EFFECT OF CORPORATE GOVERNANCE ON AUDIT QUALITY IN LISTED CONSUMER SERVICES SECTOR IN NIGERIA

BY

TIJANI OLUWATOBI DIVINE

Matric Number: 15020101017

A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE, MOUNTAIN TOP UNIVERSITY, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE DEGREE IN ACCOUNTING

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CERTIFICATION

This is to certify that this project work was carried out by TIJANI, OLUWATOBI DIVINE, with matric number 15020101017. In partial fulfillment of the requirements for the award of Bachelor of Science (B.Sc) degree in Accounting at the Department of Accounting and Finance, College of humanities, management and social sciences, Mountain Top University, Ogun State, Nigeria

Name of Supervisor: Dr. Akinyomi. O.J Signature & Date ....

Name of Head of Department: Dr. Akinyomi. O.J Signature & Date ....

DEDICATION

This research work is dedicated to the Almighty God for His abundant grace and favour in my life, and for seeing me through my academic pursuit and aspirations, and also to my lovely parent, Mr. & Mrs. Tijani.

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I express my unconditional gratitude to Almighty God for His love, His mercy and His favour upon my life and for seeing me through it all.

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Abstract

Over the years, incremental attention has been paid to the quality of corporate governance by regulatory authorities as there were series of audit failures among corporate companies. Lack of corporate governance codes in firms have been responsible for the collapse of many business organizations through abuse of power and so on. The general objective of the study is to evaluate the effect of corporate governance on audit quality in consumer service sector in Nigeria. The study was carried out using ex-post factor research design which is based on historical data i.e. secondary data generated from annual report of listed companies under the Nigeria stock exchange. Annual data spanning the period 2011-2018 were examined using logistics regression model to test the relationship between the dependent and independent variables. The empirical results revealed that directors' remuneration has a positive and significant relationship with auditors' fee with p-value of (0.000). Similarly, auditors' committee size has a positive and significant relationship with auditors' fee with a p-value of (0.024). However, the study revealed that there is no significant relationship between board size and auditors fee with a p-value of (0.718). The study recommends amongst others; that the audit quality should be maintained and improved upon.
Keywords: Directors' remuneration, Board size, Audit committee, Audit fee, Audit quality.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Over the years, incremental consideration has been paid to the value of corporate governance by regulatory authorities because there are series of audit failure in commercial companies (Wan, Shahnaz & Nurasyikin, 2015). This study focuses on audit quality and ensure to throw more light on factors which have acted to limit its effectiveness and to consider whether they are likely Continue doing this in the future. By researching ' the effectiveness of governance actors and organizations ' (McNulty, Zattoni & Douglas, 2013, p. 183), the analysis also contributes to the literature, which studies and reports activities in practice with a view to more closely capturing the dynamic, interactive nature of corporate governance (Brennan & Kirwan, 2015; Gendron &Spira, 2009; Whittington, 2011) and limits to monitoring (Cullen & Brennan, 2017).

Accordingly, audit quality is a key element in improving the legitimacy of financial statements for accounting data consumers (Vincent, Ovbiebo & Evbota 2017). Audit quality is described by (Chalaki, Didar & Riahinezhad, 2012) as the accuracy with which economic reporting conveys information about the activities of the firm, in specific its anticipated money flows that inform equity buyers. According to (Musa and Hassan, 2014), audit quality plays an significant role in keeping an effective market environment. Quality of audit reporting according to (Aliyu & Ishaq, 2015) Three factors may be affected, namely the decision of the standard setters ; the accounting method used by the management ; and the assessment and estimates of the management of the chosen alternatives. However, it is suggested that when audit reports are useful and timely, such information is said to be of high quality (Ibadan & Dabor, 2015).

In literature, the characteristics of the corporate board were linked to the quality of the audit (Okafor & Ibadin, 2011), including variables of board size, independence of the audit committee, remuneration of the director and independence of the board. This study suggests the board size, director's remuneration and audit committee size when it comes to the evaluation of the effectiveness of corporate governance. The management board and audit committee are regarded to be vital mechanisms for corporate governance (DeFond & Zhang, 2014).

In this research, we study the governance features in the Nigeria context. In particular, we explore empirically the effect of governance mechanisms on the audit performance of listed companies in Nigeria. This issue should be examined because the industry in Nigeria is growing further. It introduced several reform programs aimed at modernizing the financial market, promoting foreign investment, privatizing public companies and liberalizing trade. Although the notion of corporate governance is still at an embryonic stage, the Nigerian regulators stressed the need for appropriate and reliable disclosure of information by the listed firms. Hence, the study will posit that the governance mechanisms affect the quality of audit of the Nigeria listed companies.

1.2 Statement of the Problem

Ejeagbasi, Nweze, Ezeh and Nze (2015) observe that the questionable role of auditors in ensuring the quality, reliability and credibility of financial report has been a debate. This is because the independence of the auditor from their customers can be compromised by bad regulation and auditing practice oversight. Providing the client with non-audit services, including the private interest of the auditor in the company of the client. In order to generate useful impacts as a surveillance device, efficient and perceived characteristics (generally referred to as obvious quality) are therefore essential for auditing. The emphasis on the interest in contemporary corporate governance procedures, especially in terms of auditing and accountability, has risen following the high profile collapse of a number of big corporations. in the recent years, Most of them are defined by fraud in accounting and auditing and the latest domestic and global financial crisis has deteriorated the situation. (Ejeagbasi et al., 2015).

Nigeria's Corporate Governance Code specified that a high integrity, independence, and competence external auditor should exist. This stems from the need to provide investor protection through the various changes in accounting, financial reporting and auditing. In essence, auditing is used to provide the needed assurance for investors when relying on audited financial statements (Rahman & Saima, 2018). More specifically, the function of auditing is to decrease the asymmetry of data on accounting figures and minimize the remaining loss arising from the opportunism of financial reporting executives.

Corporate governance concerns how all parties involved in corporate well-being guarantee that executives and other insiders take action or implement processes to encourage accountability (Akinyomi & Olutoye, 2015). Lack of corporate governance codes in firms have been responsible for the collapse of many business organizations through abuse of power; recklessness in handling Finance that leads to economic misappropriation; failure to monitor internal control mechanisms that lead to an absence of reliable organizational leadership in particular as it affects hiring of manpower; flouting of laid down policies that should act as a guide in achieving organizational goals (Ejeagbasi et al., 2015). The role of auditors is regarded in audit quality to ensure the accuracy of financial reports. This research examines the connection between corporate governance indicators and audit performance in Nigeria following the adoption of corporate governance codes in Nigeria.

