

The copyright © of this thesis belongs to its rightful author and/or other copyright owner. Copies can be accessed and downloaded for non-commercial or learning purposes without any charge and permission. The thesis cannot be reproduced or quoted as a whole without the permission from its rightful owner. No alteration or changes in format is allowed without permission from its rightful owner.



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



OLAGUNJU OLASUNKANMI BASHIR

818488

UUM
Universiti Utara Malaysia

**MASTER OF SCIENCE
UNIVERSITI UTARA MALAYSIA
JUNE 2016**

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

BY



OLAGUNJU OLASUNKANMI BASHIR

818488

UUM
Universiti Utara Malaysia

**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.



OLAGUNJU OLASUNKANMI BASHIR

818488

**Othman Yeop Abdullah
Graduate School of Business
Universiti Utara Malaysia**

**06010 Sintok
Kedah Darul Aman**

June 2016

PERMISSION TO USE

In presenting this project paper in partial fulfillment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this dissertation/project paper in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor(s) or in their absence, by the Dean of Othman Yeop Abdullah Graduate School of Business where I did my dissertation/project paper. It is understood that any copying or publication or use of this dissertation/project paper parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the UUM in any scholarly use which may be made of any material in my dissertation/project paper.

Request for permission to copy or to make other use of materials in this project paper in whole or in part should be addressed to:

Dean of Othman Yeop Abdullah Graduate School of Business
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman

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 eksekutif 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.

ACKNOWLEDGEMENT

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.

First I would like to thank my supervisor Dr. Rohami bin Shafie. He has provided me continual inspiration, assistance, support and motivation to complete this study. His integral view on research has made a deep impression on me. I must say that he is the one of the most influential people in my life. I believe I am very lucky to have had the chance to attend his classes and work with him on my Master's Project.

I would like to thank my parents, Mr & Mrs Olagunju, for their care and love. As a typical parents, they worked industriously to support the family and spare no effort to provide the best possible environment for me to grow up and proceed my Master's Degree in University Utara Malaysia, Sintok, Kedah, Malaysia.

Special thanks to Olasumbo Omotoyosi, Idayah Mosunmola, Sister Habibah and Hamzat Kola. Their support throughout my study has been invaluable.

I would like to thank management of UUM, citizens of Malaysia for their love and supports I received over the years. I also want to thank my esteemed colleagues and brothers Salau Abdul-Malik, Hussein Ahmed Saleh Badhabi, Adebayo AbdulWasiu, Adediran Dauda, Musibaudeen Hammed, Kamoru Olaide, Ganiyu Mutiu (Ambassador), Doctor Debo, Mr Aliu and Imam Ismail for their generosity in giving time and support.

I am thankful to all Ustaz for the prayers and advising me during the project process.

Finally, I am grateful to my wife Abiola for her love, support and patience during my Master's Degree.

Olagunju Olasunkanmi Bashir

June, 2016

TABLE OF CONTENTS

TITLE.....	i
DECLARATION.....	ii
PERMISSION TO USE.....	iii
ABSTRACT.....	iv
ABSTRAK.....	v
ACKNOWLEDGEMENT.....	vi
TABLE OF CONTENTS.....	vii
LIST OF TABLES.....	xi
LIST OF FIGURES.....	xii
LIST OF ABBREVIATIONS.....	xiii
CHAPTER ONE: INTRODUCTION	1
1.0 Introduction	1
1.1 Background of the study	1
1.2 Problem Statement	6
1.3 Research Questions	14
1.4 Research Objectives	14
1.5 Scope of the study	15
1.6 Significance of the study	15
1.7 Structure of the Research	16

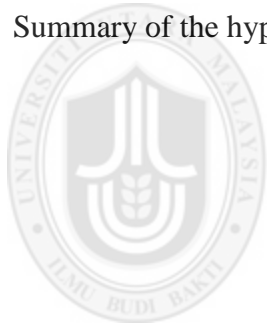
1.8	Conclusion	17
CHAPTER TWO: LITERATURE REVIEW		18
2.0	Introduction	18
2.1	Audit quality	18
2.2	Audit Committee	29
2.2.1	Membership of Audit Committees in Nigeria	30
2.2.1.1	Non-executive directors of audit committee member	33
2.2.1.2	Financial expertise of non-executive directors in audit committee	37
2.4	Theoretical Perspective	40
2.4.1	Agency Theory	41
2.5	Summary of the Chapter	43
CHAPTER THREE: RESEARCH METHODOLOGY		44
3.0	Introduction	44
3.1	Research Design	44
3.2	Theoretical Framework	45
3.3	Hypotheses Development	46
3.3.1	Non-executive directors of audit committee and Audit quality	47
3.3.2	Financial expertise of non-executive directors and Audit quality	49

3.4	Operational Definition and Measurement of the Variables	50
3.4.1	Dependent Variable	50
3.4.2	Independent Variables	53
3.4.2.1	Non-executive directors of audit committee member	53
3.4.2.2	Financial expertise of non-executive directors in audit committee	53
3.4.3	Control Variables	54
3.4.3.1	Board Size	54
3.4.3.2	Company Size	55
3.4.3.3	Return on Assets (ROA)	56
3.4.3.4	Audit Committee Meetings	56
3.4.3.5	Cash Flow	57
3.4.3.6	Leverage	58
3.5	Sampling Method	59
3.5.1	Population and Sample size	59
3.5.2	Unit of Analysis	61
3.5.3	Sampling Procedure	61
3.6	Data Collection	61
3.7	Techniques of Data Analysis	61

