AUDIT COMMITTEE EFFECTIVENESS, RISK COMMITTEE PRESENCE AND TAX AGGRESSIVENESS IN LISTED NON-FINANCIAL FIRMS IN NIGERIA

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Abstract
The objective of this study is to investigate the effect of audit committee effectiveness and risk committee presence on tax aggressiveness in non-financial firms listed in Nigeria. Using a correlational design, a sample of 80 companies for a period of 12 years (2008-2019) was selected from a target population of 98 listed non-financial services firms. Tax aggressiveness (TAXAGG) was measured using the cash flow effective tax rate while Audit Committee Effectiveness was measured using the sum of four attributes of audit committee (size, independence, meetings, and financial expertise) and risk committee was measured using a dummy representing 1 for presence of risk management committee or chief risk officer; otherwise, 0. Censored tobit regression technique was used to analyse the data. The findings showed that audit committee effectiveness (ACEFF) and risk committee presence both have significant effect on tax aggressiveness. The study therefore concludes that audit committee effectiveness and risk committee presence are significant corporate governance attributes that can be utilised in mitigating tax aggressiveness. The study recommends among others that audit committees of listed non-financial services firms in Nigeria should be strengthened to sustain their effectiveness. In addition, steps should be taken to ensure that risk management committees are not just established but that proper steps to assess and mitigate the impact of identified risks through monitoring and managing of company risk profile is given serious attention

Keywords: **audit committee effectiveness, risk committee presence and tax aggressiveness**

JEL Classification: **M42**

INTRODUCTION
Tax is an important source for income generation through which development have been attained by various governments (Alabede, 2001). It is a veritable option available especially to developing countries for sustainable development instead of dependence on external and foreign aids (Organisation for Economic Cooperation and Development [OECD], 2018). In addition, taxes in general and corporate taxes in particular are fast becoming tools for fiscal policies geared at engineering and restructuring of the economy but these unfortunately are burdens for taxpayers and corporations to bear. Consequently, taxpayers seek various avenues to either evade taxes or avoid taxes through means contrary to the intent of the law and societal expectations.

Corporate tax aggressiveness has fast become a topical issue that cuts across national boundaries and regions. Tax aggressiveness, which is the focus of this study, is tax planning that involves taking uncertain tax positions via uncertain management actions. It is a form of tax planning that produces tax risk which if discovered, leads to tax costs in the forms of

penalties and reputation loss. Put differently, when an entity minimises its tax liabilities using schemes that are within the 'uncertainty' ambits of tax laws and have opaque interpretations, such are collectively referred to as tax aggressiveness (Martinez, 2017). Such actions are detrimental as they cause substantial restriction in the capacity of governments to generate revenue (Bird & Davis-Nozemack, 2018; Sikka, 2010) and are viewed as unethical and corporate irresponsibility (Christensen & Murphy, 2004).

The debate on tax aggressiveness falls within diverse divides. For instance, one school of thought is that companies engage in tax aggressive techniques because of the value enhancing benefits it offers (Desai & Dharmapala, 2006; Graham & Tucker, 2006; Hoffman, 1961). Another school of thought is that the value enhancing benefits of tax aggressiveness are eroded in the absence of proper governance thus, instead of it been beneficial to the principals; it benefits the agent who engages in rent extraction and other opportunistic behaviour (Desai & Dharmapala, 2009; Minnick & Noga, 2010). Consequently, tax aggressiveness has become prevalent in recent times.

Based on the 2007 report of the British National Audit Office, Abdul-Wahab (2010) observed that tax aggressive schemes were common to about 30% of large UK companies. Furthermore, in 2016, the United Nations Conference on Trade and Development (UNCTAD) reported that the sum of $100 billion US dollars is lost to issues bothering on tax planning and aggressive behaviour in developing countries. All these and more have led to the clamour by the public, activist groups and tax authorities for higher levels of governance and transparency in corporate tax matters (Dyreng, Hoopes et al., 2016; Towery, 2017).

To improve corporate transparency, proper governance and monitoring have been advocated. Corporate governance, which is the manner in which companies are managed and controlled is the principal system put in place to help address corporate irresponsibility. In Nigeria, corporate governance was officially birthed and codified in 2003 by the establishment of the Code of Best Practices on Corporate Governance. Presently, corporate governance in Nigeria is codified in the Nigerian Code of Corporate Governance (NCCG) 2018 whose objectives are to ensure corporate governance is in line with global best practices, encourage public consciousness of core ethical values that will in turn improve integrity, public trust & confidence in the Nigerian business environment.