1.3 Objective of the Study

The general objective of this study is to evaluate the effect of Corporate Governance on Audit Quality in consumer service sector in Nigeria. Other specific objectives are:

1. Examine the relationship between Directors Remuneration and Audit Quality in consumer service sector in Nigeria.
2. Identify the relationship between Board size and Audit Quality in consumer service sector in Nigeria.
3. Examine the relationship between Audit Committee size and Audit Quality in consumer service sector in Nigeria.

1.4 Research Questions

1 What is the relationship between Directors Remuneration and Audit Quality in consumer service sector in Nigeria.

2 What is the relationship between Board size and Audit Quality in consumer service sector in Nigeria.

3. What is the relationship between Audit Committee size and Audit Quality in consumer service sector in Nigeria.

1.5 Research Hypotheses

In view of the research questions, the following null hypotheses are as follows:

1 H0: There is no significant relationship between Directors remuneration and audit quality in consumer service sector in Nigeria.

2 H0: There is no significant relationship between Board size and audit quality in consumer service sector in Nigeria

3 H0: There is no significant relationship between Auditor's committee size and audit quality in consumer service sector in Nigeria.

1.6 Significance of the Study

The research will help to analyze the major impact of director's remuneration, audit committee size and board size on audit quality in consumer service sector in Nigeria through several findings in the research. The findings will help to examine the effect of corporate governance on audit quality in consumer service sector in Nigeria. It is hoped that these findings will stimulate more researchers interest in this field of study.

1.7 Scope of the Study

There are many sectors in the Nigeria stock exchange and all this sector includes companies that are listed under stock exchange. For the purpose of this research, the researcher will major under a particular sector which is the consumer service sector and under this sector there are twenty-four (24) listed companies quoted under the Nigeria stock exchange.

1.8 Limitations of the Study

Access: Restriction to access documents or data of some companies

Time: it would be difficult to examine large population cause of limited time

Financial constraints: there will be limit to travelling to specific areas where more data will be collected and limit to some online libraries.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will consist of conceptual framework, theoretical framework and empirical framework. The conceptual review will be divided into board size, audit committee size, director's remuneration and audit quality. The theoretical review will be based on the review of two theories which are; Agency theory and Shareholders theory. The empirical review will be based on the review of several research by different scholars and it will be based on the relationship between board size and audit quality, the relationship between audit committee size and audit quality and the relationship between director's remuneration and audit quality.

2.2 Conceptual framework

2.2.1 Board size

The definition of board size is the total number of directors on a board, (Shafie Mohamed Zabria, Kamilah Ahmad and Khaw Khai Wahc 2016) The effectiveness in structuring the board is important for governing the company. In the organisation, the board of directors performs several roles, namely: monitoring and control ; strategic planning ; and autonomy (Rahman and Jusoh, 2018). Boards of managers play a key role in enhancing corporate governance by fulfilling significant surveillance and resource provision advice roles. (Ntim, 2015; Abdullah, Ismail & Nachum, 2016).

Board size has been found to vary between one country and another as every country has different cultures. This implies that the world's businesses do not have an ideal and standard board size (Shafie Mohamed Zabria, Kamilah Ahmad & Khaw Khai Wahc 2016). The size of the board is regarded as an efficient instrument for monitoring the internal corporate governance of a company. The board of directors holding the top executive position of a company is in charge of setting up policies and strategies and regulating operations of the organizations (Musfiqur Rahman & Farjana Nur Saima, 2018).

According to the theory of the agency, a big board size improves the dominance of the board and leads to difficulties in making helpful choices. (Aree Saeed Mustafa, Ayoib Che-Ahmad, & Sitraselvi Chandren 2018). Bansal and Sharma (2016) states that the board members on board should be between eight and nine while Kantudu and Samaila (2017) preferred eight to eleven persons on board. These views are opposed from view of Andreou, Antoniou, Horton and Louca (2016) as they argued that boards with more than seven or eight members are not likely to be effective. In reality, there is no optimal board size as the right size for a board should be decided by effectiveness of a board to operate as a team.

2.2.2 Audit Committee Size

Bursa Malaysia requires a listed company to nominate an audit committee of not less than three members from among its managers. With a bigger audit committee, potential issues in the financial reporting process are more likely to be detected and resolved. This could arise if a larger committee size increases the resources available to the audit committee and improves the quality of oversight (Mohamad Naimi Mohamad-Nor, Rohami Shafie & Wan Nordin Wan-Hussin, 2010).

The audit committee shall be composed of an equivalent amount of managers and representatives of the company's shareholders (subject to a maximum amount of six members) and shall review the auditor's report and make suggestions to the annual general meeting as it may deem appropriate (Okolie, 2014). An efficient surveillance mechanism is anticipated to be provided by a more active audit committee. The more often the audit committee meets; the more opportunities it has to discuss the company's present problems. Since the amount of operation of the audit committee reflects good governance, it should improve the exercise of supervisory function and therefore audit performance (Adeyemi, Okpala & Dabor, 2012). The size of the committee depends on the size of the enterprise and other relevant factors associated with the firm (Samuel Akpovwre Eyenubo, Mudzamir Mohammed & Mohammad Ali, 2017).

2.2.3 Directors remuneration

The level of remuneration of executives and managers is the corner stone for placing interests between executives and shareholders, the value of managers, their contribution to economic results and the general value of the company (Themistokles, Evaggelos & Koufopoulos, 2018). Compensation is the incentive for better results and economic performance of executives (Jensen, 1986). Some scientists like Petra (2005) say executives need to be enforced if productivity is to be enforced.

Remuneration control shall be exercised by the Annual Shareholders Meeting, the Board of Directors or any committee established to monitor and assess executive directors and their performance. Many studies focused on the effectiveness of these processes (Petra et al., 2005). The Board of Directors is accountable for establishing a system of remuneration to direct executives to align their interests with the interests of shareholders (Themistokles, Evaggelos & Koufopoulos et al., 2018). The remuneration of managers is the payment made to managers on the board based on the business or corporation's jobs. This includes the basic salary and other financial or non-financial benefits that a director receives during his or her tenure. In general, both executive and non-executive managers are classified into two distinct classifications. Executive directors are considered to be non-independent directors because they have particular operational roles within organizations such as finance, administration and operation. In the meantime, non-executive directors are considered as autonomous directors as they do not have an operating function directly engaged. Instead, they are provided duties to monitor corporate directors within the jurisdiction of the board, such as chairing remuneration committee, audit committee, and appointment committee. The remuneration of directors should be included in the process of corporate governance (Mohammad, Abdullah & Shukor, 2009).

2.2.4 Audit Quality

An audit must be of appropriate quality in order to reduce audit errors to the minimum (Okaro, Okafor & Okoye 2015). A standard definition of audit performance is that a specified auditor is likely to acknowledge both: a breach in the accounting system of the client business and report that breach, meaning that the auditor has both the technical capability to detect any material errors during the audit process and to guarantee the correction or disclosure of material mistakes and omissions in the auditor's report (Okaro, Okafor & Okoye et al. 2015).

