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AUDIT COMMITTEE CHARACTERISTICS AND AUDIT FEES OF LISTED CONSUMER GOODS SECTOR IN NIGERIA

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ABSTRACT*:* *The audit committee of every Company was established with defined responsibilities of monitoring and supervising financial reporting, internal control system, internal and external audit functions among others to avoid the fraudulent and unethical practice. Despite the establishment of an audit committee, the companies' continuous experience collapsing due to fraudulent and unethical behaviour. The collapsing of the companies was attributed to many factors, such as weak audit members, fraudulent and unethical on the appointment of audit committee members and external auditors, lack of diversity in the audit committee appointment among others. This study examines audit committee characteristics and audit fees of listed consumer goods companies in Nigeria. 15 companies were selected out of 26 listed consumer goods companies on the Nigerian Stock Exchange as at 31st December 2018 using secondary data through the published audited financial statements. Ordinary least square (OLS) regression analysis was employed to analyze the data. The result reveals that only four variables (audit committee size, audit committee meeting, audit committee diversity, and audit committee share ownership) have a positive significant association with audit fees. The study recommends that audit committee size should be increase to the minimum of 5 and maximum of 7 members, audit committee meeting should be increased to the minimum of 4 and maximum of 6 meetings, audit committee diversity (women directors) should be increase to the maximum of 3 members, and audit committee share ownership should be increase to the minimum of 2 and maximum of 3 members for all consumer goods companies operating in Nigeria.*
KEYWORD: audit fees, audit committee and corporate governance

INTRODUCTION

The audit committee is as old as an organization, and both had been in operation concurrent from the time immemorial. The organization cannot operate successfully without having some group of people monitoring their activities. Usually, when a company established, and funds provided and entrusted to the management to run the business. An audit committee would be set-up as required by the Company and Allied Matter Act (CAMA 1991) as amended. That would assist the board of directors and, shareholders fulfilling the corporate governance mechanisms overseeing responsibilities about the organization's financial reporting, internal control system, risk management system, internal and external audit functions among others (Sarbanes-Oxley Act, 2002). The purpose of setting up this committee is to provide advice and recommendations to the board within the scope of their assignment.

Audit committee had its root from the fraud celebrated cases of Philip Musica in 1900s, McKesson and Robbins in 1930s, both in the USA, and the failure of the Atlantic Acceptance Corporation in Canada in 1965 (Foster & Strauch, 2009). Before that time, the founder of the organization would invite few directors to his office to appointed external (independent) auditors who would audit the financial statements of the company. That is why the appointment of external auditors was not done by the board of directors at the annual general meeting (AGM), as it is done in this modern time (Foster & Strauch, 2009). That suggests that the appointment of external auditors usually comes after the board of directors had finished the annual general meeting (AGM). At that time, the non-executive directors, whether independence or grey was not part of the board of directors since they were not an employee of the company. That made the Chief Executive Officer (CEO) or the founder of a company so powerful to decide the audit firms to be appointed as a company external auditors, who to be appointed as a director, whose director to sit at the board meeting and at what time?. This also made the board of directors be a rubber stamp since all the directors on board are employees of the company and were answerable to the founder or Chief Executive Officer of the organization (Abu, Yahaya & Abah, 2018).

Due to the non-involvement of non-executive directors, whether independent or grey to participated in the key issues affecting the company resulted in the collapse of some corporation as a result of the fraudulent practice. The founder who also CEO like the case of Philip Musica in 1913 become so powerful that any director who opposes his view would be asked to resign his/her appointment or sacked compulsorily. The external auditors were appointed by the same founder or CEO and they (auditors) were influenced by arbitrary increased their remuneration. Thus, the external auditors were comfortable and whatever financial statements prepared by the company and sent to the external auditors would be certified without doing a thorough examination (Foster & Strauch, 2009).

This abnormal practice gave birth to the development of the statutory audit committee and board audit committee respectively in the early days and is a practice to date. The essence was that such committees would be able to protect the interests of all the fund providers including shareholders. This practice was enshrined into the company Act and become the backbone of audit committee establishment and was codified into laws by the Company and Allied Matters Act of 1991 as amended and thereafter adopted by corporate governance practice (Abu, Alhassan & Okpe, 2020). The codification of this practice into law by CAMA gave rise to the involvement

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of non-executive directors including independent and professional experts, particularly in the field of Accounting, Finance related discipline and representative of shareholders to be members of the audit committee as well as the board of directors sitting at the annual general meeting (AGM).

Also, the enshrined of this practice into law takes away the power of appointing the external auditors from the founder/CEO as at that time till date, giving the power to the audit committee to present the process before the board of directors for contributions and observations at the annual general meeting (AGM) and be ratified by the shareholders. This practice also empowers the audit committee to negotiates external audit remuneration and presented for ratification at the annual general meeting (AGM). All these processes of setting up an audit committee, negotiation and nomination of external audit to the board, negotiation of external audit remuneration, the involvement of non-executive directors including independent, professional experts and share ownership representative in the committee, constitute " audit committee characteristics and audit fees".

The continuous collapsing of companies globally including Nigeria gives the investors, potential investors, creditors, financial analysts, professionals, financial statement users and the general public concern. The collapsing of these companies was attributed to a fraudulent practice by top management, some members of the board of directors including some shareholders despite the statutory and board audit committee existed. According to Foster and Strauch (2009), the demise of McKesson and Robbins in the 1930s, Musica in 1909, Frank Costa and Adelphia Pharmaceutical company in 1919 were all attributed to fraudulent accounting practice because of no statutory audit committee and professional experts to carried out a thorough examination of books of accounts and other records. The board audit committee as at that time was a mere rubber stamp because of non-involvement of non-executive (outside) directors including independent and professional experts to checkmate the internal and external audit reports. The question is, with the existence of statutory and board audit committee involving the non-executive (outside) directors including independent and professional experts among others today, " why do companies continue failing or collapsing in Nigeria?".