Implementing corporate governance within any organisation involves the implementation of governance mechanisms. These mechanisms include but not limited to the establishment of an effective board of directors saddled with managerial responsibilities and strategic leadership; establishment of sub-committees like the audit committee, risk management committee, and sustainability committee to help with oversight functions, reduce the burden on the main board, and protect shareholders rights; appointment of external auditor to attest to the true and fair position of a company's financials (Financial Reporting Council of Nigeria [FRCN], 2019).

Audit committees are one of the sub-committees of the board of directors saddled with oversight functions relating to auditing and corporate reporting issues. For this committee to effectively carry out its function, its members should meet regularly, be independent and have financial expertise. Specifically, section 11.4.6.1 of the NCCG code specifies that an important function of the audit committee is to ascertain whether the accounting and reporting policies of a company conforms to legal and ethical practices & requirements. Also, section 11.4.7.1 stipulates that an additional responsibility of the audit committee is to exercise oversight over management's processes to ascertain the integrity of the company's financial statements, compliance with all applicable legal and other regulatory requirements. Thus, the governance code provides a basis to assert that an effective audit committee is a tool to ensure that the reporting practices of a company (include tax reporting) is within the ambit of the law and not aggressive. Consequently, it is expected that an effective audit committee as a corporate governance mechanism should assist to monitor aggressive practices such as tax aggressiveness.

Apart from audit committees, the NCCG code stipulates that the board of directors should establish a committee to have oversight function relating to risk management. This committee is charged with risk related functions including the review of the adequacy and effectiveness of risk controls of a company and ensuring high level compliance with applicable laws and regulatory requirements, which may impact the company's risk profile. Since tax aggressiveness is considered as a risky practice (Blouin, 2014; Martinez, 2017), then, by casual reasoning, it is expected that establishment of a risk committee should serve as a governance mechanism to monitor and control this practice.

Several studies have since investigated the factors that influence tax aggressiveness. Initially, the focus had been on firm attributes but this later expanded to include directors' attributes, and governance attributes. For instance, tax aggressiveness has been linked to firm attributes such as debt, leverage (Lin et al., 2014), capital & inventory intensity, profitability (Ko et al., 2013), size, and foreign operations (Rego, 2003). Tax aggressiveness has also been linked to internal corporate governance mechanisms such as board of directors' attributes (Zemzem, & Ftouhi, 2013), executive directors' attributes (Chyz, 2013; Dyreng, Hanlon et al., 2010), Chief Executive Officers' attributes (Francis et al., 2016), audit committee attributes (Zheng et al., 2019), incentive compensation (Desai & Dharmapala, 2006), and external corporate governance mechanisms such as auditor type (McGuire et al., 2012), and ownership structure (Chen et al., 2010; Desai & Dharmapala, 2008). However, as regarding the influence of board subcommittees on tax aggressiveness, it has been observed that this area is unexplored to the best of the researcher's knowledge. Hence, the broad objective of this study is to fill the gap in literature and contribute to knowledge by investigation the influence of audit committee effectiveness and risk committee presence on tax aggressiveness in Nigeria. To the best of the researcher's knowledge, this study is the first to consider risk committee as a corporate governance attribute within the Nigerian context.

The remainder of this paper is divided into sections. The section that follows immediately deals with literature review and hypotheses formulation. Section 3 bothers on the methods, section 4 relates to the results and discussion of findings, while the concluding remarks are in section 5.

LITERATURE REVIEW

Concept of Tax Aggressiveness

Tax aggressiveness is one of the many concepts that are linked to the underlying idea of tax planning. Therefore, to better understand and conceptualise it, a clear understanding of tax planning is imperative. Tax planning is the ability of a taxpayer to structure his affairs in a way that will allow him incurs minimum tax expense (Hoffman, 1961). When tax planning is effectively carried out, the tax payer enjoys tax savings which then leads to improved after-tax earnings. Drawing from Hoffman's perspective, it is seen that the goal of tax planning is tax savings which may be perceived as the flip side of tax avoidance.

Apart from being the goal of tax planning, tax avoidance is generally viewed in literature as consisting of wide array of management actions within a continuum, undertaken to reduce explicit tax (Hanlon & Heitzman, 2010). This view places tax avoidance as the same with tax planning. In the same vein, Bauer (2011) stated that tax aggressiveness is synonymous with tax avoidance but the latter is associated with broad descriptions of tax planning while tax aggressiveness is concerned with extreme descriptions of tax planning. However, in clear terms, Hoffman (1961) noted that tax avoidance and tax evasion are contained within the idea of tax planning but the former is acceptable and legal, while the latter is illegal. This is equally the position taken in this study.

