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Monitoring Mechanisms and Risk Disclosure of Banks in Nigeria a Contextual Synopsis

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Abstract

Extant empirical literature has reported conflicting findings with respect to the effects of audit committee characteristics and risk disclosure of banks using international financial reporting standards (IFRS) compliance. Drawing on agency theory, this study examined a statutorily requisite corporate governance mechanism i.e. audit committee characteristics on IFRS7 financial instruments disclosure compliance among 14 listed banks on the Nigerian stock exchange. The study employs content analysis using sentences on static data from 2012-2014 in the annual report of the sampled banks. The random pooled OLS model is employed due to its precision and accuracy of results. Findings from the study reveal no relationship between audit committee size, audit committee meetings and firm size and risk disclosure compliance. The study found a significant positive relationship between audit committee expertise, profitability, and audit quality. Implications of the study in the Nigerian context have been discussed.

Key words: Audit committee characteristics, IFRS 7, banks, Nigeria

1. Introduction

The major corporate governance malfeasances in public companies that were hitherto adjudge as the most organised with strong board and management in the UK and US forced volte-face in corporate governance issues and debates are still ongoing on possible ways out(OECD, 2004).Series of governance pronouncements have been introduced in several jurisdictions sought to obligate publicly quoted companies to good governance practices in all their operations (Zango, Hasnah & Rokiah, 2015). For instance, the United States congress passes the Sarbanes-

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Oxley Act (SOX) also known as the Corporate Oversight Bill, in 2002 to forestall occurrence of financial crisis in the future. In line with these congressional efforts of the US parliament, the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotations (NASDAQ) also fashioned new corporate governance rules for exchange-quoted companies which were approved by the Securities and Exchange Commission (US-SEC, 2003). According to Person (2005) both SOX and the new corporate governance rules designed by the NYSE and NASDAQ lays emphasise on audit independence and the effective oversight role for board of directors in audit committees. In Nigeria, the code of corporate governance as issued by the Securities and Exchange Commission (SEC) in 2003 and revised in 2011. However, the Central Bank of Nigeria (CBN) in 2006 issued an industry specific governance regulation for banks in Nigeria (CBN, 2006; Sunusi, 2010).

The search for good monitoring mechanism to ensure reliable, high quality and comparably transparent risk financial reporting of banks has largely focused on the structure of audit committees whose function is to oversee their financial and auditing process (Oliviera et al., 2013). Given the importance of audit committees, listed banks in Nigeria are required to include in their annual reports and statement of accounts a summary of their audit committee activities especially as it relate to risk disclosure from the beginning to end of their financial period (Sunusi, 2012).This is imperative because, the series of banking crisis and related fraud cases have raised doubts in the minds of shareholders, depositors and the investing public about the transparency and credibility of the accounting numbers and of corporate governance oversight functions of the board of directors of banks in Nigeria (Owolabi & Ogbechia, 2010). Consequently, professional bodies like the Institute of Chartered Accountants of Nigeria (ICAN), the Association of National Accountants of Nigeria (ANAN), the Chartered Institute of Taxation of Nigeria (CITN) and the Financial Reporting Council of Nigeria (FRC of N) which is the new Nigerian accounting, financial reporting and compliance regulatory authority all made move towards recommending reforms to government aimed at improving the quality of risk reporting in the management and control of banks whose stock in trade is essentially risk management (Gugong et al., 2014; Sunusi, 2011).

This study examines the relationship between audit committee characteristics and risk reporting disclosure quality of listed banks in Nigeria from the first year of IFRS adoption in 2012 to 2014 which is the last year of available annual report. The study is very imperative because according to the Blue-Ribbon Committee one of the most important benefits for companies' establishing audit committees is to improve financial reporting risk disclosure quality (BRC, 1999).Corporate risk reporting is the medium for sharing value which the risk function brings to investors and other stakeholders (PwC, 2011). Hence, with globalisation comes intensified need for increased stakeholder call for more disclosure by organisations with regards to risks in financial statements (Linsley and Shrives, 2005). However, empirical studies on risk disclosure (e.g., Adamu, 2013; Abraham and Cox, 2007; Ali and Taylor, 2009; Amran et al., 2009; Linsley and Shrives, 2006) still show dearth of adequate information presented in companies' annual reports using the content analysis approach especially in financial institutions of developing economies.

