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CORPORATE GOVERNANCE AND AUDIT QUALITY IN NIGERIA: EVIDENCE FROM THE BANKING INDUSTRY

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ABSTRACT: *This study examined the relationship between corporate governance and the quality of auditor's report with evidence from the Nigerian Banking Industry. The research design adopted for this study is the ex-post facto as the research relied on historic data. Eleven (11) deposit money banks quoted on the Nigerian Stocks Exchange were sampled. In testing our hypothesis, the correlation analysis was applied to a dataset covering seven (7) years from 2007 to 2014 that is the post-corporate governance period. Analysis suggests that while board composition has a negative and insignificant relationship with audit quality, separation of the roles of the CEO from that of the chairman of the board, board size, and composition of the audit committee has positive and significant relationship with audit quality. Furthermore, findings also show that ownership concentration has a positive but insignificant relationship with audit quality. Findings also show that the strength of the positive linear relationship between the separation of the roles of the CEO from that of the chairman of the board and the audit quality is as high as 0.702377 or 70.23% followed by the relationship between board size and audit quality which stood at 0.452896 or 45.28%. However, the study thus concludes that effective corporate governance arises out of responsible and simultaneous vigilant actions by the managers, the board of Directors, shareholders and auditors. Good financial Reporting from the external auditors is an important building block of corporate governance because the information provided to the shareholders has to be optimal in terms of cost and benefits. The study also recommends that the relationship between management and shareholders have to be characterized by transparency and fairness.*

KEYWORDS: Corporate Governance, Audit Quality, Board Size, Board Composition, Nigeria

INTRODUCTION

Background of the Study

Corporate governance is system which companies are directed and controlled according to European institution 1992, focused on economic deficiency with a strong emphasis on shareholders welfare. Governance involves exercising power and making decisions for a group of individual. According to financial times lexicon (2011) Corporate governance is concerned with mitigation of conflicts of interest between stakeholders. In other words corporate government is the combination of mechanism to ensure that the management (the agent) runs the firm for benefit of one or several stakeholders (principal), such may cover stakeholders, and other different types of stakeholders (mainly the large shareholders and minority shareholders) in prevention or migration of these conflicts of interest.

However, in audit quality when there is an irregularity or conflict in accounting statement discovered and revealed by an auditor according to De Angelo (1981) it is described as a quality of audit. Auditors are encouraged by researchers and scholars to develop accounting estimates through independent expectations. The reason for such practice, is that managers routinely involves the auditors in decision process of developing accounting estimate and often prefer taking the role of

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"expert adviser" rather than "police officer", this was stated by McCracken, Satrio, and Gibbins (2008) . General proposition have surfaced and resurfaced time after time that the governance structure and internal control mechanism of corporate entity significantly affect corporation's ability to respond positively to both internal and external factors and thus have a bearing on performance. According to Boliaert, Daher, Derro and Dupire (2010), it is well established that there are differences in the corporate governance practices between countries. The International Federation of Accountants in 2004 state that auditors have to obtain sufficient and appropriate audit evidence as to whether an accounting estimate is reasonable in the circumstances and when required, it is approximately disclosed in the financial statements. An understand of the procedures and methods, including the accounting internal control systems, used by the management in making the accounting estimate is often important for the auditor to plan the nature, timing and extent of the audit procedures.

However, American corporate governance doctrine primarily descries the control right and related responsibilities of two principal groups:

The firm's shareholder: - Who provides capital and must approve major firm transactions.
The firm's board of directors: - Who are elected by shareholders to oversee the management of the corporation. As the Delaware Supreme Court has stated "the most fundamental principal of corporate governance are a function of the allocation of power within a corporation between its stockholders and its board of directors" Robert Brown, JR and Lisa Casey, Governance; cases and material, (2012). Again, Ogulu and Emini (2012) stated that, an effective corporate governance decentralizes power and creates room for checks and balances which most of the times that managers invest in positive net present value projects thus helping the relationship between management and shareholders to be characterized by transparency and fairness.

The above scholars may be right in their own perspective but financial devastation of many corporations such as those of U.S.A, south East Asia and Europe have been premised on the failure of corporate governance; high profile scandals throughout the world such as Enron and World, in the United States, Transmile, Megan and Nasion, in Malaysia brought about in the importance of good governance to limelight. Each of these corporate cases was directly linked to corporate governance failure, Hussin and Othman (2012). Nigeria is not left out of this phenomenon as similar financial statement in Cadbury Nigeria Plc. in 2006 and more recent events in 2009 post consolidation of banking crises when ten banks were declared insolvent and eight (8) executive management teams of the bank were removed by the Central Bank of Nigeria (CBN, 2010). The Economic meltdown especially that of 2008 has forced Nigerian firms to realize the need for the practice of good corporate governance and this is why the Nigeria code of best practice was introduced by the securities and Exchange Commission (SEC) and the corporate Affairs Commission (CAC) in (2003) and the CBN in 2006 (effective April 3rd, 2006). The CBN code states that role of the Board is to retain full and effective control of the Bank and monitor executive management. Thus, of prime importance are mechanism and control that are designed to reduce or eliminate the principle agent problem.

