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REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

ACKNOWLEDGMENTS

REFERENCES

APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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CORPORATE GOVERNANCE AND AUDIT QUALITY IN NIGERIAN BANKS

OBARETIN OSASU
LECTURER
DEPARTMENT OF ACCOUNTING
UNIVERSITY OF BENIN
BENIN CITY

DR. CHINWUBA OKAFOR
ASSOCIATE PROFESSOR
DEPARTMENT OF ACCOUNTING
UNIVERSITY OF BENIN
BENIN CITY

ABSTRACT

This study, focused on the relationship between corporate governance and audit quality in the Nigerian Banking sector. Data for the study were gathered from both the primary and the secondary sources. In analysing the data gathered the Z- test, a parametric test, was used. The result revealed that corporate governance has significantly influence on the quality of audit work and that corporate governance significant influences the rapid growth and development of the Nigeria Banking sector. Premised on the above, the paper recommended that the relevance of corporate governance should be strongly re-emphasized among banks alongside its associated benefits; that the Institute of Chartered Accountant and other professional bodies play a significant role in enlightening their members of the need for quality audit, Banks executives and board member should adhere strictly to the Code of Corporate governance to enhance transparency in banking practices and members of Audit Committee should also play a significant role in enhancing quality audit work and the free flow of the principle of corporate governance.

KEYWORDS
Corporate Governance, Auditors Independence, Audit Quality and Nigerian Banks.

INTRODUCTION
Audits are carried out to ascertain the validity and reliability of financial statement and other corporate information to the public. The goal of an audit is to express a professional opinion on the financial statements being examined, based on work done on a test basis. Evans and Parker (2008), describe auditing as one of the most powerful safety monitoring technologies and effective way to avoid complacency and highlight slowly deteriorating conditions especially when the auditing focuses not just on compliance but also effectiveness of the system.

Audit quality deals with the influence of the audit on financial statement and ability of the auditors to control the quality of information produced through the assured Generally Accepted Accounting Principle (GAAP) and relevant supporting legislations. Therefore, the Auditor's expertise which consists of both the ability to discover misappropriations and form an opinion is very important in financial reporting. These abilities are useful to internal and external users of financial statements for example the shareholders, managers, employers, investors, banks and government among others.

In the banking industry, a study carried out by Macey and Hara (2003), argue that the Commercial Bank pose unique corporate governance problems for managers and regulators as well as for claimants on the Banks cash flow, such as investors and depositors. The Nigerian banking industry has passed from crisis to a period of restructuring, characterized by Bank failures, distress and mergers. The continual distress of Banks has led to several questions being asked such as "who is responsible for the effectiveness of corporate governance and implementation?" However, sound corporate governance can be attributed to a collaborative working relationship between the management and Bank supervisor.

The objective of this paper was to examine the impact of corporate governance on audit quality in the Nigerian Banks and the role of corporate governance in ensuring the efficiency and growth of the Nigerian Banks. In achieving this, the paper was divided into five sections. Closely following this is the review of related literatures; section three is on the research methods, four on empirical result and five on conclusion and recommendations

LITERATURE REVIEW
OVERVIEW OF CORPORATE GOVERNANCE
In this section, extant literature was review on corporate governance and audit quality. corporate governance has succeeded in attracting a good deal of public interest because of its apparent importance for the economic health of corporation and the society in general. However, the concept of corporate governance has been defined by various person from wide range of perspectives. Some of the definitions that have cropped up include the following:

Organization of Economic Cooperation and Development(OECD's) (1999) definition is in line with the one presented by Cadbury (1992) which defines corporate governance as the system by which business corporation are directed and controlled. Governance structure specifies the distribution of rights and responsibilities among different participant in the corporation such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs, by doing this, it provides the structure through which the means of attaining these objectives and monitoring performance are achieved.

