THE MEDIATING EFFECT OF THE QUALITY-DIFFERENTIATED AUDITORS ON THE RELATIONSHIP BETWEEN ORGANIZATIONAL ATTRIBUTES AND MONITORING MECHANISMS

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DOCTOR OF PHILOSOPHY
UNIVERSITI UTARA MALAYSIA
October 2016

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By
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Thesis Submitted to
Tunku Intan Safinaz School of Accountancy,
Universiti Utara Malaysia,
in Fulfilment of the Requirement for the Degree of Doctor of Philosophy

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(Title of the Thesis / Dissertation) : **THE MEDIATING EFFECT OF THE QUALITY-DIFFERENTIATED AUDITORS ON THE RELATIONSHIP BETWEEN ORGANIZATIONAL ATTRIBUTES AND MONITORING MECHANISMS**

Program Pengajian
(Programme of Study) : **Doctor of Philosophy**

Nama Penyelia/Penyelia-penyelia
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ABSTRACT

Monitoring mechanisms (MMs) have become important issues in Sub-Saharan Africa in the quest to reduce corruption. It is equally important to understand factors associated with MMs since such factors determine the effectiveness of MMs in reducing agency problems. It is vital to understand the channels through which these factors can influence MMs. While quality-differentiated auditors (QDAs) have been associated with high audit quality, its mediating effect between organizational attributes (OAs) and MMs has not been empirically tested, especially in Nigeria. This study examines the relationship between OAs and MMs. Secondly, it extends extant literature by examining the relationship between OAs and QDAs. Thirdly, it examines the relationship between QDAs and MMs and determines the role of QDAs as a plausible mediating variable between OAs and MMs. Using the data of Nigerian non-financial listed companies the results provide empirical supports that ownership structure (managerial ownership and individual block-holders), board (size, meetings, independence and gender) and compensation structure are significantly associated with MMs in the right directions. In addition, Type-II-agency-conflicts, board independence, risk management committee and compensation structure significantly and positively relate to QDAs. The most satisfactory result is the significant positive influence of QDAs on MMs indicating that quality auditing is an essential requirement in enhancing adequate MMs. The findings of this study provide support for the association of OAs and MMs with intervention of QDAs for good corporate governance. Therefore, the board of directors in Nigerian listed companies should be encouraged to adopt the right mix of OAs and MMs to ensure quality financial reporting through quality auditing to protect shareholders' interests. Likewise, audit firms in Nigeria should invest more on technology and intellectual capital to ensure quality auditing. Also, the regulatory agents should ensure necessary enforcement of codes of corporate governance and monitoring for compliance.

Keywords: monitoring mechanisms, organizational attributes, quality-differentiated auditors, agency costs, audit market

ABSTRAK

Mekanisme pengawasan (MM) merupakan isu yang penting di wilayah Sub-Sahara Afrika dalam usaha membendung rasuah. Penting juga untuk difahami ialah faktor yang dikaitkan dengan MM kerana faktor sedemikian boleh menentukan keberkesanan MM untuk meminimumkan masalah agensi. Selain itu, adalah penting untuk difahami wahana yang membolehkan faktor ini mempengaruhi MM. Meskipun juruaudit kualiti dibezakan (QDA) telah dikaitkan dengan kualiti audit yang tinggi, namun kesan perantara antara ciri organisasi (OA) dengan MM belum lagi diuji secara empirik khususnya di Nigeria. Kajian ini meneliti hubungan antara OA dengan MM. Kajian juga menambah kosa ilmu sedia ada dengan melihat hubungan antara OA dengan QDA. Kajian turut menyelidik hubungan antara QDA dengan MM serta menentukan peranan QDA sebagai pemboleh ubah perantara yang munasabah antara OA dengan MM. Hasil regresi yang menggunakan data daripada syarikat bukan kewangan yang tersenarai di Nigeria menyokong bahawa struktur pemilikan (pemilikan pengurus dan pemegang blok individu), lembaga (saiz, mesyuarat, kebebasan, dan jantina) dan struktur pampasan berkait secara signifikan dengan MM. Konflik agensi Jenis II, kebebasan lembaga, jawatankuasa pengurusan risiko, dan struktur pampasan juga didapati berkait secara signifikan dan positif dengan QDA. Dapatan juga memperlihatkan pengaruh QDA yang positif lagi signifikan terhadap MM. Perkara ini menunjukkan bahawa kualiti audit merupakan satu keperluan asas untuk meningkatkan MM dengan secukupnya. Dapatan kajian juga menyokong hubungan OA dengan MM dengan campur tangan QDA untuk tadbir urus yang baik. Oleh yang demikian, lembaga pengarah di syarikat tersenarai di Nigeria perlu didorong untuk menggabungkan OA dengan MM secara berkesan bagi memastikan terhasilnya laporan kewangan yang berkualiti menerusi kualiti audit untuk melindungi kepentingan pemegang saham. Firma audit di Nigeria patut melabur lebih dalam teknologi dan modal intelektual bagi mempastikan pengauditan yang berkualiti. Selain itu, agen penguat kuasa perlu memastikan berlakunya penguatkuasaan kod tadbir urus dan pengawasan pematuhan yang secukupnya.

Kata kunci: mekanisme pengawasan, ciri organisasi, auditor berbeza kualiti, kos agensi, pasaran audit

ACKNOWLEDGEMENT

My special thanks and gratitude is unto the Almighty God for wisdom, knowledge, love, and mercy to realize my PhD dream. He empowered me to run through the troop and leap over the wall of sickness, lacks and wants and some other challenges encountered while running the programme.

I sincerely appreciate the efforts of my supervisor, Prof Dr. Ayoib Che-Ahmad for always being there to guide me giving useful advice, comments, and suggestions from the beginning to the end of the thesis. I also thank the examiners for my symposium, proposal defence and viva voce including Dr. Siti Seri Delima Abdul Malak and Prof. Dr. Mohamad Ali Bin Abdul Hamid for valuable contributions that align this project to a standard PhD thesis. I also appreciate Prof. Dandago, Prof. Enyi, Dr. Samuel Dada, Dr. Alaka, Dr. Olayinka Adenikinju, and Mr. Abel Asein that helped to validate the questionnaires.

I also thank the one God used to introduce me to the programme, Dr. Oluwatoyin M.J Popoola for his strong wish and efforts to ensure that I fulfil destiny. Likewise, I acknowledge the concern of my friends and family especially my mother, Solape Sarah Akintunde, leaving her to pursue my career when she needs me most but yet bear with me. I appreciate my husband, David Amao Olakunle Arowolo for his understanding and care.

I thank my daughters, Oluwaranti Olamide Akintunde and Oluwaseun Popoola-Onasoga with her husband for their contributions and concern. I am also grateful to my boss, father and brother, ex-registrar of ICAN, Mr. Oluwatoyin Adepate for his tireless encouragement and concern.

I also appreciate the staff of the Institute of Chartered Accountants of Nigeria (ICAN), Security Exchange Commission, Nigerian Stock Exchange, and Nigerian Financial Reporting Council for every effort in connecting me with contacts in the listed companies.

I appreciate ICAN for the five hundred thousand naira grant given as part settlement of my data collection expenses. May God keep lifting the Institute and grant its leadership the wisdom required to achieve its goals.

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LIST OF ABBREVIATIONS

SEC	Security Exchange Commission
IASB	International Accounting Standard
NCCG	Nigerian Code of Corporate Governance
IFAC	International Federation of Accountants
IPSAS	International Public Sector Accounting Standards
ISAs	International Auditing Standards
IFRS	International Financial Reporting council
IMF	International Monetary Fund
OECD	Organization for Economic Cooperation and Development
IIA	Institute of Internal Audit
TI	Transparency International
QDAs	Quality-differentiated Auditors
CAMA	Companies and Allied Matters Act
NAICOM	National Insurance Commission
CBN	Central Bank of Nigeria
NFRC	Nigerian Financial Reporting Council
EFCC	Economic and Financial Crime Commission
ICPC	Independent Corrupt Practices
MM	Monitoring Mechanisms
IA	Internal Auditing
EA	External Auditing
SEM	Structural Equation Model
SUR/Sureg	Seemingly Unrelated Regression

MO	Managerial Ownership
GO	Government Ownership
IB	Individual Block-holders
PPC	Principal-principal Conflicts
Bz	Board Size
BM	Board Meetings
BI	Board Independence
BG	Board Gender
CS	Compensation Structure
NSE	Nigerian Stock Exchange
COBIT	Control Objectives for Information and related Technology
COSO	Committee of Sponsoring Organizations of the Treadway Commission

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CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

The desire to ensure that stakeholders' interests are not injured heightens with global economic meltdown (as in the case of Enron and others), fraud and failures in businesses (Algharaballi & Goyen, 2012; Shichor, 2015). The outcome of the economic meltdown is an outfall of opportunistic attitudes in corporations leading to unhealthy financial reports (Cadbury, 1992). The economic downturns led to corporate collapses, mergers and bankruptcies, inadequate accounting disclosure and lack of transparency in financial reporting (Kuschnik, 2008; Al-janadi, Rahman, & Omar, 2013). It erodes the trust and confidence of shareholders in the management of the companies (Cadbury, 1992). It necessitates company owners, governments, and regulatory agents to seek to review their prevailing monitoring mechanisms (Georgiev, 2013) and codes of corporate governance (Al-Rassas, Al-Rassas, Kamardin & Kamardin). The review is to prevent and monitor corruption and also to manage the conflicts between owners and the management of corporations (Georgiev, 2013; Huson, Parrino, & Starks, 2001) through adequate internal and external monitoring mechanisms (Bushman & Smith, 2001; Kao, Chiou, & Chen, 2004; Tosi, Katz, & Gomez-mejia, 1997; Irani & Oesch, 2013; Al-Janadi et al., 2013; 2006 CBN Code; Kuschnik, 2008; Adeyemi & Fagbemi, 2010; Dabor & Ibadin, 2013).

Companies and audit market are yet to effectively address monitoring mechanisms and significantly enhance good corporate governance in Nigeria. While corruption increases at an alarming rate, raising the tempo of poverty, unemployment and insecurity on daily basis, the value of currency, naira is continually dwindling in the international market, and the basic facilities such as good road, water, and electricity supply are also lacking (Ilori 2012; Okpara, 2011; Mayungbe, 2012; Hamilton & Gabriel, 2012). There is an urgent need to address issues of effectiveness, accountability, transparency, ethics, and reliability in financial reporting. The evidence for these are observable from Nigerian daily news on extensive corruption and economic fraud reported in newspapers, magazines, and media (Transparency International, 2016; Tribune Newspaper, 4 November 2016; Premium Times, 22 September 2015, 17 July 2016; Punch Newspaper, 3 November 2016; EFCC News, 6 March 2014; PWC, 2016; KPMG, 2016; EFCC, 2014, 2015, 2016;).

Similarly, the academic community, opposition leaders, civil societies and shareholders' associations have been crying, condemning corruption and fraud, especially in the light of the economic downturn in Nigeria. The outcry is noted in sparkling press release headlines on political and corporate frauds: '25 Nigerian CEOs in Fraud Scandal" (Adedoyin, 2012), "How Saraki converted Kwara Government funds to personal use – Code of Conduct Bureau" (Okakwu, 2016), "I gave a judge ₦450,000 not bribe (Kumolu, 2016), "DPR to clamp down on fake lubricant producer" (Nwogu, 2016), "Judging the Judges" (Terver, 2016), "NNPC, Nigeria Police partner on pipeline vandalism" (Onwuemenyi, 2012), "Corruption, Crime and Criminality" (Akinola, 2016), "Anybody who expects corruption-free judiciary would be living in the dream land" (Jegede, 2016). "Suspended Edo traditional ruler admits altercation with woman, apologises" (Ezekiel, 2016), "EFCC arraigns Patrick Joseph Osoase for N28m Fraud" (Uwujaren, 2014) "Obanikoro undertakes to return N480m, submits passports to EFCC" (Akinkuotu, 2016), "Impact of Corruption on Nigeria's economy" (PWC, 2016), "The Tricky Business of Administering Natural Resource Revenues" (Feinstein, 2014), "Man docked over fake ₦2bn national assembly contract" (Idris, 2016), "Nigeria's Booming Borders: The Drivers and Consequences of Unrecorded Trade" (Hoffmann & Melly, 2015), "Exposed!! India High Commissioner Exposes Diezani's $14b Shady Oil Deal" (Okonkwo, 2015).

