Corporate Governance Practices and Audit Quality of Quoted Banks in Nigeria

Eneisik Gogo Erasmus
Department of Accountancy
Rivers State University, Port Harcourt, Nigeria

Abstract
The study investigated the relationship between corporate governance practices and audit quality of quoted banks in Nigeria. To achieve this objective theoretical, conceptual and empirical literature on corporate governance practices and audit quality were reviewed. Corporate governance practices were proxied by board size, board composition and ownership consideration while audit quality was proxied by audit tenure, audit firm size and audit fees. The population of the study consists of fourteen (14) quoted banks in Nigeria. Judgmental sampling technique was used to select twelve (12) quoted banks as sampled size for the study. Secondary data were obtained from audited annual financial reports of quoted banks in Nigeria from 2006-2019. The study adopts the use of descriptive statistics for univariate analysis while hypotheses formulated were tested using ordinary least square regression with the aid of E-view 10 econometrics software. Finding shows that board size, board composition and ownership concentration jointly have significant impact on audit tenure of quoted bank in Nigeria. Evidence shows that board size, board composition and ownership concentration jointly has significant impact on audit fees of quoted bank in Nigeria. Evidence revealed that board size, board composition and ownership concentration has insignificant impact on audit firm size of quoted bank in Nigeria. The study concludes that corporate governance practices have a significant impact on audit quality of quoted banks in Nigeria. The study recommends among others that the regulatory agency should strengthen bank supervision to ensure compliance with ownership concentration as stipulated in bank and other financial institution act, the central bank of Nigeria should ensure strict compliance to corporate governance code in respect of board composition and board size to enhance efficient monitoring and control of management, audit quality should be enhanced by ensuring the used of the Big4 audit firm, auditors-client relationship should not exceed 5years, because longer audit tenure strengthens the auditors-client bond which can impair the auditors objectivity and independence resulting in lower audit quality.

Keywords: *Corporate Governance Practices, Audit Quality, Nigeria*

Introduction

Corporate organizations need to attract funds from investors for growth and expansion. Investors need to be sure that their investment in any corporation is sound financially and will continue to be so in foreseeable future, investors need to have confidence that their business is being managed in the best interest and will continue to be profitable. Corporate governance is one of the mechanisms that will restore investor's confidence in an organization, due to corporate failure. There have been high profile corporate collapses that have arisen despite the fact that the annual report and accounts of organizations seen fine. These corporate failures have adverse effect on many stakeholders. These collapses have lead to the demand by stakeholder for sound corporate governance structure in the organization. Lack of effective corporate governance meant that such collapses could occur. Good corporate governance can help prevent such corporate collapses from happening again and restore investor confidence. Corporate governance system ensures that banks follow a sound,

transparent and credible financial reporting system. Corporate governance help to ensure that adequate and appropriate system of controls operates within banks and assets may be safeguarded. Mallin (2013) stated that emerging financial scandals will continue to ensure that there is a sharp focus on corporate governance issue especially relating on transparency,disclosure, control, accountability and to the most appropriate form of board structure that may be capable of preventing such scandals occurring in future.
Cadbury Report (1992) stated that corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation such as the board managers, shareholders and spell out the rules and procedure for making decision on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance. Corporate governance can be seen as a system of rules, practices by which an organization is governed, administered and managed to achieve set goals and objectives. Corporate governance is concerned with both the shareholders and the internal aspects of the company such as internal control and the external aspects such as an organizations relationship with the shareholders and other stakeholders. Ghosh (2014) reported that corporate governance ensures that company attains its corporate objectives and monitor performance and ensures operations of companies are at optimum efficiency. There are many indicators of corporate governance such as board structure, board composition, board independence, board meeting, audit committee, board size, ownership concentration, board of directors. The current study adopts board size, board composition and ownership concentration as proxies of corporate governance. Board size is the total number of directors on the board of companies, which is inclusive of the chief executive officer and chairman in an accounting year. Board size of a company have significant impact on the audit quality of the organization because board of directors with experience and skill in accounting and finance ensure that there is proper supervision, monitoring of financial reporting quality and sound audit quality practices. The international best practice is having a board with more non executive than executive directors for ensuring independence of the board. Board composition is concerned with the issue of board independence, board diversity, experience and functionally background. Board independence is refers to a corporate board that has a majority of independent outside directors as compared to an insider dominated board, an outsider dominated board is believed to be more vigilant in monitoring managerial behaviours, decision making and ensure high quality audit practices. Ownership concentration is a significant internal corporate governance mechanism in which owners can control and influence the management of the firm to protect their interest. Concentrated ownership provides the large investors with both sufficient incentive and power to discipline management and ensure sound audit quality practices to improved performance. Good corporate governance practices is expected to enhance audit quality, which in the opinion of the external auditor is one of the determining factor that provide effective monitoring of management in the financial reporting process. Effective corporate governance and audit quality are vital components for corporate organization to ensure proper internal control and to monitor financial reporting process. Good corporate governance practices assume the provision of high quality audit for the company. High quality audit companies are constantly attempting to improve the quality of corporate governance practice to their client.

