(s) of the measurement.

Table 1. Variable Measurement

Variables	Code	Measurement	Source(S)
Dependant Variable			
earnings quality	REM	Used the improved Roychowdhury (2006) model of abnormal cash flow	Srivastava, (2019)
Independent Variable			
Risk management committee	RMC	Measured by the proportion of independent directors on the risk Management Committee	Efenyumi and Okoye, (2022)
Audit committee	AUC	Audit Committee Governance Score (ACGS) resulting from five audit committee features. a dichotomous measure of 1 & 0 was used.	Madu and Shehu, (2021)
Board composition	BCP	Measured as the proportion of non-executive + independent directors to the total numbers of board members	Solikhah et al., (2022)
Control Variable			
Firm growth	FGTH	Measured as the variance between the present year sales less pass year's sales divided by pass year sales.	Olayinka et al., (2019)
Firm size	FSIZE	Measured as Natural log of total asset	Olayinka et al., (2019)
Profitability	ROA	Measured as as profit after tax divide by total assets	Shivaani (2018)

Source: Researchers design (2023)

Model specification

The amended model by Srivastava, (2019) is presented and specified as thus;

$REM = \alpha_1 + \alpha_2 \times 1/Ta_{it-1} + \alpha_3 \times SL_{it}/TA_{it-1} + \alpha_4 \times \Delta SL_{it}/TA_{it-1} + \alpha_5 \times \Delta SL_{it-1}/TA_{it-1} + \alpha_6 \times LogMV_{it} + \alpha_7 \times LagROA_{it} + \alpha_8 \times M/B_{it} + \alpha_9 \times SL_{it+1}/TA_{it-1} + \alpha_{10} \times ProductionCost_{it} .... \mu_t.$

Where:

REM = real earnings management, $\alpha^*(1/TA_{it-1})$ = scaled intercept of prior year

TA_{it-1} = total assets of prior year, $\alpha_1 - \alpha_{10}$= parameters for estimating coefficient

SL= sales at present year, ΔSL= change in sales/revenue, ΔSL_{it-1}= change in sales/revenue of the previous year, MV = Market Value of equity, ROA = Return on Assets, M/B = Market to book value, it = firm i at time t, μ_t = residuals

The parsimonious model that tests the hypotheses of this study is detailed as follows:

$REM = \alpha + \beta_1 RMC_{it} + \beta_2 AUC_{it} + \beta_3 BCP_{it} + \beta_4 FGTH_{it} + \beta_5 FSIZE_{it} + \beta_6 ROA_{it} + \varepsilon_{it}$----ii Where: REM = real earnings management, α= Intercept, β_1-β_3= parameters, i t= firm i in time t, RMC= Risk Management Committee, AUC= Audit Committee, BCOP= Board Composition, FGTH = Firm Growth, FSIZE= firm size, ROA= Profitability, ε= error term.

RESULT AND DISCUSSIONS

In section the result of the data collected for the study is presented analysed and discussed. This section also provide conclusion and recommendations based on the findings of the study. The descriptive statistic, correlation matrices and regression result are presented below:

Table. 2 Descriptive statistics

Variable	Obs	Mean	Std.Dev.	Min	Max
REM	150	9922271	1.46e+07	50094	8.52e+07
RMC	150	0.6351191	0.3656733	0	1
AUC	150	0.6393334	0.1116662	0 .4	1
BCP	150	0.7028887	0.1315843	0.3846	0.9333
FGTH	150	17.4364	115.5366	-90.7	1354.26
FSIZE	150	17.41487	1.8648	12.48	20.32
ROA	150	0.0573333	0.0776731	-0.2	0.26