3.8	Summary of the Chapter62
CHAPTER FOUR:	FINDINGS AND DISCUSSION63
4.1	Introduction63
4.2	Descriptive Statistics63
4.3	Pearson Correlation65
4.4	Logit Regression67
4.5	Summary of the Chapter71
CHAPTER FIVE:	CONCLUSION72
5.1	Introduction72
5.2	Summary of the Study72
5.3	Contributions of the Study75
5.4	Limitation and Recommendation for Future Research76
REFERENCES	77

LIST OF TABLES

Table		Page
Table 3:0	Definition of Variables	52
Table 3:1	Summary of the sample size	60
Table 3:2	Break down of non-financial sectors with required Profile in their annual reports	60
Table 4:1	Summary Descriptive Statistics for sample firms	65
Table 4:2	Pearson Correlation Analysis	67
Table 4:3	Summary of logit regression	68
Table 4:4	Summary of the hypothesis results	71



UUM
Universiti Utara Malaysia

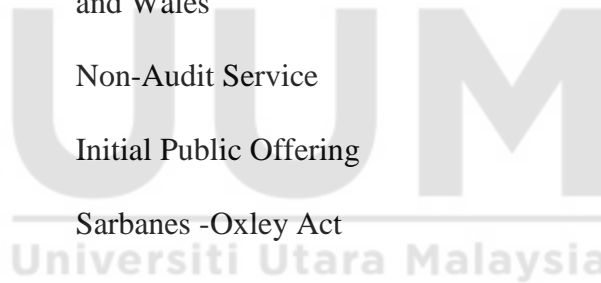
LIST OF FIGURE

Figure		Page
Figure 2:1	Theoretical framework	46



LIST OF ABBREVIATIONS

Abbreviation	Description of Abbreviation
IAASB	International Auditing Assurance Standard Board
GAAP	Generally Accepted Accounting Principles
FRC	Financial Reporting Council
CAMA	Company and Allied Matters Act
CEO	Chief Executive Officers
SEC	Securities and Exchange Commission
ICAEW	Institutes Of Chartered Accountants In England and Wales
NAS	Non-Audit Service
IPO	Initial Public Offering
SOX	Sarbanes -Oxley Act
CG	Corporate Governance
USA	United State Of America
GAO	Government Accountability Office
FSRCC	Financial Services Regulation Coordinating Committee
NSE	Nigeria Stock Exchange
FASB	Financial Accounting Standard Board
NYSE	New York Stock Exchange



NASDAG	National Association Of Securities Dealers Automated Quotations System
α_0	Constant
AUDQUAL	Audit Quality
NEDAC	Non-Executive Directors Audit Committee
FENEDAC	Financial Expertise Of Non- Executive Directors Audit Committee
BDSIZE	Board Size
COMPSIZE	Company Size
ROA	Return On Asset
ACME	Audit Committee Meeting
CFO	Cash Flow
LEV	Leverage
ε	Error Term



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

The contents of
the thesis is for
internal user
only

REFERENCES

- Aanu, O. S., Odianonsen, I. F., & Foyeke, O. I. (2014). Effectiveness of Audit Committee and Firm Financial Performance in Nigeria: An Empirical Analysis. *Journal of Accounting and Auditing*, 2014, 1.
- Abbott, L. J., Parker, S. & Peters, G. P. (2004). Audit committee characteristics and restatement. *Auditing: A journal of practice and theory*, 3(1), 69-87.
- Abbott, L. J., & G. Peters. (2003). Audit committee characteristics and restatements: A study of the efficacy of certain Blue Ribbon Committee recommendations. *Auditing: A Journal of Practice & Theory* (forthcoming).
- Abbott, L. J., & S. Parker.(2001). Audit committee characteristics and auditor selection: Evidence from auditor switches. *Research in Accounting Regulation* 15: 151-167.
- Abbott, L. J., Park, Y. & Parker, S. (2000). “The effects of audit committee activity and independence on corporate fraud”, *Managerial Finance*, 26 (11), 55–67.
- Abbott, L.J. & S. Parker. (1999a). Audit committee characteristics and auditor selection. *Auditing: A Journal of Practice and Theory*, forthcoming.
- Abbott, L.J. & S. Parker. (1999b). Audit committee characteristics and auditor selection: evidence from auditor switches. Working paper. University of Memphis.
- Abiodun, E. (2008). “How Shareholders Associations ‘Terrorise’ Quoted Companies” *This Day* Vol 12, No 4638, January 2.

- Abu Bakar, N., Rahman, A., & Rashid, H. (2005). Factors influencing auditor independence: Malaysian loan officers' perceptions. *Managerial Auditing Journal*, 20(8), 804-822.
- Adams, M. B. (1994). Agency theory and internal audit. *Managerial Auditing Journal*, 9(8), 8-12.
- Adegbite, E. (2015). 'Good corporate governance in Nigeria : antecedents, propositions and peculiarities.'*International business review.*, 24 (2). pp. 319-330.
- Adeyemi, S. B., & Fagbemi, T. O. (2010). Audit quality, corporate governance and firm characteristics in Nigeria. *International Journal of Business and Management*, 5(5), 169-179.
- Adeyemi. S.B, Okpala. O. & Dabor .L. (2012). Factors Affecting Audit Quality in Nigeria *International Journal of Business and Social Science* (3) 20 [Special Issue – October 2012.
- Agrawal, A. & Chadha, S. (2005). Corporate Governance and Accounting Scandals. *Journal of Law and Economics*, 48, (2), 371-406.
- Ahmadu, S., Aminu, M. & Taker, G. (2005). Corporate governance mechanisms and firm financial performance in Nigeria. *African economic research consortium Research*, 149, 173-202.