DeAngelo (1981) defined audit quality as the market assessed joint probability that a given auditor will both discover a breach in the clients, accounting system and report the breach. This definition contains two aspects of audit quality, the competence of the auditors for detecting misstatement and the independence for reporting such misstatement. Audit quality of the banks ultimately depends on integrity, objectivity, intelligence, competence, experience and motivation of personnel who perform, supervise and review the work. Knshnah and Schauar (2001) reported that audit quality is the audit process carried out by auditors in accordance with the generally accepted auditing standard. The quality of audit can be seemed in terms of the financial statement outcome reported earnings, reliability of the financial statement and error in reported earnings. Kigove, et al. (2011) reported that audit quality determinant are audit firm size, audit firm specialization, audit independence. Bedard, et al. (2010) suggested that audit quality indicator is accounting restatement, discretionary accruals, going concern report, earnings management. The current study adopts audit tenure, audit firm size and audit fee as indicator of audit quality. Audit tenure is the length of time an auditor performs services for his client. Audit firm tenure can be seen as the duration of time an audit firm spends in performing their service with a particular client. There has being some concerned about the length of the auditor – client relationship, which may impair the quality of audits. However,it's debated intensively. There are two schools of thought, on one side the argument is that shorter audit tenure results in lover audit quality because the auditor has less knowledge and familiarity with the client operations. On the other side, the argument is that longer audit firm tenure strengthens the auditor-client relationship and bond which can impair the auditor's independence and objectivity resulting in lower audit quality. Audit firm size is a strong determinant of high quality audit, many scholars associate big audit firm with having higher expertise, experience and skill relative to non big audit firms claiming that large accounting or auditing firm have more resources to devote to developing expertise. Empirical evidence indicate that large audit firm size earn higher audit fees than non big audit firm size (e.g. Frances & Yu, 2009; Francis & Wang 2008). Audit firms with larger number of client do not depend on the revenue generated by one client whereas an audit firm with only a couple of client has implicity higher economic dependency on one single client. Large audit firm size like the big four has higher technical competence and greater resource due to the larger size and they have the motivation to deliver high quality audit services in order to protect their brand name reputations. Kilgore et al. (2011) reported that audit fees are agency cost for the principal according to the agency theory. The essence of the agency theory is the principal, the shareholders employs the auditor as an agent for an annual fee to protect his interest. These principal interests trigger the demand for audit services, which explain the demand for audit services and for determining the pricing of audit fees. Sumunic (1980) argued that audit fees are determined based on the cost structure, by the quantity of resources utilized by the auditor in performing the audit and the per unit factor cost of external audit resource to the auditor and all opportunity cost.

Tritschler (2013) maintained that high audit fees paid to auditors, notably those that are related to non audit services, make auditors more economically dependent on their client. High audit fees alone can already lead to an independence issue for the auditor. Krauss, et al. (2010) reported that when the auditors receive unusually high audit fees from a client the auditors may allow the client to engage in opportunistic earnings management. Kinney and Libby (2002) reported that unexpected non audit and audit fees may more accurately be likened to attempted bribes and will reduce the quality of reported earnings through the auditors reduced willingness to resist client biases to manage earnings. Hoitash, et al. (2007) posited that economic dependency of an auditor on the client increases when the auditor receives higher total audit fees from the client. High audit fees are as a result of high audit risk, auditor will receive a high risk premium if they agree on a high risk engagement.External auditors are responsible for verifying that the financial statements are fairly stated in conformity with General Accepted Accounting Principles and that these statements reflect the 'true' economic condition and operating results of the entity. Thus, the external auditor's verification adds credibility to the company's financial statements. In addition, the external auditors are required by auditing standards to discuss and communicate with the audit committee about the quality, not just the acceptability, of accounting principles applied by the client banks. Therefore, a quality audit is expected to constrain opportunistic earnings management as well as to reduce information risk that the financial reports contain material misstatements or omissions (Lin and Hwang, 2015). The guidelines and measures for the quality of the external auditor's performance are set forth in generally accepted auditing standards, such as competence, independence and exercise of due professional care.Empirical evidence on corporate governance and audit quality has been extensively research in developed countries with very little in merging economy like Nigeria (see Hoseinbeglou et al. 2013; Widani&Bernawati 2020; Beisland et al., 2015; Alhababsah 2018; Gacar 2016; Beisland et al., 2013; Makni et al., 2012; Ni Putu et al., 2019). However the few studies that has being conducted corporate governance and audit quality in Nigeria focus on non financial institutions and manufacturing companies (see Aribaba&Ahmodu 2017; Bett&Olouch 2017; Owolabi&Ayobami 2020; Aribaba&Ahmodu 2017; Ogoun&Perelayefa 2020; Adeyemi&Fagbemi 2010; Ebere et al., 2015). However the current study focus on the impact of corporate governance practices on audit quality of quoted banks in Nigeria, which to the best knowledge of the researcher has not been investigated on the Nigerian context, with a focus on only quoted banks in Nigeria evidence from 2006-2019. The objectives of this study is to investigate the relationship between corporate governance proxies such as board size, board composition and ownership concentration and audit quality indicators such as audit tenure, audit firm size and audit fees of quoted banks in Nigeria. Thus, the study intends to fill in the observed gap in literature by investigating the relationship between corporate governance practices on audit quality in Nigeria.

Statement of the Problem

Corporate governance problem has been highlighted as significant contributory factor in previous corporate failure.Financial crises and corporate failure of many banks is attributed to weakness and failures in corporate governance and poor audit quality. Audit firms who audit banks financial statement issued unqualified audit opinion, that the financial statement of the bank shows a true and fair view and that the records or accounts of the banks are prepared in compliance to accounting standards, auditing standards and generally accepted accounting. However, despite these unqualified audit opinions or going concern report issued by audit firm or auditors to banks, banks continue to fail and collapse after the auditors have issued the unqualified audit reports.These are necessitated the demand by stakeholders for high audit quality and good corporate governance because these banks failure are attributed to poor audit quality and weak corporate governance structure.Corporate governance structure put in place in many banks did not serve their purpose to safeguard against excessive risk taking. Existing corporate governance in banks show that there is failure in risk management systems, lack of information about risk exposures, lack of monitoring by board for risk management, lack of disclosure concerning risks and their management, inadequate accounting standards, lack of regulatory requirement and prolonged systematic crises related to internet banking fraud. Despite the existing of corporate governance regulation, self regulation and code of best practices, guidelines and so on, there have been increase banks failure, collapse, financial scandal, merger and acquisition of bank and financial support by the central bank of Nigeria. The important of good corporate governance practices cannot be overemphasis in the face of continues corporate failure and collapse. Strong board of directors is needed to aid banks in managing the impact of unexpected events. Good corporate governance makes bank more resilient to unforeseen challenges in business environment. Empirical evidence suggests that few studies have been carryout on corporate governance and audit quality in Nigeria. However, the studies on corporate governance and audit quality in Nigeria focus on non financialinstitutions and manufacturing companies. Thus, this current study intends to investigate the relationship between corporate governance practices and audit quality on quoted banks in Nigeria.

