

Corporate Governance Structure and Financial Reporting Quality of Quoted Oil Companies in Nigeria

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Abstract

The study investigated the impact of corporate governance structure on financial reporting quality of quoted oil companies in Nigeria; Data were extracted from the annual reports and accounts of ten oil companies. The Housman test of multiple regression analysis was employed to test the hypotheses. The result found that Board independence exhibited positive and statistically significant relationship with financial reporting quality of the sample oil companies. The Board of Directors composition has no significant effect on the accrual of selected firms within the oil sectors in Nigeria. Board meeting exhibited negative and non-significant effect on financial reporting quality of the selected oil firms, Ownership structure and Risk management committee both exhibited positive and significant relationship to financial reporting quality, while Gender composition and numerical strength of audit committee both has no significant effect on financial reporting quality. Overall, the r-square out-come of 79% indicates a considerable level of correlation among the series of corporate reporting quality of the selected oil companies.

The probability value of f-statistics is significant at 1% lending credence to the ability of selected variables. The regression model is also supported by the outcome of Durbin-Watson statistics which is very close to 2 indicating that possible absence of autocorrelations in the regression model.

It therefore recommend that the Board of the different companies should adhere to guidelines give by the Central Bank of Nigeria and the Security and Exchange Commission on the code of Corporate Government as this will make them to be healthy and win investors confidence in the reporting process.

Keywords: *Corporate Governance, Central Bank of Nigeria, Security and Exchange Commission, Board Meeting and Financial reporting Quality.*

Introduction

The sudden failure of big companies globally and in Nigeria has cast doubt on the quality of financial disclosure which has led to loss of confidence on the information disclosure by corporate entities. The persistence failure of corporate entities result from weak disclosure has necessitated the need for setting up good corporate governance structure and need for improvement in financial information disclosure, Erin, Ogundele&Ogundele (2000). In Nigeria, there are several cases of corporate failure (Cadbury plc, Lever Brothers known as uniliver Nigeria plc. Bank failures). All this are linked to weak corporate governance and poor financial disclosure system, Adeyemi&Fagbemi 2010, Umoren 2010.

There has been a greater call by users of corporate information on the need for greater transparency for published financial reports. The information amnesty between what is expected by user and what is actually disclosed. This can be called the disclosure gap. Erin,Ogundele&Ogundel(2010).

Corporate organisations use accounting to communicate to all stakeholders about the particular time period. This process through which companies communicate to the public about their operations is called financial reporting. Corporate financial reporting is the medium through which companies communicate to the external society about their operating performance in terms of profitability efficiency and responsibility, Abubaka, 2010, Nzekwu, 2009.

A Financial statement is said to be misleading if it lacks a qualities of accuracy, relevancy comparability, reliability, compatibility and it contains fundamental errors is prepared with the intention to deceived and confuse the user. Such deception can be carried out in a number of ways among which are distortion of accounting records falsification and omission of transactions, or misapplication of accounting principles, Shehu, 2012.

According to Bhsin(2010) the growing number of scandals and the subsequent widespread public and media outcry, a number of governances ‘norms’, codes of best practice and standard have sprouted all over the world accordingly. Considerable attention given to corporate governance issue in recent years suggests that stronger governance mechanisms are likely to reduce opportunistic management behaviour thereby enhancing the quality and reliability of financial reporting .International Monetary Fund (IMF) identifies weak corporate governance as one of the factors that influence financial crisis. Corporate governance increase investor’s confidence by encouraging more accurate financial reporting and transparent accounting and disclosure practice by management, when there is reliable and transparent financial reporting practice investors will be able to make more informed financialdecision, Machuba&Teitel 2007.

Without proper corporate governance frame work, many oil companies will likely face significant challenges in many areas, both external an internal to the organisation. From the external point of view sourcing of fund and attracting investment would be very difficult, if these source of funding and investment are not persuaded and sure that there are adequate controls, checks and balances that a governance framework can provide in place, Ibekwe&Hary(2018).

Corporate governance is a system or arrangement that companies of wide range of practice (accounting standard, rules concerning financial disclosure, executive compensation, size and composition of corporate boards) and institutions (legal, economic and social) that protects the interest of corporation’s owners. Corporate governance is also defined as the extent a set of mechanism through which outside investors protect themselves against expropriation by the insiders. Insiders are defined as both managers and controlling shareholders, Laporta (2000). The financial reporting of corporate entity constitutes a combination of qualitative and quantitative financial report which is referred to as a firm’s bill of health, Mahmmod (2017).

In Nigeria the issue of Corporate Governance has been given the front burner status by all sector of the economy. For Instance in December 2015 NLNG became a signatory to United Nations Global Compact (UNGC) the world’s largest voluntary corporate responsibility initiative with business and non- business participants from 160countries. The UNGC membership is a public declaration of the entity’s continued commitment to incorporating environmental, social and corporate governance standard in its strategies polices and procedures as well s embedding a culture of integrity, all of which are underscored in Business principles and code of conduct.