Source: Authors' computation from annual reports of the companies using STATA

From Table 2, real earnings management as measured by real earning management shows a mean value of 9922271, minimum 50094 and maximum of 8.52e+07. These imply that the average earnings management of consumer goods companies in Nigeria during the period is 99%. The mean of risk management committee shows a value of 0.6351191 which implies that on an average the ratio of independent directors on the risk management committee to the size of the committee of listed oil and gas companies in Nigeria is 63.5%. Audit committee has a mean of 0.6393334 minimum of 0.4 and maximum 1. These mean that the average audit committee compliance with corporate governance code by listed consumer goods firms in Nigeria is 63% and the maximum compliance is 100%. The mean of board composition is 0.7028887 this means that, on an average, there is 70% of the total number of directors in the board of listed oil and gas companies in Nigeria are non-executive directors plus independence directors. Firm growth has a mean value of 17.4364, minimum of -90.7 and a maximum rate of 1354.26. This suggests that there is a wide variation of firm growth amongst the listed consumer goods firms in Nigeria. Table 2 also show that firm size and profitability has mean of 17.41487 and 0.0573333 respectively.

Table 3: Correlation Matrix of the Variables

VAR	FRQ	RMC	AUC	BCP	FGTH	FSIZE	ROA
REM	1.0000						
RMC	0.1663**	1.0000					
	0.0419						
AUC	-0.1210	0.1174	1.0000				
	0.1401	0.1524					
BCP	0.3106***	0.1412	-0.1077	1.0000			
	0.0001	0.0849	0.1895				
FGTH	0.0581	0.0956	-0.0188	0.1804**	1.0000		
	0.4802	0.2444	0.8198	0.0271			
FSIZE	0.4424***	0.4806***	0.1342	-0.0797	-0.0364	1.0000	
	0.0000	0.0000	0.1015	0.3324	0.6581		
ROA	-0.0071	0.0586	-0.1836**	-0.1453	-0.0160	0.1601	1.0000
	0.9309	0.4762	0.0245	0.0760	0.8456	0.0503	

*** sig 1%. ** sig 5% * 1%

Source: Authors' computation from annual reports of the companies using STATA

The correlation result in Table 3 shows how the dependent variable relates with explanatory variables as well as how the explanatory variables relate among themselves.

The sign of the correlation coefficient specifies the direction of the relationship (negative or positive). Moreover, correlation coefficients reveal that there are no high correlations between the dependent and the explanatory variables as well as among the explanatory variables themselves since the lowest coefficient is 0.0071 and the highest is 0.4806, this is in line with the suggestion of Gujarati (2003) that all variables with less than 0.80 correlation coefficients are not highly correlated and therefore considered safe for inclusion in the same regression model.

Table.4 **Summary of Regression Results**

REM	Coef.	Std. Err.	z	P>z
RMC	-5399116	3078670	-1.75	0.079
AUC	-2.05e+07	8965781	-2.29	0.022
BCP	3.82e+07	7704890	4.95	0.000
FGTH	3248.143	8473.239	0.38	0.701
FSIZE	4451486	603882.6	7.37	0.000
ROA	-1.29e+07	1.30e+07	-1.00	0.319
CON	-7.72e+07	1.28e+07	-6.04	0.000

Statistic	coefficient	p- value
Wald Chi2	83.00	0.000
VIF Mean	1.19	
Hettest	55.31	0.000

Source: Authors' computation of outcome of the data collected

Table 4, shows the Feasible Generalized Least Squares regression results of the study, which was necessitated from the outcome of the robustness tests conducted. Any variance inflation factor VIF in surplus of 10 is seen as a signal of multicollinearity (Gujarati, 2003). The outcome of the tests conducted prove non-existence of multicollinearity as the VIF values ranges from 1.04 to 1.38. The data was also tested for Heteroskedasticity in other to ensure that regression fits all the values of the independent variables. The product of the test shows a p-value of 0.0000, thus proposes existance of heteroskedasticity. Fixed and random effect regression was also conducted to suggest a suitable model for the study; however, the hausman specification test selected random effect with a p-value of 0.2140. In a bit to further verify if there is a significant difference between the random effect and the ordinary least square regression (OLS), lagrangian multiplier test found a p.value of 0.0000 which suggest that there is a significance difference between the OLS and the random as such the random is selected but since there is the presence of heteroskedasticity, Feasible Generalized Least Squares (FGLS) was adopted. The result from table 4 shows that the model is fitted as evidence by the wald statistic of 83. 00 which is significant at 1% level of significant from the p.value 0.0000.