In another paper by OECD (2004), corporate governance was defined as the framework which should promote transparency and efficient market, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

Kwakwa and Nzekwu (2003), see corporate governance as the manner in which the power of a corporation is exercised in accounting for corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and the satisfaction of other stakeholders while attaining the corporate mission.

In the view of Yahaya (1998), corporate governance is concerned with the process by which corporate entities; particularly limited liability companies are governed. He traced it as the exercise of power over the enterprise direction, supervision and control of executive actions, the concern for the effects of the enterprise on the parties (social responsibility) acceptance of a duty to be accountable and self-regulation of a corporation within the status and jurisdiction of the Federal Republic of Nigeria.

Smith (2002:42), sees corporate governance as a "Culture that has a common understanding of the roles of management and the board" to him, corporate governance is a culture of mutual respect that both parties have for each other's role. It is a culture of continuous open dialogue and communication. In rounding up his views on corporate governance, From the above definitions, two critical areas can be outlined which includes, accountability and transparency. Accountability in a corporate context is based on a system of checks and balance and sound auditing practices while transparency in the corporate world refers to the process of disclosing information on a company's performance over a certain period of time.

The practical implication of the above definitions cannot be overemphasized. While some writers recognized corporate governance as a legal process, other views is simply as a managerial function. This just shows that corporate governance goes beyond law and legal process, a conglomerate of activities encompassing legal, cultural and institutional arrangement geared towards re-engineering the mindset of corporate participant to ensure efficiency in corporate performance. Before now, all these issues did not really mean much, but the new wave of awareness, defense of right, aggressive union activities has awaken the consciousness of the need of good governance.

EXTERNAL AUDITORS AND AUDIT QUALITY

Audit quality is of significant value to present investors and potential investors because these investors often use audited financial statements by external auditors as the basis for investment decisions because auditors are as both insurance providers and informational intermediary that provide independent verification of directors prepared financial statements, audit quality contributes to the credibility of financial statements. On the premise of the above, de Angelo (1981), refer to audit quality as the probability that auditors will both discover and truthfully report material errors, misrepresentations or omissions in accounting system of clients. In addition Walkins, Hilson and Morcroft (2004), states that the components of audit quality consist of "monitoring strength and reputation." The monitoring strength gives the auditors ability to increase the quality of financial statement information which reflects true economic circumstances of clients. Also, reputation represents the auditors' ability to enhance the credibility of financial statement information.

In the opinion of Razaee (2005), management of company is primary responsible for designing and maintaining adequate and effective internal controls, but external auditors should ensure that internal controls are adequate and effective in preventing, detecting and correcting financial statement misstatement. While the work of Gambling, Maletta, Scneider and Church (2004), shows that the most extensive area of internal auditing literature on the role of an internal Audit function (IAF) within corporate governance focuses on the relationship between the external auditors and the IAF. Many studies provide evidence on the various factors/criteria affecting the external auditor reliance decision. These factors include the IAF's independence (reporting responsibilities) competence and work performance of internal auditor, audit materiality levels, client risk factors and prior experiences with the particular IAF (Al-Twayry, Brierley and Gwilliam, 2004, Haron, Chambers, Ramsi, and Ismail, 2004).

Still on the above issue, the Big 4 firms as external auditors participating in an organizations governance can significantly influence audit quality. Beasley, Clune and Harmanson (2005), explain that most studies classify the largest international accounting firms, the Big 4firms, as high quality auditors. Rezaee (2005), further supported the notion by saying that Big 4 Accounting firms are more likely to detect financial statement misstatement than non-Big 4 accounting firms because they have a greater ability to withstand client pressure, greater concern for their reputation, greater resources (in terms of both competent personnel and advanced technology) and more developed audit strategies and processes. In the work of Felix, Gramling and Maletta (2005), it was revealed that if a company is shunned by a Big 4 accounting firm, this may indicate potential internal control problems. The same approach was followed by Zhang, Zhou and Zhou (2007), in their American study on audit committee quality.