The Nigerian Securities and Exchange Commission (SEC) has the responsibility to regulate the Nigerian capital market; Nigerian Stock Exchange (NSE) helps to review the compliance of companies' submissions to the required Company and Allied Matters Act (CAMA) disclosures, accounting principles and standards, and capital market listing requirements. These regulatory bodies often rely on the financial regulations for their supervisory responsibilities. Nigerian Financial Reporting Council (FRC) formerly Nigerian Accounting Standard Board (NASB) develops and publishes accounting and financial reporting standards for Nigerian corporations to prepare the financial reports and financial related matters for NSE and the general public. However, the accounting and financial reporting standards seem resistible to fraud and corruption in Nigerian listed companies.

In addition, the government of Nigeria approved Financial Reporting Council (FRC) Act, 2011; established: Economic and Financial Crime Commission (EFCC), 2004; Independent Corrupt Practices and Other Related Offences Commission (ICPC), 2000; The Money Laundering Act, 1995; The Money Laundering (Prohibition) Act, 2004; Banks and Financial Institutions Act, 1991; The Advance Fee Fraud and Other

Fraud Related Offences Act, 1995; The Failed Banks (Recovery Debts) and Financial Malpractices in Banks Act, 1994; The Miscellaneous Offences Act, 1984; adopted: the International Financial Reporting Standards (IFRSs) in 2010 and other anticorruption instruments to strengthen its regulatory authority and legal system and attain good governance in private and public firms (Laws, 2012; Elijah, 2007; Chinedu, Titus, & Thaddeus, 2010). However, these Acts have not achieved a substantial success (Chinedu et al., 2010; Okobi, 2011). The failure to reduce corruption and fraud to the minimum in Nigerian companies may likely be from weak implementation and enforcement of the laws.

Most specifically, several probes on corporate corruption and fraud are allegedly attributed to abuse of office, misappropriation of funds, the absence of transparency and accountability in the Nigerian companies due to moral hazard. These are made glaring in cases of the Chief Executives (Adedoyin, 2012). The regulators (SEC, NSE, and others) have intensified the monitoring for compliance to codes of corporate governance, accounting standards, and ethics. The enforcement agents (FRC, EFCC, and others) embark on probing listed companies for fraud, expropriation of assets, and other forms of corruption.

Management and controlling shareholders' moral hazards, information asymmetry between the management and shareholders and among the shareholders are costly and very dangerous in the light of their impact on the national and global economy. These unscrupulous attitudes have dent Nigeria's image and cause investors to lose their confidence to engage in business in Nigeria. Extant literature provide evidence that foreign investors were withdrawing from Nigerian capital market following the economic meltdowns (Haladu, 2016; Ngene 2015). It also reveals that fraud perpetrators often intentionally conceal irregularities in their reports. Likewise, it suggests a good number of internal and external monitoring mechanisms that are necessary to expose the opportunistic attitudes (Fodio, Ibikunle, & Oba, 2013; Al-janadi, et. al., 2013; Abdulmalik & Che-Ahmad, 2016; Nielsen & Haugaard, 2000; Holt, 2009; Hamdan, Mushtaha, & Al-Sartawi, 2013; Harris & Merwe, 2012; Francis, Michas, & Seavey, 2013; Babatunde & Olaniran, 2009).

In addition, research has shown that quality financial reports emanating from strong monitoring mechanisms influenced by quality-differentiated auditors can help to restore their trust and confidence in Nigerian companies (Fodio, Ibikunle, & Oba, 2013; Hegazy & Tawfik, 2015; Jusoh & Che-Ahmad, 2014).

Monitoring mechanisms, quality-differentiated auditors, and risk management committee are carefully selected as special areas for this study because (1) of their connection to the five components of internal control (COSO, 2013), especially, risk assessment, control activities and monitoring activities. (2) the prevailing Acts are not immune to the countless internal and external risks of moral hazards in the Nigerian listed companies.

The literature on the organizational attributes, demand, and preferences for the monitoring mechanisms are very few, especially as related to Nigerian non-financial sector. This study addresses the gap in the literature by investigating the mediating effect of quality-differentiated auditors on organizational attributes (ownership structure, composition and activities of the board of directors, and compensation structure) and monitoring mechanisms (directorship, internal, and external auditing) in Nigerian non-financial listed companies using agency theory supported by stakeholder and signalling theories.

There are other factors that can serve as mediating variables for the relationship between organizational attributes and monitoring mechanisms going by cause and effect principle of mediating variable (Baron & Kenny, 1986) are International Financial Reporting Standards (IFRS), Code of Corporate Governance (CCG) and Information Technology (IT). Reason being that such factors are caused or brought to limelight in the aegis for good corporate governance and were established to strengthen monitoring mechanisms to ensure the achievement of corporate goals. However, quality-differentiated auditors (QDAs) are chosen because of their influence on the quality of financial reports. It is expected that when a QDA is engaged, proper scrutiny of records is done to ensure compliance with the standards, codes, and policies to produce high-quality audit (DeAngelo, 1981). The result of record scrutiny by a QDA is high-quality financial reports (De Franco, Gavious, Jin, & Richardson, 2011).

1.1 Problem Statement

It is apparent from the background to this study that corruption dominates businesses in Nigeria and therefore creates rooms for agency problems in the Nigerian listed companies. Therefore, there is a need to explore the effect of quality-differentiated auditors on the relationship between the organizational attributes (ownership structure, composition and activities of the board of directors, and compensation structure) and monitoring mechanisms (Appah, E; Emeh, 2013; Van Slyke, 2006;

Adeyemi & Fagbemi 2010; Adeyemi, Okpala, & Dabor, 2012; DeAngelo, 1981; Dedman, Kausar, & Lennox, 2013; Gerakos, 2013;). Extant literature reveal the existence of information asymmetry, disparity in the interests of management and shareholders, opportunistic attitudes of management and controlling shareholders and weak enforcement of codes of corporate governance as the foundational causes of economic melt-down (Sarens, & Abdolmohammadi, 2011; Al-Rassas et al., 2016; Minnis & Sutherland, 2015). Each of these features of financial distress is a principal factor to poor corporate governance in Nigerian listed companies (Okobi, 2011; Nworji, Adebayo, & David, 2011; Ilori, 2012; Sanusi, 2010; Okpara, 2011). These are evidenced in the case of Cadbury, Nigerian and other cases noted in the background of this study.

To the best of the knowledge of the researcher, only two studies (Mustapha, 2009; Anderson, Francis, & Stokes, 1993) had attempted to examine the three dimensions of monitoring mechanisms, directorship, internal, and external auditing at a time. The extant literature demonstrates that (1) Failure for a company to address the need for monitoring mechanisms amounts to unending information asymmetry between the management and the shareholders (Sarens, & Abdolmohammadi, 2011). (2) The incidents of economic meltdowns, business mergers, and failures as in Enron in the US, Cadbury in Nigeria and others are the evidence of monitoring failure (Kuschnik, 2008). (3) Transparent information is required to reduce the conflict of interests between management and shareholders and among shareholders (Verriest, Gaeremynck, Sabbelaan, & Author, 2008), a failure which there may be a reduction in investment (Irani & Oesch, 2013). (4) Monitoring mechanisms, when appropriately applied, ensure high and timely financial reporting quality that engender transparency and accountability (Appah & Emeh, 2013). Hence, the emphasis of codes of corporate governance in individual countries, (2011 SEC Code in the case of Nigeria) is to guarantee the credibility of financial reports, limit the self-interest attitude of the management, reduce or eliminate corruption and promote shareholders' interests (Habbash, 2012; Dockery, Tsegba, & Herbert, 2012; Ibrahim & Samad, 2011; Appah, & Emeh, 2013).

The annual corruption perception index of Transparency International (TI) for decades has always placed Nigeria as one of the most corruptive countries scoring between 25% and 27% where other countries are scoring between 80% and 92% though there are countries rated as low as 8% (TI, 2016). Nigeria came 138 out of 161 countries rated in 2015 with a score of 27% (TI, 2016). Also, Nigeria is still struggling with the outfall of the economy recession of 2008 with its currency being devaluated consistently (Haladu, 2016; Adeyemi & Fagbemi, 2010; Amassoma, 2016). Some listed companies have been wind up, while some merged.

It is crucial to study monitoring mechanisms (directorship, internal, and external auditing) because they are the networks the shareholders can apply to check the excesses of the management and the controlling shareholders (Connelly, Hoskisson, Tihanyi, & Certo, 2010; Adeyemi & Fagbemi, 2010; Malek & Saidin, 2013). The shareholders apply the monitoring mechanisms to attain credible financial reports that secure their interests (Malek & Saidin, 2013). However, monitoring mechanisms are issues in Nigeria because many of the listed companies as observed from data collected have this in place, yet corporate fraud prevails even at an alarming rate as earlier discussed in this paper.

In addition, this study chose to examine the organizational attributes (ownership structure, composition, and activities of the board of directors and compensation structure) because of their importance to the variation in the performance of a company (Zheng, Yang, & McLean, 2010). The structure of a company's ownership determines the extent to which it minimizes agency conflicts, information asymmetry and expropriation of assets in an organization (Amran & Che-Ahmad, 2013). Likewise, the strength of the independence of a board of directors is connected to its level of demand for monitoring mechanisms and this affects the performance of the company. In addition, individuals involved in many of the cases earlier cited fit into one or two attributes of an organization. Even, those involved in political fraud channelled the transfer of funds through the companies where they are controlling shareholders or the CEO.

As already discussed, this study chose to examine quality-differentiated auditors as the possible mediating variable in the relationship between organizational attributes and monitoring mechanisms in Nigerian listed companies because of their influence on the quality of financial reports. It is important to study the effects of quality-differentiated auditors, considering the extent to which shareholders, especially the minority shareholders and other users of the audited general purpose financial statements rely on the audited accounts. Francis, Khurana, and Pereira (2003) claim that owners of companies are likely to make a high demand for reliable accounting and quality auditing in countries that have a strong legal system for the protection of the investors. However, the credibility and reliability of the accounting are associated with engagement of quality-differentiated auditors, mostly known as Big-4[1] (Francis et. al., 2013).

Likewise, most of the listed companies are with the size, complexities and information system management that inform the competition that led to the differentiation of the quality of auditing in the audit market (Ferguson, Pinnuck & Skinner, 2013; DeAngelo, 1981). Also, Nigeria's current state of the economy requires foreign direct investment (Okpala, 2012) and extant literature have revealed that foreign investors are aware of the grave information asymmetry in Nigerian companies. Hence, they are likely to demand quality-differentiated auditors for thorough supervision of the management and the local shareholders (Iwasaki 2011; Okpara, 2011; Adekoya, 2011; Haladu, 2016). Companies with foreign investors may not engage smaller audit firms due to lack of international network, which is one of the advantages that quality-differentiated auditors have over other auditing firms (Sirois, Marmousez, & Simunic, 2011).