In view of the above, it is necessary to carry out an empirical study on the subject of corporate governance and financial reporting quality of quoted oil companies in Nigeria. Oil sector is chosen as the domain of the study because it is important source of Federalgovernment revenue in Nigeria and contributes more than 70% of our GDP.

2.0 Review of Related Literature.

2.1 Concept of Corporate Governance

Gillon and Stakes(200) define corporate governance as the system of laws, rules and factors that control operation of a company. One definition of corporate governance which has been widely recognized was given in Cadbury report, thus corporate governance is the system by which companies are directed and controlled.

On a broader perspective, corporate governance is all about running an organisation in a way that guarantees that its owners or stakeholders received a firm return on their investment, while the expectation of other stakeholders are also met, Magdi&Nedarch(2002). According to Laporta(2002) corporate governance is to a certain extent a set of Mechanisms through which outside investors protect themselves against expropriation by the insiders. Insider are defined a both managers and controlling shareholders.

Corporate governance refers to the situation and processes for the management and control of companies. It involves a set of relationship between a companies its board shareholders and other stakeholder. Nagra,Hala&Gmal(2014).

Corporate governance according to Fatimoh(2012) is based on the level of corporate responsibility a company exhibits with regards to accountability, transparency and critical values.

Okeahalam(2004) broadly defined corporate governance the private and public institutions, including laws regulations and accepted business practice, which in market economy govern the relationship between corporate managers and entrepreneurs - Corporate Insider, .On one hand and those who invest resources in corporations on the other. In view of the above concept governance can be describe as the mechanisms that safeguard the stakeholder, interest when there is separation between the owners of the business and managers of the business.

2.2 Components of Corporate Governance Structures.

Board Meeting: This has to do with the number of times the board of directors officially meets to discuss issues concerning the company. An important measure of corporate board monitoring power and effectiveness is the frequency of board meeting. The frequency of board meeting measures the intensity of a board activity and the quality or effectiveness of its monitoring Vefas1999a, Conger, Fine gold and Lawler, 1998.

Ownership structure: This implies the proportion of the total number of common shares owned by the board of directors to the total member of common share outstanding. Barle and Means (1932) brought to light the principal agency problem when they argued that the separation of ownership from control of modern corporations actually reduces management incentives to maximize corporate efficiency.

Audit Committee: Section 359 of companies and Allied Matters Acts 1990 expressly provides for the establishment of audit committee by quoted companies in Nigeria. Usually, the committee is made up (6) six members on equal representation. The Audit committee serves as a bridge between external Auditor and Board of Directors. They view the company's position in a detached and dispassionate light and often liaised between the board and external auditors to ensure that areas of differences are resolved.

Board sizes: Board size is the total number of head counts of directors seated on the company's board. It comprises of the number of individuals serving on the board of a firm (Ahmed & Mansur, 2012). The code of governance states that the number of non-executive directors should be more than that of executive director subject to a maximum board size of 20 directors (CBN, 2006) and 15 directors (SEC, 2003). Both codes recognize large board size.

Board Composition: This refers to executive and non-executive directors' representation on the board. Empirical studies on the effect of board membership and structure on firm performance have revealed mixed or opposite result. Some researchers find that firms with

board of directors denominated by outsiders perform better. (Weisbach, 1998. Rosenstien and Wyatt, 1990.)

The Risk Management Committee: The Committee assists in the oversight of the risk profile, risk management and risk reward strategy as determined by the board. Their function include among others; review and approval of the companies risk management reviewing the adequacy and effectiveness of risk across the company and the adequacy of prevention, detection and reprinting mechanism, review laws and regulatory requirements that may impact the company's risk profile

Board Member Gender: In many countries, the question concerning getting more women in boards and in top executive jobs become a highly debated issue. It is argued that women directors on corporate boards after many contributions. Corporations can competitive advantage by being receptive to women's contribution at the top Huse and Solb, (2016). For example having women in boards impacts the reputation of a company, provides strategic input on women's product/market issues and of board processes and deliberations, and contributes to the firms' female employees Buke (2003).

2.3 Concept of financial Reporting Quality

Verdi (2006) defined financial reporting quality, as the precision with which financial reporting conveys information about the firms operations, in particular its expected cash flow In order to inform equity investors.

Financial reporting is also defined as the process that crates stewardship assertions in the form of financial and non-financial business information statement reflecting the results of activities and transactions of and entity for period of time, Anumaka(2010). He further argues that financial reporting is to a large extent a studied assessment of the operational performance of an entity expressed in financial terms to relent the economic exercise of fiduciary obligation .Financial reporting is the provision of financial information about an entity to external users that is valuable to them in making economic decisions and for assessing the effectiveness of the entity's management. Disclosure and transparency in the financial statements are vital factors of high-quality reporting ((Enofe, Aronnwam&Abadua, 2013).