Martinez (2017) explained further that the degree and intensity by which tax planning schemes are employed is what gave rise to the concept of tax aggressiveness. Thus, tax aggressive companies are those that used tax planning schemes whose position are uncertain or ambiguous in the eyes of the law. In other words, pertaining to the grey areas of the laws, a tax aggressive company will align itself with practices that put it in the most favourable position which often are legally dubious positions and contrary to the spirit of the law. Furthermore, Martinez (2017) opined that tax aggressiveness is a measure of the degree or extent that a taxpayer wilfully minimises explicit tax payment without been mindful as to the legality of the methods and schemes used.

Salihu, Obid et al. (2013) noted that the lack of consensus on the definition of tax planning and avoidance makes it difficult to distinguish it from related concepts. Aligning with the definition of Hanlon and Heitzman (2010), the study also added that as one moves along the tax planning continuum from left to right, concepts such as tax aggressiveness, tax sheltering, and tax evasion begin to have clearer meaning. Similarly Francis et al. (2014) posited that tax aggressiveness describes destructive tax avoidance practices that are usually within the grey section of the tax planning continuum. Hence, Francis et al. asserted that tax aggressiveness is usually surrounded by high levels of uncertainty.

Blouin (2014) exemplified the definition of tax aggressiveness by stating that it is comprised of schemes that fall between the use of debt shields (purchasing bonds) and the use of shell

companies (tax sheltering). Blouin (2014) argued that true tax aggressiveness can only be determined by examining the riskiness of the tax position taken by the taxpayer and not necessarily by the ambiguity in tax laws. In order words, if the scheme or action by the tax payer is likely to be disputed and still, such position is taken by the tax payer, the tax payer in this sense is deem tax aggressive. Blouin (2014) description if tax aggressiveness introduces another related concept (tax risk) that is also linked with tax aggressiveness. This position is equally shared by Martinez (2017) who observed that as the degree of a company' tax aggressive practices increases, the risk that such scheme or position would be rejected by the tax authorities increases. In other words, the extent of tax risk a company exposes itself to can indirectly (not certainly) be used to explain how aggressive that company is. Blouin (2014, p.879) puts it succinctly stating that the "presence of tax risk is a necessary condition for a firm to be considered tax aggressive. However, a firm does not necessarily have to be tax aggressive in order to a firm to incur tax risk".

Flowing from the foregoing, it is clear that the concept of tax aggressiveness is not distinctly defined and there is no consensus as to its description. However, the general idea is that tax aggressiveness relates to tax avoidance practices by a company that fall within the ambit of uncertain tax positions and creates tax risk. In other words, it can be seen to mean aggressive tax avoidance or tax planning and this is the position taken in this research.

Audit Committee Effectiveness and Tax Aggressiveness

Boards of directors usually have herculean tasks and responsibilities so they set up sub-committees to assist with the oversight functions. One paramount committee that falls within this domain is the audit committee. The Sarbanes Oxley Act (SOX 2002, sect 2) defined an audit committee as "a committee (equivalent body) established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audit of the financial statements of the issuer". The implication of this definition is that the audit committee is an oversight sub-committee charged with the responsibility of transparency and accountability in the reporting process of a company. According to Beasley et al. (2009), the expectations from the audit committee have long expanded due to the numerous scandals that have rocked the business environment. In addition, Ernst and Young (2014) documented that due to delegation of responsibilities within the company, the audit committee is placed in a pivotal position to assist with the monitoring of financial reporting and risk related issues before they are eventually brought to the attention of the board. In other words, tax aggressive practices which create avenue for risk as well as rent extraction that compromises shareholders wealth will most likely fall within the delegated oversight responsibilities of the audit committee or other specific sub-committees.

The Nigerian Code of Corporate Governance (NCCG) 2018 in its principle number eleven (11) documented that to allow for efficiency and effectiveness, the board should assign some of its duties and functions to highly organised committees, without relinquishing its overall responsibility. The committees to be established include audit committee, risk committee,

nomination committee and remuneration committee although some of these committees with related task can be combined.

According to Habbash (2010), audit committee effectiveness is a multidimensional construct that depends greatly on the various attributes of the audit committee. These attributes generally include independence, financial literacy and expertise, diligence and regular meetings, and diversity (Lisic, 2014). Extant literature show that only very few studies (Asiriuwa et al., 2018; Lisic, 2014) have measured audit committee effectiveness as a multidimensional construct while batteries of studies have used singular audit committee attributes as measures for effectiveness (Zheng et al., 2019). Therefore, this review combines both studies that have used the multidimensional approach and the single proxy approach. Lisic (2014) investigated the extent the relationship between auditor-provided tax services and tax expense manipulation varies with the effectiveness of audit committees. The effectiveness of audit committee was captured using a combination of six audit committee attributes (size, meeting, expert chairman, expert members, tenure, and duality) and based on a battery of analyses, the study found evidence to support the assertion that audit committee effectiveness significantly moderated the relationship between auditor-provided tax services and tax expense manipulations.