In addition, the mediating role of quality-differentiated auditors remains unclear and there is no evidence from the extant literature reviewed that its mediating effect has been investigated. Studies reviewed focus more on direct relationship between organizational attributes and monitoring mechanism or quality-differentiated auditors (Ferguson et al., 2013; Mustapha & Che-Ahmad, 2011; Dedman et al., 2013;

[1] The largest international audit firms were formerly referred to as Big-8 before the merger of some audit firms, which later reduced the firms to Big-6 and subsequently Big-5. The fall of Arthur Andersen in 2002 as a result of ENRON scandal reduced the international firms to Big-4 from Big-5. For the purpose of this study, Big-4 will be used for the large audit firms irrespective of the timing of the report or reference.

Mustapha, Ismail, & Minai, 2011; Amran & Che-Ahmad, 2009; Anderson, Mansi, & Reeb, 2003; Adeyemi & Fagbemi, 2010).

Similarly, Nigerian non-financial listed companies' accounting in Nigeria relies on statutory, regulatory, and institutional frameworks. These consist of the Company and Allied Act (CAMA) 1990 and 2004 as amended, Code of Corporate Governance by Security and Exchange Commission (SEC, 2011), Financial Reporting Council Act (FRC, 2011), and the Institute of Chartered Accountants of Nigeria. The frameworks provide guidelines on company registration, operation, and closure; the duties of parties to the contract of a company, principles, and practices of accounting (ICAN, 2010), accounting standards, and code of conduct for Accountants (IESBA, 2013). Quality audit is required for the companies to abide by these frameworks to ensure transparency, proper accountability, accounting reliability and effectiveness (Arowolo & Che-Ahmad, 2016). The study of DeAngelo (1981) defines audit quality as the probability that the auditor will discover and report the breach to the codes, standards, principles and other accounting guidelines. Extant literature document that a quality-differentiated auditor is capable of discovering misstatements in accounts by ensuring compliance with regulations and standards, which results in higher performance for their clients (Kaplan, Menon, & Williams, 1990; Abdulmalik, Shittu, & Che-Ahmad, 2016). This dictates the compelling desire to investigate the mediating impact of quality-differentiated auditors on the relationship between organizational attributes and monitoring mechanisms.

Furthermore, the studies reviewed suggest future researchable areas such as existence and economic nature of the Big 4 premium (Ferguson et al., 2013); improving auditors’ ability for fraud detection (Coram, Ferguson, & Moroney, 2008); the organizational attributes, demand and preferences for the monitoring mechanisms (Mustapha & Che-Ahmad, 2011) especially as related to Nigeria; earnings management and corporate governance from the perspective of the family ownership and non-family ownership companies from the angle of private companies (Mustapha & Che-Ahmad, 2011); Other factors likely to affect the demand for voluntary audit - the strength of family ties to the board and equity ownership of the directors (Dedman et al., 2013) among others. The expectation of this study, therefore, requires a fill in the gap created from the extant literature through the use of the mediating variable, quality-differentiated auditors.

Likewise, there is an urgent need to regain investors' confidence in the management of Nigerian listed companies (Adekoya, 2011). An accomplishment of this has to be through appropriate monitoring mechanisms that can protect the interest of the shareholders, especially the minority shareholders and other stakeholders against management’s office abuse (Adekoya, 2011). Contrary to the expectation, the findings of the previous studies varied as they were of mixed and inconclusive opinions (Ali & Nasir, 2014; Ferguson & Scott, 2014; Lennox & Pittman, 2010). For instance, in a study of 235 non-financial public listed companies in Malaysia, Mustapha and Che-Ahmad (2011), find that the board independence, non-multiple directorship, in-house internal audit function, size of the audit committee and independence, and the company size could help to overcome earnings management problems. In another study of 25 listed insurance companies in Nigeria, Fodio, Ibikunle, and Oba (2013) find that the audit committee size, board size, and independence significantly associate with earnings management negatively.

Furthermore, the legal and regulatory frameworks responsible for the enforcement and monitoring to ensure that corporations comply with the laws and codes of governance in Nigeria are weak, inefficient and inadequate (Okobi, 2011; Nworji et al., 2011). Thus, the experience in Nigeria has been exactly as in the failure to implement the strategy of corporate governance standard (Ilori, 2012). Business failures in Nigeria are rooted in this fact (Sanusi, 2010). Ironically, Nigeria recently has its reputation as African largest economy restored following GDP rebasement (Okonjo-Iweala, 2014), when poverty, insecurity and unemployment rate increase daily. The currency of Nigeria, naira is continually getting debased in the international market. Basic facilities such as good road, water, and electricity supply are lacking. This situation calls for research, especially as it is comparatively a unique concept in a developing country like Nigeria (Ilori 2012) where the regulators (government departments, professional and independent bodies) seems to have failed to effect their oversight roles for public and private corporations (Okpara, 2011). Research on monitoring mechanisms, organizational attributes, and the quality-differentiated auditor is imperative when we consider the enormity of daily news on corruption and economic fraud reported in newspapers, magazines, and media (Mayungbe, 2012).

In addition, country specifics may make a difference (Beneish & Vohn, 2008). Hence, Dahawy (2009) claims that African countries are not adequately equipped to implement corporate governance as done in the developed countries because of the prevailing economic and political features in such countries (Waweru, 2014). Also, Ayyagari, Demirguc-Kunt, and Maksimovic (2012) claim that companies in developing countries and those in developed countries are different in many dimensions such as ownership, financing, size and constraints. Compared to developed and transiting countries, research in quality-differentiated auditors, organizational attributes and monitoring mechanisms in Nigerian listed companies, especially non-financial sector is scarce. Even as noted earlier, the prior findings of such existing literature in the developed and transiting countries are with mixed results and limitations (Ali & Nasir, 2014; Lennox & Pittman, 2010). The incessant occurrence of bankruptcy, mergers, financial fraud and financial crime in the listed companies of the Nigerian economy (Mayungbe, 2012) despite the engagement of professionals in preparing and auditing the sector's financial statements prompted the researcher to embark on this study.

Likewise, the persistent corruption, bankruptcy and business failures notwithstanding the existence of codes of corporate governance and rules and regulations for good corporate governance are eye openers to study a mediating effect on the relationship between organizational attributes and monitoring mechanisms. As of now, to the best of the knowledge of the researcher, there is barely an empirical study on the mediating effect of quality-differentiated auditors on the relationship between organizational attributes (ownership structure, attributes, and activities of the board of directors, risk management committee, and compensation structure) and monitoring mechanisms (directorship, internal, and external auditing), especially in Nigerian listed companies. Likewise, agency, stakeholders and signalling theories have been used in relevant literature in the context of western culture, the validity of which may be contrary in non-western cultures (Ekanayake, 2004). However, the reasons for the ineffectiveness of code of corporate governance using appropriate monitoring mechanisms in Nigeria is not for lack of relevant laws but failure to implement and enforce the rules of the laws (Okpara, 2011).

Thus, it is clear that, in Nigeria, (1) There are gaps in the practical aspects of corporate governance concerning the relationship of factors in the audit market such as quality-differentiated auditor, organization attributes, and monitoring mechanisms. (2) There is a need for empirical studies and investigations to fill these gaps. It is obvious that (3) Agency conflicts exists between management and shareholders as well as among shareholders. (4) There are rules and regulations for good corporate governance in Nigeria but the implementation and enforcement are very weak. (5) Organizational attributes and monitoring mechanisms should be adequately mixed to have a fulfilled corporate governance. (6) Quality audit is required to attain transparency, accountability, reliability and validity of financial reports to align the interests of management and shareholders. (7) It is necessary to examine a mediating factor in the relationship between organizational attributes and monitoring mechanisms.

Therefore, it is important that a meaningful understanding and deliberate research on organizational attributes, monitoring mechanisms, and quality-differentiated auditors will help to (1) align the interests of the management and shareholders. (2) resolve agency type II conflicts among the shareholders. (3) reduce information asymmetry in Nigerian companies. (4) enhance reliable and transparent financial reporting.

In addition, investigation of the mediating effect of the quality-differentiated auditors is important as it transmits the causal effect of the organizational attributes on monitoring mechanisms through the production of high-quality and reliable financial reports. The understanding of this mediating variable will enhance adequate supply and demand for quality auditing in the Nigerian audit market and also strengthens the demand for directorship, and internal auditing.

Furthermore, this study chose to examine the impact of the new code of corporate governance to determine its effectiveness in addressing the weakness in the implementation and enforcement of due processes in organizational activities.

1.2 Research Questions

The study attempts to offer answers to the following questions in the light of the above-mentioned scenario:

1. To what extent do organizational attributes (ownership structure, composition and activities of the board of directors, and compensation structure) influence the demand for monitoring mechanisms (directorship, internal, and external auditing)?
2. To what extent do organizational attributes (ownership structure, composition and activities of the board of directors, and compensation structure) influence the engagement of quality-differentiated auditors?
3. Does the engagement of a quality-differentiated auditor influence the relationship between organizational attributes (ownership structure, the composition and activities of the board of directors, and compensation structure) and the demand for monitoring mechanisms (directorship, internal, and external auditing)?

4. Does the new code of corporate governance, 2011 SEC Code have any effect on the demand for monitoring mechanisms?

1.3 Objectives of the Study

The specific objectives of this study are as follows:

1. To examine the relationship between organizational attributes (ownership structure, composition and activities of the board of directors, and compensation structure) and the demand for monitoring mechanisms (directorship, internal, and external auditing).
2. To examine the relationship between organizational attributes (ownership structure, composition and activities of the board of directors, and compensation structure) and the engagement of quality-differentiated auditors.
3. To examine how the engagement of quality-differentiated auditors can serve as a channel through which organizational attributes (ownership structure, composition and activities of the board of directors, and compensation structure) can cause the demand for monitoring mechanisms (directorship, internal, and external auditing).
4. To examine the effect of 2011 SEC Code on the demand for monitoring mechanisms.

These objectives highlight the significance of the study.

1.4 Significance of the Study

This study contributes to the literature on corporate governance and audit market following a gap in the existing literature, exploring the mediating effect of quality-differentiated auditors on the relationship between organizational attributes and monitoring mechanisms in Nigerian non-financial listed companies. Prior studies were on demand for monitoring mechanisms such as demand for external auditing (Dedman et al., 2013; Gerakos, 2013; Ferguson et al., 2013) board of directors and corporate governance (Appah & Emeh, 2013; Mohamad, Rashid, & Shawtari, 2012; Habbash, 2012; Swastika, 2013), internal audit and agency theory (Sarens & Abdolmohammadi, 2011; Havelka & Merhout, 2013; Abbott, Parker, & Peters, 2010; Barua, Rama, & Sharma, 2010; Engel, Hayes, & Wang, 2010; Ho & Hutchinson, 2010), roles of the board of directors (Okpara, 2011; Dabor, & Ibadin, 2013) and roles of audit (Okobi, 2011; Gupta, Weirich, & Turner, 2013; Babatunde, 2013), independence of auditors (internal and external), audit committee and board of directors (Wright & Charles, 2012; Appah, & Emeh, 2013; Marra, Mazzola, & Prencipe, 2011; Ali & Lesage, 2013; Mohamad et al., 2012). These studies focused primarily on the needs, roles, remuneration and independence matters in relation to the monitoring mechanisms (Appendix B). However, attention is given to the effect of the organizational attributes on demand and supply for the mechanisms and the resultant reduction in agency costs, which aid the going concern of an organization is very low.