- Ahunwan, B. (2003). Globalization and corporate governance in developing countries: A micro analysis of global corporate interconnection between developing African countries and developed countries. Ardsley, NY:Transnational Publishers.
- Akinjobi, A., & Omowumi, O. (2010). The changing responsibilities of auditors in detection and prevention of business frauds within a challenging environment in Nigeria. *Journal of Emerging Trends in Economics and Management Sciences*, 1(2), 71-75.
- Al-Faki, M. (2008). SECs Findings and Decision on Cadburys Misstatements in published Accounts. Lagos.
- Al-Ghamdi A.S., (2001). Using logistic regression to estimate the influence of accident factors on accident severity. King Saud University. Pergamon.
- Al-Mamun, A., Yasser, Q. R., Rahman, M. A., Wickramasinghe, A., & Nathan, T. M. (2014). Relationship between audit committee characteristics, external auditors and economic value added (EVA) of public listed firms in Malaysia. *corporate ownership & control*, 899.
- Al-Matari, Y. A., Al-Swidi, A. K., Fadzil, F. H. B., Fadzil, H., & Al-Matari, E. M. (2012). Board of Directors, Audit Committee Characteristics and the Performance of Saudi Arabia Listed Companies. *International Review of Management and Marketing*, 2(4), 241.

- Al-Mudhaki, J., & Joshi, P. L. (2004). The role and functions of audit committees in the Indian corporate governance: Empirical findings. *International Journal of Auditing*, 8(1), 33-47.
- Ameer R., Ramli, F. & Zakaria, H. (2010). A new perspective on board composition and firm performance in an emerging market. *Corporate Governance*, 10(5), 647-661.
- Amran, N. A., & Abdi, A. A. (2012). Usefulness of Cash Flow in Business Decision Making. *Journal of Business and Economics*, 3(5), 344-350.
- Anderson, R. C., Mansi, S. A., & Reeb, D. M. (2004). Board characteristics, accounting report integrity, and the cost of debt. *Journal of accounting and economics*, 37(3), 315-342.
- Antle, R. & B. Nalebuff (1991). Conservatism and Auditor-Client Negotiations. *Journal of Accounting Research*, 29, 31-54.
- Arena, M., Arnaboldi, M., & Azzone, G. (2010). The organizational dynamics of enterprise risk management. *Accounting, Organizations and Society*, 35(7), 659-675.
- Bairathi, V. (2009). Corporate governance: A suggestive code. *International Resource Journal*, 11 (6), 733-757.
- Bakre, O. M. (2007). The unethical practices of accountants and auditors and the compromising stance of professional bodies in the corporate world. *Accounting Forum*, 31(3), 277-303.

- Balvers, R.J., McDonald, B., & Miller, R.E., (1988). Underpricing of new issues and the choice of auditor as a signal of investment banker reputation. *The Accounting Review* 63, 605–622.
- Bassett, L. (1998). Putting board evaluation to work. *Corporate Board*, 19(109), 20.
- Basu, S., L. Hwang, & C. Jan. (2001). Differences in conservatism between Big-Eight and Non-Big Eight auditors. Working paper, Emory University, Atlanta, GA.
- Beasley, M. S., Carcello, J. V., Hermanson, D. R., & Neal, T. L., (2009). The Audit Committee Oversight Process. *Contemporary Accounting Research* 1, 65-122.
- Beasley, M. S., J. V. Carcello, D. R. Hermanson, & P. D. Lapedes. (2000). Fraudulent financial reporting: Consideration of industry traits and corporate governance mechanisms. *Accounting Horizons* 14 (December):14-21.
- Beatty, R., (1989). Auditor reputation and the pricing of initial public offerings. *The Accounting Review* (October) 64(4):693–709.
- Becker, C.L., M.L. DeFond, J. Jiambalvo, & K.R. Subramanyam. (1998). The effects of audit quality on earnings management. *Contemporary Accounting Research*. Vol. 15, No. 1, pp. 1-24.
- Behn, B. K., Carcello, J. V., Hermanson, D. R., & Hermanson, R. H. (1997). The determinants of audit client satisfaction among clients of big 6 firms. *Accounting horizons*, 11(1), 7.

- Berthelot, S., Francoeur, C., & Labelle, R. (2012). Corporate governance mechanisms, accounting results and stock valuation in Canada. *International Journal of Managerial Finance*, 8(4), 332-343.
- Blue Ribbon Committee (1999). Report and Recommendation of the Blue Ribbon Committee on Improving Effectiveness of Corporate Audit Committees. New York Stock Exchange and National Association of Securities Dealers.
- Bonn, I. (2004). Board structure and firm performance: Evidence from Australia. *Journal of Management and Organisation*, 10(1), 14-24.
- Bronson, S., Carcello, J., Hollingsworth, C. & Neal, T. (2009). Are fully independent audit committees really necessary? *Journal of Accounting and Public Policy*, 28, pp. 265–280.
- Bronson, S. N., Carcello, J. V., & Raghunandan, K. (2006). Firm characteristics and voluntary management reports on internal control. *Auditing: A Journal of Practice & Theory*, 25(2), 25-39.
- Brooks, L. Z. (2011). Auditor Tenure and Audit Quality. Texas Tech University.
- Brown, A.M. (2004). “The financial milieu of the IASB and AASB”, 4th Asia Pacific Interdisciplinary Research in Accounting Conference, 4-6 July.
- Bryan, D., Liu, M.H.C. & Tiras, S.L. (2004). “The influence of independent and effective audit committees on earnings quality”, *working paper, State University of New York, Buffalo, NY*.