The following suggestions about audit quality, among others, have been made in order to further clarify the concept of audit quality;

i. How audit quality is defined and measured is still not known
ii. Existence of no risk cannot be the goal of audit quality
iii. Audit quality as an outcome cannot be completely separated from reporting quality
iv. Any definition of audit quality must have understanding of the fact that audit is a specialised service
v. Audit quality is indefinite and distinctive

The quality of auditing is essential in the nature and execution of the activities that detect and treat risk in the audit process (Knechel, 2009). This study makes use of auditors' fee as evidence of audit quality.

2.3 Theoretical framework

2.3.1 Agency theory

Agency theory deduces that shareholders require safety because management (agents) may not always act in the best interest of owners, (Jensen & Meckling, 1976), owners and agents have reasons to finance in various information systems to reduce agency costs associated with information irregularity. Two agency problems exist in an information irregularity situation: adverse selection where the principal cannot determine if the agent is performing the work for which he / she is paid and moral hazard if the principal is uncertain as to whether the officer has done his / her capacity to do his / her job (Arnold & Lange, 2004). Certain contractual relationships combined with information irregularity indicate an equivalent demand for investment in control and monitoring mechanisms including independent Boards, effective audit committees and external audit, (Kalbers & Fogarty, 1998). Agency theory was developed by Jensen and Meckling (1976). They suggested a theory of how the governance of a company is based on the conflicts of interest between the company's owners (shareholders), its managers and Major debt financing providers. Each group has distinct interests and goals.

The theory of the agency is based on the concept that its owners are generally also its directors when a business is first formed. As a company grows, owners are appointing managers to run the company. The owners expect the executives to operate the business in the best interests of the owners; therefore, the owners and executives have a type of agency partnership. Many businesses borrow, and a substantial percentage of a company's long-term equity could come from multiple debt capital sources, including bank loans, rental financing and bond problems. (debentures, loan stock and so on). Major lenders are also interested in how the business is managed because they want to make sure the business can repay the debt with interest. The agency theory is a neoclassical economic theory (PingWing 2011) and is usually the starting point for any debate on the corporate governance.

Agency theory provides the theoretical underpinning upon which the literature on corporate governance has flourished. The theory says that the officer is likely to pursue interests that could harm the principal or shareholder in the presence of data asymmetry (Ross,1973 ; Fama,1980).The agency theory is adopted due to the existence of independent directors. Agent-principal issue will exist when the agency relationship in finance occurs between shareholders (principal) and company executives (agents) such as Chief Executive Director (CEO). The agency issue has long been recognized and has become a challenge for the enterprises in this modern era (Ibrahim, Xiang & Zulkafli, 2018).

The agency theory assumes that the interests of principal and agents are diverged. According to the theory of agencies, the principal can restrict the agent's opportunistic action by incurring surveillance expenses, thus creating incentives to reduce the divergence between main and agent interests. Hilland Jones (1992) explained the agency theory as one in which one or more persons (the principals) engage with another person (the agent) to perform some Service on their behalf involving delegation to the officer of certain decision-making power. The concept of agencies has been the dominant model in the literature of financial economics in the past. it has ever been stated by Berle & Means (1932) that Agency theory is based on the assumption of the existence of a separation between ownership and control in the concept of the modern company. Ownership focuses on the claim on the residual cash flow, while control focuses on the claim of voting right.

2.3.2 Stakeholders theory

In a review of the stakeholder theory, John and Senbet (1998) states that the multiplicity of principals tends to give rise to conflicting interests. Within the stakeholder theory context, the agency problem has been expanded to allow numerous directors. So, instead of treating shareholders as the only group whose interest the officer should safeguard, the theory of stakeholders considers other groups such as company staff, creditors, government, etc. also as having equally vital stakes in the performance of the firm, a fact amply demonstrated by the thousands of job losses, reduced tax revenues, high costs of litigation etc. that came in the wake of such high-profile corporate frauds as occurred at Enron, Global Crossing, Parmalat and World com. Since there are many stakeholders, the agent is sometimes confronted with the difficult choice of meeting competing stakeholder interests.

Extending the stakeholder theory, Jensen (2001) proposes the enlightened stakeholder theory suggests that by pursuing the goal of maximizing long-term value of the Company, executives could serve all stakeholders ' interests. "Stakeholder Theory" is basically a theory about how best company works and how it could operate. It is at the same moment descriptive, prescriptive and instrumental and, as Donaldson and Preston (1995) argued, it is managerial. The theory of stakeholders is about value creation and trade and how to effectively manage a business. You can see "Effective" as "creating as much value as you can." If stakeholder theory is to solve the problem of value creation and trade, it must show how business can in fact be described through stakeholder relationships. If it is to solve the problem of the ethics of capitalism, it must show how a business could be managed to take full account of its effects on and responsibilities towards stakeholders. And if it is to solve the problem of managerial mind set, it must adopt a practical way of putting business and ethics together that is implementable in the real world.

As outlined originally in Freeman (1984), stakeholder theory is concerned with the problem of value creation and trade.

2.4 Empirical review

Okolie (2014) in his study on corporate governance an audit committee in Nigeria evaluated that corporate governance principles have open impact on audit committee functions by verifying that financial statements disclose the true financial position of companiesThe research shows that the principles of corporate governance influence audit committee tasks by ensuring that financial statements reflect companies ' real financial situation. It is recommended that companies should be good corporate citizens and that members of the audit committee should have essential accounting knowledge to be able to effectively analyse the financial statements or question accounting practices of preparers of those financial statements.

Dennis, Michael and Nicole (2013) Studied the empirical relation between audit fees and governance mechanisms in Germany and they used various model requirement Two major results have been identified for the potential indigeneity of the governance factors: performance-based leadership remuneration is significant positive impact on audit fees, secondly they found a complementary relationship between audit fees and formation of an audit committee.

Ahmadu U. Sanda (2013) in his research, the connection between board independence and firm financial results was examined using information of variable sample size (from 89 regression firms to 205 descriptive firms) collected from the Nigerian stock exchange for the period 1996 to 2004. The key results were that share ownership was highly concentrated in Nigeria, and this structure tended to encourage board structures with close family affiliations in which the chief executive officer (CEOs) were active members of audit committee.

According to Blanca, Txomin and Amaia (2013) in their study on the board structure and firm performance in SMEs examined the effect of board size, board composition, financial performance activities, management and CEO tenure. They used a sample of 307 non listed Spanish SMEs to test their hypothesis and empirically concluded that there is negative relationship between board size and financial performance.