Prior studies by Baxter and Cotter (2009), Davidson, Godwin-Stewart, and Kent (2005), Yang and Krishnan (2005), and Abbott, Parker, and Peters (2004) all find audit committee members to be objective and less likely to overlook possible deficiencies through creative accounting in the financial report of banks. The results of these studies suggest that financial reporting quality arising from risk disclosure in financial statements has improved in subsequent years after the establishment of audit committees in developed countries with strong investor protection rights. The results also indicate that audit committee expertise is positively associated with improved financial reporting disclosure quality due to diligent oversight activities of the board of directors.

Other studies in Nigeria also examined the effectiveness of audit committee reporting quality in various contexts (Okoye & Cletus, 2010; Owolabi & Ogbechia, 2010; Madawaki & Amran, 2013). However, these studies fail to see the need for further insight into the relationship between audit committee characteristics and risk disclosure of banks despite the pressing need in view of series of financial and banking crisis in the country (Soludo, 2009; Sunusi, 2012).Hence, we opine in this study that there is need to fill the lacuna using the content analysis methodology.

Content analysis of risk disclosure can be categorised into two based on empirical literature. According to Hassan and Claire (2010) they are either classified using conceptual content or relational content analysis. Linsley and Shrives (2006) argue that contents in corporate annual reports are principally categorised into three main types (i.e. words, sentences and proportion of pages). Empirical evidence confirm that risk disclosure studies are mainly concentrated in the developed economies of the world (e.g., Solomon et al., 2000; Linsley and Shrives, 2006; Abraham and Cox, 2007; Beretta and Bozzolan, 2004; Oliveira et al., 2011) with very few so far on the developing economies where it is needed most (Ali & Taylor, 2009; Amran et al., 2009). Moreover, given the differences and peculiarities between developed and developing countries there is an urgent need for jurisdiction specific risk disclosure studies in the banking sector in emerging capital markets specifically Nigeria. The importance of risks in business calls for more studies in this important area to explore the association between different audit committee characteristics and risk disclosure quality. Hence, we consider this as an important gap in the literature whose filling makes key contribution to knowledge on disclosure quality of banks in Nigeria and elsewhere around the world with similar characteristics.

The aim of this study will be using the agency theory investigates the extent of information risk disclosure by listed banks in Nigeria. It is also to ascertain whether disclosure in banks is being influenced by audit committee characteristics such assize, expertise, independence and meeting frequency(Jensen & Meckling 1976). The study hopes to provide new evidence on audit committee characteristics and risk reporting quality in Nigeria and therefore has potential implication for regulators and policy-makers (Linsley & Shrives 2005). The study’s findings may help in enhancing the effectiveness of Nigerian capital market listing rules. The findings of this study may also serve as a benchmark for research in countries with similar institutional, economic, and legal requirements as that of Nigeria. The next section of the paper reviews relevant literature and develops the hypotheses. The third section describes the research methodology. The study’s results are reported and discussed in section four while the final section concludes and recommends for future research.

2. Literature Review and Hypotheses Development

This study reviews literature on risk reporting disclosure quality and audit committee characteristics of listed banks in Nigeria. In reviewing extant literature of risk disclosure, the paper followed trends as in prior studies and identifies four approaches used in the dependent variable measurements by different researchers (Al-Shammari, 2014; Hassan & Marston, 2010). The first group of scholars use the content analysis method based on counting sentences to quantify risk disclosure (Amran et al., 2009; Beretta and Bozzolan, 2004; Deumes and Knechel, 2008; Dobler et al., 2011; El-zahar and Hussainey, 2012; Konishi and Mohobbot, 2007; Lajili and Zeghal, 2005; Linsley and Shrives, 2006; Oliveira et al., 2011). Similarly, the second group use word count as a recoding unit to measure risk disclosure (Abraham and Cox, 2007) while the third uses self-risk disclosure indices to measure risk disclosure (Lopes and Rodrigues, 2007; Deumes and Knechel, 2008; Hassan, 2009). The last group affirm the use of page proportion to measure risk disclosure (Guthrie and Parker, 1990).Following previous studies, our interest in this study is the content analysis method of disclosure in annual report (Al-Shammari, 2014). Although, the paper reviews content analysis in general, our focus mainly centered on those prior literatures that uses risk related sentences that used words or possible synonyms of words with multiple meanings in the sentence such as risk, danger, jeopardy, threats and peril to quantify risk-related disclosure in annual report(Weber, 1990).