Table 4, results show that risk management committee (RMC) has a negative and significant effect on real earnings management (REM) of listed consumer goods firms in Nigeria. This implies that an increase in the ratio of independent directors on the risk management committee REM will be decreased, there by enhance earnings quality. Though the significance level is weak but it indicates that risk management committee can mitigate earnings management practice. Owing to this result the researcher reject the null hypotheses Ho1 which state that, risk management committee has no significant impact on earnings quality on listed consumer goods firms in Nigeria. This finding contravenes the result obtained by Efenyumi and Okoye, (2022) using non-financial services companies in Nigeria. However, the finding support the study of Madu and Shehu (2022); Sani et al, (2018) where on non-financial companies and Olayinka et al, (2019) which was on financial company.

Similarly, Audit Committee (AUC) shows a negative significant effect REM of consumer goods firms in Nigeria. This mean that, the more companies abide by the requirement of corporate governance code on audit committee the better the monitoring activities by the audit committee in reducing REM thereby enhancing the quality of financial reporting. Base of this result, the null hypotheses Ho2 which state that audit committee has no significant impact on earnings quality in listed consumer goods firms in Nigeria, is rejected. This finding supports the support of Kantudu and Alhassan (2022) and Mardessi and Fourati (2020) both using non- financial firms in Nigeria and Netherlands respectively. However, the findings contradict that of Galai et al, (2022) in Egypt and Handam (2020) were both recorded positive significant effect between audit committee and real earnings management.

However, board composition was found to be positively significant with real earnings management. This implies that the higher the number of non-executive directors and independent directors on the board, the higher the earnings manipulation thereby reducing quality earnings. This finding is suppressing since non-executive and independent directors are expected to make objective decision, nevertheless, this finding could be as a result of ineffective function of the non-executive directors in monitoring managers opportunistic tendencies. Owing to this result the null hypotheses Ho3 which sate that board composition has no significant impact on earnings quality on listed consumer goods firms in Nigeria, hence the null hypotheses is rejected. This result opposes the findings of Egbunike and Odum (2018) which was conducted in the non-financial sector and the findings of Solikhah et al., (2022); Jeroh and Efeyumi (2022) and Luo and Jeyara (2019). Firm growth has an insignificant on REM while firm size and profitability both recorded a positive significant impact on REM of listed consumer goods firms in Nigeria.

CONCLUSION

This study examines the effect of risk governance structure on earnings quality of listed consumer goods firms in Nigeria for the period of 2012 to 2021. In line with the findings of the study, it is concluded that the earnings quality improves with an increase in independent directors on the risk management committee of consumer goods firms in Nigeria. In the same vein, the quality of financial reporting in consumer goods firms in Nigeria increases with an increase in audit committee monitory activities as a result of decrease in real earnings management. On the contrary, increase in the number of non-executive officers plus independent directors on the board result to an increase in real earnings management hence, reducing the earnings quality in listed consumer goods firms in Nigeria.

RECOMMENDATIONS

Based on the findings and conclusion of the study, the following recommendations were offered:

In appointing members of risk committee, the board of consumer goods firms should maintain more independent directors to executive directors on the board.

- The board of consumer goods firms listed on the Nigeria exchange group should continue to constituted audit committee is based on corporate governance code as the audit committee composition reduces real earnings management.
- The consumer goods firms should ensure that composition of board of directors constitute independent and non-executive directors that are truly independent in other to provide independent decision regarding issues that confront the quality of financial reporting.

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