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THE RELATIONSHIP BETWEEN AUDIT COMMITTEE AND AUDIT QUALITY:

EVIDENCE FROM NIGERIA
THE RELATIONSHIP BETWEEN AUDIT COMMITTEE AND AUDIT QUALITY:
EVIDENCE FROM NIGERIA

BY

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818488

Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
In Partial Fulfillment of the Requirement for the Master of Sciences
(International Accounting)
DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations that have been duly acknowledged.

I also certify that the substance of this project paper has never been submitted for any degree and is not currently being submitted for any other qualifications.

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ABSTRACT

The purpose of this research is to examine the relationship between non-executive directors, financial expertise of non-executive director, represent the audit committee and audit quality represent the (Big Four and non Big Four). The sample of the study is non-financial sectors in Nigerian Stock Exchange. Hence, the archival data from the annual reports were used. The model by Lawrence, Minutti-Meza, Zhang (2011) was modified to measure the audit quality as proxy for Big Four and non-Big Four. The result indicates that there was negative relationship between non-executive directors audit committee member and audit quality. This implies that larger number of non-executive directors audit committee member do not have any improvements over the audit quality. Second finding shows that there was a positive insignificant relationship exist between the financial expertise of non-executive directors audit committee and audit quality. This denotes that, having financial expertise of non-executive directors in audit committee does not improve or add to higher audit quality. This findings provide evidence on the effect of audit committee on the level of audit quality (Big Four versus Non Big Four).

Keywords: Audit committees, Audit quality, Non-Financial Sectors in Nigerian listed companies.
ABSTRAK

Tujuan kajian ini adalah untuk mengkaji hubungan antara pengarah bukan eksekutif, kepakaran kewangan pengarah bukan eksekutif yang mewakili jawatankuasa audit dan kualiti audit (Big four dan none Big four). Sampel kajian ini terdiri daripada sektor bukan kewangan di Bursa Saham Nigeria. Justeru, data arkib yang terdapat di dalam laporan tahunan telah digunakan. Menggunakan pendekatan Model Lawrence, Minutti -Meza, Zhang (2011) yang telah diubahsuai bagi mengukur kualiti audit sebagai proksi untuk Big Four dan non Big Four. Hasil kajian ini mendapati bahawa wujud hubungan negatif antara pengarah bukan eksekutif dalam jawatankuasa audit dan kualiti audit. Ini menunjukkan penambahan bilangan ahli lembaga pengarah bukan eksukutif dalam jawatankuasa audit tidak menyumbang sebarang penambahbaikan ke atas kualiti audit. Dapatan kedua pula mendapati bahawa wujud hubungan positif dan tidak signifikan antara kepakaran kewangan pengarah bukan eksekutif dalam jawatankuasa audit dan kualiti audit. Ini menunjukkan bahawa kepakaran kewangan pengarah bukan eksekutif yang terdapat dalam jawatankuasa audit tidak meningkatkan atau menambah baik kualiti audit. Penemuan hasil kajian ini membuktikan bahawa terdapat kesan antara ahli jawatankuasa audit terhadap tahap kualiti audit (Big Four berbanding Non Big Four).

Kata kunci: jawatankuasa audit, kualiti audit, sektor bukan kewangan.
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In the name of Allah, the Most Gracious and Most Merciful

Above all things, I gave praise, glory, and honors unto Allah for allowing me to complete Master’s Project. This project is the result of 1 and half years of work whereby I have been accompanied and supported by many people. It is a pleasure now that I have the opportunity to express my gratitude to all of them.

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June, 2016
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<td>IAASB</td>
<td>International Auditing Assurance Standard Board</td>
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<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
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<td>FRC</td>
<td>Financial Reporting Council</td>
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<td>CAMA</td>
<td>Company and Allied Matters Act</td>
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CHAPTER ONE

1.0 Introduction

The purpose of this study is to examine the relationship between audit committee and audit quality in the Nigerian context. The prime parts of the audit committee base on these: oversee the financial reporting process, evaluation of capabilities and autonomy of external auditor and execution of the organization's insider audit capacity and in addition that of external auditors and discuss about the yearly audited financial proclamation. Jun Lin, Xiao and Tang (2008) additionally bolstered that observing the management help companies to give choice handiness since management aims to control figures for their own advantage.

This section exhibits the reason for the study by expressing the background of the study, trailed by problems, research objectives, research questions, scope, significance, and structure of study. This section finishes up with the conclusion.

1.1 Background of the study

The turbulent impacts of the worldwide financial related emergency have highlighted the basic significance of tenable excellent financial reporting. Business environment in Nigerian has been seen in a few quarters as not very helpful for investors; both intra and inter. Akinjobi and Omowumi (2010) decreed explanations behind this statement incorporate the failure of financial reports to address the issues of this group of clients. The commonness of fraud, over the earnings management and other financial wrongdoings in the nation has decreased the level of certainty rested in these financial statement and in the capacity of these remarks to perform their essential capacities. In light of the expense of
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