2.4 Method of Measuring the Quality of Financial Reporting

To assess the quality of financial reporting various measurement models have been used in prior researches. Some of these include: (i) accrual models (Jones, 1991; Dechow, Sloan & Sweeney, 1995); (ii) value relevance model (Choi, Collins & Johnson W. B. 1997; Barth, Beaver & Landsman, 2001; Nicholas & Whalen, 2004); (iii) specific elements in annual reports (Beretta &Bozzolan, 2004; Hirst et al., 2004); (iv) qualitative characteristics model (Jones and Blanchet, 2000; Schipper&Vincent, 2003; Barth Landsman & Lang, 2008; Van Best et al, 2009). However, this study considered and adopted the Accrual model because it is adjudged by many authors as the most widely accepted measurement model.

2.4.1 Accrual Model: This method of accounting is considered the best technique because it allows adjustments for the accounting period. It is also the best technique because it allows adjustments for the accounting period. It is also a better measure of the operating performance of a business entity but it always depends on the quality of accruals. Accrual earnings are divided into corporate accruals and non-corporate accruals. Corporate accruals reduce the quality of accruals and ultimately the quality of financial reporting. External users are always anxious to receive quality financial reporting because they do not have access to company accounts or other source of information. Proponents of this model argue that the main advantages of using discretionary accruals to measure earnings management is that there is

relative ease in data collection and measurement. In addition, when using regression models it is possible to examine the effect of company characteristics on the extent of earnings management. (Healy & Whalen 1999; Dechow et al. 1995).

Jones (1991) Model of Discretionary Accruals.

Jones (1991) comes up with the proposed effective new model of estimating non-discretionary. The model uses plant, properties and equipment (PPE) to control changes in non-discretionary ie change of firms activities. Furthermore sales variable is used to control changes in non-discretionary accruals which come from changes in the firm's economic environments. This model is based on the assumption that working capital accruals are related to changes in sales and depreciation is related to asset. The model

$$TAC/Ait-1 = \alpha_1 (1/Ait-1) + \alpha_2 (\Delta REVit/Ait-1) + \alpha_3 (PPEit/ Ait-1) + \epsilon_{it-1}.$$

$$DAit = TAC/Ait-1 [\alpha_1 (1/Ait-1) + \alpha_2 (\Delta REVit/Ait-1) + \alpha_3 (PPEit/ Ait-1)].$$

Whereas

TACit= total accruals for firm i in year t. Ait-1 = total assets for firm i in the previous year, $\Delta REVit$ = change in revenues from i in year t, PPEit = gross property and equipment for firm i in year t, ϵ_{it-1} = error term for firm i year t.

DAit = discretionary accruals.

Modified Jones Model (1991)

Dechow and Dichev (2002 modified Jones model, in this modified Jones model, accounts receivables was taken into consideration, by this model. Estimating of normal accruals in the first stage is similar to the model. The reasoning of the modified Jones is that all changes in credit sales in the event period result from earnings management.

The modified Dechow and Dichev's (2002) model is specified as:

$$\Delta WWC_t = CFO_{t-1} + CFO_t + CFO_{t+1} + \Delta Sales_t + PPE_t + \epsilon$$

Where: ΔWWC =Working capital in year t, ie Accounts receivables+ Δ Inventory – Accounts payable –Taxes payable +other assets (net)

CFO_{t-1} = cash flows from operations in year t-1

CFO_t = Cash flow from operation in year t;

CFO_{t+1} =Cash flows from operation in year t+1

$Sales_t$ =Sales in year t less sales in year t-1;

PPE_t =Gross property, plants and equipment in year t

This measure of earning quality capotes the extent to which accrual map into cash flow realization in past present and future cash flows. The higher the absolute residual for each sample firm, the lower the quality.

This model is also supported by the works of Nuraddeen&Hasuah (2014). In which the concluded that Modified Jones model is able to detect earnings management better than other models.

2.5 Theoretical Framework

2.5.1 Stakeholders Theory.

This theory stipulates that a corporate entity invariably seeks to provide a balance between the interest of its diverse stakeholders in order to ensure that each interest constituency receives some degree of citification –Abaram(1951) A stakeholder is any individual or group who can affect or is affected by the achievements of the organisation's objectives. Mohiuddin&Karbbi(2010). Thus stakeholders include shareholders, employees, supplier, customers, creditor's communities in the vicinity of the entity's operations and the general public (including government). Stakeholders theory represents that the entity and it is connected to different parties in achieving a broad range of purpose.(Donaldson&Preston 1995). They pointed out that mangers are responsible for deploying their wise decision and

best effort in obtaining benefits for all stakeholders. The board cannot overlook its responsibility in protecting stakeholder's interest.