Henshaw and Smith (2010) outline steps involved in reviewing and testing the calculations involved in the estimate, comparing them and considering management approval procedure where they are consistent with the data processed through the accounting system. Segam (2006) also claimed the external evidence in auditing is more reliable than internal evidence. This study therefore examines the relationship between corporate governance principles (board size, board composition, composition of the audit committee, ownership concentration and separation of the roles of the CEO from that of the chairman of the board) and audit quality.

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Statement of Problem

The questionable role of auditor's in ensuring the quality, reliability and credibility of financial report has been a debate. This is because auditor's independence from their clients can be compromised through poor regulation and supervision of the auditing practice. Provision of non- audit services to the client, auditor's personal interest in the client's business among others. Thus effective and perceived qualities (usually designated as apparent quality) are necessary for auditing to produce beneficial effects as a monitoring device. Emphasis on the interest in the corporate governance practices of modern corporations, particularly in relation to auditing and accountability has increased following the high-profile collapses of a number of large corporations in the recent years, most of which are characterized by accounting and auditing fraud and the scenario worsened with the recent national and global financial crisis. The code of corporate governance for banks in Nigeria specified that there should be an external auditor of high integrity independence and competence. This stems from the need that the various changes in accounting, financial reporting and auditing were all designed to provide protection to investors. In essence, auditing is used to provide the needed assurance for investors when relying on audited financial statements. More precisely, the role of auditing is to reduce information asymmetry on accounting numbers, and to minimize the residual loss resulting from managers’ opportunism in financial reporting.

Corporate governance is concerned with ways in which all parties interested in the wellbeing of the firms ensure that managers and other insiders take measures or adopt mechanisms that promote accountability. Lack of corporate governance codes in firms have been responsible for the collapse of many business organisation through abuse of power; recklessness in handling of finances leading to financial misappropriation; inability to follow laid down internal control systems leading to lack of credible organizational leadership especially as it affects hiring of manpower; flouting of laid down policies that should act as a guide in achieving organizational goals. The role of auditor’s in ensuring the reliability of financial reports is perceived in the audit quality. Following the enactment of corporate governance codes for banks in Nigeria in 2007, this study examines the relationship between corporate governance indices and audit quality using banking sector

Objectives of the Study

The general objective of the study is to examine the relationship between corporate governance and audit quality in Nigeria. However, the specific objectives are:

1. To examine the relationship between board size and audit quality in Nigeria.
2. To examine the relationship between audit committee composition and audit quality in Nigeria
3. To determine the relationship between ownership concentration and audit quality in Nigeria.
4. To ascertain the relationship between power separation of CEO from that of the chairman and audit quality in Nigeria.

Research Questions

1. What is the relationship between board size and audit quality in Nigeria?
2. What is the relationship between audit committee composition and audit quality in Nigeria?
3. What is the relationship between ownership concentration and audit quality in Nigeria?
4. What is the relationship between power separation of CEO from that of chairman and audit quality in Nigeria?

Hypotheses

Based on the objectives and research questions above, the following hypotheses were formed.

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1. There is no significant relationship between the size of the board and audit quality in Nigeria.
2. There is no significant relationship between audit committee composition and audit quality in Nigeria.
3. There is no significant relationship between ownership concentration and audit quality in Nigeria.
4. There is no significance relationship between power separation of the CEO from that of chairman and audit quality in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Corporate Governance Enactment

Generally, corporate governance is concerned with the host of legal and non-legal principles and practice affecting control of publicly held business corporations. Nigeria code of best practice was introduced by the securities and Exchange Commission (SEC) and the corporate Affairs Commission (CAC) in (2003) the CBN also in 2006 (effective April 3rd, 2006). The CBN code states that role of the Board is to retain full and effective control of the Bank and monitor executive management However, as at 2006 only 40% of quoted companies at Nigeria stock Exchange had recognize code of cooperate governance in place.