Joy and Dendi (2018) examined in their study to find the relationship between board independence, board size and regional development bank (BPD). The sample of companies used to test their hypothesis consists of all 26 BPDs in Indonesia for the period 2010-2014; they take secondary data from each BPD's annual report, a total of 203 top managers who are members of the boards of all BPDs in Indonesia and their results show that there is a favorable connection between independence of the board, board size and BPD performance.

Sinan, Qutaiba and Ayat (2016) in their study, investigated the effect of corporate governance quality on earnings management in Jordan. During the period 2009-2013, they used a panel data set of all industrial and service firms listed on the Amman Stock Exchange (ASE) ; their empirical results showed no significant relationship between earnings management and the quality of corporate governance.

In the same vein, Uwalomwa, Eluyela and Olubukola (2018) studied the influence of corporate governance on the timeliness of financial reports of listed banks in Nigeria. Considering the period 2008–2015, sample information were produced from the listed banks' annual report on the Nigerian Stock Exchange. The study made use of Board size, Board Independence and Foreign Executives on the board as substitutes for corporate governance. The information were analyzed using descriptive statistics, matrix of correlation and regression of information from the panel. The result revealed that board size has a negative relationship with the timeliness of financial reports, the study also observed that there is no significant relationship between the independence of the board and the timeliness of the financial reports. The present empirical studies report contradictory evidence regarding the effect of directors' remuneration on firm performance.

Zanani, Abdullah, Shahnaz and Nurasyikin (2016) empirically investigates the relationship between component of corporate governance and audit quality in Malaysia. In 2003, they used a complete amount of 655 firms as sample size representing 73.84 percent of the total amount of firms across sectors. The study used logistic regression model to test their hypothesis. Results showed that board independence and non-financial institutional ownership had an important connection with the size of the audit company and the ownership of non-executive directors and financial institutional ownership showed a positive but insignificant relationship with audit quality. Their results indicate that for the businesses listed at Bursa Malaysia, both board autonomy and institutional ownership are significant considerations and perform efficiently.

Mustafa, Che-Ahmad and Chandren (2018) their study illustrates the effect of corporate governance and audit quality in Turkey. For regression estimates, logistic regression and viable generalized minimum squares (FGLS) were used. The findings show that the demographics of the board, the cognitive and structural diversity of the board of directors, the features of the audit committee and the quality of the audit are complementary and the control-ownership wedge weakens their connection, which is an unfavorable result for minority shareholders.

AlQadasi and Abidin (2018) examines the relationship between internal corporate governance and audit quality in Malaysia. Sample data were drawn from Malaysian listed companies during the period 2009 to 2012 and Ordinary least square (OLS) regression is applied to analyse the data the outcome showed that the concentration of property plays a minor part in the positive association in Malaysian listed companies between inner corporate governance and audit performance.

Adeyemi, Okpala and Dabor (2012) examined in their study on factors affecting audit quality in Nigeria, they used both primary and secondary data of which the primary data were provided by 430 respondents in the fields of financial reporting and auditing across several stakeholders. Secondary data were produced from forty (40) annual company accounts cited on the Nigerian Stock Exchange from the financial statements. SPSS, version 17, was used to test hypotheses and other information analysis. The study found that multiple directors has more significant relationship in affecting audit quality in Nigeria. Likewise, it is found that provision of non-audit service would possibly have a positive significant effect on the audit quality in Nigeria. The research discovered that there is an adverse connection in Nigeria between the rotation of the audit company and the quality of the audit.

Samuel, Mudzamir and Mohammad (2017) study the role of audit committee in the relationship with financial reporting quality in Nigeria Stock Exchange listed firms. The study uses conceptual approach on historical data in the form of annual report of listed companies' annual reports to examine the relationship between Audit Committee and quality of financial reporting. The result shows best code of practices of corporate governance and the relationship between independence, size, diligence, and expertise of audit committee on Quality of financial reporting in Nigeria Stock Exchange listed companies.

Okaro, Okafor and Okoye (2015) specifically investigate whether the efficacy of the audit committee and the efficiency of the board have any important impact on the quality of the audit. The research used secondary data from annual reports from a sample of 104 firms randomly chosen, but from a population of 134 non-bank firms listed on the Nigerian stock exchange 84 firms with adequate information were used. The research hypotheses were analyzed using the model of binary logistic regression. The empirical outcome showed that tiny board size and increased board diligence had a positive effect on the quality of the audit.

Ejeagbasi, Nweze, Ezeh, and Nze (2015) researched the connection between corporate governance and auditor quality reporting with Nigerian banking industry proof. The study embraced an ex-post-facto research design based on historical information from (11) deposit cash banks cited as a sample on the Nigeria Stock Exchange. In testing their hypothesis, the correlation analysis was applied to a data set covering seven (7) years from 2007 to 2014 that is the post corporate governance period. The outcome showed a adverse and insignificant connection between board structure and audit performance.

Oyewale, Oloko and Olweny (2016) in their study examined the relationship between board independence and financial performance of listed manufacturing firms in Nigeria. 34 companies were purposively selected from the 74 companies in the manufacturing sector listed in the Nigeria Stock Exchange. Both main and secondary data were used in the research. The empirical outcome disclosed that the board independence and economic results of listed manufacturing firms in Nigeria have an important favorable linear connection.

Anil Gacar (2016) examined the relationship between corporate governance and audit quality in industrial companies in Istanbul. Data were obtained from annual accounts traded in Borsa Istanbul in 2015 by industrial firms. The hypothesis of the study was tested using logistic regression model and the empirical result showed that firm size, the rate of institutional ownership, duration bond time and business history variables have a favorable connection to audit performance.

Malai (2015) in their study examined the relationship between the audit committee effectiveness and audit quality on financial reporting quality. The study collected data from the Form 56-1 and financial statements of listed companies of three industry groups in Stock Exchange of Thailand from 2008-2012. The data were analysed using Panel Fixed Effects Model. The empirical study showed that the audit committee effectiveness had a significantly positive relationship with financial reporting quality and audit quality and it has been discovered that financial reporting quality is substantially correlated favorably.

According to Modest, Doaa and Khaled (2018), the effect of board features on the economic performance of listed companies in Tanzania was explored in their research. The research used panel data regression analysis from annual reports on 80 companies for the 2006-2013 period. Their results support the separation of CEO / Chairperson Positions; they do not support the linkage of results outside directors-financial.

In their research, Manukaji (2018) examined the system of corporate governance and earnings smoothing in Nigerian deposit money banks. The study adopted ex post facto research design. Four deposit money banks were studied for the period ranging from 2012 to 2016. Multiple regression analysis was used to analyse data. The study empirically concludes that corporate governance has significant relationship with income smoothing in Nigeria deposit money banks.