Conceptual Framework

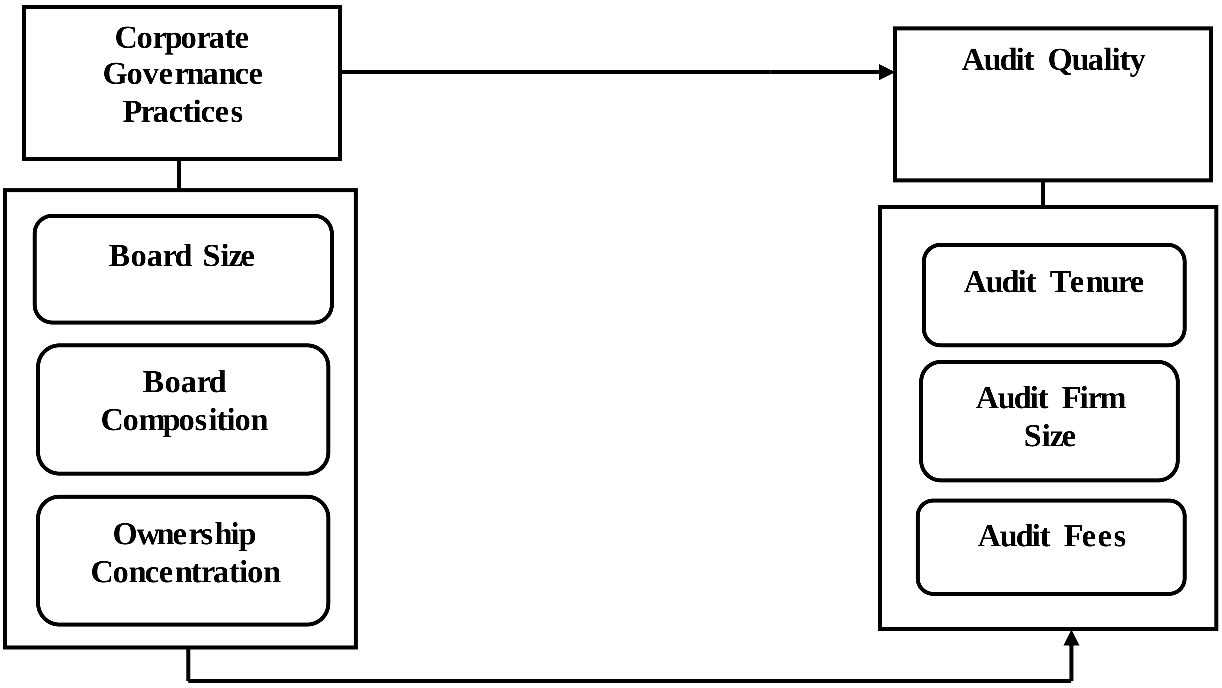

Figure 1.1: Conceptual Framework of the relationship between Corporate Governance Practices and Audit Quality

Conceptual framework is a system of concepts, assumptions, expectations, and theories that support and informs your research. It is a network or a plan of related concept that together provide a comprehensive understanding of a phenomenon. Conceptual framework can be seen as a pictorial presentation of the assumed relationship among variables in a study. Conceptual framework represents the research synthesis of the literature on how to explain a phenomenon. The above conceptual framework shows the relationship between the dimension of the independent variables and the measure of the dependent variable in the study. The explanatory variable of this study is corporate governance practice proxies by board size, board composition and ownership concentration while the explained variable of this study is audit quality measured by audit tenure, audit firm size and audit fees. The researcher in this study aims to evaluate the extent and degree to which the dimension of the predictor variable enhance the measures of the criteria variables

Research Hypothesis

The following hypothesis will guide this study.

H_{01}: There is no significant relationship between board size and audit tenure of quoted banks in Nigeria.

H_{02}: There is no significant relationship between board size and audit firm size of quoted banks in Nigeria.

H_{03}: There is no significant relationship between board size and audit fee of quoted banks in Nigeria.

H_{04}: There is no significant relationship between board composition and audit tenure of quoted banks in Nigeria.

H_{05}: There is no significant relationship between board composition and audit firm size of quoted banks in Nigeria.

H_{06}: There is no significant relationship between board composition and audit fee of quoted banks in Nigeria.

H_{07}: There is no significant relationship between ownership concentration and audit tenure of quoted banks in Nigeria.

H_{08}: There is no significant relationship between ownership concentration and audit firm size of quoted banks in Nigeria.

H_{09}: There is no significant relationship between ownership concentration and audit fee of quoted banks in Nigeria

Literature Review

Theoretical Framework

Stakeholder Theory

The stakeholder theory was propounded by Freeman (1984) asserting that stakeholder theory focuses on the idea that companies exist to serve the interest of those with a stake in the future of a firm and not the interest of the shareholder. Phillips et al. (2003) posit that stakeholder theory addresses morals and values explicitly as a central feature of managing organizations, and that attention to the interests and well-being of those who can assist or hinder the achievement of the organization's objectives is the central admonition of the theory (Phillips *et al.*, 2003). Stakeholder theory takes account of a wider group of constituents rather than focusing on shareholders. A consequence of focusing on shareholders is that the maintenance or enhancement of shareholder value is paramount, whereas when a wider stakeholder group-such as employees, provides of credit, customers, suppliers, government and the local community is taken into account, the overriding focus on shareholder value whilst at the same time trying to take into account the interests of the wider stakeholder group. Consequently, the stakeholder theory is an organizational management's theory that emphasizes the morals and values in the business organization, as well as the responsibilities of company management to balance the shareholders financial interest against the interest of stakeholders. Post, Preston and Sachs (2002) state that a stakeholder is any person, group or organization that has interest or concern in an organization and can be, or is affected by the organization's actions, objectives and policies. Stakeholders include creditors, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources. This study is anchored on the stakeholder theory because management and board of directors will be able to learn from the ideology and philosophy of stakeholder theory to ensure that all interested parties and stakeholdersin the organizations are managed equitable and fairly to avoid corporate failure and collapse.