The outcome of this study will provide an answer regarding the circumstances to which companies are folding or collapsing in Nigeria despite the existence of audit committee re-examining and checkmating both the internal and external audit functions. However, the folding or collapsing of companies was attributed to many factors amongst which are: First, the company's collapse was attributed to the fraudulent practice of the board in the appointment of audit committee members for lack of diversity in the composition. This is due to not appointing women as audit committee members despite numerous women directors with requisite skills, expertise and experience on the board. Second, the consumer goods company's folding was attributed to shareholders and executive (insider) directors holding shares as members of audit committee making the audit committee to compromised even when audit reports fall below standard due to the influence in the appointment of external auditors. Third, the collapsing of consumer goods company was due to a shortage in the number of independent non-executive directors particularly professional experts in the field of Accounting and finance-related disciplines in the audit committee members.

Others see the collapsing of consumer goods company in Nigeria from different areas, such as weak audit committee members, duplication of audit committees (statutory and board audit committee) performing same functions differently, the small size of the audit committee, executive (inside) directors are not well represented in the audit committee, frequent of the audit committee meeting, and misuse of power by some audit committee members among others. It is against this background that this study examines the effect of audit committee characteristics and audit fees of the listed consumer goods sector in Nigeria.

The core objective of this study is to examine the effect of audit committee characteristics on audit fees of the consumer goods sector in Nigeria. To make this objective a reality, the study evaluates the relationship between the audit committee size and audit fees of listed consumer goods companies in Nigeria; assesses the association between the audit committee independence and audit fees of listed consumer goods sector in Nigeria; investigates the correlation between professional expertise of audit committee members and audit fees of listed consumer goods companies in Nigeria; examines the association of audit committee meetings and audit fees of listed consumer goods sector in Nigeria; ascertain the influence of diversity of audit committee members on audit fees of listed consumer goods companies in Nigeria, and evaluates the association between audit committee share ownership and audit fees of listed consumer goods sector in Nigeria.

In conformity with these objectives, the following hypotheses were formulated and tested: Ho1: audit committee size has no significant association with audit fees of listed consumer goods companies in Nigeria; Ho2: audit committee independence has no significant relationship with audit fees of listed consumer goods sector in Nigeria; Ho3: professional expertise of audit committee members has no significant influence on audit fees of listed consumer goods companies in Nigeria; Ho4: audit committee meetings has no significant relationship with the audit fees of listed consumer goods companies in Nigeria; Ho5: diversity of audit committee members has no significant correlation with the audit fees of listed consumer goods sector in Nigeria; and Ho6: audit committee share ownership has no significant influence on audit fees of listed consumer goods companies in Nigeria.

The study outcome will be of benefit to company top management, investors, creditors, regulators, professionals, researchers, financial analysts and financial statement users both at national and international level as it will proffer solution to the circumstances leading to the collapsing or demise of some companies in Nigeria. It will be of assistant to the relevant regulatory body and policymakers in Nigerian consumer goods sector to come up with useful policy(s) streamlining the audit committee composition thereby improve the quality of audit reports in the sector. The study would also be of great benefits to academics, students and other researchers, as it adds to the body of existing literature on the audit committee characteristics and audit fees. It will be also used as a point of reference to future researchers on audit committee characteristics and audit fees and other related areas, thereby widening the knowledge on the subject.

LITERATURE REVIEW

The conceptual framework was developed, linking the explanatory and dependent variables together. The explanatory variables comprise of the audit committee size, audit committee independence, audit committee members professional expertise, audit committee meetings, diversity of audit committee members, and audit committee share ownership. The dependent variable was audit fees, while board size was used, as a control variable. Table 1 below presents the conceptual framework for the study.

Table 1: *Board committee characteristics and financial performance*

Independent variables	Dependent variable	Control variable
1 Audit committee size	Audit Fees	Board Size
2 Audit committee independence		
3 Audit committee financial expertise		
4 Audit committee meetings		
5 Diversity of audit committee members		
6 Audit committee share ownership		

Source: Researchers' Conceptualization (2020)

The audit committee is a committee of the organization, whose primary responsibility is to assist both the company and board of directors in carrying out their fiduciary responsibilities in the areas of oversight financial reporting and disclosure process, company's system of internal controls and compliance with relevant laws and regulations. This committee is one of the instrument or mechanisms used by the board of directors of most companies channeling delegated responsibility of supervisory, monitoring and overseeing financial and non-financial reporting and disclosure of information (Abu et al., 2018). This suggests that audit committee acts as intermediation between the management, internal and external audit functions.

Audit committee size is a chosen member of a company's board of directors whose main functions are to ensuring that auditors remain independent of management. It also connotes approximately six individuals usually selected from outside the firm and saddled with the responsibility of providing an objective and unbiased opinion of the company's practices (Abu et al., 2018). This implies that the view of the audit committee is neutral, transparent, accurate, reliable, unbiased and without favour, fear or prejudice. Generally, there are two types of audit committee operating in most companies in Nigeria. Statutory audit committee and board audit

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committee. The statutory audit committee is a product of laws and regulations, regulating the company operating activities in the country of company operation or location and accepted as best practices of good corporate governance.. Its establishment was based on section 359(3) of CAMA Cap 20 Laws of the Federation of Nigeria 2004. The law stipulates that a committee should be made up of six members, three from non-executive directors and three from shareholders with a laid down functions captured in section 359(6).

Board audit committee on the hand is a byproduct of laws and regulation adopted by the board of directors as best practices of good corporate governance as well. The company board audit committee was set up to strengthen the internal control system, particularly enhancing the board of directors fulfilling their audit responsibilities in ensuring that effective systems of financial and internal control are in place within the organization. Usually, the board audit committee is made up of equal size or one side may be higher than the other. Sometimes, it may be three representatives of shareholders and three representatives of directors or three representatives of shareholders and two representatives of directors or vice-versa. However, in practice, the two committees usually merged as one to work harmoniously for the best interests of both the company and shareholders.

Audit committee independence is a subcommittee of the board whose majority members are expected to be independent in carrying out the responsibility of providing oversight of management practices in key governance areas. According to Sarbanes-Oxley (2002), the audit committee must include those with well knowledgeable in accounting or finance in order to produce accurate, fair, honest and reliable reports. This suggests that to be an audited member, the person must be knowledgeable of or expertise in accounting, auditing, finance, business, risk management, and compliance with relevant laws, regulations and standards among others. Audit committee professional expertise on the other hands in the context of this study is an individual who is an expert in accounting or finance-related areas with the following features: (i) understanding of generally accepted accounting principles and financial statements; (ii) ability to assess the general application of such principles in relation to accounting for estimates, accruals and reserves; (iii) experience in preparing, auditing, analyzing, interpreting or evaluating of such financial statements vis-a-vis the complexity; (iv) understanding of internal controls and procedures for financial reporting; (v) Ability to understand and explains all the notes attached thereto, based on the accounting and standards of the country producing the financial statements; and (v) an understanding of audit committee responsibilities (Trautman, 2013).