Composition of the Audit Committee

Based on the Audit Committee, on the one hand internal auditing contribute to corporate governance by: Bringing best practice ideas about internal controls and risk management processes to the audit committee; providing information about any fraudulent activities or irregularities; conducting annual audits and reporting the results to the audit committee; encouraging audit committee to conduct periodic reviews of its activities and practices compared with current best practices to ensure that its activities are constituent with leading practices. From the other hand, an effective audit committee strengthen the position of the internal audit function by providing an independent and supportive environment and review the effectiveness of the internal audit function (Theofanis, George, Evaggelos and Ioannis, 2010). The code provided for an audit committee that is expected to be effective and efficient. As such the composition of the audit committee is a dichotomous variable, assigned 1 if there are at least three non – executive directors on the audit committee, otherwise .

Audit Quality

According to previous literature the size of the auditor can be considered as subrogate of the audit quality (Carcello and Nagy, 2004). DeZoort, Hermanson, Archambeault and Reed (2002) assert that larger audit firms are better than smaller audit firms at detecting errors because they have greater resources at their disposal and can attract employees with superior skills and experience. Consequently, larger firms are able to conduct their audits to a higher standard than smaller firms. Thus audit quality (AQ) is dichotomous in nature and the size of audit firm (Big four or non-Big four) will be used as a proxy for audit quality. Further, this variable equals 1 if the external auditor of a deposit money bank in Nigeria is among the Big four (Deloitte, Ernst and Young, PriceWater Coopers and KPMG) and 0 if otherwise 0.

Board Size

Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to proper functioning of the banking sector and the economy of a country as a whole. Poor corporate governance may contribute to bank failures,

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which could in turn lead to a run on the bank, unemployment and negative impact on the economy (Dezoort et al., 2002 citing Basel Committee, 1999). The board of directors has a significant role to play in ensuring good corporate governance in the bank and at the heart of the corporate governance debate is the view that the board of directors is the guardian of shareholders' interest (Dezoort et al., 2002). Boards are being criticized for failing to meet their governance responsibilities. These responsibilities put great emphasis on formal issues such as board independence, board leadership structure, board size and committees. Board Size refers to the total number of directors on the board of a sampled deposit money bank in Nigeria and determining the ideal board size for an organization is very important because the number and quality of directors in a firm determines and influences the board functioning and hence corporate performance. Proponents of large board size believe it provides an increased pool of expertise because larger boards are likely to have more knowledge and skills at their disposal. They are also capable of reducing the dominance of an overbearing CEO (Forbes and Milliken, 1999) and hence put the necessary checks and balances. Board's monitoring and supervising capacity is increased as more and more directors join the board (Jensen, 1993). Besides, there are authors who believe that large board size adversely affects the performance and well being of any firm. Larger boards are difficult to coordinate, and are very prone to fictionalizations and coalitions that will delay strategic decision making processes (Forbes and Milliken, 1999).

Power Separation

The responsibilities of the head of the Board, that is the Chairman, should be clearly separated from that of the head of Management, i.e. MD/CEO, such that no one individual/related party has unfettered powers of decision making by occupying the two positions at the same time. Thus CEO duality (CD) is a dichotomous variable and will be equal to 1 if the position of Chairman and Chief Executive Officer is occupied by two indifferent individuals and will equal 0 if the position is occupied by the same person.

Ownership Concentration

The current practice of free, non-restrictive equity holding has led to serious abuses by individuals and their family members as well as governments in the management of banks (CBN, 2006). However, to encourage a private sector-led economy, holdings by individuals and corporate bodies in banks should be more than that of governments. It is also recognized that individuals who form part of management of banks in which they also have equity ownership have a compelling business interest to run them well. Such arrangements should be encouraged. Government direct and indirect equity holding in any bank shall be limited to 10% by end of 2007. An equity holding of above 10% by any investor is subject to CBN's prior approval. Thus ownership concentration is measured by the percentage of equity shares owned by the largest shareholder in the period (t).

THEORETICAL FRAMEWORK

Theory of Auditor's Independence

This theory suggested that auditor trade on the benefits of compromising their independence against the potential loss of reputation and litigation costs that might result from such a compromise (Watt and Zimmerman, 1981; De Angelo, 1981). The standard of reporting requires that auditors evaluate financial statements and in facts, any type of audit in terms of conformity with the requirement of the approved standards such as the SAS GAAP, US GAAS, etc. And currently in line with the emerging set of globally accepted accounting rules-International Finance Reporting Standard (IFRS).

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Agency Theory

Agency theory is a theory that has been applied to many fields in the social and management sciences: politics, economics, sociology, management, marketing, accounting and administration. The agency theory a neoclassical economic theory (PingvWing 2011) and is usually the starting point for any debate on the corporate governance. The theory is based on the idea of separation of ownership (principal) and management (agent). It states that "in the presence of information asymmetry the agent is likely to pursue interest that may hurt the principal (Sanda, Mikailu & Garba 2005). It is earmarked on the assumptions that: parties who enter into a contract will act to maximize their own self-interest and that all actors have the freedom to enter into a contract or to contact elsewhere. Furthermore, it is concerned with ensuring that agents act in the interest of the principals.