Arismajayanti and Jaki (2017) investigated the influence of some internal corporate governance mechanisms on tax aggressiveness in Indonesia and the audit committee effectiveness variables were competence and independence. The sample was composed of 176 companies for a 4 year-period (2013-2016) and the results showed that only audit committee independence had a statistically significant association with tax aggressiveness. In the same vein, Waluyo (2017) also examined the impact of corporate governance on tax avoidance of banks operating in Indonesia. The sample comprised of 23 banks for 4 years (2013-2016). Audit committee size was the only effectiveness variable used and the findings reported based on the OLS regression technique provided evidence of a significant association between audit committee size and tax avoidance. Large audit committees were found to be effective in monitoring tax avoidance practices.

Conversely, Ratnawati et al. (2019) investigated the effect of ownership structure, board size and audit committee effectiveness (measured using size) on tax aggressiveness in Indonesia, focusing on manufacturing companies operating between 2014 and 2017. The study did not find evidence of a significant relationship between audit committee effectiveness and tax aggressiveness. By implication, a likely reason for the finding is that audit committees are sometimes rubber stamp committees with no real oversight power as some boards establish such committees just to box tick the requirements of corporate governance codes.

Using Chinese dataset, Zheng et al. (2019) explored the link between audit committee attributes and tax aggressiveness. The study focused on the presence of audit committee as well as its effectiveness by considering its size, independence, and expertise. After applying data filtering technique, the final sample was made up of 9871 firm year observations for 8 years (2009-2016). The findings provided evidence that the establishment of an audit committee was

significantly associated with low tax aggressiveness. Also, large audit committees and independent audit committees were found to significantly relate with low tax aggressiveness. Having experts in accounting and financial matters on the audit committee was found to have a negative association with tax aggressiveness although this was insignificant. The overall results showed that audit committee effectiveness, which is a function of size and independence, is significantly associated with less tax aggressiveness. The study therefore concluded that the establishment of an audit committee that is independent and relatively large plays an effective role in minimising tax aggressive practices.

Deslandes et al. (2020) posited that for audit committees to effectively carry out their oversight monitoring with respect to tax management and in fact, any other obligation, they are expected to possess some attributes. In the study on Canadian companies, they examined if audit committee independence, size, expertise, meetings, attendance, duality, tenure, and gender diversity have any significant influence on tax aggressiveness. Using a sample of 289 firms for 5 years (2011-2015) and the Tobit regression technique, the study found that audit committee size, expertise, and tenure are the attributes that makes audit committees effective in controlling tax aggressive practices as they were the only significant audit committee variables associated with tax aggressiveness.
Flowing from the review, it was observed generally that having an audit committee that effectively carries out its oversight function is associated with lower levels of tax aggressive practices. Consequently, the first hypothesis of this study is that audit committee effectiveness is significantly related to tax aggressiveness.

Risk Committee Presence and Tax Aggressiveness

In improving the quality of corporate governance, the Nigerian Code of Corporate Governance 2018 (NCCG) specifies that companies should establish a committee responsible for oversight functions related to risk management. Based on the complexity and resources of the company, this committee may be either a stand-alone committee or merged with related committees. In addition, Erle (2008) documented that a company’s tax policy is a part of the risk management and control system and managing the general and specific risks faced by a company is a boardroom issue relating to oversight and can be delegated to a subcommittee for effective monitoring and actions. Erle (2008) further noted that monitoring and managing company risk profile is not just about awareness but includes taking proper steps to assess and mitigate the impact of identified risks. Consequently, it is not surprising that best practices now advocate the establishment of a risk management committee and or internal audit department that is charged with risk management responsibilities.

According to Richardson et al. (2013), an effective risk and control management system provides the board of directors with an indispensable tool for enhanced monitoring and managing of company risk, including the risk associated with tax policies. Studies such as Liu et al. (2017); Richardson et al. (2013) support the assertion that having a risk management system or committee is associated with better oversight and monitoring of risk-related outcomes.

In an Australian study, Richardson et al. (2013) observed that the presence of an effective risk management system combined with other governance mechanisms allowed for reduced tax aggression. By implication, the study agreed that having an effective committee responsible for risk identification and assessment has the propensity of mitigating aggressive tax behaviour. The findings from the study were derived after using a panel least squares regression technique to analyse the panel dataset comprising 300 companies for 4 years (2006-2009).