Audit committee meetings is a meeting of a subgroup selected by the board of directors and shareholders whose members are majorly independent with the specific function of assessing, reviewing and evaluating the annual financial statements prepared and presented to the external auditors before submission to the board of directors (Abu et al., 2018). The fundamental responsibilities of the committee are to meet and deliberate on the issues raise on the financial statement, and consider possible ways of adopting accounting changes (if there is) and practices

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that would assist the company in conducting smoothing operations. An individual member of the committee during sitting will critically be examining the financial statement with a view of what is appropriate of current practice but subject to global practiced that would add value to the corporation for implementation. The number of meetings held annually would depend on the company terms of reference and complexity.

Audit committee gender diversity in this study is the equitable or fair representation of people of different gender between male and female in the committee. Gender diversity on audit committee also connotes equality ratio of men and women that constitute the committee. Most times, the company, when setting up an audit committee, gender equality maybe not be put into consideration because male directors dominated the board of directors. Therefore, the current study tries to suggest an equitable ratio of male and female members that would constitute an audit committee. Audit committee share ownership on the other hands in this study is where audit committee members acquire shares of the company in which they are appointees as a committee. Share ownership on audit committee also indicates those audit committee who had shares in the company or potential shareholders who are a member of the audit committee. The study seeks to examine the association between the audit committee shareholders and audit fees of the listed consumer goods sector in Nigeria.

Audit fees are the remuneration payable to the external auditors for service rendered to the client firm. It also connotes fee a corporation pays to an external auditor in exchange for the audit services performing (Abu, Okpanachi & Yahaya, 2019). That suggests the amount of naira either in words or in figure cough up from the company account to the auditors for examining their books and other relevant documents. Audit fees are an amount payable to auditors in attesting to the assertions in the client's financial statement. This assertion has the probability of assisting the company in maintaining the concept of going concerned or leading in winding up the company.

Several theories were formulated in auditing examining the association between audit committee characteristics and audit fees of consumer goods companies in Nigeria. However, the study considered three; quasi-judicial, claimant and agency theory. These three theories are relevant to audit committee characteristics and audit fees. For example, the quasi-judicial theory positioned an auditor to be a judge in the process of financial distribution (Hayes, Schilder, Dassen & Wallage, 1999). That suggests that an audited financial statement by an independent auditor can be used as a final judgment to determine the company performance. The idea behind this is that audited financial statements provide ingredients on the credibility, reliability and assurance upon which investors, creditors, customers, analysts and the general public can make better decisions on their investments in the company. To attest the quality of work done by an external auditor, the CAMA requires the subjection of such audited financial reports to the company audit committee for scrutiny and interaction with external auditors to clear all the doubts and ambiguity before presenting it to the board of directors.

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The claimant theory postulates that the continuity contribution of all the vital participants in an organization is necessary. To continue with these contributions, it is imperative that each group believes it receives a fair share of the company's income by giving an opinion on the various interests (Salehi, 2010). These groups include all those who contributed to the success of the company, such as employees, investors, creditors, customers, communities, and government. The absence of this fair sharing of interest in the company's income result to conflict of interests among the participants, which in turn calls for audit services, as auditor report is assumed to give assurance and confidence to the participants involved. This gave birth to the establishment of an audit committee and the service of the independent auditor. The outcome of this process necessitated the inclusive of outside directors mostly professional experts to be of equal size or majority members of the audit committee to thoroughly scrutinize the audit financial statement performed by an external auditor before presenting to the board during the annual general meeting.

The agency theory identifies the information conflicts that exist between the principal (firm owner) and the agent (company management). The company owner authorizing the agent to acts on their behalf to achieved certain responsibility resulting to profit maximization. However, the agent took advantage of the opportunity for self benefits by engaging the activities that would be of his/her benefit at the principal detrimental. This action of agent causes the principal to experience difficulty in measuring the services rendered by the agent towards company performance (Ateya & Kukreja, 2015). The agent is also privy to certain information than the principal and will receive compensation despite insincerity to the principal, which creates a gap called information asymmetry. To overcome the unfaithful acts of the agent, the principal takes a step for hiring an independent auditor to verify the credibility and reliability of the financial information provided by the agent (Ateya & Kukreja, 2015). Aside from this factor, the audited financial reports provided by independent auditors do not generally consider the counting of inventory instead relied on supported inventory value through written representation (Foster & Strauch, 2009). This resulted in fraudulent accounting practice that was not detected by independent auditors like the case of McKesson and Robbins in 1940 (Abu et al., 2018). The principal had no choice than to fight for the setting up of audit committee which was codified into laws by the Company and Allied Mater Acts of 1991 as amended and adopted by corporate governance to protect the interest of shareholders (Abu, Alhassan & Okpe, 2020).

Audit Committee Size and Audit Fees

Azmi, Samat, Zakaria and Yusof (2013) examine the effect of audit committee attributes on audit fees in Malaysia. The 120 companies were sample from Bursa Malaysia listed companies for the year 2008. Audit committee size, independence, meetings and financial expertise forms the independent variable, while audit fees were the dependent variable. Multivariate regression technique was employed to analyze the data. The study reveals a positive and significant effect of audit committee size on audit fees. Kamolsakulchai (2015) assesses the association between the audit committee effectiveness and audit quality on financial reporting quality in Thailand.

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The population of the study consists of 3 industry groups made up of 56 companies listed in the Stock Exchange of Thailand for the period 2008-2012. The independent variable was audit committee effectiveness proxies by audit committee size, audit committee meeting frequency, audit committee expertise, audit quality amongst others. The dependent variable was financial reporting quality measured by discretionary accruals. Panel fixed effects model was used for data analysis. The finding shows a positive and significant association between audit committee size and financial reporting quality.