Al Shaer, Salama and Toms (2017) in their research, the determinant of the quantity and quality of environmental disclosures was explored, with particular emphasis on the role of audit boards and the quality of financial reporting. The study uses UK FTSE350 companies ' quantitative large sample analysis for the period 2007 to 2011.The empirical result revealed that higher quality audit committee ensures higher quality disclosures but does not increase disclosure volume.

Summary Table of all the Empirical Literature Review

S/N	**Name and Year of Authors**	**Country**	**Period**	**Methodology**	**Findings**

1	James (2014)	Nigeria	2014	Pearson Correction	The study shows that corporate governance principles affect audit committee functions by ensuring that financial statements reflect the true financial position of companies
2	Dennis, Michael and Nicole (2013)	Germany	2013	They used various model specification for potential endogeinty of the governance variables	They found out that the performance based management remuneration has a significant positive impact on audit fees.

3	Ahmadu, Sanda(2013)	Nigeria	1996-2004	ordinary least squares model	The key results were that share ownership was highly concentrated in Nigeria, and this structure tended to encourage board structures with close family affiliations in which the chief executive officer (CEOs) were active members of audit committee.
4	Blanca, Txomin, Amaia (2013)	Spain	2006	Cross sectional ordinary least square regression model	The result indicates that there is negative

					relationship between board size and financial performance
5	. Joy and Dendi Ramdani (2018)	Indonesia	2010-2014	ordinary least squares model	They found that there is a positive relationship between board independence, board size and BPD performance.
6	Sinan, Qutaiba and Ayat (2016)	Jordan	2009-2013	cross-sectional modified Jones' mode	The findings of this study indicate that the level of earnings management, measured by discretionary accruals, is affected negatively by

					corporate governance quality.
7	Uwalomwa, Eluyela and Olubukola (2018)	Nigeria	2008–2015	panel data regression analysis technique, descriptive statistics and correlation matrix	Findings reveals that board size had a non-significant negative relationship with the timeliness of financial reports
8	Wan Zanani, Abdullah Shahnaz and Nurasyikin (2016)	Malaysia	2003	analysis of logistic regression	The findings indicates that board independence and nonfinancial institutional ownership has significant relationship with audit firm

					size. The findings posit that both board independence and institutional ownership are important factors to the companies listed at Bursa Malaysia perform effectively.
9	Mustafa, Che-Ahmad, and Chandren (2018)	Turkey	2011-2015	Logistic regression and feasible generalized least squares (FGLS)models	The results indicate that board demographics, cognitive and structural diversity of board of directors, audit committee characteristics

					and audit quality are complementary
10	Adel AlQadas and Shamharir Abidin (2018)	Malaysia	2009-2012	Ordinary least square(OLS)regression	Companies with a higher concentration of ownership are less likely to demand extensive auditing. There is significant relationship between companies governance and audit fee
11	Adeyemi, Okpala and Dabor (2012)	Nigeria	2009	logistic regression model	Their study revealed that multiple directorship is the most significant in affecting audit

					quality in Nigeria.
12	Samuel, Mudzamir & Mohammad(2017)	Nigeria	2017		The study shows that the Audit Committee in Nigeria is viewed from a very narrow prism
13	Okaro, Okafor and Okoye (2015)	Nigeria	2012/2013	binary logistic regression model	The major findings in their study is that small board size and greater board diligence have positive impact on audit quality.
14	Ejeagbasi, Nweze, Ezeh and Nze (2015)	Nigeria	2007-2014	correlation analysis method	The empirical analysis showed that board composition

					has a negative and insignificant relationship with audit quality while 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.
15	Oyewale, Oloko and Olweny (2016)	Nigeria	2006 - 2015	Univariate regression model	The study found that there is a positive significant relationship

					between board independence and financial performance of listed manufacturing companies in Nigeria
16	Anil (2016)	Istanbul	2015	logistic regression method	The empirical study shows that firm size, , the rate of institutional ownership, duration of trading time in stock exchange market, and company history variables have positive significant relationship on audit quality

17	Malai (2015)	Thailand	2008 – 2012	Panel Fixed Effects Model	The study showed that the audit committee effectiveness had a significantly positive relationship with financial reporting quality
18	Modest, Doaa and Khaled (2018)	Tanzania	2006-2013	Balanced panel data regression model	The empirical study reveals that there is no significantly positive relationship between board size and financial performance
19	Manukaji (2018)	Nigeria	2012 - 2016	Multiple regression analysis	The empirical results reveals that board size

					is not effective in monitoring income smoothing and concludes that corporate governance has significant relationship with income smoothing in Nigeria.
20	Al Shaer, Salama and Toms (2017)	United Kingdom	2007-2011	Quantitative large sample analysis	The study reveals that firms with higher quality audit committees make higher quality disclosures

Source: Authors Extraction from Empirical review

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The researcher's focus in this chapter is on a concise description of the methodology adopted in conducting this research. The areas covered include the research design, the population of study, sample size and the sampling technique, data gathering method and the data analysis method.

3.2 Research Design

The design that will be adopted for this study is Ex-Post Factor research design. Ex-post factor which is perfect for conducting research when it is not possible or acceptable to manipulate the features of human participants. The research design adopted in this research is based on the historical data obtained from the annual financial statements and accounts of sampled consumer service quoted on the Nigeria Stock Exchange, for period 2011-2018. 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 is extracted from the annual published financial statements and accounts of the sampled firms. The choice of these research design was based on the fact that the variables under consideration were collected over a period of time and they are historical and the researcher cannot manipulate the nature as such.

3.3 Population of Study

The general population is the list of companies in consumer services sector of the Nigeria listed companies. There are twenty-four (24) listed companies under consumer service sector in the Nigeria Stock Exchange as at 31st December 2018. There are:

COMPANY	TICKER	SECTOR
1. ACADEMY PRESS PLC.	ACADEMY	SERVICES
2. AFROMEDIA PLC	AFROMEDIA	SERVICES
3. ASSOCIATEDBUS COMPANY PLC	ABCTRANS	SERVICES
4. C & I LEASING PLC.	CILEASING	SERVICES
5. CAPITAL HOTEL PLC	CAPHOTEL	SERVICES
6. CAVERTON OFFSHORE SUPPORT	CAVERTON	SERVICES
7. DAAR COMMUNICATION PLC	DAARCOMM	SERVICES
8. GLOBAL SPECTRUM ENERGY SERVICES PLC	GSPECPLC	SERVICES
9. IKEJA HOTEL PLC	IKEJAHOTEL	SERVICES
10. INTERLINKED TECHNOLOGIES PLC	INTERLINK	SERVICES
11. JULI PLC	JULI	SERVICES
12. LEARN AFRICA PLC	LEARNAFRCA	SERVICES
13. MEDVIEW AIRLINE PLC	MEDVIEWAIR	SERVICES
14. NIGERIAN AVAITION HANDLING COMPANY PLC	NAHCO	SERVICES
15. R T BRISCO PLC	RTBRISCOE	SERVICES
16. RED STAR EXPRESS PLC	REDSTAREX	SERVICES
17. SECURE ELECTRONIC TECHNOLOGY PLC	NSLTECH	SERVICES
18. SKYWAY AVAITION HANDLING COMPANY PLC	SKYAVIN	SERVICES
19. STUDIO PRESS (NIG) PLC	STUDPRESS	SERVICES
20. TANTALIZERS PLC	TANTALIZER	SERVICES
21. THE INITIATES PLC	INITSPLC	SERVICES
22. TOURIST COMPANY OF NIGERIA PLC	TOURIST	SERVICES
23.TRANS-NATIONWIDE EXPRESS PLC	TRANSEXPR	SERVICES
23. TRANSCORP HOTELS PLC	TRANSCOHOT	SERVICES
24. UNIVERSITY PRESS PLC.	UPL	SERVICES