Liu et al. (2017) investigated internal control and tax aggressiveness in Chinese business environment. The study opined that risk management is equally an integral part of control as such, in the absence of a stand-alone risk management committee; establishment of internal control department may suffice. Tax aggressiveness was measure using variants of both ETRs and BTDs while the effectiveness of internal control was captured using a disclosure index. Based on the analysis of 6139 firm-years observations (2013-2015), the OLS estimation provided evidence that internal control quality was associated with lower tax aggressiveness and tax risk (improved risk management) especially in the absence of strong investors protection. The findings imply that risk management and control plays an important role when it comes to the issue of tax aggressiveness.

Segal and Maroun (2014) carried out a comparative analysis on US, UK, and South Africa and observed that the risk faced as a result of taxes are numerous (transactional, operational, compliance, financial accounting risks, portfolio, management and reputational risks). Furthermore, the study documented that in South Africa, the introduction of corporate governance codes that proposed the use of risk management committee in tackling overall company risk has indirectly led to a decline in tax risks such as operational risk, compliance risk, portfolio risk, management and reputational risk. For the UK, the study noted that the introduction of tax compliance risk and management programmes as well as the rating process provided avenue for UK companies to adhere to standards and guides relating to governance and tax strategy. The outcome is that companies that adhere to these standards have high ratings that reduce reputation risks and attract investors. Similarly, the disclosure policy adopted by the US requires companies to provide detailed and transparent disclosure on corporate tax position with the aim of minimising transaction risk. One observable benefit of this policy is that it is an "incentive to encourage compliance [and] also provides that a position which is adequately disclosed on a tax return should generally not be taken into account in calculating penalties due to inaccurate tax estimates" (Segal & Maroun, 2014, p.380).

In the study of Niniek et al. (2018), the objective was to evaluate the nexus between supervision attributes of the board and tax aggressiveness of listed companies on the Indonesian Stock Exchange. The sample was made up of 51 listed companies between 2012 and 2015. The random effect PLS was used to estimate the model and the findings revealed that the directors' statement on the effectiveness of risk management system is not statistically significant with the level of tax aggressiveness. The finding stands at variance with logical reason and a probable explanation is in the measurement. A mere statement on the effectiveness of a committee is subjective and subject to bias which may have confounded the findings therefrom.

From the foregoing review on risk committee and tax aggressiveness, extant literature provides more of theoretical than empirical evidence on the association between these two. The scanty empirics on this association is justification that the debate is on-going and far from been conclusive. Notwithstanding, this study expects that the presence of a risk management committee should mitigate the concerns associated with tax aggressiveness. Therefore, the second hypothesis of this study is that risk committee presence has a significant relationship with tax aggressiveness.

Theoretical Framework: Agency Theory

A company is generally perceived as a nexus of contracts and the main parties to these contracts are usually the principal (shareholders) and agents (management). The relationship between these two actors is what is popularly referred to as the agency relationship. The agency relationship is premised on the separation of ownership from control and is inherently linked to agency theory which first appeared in literature as far back as the 18th century.

Jensen and Meckling (1976, p.308) who is generally believed to have popularised this theory, defined agency relationship as a 'contract under which one or more person (principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent'.

Agency theory holds a central role in the corporate governance literature. It explains the conflict that arises when a self-interest manager acts as agent for the shareholders to help manage the business. The ultimate interest of the shareholders is wealth maximisation but this may not always be the interest of managers. Therefore, except the interests of managers are aligned with the interests of shareholders, the tendency is for managers to promote their own interest by engaging in opportunistic practices (Jensen & Meckling, 1976).

Separation of ownership from control, which is the key ingredient for the agency conflicts, allows for information asymmetry that managers capitalise upon to behave opportunistic. However, this conflict can be checked using the instrumentation of various corporate governance mechanisms.

According to Jensen and Meckling (1976), the agency conflict can be reduced but this will be at a cost to the shareholders. The various costs that are incurred to put in place governance mechanisms to check the agency problem are monitoring cost, bonding cost, and residual cost. Monitoring costs are costs incurred by shareholders to supervise the actions of managers so that it aligns with shareholders expectations. They include the cost paid for external audit services and cost incurred on the establishment of audit committees, risk committes and internal audit departments. Bonding costs are costs incurred by shareholders to incentivise managers to act in the best interest of shareholders. They chiefly include remuneration and compensation packages and contractual agreements. While residual cost, is the loss inherent in the agency relationship. In summary, the agency theory describes the relationship between managers and shareholders and how the relationship is riddled with conflict of interest problems.

Relating this theory to the study at hand, information asymmetry associated with the agency relationship provides opportunity for managers to engage in opportunistic behaviour and take actions such as tax aggressiveness, which may not always be in the best interest of the company.

