CORPORATE GOVERNANCE AND AUDIT LAG IN NIGERIAN QUOTED COMPANIES

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CORPORATE GOVERNANCE AND AUDIT LAG IN NIGERIAN QUOTED COMPANIES

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Universiti Utara Malaysia, in partial Fulfilment of the Requirement for the award of Master of Science

(International Accounting)
DECLARATION

I hereby attest that the constituent of this thesis has not been already submitted to any degree and also for any other qualifications currently.

I categorically certify that any backing established in preparing this thesis and sources has been acknowledged and referenced in this research.

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May, 2015
DEDICATION

This thesis is dedicated to Almighty Allah and my late father Malam Suleiman Mohammed may his soul rest in perfect peace and may Almighty Allah subhana wata’ala reward him with Aljannah Firdausi.(Amin ya Allah)
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ABSTRACT

Unnecessary audit lag or delay decreases the quality or superiority of the financial report by not allowing investors and stakeholders to have appropriate information about their investment. The audited Financial Statements are important instrument for decision making purposes. However, before it can be released to the public, it must be examined by the auditor. Thus, the speed of Financial Statements production is subject to the completion of audit work. The purpose of this study is to investigate the audit lag (i.e. time taken to complete the audit work) of Nigerian quoted companies, as listed on the Nigerian Stock Exchange for the period of 2012 to 2013. The examination was conducted on a pooled sample of 266 firm-years across ten industries. Data collected was analysed by the regression method and the results from the analysis show that, on average, Nigerian auditors spend 132 days to complete the audit work. The time taken is more than the time allowed for the submission of the annual return to the Nigerian Stock Exchange, i.e. 120 days. Firm size, leverage and profitability were established to be significant in explaining the audit lag. It is argued that bigger companies, in order to maintain investors’ confidence, would make their Financial Statements ready for audit earlier than smaller companies. In addition, since these companies also have better internal control, it is relative easier for their auditors to complete the audit fieldwork. However, companies with more leverage and profitably were found to subject to longer audit work. This is perhaps due to auditors’ doubtful about the reported accounts since fraudulent reporting is not unusual in Nigeria. The following recommendations are suggested. The release of businesses’ financial report ought to be done appropriately, hence that will enable the shareholders to make the right investments decision. The supervisory agencies (e.g. SEC, NSE, CAMA) should formulate a strict and rigid polices that will force the companies to comply with the timely release of audited accounts.

Keywords: Auditing, Audit lag, Corporate Governance, Nigeria
ABSTRAK


Kata Kunci: Pengauditan, Kelewatan Audit, Tadbir Urus Korporat, Nigeria
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AUDIOPN</td>
<td>Audit Opinion</td>
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<td>AUDLAG</td>
<td>Audit Lag</td>
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<td>AUDITYP</td>
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<td>BSIZE</td>
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<td>CAC</td>
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<td>CBN</td>
<td>Central Bank of Nigeria</td>
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<td>Companies and Allied Matters Act</td>
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<td>FSIZE</td>
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<td>LEVG</td>
<td>Leverage</td>
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<td>LOCN</td>
<td>Location</td>
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<td>NAICOM</td>
<td>National Insurance Commission</td>
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<td>NDIC</td>
<td>Nigerian Deposit Insurance Corporation</td>
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<tr>
<td>NSE</td>
<td>Nigerian Stock Exchange</td>
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<td>PENCOM</td>
<td>Pension Commission</td>
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<td>Profitability</td>
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<td>SEC</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Before making investment decisions, stakeholders participating in the capital market need to be accustomed with the magnitude of consistency of financial reporting quality and perfection of the audited annual report Abu and Arshad (2014). It is also important for businesses and stakeholders who want to invest in the capital market to know the quality and the financial position of the organisation. The rapid evolution of international business and the globalisation of investment markets has make it essential to measure the reliability and perfection of financial statements for investment purpose. The presentation of reliable and efficient financial report in different countries around the globe will encourage timely investment by the stakeholders (Abdul Hamid, Shafie, Othman, Wan Hussin, and Fadzil, 2013). Appropriateness of financial report is an important characteristic of relevancy of financial information. Delayed information is of no use to shareholders in the process of making investment decision. Undue deferment in release of financial reports intensify uncertainty related with decision on investment. Consequently, all business establishments are indebted to gratify the authentication demands of shareholders and potential stakeholders by providing timely and efficient evidence in the annual reports for decision purpose (Chalaki, Didar, and Riahinezhad, 2012).

As a result of audit gap, a research into the appropriateness of financial reports would be in the precise way towards sustaining shareholders’ self-confidence and reducing
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REFERENCES