Most of these studies are on one specific mechanism only. This study, therefore, includes all the three monitoring mechanisms (directorship, internal, and external auditing) outlined in the 2011 SEC Code. To the best of the knowledge of the researcher, only two studies examined the three mechanisms in addition to wide contextual variables such as ethnicity, total assets, listing status, information system structure, leverage, compensation structure, ownership structure and multinational status. The studies with the three monitoring mechanisms are Anderson et al. (1993)

in Australia and Mustapha (2009) in Malaysia. The formal documents that the overall monitoring cost may decrease as a firm acquires more assets. However, there would be more auditing compared to directorship and more internal auditing compared to external auditing. The latter claims that concentrated ownership, managerial shareholders, block-holders, leverage, multinational status and ethnicity are significantly related to monitoring mechanisms and agency cost.

The present study uses the basic analysis of Mustapha (2009) since she built on Anderson et al. (1993). The data for this study is from non-financial listed companies in Nigeria. However, the difference between this study and Mustapha (2009) are that: this study focuses solely on Nigerian non-financial listed companies, using the following four new variables and data for years 2010 to 2012 as against a year data (2006) they used: 1) board of directors; 2) government ownership; 3) principal-principal conflict and 4) quality-differentiated auditor, a mediating variable. The study is able to compare the situation of one year each before and after the implementation of the reviewed code using data for years 2010 to 2012 to determine the impact of the code on Nigerian non-financial listed companies. This study is important because country specifics may make a difference practically between countries in all the variables for the study in respect of agency costs, quality-differentiated auditors, organizational attributes, and demand for monitoring mechanisms (Beneish & Yohn, 2008). Such country specifics relate to governance, political, legal, internal control systems, market factors and regulatory frameworks.

Furthermore, while using the basic analysis reported by Mustapha (2009), some other analysis methods were adopted for robust tests and results. Organizational attributes impacting on monitoring mechanisms used in this study are all-inclusive. Attributes such as ownership structure, board structure, compensation structure, have not received much attention in previous studies as related to a combination of supply, and demand for monitoring mechanisms. Consideration of all the variables at a time enables provision of comprehensive findings, especially in Nigeria and Sub-Sahara region because many of them have not been empirically examined nor have consistent results in previous literature considered in this study. The study considers total assets as a measurement indicator for the size of the organizations, which is one of the control variables for the research. Other control variables are loss, complexity, performance, and growth.

In addition, this study contributes to the literature on corporate governance of developing countries. Nigeria is a developing country where corporate governance practices are not the same as practiced in developed countries like United States of America, United Kingdom, Australia and Europe or transiting countries like Malaysia and Indonesia. Prior studies indicate that not much research had been effected on monitoring mechanisms in developing countries like Nigeria and that such mechanisms are still evolving (Okpara, 2011; Adeyemi & Fagbemi, 2010; Fauzi, Mahoney, & Rahman, 2007; Fauzi, Rahman, Hussain, & Priyanto, 2007).

This study chose Nigeria because of its exclusive fame for fraud and corruption (TI, 2014). Also, Nigeria is an emerging market with three dominant ethnic groups, which are Yoruba, Igbo, and Hausa but more than 250 ethnic tribes (Curry, N.D). It is the giant of Africa with the rebasement of GDP in 2014 (Okonjo-Iweala, 2014). The population of Nigeria was about 186.99million in April 2016 (Worldmeters,

2016) as the seventh largest country in the world. Details of the population are as contained in Appendix C. Thus, the setting provides an interesting outlook to the findings of this study.

For practical contribution, the findings of this study can assist organizations to align the monitoring mechanisms with the organizational attributes as may be applicable in the light of quality-differentiated auditors to satisfy the needs of their stakeholders. This study can help organizations to have detailed appreciative economic justification for each monitoring mechanism and its role in corporate governance. It is capable of improving the mechanisms for the protection of all stakeholders' interests in organizations. Likewise, it can also enhance professional standard practice among auditors and directors.

Lastly, this study can create a ground for policy makers and regulators such as the FRC, SEC, CBN, NAICOM and others to further stress the establishment and implementation of the monitoring mechanisms in the Nigerian listed companies to build very strong corporate governance in each company. It suggests that internal audit must be taken serious and well strengthened to eliminate unnecessary agency costs.

1.5 Scope of the Study

A wide scope is left untouched as in research gaps identified from the prior literature. Therefore, this study empirically tests the research questions listed in section 1.2 on the three monitoring mechanisms (directorship, internal, and external auditing) within the scope of agency complemented by stakeholders and signalling theories.

The study uses the audited annual reports of the listed companies for years 2010 to 2012. It also uses questionnaire to collect data on internal auditing as the information is not available in any of the annual reports. The year 2010 is the year prior to approval and implementation of 2011 SEC Code while 2012 is the year after the adoption of the new code. The application of data of a year before and a year after implementation of the codes shows us the result obtainable before and after implementation of the reviewed code.

The study focuses on non-financial listed companies in Nigeria, excluding banking and insurance sectors due to their peculiarities.

1.6 Organization of the Study

This thesis is in six parts, Chapters One to Six. Chapter One is for Introduction, the justification for the study, its objectives, and contributions. Chapter Two is for the literature review of theories and empirical findings on supply, demand, and preference for monitoring mechanisms and organizational attributes affecting the supply and demand for governance/monitoring. Chapter Three is for research methodology, explaining the research, the conceptual framework and theoretical justifications for the hypotheses development. Chapter Four is on research design, instruments, and measurement of variables and data analysis techniques for the study. Chapter Five is for recommendation and conclusion, presenting results and findings from the econometric diagnostic analysis, descriptive statistics and the regression estimation results. Lastly, Chapter 6 discusses and summarizes the results and important conclusions, implications, and limitations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews prior research in respect of the demand for monitoring mechanisms (directorship, internal and external audit). The chapter also considers the demand and supply of external audit. It likewise considers the features by which organizations make requests and the best of these monitoring mechanisms. The literature on the organizational demands for the monitoring mechanisms are discussed in section 2.1 as related to the demand for each of the monitoring mechanisms used in the study. Section 2.2 discusses literature on the underpinning theories, agency stakeholders' theories. Section 2.3 considers the corporate governance in Nigeria. Section 2.4 discusses the organizational attributes (ownership structure, the board of directors, and compensation structure) that influence an organization to demand the monitoring mechanisms. Section 2.5 is on literature for financial reporting. Section 2.6 considers quality-differentiated auditors. Section 2.7 discusses quality-differentiated auditors as a mediating variable. Section 2.8 considers the antecedents of quality-differentiated auditors. Section 2.9 provides the summary of the chapter.

2.1 Monitoring Mechanisms

Monitoring mechanisms (MMs) are the channels, systems, and procedures through which the shareholders guide the performance of the management (Connelly et al., 2010). MMs (directorship, internal, and external auditing) are tools to monitor agency costs (Ibrahim & Samad, 2011). Also, adequate MMs secure value-added audit quality (Adeyemi & Fagbemi, 2010). Corporations use it to guard the interests of the shareholders, especially the minority shareholders from the unscrupulous behaviour of the management and board members (Connelly et al., 2010). MMs are useful in resolving conflicts of interests among the stakeholders of an organization (Appah & Emeh, 2013). The stakeholders are the shareholders, bondholders, management, the board of directors, government, and the general public (Appah & Emeh, 2013; Habbash, 2012). MMs help to discipline poorly performing Chief Executive Officers (CEOs) and management in an establishment (Jiang, Cummins, & Tzuting, 1971). MMs aid detection of errors in the process of financial reports (Appah & Emeh, 2013). It helps to improve the correctness of financial and non-financial reports that management gives to the shareholders and prevent management's possible unprincipled assertiveness (Appah & Emeh, 2013). The roles of the MMs, especially, the external audit is to ensure the credibility of financial reporting (Adeyemi & Fagbemi, 2010; Malek & Saidin, 2013).

A company that fails to comply with the rules of corporate governance opens door to fraud or corruption, abuse of power and office, weak internal controls and supervision, poor or bad regulations, mismanagement of assets and liabilities, business failures that can result in bankruptcy, lack of transparency and accountability in financial reporting, mergers and corporate collapse (2006 CBN Code; Adeyemi & Fagbemi, 2010; Okobi, 2011; Dabor & Ibadin, 2013). Likewise is the fact that culture of corruption permeates the whole system of the country and serve as one of the foundational causes of the challenges and failures being experienced in corporate governance in Nigeria (Adekoya, 2011).

These monitoring mechanisms (MMs) have generated foremost modifications in public and private sectors' business environments, especially in accounting and auditing (Hamdan et al., 2013). There are many existing literature on MMs, especially in the western world. Some of these are directorship structure and remunerations (Latif, Kamardin, Nisham, Mohd, & Adam, 2013; Wahab & Pak, 2011), internal and external auditing (Che-Ahmad, Houghton, & Yusof 2006; Mohamad-Nor, Shafie, & Wan-Hussin 2010; Mansor, Che-Ahmad, Ahmad-Zaluki, & Osman, 2013; Kuschnik, 2008) audit committee and audit fee (Engel et al., 2010; Aldamen, Duncan, Kelly, McNamara & Nagel, 2012; Ferguson et al., 2013; Husnin, Nawawi, & Salin, 2013; Nazri, Smith, & Ismail, 2012), audit committee and internal audit (Agoglia, Doupnik & Tsakumis, 2011; Barua et al., 2010; Sarens, De Beelde, & Everaert, 2009), audit delay (Gupta et al., 2013; Bambang, Abu, Mukhtaruddin, & Imam 2013; Emeh, 2013), internal information technology and audit process (Havelka & Merhout, 2013). It is worthy to note that each mechanism of corporate governance is capable of substituting or complementing the others within a given dimension of good governance (Habbash, 2012). Hence, directorship, internal, and external auditing complement one another as monitoring mechanisms for good governance (Gupta et al., 2013). The monitoring mechanisms recognize in most codes of governance are:

2.1.1 Directorship

Directorship refers to the office of directors, who are the people engaged to manage a corporation on behalf of business owners or shareholders (Freeman, 1994; Liu, 2012). Directorship can be executive or non-executive directors, the combination of which is the board of directors of a company (Mustapha & Che-Ahmad, 2011).

Directorship is appointed to act as principal to oversee the activities of management (Jusoh & Che-Ahmad, 2014) to maximize a company's value (Liu, 2012) and minimize agency costs (Mustapha & Che-Ahmad, 2011). The timeliness of management reporting is a function of the effectiveness of the monitoring ability of the board of directors as related to communication, and coordination (Appah & Emeh, 2013).

Carver (2014) examines the discrepancy between the actions of the directors and the consequences of such actions. He used 159 firms in the United States. The study claims that retention of directors on the audit committee is positively related to the power of the CEO. Li, Mangena, and Pike (2012) investigate the relationship between the characteristics of the audit committee and intellectual capital disclosure using 100 U.K listed firms. The study claims that directors' shareholding has a positive association with intellectual capital disclosure. Mustapha and Che-Ahmad (2011) conduct a study on agency theory and managerial ownership using 235 public listed companies in Malaysia. The study shows that independence of the board of directors and audit committee (a sub-committee of the board) and non-multiple directorship are part of monitoring mechanisms that are capable of resolving the problems with earnings management. Al-Janadi et al. (2013) carried out a study of the mechanisms of corporate governance and voluntary disclosure with 87 listed companies from Saudi Arabia. The study claims that there is a highly positive significant relationship in the proportion of non-executive directors on the board and voluntary disclosure. Fodio, Ibikunle, and Oba (2013) studied corporate governance mechanisms and reported earnings quality in 25 quoted Nigerian insurance companies. The study claims that size and independence of the board of directors and size of the audit committee negatively and significantly associate with earnings management. However, the study finds that the independence of the audit committee positively relates to the quality of reported earnings. Some of the other literature on directorship monitoring mechanism are Aldamen et al. (2012), Abernathy, Kang and Krishnan (2011), Ahmad-Zaluki and Wan-Hussin (2010), Nazri et al. (2012), Malek and Che-Ahmad (2013), Mohammad, Rashid, and Shawtari (2012), Ibrahim and Samad (2011), Husnin et al. (2013), Semenova and Hassel (2013), Chaharsoughi and Rahman (2013), Amran and Che-Ahmad (2009) and Adeyemi and Fagbemi (2010). This study examines the organizational attributes that impact the directorship as a monitoring mechanism and quality-differentiated auditors that mediate between them.