- Byrd, John W. & Hickman, A. (1992). Do outside directors monitor managers? Evidence from tender offer bids. *Journal of Financial Economics*, 32(2), 195-222.
- Carcello, J. V., Hermanson, D. R., & Ye, Z. (2011). Corporate governance research in accounting and auditing: Insights, practice implications, and future research directions. *Auditing: A Journal of Practice & Theory*, 30(3), 1-31.
- Carcello, J. V., Neal, T. L., Palmrose, Z. V., & Scholz, S. (2011). Ceo involvement in selecting board members, audit committee effectiveness, and restatements*. *Contemporary Accounting Research*, 28(2), 396-430.
- Carcello, J., & T. Neal. (2003). Audit committee characteristics and auditor dismissals following “new” going- concern reports. *The Accounting Review* 78 (January): 95-117.
- Carcello, J., & T. Neal. (2000). Audit committee composition and auditor reporting. *The Accounting Review* 75 (October): 453-467.
- Cadbury. (1992). The Cadbury Committee reports: Financial aspects of corporate governance, burgess science Press, London. Working Paper.
- Cama (1990). Companies and Allied Matters Act, Official Gazette (97)2, Abuja.
- Chan, K., & Li, J. (2008). Audit committee and firm value: evidence on outside top executives as expert independent directors. *Corporate Governance: An International Review*, 16(1), 16-31.

- Cheng, S. (2008). Board size and the variability of corporate performance. *Journal of Financial Economics*, 87(1), 157-176.
- Citron, D. B. and Taffler, R. J. (1992) The audit report under going concern uncertainties: an empirical analysis, *Accounting and Business Research*, 22(88), pp. 337–345.
- Cohen, D. A., Dey, A., & Lys, T. Z. (2008). Real and accrual-based earnings management in the pre-and post-Sarbanes-Oxley periods. *The accounting review*, 83(3), 757-787.
- Coles, B., & Jarrell, G. (2001). Leadership structure: separating the CEO and chairman of the board. *Journal of Corporate Finance*, 4(3), 189-220.
- Comprix, J., & Huang, H. (2015). Does auditor size matter? Evidence from small audit firms. *Advances in Accounting*, 31(1), 11-20.
- Cooper, D. R., & Schindler, P. S. (2008). *Business Research Methods* (10th ed.). NY: McGraw-Hill.
- Copley, P.A., & Douthett Jr, E.B., (2002). The association between auditor choice, ownership retained, and earnings disclosure by firms making initial public offerings. *Contemporary Accounting Research* 19,49–75.
- Dalley, P. J. (2003). Public company corporate governance under the Sarbanes-Oxley Act of 2002. *Okla. City UL Rev.*, 28, 185.
- Datar, S.M., Feltham, G.A., & Hughes, J.S., (1991). The role of audits and audit quality in valuing new issues. *Journal of Accounting and Economics* 14, 3–49.

- Davidson, W.N., Xie, B. & Xu, W. (2004). Market reaction to voluntary announcements of audit committee appointments: the effect of financial expertise. *Journal of Accounting & Public Policy*, 23, 279-293.
- Deangelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics*, 3(3), 183–199.
- Deakin, S., & Konzelman, S. (2004). Learning from Enron. *Corporate Governance*, 12 (2), 134-142.
- DeFond, M., & Zhang, J., (2014). A review of archival auditing research. *Journal of Accounting and Economics* 2, 275-326.
- DeFond, M. L., & Francis, J. R. (2005). Audit research after sarbanes-oxley. *Auditing: A Journal of Practice & Theory*, 24(s-1), 5-30.
- DeFond, M.L., R.N. Hann & X. Hu. (2005). Does the market value financial expertise on audit committees of boards of directors? *Journal of Accounting Research*. Vol. 43, No. 2, pp. 153-193.
- Defond, M. L. (1992). The association between changes in client firm agency costs and auditor switching. *Journal of Auditing Practice and Theory*, 11 (1).
- DeFond, M.L. & Jiambalvo, J. (1991). "Incidence and circumstance of accounting errors", *The Accounting Review*, Vol. 66 pp.643-55.

- DeZoort, F. T., Hermanson, D. R. & Houston, R. W. (2003). "Audit committee support for auditors: the effects of materiality justification and accounting precision", *Journal of Accounting and Public Policy* 22, 175–99.
- DeZoort, F. T. & S. Salterio. (2001). The effects of corporate governance experience, financial reporting and audit knowledge on audit committee members' judgments. *Auditing: A Journal of Practice & Theory* 20 (September): 31-47.
- DeZoort, F. T. (1998). An analysis of experience effects on audit committee members oversight judgments. *Accounting, Organizations and Society* 23 (January): 1-21.
- Dhaliwal, D. A. N., Naiker, V. I. C., & Navissi, F. (2010). The Association Between Accruals Quality and the Characteristics of Accounting Experts and Mix of Expertise on Audit Committees*. *Contemporary Accounting Research*, 27(3), 787-827.
- Diamond, D.W., (1989). Reputation acquisition in debt markets. *Journal of Political Economy* 97, 828–862.
- Dopuch, N., & D. Simunic. (1980). The nature of competition in the auditing profession: a descriptive and normative view. In *Regulation and the Accounting Profession*, 34, (2): edited by J. Buckley and F. Weston, 283–289. Belmont, CA: Lifetime Learning Publications.
- Duff, A. (2004). *AUDITQUAL: Dimensions of Audit Quality*. Institute of Chartered Accountants of Scotland: Edinburgh.

- Dunham, K. (2002). Firms that want to switch auditors find it takes time, money and faith. *Wall Street Journal Online*.
- Dye, R. (1988). Earnings Management in an Overlapping Generations Model. *Journal of Accounting Research*, 26, 195-235.
- Egbiki, H. (2006). Whistle Blowing Culture Imperative for Anti- Corruption Crusade. *The Guardian*.
- Eichenseher, J. W., & Shields, D. (1985). Corporate director liability and monitoring preferences. *Journal of Accounting and Public Policy*, 4(1), 13-31.
- Eng, L. L., & Mak, Y. T. (2003). Corporate governance and voluntary disclosure. *Journal of accounting and public policy*, 22(4), 325-345.
- Eshleman, J. D., & Guo, P. (2014). Do Big 4 auditors provide higher audit quality after controlling for the endogenous choice of auditor?. *Auditing: A Journal of Practice & Theory*, 33(4), 197-219.
- Fama, E. (1980). Agency problems and the theory of the firm. *Journal of Political Economy*, 1, 288-307
- Fama, E., & Jensen, M. (1983). Separation of ownership and control. *Journal of Law and Economics*, 301-325.