Stakeholders' Theory

The stakeholders' theory was adopted to fill the observed gap created by omission found in the agency theory which identifies shareholders as the only interest group of a corporate entity. Within the framework of the stakeholders' theory the problem of agency has been widened to include multiple principals (Sand, Garba & Mikailu 2011). The stakeholders' theory attempts to address the questions of which group of stakeholders deserve the attention of management. The stakeholders' theory proposes that companies have a social responsibility that requires them to consider the interest of all parties affected by their actions. The original proponents of the stakeholders' theory suggested a re-structuring of the theoretical perspectives that extends beyond the owner Manage-employee position and recognizes the numerous interest groups. Freeman, Wicks & Farmer (2004), suggested that: "if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization's purpose".

2.11 Empirical Review

S/No	Author(s)	Contributions	Methodology	Findings/ Implications
1	Semiu and Temitope (2010)	Provides evidence on corporate governance and it quality and firm related attributes from developing a country	Using logistic regression	Ownership by non-executive directors as members of the board should be sustained and improved upon in order to enhance audit quality
2	James (2012)	Examines the relevance of internal auditors in Nigerian banking sectors in the height of recent negative corporate governance experiences	Using a semi-structured interview conduct with 23 internal auditors in line of the currently existing 24 banks. The interview was structured around ten (10) questions drawn from internal audit manual of 2 banks. Their corporate governance of Central Bank of Nigeria (CBN) and that of security exchange commission (SEC)	Revealed that majority of internal auditors consider management as most crucial drivers of corporate governance
3	Liaboya and Lyafekhe (2014)	Examined the effect of board size,	Data were analyzed using descriptive	Revealed that board size, audit firm type , form size

		board independence, audit firm type, ,audit committee independent firm size and audit report lag employing tine series and additional survey data covering five years period (2007-2011)	statistic correlation and ordinary least square (OLS) regression	has a significant effect on audit report lag. Recommendation: that government should make stringent policies and regulations on audit report lag. Professional accounting bodies should monitor auditing firms for any completion of any engagement and governance practice should be carefully implemented in Nigeria organizations in order to reduce incidence of audit report lag.
4	Theofanis, George, Evaggelos and loannis (2010)	Examined theoretically contribution of internal auditing to corporate governance. Furthermore they examine the interaction between various corporate governance factors such as the board of directors, the audit committee and the external auditors and the internal audit process. An extended literature reviews	Via an extended literature reviews the study's originality is the provision of an integrated conceptual frame work regarding internal audit and business corporate governance	The results of their literature reviewed indicates that internal auditing plays a vital role in effective corporate governance
5	Fatima and Sherliza (2012)	Investigated the association of audit committee expertise and internal audit function characteristics, with audits quality which is proxies by Audit fee.	Using publicly available information, zoo Malaysian listed companies were utilized for both 2009 and 2010	The result shown was positive relationships exist between external audit fee and two of the audit committee characteristics. Further a positive relationship was found between external audit fee and characteristics of the internal audit function. Recommendation: It calls for continuous education for directors to become more resourceful in order to improve their relationship with auditor

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6	Dennis, Michael and Nicole (2013)	Studied the empirical relation between audit fees and governance mechanisms in Germany	Using various model specification for potential endogeinty of the governance variables	Identified two major findings 1. The performance based management remuneration has a significant positive impact on audit fees. This effect suggests that increased audit risk due to enhanced incentives for earning management is reflected in higher audit fees. Secondly they found a complementary relationship between audit fees and formation of an audit committee. Implications: Empirical literature above as pointed out that past scholars used various corporate governance indices to determine effect or relationships with audit quality of various inter country analysis. But this study adds to the existing literature and examined the relationship between corporate governance principles and the quality of external and auditor's report with evidence from the Nigeria Banking Industry.

Source: Author's Compilation, 2016

METHODOLOGY

Research Design

The research design adopted in this research is based on the historical data obtained from the annual financial statements and accounts of sampled banks quoted on the Nigeria Stock Exchange, from 2007-2014. Consistent with the above and in line with past researcher where most data utilized were obtained from the annual financial statements and accounts and account of sampled firms, as well as existing literature, the nature of data for this research is secondary and gathered from secondary sources. The secondary data used was extracted from the annual published financial statements and accounts of the sampled banks.

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The population consists of all the banks currently operating in Nigeria and as adopted from the official website of the Nigeria Central Bank (CBN). But out of the 24 quoted banks eleven banks (11) were selected, table below shows the sample quoted banks.