Mohammad and Faudziah (2018) evaluate the relationship between audit committee characteristics and firm performance in Jordan. The study population consists of 228 industrial and services companies listed on the Jordanian Stock Exchange for the year 2015-2016. Audit committee characteristics were the independent variable proxies by audit committee size and audit committee meetings. Firm performance was the dependent variable measured by return on assets (ROA) and earnings per share (EPS). The ordinary least square (OLS) regression was utilized to analyze the data. The result reveals a positive and insignificant relationship between audit committee size and firm performance. In the same vein, Farooq, Kazim, Usman and Latif (2018) investigate the effect of board and audit committee quality on audit fees in Pakistan. The data extracted from KSE-100 index companies listed on the Pakistan Stock Exchange for the period 2007-2011. Independent variables were board quality and audit committee size). Dependent variable was audit fees. The study employed partial least square structural equation modeling (PLSSEM) to analyze the data. The finding shows a negative and significant effect of audit committee size on audit fees.

Audit Committee Independence and Audit Fees

Lifschutz, Jacobi and Feldshtein (2010) investigate the association between corporate governance characteristics and external audit fees in Israel. The study sample 60 companies out of the total of 100 companies listed on the Israeli Stock Exchange for the year 2007-2008. The independent variable was corporate governance characteristics proxies by audit committee independence, audit committee meetings and board independence. The dependent variable was audit fees. The Multivariate linear regression was used for data analysis. The study outcome reveals a positive and significant association between audit committee independence and audit fees. Hamdan, Sarea and Retad (2013) evaluate the relationship between audit committee characteristics and firm performance in Jordan. The 106 companies were sample out of the total of 117 listed companies on the Amman Stock Exchange with 212 firm-year observations for the year 2008-2009. Audit committee characteristics were the independent variable proxies by audit committee independence, audit committee size, audit committee meetings, audit committee financial experts and audit committee equity. The dependent variable was financial performance measured by return on assets (ROA), return on equity (ROE) and earnings per share (EPS). Multiple regression techniques were employed to analyze the data. The result shows a negative and insignificant relationship between audit committee independence and firm performance.

Mohammed, Flayyih, Mohammed and Abbood (2019) assess the effect of audit committee characteristics on financial performance in Iraq. The 60 companies were sample from the Iraqi Stock Exchange with 276 firm-year observations for the period 2012-2015. Audit committee characteristics were the independent variable proxies by audit committee independence, audit committee knowledge and audit committee existence. Return on assets (ROA) was used as an indicator of financial performance. Logit binary regression was utilized for data analysis. The study finding indicates a positive and significant effect of audit committee independence on financial performance. Larasati, Ratri, Nasih and Harymawan (2019) examine the association between the independent audit committee, risk management committee and audit fees in Indonesia. The study sample 216 companies listed on the Indonesia Stock Exchange with 510 firm-year observations for the year 2014-2016. The independent variables were audit committee independence, risk management committee and board risk committee. The dependent variable was audit fees. The ordinary least square (OLS) regression was utilized for data analysis. The result reveals a positive and significant association between audit committee independence and audit fees.

Audit Committee Financial Experts and Audit Fees

Madi and Manaf (2014) assess the relationship between audit committee characteristics and voluntary disclosure in Malaysia. The 146 companies were sample out of a total of 500 Malaysian listed companies for the year 2009. The independent variable was audit committee characteristics proxies by financial expertise of audit committee members, audit committee independence, frequency of audit committee meetings, audit committee size and multiple directorships of audit committee members. Corporate voluntary disclosure was the dependent variable Multiple regression techniques used for data analysis. The result indicates an insignificant relationship between audit committee financial expertise and voluntary disclosure. Suryanto, Thalassinos and Thalassinos (2017) investigate the association between board characteristics, audit committee and audit quality in Indonesia. The 121 non-financial firms listed on the Indonesian Stock Exchange were sample for the study. The board characteristics and audit committee were the independent variables proxies by audit committee financial expertise, non-executive directors of audit committee members, audit committee meetings, the business sector of the company, and the size of the company. Audit quality was the dependent variable measured by Big 4 and non-big4 audit firms that reflects audit fees. Logit binary regression employed for data analysis. The study reveals a positive and significant association between audit committee financial expertise and audit quality.

Salawu, Okpanachi, Yahaya and Dikki (2017) examine the effect of audit committee expertise and meeting on audit quality in Nigeria. The study sample 15 companies out of the 23 listed consumer goods companies on the Nigerian Stock Exchange for the period 2006-2016. Audit committee expertise and audit meeting were the independent variables. Audit quality was the dependent variable measured by audit fees and audit tenure Multiple regression techniques were utilized for data analysis. The finding shows a positive and insignificant effect of audit

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committee financial expertise on audit fees. Asiriuwa, Aronmwan, Uwuigbe and Uwuigbe (2018) evaluate the association between audit committee attributes and audit quality of listed companies in Nigeria. The 50 companies were sample out of the 194 companies listed on the Nigerian Stock Exchange with 150 firm-year observations. Audit committee attributes were the independent variable proxies by audit committee size, financial expertise, meetings and audit committee effectiveness. Audit quality was the dependent variable measured by Big 4 and non-big4 that reflects audit fees of the external auditors. Logit binary regression used to analyze the data. The result indicates a positive and significant association between audit committee financial expertise and audit quality.

Audit Committee Meetings and Audit Fees

Stewart and Munro (2007) evaluate the impact of audit committee characteristics on audit fees in Australia. The study adopts primary data were a questionnaire sent to 1400 companies listed on the ASX, out of which 401 companies responses. The independent variable was audit committee characteristics proxies by the existence of audit committee, audit committee independence, audit committee expertise and audit committee frequency meetings. Audit fees were the dependent variable. Ordinary least square (OLS) regression used for data analysis. The finding shows a negative and significant impact of audit committee meeting on audit fees. Yasin and Nelson (2012) assess the association between audit committee characteristics and audit fees in Malaysia. The study sample 200 companies out of 400 Malaysian listed companies for the year 2009-2010. Audit committee characteristics were the independent variable proxies by audit committee financial expertise, audit committee size, audit committee frequency meetings and structure of internal audit function. The dependent variable was the audit fees Multivariate regression techniques employed for data analysis. The study outcome indicates a positive and significant association between audit committee meeting and audit fees.