2.6 Empirical Reviews.

Ibekwe&Hany (2018) examined corporate governance in International Oil companies: lesson for Nigeria. The study reviews corporate governance standard, governance structures put in place in international oil companies and the important thereof. The study concludes that a sound governance framework encompasses multiple areas across oil companies and several crucial segments to include in the planning to ensure that the developed governance framework is both implementable and also take root within the corporate integration. The study concludes that sound governance framework encompasses multiple areas across oil companies.

Mahmond(2017) carried out a study on Financial reporting quality of listed oil companies in Nigeria: An empirical investigation using Ohlson model. The study made use of 16 oil firm listed in the Nigeria stock exchange from 2011-2016 study period. The data was analysed using Ohlson model. The findings of the study revealed that financial reporting quality of listed oil firms in Nigeria has significant value relevance to users of the information.

Babalola(2013) examined the effectiveness of audit committee using 10 manufacturing firms covering the years 2000 to 2009 and found that board size and management ownership significantly affect the effectiveness of audit committee in Nigeria. He equally found that board composition leverage profitability and shareholding positively but insignificantly impact on the audit committee effectiveness.

Shehu&Musa(2014) Examined firm attributes and Earnings quality of listed oil and gas companies in Nigeria. The study made use of seven oil companies from the period 2007 -2011. The study made use of multiple panel regression techniques and made use of modified Jones model as a proxy for earnings quality. The findings revealed that leverage, liquidity and firm growth has a significant positive impact on earning quality unlike firm size, institutional ownership and profitability have significant negative influence on earning quality of listed oil and gas companies in Nigeria. The study recommends that oil and gas firms may choose to go debt specially where the interest rate is low.

Vili,Abu&Lortima(2019) Did a work on some aspect of corporate governance mechanism an earnings management. Evidence from two critical sectors of Nigeria Stock Exchange. The study adopted a correlation study design suitable for explaining relationship between variable used, Data were obtained from annual statement of five companies each from the two sectors (Oil&Gas and ICT) for the period of 2013-2107. The result of the study shows that apart from ownership concentration and other variable (Board size, Board composition as well as interaction of ownership concentration and Board composition) have no significant relationship with real earnings managements. The conclusion drawn is that governance variable constrains the opportunistic tendencies of managers.

Samaila(2016) Examined Board characteristics ,Ownership structure and Firm value of listed petroleum firms in Nigeria, The study made us of si listed petroleum firms from a population of fifteen firms, that had consistently published their annual audited financial report from 2008-2015. The study was analysed using the robust pooled-OLS multiple regression technique. The result of the study revealed that Board independence, Board size as well as managerial shareholding had a negative but significant relationship with firm value. In the case of board gender diversity it was discovered that the inclusion of female on the board of petroleum firms in Nigeria had a positive and significant relationship, while ownership concentration has an insignificant relationship on the firm value. The study therefore recommended an optimal board size.

Greco(2012) Investigates the impact of corporate governance and ownership structure variable on earnings management in European Oil industry using quarterly data and panel data

methodology, The findings shows a nonlinear relationship among institutional investors, ownership and governmental ownership with the management. The result suggest that key variable related to ownership and governance structure that key variables related to ownership and governance structure impact on earnings management across different national settings and governance system.

Junaidu&Abdulrahman (2014) examined the relationship in corporate governance and Earnings management An Empirical analysis of firms in Petroleum and Petroleum Product Distributors in Nigeria. Data were collected from annual report and accounts of the sampled companies covering a period of ten years from 2003to 2012,.Descriptive statistics correlation as well a panel data analysis.(Random effect GLS regression techniques) were utilized as analytical tools in the study. The result indicate that going concern is significantly and positively driven by board composition CEO duality and ownership concretions show an insignificant (2%) negative relationship. The study remanded that the position of the Chairman and managing Director should be separated; a competent board size of 8 to 15 members should be encourage so as to ensure strange compliance to the code of corporate governance 2006.

3.0 Methodology

3.1 Research Design.

The research design adopted for the study was *ex-post facto* as the study used documented data which were extracted from the annual report and accounts of the sample firms. In view of the use of documented data for the study, the uses of *ex-post facto* research design is though justified, and such are not subject to manipulation. Purpose sampling was used to select ten quoted oil firms in Nigeria who have complete data point for the relevant number of years. The study period of the research is from 2006-2017.

3.2 Source of Data

In order to assess Corporate Governance structure on Financial reporting quality, the data selected for the research were secondary data collected from the published audited financial statement of oil firms covering a period 2006-2017.

3.3 Operational Variables,

The study is based in corporate governance structure and financial reporting quality of listed quoted oil companies in Nigeria.