Table 2: The sample size of the study

S/N	**Names of the Banks**	**Year of listing**
1	Access Bank Plc	1998
2	Diamond Bank Plc	2005
3	Eco Bank Plc	2006
4	First Bank of Nigeria Plc	1971
5	First City Monument Bank Plc	2004
6	Guaranty Trust Bank plc	1996
7	Skye Bank Plc	2005
8	Stanbic IBTC Bank Plc	2005
9	Union Bank of Nigeria plc	1970
10	United Bank of Africa Plc	1970
11	Zenith Bank Plc	2004

Source: NSE Fact Book, 2010

However, this research strictly adhering to them because of need for availability, reliability and accuracy of data.

The correlation analysis is employed to show the extent of linear relationship between the corporate governance indices of board size, committee composition and ownership concentration and audit quality in Nigeria banking industry.

In testing our hypothesis, the correlation analysis was applied to a dataset covering seven (7) years from 2007 to 2014, that is the post-corporate governance period. The correlation analysis or the correlation coefficient is a measure of linear association between two variables. Values of the correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear sense, a correlation coefficient of -1 in indicates that two variables are perfectly related in a negative linear sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables. The correlation analysis is employed to show the extent of linear relationship between the corporate governance indices of board size, composition of the audit committee and ownership concentration and the quality of audit for Nigeria banking industry.

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Table 3: Estimation of Corporate Governance Variables

Variables	Definitions	Measurement
BS	Board size	Number of people on the board of the bank
CAC	Composition of Audit Committee	A dichotomous variable, assigned 1 if there are at least three non-executive directors on the audit committee, otherwise 0.
OWNCON	Ownership Concentration	Ownership Concentration is measured by the percentage of equity shares owned by the largest shareholder in the period.
AQ	Audit Quality	Thus audit quality (AQ) is dichotomy in nature and the size of audit firm (Big four or non-Big four) will be used as a proxy for audit quality. Further, this variable equals 1 if the external auditor of a deposit money bank in Nigeria is among the Big four (Deloitte, Ernest and young, Price Water Coopers and KPMG) and 0 if otherwise.

Source: Author's compilations,2016

Model

The model for this study is specified in a way to show the relationship between corporate government indices and audit quality in Nigeria banking industry.
As such the correction model is specified as follows in the equations.

$r=[1/(n-1)]^{x} \sum[((AQ - \overline{AQ}) /S_{AQ})^{X} ((CG - \overline{CG}/S_{CG})]$ Eq.(1)

Where:
r = Correlation Coefficient
n = Number of Observation
∑ = Summation Symbol
AQ = Audit Quality
$\overline{AQ}$ = Sample mean of Audit Quality
S_{AQ} = Sample Standard Deviation of Audit Quality
$\overline{CG}$ = Sample Mean of Corporate Governance
CG = Corporate Governance
S_{CG} = Sample Standard Deviation of Corporate Governance
This is general equation of the research analysis.

Independent variables Equation (2)

$r=[1/(n-1)]^{x} \sum[((AQ - \overline{AQ}) /S_{AQ})^{X} ((BS - \overline{BS}/S_{BS})]$ Eq.(2)

Where:
r = Correlation Coefficient
n = Number of Observation
∑ = Summation Symbol
AQ = Audit Quality
$\overline{AQ}$ = Sample mean of Audit Quality
S_{AQ} = Sample Standard Deviation of Audit Quality
$\overline{BS}$ = Sample Mean of Board Size

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BS = Board Size
S_{BS} = Sample Standard Deviation of Board Size

Equation (3)
$r=[1/(n-1)] \times \sum[((AQ - \overline{AQ}) / S_{AQ}) \times ((ACC - \overline{ACC} / S_{ACC})]$ Eq.(3)
Where:
r = Correlation Coefficient
n = Number of Observation
∑ = Summation Symbol
AQ = Audit Quality
$\overline{AQ}$ = Sample mean of Audit Quality
S_{AQ} = Sample Standard Deviation of Audit Quality
$\overline{ACC}$ = Sample Mean of Audit Committee Composition
ACC = Audit Committee Composition
S_{ACC} = Sample Standard Deviation of Audit Committee Composition

Equation (4)
$r=[1/(n-1)] \times \sum[((AQ - \overline{AQ}) / S_{AQ}) \times ((OC - \overline{OC} / S_{OC})]$ Eq.(4)
Where:
r = Correlation Coefficient
n = Number of Observation
∑ = Summation Symbol
AQ = Audit Quality
$\overline{AQ}$ = Sample mean of Audit Quality
S_{AQ} = Sample Standard Deviation of Audit Quality
$\overline{OC}$ = Sample Mean of Ownership Concentration
OC = Ownership Concentration
S_{OC} = Sample Standard Deviation of Ownership Concentration