Khudhair, Al-Zubaidi and Raji (2018) examine the effect of board characteristics and audit committee characteristics on audit quality in Iraq. The study sample consists of all the non-financial companies listed on the Iraqi Stock Exchange with 168 firm-year observations for the year 2012-2016. Board characteristics and audit committee characteristics were the independent variables proxies by board size, audit committee independence, audit committee expertise and audit committee meeting. Audit quality reflects audit fees was the dependent variable. Logit binary regression utilized to analyze the data. The study reveals a positive and insignificant effect of audit committee meeting on audit quality. In the same vein, Awinbugri and Prince (2019) investigate the relationship between the audit committees' meetings and audit fees on financial performance in Ghana. The study population comprises of all the banks listed on the Ghanaian Stock Exchange for the year 2013-2017. The independent and dependent variables were audit committee meetings, audit fees and financial performance measured by return on assets. Panel regression was used for data analysis. The result indicates a positive and significant relationship between the audit committee meeting and the dependent variable.

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Audit Committee Diversity and Audit Fees

Ittonen, Miettinen and Vahamaa (2010) examine the association between female audit committee representation and audit fees in Finland. The study population consists of 500 S & p firms with 941 firm-year observations for the period 2006-2008. The independent variable was female audit committee representation, while the dependent variable was audit fees. Multiple regression techniques employed for data analysis. The study outcome reveals a negative and significant association between female audit committee representation and audit fees. Xiang, Qin and Peterson (2015) evaluate the relationship between the audit committee gender diversity and audit fees in China. The study population comprises of all the firms listed on the Chinese Stock Exchange with their data captured at China Security Market Accounting Research (CSMAR) with 2114 firm-year observations for the period 2004-2007. Audit committee gender diversity was the independent variable proxies by audit committee size and presence of female director in the audit committee. Audit fees the dependent variable. Multiple regression used to analyze the data. The result indicates a negative and significant relationship between audit committee gender diversity and audit fees.

Miglani and Ahmed (2019) assess the association between audit committee gender diversity and audit fees in India. The study sample 200 listed India firms for the period 2011-2014. Audit committee gender diversity was the independent variable proxy by female director representation in the audit committee. The dependent variable was audit fees. Ordinary least square (OLS) regression utilized for data analysis. The finding shows a positive and significant association between audit committee gender diversity and audit fees. Nekhili, Gull, Chtioui and Radhouane (2020) examine the effect of audit committee gender diversity on audit fees in French. 97 French firms listed in the SBF were sample out of the total 120 firms with 1488 firm-year observations for the year 2002-2017. Board audit committee gender diversity was the independent variable proxies by the representation of female director in the audit committee, female director as audit committee chairperson and female independent directors on the board of directors. The dependent variable was audit fees. Logit binary regression was employed to analyze the data. The result indicates a negative and significant effect of audit committee gender diversity on audit fees.

Audit Committee Share Ownership and Audit Fees

Kibiya, Che-Ahmad and Amran (2016) examine audit committee characteristics and its effect on the quality of financial reporting in Nigeria. The study sample 101 non-financial firms out of the total of 130 non-financial firms listed on the Nigerian Stock Exchange with 505 firm-year observations for the period 2010-2014. Audit committee characteristics were the independent variable proxies by audit committee independence, audit committee shares ownership and audit committee financial expertise. Financial reporting was the dependent variable reflects audit quality Multivariate regression employed for data analysis. The result shows a positive and significant effect of audit committee share ownership on financial reporting quality. Harahap and

Prasetyo (2018) investigate the effects of the structure and characteristics of corporate owners on audit fees in Indonesia. The 150 non-financial companies listed on the Indonesia Stock Exchange were sample for the period 2014-2016. Ownership structure and characteristics were the independent variables proxies by foreign ownership, government ownership and managerial ownership who were members of the audit committee. Audit fees were the dependent variable. Multiple linear regression used to analyze the data. The finding reveals a negative and significant effect of managerial owners who were members of the audit committee on audit fees.

Mohammed, Che-Ahmad and Malef (2018) evaluate the shareholder's involvement in an audit committee, audit quality and financial reporting lag in Nigeria. The 101 companies were sample from the Nigerian Stock Exchange with 505 firm-year observation for 2011-2015. Shareholders with financial expertise and shareholders as audit committee chair were the independent variables. Audit fees reflecting financial reporting lag was the dependent variable. Panel corrected standard errors (PCSEs) and quartiles regression were employed for data analysis. The result indicates a negative and significant effect of audit committee shareholding on financial reporting lag. In the same vein, Sukma and Bernawati (2019) assess the impact of audit committee characteristics on audit quality in Indonesia. The 70 manufacturing firms listed on the Indonesia Stock Exchange were sample for the period 2016-2019. Audit committee characteristics were the independent variable proxies by audit committee size, share ownership, meetings, educational background and experiences. Audit quality was the dependent variable measured by audit fees. Ordinary least square (OLS) regression was utilized to analyze the data. The outcome reveals a positive and insignificant impact of audit committee shareholding on the audit quality.

METHODOLOGY

The study adopts a longitudinal panel research design to examine the association between the audit committee characteristics and audit fees. The population of this study consists of the twenty-six (26) listed consumer goods companies on the Nigerian Stock Exchange as at 2018, out of which fifteen (15) companies were sample as shown on Table 2

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Table 2: *Population and sample size of the study as at 31st December, 2018*

S/No	Name	Filters to arrived at the Sample Size	Year of Listing
1	Cadbury Nigeria Plc	✓	1976
2	Champion Brewery Nigeria Plc	✓	1983
3	Dangote Flour Mills Nigeria Plc		2006
4	Dangote Sugar Refineries Plc		2007
5	Ellah Lakes Nigeria Plc		1992
6	Nigerian Enamelware Plc	✓	1979
7	Flour Mills Nigeria Plc		1979
8	FTN Cocoa Processors		2008
9	Golden Guinea Breweries		1979
10	Guinness Nigeria Plc	✓	1965
11	Honey Well Flour Mills Plc		2009
12	International Breweries Plc	✓	1995
13	Livestock Feeds Plc	✓	1978
14	McNichols Plc		2009
15	Morison Industries		1978
16	Mult-Trex Plc		2010
17	National Salt Company Plc	✓	1992
18	Nigerian Breweries	✓	1973
19	Nestle Nigeria Plc	✓	1979
20	Northern Nigeria Flour Mills	✓	1978
21	Okomu Oil Palm	✓	1991
22	Presco Plc	✓	2002
23	PZ Cussion Nigeria Plc	✓	1974
24	Unilever Nigeria Plc	✓	1973
25	Union Decon Salt		1993
26	Vita form Nigeria	✓	1978