2.1.2 Internal Audit

The Institute of Internal Audit (IIA), an international body that provides dynamic leadership for the global profession of internal auditing, defines internal auditing as:

"An independent, objective assurance and consulting activity meant to add value and improve the firm's operations, rendering assistance to the entity to achieve its objectives through systematic, disciplined approach evaluating and improving the effectiveness of the processes of risk management, internal control, and governance" (IIA, 2014).

Auditing (internal or external) is one of the factors recognized by agency theory as a key monitoring mechanism (MM) designed to regulate the conflict of interests and cut agency costs (Adeyemi & Fagbemi 2010; Adeyemi, Okpala, & Dabor, 2012; DeAngelo, 1981). Internal auditing is an internal MM expected to ensure compliance with the prevailing financial reporting standards and relevant accounting rules and principles within the scope of standards and guidelines provided by the Institute of Internal Audit (IIA). The scope of standards and guidelines provided by

IIA are on pertinent topics like fraud governance, risk, and control, independence, and objectivity, information technology, internal audit function; quality assurance, audit committees and boards of directors and COSO internal control-integrated framework (IIA, 2014). The MM is designed to improve the efficiency and effectiveness of the processes in an establishment by positive criticism of weaknesses in the company's operations (Cohen & Sayag, 2010). The standards and guidance, otherwise referred to as international professional practices framework (IPPF) is organized as mandatory guidance and recommended guidance for internal auditors (IIA, 2014). The emphasis laid on this MM by the institute and codes of corporate governance in many nations of the world shows the prominence of the internal control systems. This mechanism serves as a measure to ensure corporate accountability and transparency or combat financial crimes, corruption and fraud in establishments (Gupta et al., 2013). However, it is not certain that internal auditing could be satisfactorily independent (Wright & Charles, 2012).

Iwasaki (2011) examines corporate audit structure and its determinants in Russia. The study documents that a combination of the forces of internal and external accounting audit is a high notch of independence and expertise and enhances good corporate governance and discipline in the management. The study further argued that the strength of the bargaining power of the outside directors impacts the extent of the independence and expertise required by the internal audit structure of the company. Abbott et al. (2010) examine the association between the oversight of the audit committee for the internal audit function and the nature of internal audit function. The data used were from 134 Chief Internal Auditors in New York. The study claims that there may be a greater internal audit function with the demand for better internal controls. Barua et al. (2010) investigate the association between the features of the audit committee and the degree of investment in internal auditing using 181 SEC registrants in the US. The study claims that the investment in internal auditing negatively relates to the presence of auditing experts on membership of audit committee. Ho and Hutchinson (2010) explore the linkages between various characteristics and activities of the internal audit and external audit fees using 53 Hong Kong listed companies. The study finds that external auditors rely on the function of internal audit and results in lower external audit fees. The study, therefore, suggests that the internal audit's contribution may substitute some substantive processes of external auditing and result in monitoring costs reduction. Sarens and Abdolmohammadi (2011) investigate factors relating to the relative size of the internal audit using 73 Belgian companies. The study claims that the size of internal audit function has a positive association with the management ownership, a negative relationship with independent board members and that the control environment significantly affects the monitoring mechanism. Havelka and Merhout (2013) explore the quality of internal information technology audit process in the United States. They find that the effectiveness of internal audit is impacted by relevant audit information, team spirit, technical skills, communications and collaboration skills, the organizational climate, and professionalism. Some of the other literature on internal auditing are Ho and Hutchinson (2010), Che-Ahmad and Mansor (2009), Wright & Charles, (2012), Barac and Coetzee (2012), Moorthy, Seetharaman, Mohamed, Gopalan and San (2011), Al-Rassas et al. (2016). This study examines organizational attributes that impact on the choice of internal auditing and quality-differentiated auditors that mediate between them.

2.1.3 External Audit

External audit is an external monitoring mechanism meant to ensure compliance with due processing and financial reporting standards within the scope of standards set for auditing (AICPA, 2014). Some of the existing auditing standards for the compliance assurance are statements on auditing standards (SASs), statements on standards for attestation of engagements (SSAEs), statements on quality control standards (SQCSs) and archived pre-clarity SASs (AICPA, 2014). The roles of the monitoring mechanisms, especially, the external audit are to ensure the reliability and quality of financial reporting (Adeyemi & Fagbemi, 2010; Malek & Saidin, 2013; Cohen, Krishnamoorthy, Peytcheva, & Wright, 2013). The effectiveness of external auditing results in financial credibility, which is highly required especially when agency problems are severe (Hope, 2013).

Zeghal, Chtourou, and Sellami (2011) examine whether mandatory adoption of international accounting standards has a link with lower earnings management using 353 French listed companies. The study claims that the quality of the external audit is one of the important factors for enforcement of international financial reporting standards. Francis and Wilson (1988) investigate the association between quality-differentiated audits and firm's agency costs. The study claims that the demand for higher-level audit quality increases with greater agency costs. Che-Ahmad et al. (2006) study how ethnicity and foreign ownership affect the choice of auditor using 1149 Malaysian listed companies. The study finds that the ethnic structure in a company ownership is one of the factors that determine the decision to choose an auditor. The study also finds that companies that are foreign-owned associate with quality-differentiated auditors. Mustapha and Che-Ahmad (2011) investigate managerial ownership in relation to agency theory using 235 Malaysian listed companies. The study claims that companies are likely to incur more external auditing costs when the leverage is high. Ho and Hutchinson (2010) find that external auditors rely on the function of internal audit. Iwasaki (2011) claims that management and outside directors impact the recommendation by the board for auditor's appointment of the external auditors at the AGM. Fodio, Ibikunle, and Oba (2013) examine the extent to which governance dynamics strengthens the financial reporting process and quality using 25 Nigerian listed insurance companies. The study finds that independent external audit has a positive relationship with discretionary accruals. This study examines organizational attributes that impact on the choice of external auditing and quality-differentiated auditors that mediate between them.

2.2 Underpinning Theories

2.2.1 Agency theory

Freeman (1994) lists governance and agency among six principles of fair contracts. These six principles (Entry and Exit; Governance; Externalities; Contracting Costs; Agency and Limited Immorality) are expected to govern corporations (Freeman 1994). The agency in Business Law is concerned with the combination of contractual, quasi-contractual and non-contractual relationship involving the agent and the principal. The agent is the one authorized to do things on behalf of the principal to come up with a legal relation with a third party (Ekanayake, 2004). Thus, agency theory establishes the contracts between the agents and the principals. Agency theory, therefore, suggests that a corporation is a connection of contracts (Fama & Jensen, 1983; Jensen & Meckling, 1976). The theory suggests that corporations should not be treated as persons because their behaviour is like a market's equilibrium performance (Jensen & Smith, 1985). Agency theory suggests that corporate governance provides the structure for companies to set their objectives, accomplish the objectives and monitor performance by minimizing agency costs in the interests of their shareholders (Ikpefan & Ojeka, 2013). Hence, the three monitoring mechanisms can be best explained in the agency theory framework. Therefore, Ekanayake, (2004), suggests that most corporate governance and management control research in the western world are buttressed by agency theory. Agency theory addresses the problems of moral hazard (management's failure to act in the best interest of the owners or principals) and information asymmetry (Hashim & Devi, 2008). The study defines information asymmetry as the possession of information by management that may (not) be available to the principals. The theory operates from the viewpoint that those in control of an organization have the intrinsic motive to use their power to divert the wealth of the corporation to themselves at the detriment of the owners of the establishment (Fidrmuc & Jacob, 2010). Thus, agency costs occur from the misalignment of interests between the firm's managers and the firm's shareholders (Ibrahim & Samad, 2011; Mustapha & Che-Ahmad, 2011a). Hence, agency theory proposes monitoring and incentive mechanisms as processes to regulate agency costs (Chitnomrath, Evans, & Christopher, 2011). However, the application of the theory may differ from culture to culture (Mustapha & Che-Ahmad, 2013). A prediction of the theory is that a company with an agent that is risk-averse will require a higher risk premium when exposed to greater risks (Engel et al., 2010). Thus, a positive relationship will exist between audit committee's compensation and the demand to monitor the process of financial reporting (Engel et al., 2010). Agency theory suggests that the board of directors should adopt an effective oversight mission purposely to protect the shareholders' interests (Uadiale, 2010). The framework of the agency theory has its root in separating ownership from control (Appah & Emeh, 2013). Tipping is a principal-agent problem in agency theory and can arise between employers and employees, politicians and civil servants, stockholders and executives, donors and charities (Mainelli, 2007) as well as staff and customers or patients or clients' staff. Agency theory is a starting point for corporate governance framework Adegbite, Amaeshi, & Amao (2011). It then follows that an increase in agency costs necessitates greater monitoring (Abbott et al., 2010). Hence, the emphases of agency theory are on how to improve the contracts between the parties, principals, and agents (de T'Serclaes, Jollands, & Bradley, 2007).

Past literature on corporate governance, monitoring mechanisms, quality-differentiated auditors and organizational attributes have explained variables in their studies using various theories. However, the agency theory is frequently used, but the extant literature that argue that agency theory is not sufficient and that alternative theories are needed to holistically explain corporate governance in emerging economies (Yusof, 2016; Muratbekova-Touron, 2009)

2.2.2 Stakeholders Theory

Freeman (1994) emphasizes that stakeholder theory is concerned with the relationship of the agents, principals and third parties. Stakeholder theory gives the description of a corporation as a collection of supportive and economic interests possessing core value (Donaldson & Preston, 1995). The theory is concerned with the management and ethics of an organization (Phillips, Freeman, & Wicks, 2003).