3.4 Sampling Technique

The sampling technique to be used in this study is the simple random sampling technique. This method will be employed because it enables the researcher to select the sample unit(s) from the research population based on the researcher's knowledge of the population.

3.5 Sampling Size Determination

Since the sampling technique is simple random sampling technique, therefore the sample size is five (5) listed consumer service companies under the Nigeria Stock Exchange randomly selected by the researcher based on the availability of annual data from the companies.

3.6 Method of Data collection

For this study, the data used is collected using secondary data sources of collection; the secondary sources consist of articles, books, newspapers and business reports. Secondary data are mainly used to enable the researcher get more information concerning the topic. In this study, the researcher makes use of both published and non-published sources. The unpublished sources are research works, materials of scholars. The published sources include newsletter of the company, the annual reports of coated companies.

3.7 Method of Data Analysis

Regression analysis is used to analyse the relationship between the dependent and independent variable, in this study, the relationship between corporate governance and audit quality. The regression analysis is carried out using the statistical package for social sciences (SPSS).

3.8 Model Specification

The general model used to determine which factors influence the receipt of an audit qualification is as follows. We utilize the following logistic regression model

$AQ = \alpha + \beta 1\ DR + \beta 2\ BS + \beta 3\ ACS$

Where;

α = constant

AQ= Audit Quality = Audit fee = AF

DR= Directors Remuneration

BS= Board Size

ACS= Audit Committee Size

3.9 Independent and Dependent Variables

Audit quality is the Dependent variable while director's remuneration, audit committee size, board size i.e. corporate governance is independent variables. The use of binary logistic regression model is justified since this is a situation where the dependent variable is binary (0or 1) (Niemi, Kinnunen, Ojala, & Troberg, 2012). Accordingly, the following econometric model in general form is thus specified for the study:

Dependent variable = $\beta + \sum\beta$ + Independent Variables+ε

Where β = Intercept of regression line and

ε = error term

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This study analyses the effect of corporate governance on audit quality in Nigeria. The period for the study is eight (8) years i.e. 2011 - 2018. In order to achieve the objective of the study, one general method is used in the empirical analysis of data.

Regression analysis method is used to empirically analyse the data and it is carried out the statistical package for social sciences (SPSS). The results are presented below:

4.2 Data Analysis and Interpretation

This section presents the analysis and statistics prepared from data gathered for the purpose of the study as well as interpretation of such analysis.

Testing of hypothesis I:

Objective 1: Examine the relationship between Directors Remuneration and Audit Quality in consumer service sector in Nigeria

Hypothesis one

H0: There is no significant relationship between Directors remuneration and audit quality in consumer service sector in Nigeria.

H1: There is significant relationship between Directors remuneration and audit quality in consumer service sector in Nigeria.

Table 4.1.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788[a]	.621	.611	.49377

a. Predictors: (Constant), lnDR

Source: Researcher's Computation, 2019

The model summary shows the predictive power of the model. R is the correlation coefficient between the dependent variable (observed) and the independent variable(s) (the predictor(s). The sig of R indicates the direction of the relationship (positive or negative). The value of R range from -1 to 1. The absolute value of R indicates the strength, with larger absolute value indicating strong relationship.

In Table 4.1.1, R= O.788. This mean there is high (78.8%) positive relationship between the directors' remuneration and auditors' fees. The R squared (coefficient of determination) show the degree of linear- correlation of variables (goodness of fit) in regression analysis. This is the proportion of variation in the dependent variable explained by the regression model. In other words, it shows the extent to which the independent variable(s) can explain the variance in the dependent variable. The sample R squared tends to be optimistically estimate how well the model fit the population.

Table4.1.1, show R squared of 0.621, which means that directors' remuneration can explain 62.1% variation in the value of auditors' fees while holding other independent variables constant.

Adjusted R square only adjust for the number of variables in the regression model. Standard error of the estimate is the standard deviation of the residuals. It attempts to correct R squared to a more closely reflect the goodness of fit of the model. It is also R squared value adjusted for the number of variables in the regression model. The value of Adjusted R in this table is 0.611.

The standard error of estimates is the standard deviation of the residuals. As R squared increases, the standard error of the estimate decreases. In other words, a better fit leads to less estimate error. It is an important indicator of how precise an estimate of the population parameter the sample statistic is.

Table 4.1.2: **ANOVA[a]**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.166	1	15.166	62.203	.000[b]
	Residual	9.265	38	.244		
	Total	24.430	39			
a. Dependent Variable: lnAF						
b. Predictors: (Constant), lnDR						

Source: Researcher's Computation, 2019

The ANOVA table tells us the overall significance of the model. The F-statistics is the regression mean square (MSR) divided by the residual mean square. F-Statistics determine whether the model is a good fit for the data based on its significance level. A significant value of F- statistics shows that the model is better at predicting the outcome value of the dependent variable than its average. If the significance value of the F-statistics is smaller than 0.05 then the independent variable(s) is significant to explaining the variation in the dependent variable and the null hypothesis is accepted. Table 4.1. 2 showed a value of 62.203 and a p-value of 0.000 which is less than 0.05. It suggests that there is significant relationship between auditors' fees and directors' remuneration.

Decision rule:

H_1 of significant relationship is therefore accepted and

H_0 of no significant relationship is rejected.

Table 4.1.3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.812	.687		15.730	.000
	LnDR	.324	.041	.788	7.887	.000

a. Dependent Variable: lnAF

Researcher's Computation, 2019

The standardized coefficients or beta is an attempt to make the regression coefficient more comparable. It provides a useful way of seeing what impact of changing the explanatory variable by one standard deviation it will have on the dependent variable. It is usually equal to the correlation coefficient between the variables.