Source: Field work, 2020

Filters were employed based on two criteria that selects some firms and eliminate others (Abu, 2020). First, six (6) companies were eliminated because they were listed after 31st December 2005, thus cannot produce data required for the study. Second, five (5) companies were also eliminate due to incomplete data during the study period. Therefore, 15 consumer goods companies form the sample size as they met the criteria, having complete data for all the variables of the study for the period under review. The study utilizes secondary data from the published audited financial statements of the selected 15 consumer goods companies within the period under review.

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The study adapts Azmi et al.(2013) Audit Fees (LAF) = $\beta_0 + \beta_1$Big4 + β_2Size + β_3Lev + β_4Inrec + $\beta_5$roa + β_6Subs + β_7Acsize + β_8Acmeet + β_9Pacexpert + β_{10}Pacind + β_{11}Pactrain + e model with modification. The model is adapted and, the variables modified to suit the specific objectives of the study. The modified model is AUDF= $\beta_0 + \beta_1$ADCS + β_2ACID + β_3ACSO +β_4ADCM + β_5PREX + β_6DACM + β_7BODS + e
Whereby: AUDF = Audit Fees; ADCS = Audit committee size; ACID = Audit committee independence; ACSO = Audit committee share ownership; ADCM = Audit committee meeting; PREX = Professional expert; DACM = Diversity in audit committee members; and BODS = Board size. while e = error term.

RESULTS AND DISCUSSIONS

This section of the study employed descriptive and inferential statistics to analyze the data including correlation and ordinary least square (OLS) linear regression analysis. The conclusion and recommendations would be made based on the study outcome.

Table 3: *Descriptive Statistics*

Variable	Obs	Mean	Std. Dev.	Min	Max
Audf	210	16910.35	11366.34	250	59609
Adcs	210	5.6	0.807	4	8
Acid	210	0.473	0.128	0.2	0.8
Acso	210	1.747	0.799	0	4
Adcm	210	3.490	0.903	2	5
Prex	210	0.345	0.125	0.1	0.7
Dacm	210	0.106	0.119	0	0.4
Bods	210	9.333	2.364	3	15

Source: STATA 14 Output Results

Table 3 presents the result of descriptive statistics of 15 consumer goods companies with 8 variables and a total of 210 observations for 14 years (2005-2018). The mean for the audit fees is 16910.35, the standard deviation of 11366.34, a minimum of 250 and a maximum value of 59609 shows that the fees paid by most consumer goods companies in Nigeria on average were N1,691,035 with a minimum of N25,000 and a maximum of N5,960,900 during the study period. The audit committee size has a mean of 5.6, a standard deviation of 0.807, a minimum of 4 and a maximum of 8 implying that audit committee size of listed consumer goods companies in Nigeria on averaged had 6 members with a variation of 0.81, a minimum of 4 and a maximum of 8 members during the study period. Audit committee independence has a mean of 0.473, a standard deviation of 0.128, a minimum of 0.2 and a maximum of 0.8 showing that the proportion of non-executive directors on averaged in audit committee of listed consumer goods companies in Nigeria is 47.3% with a minimum of 20% and a maximum of 80 per cent during the study period. Audit committee share ownership has a mean of 1.747, a standard deviation of 0.799, a minimum of 0 and a maximum of 4 implying that company owners who were members of the audit committee of listed consumer goods companies in Nigeria on average were 17.5% with a minimum of 0 and a maximum of 40%.

The audit committee meeting has a mean of 3.490, a standard deviation of 0.903, a minimum of 2 and a maximum of 5 suggesting that the audit committee meeting of listed consumer goods companies in Nigeria on average was 3.5 with a minimum of 2 and a maximum of 5 meetings during the period under review. Financial experts has a mean of 0.345, a standard deviation of 0.125, a minimum of 0.1, and a maximum of 0.7 indicating that the financial experts on average was 3.5 with a minimum of 10% and a maximum of 70%. Diversity in audit committee has a mean of 0.106, a standard deviation of 0.119, a minimum of 0 and a maximum of 0.4 implying that women directors representation in audit committee on averaged was 12% in all. The minimum of 0 indicates that some companies have no women directors as a member of the audit committee, 40% was the highest women directors in the audit committee during the study period. Board size has a mean of 9.333, standard deviation of 2.364, a minimum of 3 and a maximum of 15 showing that the board size of listed consumer goods companies in Nigeria on average has 9 members with a minimum of 3 and a maximum of 15 members during the period under review.

Table 4: *Result of the Correlation Analysis and Variance*

Variable	Audf	Adcs	Acid	Acso	Adcm	Prex	Dacm	Bods
	1.0000							
Audf								
	0.3979*	1.0000						
Adcs	0.0000							
	0.0608	0.0416	1.0000					
Acid	0.3807	0.5485						
	0.0582	0.2504*	-0.2331*	1.0000				
Acso	0.4014	0.0002	0.0007					
	0.3630*	0.2571*	0.0909	-0.1325	1.0000			
Adcm	0.0000	0.0002	0.1893	0.0551				
	0.0201	-0.1273	0.0324	0.1666*	0.2302*	1.0000		
Prex	0.7724	0.0657	0.6410	0.0157	0.0008			
	0.1882*	0.1669*	0.0021	0.1733*	0.0083	0.0692	1.0000	
Dacm	0.0062	0.0155	0.9760	0.0119	0.9049	0.3183		
Bods	0.4830*	0.2329*	-0.0026	0.1434*	0.0687	0.1406*	-0.0979	1.0000
	0.0000	0.0007	0.9697	0.0379	0.3218	0.0418	0.1576	

Source: Stata 14 Output Results
Note: * represents statistical significance at 5%.