- Farouk, M. A., & Hassan, S. U. (2014). Impact of audit quality and financial performance of quoted cement firms in Nigeria. *International Journal of Accounting and Taxation*, 2(2), 01-22.
- Fasb. (1980). Statement of Financial Accounting Concepts No. 2 - Qualitative Characteristics of Accounting Information. FASB Concepts Statements, (2), 0.
- Financial Reporting Council (FRC). 2008. The audit quality framework. Available at: <http://www.frc.org.uk/Our-Work/Publications/FRC-Board/The-Audit-Quality-Framework-%281%29.aspx>.
- Flint, D. (1988) *Philosophy and Principles of Auditing* (London: Macmillan Education).
- Fodio, M. I., Ibikunle, J., & Oba, V. C. (2013). Corporate governance mechanisms and reported earnings quality in listed Nigerian insurance firms. *International Journal of Finance and Accounting*, 2(5), 279–286.
- Francis & J. Krishnan. (1999). Accounting accruals and auditor reporting conservatism. *Contemporary Accounting Research* 16 (1): 135–165.
- Francis, J.R., (2004). What do we know about audit quality? *The British Accounting Review* 36 (4), 345–368.
- Francis, J. R. (2011). A framework for understanding and researching audit quality. *AUDITING: A Journal of Practice & Theory*, 30(2), 125–152.

- Genser, B., Cooper, P., Yazdanbakhsh, M., Barreto, M., & Rodrigues, L. (2007). A guide to modern statistical analysis of immunological data. *BMC Immunology*. 8-27.
- Gerdes, L. (2009, September 14). The best places to launch a career. *BusinessWeek*, 32-39.
- Gottschalk, P. (2011). Prevention of white-collar crime: The role of accounting.
- Government Accountability Office (GAO).(2008). Audits of Public Companies. Continued Concentration in Audit Market for Large Public Companies does not Call for Immediate Action. Washington, D.C.: GAO.
- Graham, J. R., Leary, M. T., & Roberts, M. R. (2015). A century of capital structure: The leveraging of corporate America. *Journal of Financial Economics*, 118(3), 658-683.
- Graham, J., C. Harvey, & S. Rajgopal. (2005). The economic implications of corporate financial reporting. *Journal of Accounting and Economics* 40: 3-73.
- Gujarati, D. (2008). N, 2003, Basic Econometrics,“. New York: McGraw-Hill, 363-369.
- Gujarati, D. N. (2004). Basic Econometric,(4 Eds.).
- Gul, F., K. J. Kim, and A. Qiu. (2009). Ownership concentration, foreign shareholding, audit quality, and stock price synchronicity: Evidence from China. *Journal of Financial Economics*. 95 (3): 425–442

- Gul, F. A., & Leung, S. (2004). Board leadership, outside directors' expertise and voluntary corporate disclosures. *Journal of Accounting and public Policy*, 23(5), 351-379.
- Gul, Ferid A., Hai Y., Teoh, Beer Andrew H., and Schelluch P. (1994). *Theory and Practice of Australian Auditing*, Third Edition, Nelson, an International Thomson Publishing Company, Australia.
- Hair, J.F., Anderson, R.E., Tatham, R.L., & Black, W.C. (2010). *Multivariate data analysis*.(2ndEdition). New York: Prentice-Hall, Upper Saddle River, NJ.
- Haniff, R., & Hudaib, M. (2006). Corporate governance structure and performance of Malaysian listed companies. *Journal of Business Finance & Accounting*,33(7-8), 1034-1062.
- Higgs Report (2003). Review of the Role and Effectiveness of Non-Executive Directors ([www.dti.gov.uk/cld/non exec review](http://www.dti.gov.uk/cld/non_exec_review)).
- Hoechle, D. (2007). Robust standard errors for panel regressions with cross-sectional dependence. *Stata Journal*, 7(3), 281.
- Huang, Y & Scholz, S (2012). 'Evidence on the association between financial restatement and auditor resignations', *Accounting Horizon*, Vol 26, No. 3, pp. 439-464.

- Institute of Chartered Accountants in England and Wales (ICAEW). 2002. Audit Quality (Abridged). ICAEW: London.
- International Auditing & Assurance Standards Board. (2011). Audit Quality: *An IAASB perspective*. New York.
- Iyengar, R. J., Land, J., & Zampelli, E. M. (2010). Does board governance improve the quality of accounting earnings? *Accounting Research Journal*, 23(1), 49–68.
- Jaffar, N. (2009). Fraud detection: The moderating role of fraud risk level. *Journal of business and public affairs*, 3 (1), 1-15.
- Jaime S., & Michael S. W., (2013). Bringing Darkness to Light: The Influence of Auditor Quality and Audit Committee Expertise on the Timeliness of Financial Statement Restatement Disclosures. *Auditing: A Journal of Practice & Theory*, 32(1), 221-244.
- Jeffrey R. C., Lisa M. G., Genesh K., & Arnold M.W., (2011). The impact on auditor judgments of ceo influence on audit committee independence. *Auditing: A Journal of Practice & Theory*, 30(4), 129-147.
- Jensen, M. C. (1993). The modern industrial revolution, exit and the failure of internal control systems. *Journal of Finance*, 48(3), 831-880.
- Jensen, M.C. (1986). Agency costs of free cash flow, corporate finance and takeovers. *American Economic Review*, 76(2), 323-329.