The measurement for dependent and independent variable are:

Fincial reporting quality, is the dependent variable, in this study modified Accrual model is used to commuted the financial reporting as proposed(Dechow and Dichev's 2002)

The model is operationalized as

Accrual model

$$\Delta W C_t = C F O_{t-1} + C F O_t + C F O_{t+1} + \Delta S a l e s_t + P P E_t + \varepsilon$$

Where: $\Delta W C$ = Working capital in year t , ie Accounts receivables+ Δ Inventory – Accounts payable – Taxes payable +other assets (net)

$C F O_{t-1}$ = cash flows from operations in year $t-1$

$C F O_t$ = Cash flow from operation in year t ;

$C F O_{t+1}$ =Cash flows from operation in year $t+1$

$S a l e s_t$ =Sales in year t less sales in year $t-1$;

$P P E_t$ =Gross property, plants and equipment in year t

The independent variables in the study are Board composition, Board Size, number of Board meetings, Ownership structure, Gender composition, Risk management committee, Audit committee of the selected banks under study.

3.4 Model Specification

Model

The statistical tool of the model for testing the hypotheses is expressed as follows:

$$AM = \beta_0 + \beta_1 BCOMP + \beta_2 BC + \beta_3 BM + \beta_4 OS + \beta_5 RMC + \beta_6 GC + \beta_7 AC + \mu \dots\dots\dots 1$$

Where: Am= Accrual Model -Proxy for Financial reporting quality

β_0 = estimated of the true intercept β_0 , β_1 , β_2 , β_3 , β_4 , β_5 , β_6 and, β_7 are parameters to be estimated

μ =stochastic term

BI = Board Independent

BC = Board Composition

BM= Board Meeting

OS = Ownership Structure

RMC = Risk Management Committee

GC = Gender Composition

AC= Audit Committee

3.5 Data Analyses Techniques

In analysing the effect of corporate governance on financial reporting quality of quoted manufacturing companies in Nigeria, multiple regression and Pearson correlation coefficient were used to analyse the data with aid of E views statistical software.

4.0 Descriptive Data Analyses for the Oil Sector

The analysis conducted in this section centered on the Oil sector which involves organizations dealing on extraction and sales of crude oil products and gas. The panel data collected from the ten companies that formed our sample frame for this study were centred on corporate governance and financial reporting quality as are obtained in the earlier sections of this chapter. Table 4.1 below shows the descriptive analysis results of all the eight variables which include board independence, board composition, board meetings, owners' structure, risk management committee meetings, gender composition of the board, audit committees meetings and accrual figures of the different selected companies within the oil sector.

Table 4.1: Results of Descriptive Analysis for Oil Sector

	BI	BC	BM	OS	RMC	GC	AC	LOGACCRUAL
Mean	1.978205	0.632479	4.794872	0.284914	1.487179	0.099573	5.923077	5.631880
Median	1.600000	0.700000	4.000000	0.239958	0.000000	0.090000	6.000000	5.783163
Maximum	4.500000	0.850000	8.000000	0.340558	5.000000	0.400000	10.00000	7.467223
Minimum	0.250000	0.250000	2.000000	0.060481	0.000000	0.000000	4.000000	2.021189
Std. Dev.	1.109139	0.816557	1.200133	1.392819	1.710089	0.113071	0.811064	1.119154
Skewness	0.414945	1.917339	0.730389	0.316099	0.546496	1.174628	0.043208	-0.865787
Kurtosis	2.008921	5.788872	2.805114	1.591995	1.714335	3.639546	9.466031	4.075217
Jarque-Bera	8.145893	109.6025	10.58780	11.61299	13.88188	28.89912	203.8580	20.25289
Probability	0.017027	0.000000	0.005022	0.003008	0.000967	0.000001	0.000000	0.000040
Sum	231.4500	120.8000	561.0000	120.5349	174.0000	11.65000	693.0000	658.9300
Sum Sq. Dev.	142.7019	77.34478	167.0769	225.0337	339.2308	1.483079	76.30769	145.2908
Observations	120	120	120	120	120	120	120	120

Source: Researchers' Eviews Analyses 2018

From the above table 4.1, there is a considerable level of variability in the panel data for independence of the board (BI), the maximum and minimum scores of 4.50 and 0.25 respectively gives an idea of the range of board independence obtainable in the various oil companies selected for the study. It implies that the numbers of non-executive directors for the firms in this study were consistently equating that of executive directors in some years whereas the numbers in some other years were overly large. However, the data for board independence across the different companies tended towards the minimum value judging from its median and mean scores which are 1.60 and 1.99 respectively. It also indicates that most of selected oil companies had board membership where the numbers of executive directors were doubled by the non-executive therefore we say that the board independence from internal influences is high in the ten selected oil companies within the study time frame.