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Table 4 shows the results of correlation matrix employed to ascertain the association between the explanatory and predictable variables and among explanatory variables themselves. Table 4 displays a positive and significant correlation between audit committee size, audit committee meeting, diversity in audit committee, board size and the predictable variable, which is audit fees. There appears to be a positive and insignificant relationship between the audit committee independence, audit committee share ownership, professional expertise and audit fees. The positive and significant between (audit committee size, audit committee meeting, diversity in audit committee, and board size) and audit fees implies that a unit increased in any of these variables significantly increases audit fees. A positive and insignificant relationship between (audit committee independence, audit committee share ownership, and professional expertise), and audit fees suggests that an increase in any of these variables insignificantly increases audit fees and vice-versa.

Result of Diagnostic and Post Estimation Test

Numerous tests were conducted to validate the statistical output of the study. The tests are normality, multicollinearity, heteroscedasticity and Hausman specification test.

Result of Data Normality and multicollinearity

The test of data normality employing the Shapiro-Wilk (W) and multicollinearity were conducted to examine how normal and collinear the data collected is. The results of the test are display below:

Table 5: *Results of Data Normality and Multicollinearity Test*

Variable	W	V	Z	P-VALUE	VIF	Tolerance (1/VIF)
Audf	0.929	10.919	5.514	0.000		
Adcs	0.966	5.228	3.815	0.000	1.30	0.771
Acid	0.988	1.822	1.384	0.083	1.08	0.923
Acso	0.985	2.241	1.862	0.031	1.26	0.796
Adcm	0.985	2.307	1.928	0.026	1.16	0.861
Prex	0.976	3.593	2.950	0.001	1.15	0.872
Dacm	0.949	7.931	4.776	0.000	1.09	0.921
Bods	0.996	0.477	-1.707	0.956	1.13	0.883
Mean VIF					1.17	

Source: STATA 14 Output Results

A diligent examination of Table 5 indicate that the P-value of most of the variables were less than or equal to 5% significant level except that of Bods. This suggests that most of the variables used for the study failed the normality test, as the tests were significant at 5% with a confidence level of 95%, suggesting that the data does not fit the normal distribution. The failure

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of these variables does not affect the model and the result of the study. On the other hands, the test of Variance Inflation Factor (VIF) was carried out to ascertain the presence or otherwise of multicollinearity between and among the explanatory variables. Table 5 shows that the data for all the independent variables were not highly collinear with each other. However, the mean VIF for all independent variables is 1.17. In each case, VIF is less than 4 and tolerance level is less than 1 respectively, indicating that there was an absence of perfect multicollinearity among the explanatory variables.

Regression Results, Hettest, Model omitted and Hausman Specification Tests

Table 6: *Regression Results and other tests*

Variable	AUDF		
	Coeff	Z-Value	P-value
ADCS	179.217	1.80	0.072
ACID	-958.301	-0.20	0.843
ACSO	34.086	0.04	0.968
ADCM	361.309	5.29	0.000
PREX	950.438	2.07	0.039
DACM	136.85	2.67	0.008
BODS	117.056	2.39	0.001
CONS	-210.59	-3.37	0.001
R^2	0.4339		
Adj- R^2	0.4142		
F-Value	22.11		
P-Value	0.000		
Haus-chi^2	6.32		
P-value	0.502		
Hettest Chi^2	31.11		
P-Value	0.000		
Ovtest F.V	7.59		
P-Value	0.000		

Source: STATA 14 Output Results

Table 6 shows that the model is statistically significant as displayed on model validity. The R^2 of 4339 in Table 6 is the coefficients combination of determination gives the percentage of the total variation in the predictable variable explained by the explanatory variable jointly. Hence, it represents 43.39% of the total variation in the audit fees of listed consumer goods companies in Nigeria caused by some of the explanatory variables. This variation (43.39%) in the audit fees of the listed Nigerian consumer goods companies is substantially accounted for by the different independent variables. This is due to the fact that, in the field of arts, humanities and social sciences studies, the R^2 as low as 10% is generally accepted as human behaviour cannot be

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accurately predicted (Ozili, 2017 in Abu, 2020). Therefore, the R^2 of 43.39 is sufficient variation implying that the model is statistically fit.

The Breusch-Pagan and Cook-Weisberg test of heteroscedasticity was also conducted, representing a by-product of the violation of other regression assumptions evaluated by the study. The test of the null hypothesis that the data is not homoscedastic was conducted at 5% level of significance. Table 5 shows the hettest chi^2 of 31.11, which is statistically significant (P-Value = 0.000) . Therefore, the study accepted the null hypothesis that the data for the study is homoscedastic and rejected the alternative hypothesis. To account for the presence of heteroscedasticity, the study conducted model specification error test (omitted variable test) to ascertain whether the presence of heteroscedasticity would affect the validity of the statistical result. Table 6 reports the result of Ramsey F-Stat (model specification error test) with Prob > F-Stat of 7.59 at 0.000 suggesting the study pass model specification error test as the F-statistics is statistically significant.

The test of model selection using a Hausman specification test was conducted to examine between random and fixed effects model. The result helps us to reject the fixed effect and accept random effect estimator as Hausman Chi^2 and the Prob > chi2 shows 6.32 and 0.502 respectively. Therefore, the random effect model is adopted for hypothesis testing.

Hypothesis Testing

Hypothesis one states that the audit committee size has no significant association with the audit fees of listed consumer goods companies in Nigeria. The audit committee size has a positive and significant association with audit fees. Thus, a unit increase in audit committee size significantly increases audit fees and vice versa. That provides us with evidence of rejecting the null hypothesis and accepting the alternative that the audit committee size has a significant association with the audit fees of listed consumer goods companies in Nigeria. This finding agrees with Azmi et al. (2013); Kamolsakulchai (2015); who find a positive and significant association between the audit committee size and audit fees. The finding disagrees with the result of Farooq et al. (2018); who find a negative and significant relationship between the audit committee size and audit fees.