Every stakeholder has a duty to cooperate with other stakeholders for an improved circumstance that can result in economic value or profit (Freeman, Wicks, & Parmar, 2004). Stakeholder theory is instrumental in establishing the framework through which a corporation can examine the connections between achievement of corporate goals and stakeholder management (Donaldson & Preston, 1995). Stakeholder theory suggests that a firm is a nexus of contracts between itself or the top management (contracting agents) and the stakeholders (Jones, 1995). It assumes that a firm: 1) holds contracts with many stakeholders. 2) It is managed by professionals. And 3) operates in a competitive market whose pressures affects behaviour but with no penalty for inefficient behaviour (Jones, 1995). The theory suggests that a corporation has an influence on the external environment and accountable to a wider audience aside its shareholders (Effiok, Effiong, & Usoro, 2012). Stakeholder theory is descriptive and has its focus on the stakeholders in the firm's operating environment with less attention on the social aspect of the firm (Buchholz & Rosenthal, 2005). This theory suggests that recognition of stakeholders is a function of their interest in an organization (Donaldson & Preston, 1995). These researchers further stress that each stakeholder group is to be considered for its sake and not in the interests of shareholders or any other group. The theory goes beyond descriptive value by giving recommendations regarding attitudes, structures, and practices as related to management of the affairs of a corporation and all entities or persons that affect the policies of a corporation (Donaldson & Prston, 1995). Freeman (1994) proposes three principles for reformation of company laws. These are: 1) Stakeholder Enabling Principle by which a company is to manage the interest of the stakeholders i.e. employers, employees, customers, financiers and the communities. 2) The Principle of Director Responsibility, which provides a guideline for a company director to handle the businesses of the organization in line with the stakeholder enabling principle. 3) The Principle of Stakeholder Recourse empowers the stakeholders to act against failure by expecting the directors to pilot the affairs of the company. Thus, values are maintained for the shareholders (Freeman et al., 2004) and so enable corporate governance to legally and ethically guarantee capital providers appropriate rewards for their investment in an organization (Nworji et al., 2011). While agency theory sees a corporation as a connection of contracts, stakeholder theory perceives an organization as a connection of actors (Donaldson & Preston, (1995). The stakeholders are individuals or institutions directly or indirectly affected by the activities and policies of a corporation (Knox & Gruar, 2007; Maignan & Ferrell, 2004). However, this theory is being criticized for ineffectiveness in business accountability. Jensen (2000), Marcoux (2000) and Sternberg (2000) argue that management is likely to satisfy self-interests in the pretence of appealing to the interest of a group of stakeholders as it is not possible to satisfy all (Phillips et al., 2003). Phillips et al. (2003) however, argued that the management is to serve only one master, which is the organization but have to answer multiple constituencies in the course of the service to the master. Accountability will rather increase when management is accountable to multiple constituencies (Phillips et al., 2003). It is also being criticized for failure to pursue the long-term value maximization for the shareholders. Phillips et al. (2003) argue that the same critics (Jensen, Sternberg, and others) recommend the instrumental model of stakeholder for maximization of the firm's market value or long-term owner value.

2.2.3 Signalling Theory

Signalling theory is useful to resolve problems that relate to information asymmetry in corporate relationship because the basis of its assumption is that information asymmetry exist among a corporation's partners (Mouna, & Anis, 2013; Bear, Rahman, & Post, 2010). Tang, Lai, and Cheng (2012) document that the theory explains that signals from the actions of an organization reflect its reputation. The study further claims that the reputation that the signals suggest is used by stakeholders to form opinions concerning the capability of the organization to create value for them. Mouna and Anis (2013), therefore, suggest that dividends are signals of expected cash flows. It is concerned with the symbolic actions or green values by which a corporation can attract prospective investors, customers and other stakeholders (Walker & Wan, 2012). Hence, management pays dividends to give positive signals on the prospects of the corporation (Musiega, Juma, Alala, Damianus, & Douglas, 2013). The theory predicts that the more the profitability of a corporation, the more the information it discloses to the market (Zare, Khedri, & Farzanfar, 2013). The theory suggests that investors are likely to invest in promising companies and intervene in board composition and top management structure (Chowdhury, Dungey, & Pham, 2014). The rationale for this as contained in the study is that the two are important governance mechanisms or agents responsible for making strategic decisions on behalf of the investors of a corporation. The study further documents that the investors of a corporation is likely to embark on such monitoring actions to ensure that the two agents take decisions to maximize shareholders' wealth. The theory suggests that parties in the contracts of a corporation intentionally or otherwise may convey relevantly but possibly not readily observable information applying signals expressing certain meanings to the other parties (Bear et al., 2010). The theory also advocates that management that invites or has an interest in quality-differentiated auditors to ensure high-quality audit gives the external stakeholders signals for a very good corporate governance (Wu, 2012).

2.3 Corporate Governance in Nigeria

The conceptual definition of corporate governance is connected to our discussion in this paper. Suberu and Aremu (2010) describe corporate governance as the process of operation or governance of corporate entities, especially the public listed companies. It is a means of providing disclosures and transparency in respect of the conduct of the companies and boards of directors for the purpose of accountability to the shareholders (Suberu & Aremu, 2010). It also helps to ensure compliance with legal obligations and remissions as well as a social responsibility to the operating environment or society at large (Suberu & Aremu, 2010). Adeyemi and Fagbemi (2010) claim that countries that aim at gaining global credibility need sound corporate governance. Even though there are laws to guard minority shareholders in Nigeria, there is a failure in the enforcement of the law. Hence, it is a serious corporate governance issue in the country resulting from weak monitoring and enforcement by government and regulatory institutions (Okpara, 2011). The monitoring mechanisms can help to resolve the challenges of the system of Nigerian corporate governance and guarantee that corporations comply with the codes of governance (Inyang, 2009).

The rulership button change from military to the civilian system of government renewed interest in corporate governance in Nigeria (Ilori, 2012; Adeyemi & Fagbemi, 2010). According to Okpara (2011), corporate governance started evolving as post-structural adjustment program (SAP) with the growth of private ownership and financial institutions. It continues to receive more attention with the plans to achieve the vision 2020, incessant mergers, bankruptcies, economic meltdowns, sustainable development and improvement in the economic competitiveness of Nigeria (Josiah, Okoye, & Adediran, 2013; Chinedu et al., 2010). Corruption has been rampant for decades cutting across all systems of the country, and the government has been coming up with new laws and regulations and also reviewing the prevailing laws in the light of the incurable disease called corruption (Chinedu, Titus, & Thaddeus, 2010). Some of such laws are Financial Reporting Council (FRC) Act, 2011; The Money Laundering Act, 1995; 2011 SEC Code; 2006 CBN Code; CAMA 2004 as amended; The Advance Fee Fraud Related Offences Act, 1995; 2009 NAICOM Code; Economic and Financial Crime Commission (EFCC), 2004; 2008 PENCOM Code; The Money Laundering (Prohibition) Act, 2004.

For efficiency required in the contracts between the parties (principals, agents, and other stakeholders), 2011 SEC Code mandates the board of directors to be liable and responsible for the acts and affairs of an establishment. The code of governance stresses further that, the board of directors' principal objective is to ensure that the organization is suitably managed. It also suggests that the board should ensure that good corporate governance in a corporation gives a distinct company's strategic goals and framework for delegation of its authority. Furthermore, it suggests that the board should ensure that management adheres to the company's articles and memorandum of association, as well as Nigerian applicable laws, integrity of financial reports and observation of the highest ethical standards. Thus, the directorship is expected to be effective to reduce agency costs, properly align the interests of the parties to the contracts of an organization and increase corporate transparency. However, experience in Nigeria shows that the boards of directors have failed in their monitoring role to reduce agency problems. Hence, shareholders have been carrying a lot of unnecessary agency costs (Ikpefan & Ojeka, 2013). Board committees are also part of board structure. Hence, the 2011 SEC code listed the following three board committees for monitoring by the board: 1) audit committee (AC), 2) risks management committee (RMC) and 3) governance/remuneration committee (2011 SEC Code). CAMA (1990 Section 359 (3) and 4) requires all public listed companies to establish an AC. 2011 SEC Code requires such companies to ensure that at least one member of the committee is a financial expert. AC is to ensure that the financial statement of the listed company is of high integrity; prepared in compliance with the requirements of legal, regulations and relevant standards. AC is to ensure that the external auditors are qualified and independent. AC also monitors the performance of both the internal and external auditors (2011 SEC Code). FRCN Act (2011), paragraph 50(g) assigned the directorate of corporate governance to ensure that AC does not fail to review the scope of the audit, its cost, effectiveness, independence, and objectivity. Risk Management Committee (RMC) is another sub-committee of the board of directors (2011 SEC Code). It is also a tool of directorship monitoring mechanism. RMC is to support the board of directors on the agenda, policy and guidelines on risk (2011 SEC Code) as required for risks assessment in COSO (2013). RMC is to identify risks that can prevent the entity from achieving its objectives. It has a duty to analyse the risks and determine how to manage the risks. RMC has to consider possible risks to assess the risks which may prevent the achievement of the organizational goals and; identifying and evaluating changes that can impressively have a bearing on internal controls.

The third board committee in 2011 SEC Code is the Governance/Remuneration Committee (GRC). The code directs that terms of reference or charter on GRC should include the establishment of the criteria for membership of board and board committee. GRC should be responsible for the review of the qualification of directorship candidates. It should also see to the review of potential conflict of interests; assessment of the contribution of existing directors for possible re-nomination and make recommendations to the board of directors. GRC has a duty to prepare a job specification for the post of the board of directors' chairman (BDC) and the office duration of the candidate for the position. It should evaluate the skills, knowledge, and experience required of candidates for the post of the board Chairman, CEO/MD and executive directors. It should make recommendations on compensation structure for executive directors. GRC is to ensure that there are a succession policy and plan for the positions of the BDC, CEO/MD, the executive directors and the subsidiary managing directors for group companies. GRC should review the company's organizational attributes and ensure that the board evaluates its conducts annually.

The code in paragraphs 31.1 and 34.7 mandates the board to have a statement in the annual report giving assurance that adequate internal audit function exists in the company. CAMA is, however, silent on the internal audit because it is specific about the audited financial statement. 2011 SEC Code, in section 30.4 (b) requires the audit committee to establish an internal audit function (IAF) and ensure other means of sufficiently appraising the system of internal controls in a company. In 30.4 (e), the committee is mandated to obtain and review at least once in a year, a report by the internal auditor in respect of strength and quality of internal controls with any issue or recommendation for improvement. CAMA directs companies in section 31.1 and 34.7 to have an effective risk-based IAF. It also requires them to disclose reasons in the annually audited report why it cannot establish such function where they fail to have IAF. The disclosure should also give an explanation on how to obtain assurance of effective internal processes and systems. A company may decide to outsource internal auditing instead of creating a department for the service. Hence, 2011 SEC Code in section 5.5(viii) directs that an independent director should not be a partner or an executive of the statutory audit firm or internal audit firm of the company. Paragraphs 31.3 to 31.13 of 2011 SEC Code contain the duties of the Internal Auditors. The code requires that the effectiveness of the IAF should be subjected to external assessment at least once in every three years by independent reviewers as defined by the Institute of Internal Auditors (IIA). 2006 CBN Code also directs that the external auditors should not provide internal audit outsourcing services to its client companies.

Three of the four codes of governance aside CAMA (2011 SEC Code, 2009 NAICOM Code and 2006 CBN Code) emphasize the importance of external auditing (Ofo, 2013b). However, this study confirms that even the fourth, 2008, PENCOM Code emphasize the importance of external audit in paragraphs: 4.3.13 and 5.2.1 regarding audited financial statements. It gives directives on the audit committee (AC) in paragraphs 4.4.4 and 5.4.3(l). Its directives on the external auditor and audited accounts are in 56(2), 57 and 58 of the Pension Reform Act, 2004. It is mandatory for every Nigerian listed company to have a statutory audit firm to audit its accounts annually (CAMA, 1990; 2004; 2011 SEC Code). CAMA, (1990 &

2004) in section 357 (1) direct each company to appoint an auditor at each annual general meeting to audit its financial statements. The appointed auditor is to hold office as the statutory auditor from the conclusion of the meeting to the next annual general meeting of the company. The external auditing is to ensure the credibility of financial reporting (Adeyemi & Fagbemi, 2010) by giving reports on risk management practices, internal controls and level of compliance with regulatory guidelines (2006 CBN Code).

CAMA and all the codes of governance (2011 SEC Code, 2008 PENCOM Code, 2006 CBN Code and 2009 NAICOM Code) lay emphases on the three monitoring mechanisms. Therefore, organizations have to be structured to rightly demand the mechanisms that make for good corporate governance following the rules in the codes of governance. The breach of these rules paved ways to fraud, corruption, board and management abuse, weak internal controls and supervision, poor regulation, poor management of assets and liabilities, failures in business that led to corporate collapses, mergers and bankruptcies, inadequate disclosure and lack of transparency in financial reporting (2006 CBN Code; Adeyemi & Fagbemi, 2010; Dabor & Ibadin, 2013; Okobi, 2011).