Conceptual Review

Corporate Governance Practices

The UK Corporate Governance Code (2010) defined corporate governance as the system by which companies are directed and controlled. The governance of companies lies on its board of directors. It is the responsibilities of the shareholders to ensure proper governance is put in place by appointing directors and auditors in the company. Thus, the board oversees the company by setting strategies, provision of leadership, supervision of the management and stewardship reporting to the shareholders. Good and strong corporate governance makes managers uncomfortable in carrying out activities that may be deceptive in the financial reporting, thereby increasing the quality and reliability of financial reporting of such companies (Heiran*yet al.*, 2013). The effectiveness of the board in carrying out its monitoring activities lies on independence, size and composition of the board. Some authors believe that the board size should not be too large and meetings should be carried out on a regular basis so as to carry out their monitoring oversight functions (Adebiyi, 2017). Thus, financial reporting of high quality requires implementation of well-structured corporate governance mechanisms (Nkanbia-Davies *et al.*, 2016). The board of directors" impacts on the integrity of financial reporting as their responsibility is the provision of an independent oversight on management and reporting to providers of capital (Khalid *et al.*, 2017).Aside the institutional definitions, Corporate Governance has been variously described by authors to include in-house structure designed to direct and control management functions with a view to protecting investors' stakes in entities (O'Donovan, 2003). This definition was also reflected in the view of Asuagwu, (2013) by regarding it as the structure used in reducing agency costs between the interest of principals and agents. However, Wilson (2006) in his own view regarded it as the manner by which entities are directed, controlled, and held to account for their resources. To Oghojafor, et al. (2012) it is all about the structures put in place by entities to deal with their stakeholders in fair manners. Narrowing it down to the fair treatment of shareholders, Onuoha (2014) summarized the objective of corporate governance as the structures instituted to ensure value maximization of entities. Different variants of corporate governance mechanisms have been used in previous studies, some of which are: board size, board meeting, board gender, independent directors, executive/non- executive directors, audit committee composition, audit committee meeting, audit committee independent, foreign/home directors, local/foreign auditors. The concept of corporate governance had attracted a lot of attention from management scholars in the last three decades arising from corporate failures affecting strong and successful companies. These corporate failures were largely discovered to have resulted from corporate governance failures. Scholars like Dignam and Galanis (2009) view corporate governance as the process of an institutional balancing whereby conflicting interests of a corporations stakeholders (shareholders, employees, creditors, government, local community and more recently the environment) are accounted for and/or prioritized in order to produce benefit for society. The need for corporate governance best practice arises because of the separation of management and ownership in the modern corporation. In practice, the interest of those who have effective control over a firm can differ from the interests of those who supply the firm with external finance. There is not a universally accepted definition of corporate governance(Sanda et al., 2005). According to Oso and Semiu (2012), the essential ingredients of corporate governance such as honesty, trust and integrity, complete transparency, accountability and responsibility, protection of stakeholders interests and satisfaction, participation, business ethics and values, performance orientation, openness, mutual respect and commitment to organization are quite convincing that sincere compliance or adherence to them would pave way for the sustenance of business corporation, realization of corporate goals, good and appreciable turn-out and a veritable global market place. These ingredients after critical study were summarized into two broad elements. These are the long term relationship which has to deal with checks and balances, incentives for manager and communication between management and investors and, the transactional relationship which involves dealing with disclosure and authority.

Board Size

Makani et al. (2012) indicated that board size positively affects the demand for higher quality auditors. Board size is the total number of directors that make up the board. Some pieces of literature have associated quality audit report with the size of the board of directors. Firms with big size are likely to have more experienced directors than firms with small size. board of directors contributes to the success and development of a company and by implication to the maximization of shareholders wealth through the provision of director, supervision and monitoring of senior management. (Nasir, et al., 2014). The experienced directors, therefore, use their experience to ensure that quality financial statements are prepared. This is some extent, affects the auditors reporting lag. However, lack of proper communication and coordination has been identified byIbadin, et al. (2012) as one of the greatest disadvantages of larger board size. Arising from this, there is a problem relating to monitoring compare to small board because a large board creates less participation, is less organized, and is less able to reach an agreement (Mak& Li 2001). 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 andthe economy of a country as a whole. Poor corporate governance may contribute to bank failures which could in turn lead to a run on the bank, unemployment and negative impact on the economy(Dezoort et al., 2002). The board of directors has a significant role toplay in ensuring good corporate governance in the bank and at the heart of the corporate governancedebate 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. Theseresponsibilities put great emphasis on formal issues such as board independence, board leadershipstructure, 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 isvery important because the number and quality of directors in a firm determines and influences theboard functioning and hence corporate performance. Proponents of large board size believe it providesan increased pool of expertise because larger boards are likely to have more knowledge and skills attheir disposal.

Board Composition

Board Composition refers to the distinction between inside and outside directors, and this is traditionally shown as the percentage of outside directors or non-executive directors on the board (Goergen & Renneboog, 2000). Baysinger and Butler (1985) reported that composition may be easily differentiated into inside directors, affiliate directors and outside directors. Inside directors are those directors that are also managers and/or current officers in the firm while outside directors are non-manager directors. There are two main categories of directors, the executive and the non-executive directors. The executive director is a full time officer of the company, who may generally be appointed under a contract of service with the company. The articles normally provide for the appointment of the executive director and he is normally part of the management team but usually as the head of specific department in the company. They are professionals who are required to be qualified for their office either by educational qualification or cognate experience or both.The executive director has been described as an employee of the company with a proper contract of service with the company. The non executive directors are normally appointed to the board (mainly in public companies) to act as monitors of the executive management. Their appointments are typically on part-time basis and are only expected to attend meetings without having any office in the company. Their position is adversarial mainly and is not expected to participate in the day to day management of the company. The percentage of the executive directors to the nonexecutive directors will be used to capture board composition. The composition of the board may be used to ameliorate the principal-agent problem. The participation of outside directors is designed to enhance the ability of the firm to protect itself against threats from the environment and align the firm's resources for greater advantage. However, research on the impact of outside directors has grown significantly but with mixed results.