- Jensen, M., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.
- Jeppesen, L. (2007). Organizational risk in large audit firms. *Managerial Auditing Journal* 22 (6): 590–603.
- Jun Lin, Z., Xiao, J. Z., & Tang, Q. (2008). The roles, responsibilities and characteristics of audit committee in China. *Accounting, Auditing & Accountability Journal*, 21(5), 721-751.
- Kent, P., Routledge, J. & Stewart, J. (2010). Innate and discretionary accruals quality and corporate governance. *Accounting and Finance*, 50, pp. 171–195.
- Kiel, G. & Nicholson, G. (2003). “A framework for diagnosing board effectiveness” *Corporate Governance: International Review*, Vol. 12 No. 4, pp. 442-60.
- Klapper, L., & Love, S . (2004). Corporate governance, investor protection and firm performance in emerging markets. *Journal of Corporate Finance*, 3(1), 1-26.
- Klein, A. (2003). Likely effects of stock exchange governance proposals and Sarbanes-Oxley on corporate boards and financial reporting. *Accounting Horizons*, 17(4), 343-355.
- Komolafe, B. (2012). ICAN queries efficiency of Audit Committees in Nigeria. *Vanguard*. Lagos.

- Krishnan, G., & Visvanathan, G. (2009). Do auditors price audit committee's expertise? The case of accounting versus non accounting financial experts. *Journal of Accounting, Auditing & Finance I*, 115-144.
- Krishnan, G. V. & Visvanathan, G. (2008). Does the SOX definition of an accounting expert matter? The association between audit committee directors' accounting expertise and accounting conservatism. *Contemporary Accounting Research*, 25, pp. 827–857.
- Krishnan, J. (2005). Audit committee quality and internal control: an empirical analysis. *The Accounting Review*, 80, pp. 649–675.
- Kumar, N. and Singh, J. P. (2012). 'Audit Committee as Corporate Governance Mechanism; Myths and Realities. *9th Aims International Conference on Management*.
- Kyereboah-Coleman., & Biekpe, N. (2008). The relationship between board size, board composition, CEO duality and firm performance: Experience from Ghana. *Journal of Corporate Ownership and Control*, 4(2), 114-122.
- Lawrence, A., Minutti-Meza, M., & Zhang, P. (2011). Can Big 4 versus non-Big 4 differences in audit-quality proxies be attributed to client characteristics?. *The Accounting Review*, 86(1), 259-286.
- Lee, L. F. (2011). Incentives to inflate reported cash from operations using classification and timing. *The Accounting Review*, 87(1), 1-33.

- Lee, T. and Stone, M. (1995) Competence and independence: the congenital twins of auditing?, *Journal of Business Finance & Accounting*, 22(8), pp. 1169–1177.
- Leuz, C., D. Nanda & P.D. Wysocki. (2003). Earnings Management and Investor Protection: An International Comparison. *Journal of Financial Economics*. Vol. 69, pp. 505-527.
- Levin, R. I. (2008). Statistics for management. Pearson Education India.
- Lin, J. W., Li, J. F., & Yang, J. S. (2006). The effect of audit committee performance on earnings quality. *Managerial Auditing Journal*, 21(9), 921-933.
- Lo, A. W. Y., Wong, R. M. K. & Firth, M. (2010). Can corporate governance deter management from manipulating earnings? evidence from related-party sales transactions in China. *Journal of Corporate Finance*, 16, pp. 225–235.
- Louis, H. (2005). Acquirers' abnormal returns and the non-Big 4 auditor clientele effect. *Journal of Accounting and Economics* 40(1–3):75–99.
- MacDonald Commission (1987). Report of the Commission to Study the Public's Expectations of Audits, Canadian Institute of Chartered Accountants, Canada.
- Malaysian code on corporate governance (2001).
- Malaysian Code of Corporate Governance (2000), Malaysian Law Journal Sdn. Bhd., Malaysia.

- Matsumura, E. M., & Tucker, R. R. (1992). Fraud detection: A theoretical foundation. *Accounting Review*, 753-782.
- Mautz, R.K., & Neumann, F.L. (1970). Corporate audit committees. In S. Turley and M. Zaman, (2004). The corporate governance effects of audit committees. *Journal of Management & Governance*, 8(3), 305-332.
- Mautz, R. K., & Sharaf, H. (1961). *The Philosophy of Auditing*. American Accounting Association.
- McDaniel, L.S., Martin, R.D. & Maines, L.A. (2002). "Evaluating financial reporting quality: the effects of financial expertise vs. financial literacy", *The Accounting Review*, Vol. 77 No. 4, pp. 139-67.
- McGowan, M. M., Yurova, Y. V., & Chan, S. H. (2014). audit firm size and audit quality in nonprofit hospitals: evidence from circular a-133 audits. *In Allied Academies International Conference. Academy of Accounting and Financial Studies. Proceedings* (Vol. 19, No. 1, p. 19). Jordan Whitney Enterprises, Inc.
- McMullen, D.A. (1996). Audit committee performance: An investigation of the consequences associated with audit committees, *Auditing: Journal of Practice and Theory*, 15, 87-103.
- Miller, M., & Dobbins, C. (2001). Key financial performance measures for farm general managers. Retrieved October 5, 2008, from <http://www.agcom.purdue.edu/AgCom/Pub>.