Prior studies for example, Beretta and Bozzolan (2004) report on risk disclosure of 85 Italian listed firms based on Management Discussion and Analysis (MDA). These researchers found firms in Italy to avoid communicating risk and economic information in quantitative terms. In examining risk disclosure, Lajili and Zeghal (2005) find Canadian companies to disclose 85% of risk information in MDA section, 82% in notes to the account and 67% in the two sections. In the UK, Linsley and Shrives (2006) found three types of risks (financial, strategic and integrity) risks respectively featuring prominently in qualitative terms. These authors conclude that UK firms lack adequate information to stakeholders in annual reports. Study by Amran, Bin and Hassan,(2009) using sentence count and employing stakeholder theory to buttress their assertions conclude that, of the 100 non-financial firms studied in Malaysia, only firm size, leverage and industry type significantly associates with risk disclosure.

Recent study by Dobler et al. (2011) used content analysis of 160 US, Canada, UK and Germany's company annual reports. The researchers found consistent pattern of risk disclosure in management reports and high concentration on the financial risk categories. The authors also found cross-sectional variation in disclosure incentives linked to domestic disclosure regulation in the sampled companies with little quantitative and forward-looking disclosure across sampled countries. Al-Shammari (2014) use manual content analysis approach to measure risk disclosure by counting the number of risk-related sentences in annual reports of 109 Kuwaiti listed non-financial companies. Findings from his study using both agency and signaling theories showed that risk disclosure is associated positively with size, liquidity, and complexity and auditor type but insignificant with firm characteristics such as leverage and profitability.

2.1 Audit Committee Characteristics and variable measurements

Variables of interest in this study are those which prior studies found useful in corporate boards of financial institutions in developed and some developing economies. These variables include audit committee expertise, audit committee meeting frequency and size of audit committee (Akpan & Amran, 2014; Madawaki &Amran, 2013).

2.1.1Audit Committee Expertise and IFRS Compliance

De Fond, Hann, and Hu (2005) investigate how markets react on two different appointments of audit committee directors with different levels of accounting and financial expertise. The authors found positive market reaction to the appointment of accounting and financial experts in audit committee. Carcello et al. (2006) document that accounting and financial experts in audit committee consistently associate with less earnings management proxy by abnormal accruals. Dhaliwal, Naiker and Navissi (2010) found positive relationship between accounting and financial experts in audit committees and financial risk reporting disclosure quality.

Raghunandan, Read, & Rama (2001) suggest that Audit committees with financial expertise have more frequent dialogue with their internal auditors and are less likely to witness internal control weaknesses (Krishnan, 2005). De Zoort and Salterio (2001) found that accounting and finance experts in audit committees are more likely to understand external auditors and support them in auditors and management conflict arising from disagreements in financial reporting of risks. Davidson, Xie, and Xu (2004) found positive price reaction to stock returns when new directors' with accounting and finance background are appointed in audit committees. On the contrary, Yang and Krishnan (2005) and Lin et al. (2006) did not find any significant association between financial expertise and financial reporting disclosure quality measured by level of earnings management. Audit committee expertise is measured in this study as the proportion of audit committee directors with accounting/financial expertise to total board. Based on this argurements, the following hypothesis has been developed:

H_1: *There is a significant relationship between expertise of audit committee members and risk reporting disclosure quality of listed banks in Nigeria*.

2.1.2 Audit Committee Meeting Frequency

The diligence of audit committee member's attendance at meetings indicates the committee's level of effectiveness (Greco, 2011; Hashim and Rahman, 2010). Shareholders and other users of financial statements see infrequent meetings and meeting attendance as an indication of none commitment in overseeing the financial and risk reporting disclosure process. Xie et al. (2003) argue that the number of committee meetings is a strong proxy for reduced levels of earnings management. Bryan, Liv, and Tiras (2004) opine that audit committee meeting frequency improves the transparency and openness of reported earnings hence, risk disclosure quality. According to Zhang, Zhou, and Zhou (2007) there is a positive correlation between number of meeting frequency and financial risk reporting disclosure quality. However, empirical evidence on the impact of audit committee meeting frequency on financial reporting disclosure quality document mixed results. Vafeas (2005) found negative relationship between the number of meetings and earnings management. Bedard, Chtourou, and Chouteau (2004) and Lin et al. (2006) fail to find any association between frequency of audit committee meetings and financial reporting quality. Audit committee meeting frequency is measured by number of meetings per annum. Based on the foregoing, it is hypothesized that:

H_2: *There is a significant positive relationship between audit committee meeting frequency and risk reporting disclosure quality of listed banks in Nigeria.*

2.1.3Audit Committee Size

Previous researches have been categorised into two distinct groups and each investigated the role of size in board and or board committees as an effective mechanism for monitoring and controlling financial reporting disclosure quality. The first group argued that, large sized committees are slow in decision making and time wasting. These authors observe that small board is a better contributor because it enhances firm value (Lipton & Lorsch, 1992; Jensen, 1993; Yermack, 1996). Jensen (1993) argues that small sized members improve the efficiency of audit committee oversight monitoring and control. The second School of thought argues that large size improves company performance because it enables committee members to gather more useful disclosure information for use in annual report (Pfeffer, 1972; Klein, 1998).

In the same vein, Anderson, Mansi, and Reeb (2004) are of the opinion that large committees can devote more time because of their sheer size to monitor the financial reporting disclosure process and the internal control systems of their controlling companies more effectively. This impliedly means that an increase in audit committee size enables division of labour and more commitment by members to devote more time to monitor management and ensure fraud free risk reporting disclosure quality. Abor (2007) reported positive relationship between audit committee size and leverage. Audit committee size is measured by the number of audit committee members. Based on the above arguments, it is hypothesized that:

H_3: *There is a significant positive relation between size of audit committees and risk reporting disclosure quality of listed banks in Nigeria.*

2.1.4 Control variables

Prior studies have documented positive associations between some corporate governance characteristics and risk reporting disclosure quality. These variables which are also included in this study as control variables in the regression model are firm size, profitability and audit quality. As evidenced from prior studies, these variables are shown to have some impact on corporate risk disclosure (Abraham and Cox, 2007; Linsley and Shrives, 2006; Mohd Ali & Taylor, 2014).

This paper analyses the relationship between some governance monitoring mechanisms of interest (audit committee expertise, meeting frequency, audit committee size, firm size, profitability and audit quality measured by audit fee) and the dependent variable (IFRS7 disclosure) by using the following regression model:

IFRS 7=β_0 + β_1AUDCI + β_2AUDCE+ β_3ACMF + β_4ACSIZE+ β_5FSIZE + β_6 PROFIT+ β_7 AFS +ε

The variables of interest in this study along with their expected directions and the related hypotheses are presented in the table below.

Table 3

Variables definition and measurements

Variables	Variable definition	Expected Sign	Hypothesis
DV: IFRS 7	Measured by total disclosure index score		
Audit comm. Expertise (AUDCE)	Measured by the proportion of members with accounting /financial expertise	+	H_2
Audit comm. Meeting (ACMF)	Measured by total committee meeting in the year	+	H_3
Audit committee Size (ACSIZE)	Measured by total number of audit committee members	+	H_4
Controls: Firm Size (FSIZE)	Net profit divide by owners' equity	+	
Profitability (PROFIT)	Measured by net profit divided by year end owners' equity	+	
Audit quality (AFEES)	Represented by audit fee (Delloite, PwC, KPMG, E & Y)	+	

3. Research Methodology

This study uses the annual reports and statement of accounts of the sampled listed banks to source secondary data due to their non-response bias nature (Madawaki & Amran, 2013). There are various sources of data collection. However, this study obtained data of a sample of 15 listed banks through the Nigerian stock exchange for three financial years 2012 - 2014. Banks are selected for the study because of their positive contribution to the growth and development of every economy. Additionally, this study focus on risk disclosure because the 2007 financial crisis has highlighted the need for extra vigilance in risk reporting which is mostly to do with banks likely to disclose more risk information than other sectors (Abraham & Cox, 2007; Linsley & Shrives, 2006; Beretta & Bozzolan, 2004). Moreover, these studies have found a positive association between risk disclosure level and firm size which is a characteristic of the banking sector. Data for this study has been hand-collected by reading through the contents within the sampled annual reports from the fact year book.

3.1 Dependent variable

3.1.1 Risk disclosure and measurements

Previous studies observed that through adequate disclosure of risk, a company can reduce information asymmetry hence agency cost (Jensen & Meckling 1976; Linsley & Shrives 2005). Following prior research, our study measure risk disclosure through content analysis method (Al-Shammari, 2014; Linsley and Shrives, 2006; Abraham and Cox, 2007). These scholars use various units of analysis like words (e.g., Deegan and Gordon, 1996); sentences (Beretta and Bozzolan, 2004; Linsley and Shrives, 2006; Abraham and Cox, 2007) and proportions of a page (Guthrie and Parker, 1990). Following the work of Linsley and Shrives (2006) this study chooses sentences because it is argued that they are more reliable than any other content analysis method.