Ownership Concentration

Ownership concentration is the proportion or percentages of shares of companies held by a few shareholders who could be banks, individuals, family, and other companies. Ownership concentration as a system is perceived as an effective way of monitoring and influencing the management, thus leading to better performance (Liu, et al., 2014).This study uses Holderness's (2003) definition of managerial ownership, in which it means the percentage of equity owned by insiders and block holders, where insiders are defined as the officers and directors of a firm. Managerial ownership is alleged to impact financial reporting quality in more than one way. Where there is no clear distinction between owners and managers, the latter don't pay considerable attention to the short-term financial reports, because the financial markets don't pressure them enough to signal the firm value to the markets (Jensen, 1986). In this case, high managerial ownership and lack of discipline from the financial market creates incentives for managers to pursue an opportunistic behavior and attempt to maximize their gains at the expense of shareholders (Sanchez-Ballesta and Garsa-Meca, 2007). According to the same study, the authors suggest that the constraining effects of the ownership structure are higher when the shares owned by the insiders are lower. On the other hand, when the insiders own a high percentage of shares, the relation between insider ownership and earnings management reverses, an argument consistent with the entrenchment theory, which stated that the high levels of insider ownership may prevent insiders to make value-maximizing decision and thus to an increase in earnings management (Cornet, Marcus and Tehranian, 2009). To this extent, a study conducted by Morck et al; (1988) showed that greater ownership will result in greater entrenchment and thus to stronger incentives to pursue an opportunistic behaviour.

Audit Quality

DeAngelo (1981) defines audit quality as the market-assessed joint probability that a given auditor will both (a) discover a breach in client's accounting systems, and (b) report the breach. The auditor ability to detect any error is related to the auditor competence, and willingness to report the errors is related to the auditor independence (Shafie, 2009). Widiastuty and Febrianto (2010) defined audit quality as the probability that an auditor will not release an audit report with unqualified opinion for a financial statement that contains any material misstatement. Hussainey (2009) defined audit quality as the accuracy of information an auditor provided for the investors. Davidson and New (1993) defined audit quality as auditor capabilities to detect and eliminate any misstatements and manipulations in financial statements. Moreover, Watkins (2004) suggests that audit quality is determined by the auditor competence in reducing noises and biases and in enhancing the fineness of accounting data. Titman and Trueman (1986) see audit quality as the accuracy of the information reported by auditors. DeAngelo definition captures attribute critically to the role played by auditors in financial statement preparation. Thus, audit quality combines the ability of an auditor to detect a breach (auditor competence) and a willingness to report such a breach (auditor independence). The Financial Reporting Council (2006) considers five factors that influence audit quality to includes: audit firm culture, skills and personal qualities of audit partners and staff, the effectiveness of the audit process, and the reliability and usefulness of audit reporting, amongst factor that are exogenous to the auditors. Audit quality plays an important role in maintaining an efficient market environment; an independent quality audit underpins confidence in the credibility and integrity of financial statements which is essential for well functioning markets and enhanced financial performance. Bradshaw et. al. (2001) defined audit quality as the willingness to report any material manipulation or misstatements that will increase the material uncertainties and/or going concern problems. Baotham and Ussahawanitchakit (2009) addressed another definition as the probability that an auditor will not issue an unqualified report for statements containing material errors. Palmrose (1988) asserted that high audit quality is associated with the absence of material omissions or misstatements in the financial statements. Audit quality and the measurement of audit quality have been studied widely, Kilgore (2007) indicated that no single generally accepted definition of audit quality has not emerged, nor has any single generally accepted measure been introduced. Reisch (2000) attributed the absence of a single measure of audit quality to the fact that it is a multidimensional, latent construct and is therefore, somewhat difficult to measure.

Audit Tenure

It is generally believed that auditor tenure have resultant effects on the independence of the auditor. Whether such effect is negative or positive is another contention. Many studies such as Enofe, et al. (2013), Adeyemi and Okpala (2011) Nwayanwun (2017) Zayol, et al. (2017) etc. have variously criticized audit tenure as impediment to audit independence. Meanwhile, it is held that there are conflicting thoughts on how auditor tenure affects auditor independence. There is thought that the competence and expertise of an auditor increases directly as the tenure of the auditor gets longer. This rationale is base on the assumption that an auditor will have developed a robust knowledge of the client/over the time and hence the auditor can base audit decisions on such knowledge. The other thought is that the independence of the auditor is impeded as audit tenure gets longer. This is base on the assumption that long audit tenure will encourage undue closeness and familiarity between the executive directors and the auditor (Knechel&Vanstraelen, 2007). In other words, it assumes that as the relationship of audit and the client persist, the auditor is likely to grow a close relationship with the client and therefore be vulnerable or tempted to manipulate auditing to favour the management whom have become close allies; thereby deteriorate the quality of auditing. Barbadillo and Aguilar (2008) support the positive effect school of thought that the longer the tenure the more competent and independent the auditor becomes. It was suggested that auditors have higher tendencies to be more dependent in their early years of their auditing engagement with a client. Hence, the shorter the auditor's tenure, the more they behave in a dependent fashion. The benefits of a longer tenure as was further buttressed is that: as the auditors tenure increases or grows with a particular client, the auditor will have developed a thorough understanding of the client and their expertise during the audit, which will therefore result in higher auditor independence. Auditor Tenure is defined in this study as the length of the auditor-client relationship. A rather too long association between the auditor and his client may constitute a threat to independence as personal ties and familiarity may develop between the parties, which may lead to less vigilance on the part of the auditor and even to an obliging attitude of the latter towards the top managers of the company. Aside from this threat to independence, the audit engagement may become routine over time, and if so, the auditor will devote less effort to identifying the weaknesses of internal control and risk sources.