Therefore, to control these actions, corporate governance mechanisms are put in place such as having independent non-executive directors as board members, having a gender diverse board, ensuring oversight sub-committees are established and working effectively, and employing the services of external auditors. Specifically, audit committees and risk committees are subcommittees charged with ensuring corporate transparency; proper monitoring of risk-related functions, oversight responsibility on reporting practices (FRCN, 2019). Consequently it is expected that an effective audit committee and the establishment of a risk committee should help mitigate the effect of tax aggressiveness. Therefore, flowing from the thrust of the agency theory, the establishment of effective audit committees and risk management committees are corporate governance tools to mitigate management excesses, indiscretions, and aggressive reporting practises.

METHODOLOGY

This study follows a quantitative approach in investigating the influence of audit committee effectiveness and risk committee presence on tax aggressiveness. The population comprises of the 98 listed non-financial companies on the floor of the Nigerian Stock Exchange (NSE) as at 31st December, 2019. After applying data filtering technique (see table 1) in line with the studies of Armstrong et al. (2015), Minnick and Noga (2010), Aronmwan and Okaiwele (2019) the study arrived at a sample size of 80 companies.

Table 1: Sample Determination

Sectors	Number
Total Population (All listed companies)	169
Companies in Financial Services	(55)
Companies in Oil & Gas	(12)
Companies in Natural Resources	(4)
Target Population (Listed non-financial companies)	98
Companies with incomplete data	(18)
Sample	80

Source: Researcher’s Computation (2021)

The data used for this study is a panel data set covering the period 2008 to 2019. The data was sourced from the annual reports of the sampled companies. Both descriptive analysis and inferential analysis were employed in this study. For descriptive analysis, the descriptive statistics and Pearson correlation matrix were utilised to provide preliminary explanations for the characterisation of the data set. For the inferential analysis, the tobit regression technique was used. The tobit regression is an estimator that can be used for categorical dependent variables as well as continuous limited dependent variables (Frone, 1997). The choice of this technique is because of the nature of the dependent variable which was censored to have values between one (1) and zero (0) since ETR realistically should not have percentages above one hundred and zero respectively. This is in line with prior studies such as Lanis et al. (2017) and Cheng et al (2012). All the analyses were conducted with the aid of the Eviews software. The model for the study is adapted from the model of Zheng et al. (2019) who investigated the influence of audit committee on tax aggressiveness (see equation 1).

$TAXAGG_{it} = \beta_0 + \beta_1 ACIND_{it} + \beta_2 ACEXP_{it} + \beta_3 ACSIZE_{it} + \beta_4 BOARDIND_{it} + \beta_5 SIZE_{it} + \beta_6 LEV_{it} + \beta_7 ROA_{it} + \beta_8 MB_{it} + \beta_9 PPE_{it} + \beta_{10} INTANG_{it} + INDUSTRY + YEAR + \varepsilon$……... (1)

Where TAXAGG = tax aggressiveness (measured using ETR, BTD, and BTD differential); ACIND = audit committee independence (measured using proportion of independent directors on the board); ACEXP = audit committee expertise (measured using dummy variable of 1 for presence of financial and legal experts; ACSIZE = audit committee scale (measured using number of audit committee members); BOARDIND = board independence (measured using the proportion of independent directors on the board); SIZE = enterprise scale (measured using the natural log of total assets); LEV = asset-liability ratio (measured using the ratio of year-end total liability to year-end total assets); ROA = returns on asset (measured using the ratio of net profit to total assets); MB = price to book ratio (measured using the ratio of market value per share to net assets per share; PPE = fixed asset structure (measured as the ratio of net fixed assets to total assets; INTANG = intangible asset structure; INDUSTY = industry dummy; YEAR = year dummy.

However, the adapted model of this study is given in equation2
$TAXAGG_{it} = \beta_0 + \beta_1 ACEFF_{it} + \beta_2 RSKCM_{it} + \beta_3 FSIZE_{it} + \beta_4 LEV_{it} + \varepsilon$………... (2)

Where TAXAGG is tax aggressiveness measured using ratio of cash tax paid to cash flow from operating activities in line with Salihu, Annuar et al. (2015). ACEFF is audit committee effectiveness measured using the sum of four attributes of audit committee (size, independence, meetings, and financial expertise) in line with Asiriuwa et al. (2018) and the requirements of NCCG (2018). In particular, when each of the aforementioned audit committee attributes are greater than the median value, a score of 1 is assigned; otherwise 0. These scores are then summed up to arrive at the value for audit committee effectiveness. RSKCM is risk committee presence measured using a dummy representing 1 for presence of risk management committee or chief risk officer; otherwise, 0. This is in line with McShane et al. (2011); Richardson et al. (2013).