THE ROLE OF EXTERNAL AUDITORS IN CORPORATE GOVERNANCE

Auditing and governance are two separate functions, but they are not mutually exclusive, neither are they independent nor dependent, rather one reinforces the other.

Auditing is defined as obtaining and evaluating evidence regarding assertion about economic actions and events to ascertain the extent to which they correspond with the established criteria, and to communicate the result to the interested users. Thus, it encompasses investigation process, pertaining to economic action and events.

International audit standards maintain that an auditor's mandate may require him to take cognizance and report matters that come to his knowledge in performing his audit duties which relate to compliance with legislative or regulatory compliance or adequacy of accounting and control system, viability of economic activities programs and projects.

Lately, a view that has emerged is that auditors should play a more vital and direct role in establishing good governance. This means that auditors should be made to feel more conscientious, more dutiful and therefore to be more effective.

Internal Auditing Standards (IAS) also recognized that there are matters that may be broader than those that form the subject matter of IAS, which is directly related to the audit of financial statement. Thus, it is established that auditors are not required to traverse their area of operation, whatever they are expected to contribute towards good governance shall therefore be formed within their range of sphere of activity. In other word, it is the quality of their performance, which needs to be ameliorated to match the requisites of good governance.

BENEFITS OF CORPORATE GOVERNANCE ON AUDIT QUALITY

In achieving the objective of quality audit, the significant of corporate governance cannot be overemphasized. Quality audit work embrace to varying degrees, the dimensions of competence and independence of audit firms (Chen, Yen, Fu and Chang, 2007), they went further to state that a high quality audit firm should have independence (relationship based), enough expertise (technique based), and good integrity (honesty and forthrightness). In a broad sense, audit independence includes expertise and integrity. However, most empirical audit quality research see audit quality in relation to audit risk which is the risk that an auditor may fail to modify the opinion on financial statements that are materially misstated (NCPA, 1994, SAS No. 47). Premised to the above, De Angelo (1981), stated that the quality of audit work is a function of the firm size. The larger the audit firms are, the better the position to carry out quality audit than smaller firms.

However, in relation to corporate governance, quality audit work can influence the following:

- The probability that audit results will be relied on and recommended, improvements will be seriously considered and implemented;
- The reputation of the organization is enhance through quality audit work, and
- Quality audit work is basis for strong decision making a focal point for strategy formulation among others.

HYPOTHESES

Ho: corporate governance has no significant influence on audit quality in Nigerian Banks.

Ho: Corporate governance has no significant influence on the rapid growth and development of the Nigeria banking sector.

METHODOLOGY

This study relied on both the primary and the secondary data. For primary source data collection was based on the information obtained through questionnaire administered to internal auditors of some banks and audit seniors and partners of some selected audit firms in Benin City.

A total of 80 questionnaires were administered to these respondents and a total of seventy (70) questionnaires were successfully retrieved from the respondents in the study being reviewed. Thereafter, the binomial test (Z test) statistics which test the association between two variables was used to analyze the data generated.

EMPIRICAL RESULTS

The section of the study provides the relevant data for validating or rejecting the null hypothesis:

HYPOTHESIS ONE

Ho; corporate governance in Nigerian banks has no significant influence on the quality of audit work

TABLE 1: RESPONSE TO QUESTION SIX (GOOD CORPORATE GOVERNANCE PRACTICE INFLUENCES THE QUALITY OF AUDIT SERVICE RENDERED IN THE BANKING SECTOR)

RESPONSES	NUMBER	PERCENTAGE (%)
Strongly Agree	26	37
Agree	34	49
Undecided	6	8
Disagree	4	6
Strongly Disagree	-	-
Total	70	100

Source: Field Survey, 2011

The table revealed that eighty six (86) percent of the respondents believe that audit quality is influence by corporate governance, while eight (8) percent are undecided and six (6) percent do not agree to the question