Audit Firm Size

As noted by Salehi and Mansoury (2009), the size of an audit firm has been used as a surrogate for audit quality, meaning that larger audit firms have a bigger reputation to safeguard and therefore will ensure a more independent quality audit service; they have better financial muscles, research facilities, superior technology and more talented employees to undertake large company audits. Their larger client portfolios enable them to resist management pressure, whereas smaller firms provide more personalized services due to limited client portfolios and are expected to succumb to management requirements.

Audit Fees

Theoretically, the amount of fees for audit services that a client firm pays to its audit firm reflects the level of audit work the latter has to perform in the auditing process. The definition of this level of work embodies the auditor's assessment of the process's complexity and the desired level of risk. In other words, all other things considered, if an auditor wishes to decrease the risk of issuing a clean opinion when there are materially relevant distortions in the client's financial statements, he generally acts on the nature, extent and timing of audit procedures, which, naturally, influence the final amount of required fees (Moutinho, 2012).
Audit fee determination refers to the determination of auditor remuneration. The audit remuneration has in extant literature been divided into two categories; audit fees and non-audit fees. While audit fees refer directly to payments made to the auditor that relates directly to the audit function, non-audit fee is concerned with payments for other non-audit services rendered by the auditor. Generally, the audit fee should cover audit costs and provide a reasonable profit. Therefore, the audit fee can be seen as a combination of two items; audit cost and profit or auditors reward. One of the first theories regarding the determinants of the audit fees was developed by Simunic (1980). He proves that the level of the audit fees depends first on the auditor's effort. The connection between the "price" of the audit and the effort for its accomplishing is a natural one, because any audit mission is carried out according to some compulsory standards and rules established by professional auditing organizations. There are many determinants of audit fees used in previous studies, as stated by Hay, et al. (2006) which summarizes a large body of audit fee research. Auditee Attributes: These attributes relate solely to the client and consists of the client size, risk, complexity, profitability ownership, leverage, internal control, industry, and governance.

Empirical Review

Masoodul, et al. (2014) examined the relationship between corporate governance and audit fee in Pakistan. Panel regression analysis was used to analyze the relationship between corporate governance and audit fee of 37 publically traded firms listed at Karachi Stock Exchange (KSE), during 2009-2012. Results show that corporate governance, firm size and leverage have a positive relationship with audit fee. Moreover, results also demonstrate that audit firm size is insignificantly related to audit fee. Mohamed and Mohamed (2012) provide evidence on the effectiveness of corporate governance practices and audit quality from a developing country, Egypt. The data for analysis are gathered from the top 50 most active companies in the Egyptian Stock Exchange, covering the three year period 2007-2009. Logistic regression was used in investigating the questions that were raised in the study. Findings from the study show that board independence; CEO duality and audit committees significantly have relationship with audit quality. The results also, indicate that institutional investor and managerial ownership have no significantly relationship with audit quality.

Evidence also exist that size of the company; complexity and business leverage are important factors in audit quality for companies quoted on the Egypt Stock Exchange.

Research Methodology

The study adopted the use of expost facto research design, which was as a result of the nature of the data use for the study. The data adopted for the study are data that have already taking place in the past. Secondary data were obtained from audited annual reports of quoted banks in Nigeria from 2010-2019. The populations of the study consisted of fourteen quoted banks while purposive or judgmental sampling techniques were adopted to select twelve quoted banks as the sampled size of the study. Measurement of independent variables: board size was measured by numbers of people on the board, board composition was measured by the proportion of non-executive directors on the board and it's calculated as the number of non-executive directors divided by total number of directors. Ownership concentration is measured by the percentage of equity shares owned by the largest shareholders in the period. Measurement of dependent variables: Audit tenure is measured by length of auditors-clients relationship "1" if 3years plus and "0" if otherwise. Audit firm size is measured by "1" if the audit firm used by the bank within the period of study is the Big4 such as PWC, KPMG Deloitte and Ernst & Yong otherwise "0".Audit fees are measured by natural log of the audit fees paid by the bank. The hypothesis formulated were tested using ordinary least square regression with the aid of E-view 10 econometric statistics software. Our choice of ordinary least square regression was based on its ability to provide best linear unbiased efficiency (blues).

Model Specification

The study adopted econometric model to ascertain the relationship between corporate governance practices and audit quality. The functional models are stated below:

Functional Relationship

AQT =	f(CGP)	Equation 1
AQT =	$\propto_0 - \propto_1 \ CGP + \varepsilon it$	Equation 2
AUDT =	f(BDS, BDC, OWNC)	Equation 3
AUDFS=	f(BDS, BDC, OWNC)	Equation 4
AUDF =	f(BDS, BDC, OWNC)	Equation 5

Model Specification

$AUDT_{it} = \beta_0 + \beta_1 BDS_{it} + \beta_2 BDC_{it} + \beta_3 OWNC_{it} + \varepsilon_{it}$ Model 1

$AUDFS_{it} = \beta_0 + \beta_1 BDS_{it} + \beta_2 BDC_{it} + \beta_3 OWNC_{it} + \varepsilon_{it}$ Model 2

$AUDF_{it} = \beta_0 + \beta_1 BDS_{it} + \beta_2 BDC_{it} + \beta_3 OWNC_{it} + \varepsilon_{it}$ Model 3

Where

CGP =	Corporate Governance Practices
AQT =	Audit Quality
BDS =	Board Size
BDC =	Board Composition
OWNC=	Ownership Concentration
AUDT =	Audit Tenure
AUDFS=	Audit Firm Size
AUDF =	Audit Fees
$it_1 - it_4$ =	Slope
$\beta_1 - \beta_4$ =	Regression Coefficient
α =	Regression Constant
ε_{it} =	Error Term

Data Analysis and Presentation

Data collected for the study were analyzed and interpreted using univariate analysis for descriptive statistics while hypothesis formulated were tested using ordinary least square regression.