Objective 2: Identify the relationship between Board size and Audit Quality in consumer service sector in Nigeria

Hypothesis two.

H_0: There is no significant relationship between Board size and audit quality in consumer service sector in Nigeria

H_1: There is a significant relationship between Board size and audit quality in consumer service sector in Nigeria

Table 4.2.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.059[a]	.003	-.023	.80042

a. Predictors: (Constant), Board Size

Source: Researchers' computation, 2019

In Table 4.2.1, R value is 0.059. This mean that the positive correlation between auditors' fees and board size is 5.9%. The R square value is 0.003 (0.3%) meaning that board size explained 0.3% variation of audit fees while holding other independent variables constant.

Table 4.2.2: **ANOVA[a]**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.085	1	.085	.133	.718[b]
	Residual	24.346	38	.641		
	Total	24.430	39			

a. Dependent Variable: lnAF

b. Predictors: (Constant), Board Size

Source: Researchers' computations, 2019

Table 4.2.2 showed an F-statistics value of 0.133 with a p-value of 0.718. This is more than 0.05 (5%) the critical value. This implies that there is no significant relationship between auditors fee and board size.

Decision rule:

This suggest the adoption of H_0 of no significant relationship and the rejection of H_1 of significant relationship between auditors' fees and board size.

Table 4.2.3: **Coefficients[a]**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.318	.354		46.157	.000
	Board Size	-.011	.030	-.059	-.364	.718

a. Dependent Variable: lnAF

Source: Researchers' computation, 2019

Objective 3: Examine the relationship between Audit Committee size and Audit Quality in consumer service sector in Nigeria

Hypothesis three:

H_0: There is no significant relationship between Auditor's committee size and audit quality in consumer service sector in Nigeria.

H_1: There is significant relationship between Auditor's committee size and audit quality in consumer service sector in Nigeria.

Table 4.3.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.355[a]	.126	.103	.74946

a. Predictors: (Constant), Auditors Committee size

Source: Researchers' computation

Table 4.3.1 showed R value of 0.355 (35.5%) positive relationship between auditors' fees and auditors' committee size. The R squared has a figure of 0.126, meaning a variation in the auditors' fees can be explained by audit committee size up to 12.6%.

Table 4.3.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.086	1	3.086	5.494	.024[b]
	Residual	21.344	38	.562		
	Total	24.430	39			

a. Dependent Variable: lnAF

b. Predictors: (Constant), Audit Committee size

Source: Researcher' computation, 2019

Table 4.3.2 has an F-statistics value of 5.494 with a p-value of 0.024. This p-value is less than 0.05 (5%) level of significance. It suggests that there is a significant relationship between the auditors' fees and auditors' committee size.

Decision rule:

This signify the acceptance of H_1 of significant relationship between auditors' fees and audit committee and the rejection of H_0 of no significant relationship between the two.

Table 4.3.3: **Coefficients[a]**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	13.686	1.078		12.693	.000
	Audit Committee size	.415	.177	.355	2.344	.024

a. Dependent Variable: lnAF

Source: Researchers' computation, 2019

Overall result

Table 4.4.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.791[a]	.626	.595	.50373

a. Predictors: (Constant), lnDR, Board Size, Audit Committee size

Source: Researchers' computation, 2019

Table 4.4.1, the overall R showed a value of 0.791, meaning a high (79.1) positive relationship between the dependent variable (auditors' fees) and the independent variables (directors' remuneration, board size and audit committee size). The R squared value is 0.626, which means that 62.6% of the variation in the auditors' fees can be explained by the three variables.

Table 4.4.2: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.296	3	5.099	20.093	.000[b]
	Residual	9.135	36	.254		
	Total	24.430	39			

a. Dependent Variable: lnAF

b. Predictors: (Constant), lnDR, Board Size, Auditors Committee size

Table 4.4.3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.508	.898		11.695	.000
	Auditors Committee size	.088	.128	.076	.690	.494
	Board Size	-.003	.019	-.017	-.169	.867
	LnDR	.312	.045	.759	6.924	.000

a. Dependent Variable: lnAF

Source: Researchers computation, 2019

Table 4.4.2 showed the overall ANOVA table. The F-statistics value is 20.093 with a p- value of 0.000. This revealed a significant level, as the p-value is less than 0.05 significance level. This show that the model is fit for prediction. The three independent variables jointly has a significant relationship with the dependent variable.

Source: Researchers' computation, 2019

Table 4.4.3 revealed the significance level of contribution of each of the three independent variables into the model. Apart from directors' remuneration that has a significant level of contribution, the other two independent variables has no statistically significant contribution to the model.

Therefore:

$AF = 10.508 + 0.088\ (ACS) + BS\ (-.003) + DR\ (0.312 + e_t$

4.3 Discussion of Findings

The general objective of this study is to evaluate the effect of corporate governance on audit quality in consumer services sector in Nigeria.

The result of this study is discussed in this section. The overall result showed that the three independent variables jointly has a significant relationship with the dependent variable.

It could be seen from the outcome of hypothesis one, from table 4.1.1, the model summary shows that there is high positive relationship between the director's remuneration and auditors' fees (i.e. 78.8%). The model summary shows the predictive power of the model. Table 4.1. 2 showed a value of 62.203 and a p-value of 0.000 which is less than 0.05. It suggests that there is significant relationship between auditors' fees and directors' remuneration. This result is consistent with Dennis, Michael and Nicole (2013). However, it is inconsistent with Uwalomwa, Eluyela and Olubukola (2018) who reports a contradictory effect on directors' remuneration.

It is revealed from the test of hypothesis two i.e. In Table 4.2.1, R value is 0.059. This mean that the positive correlation between auditors' fees and board size is 5.9% and Table 4.2.2 showed an F-statistics value of 0.133 with a p-value of 0.718. This is more than 0.05 (5%) the critical value. This suggests that there is no significant relationship between board size and auditors fee. However, it is consistent with Blanca, Txomin and Amaia (2013), Ejeagbasi, Nweze, Ezeh, and Nze (2015) who reports that there is no significant relationship between board size and audit fee. The result is inconsistent with Anil Gacar (2016) and Okaro, Okafor and Okoye (2015) who reveals that there is a positive relationship between board size, financial performance (audit fee).

It is revealed from the test of hypothesis three that there is a significant relationship between the auditors' fees and auditors' committee size. This is inconsistent with Mustafa, Che-Ahmad and Chandren (2018) who reports that there is no significant relationship between auditors' fee and auditors' committee size and it is consistent with Dennis, Michael and Nicole (2013) who reveals that there is a significant relationship between auditors fee and auditors committee size

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on the summary of findings from the empirical analysis as well as the conclusion. The policy recommendations necessitated by these findings are subsequently presented.