- Mitton, T. (2002). A cross-firm analysis of the impact of corporate governance on the East Asian financial crisis. *Journal of Financial Economics* 64(2): 215–241.
- Muhamad Sori, Z., Mohamad, S., Abdul Hamid, M.A. & Nassir, A. (2001). “The effectiveness of the audit committee: the chairman’s perception”, *Akauntan Nasional*, February.
- Mustafa, S. T., & Ben Youssef, N. (2010). Audit committee financial expertise and misappropriation of assets. *Managerial Auditing Journal*, 25(3), 208-225.
- Nigerian Stock Exchange Factbook (2012/2013).
- Nigeria Code of Corporate Governance (2011).
- Nigeria Code of Corporate Governance (2003).
- Nigeria Code of Best Practises for Corporate Governance (2001).
- Nobes, C. & Parker, R. (2008). *Comparative international accounting*, Prentice Hall.
- Okaro, S. C., & Okafor, G. O. (2013). Drivers of Audit Failure in Nigeria- Evidence from Cadbury. *Research Journal of Finance and Accounting*, 4(6), 14–17.
- Okaro, S. C., & Okafor, G. O. (2010). Repositioning the Audit Committee as an Effective Watchdog in Corporate Governance in Nigeria.
- Okike, E. N. M. (2002). Influences on the Corporate Governance Framework and Reporting on Listed Companies in a Developing Economy: A Nigerian case study,

Paper presented at the 3rd International Conference for the British Accounting Association Special Interest Group in Corporate Governance, at the Queen's University Belfast, 16 December.

Okike, E. N. M. (2000). The State of Corporate Governance in Nigeria, Paper presented at the Annual Conference of the Commonwealth Association for Corporate Governance (CACG), Nairobi Kenya, 31 October–2 November.

Okike, E. N. M. (1994). Curious auditing regulations in Nigeria: A case study of cultural/political influences on auditing practice. *International Journal of Accounting*, 29, 78-91.

Otusanya, J. O., & Lauwo, S. (2010). The Role of Auditors in the Nigerian Banking Crisis. *Accountancy Business and the Public Interest*, 9(0), 159–204.

Owolabi, S.A. and Dada, S.O., (2011). 'Audit Committee: An Instrument of Effective Corporate Governance', *European Journal of Economics, Finance and Administrative Sciences*, 35.

Palmrose, Z-V. (1988). An analysis of auditor litigation and audit service quality. *The Accounting Review*. Vol. 63, pp. 55-73.

Pervits, G., R. Bricker, T. Robinson, & S. Young. (1994). A content analysis of sell-side financial analyst company reports. *Accounting Horizons* 8: 55-70.

- Pincus, K, Rusbarsky, M & Wong, J. (1989). Voluntary formation of corporate audit committee among NASDAQ firms. *Journal of Accounting and Public Policy*, 8, 239-265.
- Piot, C., & Janin, R. (2007). External auditors, audit committees and earnings management in France. *European Accounting Review*, 16, 429–454.
- Pittman, J. A., & Fortin, S. (2004). Auditor choice and the cost of debt capital for newly public firms. *Journal of accounting and economics*, 37(1), 113-136.
- PricewaterhouseCoopers (1999). Audit Committees: Best Practices for Protecting Shareholders' Interest, PwC LLP, New York, NY.
- PricewaterhouseCoopers (2002). Mandatory Rotation of Audit Firms: Will It Improve Audit Quality? *PricewaterhouseCoopers LLP*, New York.
- Quadri, A. H. (2010). 'Conceptual Framework for Corporate Governance in Nigeria: Challenges and Panaceas', *PM World Today*, Vol XII, Issue IX.
- Raheja, C.G. (2005). Determinants of board size and composition: A theory of corporate boards. *Journal of Financial and Quantitative Analysis*, 40,283-306.
- Rajan, R., & Zingales, L. (1998). Financial dependence and growth. *The American Economic Review* 88,559–586.

- Reichelt, K. J., & Wang, D. (2010). National and office-specific measures of auditor industry expertise and effects on audit quality. *Journal of Accounting Research*, 48(3), 647-686.
- Reynolds, J. K., & Francis, J.R. (2000). Does size matter? The influence of large clients on office-level auditor reporting decisions. *Journal of Accounting and Economics* 30 (3): 375–400.
- Rezaee, Z. (2009). *Corporate Governance and Ethics*, United States: John Wiley & Sons, INC.
- Rezaee, Z., Kingsley, O.O. & Minnier, G. (2003). “Improving Corporate Governance: the role of Audit committee disclosures”. *Managerial Auditing Journal* 18/6/7: 530-537.
- Richard, C. (2006, July). Why an auditor can't be competent and independent: A French case study. *European Accounting Review*, 15(2), 153-179.
- Sekaran, U., & Bougie, R. (2003). *Research methodology for business*.
- Saleh, M., Zulkifli, N., & Muhamad, R. (2011). Looking for evidence of the relationship between corporate social responsibility and corporate financial performance in an emerging market. *Asia-Pacific Journal of Business Administration*, 3(2), 165-190.
- Sanusi, L. S. 2012. Banking reforms and its impact on Nigerian economy. Being a lecture delivered at the University of Warwick's Economic Summit, UK 17th February. Retrieved from: www.cenbank.org.

Sarbanes, P. (2002). Sarbanes-oxley act of 2002. In *The Public Company Accounting Reform and Investor Protection Act*. Washington DC: US Congress.

Sarbanes Oxley (SOX) Act (2002). Retrieved March 21, 2011

SEC (2003). Disclosure Required by Sections 406 and 407 of the Sarbanes-Oxley Act of 2002, Release Nos 33-8177; 34-47235, Securities and Exchange Commission, Washington, DC.

Schandl, C. W. (1978). *Theory of Auditing* (Scholars Book Co).