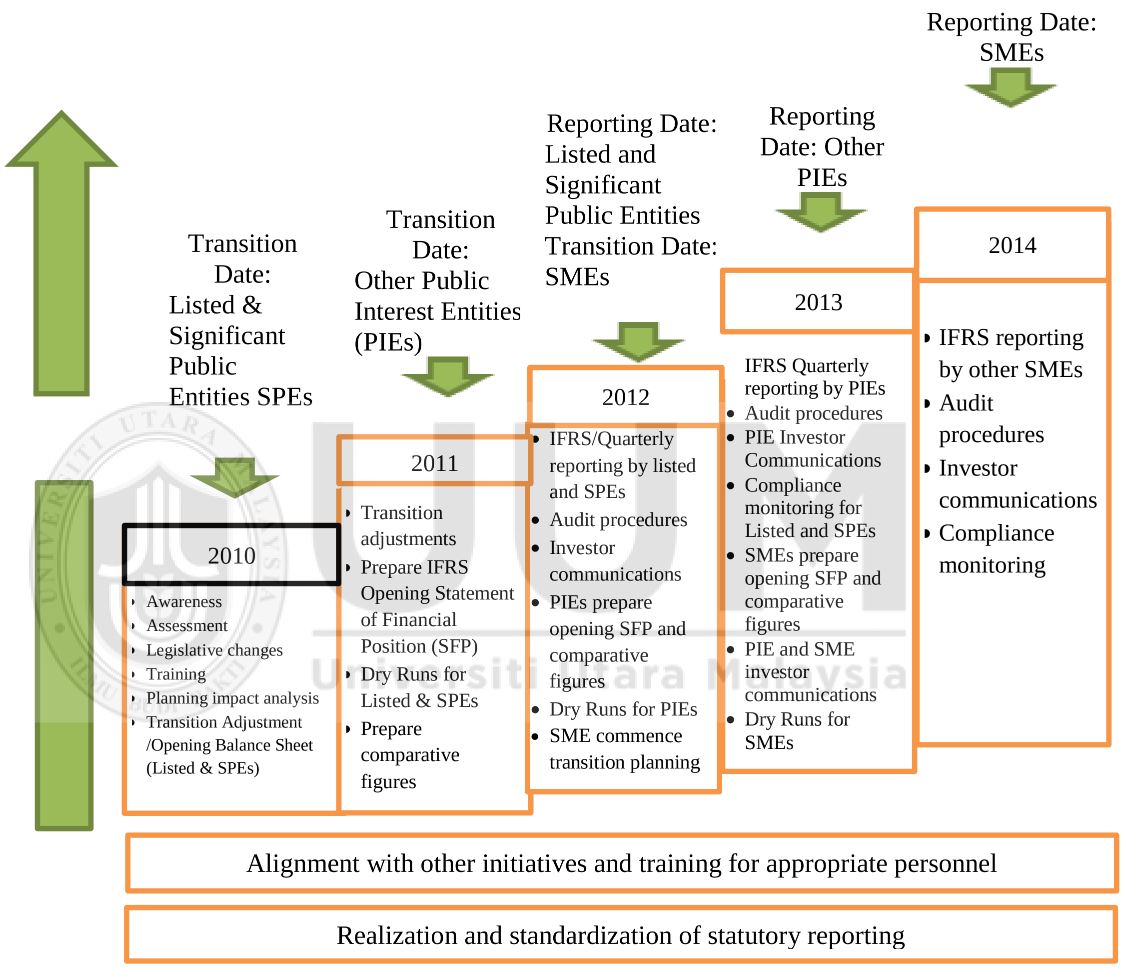
The existing rules that may affect the demand and preference for monitoring mechanisms in Nigeria are as discussed. Other institutional factors that may affect the demand for the three monitoring mechanisms in Nigeria are:

2.3.1 Regulatory Framework

The regulatory frameworks for the three mechanisms, directorship, internal, and external auditing are in CAMA (1990; 2004 as amended), 2011 SEC Code, 2009 NAICOM Code and 2006 CBN Code but with little disparities. Okobi (2011), who examines the financial reporting council of Nigeria Act 2011, claims that regulatory framework centers on the accounting and disclosure system of a country. Where there are no sound regulatory framework and public governance systems, the result is likely to be fraudulent financial reporting (Adeyemi, & Fagbemi, 2010; Adekoya, 2011; World Bank, 2004). Unfortunately, this seems to be Nigerian situation in line with World Bank, 2004 report on the observance of standards and codes (ROSC) Nigeria. There are laws and codes of governance in Nigeria (Okpara, 2011; Adegbite, 2012; Adekoya, 2011). However, the legal and regulatory frameworks that should enforce and monitor compliance with the laws and codes of governance are weak, inefficient and inadequate (Okobi, 2011; Nworji et al., 2011; Ilori, 2012;). Nigeria, in its effort to have the kind of leaders needed for a sound regulatory framework and public governance systems (Ncube, 2013) decided to converge to international accounting standards in the year 2010 (NASB, 2010). The transition period for the listed companies is 2012, given 2010 and 2011 for planning and necessary adjustments (NASB, 2010) as could be deduced from the table 2.1 on the roadmap to IFRS conversion in Nigeria shown on the next page.

Babatunde and Olaniran (2009), investigate the impact of internal and external mechanisms of governance and performance of corporate firms in Nigeria using 62 Nigerian listed firms. The study claims that a good legal and regulatory framework should take care of all that have to do with the entrance to, operation in and exit of an entity from the business or industry market. The study also claims that the regulatory framework provides the basis for stakeholders of a company to exercise their rights.

Figure 2.1:
Roadmap to IFRS Conversion



SOURCE: NASB (2010). The Report of the Committee on Road Map to the Adoption of International Financial Reporting Standards in Nigeria.

2.3.2 Regulatory Agents/Independent Oversight Bodies

Regulatory agents or independent oversight bodies are obliged to monitor the activities of corporations to ensure that the companies comply with relevant standards (accounting, auditing, ethics and education standards), codes of corporate governance, regulations (CAMA, 1990 and 2004 as amended) and other best practices (Appah & Emeh, 2013). According to the report on Nigerian standards and codes, there are many laws and regulatory bodies for accounting, financial reporting, and auditing of companies but with inconsistent provisions (World Bank, 2004). Hence, audited financial statements are reviewed and approved by several bodies before published. Also, laws and regulations do overlap and are sometimes inconsistent with others, which results in inefficiency in implementation (NASB, 2010). The honourable former minister of commerce and industry, Senator Jubril Martins-Kuye in his speech at the stakeholders' conference on the roadmap to the adoption of IFRS in Nigeria on 02 September 2010 recognized the overlapping and inconsistency in laws and regulations (Martins-Kuye, 2010). He, however, raised the hope of eliminating such inconsistencies with the passage of Financial Reporting Council (FRC) bill. Hopefully, the overlapping and inconsistency problems could be resolved with the representation of each of the affected regulatory agents on the board of the council of FRC as listed in section 2(d) of the bill. The government established the FRC in 2011 among other responsibilities to oversee corporations' compliance with the financial reporting standards and other regulations specified in the adopted IFRS and approved the code of corporate governance (FRCN, 2011). One of the seven directorates of FRCN, directorate of corporate governance for this purpose is designated to: "(a) Develop principles and practices for corporate governance. (b) Promote the corporate governance to the highest level. (c) Educate the public about the principles and practices of corporate governance. (d) Acts on behalf of Council to coordinate all matters relating to corporate governance. (e) Promote sound financial reporting and accountability in all sectors of the economy with duly audited financial statements as the basis of truth and fairness position of the reporting entity. (f) Encourage corporations to operate sound processes of internal control to protect stakeholders' investments and assets of public interest entities. And (g) ensure that the audit committees of corporations continually appraise the audit scope and effectiveness of the agency costs as well as the auditors' independence and intellectuality (FRCN, 2011)." The study carried out by Oduware (2012), suggests that supervision by one regulatory body to handle all financial reporting issues is consistent with this. Therefore, the implication of FRCN's monitoring role is to enable other regulatory bodies focus on their main missions. The Federal Inland Revenue Services (IFRS) illustrates this in section 3.0 of its year 2013 information circular by requesting for financial statement prepared in line with FRCN Act (IFRS, 2013). According to Minister of Trade and Investment, Aganga, (2011), FRC is expected to align government and private sector responsibilities. It is to: 1) Put opportunistic attitudes of management of public interest entities in check. And 2) strengthens the competencies of the boards of directors by addressing board and management structures, ownership process, corporate responsibilities and compliance with relevant standards (Josiah et al., 2013).

However, the independence of this regulatory agent is doubtful since it operates under the supervision of the Federal Ministry of Industry, Trade and Investments. The power given to the Minister of Industry, Trade and Investments over FRCN is too enormous. The President of Nigeria is responsible for the engagement and resignation of the Chairman of the board of the council of FRCN on the recommendation of the Minister of Industry, Trade, and Investments. The minister is also responsible for the appointment of other members of the council following recommendations from their various professional or statutory bodies. He is also empowered to make regulations because his opinion counts for enforcement and management of the provisions of the Act (FRCN, 2011). The independence and strength of the council were recently put to test in its attempt to probe into the tenure of the former CBN governor. The investigation is in respect of the failure by the Nigerian National Petroleum Corporation (NNPC) to remit oil revenue into the Federation's account (Chima, 2014). It also includes some other allegations relating to the financial statement of the bank for the year 2012 (Chima, 2014; Sanusi, 2014). The ex-CBN governor did not only fail to appear before the council of FRCN when summoned for investigation, but he also succeeded in getting the court to stop the council from probing him (Opeseitan, 2014; Omojuwa, 2014). These are two regulatory agencies, one in charge of the national banks and the other operates as the regulator of regulators. Each of the regulators is exposed to the influence of political interference. The current issue between the two regulators illustrates that regulators (government departments, professional and independent bodies) are yet to perform their responsibilities as overseers for public and private entities (Okpara, 2011). One of the other regulatory bodies more relevant to this study is SEC that regulates the capital market in Nigeria. The origin of SEC dated back to 1962 when established as Capital Issues Committee under the aegis of CBN as an ad-hoc consultative and advisory body (SEC, 2012). It was upgraded to an independent body in 1972 as the Capital Issues Commission due to the country's increase in the level of economic activities. The increment results from the promulgation of the Nigerian Enterprises Promotion Decree and promulgation of the Capital Issues Commission Decree in March 1973 (SEC, 2012). The government heightened the powers of the commission to cope with the challenges emerging from the market as recommended by the Financial System Review Committee in 1976 (SEC, 2012). The SEC was thus established following this recommendation and the promulgation of the SEC

Decree No. 71 of 1979 created to supersede the Capital Issues Commission of 1979 (SEC, 2012). The government expunged SEC from CBN; however, CBN continues to fund the commission (SEC, 2012). Its board size then moved from nine to twelve which include a representative of CBN as its chairman and was effectively commissioned on 01 January 1980 (SEC, 2012). The government re-enacted SEC Decree No. 71 of 1979 as SEC Decree No. 29 of 1988 to address lapses found in No. 71 of 1979 (SEC, 2012). The Investment and Securities Act (ISA) No. 45 of 1999 replaced Decree No. 29 of 1988 to promote more efficiency in the capital market (SEC, 2012). ISA No. 45 of 1999 was again replaced by ISA No. 29 of 2007 (SEC, 2012). The commission joined the membership of the International Organization of Securities Commission (IOSCO) in 1985 (SEC, 2012). The global international standards set by IOSCO form the basis of the rules and regulations for capital market in Nigeria since SEC enrolled as a member of IOSCO (SEC, 2012). The three monitoring mechanisms (directorship, internal, and external auditing) work within the framework of the regulatory agents.