Board composition (BC), on the other hand has a minimum of 0.25 and maximum of 0.85 across the selected firms thus, reflecting the fair degree of variability which exists among the performances of the firms in question. This outcome suggests a board composition that is dominantly non-executive directors for selected oil companies which is in agreement with in with the outcome of board independence. Furthermore, the median value of 0.70 implies that the spread of the observations however tended towards the maximum; and its mean score of 0.63 further lend credence to the findings of the board independence which underscored the fact that most of the firms within the selected years had non-executive directors size which doubled that of the executive directors.

Board meetings' observations have a fair level of spread around their mean. This is because the median value is almost half of the range of the maximum and minimum values. The result of the descriptive statistics suggests that selected oil firms on the average meets five times approximately in a given year. So it can be argued that there is a comparability in the behaviour of the firms within the oil sector with respect to the frequency of the board meetings; and that the outliers in the observations which form the extreme figures such as the maximum and minimum are either chance occurrence for some years or product of some firms within the selection which have a peculiar behaviour in terms of corporate governance.

Ownership structure (OS) is well spread as it appears to have fairly large observations closer to both the minimum and maximum scores when we consider its median value of 1.36. This interpretation is also supported by the comparable magnitude of the mean and median values obtained in the ownership structure which is 1.88 and 1.37 respectively.

Risk management committee meetings of selected oil companies that made up the panel ranged from zero minimum to five times in a year. From the results obtained on table 15 above, the median value which is zero suggests that majority of the firms within the time frame of the study did not observe meetings dedicated for the risk management committee and as such the mid-value of the whole observations range is zero. Consequently the mean value of the observations having compromised both ends of the observation values is 1.5 approximately. Hence, the observations for risk management committee meeting can be regarded as not well dispersed judging from its median score which is same score as the minimum and shows the tilt of the observations to the minimum value and is also far away from the mean value of 1.5.

Gender composition (GC) was measured in this study as the ratio of female members to male members in the boards of the selected companies ranged from maximum of 0.40 to minimum of 0.00. The minimum value highlights the fact that some of the oil companies at some point within the years covered in this work do not have a female as a board member of the board of directors. The maximum value of 0.40 on the other hand indicates that some of these companies may have a gender composition of up to 4 female board members to every 10 male board members. Though this result for maximum does not even connote equity in gender distribution, yet the mean and median scores still indicate that more observations for gender compositions

of the boards of the different selected companies are close to ratio of approximately 1 female in every 10 male board members.

The result of the descriptive statistics also shows audit committee membership as ranging from the maximum often to minimum of four members over the selected years and across the ten oil firms. The observations have a median value of 6.00 which highlights the fact that most firms in the panel maintained an audit membership strength that tilted more to the minimum of four than to the maximum often. In other words, there is a considerable level of variability in the observations of audit committee membership, but the observations were more inclined to the minimum than they are to the maximum. This conclusion is further supported by the mean of AUDCOM which is 5.92 and 6 approximately.

Accrual as a proxy for financial reporting quality of selected oil companies in this study considerably varies from minimum value of 2.02 to maximum value of 7.47 approximately; against which the median value of 5.78 approximately indicates that the variables for the selected firms were more inclined to be high as the maximum. It also suggests that the values of accruals for the selected oil companies were widely spread apart.

4.3.5 Discussion of Oil Sector Regression Results

The panel multiple regression analysis was conducted in this section using the fixed effect or least square dummy variable (LSDV) model. The fixed effect method was utilized to allow for heterogeneity among the various oil firms selected in this study which formed cross sections. It is important for us to allow for individuality among these cross sections since it is a common knowledge that the selected firms may not behave alike in terms of corporate governance structures and financial reporting quality over the years covered in this work.

The use of fixed effect model entails the estimation of the regression model using both fixed and random cross sections options; and subsequently selecting either of the estimation results on the basis of the Hausman test outcome. The Hausman test proposes a pair of hypotheses which are highlighted below as follows:

Ho: The random effect panel regression model is more appropriate

Hi: The fixed effect panel regression model is more appropriate

Consequent upon the formulation of the above hypotheses, the result of the Hausman test conducted for the panel regression of firms in the oil sector is shown on table 4.2 below.

From the result on table 4.2 below, the chi-square probability of the cross section random is within the 5% acceptable statistical significance bounds and therefore suggests the rejection of the null hypothesis and acceptance of alternative hypothesis

Table 4.2: Hausman Test Result for the Oil Sector Regression

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.801904	7	0.0386

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
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BI	0.206444	0.017561	0.004364	0.0042
BC	0.133196	0.055496	0.014457	0.5181
BM	-0.103391	-0.027582	0.001951	0.0861
OS	-0.122055	-0.160579	0.009799	0.6971
RMC	-0.006740	-0.032331	0.000089	0.0066
GC	2.241136	2.196583	0.080365	0.8751
AC	0.221111	0.280250	0.003857	0.3410

Source: Researcher's Eviews Analysis 2018

So the study accepts the fixed effect model regression as appropriate in the estimation of the effects of the various corporate governance structures on the financial reporting quality of selected firms within the oil sector in Nigeria.