5.2 Summary of Findings

This study investigated the effect of corporate governance on audit quality in consumer service sector listed on the Nigerian stock exchange. Using Board size, Directors remuneration and Audit Committee size as indicators of corporate governance and they are the independent variables, the study also used Audit fee as indicator of Audit Quality and it is the dependent variable. Annual data from annual reports of companies spanning from 2011 – 2018 were examined using Regression analysis test to examine the relationship that exist between the dependent variable and independent variables. The empirical results revealed the following findings:

1. There is a positive and insignificant relationship between Board Size and Audit Quality in consumer service sector in Nigeria
2. There is a positive and significant relationship between Directors Remuneration and Audit Quality in consumer service sector in Nigeria.
3. There is a positive and significant relationship between Audit Committee size and Audit Quality in consumer service sector in Nigeria.
4. There is a significant and positive relationship between the dependent variable and all the independent variables in consumer service in Nigeria.

5.3 Conclusion

The result of the hypothesis tested shows that Directors remuneration has a positive and significant relationship with audit quality which is revealed at a p-value of 0.000 which is less than 0.05 the critical value. On the other hand, auditor committee size has a significantly positive relationship with audit quality which have a p-value of 0.024. This p-value is less than 0.05 (5%) level of significance, while board size has an insignificant but positive relationship with audit quality at p-value of 0.718 which is more than 0.05 (5%) the critical value. There is a positive strength that is the positive correlation between auditors' fees and directors' remuneration, board size and auditors' committee size are (O.788, 0.059 and 0.355). The significant relationship between directors' remuneration and auditor committee size shows that these corporate governance mechanisms play a vital role in effective corporate governance. This is because these principles lead to effective auditing and demonstration of corporate facts to the advantage of the managers and shareholders.

5.4 Recommendations

Based on the research findings, and the conclusion, effective corporate governance disperses powers and generates opportunity for forms and balances.

1. The composition of the audit committee which is very vital should be strictly followed, for its influence corporate governance to bring about best practices and ideas concerning internal control and risk management processes.
2. The audit quality should be maintained and improved upon by following audit objectives such as: implementation of Acts rules and regulations and financial control mechanisms
3. In a case, where the CEOs control the composition and size of the board and reduce its monitoring role should end because it creates insufficient or feeble internal control system.

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Appendices

Appendix 1:

DR	AF	BS	ACS	Log AF	Log DR
52753000	7200000	20	6	15.79	17.78
22155000	22160000	20	6	16.91	16.91
28776000	15000000	23	6	16.52	17.18
60571000	20000000	23	6	16.81	17.92
100620000	20000000	13	6	16.81	18.43
30101000	20000000	13	6	16.81	17.22
40402000	15000000	13	6	16.52	17.51
45675000	11250000	13	6	16.24	17.64
5000000	6000000	6	4	15.61	15.42
6500000	6000000	6	6	15.61	15.69
7000000	6000000	7	6	15.61	15.76
8000000	6400000	7	6	15.67	15.89
9000000	6412000	7	6	15.67	16.01
9000000	7680000	7	6	15.85	16.01
4000000	6000000	10	6	15.61	15.2
4000000	6000000	10	6	15.61	15.2
5000000	5000000	13	4	15.42	15.42
4000000	5000000	13	6	15.42	15.2
4050000	5200000	13	6	15.46	15.21
4050000	5200000	13	6	15.46	15.21

4325000	5200000	13	6	15.46	15.28
11200000	5500000	13	6	15.52	16.23
6700000	5500000	13	6	15.52	15.72
8475000	5500000	12	7	15.52	15.95
405281000	27500000	10	8	17.13	19.82
179516000	30000000	8	6	17.22	19.01
212564000	35000000	8	8	17.37	19.17
346994000	35000000	7	7	17.37	19.66
221845000	35000000	7	6	17.37	19.22
216522000	40250000	7	6	17.51	19.19
302421000	35000000	7	6	17.37	19.53
3655387000	29500000	7	6	17.2	22.02
2300000	6000000	10	6	15.61	14.65
2300000	6000000	10	6	15.61	14.65
1305000	6000000	10	6	15.61	14.08
1870000	6000000	10	6	15.61	14.44
1870000	6500000	10	6	15.69	14.44
1870000	7500000	10	6	15.83	14.44
1870000	7500000	10	6	15.83	14.44
7500000	75000000	10	6	18.13	15.83

Keys:

DR = Directors Remuneration

AF = Auditors fees

BS = Board Size

ACS = Audit Committee Size

Log AF =Logarithms of Auditors fees

Log DR = Logarithms of Directors Remuneration.

Appendix 2:

Daar Communications plc annual report

Year	Board Size	Director's Remuneration(₦,000)	Audit Committee Size	Auditor's fee ₦,000
2011	20	52,753	6	7,200
2012	20	22,155	6	22,160
2013	23	28,776	6	15,000
2014	23	60,571	6	20,000

2015	13	100,620	6	20,000
2016	13	30,101	6	20,000
2017	13	40,402	6	15,000
2018	13	45,675	6	11,250

Afromedia Nigeria Ltd

Year	Board Size	Director's Remuneration(₦,000)	Audit Committee Size	Auditor's fee ₦,000
2011	6	5,000	6	6,000
2012	6	6,500	6	6,000
2013	7	7,000	6	6,000
2014	7	8,000	6	6,400
2015	7	9,000	6	6,412
2016	7	9,000	6	7,680
2017	10	3,875	6	6,000
2018	10	4,000	6	6,000

Secure Electronic Technology plc

Year	Board Size	Director's Remuneration (₦,000)	Audit Committee Size	Auditor's fee(₦,000)
2011	13	4,000	6	5,000
2012	13	4,000	6	5,000
2013	13	4,050	6	5,200
2014	13	4,050	6	5,200
2015	13	4,325	6	5,200
2016	13	11,200	6	5,500
2017	12	6,700	6	5,500
2018	12	8,475	6	5,500

Transcorp Hotels Plc

Year	Board Size	Director's Remuneration ₦,000	Audit Committee Size	Auditor's fee ₦,000
2011	10	405,281	6	27,500

2012	8	179 516	6	30,000
2013	8	212 564	6	35,000
2014	7	346,994	6	35,000
2015	7	221,845	6	35,000
2016	7	216,522	6	40,250
2017	7	302,421	6	35,000
2018	7	365,387	6	29,500

Capital Hotel Plc

Year	Board Size	Director's Remuneration (₦,000)	Audit Committee Size	Auditor's fee (₦,000)
2011	10	2,300	6	6,000
2012	10	2,300	6	6,000
2013	10	1,305	6	6,000
2014	10	1,870	6	6,500
2015	10	1,870	6	7,500
2016	10	1,870	6	7,500
2017	10	1,870	6	7,500
2018	10	1,870	6	7,500