Apart from the variables which the study intends to investigate, it is essential that other variables that may impact on tax aggressiveness are controlled for. These variables are usually firm-level variables and some of them include leverage (Hsieh, 2012), and firm size (Annuar et al., 2014; Chen et al., 2010). Upon incorporation, firms need all the resource they can get to survive the initial financial problems associated with start-up, as such, it is not unexpected that newer firms may employ more aggressive techniques of wealth transfer from the state to shareholders. Also, using fixed income securities in the capital structure leads to tax deductibility associated with the interest repayments of these securities. Therefore, to reduce tax, firm may aggressively employ the use of fixed income securities in order to reduce earnings before tax. Furthermore, the size of a firm is argued to influence the extent of tax aggressiveness. For instance, big firms on one hand have the political connection, resources, and economies of scale to employ tax specialist or influence tax policies in their favour so as to enjoy the benefits of reduced tax. On the other hand, big firms are exposed to public scrutiny and monitoring which serve as costs/ barriers to engage in tax aggressiveness. Therefore, firm size is also important when considering tax aggressiveness.

Table 2 is a summary of the operationalization of the variables.

Table 2: Operationalisation of variables

Variable	Variable Type	Code	Measurement	Source
Tax Aggressiveness	Dependent	TAXAGG	Ratio of cash tax paid to net cash flow from operating activities.	Salihu, Annuar et al. (2015)
Audit Committee Effectiveness	Independent	ACEFF	Sum of four attributes of audit committee (size, independence, meetings, and financial expertise)	Asiriuwa et al. (2018); NCCG (2018)
Risk Management	Independent	RSKCM	Dummy (1 = Presence of risk management committee or chief risk officer, otherwise, 0)	McShane et al. (2011); Richardson et al. (2013)
Firm Size	Control	FSIZE	Log of total assets	Hsieh et al. (2018).
Leverage	Control	LEV	Total debt to total assets	Jimenez-Angueira (2018); Tang (2017)

Source: Researcher's compilation (2021)

RESULTS AND DISCUSSION

Descriptive Analysis

The essence of descriptive analysis is to determine the initial characteristics of the variables, which aids understanding of the nature of the variable. Focusing on the variables of interest, it can be seen from Table 3 that the mean (M) of tax aggressiveness (TAXAGG) as captured using cash flow ETR stood 0.139 implying that on the average, the amount paid as tax from cash flow from operating activities is 13.9% and lower than the statutory tax rate of 30%. Consequently, companies can be adjudged tax aggressive. The standard deviation (SD) value of 0.224 also indicates a large disparity among companies pertaining to tax payments.

Table 3: Descriptive Analysis

	Mean	Max	Min	Std. Dev.	N
TAXAGG	0.139	1.000	0.000	0.224	960
ACEFF	3.020	4.000	0.000	1.117	960
RSKCM	0.583	1.000	0.000	0.495	960
FSIZE	6.877	9.240	4.690	0.808	960
LEV	0.768	19.441	0.010	1.931	960

Source: Researcher's compilation (2021)

Audit committee effectiveness (ACEFF) has mean and standard deviation of 3.020 and 1.117 respectively. Comparing the mean to the maximum value of 4, it is obvious that audit committees are fairly effective judging from the attributes of its members. The mean for risk committee presence (RSKCM) revealed that 58.23% of the sampled companies have established a risk management committee while 41.77% did not have.

Correlation Analysis

One importance of the correlation analysis is to determine the strength of the association between variables as well as a means for the initial assessment of multicollinearity. Looking at the association between the dependent variable and the explanatory variables, Table 4 showed that ACEFF (r = .073) and RSKCM (r = .108) both have positive association the measure of tax aggressiveness (TAXAGG). Based on the magnitude of the correlation coefficients, the association between the dependent variable and the explanatory variables is weak. Furthermore, while firm size (FSIZE) has a positive association (r = .047), leverage (LEV) has a negative association (r = -.005).

Table 4: Correlation Matrix

Correlation *Probability*	TAXAGG	ACEFF	RSKCM	FSIZE	LEV
TAXAGG	1				

ACEFF	0.073	1			
	0.025	-----			
RSKCM	0.108	0.345	1		
	0.001	*0.000*	-----		
FSIZE	0.047	0.413	0.269	1	
	0.143	*0.000*	*0.000*	-----	
LEV	-0.005	0.041	0.031	-0.261	1
	0.888	*0.201*	*0.336*	*0.000*	-----

Source: Researcher's compilation (2021)

Lastly, the inter-association between the explanatory variables raises no indication of multicollinearity as all the correlation coefficients are less than the .90 rule of thumb.

Regression Analysis

Table 5 reveals the estimation for the model of this study. From the first column, ACEFF has a positive relationship with the study's measure of tax aggressiveness (coef. = 0.029, $p < .01$) and this implies that the effectiveness of the audit committee is associated with lower level of tax aggressiveness since ETR is an inverse measure of tax aggressiveness. Similarly, from the second column, RSKCM has a positive relationship with the study's measure of tax aggressiveness (coef. = 0.058, $p < .01$) and this also implies that the effectiveness of the presence of a risk management committee is associated with lower level of tax aggressiveness.