Equation (5)
$r=[1/(n-1)] \times \sum[((AQ - \overline{AQ}) / S_{AQ}) \times ((PS - \overline{PS} / S_{PS})]$ Eq.(5)
Where:
r = Correlation Coefficient
n = Number of Observation
∑ = Summation Symbol
AQ = Audit Quality
$\overline{AQ}$ = Sample mean of Audit Quality
S_{AQ} = Sample Standard Deviation of Audit Quality
$\overline{PS}$ = Sample Mean of Power Separation
PS = Power Separation
S_{PS} = Sample Standard Deviation of Power Separation
Dependent variable = AQ Audit Quality
Independent variables = CGI Corporate Governance Indices (BS, PS, ACC AND OC)

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DATA PRESENTATION AND ANALYSIS

The main objective of this study is to ascertain the relationship between corporate governance and audit quality in Nigeria.

Decision Rule
In testing our hypothesis, the decision rule is to accept the null hypothesis if the significance (2-tailed) value of the resulting *t* is > 0.05 otherwise, rejecting the null hypothesis and accept the alternate accordingly.

Test of Hypotheses

Hypothesis One
H_0 There is no significant relationship between the size of the board and audit quality in Nigeria.
H_1 There is a significant relationship between the size of the board and audit quality in Nigeria.
The result of the correlation analysis testing the relationship between board size indices and audit quality for Nigerian banks is presented below.

Table 4.1: Covariance Analysis: Ordinary
Date: 08/24/16 Time: 09:04
Sample: 2007 2014
Included observations: 76
Balanced sample (leastwise missing value deletion)

Correlation t-Statistic Probability	AUDITQ
AUDITQ	1.000000 ----- -----
BOARDSIZE	0.452896* 4.369808 0.0000

Source: Author's review 7.2 Output, 2016

The decision rule is to accept the null hypothesis if the significance (2-tailed) value of the resulting *t* is > 0.05 otherwise, reject the null hypothesis and accept the alternate accordingly. Thus given the significance (2-tailed) value of the resulting *t* of 4.369808 been 0.0.0000 < 0.05, we reject the null hypothesis and conclude that there is a significant positive relationship between the size of the board and audit quality in Nigeria.

Hypothesis Two
H_0 There is no significant relationship between board composition and audit quality in Nigeria.
H_1 There is a significant relationship between board composition and audit quality in Nigeria.

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The result of the correlation analysis testing the relationship between board size indices and audit quality for Nigerian banks is presented below.

Table 4.2: Covariance Analysis: Ordinary
Date: 08/24/16 Time: 09:04
Sample: 2007 2014
Included observations: 76
Balanced sample (listwise missing value deletion)

Correlation t-Statistic Probability	AUDITQ
AUDITQ	1.000000 ----- -----
BOARDCOMPOSITION	-0.182904 -1.600397 0.1138

Source: Author's review 7.2 Output, 2016

The decision rule is to accept the null hypothesis if the significance (2-tailed) value of the resulting *t* is > 0.05 otherwise, reject the null hypothesis and accept the alternate accordingly. Thus given the significance (2-tailed) value of the resulting *t* of -1.600397 been 0.1138 > 0.05, we accept the null hypothesis and conclude that there is no significant relationship between board composition and audit quality in Nigeria.

Hypothesis Three

H_0 There is no significant relationship between separation of roles of the CEO from that of the Chairman and audit quality in Nigeria.

H_1 There is a significant relationship between separation of roles of the CEO from that of the Chairman and audit quality in Nigeria.

The result of the correlation analysis testing the relationship between board size indices and audit quality for Nigerian banks is presented below.

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Table 4.3: Covariance Analysis: Ordinary
Date: 08/24/16 Time: 09:04
Sample: 2007 2014
Included observations: 76
Balanced sample (leastwise missing value deletion)

Correlation t-Statistic Probability	AUDITQ
AUDITQ	1.000000 ----- -----
POWERSEPARATION	0.702377* 8.488382 0.0000

Source: Author's review 7.2 Output, 2016

The decision rule is to accept the null hypothesis if the significance (2-tailed) value of the resulting *t* is > 0.05 otherwise, reject the null hypothesis and accept the alternate accordingly. Thus given the significance (2-tailed) value of the resulting *t* of 8.488382 been 0.0000 < 0.05, we reject the null hypothesis and conclude that there is a positive and significant relationship between the separation of roles of CEO from that of the Chairman and audit quality in Nigeria.

Hypotheses Four
H_0 There is no significant relationship between audit committee composition and audit quality in Nigeria.
H_1 There is a significant relationship between audit committee composition and audit quality in Nigeria.
The result of the correlation analysis testing the relationship between board size indices and audit quality for Nigerian banks is presented below.