Linsley and Shrives further argue that, a single word has no meaning to provide a basis for coding disclosures. Therefore, an individual word should be looked at within a sentence to provide a proper context in order to achieve more valid measures. In the same vein, Mohd Ali and Taylor (2014) opines that sentences is a more objective measure and have higher perceived degree of accuracy in quantifying the risk items provided in annual reports.

This paper uses the following key words adapted from Mohd Ali and Taylor (2014) to search for and code risk sentences from the financial statements of the sampled banks in Nigeria consistent with prior studies (Linsley and Shrives, 2006; Mohd Ali & Taylor, 2014). Thus, only sentences in which the key words appear will be counted for the annual report of all the sampled banks for the sampled period.

Table 4

List of key words

S/N	Basic Key Word	Other Key Words
1	Risk	Danger
2		Jeopardy
3		Peril
4		Hazard
5		Menace
6		Threat
7		Chance

Source: Adapted from Mohd Ali & Taylor, 2014.

Table 4.1 reports basic risk keywords used to identify usage of risk and risk related words in the annual reports of Nigeria's listed banks for the financial period ended 2012- 2014.

Table 4.1

Keyword Summary

S/N	Bank Name	Number of Risk Sentences			Percentages		
		2012	2013	2014	2012	2013	2014
1	Access	303	348	358	6.73	7.28	7.39
2	Diamond	277	295	289	6.15	6.17	5.96
3	Eco	204	256	266	4.53	5.36	5.49
4	Fidelity	169	193	197	3.75	4.04	4.10

5	First	165	179	181	3.67	3.75	3.74
6	First City	373	354	360	8.29	7.41	7.43
7	GTBank	410	452	455	9.11	9.45	9.39
8	Skye	314	325	332	6.98	6.80	6.86
9	Stanbic	395	403	405	8.78	8.43	8.36
10	Sterling	347	359	364	7.71	7.51	7.44
11	UBA	456	465	467	10.13	9.73	9.64
12	UBN	385	402	409	8.55	8.41	8.44
13	Unity	378	395	403	8.40	8.25	8.32
14	Zenith	325	354	359	7.22	7.41	7.44
	Totals	4,501	4,780	4,845	100.00	100.00	100.00

Table 4.2 reports the number of sentences, the cumulative totals and the percentages in each of the sample banks financial statements for the two financial periods of 2012 and 2013.

3.2 Theory

Monitoring mechanisms, such as board independence, audit committee independence and the quality of external auditors, promote higher levels of information disclosure (Linsley & Shrives 2005). However, no single theory provides a complete picture for why companies adequately disclose risk information in their annual report (Oliviera et al., 2013). Our study opines that no single theory can provide comprehensive justification for why companies disclose risk information in their annual report. Hence, we argue strongly in the advocacy of multiple theories to explain corporate phenomena. In this study, we rely on agency and resource dependency theory perspective as inceptives for risk disclosure in financial institutions of developing economies such as Nigeria (Oliviera et al., 2013).

4. **Results and Discussion**

4.1 Descriptive statistics

Following Hair et al. (2010) table 4 below presents the descriptive statistics of the dependent and independent variables, i.e., mean minimum, maximum and standard deviation. The study used descriptive statistics method of research design in order to adequately describe and visualise the level of corporate governance characteristics as well as the risk disclosure of financial reports of the listed banks in Nigeria.Our data is modest with 45 observations collected from the banks listed on the Nigerian Stock Exchange for a period from 2012 to 2014. For the dependent variable, this study used the international financial reporting standards (IFRS7) to measure risk disclosure of the annual financial reports.

In relation to the international financial reporting standards (IFRS7), the mean value was 75% with a maximum of 91% and minimum 56% level of disclosure compliance. The mean value of the international financial reporting standards (IFRS7) in this study is somewhat similar when compared with that of mandatory disclosure compliance of a sample of 80 non-financial, listed Jordanian companies for the 1996 is 55% that of 2004 is 79% (Al-Akra et al. ,2010). Atanasovski (2015) from Macedonia found listed companies' compliance with the disclosure requirements to be 62.75%.