Hypothesis two states that audit committee independence has no significant influence on the audit fees of listed consumer goods companies in Nigeria. The audit committee independence has a negative and insignificant correlation on audit fees. That provides us with evidence of accepting the null hypothesis and rejecting the alternative that the audit committee independence has no significant influence on audit fees of listed consumer goods companies in Nigeria. This finding conforms with the report of Hamdan et al. (2013), who also find a negative and insignificant influence between audit committee independence and audit fees. This finding is contrary to the report of Flayyih et al. (2019); Larasati et al. (2019), who find a positive and significant correlation between audit committee independence and audit fees.

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Hypothesis three states that audit committee financial expertise has no significant relationship with the audit fees of listed consumer goods companies in Nigeria. The audit committee financial expertise has a positive and insignificant relationship with audit fees. That evidenced by Z-Value of 0.04 and P-Value of 0.968, which is statistically insignificant. That provides us with evidence of accepting the null hypothesis and rejecting the alternative that audit committee financial expertise has no significant relationship with the audit fees of listed consumer goods companies in Nigeria. This finding is in agreement with the result of Madi, and Manaf (2014); Salawu et al. (2017), who also find a positive and insignificant relationship between audit financial committee expertise and audit fees. The finding disagreed with the result of Suryanto et al. (2017); Asiriuwa et al. (2018), who find a positive and significant relationship between audit committee financial expertise and audit fees.

Hypothesis four states that audit committee meetings have no significant correlation with the audit fees of listed consumer goods companies in Nigeria. The audit committee meetings have a positive and significant correlation with audit fees. That provides us with evidence of rejecting the null hypothesis and accepting the alternative that the audit committee meeting has a significant correlation with the audit fees of listed consumer goods companies in Nigeria. The finding is consistent with the outcome of Yasin and Nelson (2012); Awinbugri and Prince (2019), who also find a positive and significant correlation between audit committee meeting and audit fees. However, the finding contradicts with the result of Stewart and Munro (2007), who find a negative and significant impact between audit committee meeting and audit fees.

Hypothesis five states that audit committee diversity has no significant association with the audit fees of listed consumer goods companies in Nigeria. Based on the regression result as shown in Table 6, the audit committee diversity has a positive and significant association with audit fees. That provides us with evidence of rejecting the null hypothesis and accepting the alternative that audit committee diversity has a significant association with the audit fees of listed consumer goods companies in Nigeria. This finding is in line with the outcome of Miglani and Ahmed (2019), who also find a positive and significant association between audit committee diversity and audit fees. However, this finding is contrary to the result of Ittonen et al. (2010); Nekhili et al. (2020), who find a negative and significant association between audit committee diversity and audit fees.

Hypothesis six states that the audit committee share ownership has no significant relationship with the audit fees of listed consumer goods companies in Nigeria. The audit committee share ownership has a positive and significant relationship with audit fees. The regression result presented in Table 6 shows a Z-Value of 2.67 and P-Value of 0.008 attest to the fact. That provides us with evidence of accepting the null hypothesis and rejecting the alternative that the audit committee share ownership has a significant relationship with the audit fees of listed consumer goods companies in Nigeria. This finding is compatible with Kibiya et al. (2016), who also find a positive and significant relationship between audit committee share ownership and audit fees. The finding is contrary to the report of Harahap and Prasetyo (2018); Mohammed et

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al. (2018), who find a negative and significant association between audit committee share ownership and audit fees.

Finally, the board size has a positive and significant correlation with audit fees. Table 6 shows a Z-value of 2.39 and p-value of 0.001attest the evidence. Thus, a unit increase in board size significantly increases audit fees and vice versa. The regression results in Table 6 also show that the coefficient of the CONS is -210.59, which determines the value of AUDF given a unit increase or decrease in any of the seven independent variables, while all others are held constant. The Z-Value of -3.37 and P-Value of 0.001.

CONCLUSION AND RECOMMENDATIONS

The study makes the following conclusions based on the findings derived from the study analysis: :

The audit committee size has a positive and significant association with the audit fees of listed consumer goods companies in Nigeria;

The audit committee independence has a negative and insignificant correlation with the audit fees of listed consumer goods companies in Nigeria;

The audit committee financial expertise has a positive and insignificant relationship with the audit fees of listed consumer goods companies in Nigeria;

Audit committee meetings have a positive and significant association with the audit fees of listed consumer goods companies in Nigeria;

The audit committee diversity has a positive and significant correlation with the audit fees of listed consumer goods companies in Nigeria; and

The audit committee share ownership has a positive and significant relationship with the audit fees of listed consumer goods companies in Nigeria.

Based on these conclusions, the study makes the following recommendations:

First, the management of consumer goods sector in Nigeria should increase the number of the audit committee size to the minimum of 5 and maximum of 7 members for all the consumer goods companies operating in Nigeria as it is seen to influence the audit fees of listed consumer goods companies in Nigeria. Doing so will maintain and improve the audited financial statement prepared by the external auditors of the consumer goods companies in Nigeria.

Second, the management of consumer goods sector in Nigeria should increase the number of audit committee meetings to the minimum of 4 and maximum of 6 meetings excluding emergency meetings as it is seen to impact meaningfully on audit fees of listed consumer goods

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consumer in Nigeria. This practice if maintain will assists the meeting of the audit committee improving external auditors' fees thereby encouraging them to put in their best in the examination of financial statement prepared by the management.

Third, the management of consumer goods companies in Nigeria should increase the number of the women directors in audit committee to the maximum of 3 members for all the consumer goods companies operating in Nigeria as they are seen to influence the audit fees of listed consumer goods companies in Nigeria. This suggestion if implemented will encourage women directors as audit committee members to thoroughly scrutinize auditor reports before presenting it at the company's annual general meeting.

Fourth, the management of consumer goods companies in Nigeria should increase the number of company's owners in audit committee to the minimum of 2 and maximum of 3 for all the consumer goods companies operating in Nigeria as they are seen to improve audit fees of listed consumer goods companies in Nigeria. Doing so will encourage the company's owners to monitor and proper scrutinizing the works done by external auditors to strengthen company operational activities.

Finally, the Security and Exchange Commission (SEC) and other regulatory bodies of the companies should drive the refinement and includes in the corporate governance code for companies and other sectors operating in the country as a provision that management of companies must ensure total compliance. This suggestion if accepts will go a long way in sustaining the system and continues improving audit reports prepared by external auditors of listed consumer goods companies in Nigeria.

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