Table 4.4: Covariance Analysis: Ordinary
Date: 08/24/16 Time: 09:04
Sample: 2007 2014
Included observations: 76
Balanced sample (leastwise missing value deletion)

Correlation t-Statistic Probability	AUDITQ
AUDITQ	1.000000 ----- -----
Composition Audit Committee	0.194150** 1.702542 0.0929

Source: Author's Review 7.2 Output, 2016

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The decision rule is to accept the null hypothesis if the significance (2-tailed) value of the resulting *t* is > 0.10 otherwise, reject the null hypothesis and accept the alternate accordingly. Thus given the significance (2-tailed) value of the resulting *t* of 1.702542 been 0.0929 < 0.10, we reject the null hypothesis and conclude that there is a positive and significant relationship between the composition of the audit committee and audit quality in Nigeria.

Hypothesis Five

H_0 There is no significant relationship between ownership concentration and audit quality in Nigeria.
H_1 There is a significant relationship between ownership concentration and audit quality in Nigeria.

The result of the correlation analysis testing the relationship between board size indices and audit quality for Nigerian banks is presented below.

Table 4.5: Covariance Analysis: Ordinary
Date: 08/24/16 Time: 09:04
Sample: 2007 2014
Included observations: 76
Balanced sample (listwise missing value deletion)

Correlation t-Statistic Probability	AUDITQ
AUDITQ	1.000000 ----- -----
OWNCONC	0.132487 1.149835 0.2539

Source: Author's Review 7.2 Output, 2016

The decision rule is to accept the null hypothesis if the significance (2-tailed) value of the resulting *t* is > 0.05 otherwise, reject the null hypothesis and accept the alternate accordingly. Thus given the significance (2-tailed) value of the resulting *t* of 1.149835 been 0.2539 > 0.05, we accept the null hypothesis and conclude that there is no significant relationship between ownership concentration and audit quality in Nigeria.

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SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Findings

1. There is a positive and significant relationship between the size of the board and audit quality in Nigeria
2. There is no significant relationship between board composition and audit quality in Nigeria.
3. There is a positive and significant relationship between the separation of roles of CEO from that of the Chairman and audit quality in Nigeria.
4. There is a positive and significant relationship between the composition of the audit committee and audit quality in Nigeria.

Conclusion

The results of the hypotheses show that board size, separation of roles of CEO from that of the Chairman, composition of the audit committee has a positive and significant relationship with audit quality in Nigeria On the other hand; board composition and ownership concentration do not have a significant relationship audit quality in Nigeria. Again, the strength of the positive linear relationship between the separation of the roles of the CEO from that of the chairman of the board and the quality of audit is a high as 70.23% followed by the relationship between board size and the quality of audit which stood at 45.28%. Furthermore, the positive and significant relationship between board size, composition of the audit committee and separation of the roles of the CEO from that of the chairman of the board and audit quality been statistically significant at 0.0000, 0.0929 and 0.000 suggests that these corporate governance principles play a vital role in effective corporate governance. This is because these mechanisms or principles lead to effective auditing and representation of corporate facts for the benefit of the managers, shareholders and investors.

Recommendations

Based on the research findings, and the conclusion, effective corporate governance decentralizes powers and creates room for checks and balances.

1. The relationships between management and shareholders have to be characterized by transparency and fairness.
2. The CBN code that states the role of the Board is to "retain full and effective control of the bank and monitor executive management" has to be followed properly at least up 80%.
3. The situation where CEOs control the composition of the board and lessen its monitoring role should stop because it creates inadequate or weak internal control system.
4. The quality of audit should be maintained and improved upon by keeping audit objectives such as: financial control mechanisms, implementation of Acts, rules and regulations.
5. The composition of the audit committee which is very important should be strictly adhered with, for its contribution to corporate governance brings best practices and ideas about internal control and risk management processes.

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Appendix
Raw and Processed Data Used in the Analysis