4.2 Audit Committee Characteristics and IFRS7 compliance

In analysing the data obtained through the descriptive statistics for the independent variables (see Table 4), it was found that the mean size of the banks was 59% with 23 % of audit committee members being experts and meets at least four times a year. It was also found that on average 12% of the sampled banks employ high profile auditors who charge comparatively higher fee.

Table 4

Descriptive statistics

Variable	Mean	Minimum	Maximum	Std. Deviation
IFRS	75	0.56	0.91	0.08
ACS	5.9	4.00	6.00	0.50
ACE	2.3	0.16	0.33	0.08
ACM	4.3	3.00	8.00	0.85
F SIZE	14.9	13.78	17.08	0.77
PROFIT	4.14	0.50	16.32	4.06
AUDIT	12.21	11.07	13.18	0.52

Table 5 below presents correlation coefficients values between the dependent variable and independent variables. From the table, it is discovered that there was a negative weak correlation between IFRS7 and audit committee size (-0.16), strongly negative correlation between IFRS and firm size (-0.06) and a very weak correlation between IFRS and profit (-0.02). Other variables also have various levels of correlation coefficients among the different variables of the study.

Table 5

Correlation coefficients

	Iifrs	acs	ace	acm	fsize	profit	Iaudit
Iifrs	1.000						
acs	-0.167	1.000					
ace	0.1000	-0.067	1.000				
acm	0.246	0.106	0.510	1.000			
fsize	-0.062	0.124	0.053	-0.050	1.000		
profit	-0.016	0.091	-0.119	-0.044	-0.032	1.000	
Iaudit	0.744	-0.310	0.053	-0.059	-0.027	-0.302	1.000

Table 6 addresses hypothesis one of the study. As regards the audit committee expertise (H1), there is an indication of insignificant and negative relationship between it and risk disclosure consistent with Yang and Krishnan (2005) and Lin et al. (2006) who failed to find any significant association but inconsistent with Dhaliwal, Naiker and Navissi (2010) and Davidson et al. (2004). The relationship between audit committee meeting frequency and risk disclosure (H2) is positive and significant at 5% level in this study. The finding is inconsistent with Vafeas (2005) and Lin et al. (2006) who found no relationship between the number of audit committee meetings and financial reporting quality. However, Zhang, Zhou, and Zhou (2007) found positive correlation between number of meeting frequency and financial risk reporting disclosure quality.

Table 6

Regression analysis for audit committee characteristics

Constant	Coefficient	Std. Error	T-ratio	P-Value
ACS	.0048871	.023277	0.21	0.834
ACE	-.0054755	.1072654	-0.05	0.959
ACM	.0228727	.0088405	2.59	0.010**
FSIZE	-.0002442	.0086801	-0.03	0.978
PROFIT	.0061015	.0022403	2.72	0.006*
LAUDIT	.1246081	.0195086	6.39	0.000***
R2	0.7082			
X2	61.16			

Between the control variables, profitability and audit quality are each connected with risk disclosure at 10% and 1%level of significant respectively. This finding is consistent with those of Linsley and Shrives (2006) and Mohd Ali and Taylor (2014), who reported that profitability and audit quality, are significantly related to IFRS compliance.

Conclusions

The main objective of this paper is to examine the relationship between audit committee characteristics and risk disclosure of banks in Nigeria. The study provides evidence of the relationship between audit committee characteristics, and risk report disclosure quality of the sampled listed Nigerian banks. Using a sample of 15 banks listed on the Nigerian Stock Exchange, this study used secondary data from the annual reports of the sampled banks. This is because annual reports are more readily available and are comparatively more authentic than other sources such as questionnaire. The hypothesized relationships of the study were tasted based on the formulated research questions.

The first research question reports insignificant and negative relationship between audit committee expertise and risk disclosure. For the second research hypothesis, the results indicate significantly positive relationship between audit committee meeting frequency and risk disclosure. However, the study found positive but insignificant relationship between audit committee size and risk disclosure as well as audit committee expertise and risk disclosure quality.

This study has potential implications for the Nigerian Securities and Exchange Commission (SEC) and the financial reporting council of Nigeria who mandates all listed companies on the floor of NSE to establish audit committees. This study has potential limitations that pave the avenue for further research. First, this study's samples are listed banks on the NSE. These companies are under intense regulatory pressure than non-financial companies. Hence, the result may not be generalisable. Future, studies could be extended to include non-financial firms so as to have enlarged samples. Secondly, further research could be carried out using other measures of disclosure quality that do not impose any restrictions on the study.

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