Table 5: Censored Tobit Output

Variable	Coefficient [Z-statistic]	Coefficient [Z-statistic]	Coefficient [Z-statistic]
ACEFF	**0.029***	**-----**	**0.023****
	[3.093]	-----	[2.489]
RSKCM	-----	**0.058***	**0.047****
	-----	[2.756]	[2.192]
FSIZE	**0.026****	**0.034****	**0.021**
	[1.905]	[2.507]	[1.504]
LEV	**-0.008**	**-0.007**	**-0.008**
	[-0.655]	[-0.585]	[-0.727]
Log likelihood	-406.768	-406.865	-404.495

NB: * sig @ 1%, ** sig @ 5%; Coefficients are bold and Z-statistics are in bracket

Source: Researcher's compilation (2021)

The third column containing the result for the comprehensive model revealed that both explanatory variables have positive relationship with the dependent variable. Specifically, ACEFF has a positive relationship with TAXAGG (coef. = 0.023, $p < .05$) and RSKCM has a positive relationship with TAXAGG (coef. = 0.047, $p < .05$). This result implies that having an effective audit committee and having a risk committee are sound corporate governance mechanisms to mitigate tax aggressiveness. Therefore, the study accepts both the first anfd second hypotheses that audit committee effectiveness and risk committee presence are significantly related to tax aggressiveness.

Furthermore, as regards the joint significance of the variables used in the model, Table 6 provides necessary information. The likelihood ratio of redundant variable test whose null hypothesis is that all the variables are not jointly significant has a p-value that is lower than 0.05. Therefore, the study fails to accept the null hypothesis and concludes that ACEFF, RSKCM, FSIZE, and LEV are jointly significant in explaining the variation in the dependent variable.

Table 6: Redundant Variable Test

	Value	Df	Probability
Likelihood ratio	26.230	4	0.000

Source: Researcher's compilation (2021)

Discussion of Findings

The study found that audit committee effectiveness is associated with lower levels of tax aggressiveness. This finding confirms the findings of Deslandes et al. (2020) and Zheng et al. (2019) who both discovered that audit committee effective is significantly associated with lower levels of tax aggressiveness in Canada and China respectively. Conversely, this finding negates the position of Ratnawati et al. (2019) who did not find evidence of a significant

relationship between audit committee effectiveness and tax aggressiveness in Indonesia. The finding of this study indicates that the effectiveness of audit committees are germane in mitigating tax aggressiveness and that the establishment of audit committees by those charged with governance is not just to box tick the requirements of corporate governance codes.

The study also found that the presence of risk committee is associated with lower levels of tax aggressiveness. This agrees with the finding of Richardson et al. (2013) that the presence of an effective risk management system combined with other governance mechanisms allowed for reduced tax aggression in Australia. It also agrees with Segal and Maroun (2014) who documented that in South Africa, the introduction of corporate governance codes that proposed the use of risk management committee in tackling overall company risk has indirectly led to a decline in tax risks such as operational risk, compliance risk, portfolio risk, management and reputational risk. However, this finding is at variance with the findings of Niniek et al. (2018) that the directors' statement on the effectiveness of risk management system is not statistically significant with the level of tax aggressiveness.

CONCLUSION AND RECOMMENDATIONS

The objective of this study was to examine the influence of audit committee effectiveness and risk committee presence on tax aggressiveness in Nigeria. From a target population of 98 non-financial listed firms on NSE, a sample of 80 was taken for a period of 12 years (2008-2019). Both descriptive and inferential analyses were employed and the findings revealed that having an effective audit committee and having a risk committee are sound corporate governance mechanisms to mitigate tax aggressiveness. Therefore, the study concludes that audit committee effectiveness and risk committee presence are significantly related to lower levels of tax aggressiveness in non-financial listed firms in Nigeria.

ETR has been criticised because of the truncation bias associated with it in situations of negative denominator. Therefore, this study used the tobit regression that censored negative ETR (lower than zero) and non-plausible values (greater than one). Nonetheless, this is not sufficient to invalidate the findings of this study. Consequently, the findings of this study are generalizable to all the non-financial listed firms in Nigeria having positive net cash flows from operating activities.

Flowing from the findings, the study recommends that those charged with governance ensure that the audit committees established are effective and not rubber stamps. Such committees should be constituted taking into considerations the requirements as specified by the 2018 NCCG. In addition, steps should be taken to ensure that risk management committees are not just established but that proper steps to assess and mitigate the impact of identified risks through monitoring and managing of company risk profile is given serious attention.

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