ACCESS	Years	Board Size	Non Executive Director	Board Composition	Power Separation	CAC	Ownership Concentration	Audit Quality
	2014	15	8	53.33333	1	1	32.09	1
	2013	15	8	53.33333	1	1	29.26	1
	2012	15	8	53.33333	1	1	26.03	1
	2011	15	8	53.33333	1	1	19.43	1
	2010	14	7	50	1	1	13.76	1
	2009	14	7	50	1	1	9.84	1
	2008	14	7	50	1	0	15.77	1
	2007	14	7	50	1	0	10.39	1
Diamond	2014	15	8	53.33333	1	1	20.6	1
	2013	15	8	53.33333	1	1	20.17	1
	2012	15	8	53.33333	1	1	14.7	1
	2011	15	8	53.33333	1	1	14.79	1
	2010	16	9	56.25	1	1	14.79	1
	2009	16	9	56.25	1	1	13.69	1
	2008	14	8	57.14286	1	1	19.11	1
	2007	14	8	57.14286	1	0	19.11	1
ECOBANK	2014	15	8	53.33333	1	1	20.7	1
	2013	15	8	53.33333	1	1	20.7	1
	2012	15	9	60	1	1	NA	1
	2011	15	9	60	1	1	10.732	1
	2010	14	9	64.28571	1	0	NA	1
	2009	14	9	64.28571	1	0	NA	1
	2008	11	8	72.72727	1	0	NA	1
	2007	11	8	72.72727	1	0	NA	1
Fidelity	2014	15	8	53.33333	1	1	8.06	1
	2013	16	10	62.5	1	1	5	1
	2012	16	4	25	1	0	42.47	1
	2011	14	3	21.42857	1	0	24.86	1
	2010	13	3	23.07692	1	0	0	1
	2009	13	8	61.53846	1	1	0	1
FBN	2014	9	8	88.88889	1	1	5.55	1
	2013	7	6	85.71429	1	1	5.21	1
	2012	8	5	62.5	1	1	0	0
	2011	6	5	83.33333	0	0	0	0
	2010	19	11	57.89474	1	0	0	1
	2009	16	5	31.25	1	0	0	1
	2008	15	7	46.66667	1	1	3.35	1
	2007	15	5	33.33333	1	1	3.35	1

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FCMB	2014	14	8	57.14286	1	1	0	1
	2013	10	9	90	1	1	0	1
	2012	15	10	66.66667	1	1	0	1
	2011	15	10	66.66667	1	1	3.19	1
	2010	15	10	66.66667	1	1	7.19	1
	2009	13	8	61.53846	1	1	9.48	1
	2008	12	8	66.66667	1	1	NA	1
	2007	12	8	66.66667	1	1	NA	1
GTB	2014	14	8	57.14286	1	1	26.71	1
	2013	14	8	57.14286	1	1	26.71	1
	2012	14	8	57.14286	1	1	19.99	1
	2011	14	8	57.14286	1	1	12.72	1
	2010	14	8	57.14286	1	1	13.04	1
	2009	14	8	57.14286	1	1	0	1
	2008	14	8	57.14286	1	1	0	1
	2007	14	8	57.14286	1	1	0	1
SKYE Bank	2014	14	9	64.28571	1	1	3.85	1
	2013	14	9	64.28571	1	1	NA	1
	2012	14	9	64.28571	1	1	NA	1
	2011	14	9	64.28571	1	1	NA	1
	2010	14	9	64.28571	1	1	NA	1
	2009	14	9	64.28571	1	1	NA	1
	2008	14	9	64.28571	1	1	NA	1
	2007	14	9	64.28571	1	1	NA	1
STANBIC IBTC	2014	12	9	75	1	1	53.2	1
	2013	12	9	75	1	1	53.2	1
	2012	12	9	75	1	1	53.2	1
	2011	12	9	75	1	1	50.77	1
	2010	13	8	61.53846	1	1	50.77	1
	2009	14	10	71.42857	1	1	0	1
	2008	17	10	58.82353	1	1	0	1
	2007	17	10	58.82353	1	1	0	1
UBA	2014	16	9	56.25	1	1	0	1
	2013	16	8	50	1	1	0	1
	2012	18	10	55.55556	1	1	11.03	1
	2011	18	11	61.11111	1	1	0	1
	2010	20	9	45	1	1	0	1
	2009	20	8	40	1	1	0	1
	2008	20	11	55	1	1	6.5	1
	2007	20	13	65	1	1	6.5	1
Union	2014	7	5	71.42857	1	1	0	1

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Bank								
	2013	14	10	71.42857	1	1	0	1
	2012	17	11	64.70588	1	1	65	1
	2011	14	10	71.42857	1	1	0	1
	2010	14	9	64.28571	1	1	0	1
	2009	14	9	64.28571	1	1	0	1
	2008	14	11	78.57143	1	1	NA	1
	2007	14	11	78.57143	1	1	NA	1
Zenith Bank	2014	12	8	66.66667	1	1	0	1
	2013	13	8	61.53846	1	1	0	1
	2012	15	7	46.66667	1	1	8.75	1
	2011	13	9	69.23077	1	1	8.75	1
	2010	13	9	69.23077	1	1	8.75	1
	2009	13	9	69.23077	1	1	8.75	1
	2008	14	7	50	1	1	NA	1
	2007	11	7	63.63636	1	1	NA	1

Source: Author's Compilation from Annual Reports

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