Table 4.2.1 below shows the result of the multiple regression estimates for selected corporate governance indicators on financial reporting quality of firms within the oil sector. The outcome of the beta coefficients shows that board independence is positively associated with financial reporting quality of the sampled firms in the oil sector.

Table 4.2.1: Multiple regression of corporate governance indicators on financial reporting quality of firms in the oil sector

Dependent Variable: LOGACCRUAL

Method: Panel Least Squares

Date: 09/06/18 Time: 15:37

Sample: 2006 2017

Periods included: 12

Cross-sections included: 10

Total panel (unbalanced) observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.150889	1.007502	5.112534	0.0000
BI	0.161332	0.111812	2.442897	0.0122
BC	0.038586	0.162556	0.237368	0.8129
BM	-0.020808	0.072222	-0.288115	0.7739
OS	0.312989	0.103663	3.019294	0.0032
RMC	0.090132	0.043821	2.056830	0.0423
GC	1.172051	0.751493	1.559630	0.1220
AC	-0.091042	0.161521	-0.563653	0.5743

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.792151	Mean dependent var	5.631880
Adjusted R-squared	0.758895	S.D. dependent var	1.119154
S.E. of regression	0.549532	Akaike info criterion	1.774096
Sum squared resid	30.19858	Schwarz criterion	2.175438
Log likelihood	-86.78463	Hannan-Quinn criter.	1.937036
F-statistic	23.81987	Durbin-Watson stat	1.744571
Prob(F-statistic)	0.000000		

Source: Researchers' Eviews Analysis 2017

In other words, financial reporting quality of the selected firms within the oil sector in this work respond to variations in their corporate governance structures with particular reference to board independence. This found association is also statistically significant at 1% suggesting that board independence, for all the years covered in this work and across the various oil companies which form our cross sections have exhibited positive and statistically significant relationship with the financial reporting quality of those companies. The implication of the above result is that board independence of these firms has the likelihood of influencing the outcome of their financial reporting quality. This results tally's with the result of Shehu(2013), Chalaki,Didar&Riahinzhed(2012 but in disagreement with the works of Roodposhti and Chashmi(2010) .This outcome is also in agreement with that the findings made section for Granger causality since it was found there that board independence Granger cause change in financial reporting quality as proxy by accrual.

Board of directors 'composition also has a direct association with financial reporting quality of selected firms within the oil sector. This result complies with logical expectation since board composition is just another way of considering the independence of the board of directors; hence having found a positive influence flowing from board independence to financial reporting quality, it is logical to expect a similar outcome from board composition. But the t-statistics of the board composition's beta co-efficient is not significant at 5% hence we conclude that board composition has no significant effect on the accrual of selected firms within the oil sector in Nigeria. It therefore follows that the level of association between board composition of these firms and financial reporting quality is not huge enough to warrant statistical conclusion. This results corresponds with the works of Kajola (2008) and Goncalves (2010)

Board meetings exhibit a negative and non-significant effect on the financial reporting quality. The regression result on table 4.21 above suggests that frequencies of board meetings for the firms are associated by a corresponding decrease in the financial reporting quality. This result implies that board meetings frequencies as currently maintained by all the selected firms in this study attract a negative reaction from their financial reporting quality. Though the t-statistics of the beta coefficient is not within the accepted statistical bound of 5% yet considering the direction of the relationship, it is evident that board meetings are inversely associated with financial reporting quality of selected companies. So we therefore conclude that board meetings of selected oil companies in this study have negative and non-significant effect on their financial reporting quality. Our result is supported by the work of Tilus (2017) not that they do not have board meeting but the outcome of the meeting is what we want to have, and see as it will affect the financial reporting quality of the oil firm used.

Also from the outcome of multiple regression results contained in table 4.21 above owners' structure can be described as having a positive association with the financial reporting quality of selected firms in the oil sector. The equation specifies that a direct relationship exists between the proportion of equity held by the directors of the selected companies over the years and their accruals which measures the financial reporting quality. This outcome supposes that

the owners' structure of oil companies will influence the quality of financial reporting of the positively and significantly. This finding supports the thought that directors' effectiveness improves in response to their ownership of a stake in the companies they are serving. So in consideration of the t-statistics of our beta co-efficient for owners' structure which is significant at 1%, we conclude that owners' structure has a significant and positive influence on the financial reporting quality of firms within the oil sector in Nigeria. Our result is in line with the findings of Sadrabadi and Mehijordi(2013)

The risk management committee meetings show a positive influence on the financial reporting quality values of the selected oil firms in Nigeria. The implication of the above results is that the frequency with which the risk management committee of the board meets in respect to the planning and discussion of strategic risk issues of the firms has shown a positive and significant influence on the financial reporting quality of the firms. This is evidenced by the beta co-efficient of 0.09 which is also followed by a positive t-statistics significant at 5% level. The board risk management committee meetings frequency of the selected oil firms in this study by this result is capable of influencing positive outcomes in the financial reporting quality of the firms so we conclude on the basis that financial reporting quality of firms in the oil sector is responsive to changes in the risk management committee meetings at a significant level. This is in line with the result of Kllamu (2015) and Hines(2015) and was supported by Abdullah(2015) that Rick management committee helps in reducing hedges activities.