Schmidt, J., & Wilkins, M. S. (2012). Bringing darkness to light: The influence of auditor quality and audit committee expertise on the timeliness of financial statement restatement disclosures. *Auditing: A Journal of Practice & Theory*, 32(1), 221-244.

Sharma, V., Naiker, V. & Lee, B. (2009). Determinants of audit committee meeting frequency: evidence from a voluntary governance system. *Accounting Horizons*, 23, pp. 245–263.

Sherer, M. and Turley, S. (1997). *Current Issues in Auditing*, London, Paul Chapman Publishing Ltd.

Shleifer, A., & Vishny, R. (1986). Large stockholders and corporate control. *Journal of Political Economy*, 94(3), 461-488.

- Simunic, D., & M. Stein. (1987). Product differentiation in auditing: *Auditor choice in the market for unseasoned new issues. Research Monograph 13*, The Canadian Certified General Accountants' Research Foundation, Vancouver, B.C.
- Skinner, D. J., & Srinivasan, S. (2012). Audit quality and auditor reputation: Evidence from Japan. *The Accounting Review*, 87(5), 1737-1765.
- Skinner, D. ., & Srinivasan, S. (2010). Audit quality and auditor reputation: Evidence from Japan and USA. Working Paper, University of Chicago and Harvard Business School.
- Smart, S., and C. Zutter. (2003). Control as a motivation for underpricing: A comparison of dual and single class IPOs. *Journal of Financial Economics* 69 (1): 85–110.
- Smith Committee, (2003). Audit Committee Combined Code Guidance. Financial Reporting Council. London.
- Soltani, B. (2014). The Anatomy of Corporate Fraud: A Comparative Analysis of High Profile American and European Corporate Scandals. *Journal of Business Ethics*, 120(2), 251–274.
- Song, J & Windram, B (2000). The Effectiveness of Audit Committee: Experience from UK, Working Paper. 12th Asian-Pacific Conference on International Accounting Issues. Beijing. China. 21-24, October.
- Song, J., & Windram, B. (2004). Benchmarking audit committee effectiveness in financial reporting. *International Journal of Auditing*, 8(3), 195-205.

- Spira, L. (1999). Independence in corporate governance: The audit committee role. *Business Ethics: A European Review*, 8(4), 262-273.
- Stiglitz, J.E., & Weiss, A. (1981). Credit rationing in markets with imperfect information. *The American Economic Review* 71, 393–410.
- Sun, J. (2013). Auditor industry specialization, board governance, and earnings management. *Managerial Auditing Journal*, 28(1), 45–64.
- Teoh, S., & T. Wong. (1993). Perceived auditor quality and the earnings response coefficient. *The Accounting Review* 68 (April): 346–366.
- Treadway Commission. (1987). Report on the National Commission on Fraudulent Financial Reporting, Committee of Sponsoring Organizations, New York.
- Turley, S., Zaman, M. (2007). Audit committee effectiveness: informal processes and behavioural effects. *Accounting, Auditing & Accountability Journal* 5, 765-788.
- Ujunwa, A. (2012). Board characteristics and the financial performance of Nigerian quoted firms. *Corporate Governance: The international journal of business in society*, 12(5), 656-674.
- Uwuigbe, O.R. (2013). ‘Corporate Governance and Share Price: Evidence from Listed Firms in Nigeria’, *An International Multidisciplinary Journal*, 7 (2), 129-143.

- Van Puyvelde, S., Caers, R., Du Bois, C., & Jegers, M. (2012). The governance of nonprofit organizations integrating agency theory with stakeholder and stewardship theories. *Nonprofit and Voluntary Sector Quarterly*, 41(3), 431-451.
- Vicknair, D., Hickman, K. and Carnes, K.C. (1993). "A note on audit committee independence: Evidence from the NYSE on grey area directors", *Accounting Horizons*, Vol. 7 No. 1, pp. 53-7.
- Watts, R. L. (1998). A review of agency problems, auditing and the theory of the firm. *Journal of Law and Economics*, 26 (3).
- Watts, R. L. & Zimmerman, J. L. (1986) *Positive Accounting Theory* (Englewood Cliffs, NJ: Prentice- Hall, Contemporary Topics in Accounting Series).
- Watts, R., & Zimmerman, J. (1981). The markets for independence and independent auditors. *Unpublished manuscript (University of Rochester, Rochester, NY)*.
- Watts, R. L., & Zimmerman, J. L. (1978). Towards a positive theory of the determination of accounting standards. *Accounting review*, 112-134.
- Wild, J.J. (1994). Managerial accountability to shareholders: Audit committees and the explanatory power of earnings for returns. *The British Accounting Review*, 26, 353-374.
- Wilks, T. J., & Zimbelman, M. F. (2004). Decomposition of Fraud risk assessments and auditors' sensitivity to fraud cues. *Contemporary Accounting Research*, 21(3), 719-745.

Wolnizer, P. W. (1995). Are audit committees red herrings? *Abacus* 31 (March): 45–66.

Wolnizer, P. W. (1987) *Auditing as Independent Authentication* (Sydney University Press).

Yassin, F. M., and Nelson, S. P. (2012). Audit Committee and Internal Audit: Implications on Audit Quality. *International Journal of Economics, Management and Accounting*, 20(2).

Zainal, A. Z. Mustafa, K. N. & Jusoff, k. (2009). Board structure and corporate performance in Malaysia. *International Journal of Economics and Finance*, 1(1), 150-164.

Zaman, M., Hudaib, M., & Haniffa, R. (2011). Corporate governance quality, audit fees and non-audit services fees. *Journal of Business Finance & Accounting* 1/2, 165-197.

Zaman, M. & Collier, P (2005). “Convergence in European Corporate Governance: the Audit Committee concept”, *Corporate Governance: An International Review*, vol. 13(6), pp. 753-768.