Table 4.1: Univariate Statistics for all Variables

	AUDF	AUDFS	AUDT	BDC	BDS	OWNC
Mean	8.478877	0.712575	0.652695	57.47910	14.49102	12.83856
Median	8.455500	1.000000	1.000000	56.25000	14.00000	7.090000
Maximum	9.895600	1.000000	1.000000	88.88000	20.00000	65.00000
Minimum	2.261400	0.000000	0.000000	21.42000	10.00000	0.000000
Std. Dev.	0.901967	0.453923	0.477546	13.34698	2.356402	15.93362
Skewness	-1.901804	-0.939430	-0.641421	0.089638	0.321622	1.675629
Kurtosis	14.64692	1.882528	1.411420	3.276553	2.788649	4.962116
Jarque-Bera	1044.572	33.25287	29.01115	0.755823	3.189922	104.9374
Probability	0.000000	0.000000	0.000001	0.685291	0.202916	0.000000
Sum	1415.972	119.0000	109.0000	9599.010	2420.000	2144.040
Sum Sq. Dev.	135.0483	34.20359	37.85629	29571.55	921.7365	42144.10
Observations	168	168	168	168	168	168

Source: E-view 10, 2021

Table 4.1 explained descriptive statistics such as mean, median, maximum, minimum, standard deviation, skewness, kurtosis, jarque-bera and probability of all variables adopted for the study such as audit fee (AUDF), audit firm size (AUDFS) audit tenure (AUDT) board composition (BDC), board size (BDS) and ownership concentration (OWNC).

Table 4.2: Regression Output of the Joint Impact of Board Size, Board Composition and Ownership Concentration on Audit Tenure

Dependent Variable: AUDT
Method: Least Squares
Date: 10/21/21 Time: 23:20
Sample: 2006 2019
Included observations: 168

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.751259	0.229888	-3.267937	0.0013
BDS	0.072874	0.014477	5.033598	0.0000
BDC	0.003924	0.002542	1.543443	0.1247
OWNC	0.009568	0.002083	4.593121	0.0000

R-squared	0.934805	Mean dependent var	0.654762
Adjusted R-squared	0.820808	S.D. dependent var	0.476867
S.E. of regression	0.420940	Akaike info criterion	1.130866

Sum squared resid	29.05917	Schwarz criterion	1.205246
Log likelihood	-90.99278	Hannan-Quinn criter.	1.161053
F-statistic	16.77486	Durbin-Watson stat	1.980122
Prob(F-statistic)	0.000000		

Table 4.2: Shows regression output of the joint impact of board size, board composition and ownership concentration onaudit tenure of quoted banks in Nigeria. The regressed coefficient correlation result shows that audit tenure associates positively with board size $(= 0.072874)$ and board composition $(= 0.003924)$ and also positively ownership concentration $\beta_3 = 0.009568)$. The probability values of the slope coefficient show that P(BDS$= 0.0000 < 0.05;$) BDC$= 0.1247 > 0.05; = 0.0000 < 0.05)$. This implies that audit tenure has a positive and statistically significant relationship with board size and ownership concentration at 5% significance level, but associates negatively and statistically insignificantly with board composition. The coefficient of determination obtained is 0.93 (93%) which is common referred to as the r-square. The cumulative test of hypothesis using r-square to draw statistical inference about the explanatory variables employed in this regression equation, shows that 95% of the systematic variations in the dependent variable can be jointly predicted by all the independent variables. 5% was explained by unknown variable that were not included in the model. The value of the Durbin-Watson statistic is 1.980122, which is an indication that there is no present of serial correlation in the model. The overall significance of the model (F-statistic = 0.0000) is statistically significant at 5%.The p-value of the test is 0.000000 which is less than 0.05. Hence, reject H_0 and accept H_1

Therefore we conclude that board size, board composition and ownership concentration jointly has significant impact on audit tenure of quoted banks in Nigeria.

Table 4.3: Regression Output of the Joint Impact of Board Size, Board Composition and Ownership Concentration on Audit Fees

Dependent Variable: AUDF
Method: Least Squares
Date: 10/21/21 Time: 23:22
Sample: 2006 2019
Included observations: 168

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.785510	0.416003	13.90736	0.0000
BDS	0.113250	0.026198	4.322778	0.0000
BDC	0.013161	0.004601	2.860706	0.0048
OWNC	0.023261	0.003770	6.170703	0.0000

R-squared	0.801546	Mean dependent var	8.485396
Adjusted R-squared	0.788769	S.D. dependent var	0.903224
S.E. of regression	0.761730	Akaike info criterion	2.317071
Sum squared resid	95.15803	Schwarz criterion	2.391451
Log likelihood	-190.6340	Hannan-Quinn criter.	2.347258
F-statistic	23.60141	Durbin-Watson stat	1.920090
Prob(F-statistic)	0.000000		

Table 4.3: Shows regression output of the joint impact of board size, board composition and

ownership concentration on audit fees of quoted banks in Nigeria. The regressed coefficient correlation result shows that audit fee associates positively with board size $(= 0.113250)$ and board composition $(= 0.013161)$ and also positively ownership concentration $= 0.023261)$. The probability values of the slope coefficient show that P(BDS$= 0.0000 < 0.05;$) BDC$= 0.0048 > 0.05; = 0.0000 < 0.05)$. This implies that audit fees has a positive and statistically significant relationship with board size and ownership concentration at 5% significance level, but associates positively and statistically significantly with board composition. The coefficient of determination obtained is 0.80 (80%) which is common referred to as the r-square. The cumulative test of hypothesis using r-square to draw statistical inference about the explanatory variables employed in this regression equation, shows that 80% of the systematic variations in the dependent variable can be jointly predicted by all the independent variables. 20% was explained by unknown variable that were not included in the model. The value of the Durbin-Watson statistic is 1.920090, which is an indication that there is no present of serial correlation in the model. The overall significance of the model (F-statistic = 0.0000) is statistically significant at 5%. The p-value of the test is 0.000000 which is less than 0.05. Hence, reject H_0 and accept H_1. Therefore we conclude that board size, board composition and ownership concentration jointly has significant impact on audit fees of quoted banks in Nigeria