Ordinarily, the constitution of the board as it concerns gender by various companies will not be valuable to such firms unless they are able to influence a useful outcome of the firms. The thought that male and female coalition in cases of misappropriation is always rare will be useful for corporate governance if linear relationship is established. Hence in the findings made about gender composition in the above table 4.2.1, there is a direct but non-significant influence of gender composition on the financial reporting quality of selected firms in this study. This result obviously is consistent with prior expectation and even as it also indicates that selected oil firms may not have optimized their gender compositions to the extent that it influences the outcome of their financial reporting quality to a significant extent. This line of argument is premised on the fact that gender compositions of oil firms board of directors was found to be on the low side in section 4.2.1 descriptive statistics; where it was concluded that the board of selected firms in the oil sector of Nigeria has an average of one female to ten male board members. They result tally's with the findings of Mahdi, Bahman, & Shayan(2018). In that most oil firms do not have females in their Board of Directors and the ones that have are few and insignificant to male counterparts.

Audit committee represents another indicator of a corporate governance structure in any company. As an operating committee of the board charged with oversight functions of financial reporting and disclosure, one of the major roles of the audit committee is to review and check policies and procedures adopted by the management and ensure that they are properly followed in order produce desired outcome. The audit committee members work with internal audit department to ensure that laid down policies are actually adhered to as well as review the work and recommendations of the external auditor. On the basis of the findings in the above table 4.2.1, we conclude that audit committee compositions of the selected oil firms have no significant effect on their financial reporting quality as measured by accrual; so we accept that the activities and membership of audit committee of our ten selected firms do not influence the changes in their financial reporting quality significantly. This is in line with the results of Garba (2013) that the number of Audit Committee members should be increased from six to eight members or even more for them to be effective and significant, Mubarak(2018) is of the opine that they should have an Executive Director as a chairman of the audit committee.

Considering the residual statistics, we note that the result of the multiple regression analysis is further strengthened by some important outcomes. The R-square of 79% indicates a

considerable level of correlation amongst the series of corporate governance indicators utilized in the estimation of the multiple regression equation and financial reporting quality. It also connotes the possibility of the influence from the selected independent variables which are corporate governance indicators on the accruals of these oil firms.

The f-statistics further shows the fitness of the regression model and from the result obtained, the f-statistics of 23.82 approximately is statistically significant at 1% thereby lending credence to the ability of the selected independent variables i.e. corporate governance indicators to appropriately explain changes that occur in the financial reporting quality of oil companies.

Another residual statistic of interest is the Durbin-Watson statistics as it gives a hint on the presence or absence of serial correlation in the multiple regression series when it is far from or close to 2 respectively. So in this case, we conclude that the multiple regression series have a negligible serial correlation since the Durbin-Watson statistics for weighted statistics is 1.74.

Based on the foregoing, we can accept that the various indicators of corporate governance jointly have significant influence on financial reporting quality of selected firms since the residual statistics indicate that the regression model is properly fitted and the result is not spurious since they series lack significant autocorrelation.

Conclusion and Recommendation.

This study examine the impact of Corporate Governance structure on Financial reporting quality of quoted oil companies in Nigeria. The study has identified corporate Governance structure as an essential determinant of effective management of the listed oil companies, both in developed and developing countries alike. It also established that non-compliance to codes of Corporate Governance occurs in difference dimensions among the oil companies. It is therefore the opinion of the researchers that if oil companies in Nigeria comply with codes of corporate Governance, it will significantly enhance their financial health; enhance financial reporting quality which will in turn boost the stakeholder's confidence in the oil sector and in the reporting process. It is therefore recommended that Managers of oil companies in Nigeria should adhere to the cannons of prudent financial management as enshrined in the prudential guidelines as well as apply the codes of corporate governance as prescribed by the CBN, SEC and other regulatory agencies. Regular and spontaneous supervisory functions/checks by the different regulatory agencies are also recommended. Stiff sanctions should be meted out to Boards/Managers who violate these codes of corporate governance as the cumulative effect of these violations is the erosion of stakeholders' confidence in the reporting process as well as in the oil sector and this is very dangerous for our economy.

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