Using Binomial P, the null hypothesis (Ho) in respect of the above table is tested using one tail test as follows:

Ho: $P \leq 0.5$

HA: $P \geq 0.5$

Z cal is computed using:

$$Z = \frac{x - npo}{\sqrt{Npo\,(1 - po)}} \qquad = Z \quad \frac{60 - (70 \times 0.5)}{\sqrt{70 \times 0.5\,(1 - 0.5)}}$$

$$Z = \frac{60 - (70 \times 0.5)}{\sqrt{70 \times 0.5\,(1 - 0.5)}}$$

$$= \frac{60 - 35}{\sqrt{17.5}} \qquad Z = \frac{15}{3.5} \qquad Z = 5.89$$

$Z_{0.05} = 1.645$

Since Z cal is 5.98 and is greater than the critical value of Z value at 5% which is 1.645, we accept the alternative hypothesis which states that corporate governance in Nigerian banks has significant influence on the quality of audit work and reject the null hypothesis.

HYPOTHESIS TWO

Ho: Corporate governance has no significant influence the rapid growth and development of the Nigeria Banking Sector

TABLE 2: RESPONSE TO Q. 10 (GROWTH AND DEVELOPMENT OF THE NIGERIA BANKING SECTOR HAS BEEN INFLUENCED BY THE APPLICATION OF CORPORATE GOVERNANCE)

RESPONSES	NUMBER	PERCENTAGE (%)
Strongly Agree	25	36
Agree	27	40
Undecided	11	15
Disagree	6	8
Strongly Disagree	1	1
Total	70	100

Source: Field Survey (2011)

From the above table, it reveals that 76 percent of the respondents agree that corporate governance has significant influence on the growth and development of the banking sector, while 15 percent of the respondents are undecided and 9 percent disagreed.

Using the Binomial p to test the null hypothesis in respect of the above table, computation is show below;

Ho: $P \leq 0.5$

HA: $P \geq 0.5$

$$Zcal = \frac{52-70(0.5)}{\sqrt{70 \times 0.5(1-0.5)}} \qquad Z = \frac{52-35}{\sqrt{17.5}} \qquad = \frac{17}{4.18}$$

Therefore Zcal = 4.07 and $Z_{0.05}$ = 1.645

DECISION

Since Z cal is 4.07 is greater than critical value of Z value at 5% which is 1.645, we accept the alternative hypothesis which state that corporate governance has significant influence on the rapid growth and development of the Nigeria Banking Sector

CONCLUSION

The purpose of this research was to consider the impact of corporate governance on audit quality in the Nigeria banks. Most studies in this area have use proxy for corporate governance in determining its influence on audit quality like board size, CEO duality, board independence, audit committee independence amongst others, but in this work corporate governance as concept was used to evaluate audit quality in the Nigeria banking sector through the use of questionnaires duly administered. In order to achieve the objective of the study, relevant data needed were gathered from various sources these data were further analyzed using the binomial Z -test statistic.

On the analyses; hypothesis one revealed that corporate governance in the Nigerian banks has significant influence on the quality of audit work and this was base on 5 percent level significant. While for hypothesis two; it was concluded that corporate governance has significant influence on the rapid growth and development of the Nigeria Banking Sector

RECOMMENDATIONS

Every system has its shortcomings and if noticed, they have to be corrected to enhance the effectiveness and efficient of the system. Based on this, the researcher's recommend as follows:

1. The relevance of corporate governance should be strongly re-emphasized among banks,
2. The Institute of Chartered Accountant and other professional bodies should play an important role in enlightening its members of the need for quality audit.
3. Banks board member, management and staff should adhere strictly to the Code of Corporate governance to enhance transparency in banking practices.
4. Member of Audit Committee should also play a significant role in enhancing quality audit work and the free flow of the principle of corporate governance.
5. Auditors should be encouraged to adhere to the principle of auditors independence in the course of their audit work and abide by all ethical issue as it relate to their profession.

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