Table 4.4: Regression Output of the Joint Impact of Board Size, Board Composition and Ownership Concentration on Audit Firm Size

Dependent Variable: AUDFS
Method: Least Squares
Date: 10/21/21 Time: 23:24
Sample: 2006 2019
Included observations: 168

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.341535	0.246527	1.385386	0.1678
BDS	0.031252	0.015541	2.010960	0.0460
BDC	-0.002067	0.002729	-0.757362	0.4499
OWNC	0.002881	0.002255	1.277751	0.2032

R-squared	0.929215	Mean dependent var	0.712575
Adjusted R-squared	0.811348	S.D. dependent var	0.453923
S.E. of regression	0.451340	Akaike info criterion	1.270467
Sum squared resid	33.20432	Schwarz criterion	1.345150
Log likelihood	-102.0840	Hannan-Quinn criter.	1.300779
F-statistic	1.635146	Durbin-Watson stat	1.958558
Prob(F-statistic)	0.183285		

Table 4.4: Shows regression output of the joint impact of board size, board composition and ownership concentration on audit firm size of quoted banks in Nigeria. The regressed coefficient correlation result shows that audit firm size associates positively with board size $(= 0.031252)$ and negatively with board composition $(= -0.002067)$ and also positively with ownership concentration$\beta_3 = 0.002881)$. The probability values of the slope coefficient show that P (BDS$= 0.0460 < 0.05;$) BDC$= 0.04499 > 0.05; = 0.2032 < 0.05)$. This

implies that audit firm size has a positive and statistically significant relationship with board size at 5% significance level, but associates positively and statistically insignificantly with board composition and ownership concentration. The coefficient of determination obtained is 0.92 (92%) which is common referred to as the r-square. The cumulative test of hypothesis using r-square to draw statistical inference about the explanatory variables employed in this regression equation, shows that 92% of the systematic variations in the dependent variable can be jointly predicted by all the independent variables. 18% was explained by unknown variable that were not included in the model. The value of the Durbin-Watson statistic is 1.958558, which is an indication that there is no present of serial correlation in the model. The overall significance of the model (F- statistic = 0.0000) is statistically significant at 5%. The p-value of the test is 0.183285 which is greater than 0.05. Hence, accept H_0 and reject H_1 Therefore we conclude that board size, board composition and ownership concentration jointly has insignificant impact on audit firm size of quoted banks in Nigeria.

Regression Diagnostics
In order to comply with ordinary least square regression assumption the study adopt variance inflation factor test, Breusen pagan Gofreyheteroscedasticity, white heteroscedasticity test and normality test to ensure that the data used for the study are in compliance with the regression assumption.

Table 4.5: Breusch-Pagan-Godfrey Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.986571	Prob. F(3,163)	0.4006
Obs*R-squared	2.978266	Prob. Chi-Square(3)	0.3950
Scaled explained SS	1.372945	Prob. Chi-Square(3)	0.7119

Table 4.5 shows the result of Breusch-Pagan-Godfrey Heteroskedasticity Test with the probability value 0.4006 and chi-square value of 0.3950 which is greater than 0.05 significance level; therefore the null hypothesis of non auto correlation is accepted. Therefore the study concludes that there is no heteroskedasticity in the model further the model is homoskedastic.

Conclusion
This study focused on the relationship between corporate governance proxies board size, board composition, ownership concentration and audit quality proxies audit tenure, audit firm size and audit fees of quoted banks in Nigeria. From the findings of this study we conclude that board size had positive impact on audit tenure of quoted banks in Nigeria. Board size positively influence audit firm size of quoted banks in Nigeria. Board size had positive significant influence on audit fees of quoted banks in Nigeria. Board composition had a positive and significant impact on audit tenure of quoted banks in Nigeria. Board composition had positive and significant relationship with audit firm size of quoted banks in Nigeria. Board composition had no significant relationship with audit fees of quoted banks in Nigeria. Ownership concentration had positive and significant impact on audit tenure of quoted banks in Nigeria. Ownership concentration had positive and significant influence on firm size of quoted banks in Nigeria. Ownership concentration had negative and insignificant influence on audit fees of quoted banks in Nigeria. Board size, board composition and ownership concentration jointly has significant impact on audit tenure of quoted banks in Nigeria. Also Board size, board composition and ownership concentration jointly has a significant impact

on audit fee of quoted banks in Nigeria. But board size, board composition and ownership concentration has a significant impact on audit firm size of quoted banks in Nigeria.

Recommendations

Based on the findings of this study the following recommendationsare made:
The central bank of Nigeria should strengthen bank supervision to ensure compliance with ownership concentration as stipulated in bank and other financial institution act.The central bank should ensure that banks comply with board size in compliance with the corporate governance code of central bank of Nigeria.The central bank should ensure strict compliance to corporate governance code in respect of board composition to enhance efficient monitoring and audit quality.Bank management should ensure that their audit committee is compose with non executive directors to enhance perceive audit quality by financial statement user. The situation whereby the chief executive officer control board composition and weaken its monitoring role should stop because it creates weak internal control system. Audit quality should be enhanced by ensuring adequate board size, board composition and ownership concentration in the Nigeria banking system.Audit quality should be enhanced by ensuring the useof the Big4 audit firm such as pricewaterhousecoopers, KPMG, Deloitte and Ernst & Young.Since audit tenure is directly proportional to audit quality, auditors-client relationship should not exceed 5years, because the auditor may develop close relationship with the client and become more likely to act in favors of management, resulting in reduced objectivity and independence.It is also recommended that the auditor should be remunerated on the basis of work experience, qualification, duration of the audit assignment, and background profile. Mandatory rotation of audit firm: The mandatory rotation of audit firm has been argued to be a significant factor in safeguarding auditor independence and improving the quality of audit.The establishment of corporate governance principles that address issues relating to board composition, board sizes and ownership concentration to guide activities in the banking sector.Banks are encouraged not to employed audit firms in the provision of non-audit services, such as risk assessment etc.

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