2.3.3 Accounting Education and Training (AET)

Relevant professional bodies {like the Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN), Nigerian Institute of Directors (NID) and the Institute of Internal Auditors (IIA), Nigeria chapter} help to ensure that their members are well equipped with necessary skills and competence for quality financial reporting, auditing, and governance (ICAN, 2014; ANAN, 2014; IIA, 2014; IoD, 2014; Madawaki, 2012). They build the skills and competence of their members through their education, training and certification programs, standards, and professional practice guidance. Likewise, companies that aim to have good governance pay attention to education, training, and engagement of experts to enhance efficiency and good performance, as well as shareholders' value. Hence, 2011 SEC Code lays much emphasis on the education and training of the directors of a company. The emphasis signifies the importance of education and training to good governance and its monitoring mechanisms. AET is an element in Nigerian roadmap to the adoption of international financial reporting standards through the creation of dedicated website; curricula updating in training institutions and updating of the chart of accounts among others (NASB, 2010). Even the report on the observance of standards and codes (ROSC) for Nigeria recommends that the country should strengthen their professional education and training (World Bank ROSC, 2004). Also, institutional initiatives such as Society for Corporate Governance Nigeria (SCGN), Institute of Corporate Governance Nigeria (ICGN) and Convention on Business Integrity (CBI) are developed to promote good corporate governance through education and training, research and studies and standards monitoring (Adegbite, 2012). Likewise, Adekoya (2011) recommends moral education for the promotion of good corporate governance culture of whistleblowing to enrich corporate ethics.

2.3.4 Legal Framework

Presently, the relevant laws and regulations for corporate governance in Nigeria are (a) Companies and Allied Matters Act, 1990. (b) International Financial Reporting Standards (IFRS). (c) International Public Sector Accounting Standards (IPSAS). (d) Nigerian Stock Exchanges Act, 1961. (e) Banks and Other Financial Institutions Act, 1991. (f) Companies Income Tax Act, 2004. (g) Pension Reform Act, 2013 (as Amended) and approved on 30 April 2014 to replace that of 2004 now repealed. (h)

Insurance Act, 2003. (i) Nigeria Deposit Insurance Corporation Act, 2006. (j) Federal Inland Revenue Service (Establishment) Act, 2007. (k) Investments and Securities Act, 2007. (l) Petroleum Profit Tax Act, 2004. (m) National Insurance Commission Act, 1997. (n) The Money Laundering (Prohibition) Act, 2004. (o) Economic and Financial Crime Commission (EFCC), 2004. (p) The Advance Fee Fraud and Other Fraud Related Offences Act, 1995. And (q) The Miscellaneous Offences Act, 1984 among others (Laws, 2012). However, those recognized for corporate governance purpose are the CAMA, 2011 SEC Code, 2006 CBN Code, 2009 NAICOM Code and 2008 PENCOM Code (SCGN, 2014; Ofo, 2014;). The soundness of these legal frameworks is the basis of a good corporate governance framework (Ikpefan & Ojeka, 2013). Inyang (2009) claims that the government has a duty to provide a legal framework to incorporate companies. The study further claims that government gives direction for the companies to operate, monitor their activities for conformity and protection of shareholders and the society in general through the legal framework. These codes of corporate governance had been adjudged to be adequate ((Nworji et al., 2011). Thus, there is no reservation of haven for the political fish (Kayode, 2013). However, implementation has been a problem mostly due to political factors (Okpara, 2011). The judiciary need to be politically independent, impartial and incorruptible to ensure the integrity of the legal framework, prevent corruption and enthrone good governance (Moses & Philips, 2013).

On foreign ownership, Inyang (2009), documents that foreign investors now have freedom to own business with no restriction other than incorporating the company under CAMA, 1990. The freedom is an improvement on the law adopted from the colonial master, which restricts foreign investments in certain areas and levels (Ahunwan, 2002).

2.3.5 Accounting and Auditing Standards

The report of the World Bank (2004), Nigerian standards and codes reveal that: (a) Nigerian Accounting Standards (SAS) are based on International Accounting Standards (IAS). It claims that SAS are with no equivalence to IAS because the SAS are neither reviewed nor updated with current IAS. (b) SASs are "lenient national accounting standards." (c) There were no national auditing standards. Hence, auditors were adopting International Standards on Auditing (ISA). (d) Adherence to auditing standards and professional ethics was inadequate. (e) The ethical codes for Nigerian auditors were short of international requirements. (f) Monitoring and enforcement mechanisms in all sectors except banking industry are very weak.

CAMA, Section 335 requires that companies should prepare their financial statements in compliance with accounting standards except where standards are in conflict with the provision of the Act. The FRCN is responsible for the issuance and compliance monitoring of accounting standards (FRCN, 2011). Okobi (2011) examines the financial reporting council of Nigeria act and claims that adoption of IFRS, hopefully, will ensure transparent reporting. It also claims that approval of FRC Act for oversight of the implementation of IFRS will ensure the achievement of the objective of financial statements concerning the truth and fair view of an entity's position.

2.3.6 Corruption and Mismanagement

These two factors are responsible for the fall of Enron, WorldCom, and other giant corporations. The economic downturns led the world to remember the importance of corporate governance, social responsibilities and business ethics (Okaro & Okafor, 2013). Lack of good corporate governance both in private and public sector coupled with colonialism inheritance of secretive political systems facilitate economic crime transversely (Akanle, Adebayo, & Adetayo, 2014). The culture of corruption prevalent in Nigeria is one of the foundational causes of challenges and failures of corporate governance in Nigeria (Ikpefan & Ojeka, 2013). Corruption negatively affects nations' economic development and increases their poverty because of bad decisions of their governments (Oyewande, 2009). The codes of governance were, therefore, to safeguard the corporations against corruption and mal-administration (Adekoya, 2011). Kayode (2013) appraised corruption in Nigeria and concluded that corruption flourishes in Nigeria because of the citizens' and the government's lack of will, guilt, and justification. The study suggests that the judiciary should affirm its independence and stop treating certain citizens as sacred cows that are above the law. The country report of International Monetary Funds (IMF) of 2011 testify to efforts being made to heal the disease through improvement of governance and building or strengthening of institutions (IMF, 2012).

Babatunde and Olaniran (2009) examine the coexistence of corrupt and legal deals in the relationship between the government and companies and the rationale behind such actions using 62 Nigerian listed companies. The study suggests a decrease in the weight of corrupt deals, but not completely eradicated adopting a Cobb-Douglas distribution because management will continue to make demands for the deals.

They claim that decision makers' objective is to maximize firm's profitability in the short or medium run with no consideration for the long run expectation of shareholders. They further claimed that such decision makers accept contracts that maximize profitability with fewer risks notwithstanding its inclusion of corrupt deals. Adekoya (2011) examines the challenges to corporate governance reforms in Nigeria. The study suggests that the concentration of resources and amenities in the cities heightens corruption and results in poor corporate governance. Ahunman (2002) examines the nature of corporate governance in Nigeria and prospects of reformation. The study claims that concentrated ownership in Nigeria is problematic to minority shareholders because of exploitation by management and majority shareholders.

2.3.7 Policy Making Environment

The performance of monitoring mechanisms depends largely on the operating environment of an organization, especially its policy making environment (Ehikioya, 2009; Ahunwan, 2002). Adekoya (2011) examines the challenges in corporate governance reforms in Nigeria. The study claims that the governing elites in the country have little or no respect for laws because they side-track and violate procedures and mechanisms designed for control and monitoring through political influence. The government of Nigeria reviewed the UK legislation on attainment of its independence (Inyang 2009). Britain's Companies Ordinance of 1922 is the source of the code of corporate governance before independence. The government replaced it with the Companies Act of 1968 which, however, was the model of Britain Companies Act of 1948 (Inyang, 2009). Ahunwan (2002) suggests that foreign investment regulation is an important policy for consideration of shareholders' protection; because investors pay higher for their shares in countries with good shareholders' protection policy with limitation to minority shareholders expropriation. The study further claims that the government removed the ban on foreign ownership in 1995 and replaced it by Nigerian Investment Promotion Commission Decree, which is foreign investment friendly.

2.3.8 Socio-Political, Cultural and Economic Environments

Almost every activity in the country has a political touch instead of merit and competence, especially for recruitments and contracts. Likewise, the culture and social life of a community play a significant role in its economy, and the national economy is the aggregate of the financial performance of its business entities and individual investor. Company Act, 1968 inherited from the Nigerian colonial master, United Kingdom was replaced by CAMA, 1990 considering changes in the political, economic and cultural environment after independence (Okike, 2007). It was for this purpose also that the government established SEC as a replacement of the Capital Issues Commission, 1979 (Okike, 2007). The changes in these laws are expected to have some impact on the monitoring mechanisms compared to the process under Company Act, 1968 and Capital Issues Commission, 1979. If corrupt personalities are at the helm of affairs of a nation or organization, such community or society runs the risks embedded in the lack of accountability, transparency, and good governance (Okike, 2007). Hence, Nigerian codes of corporate governance seek to ensure transparency, fairness and accountability in the leadership in both private and public sectors (2011 SEC Code; 2006 CBN Code; CAMA, 1990). Therefore, Ilori (2012), emphasize the need for the regulators, as leaders to lead by example by being firm, transparent and unbiased in their monitoring and policy making responsibilities.

Babatunde and Olaniran, (2009) claim that the board of directors has a duty to ensure that the progress of the company advances with no undue political interference. The government expects FRCN to consider country specifics concerning accounting and auditing standards to prepare and audit financial statements. Hence, after adopting IFRS, the federal government of Nigeria mandated FRCN in section 8 (1) (a) "to develop and publish accounting and financial reporting standards (FRCN, 2011)."

Ahunwan (2012) claims that promulgation of laws based on the development of the global economy does little in protecting the shareholders' interests, rather, governments should address the source of the governance problems. The study identifies the origins of governance problems as socio-economic and political underlined ethnicity, religious tensions, poverty, military rule and human rights abuse. Kayode (2013) in his appraisal of corruption in Nigeria, claims that corruption has permeated and contaminated Nigeria's social, political and economic structures. Okike (2007) examines the mechanisms for corporate governance in Nigeria. The study claims that the monitoring mechanisms in Nigeria are very weak on examination of the monitoring roles of the oversight bodies, such as the Corporate Affairs Commission (CAC) in charge of CAMA, SEC, The Nigerian Stock Exchange (NSE) and ICAN. The study, therefore, suggests that the oversight bodies should be thorough in their monitoring roles for the monitoring mechanisms (directorship, internal and external audit) to be effective. It claims that the code of corporate governance should reflect the peculiarities of the country's socio-political and economic environment when applying the global principles on sound corporate governance to realize the monitoring effectiveness. The study also suggests the introduction of sanction to delinquent companies. Adegbite (2012) collaborate this in his study on Nigerian corporate governance regulatory system. Adekoya (2011) likewise collaborate it when he examines the challenges of corporate governance reforms in Nigeria.

2.3.9 Information Technology

Application of monitoring mechanisms requires the ability to manage risks involved in governance to enhance excellent corporate performance (2006 CBN Code, Section 3.6). Such risks include information technology risks (Akinyemi, 2012). Organizations like the Information Systems Audit and Control Association (ISACA), provide standards and guidelines (the international standard adopted in Nigeria) to ensure trust and value from information processed using information technology (ISACA, 2014). It calls for attention on control as one of the operational risks because its inadequacy or mismanagement can lead to a direct or indirect loss for an entity (Owojori, Akintoye, & Adidu, 2011).

2.3.10 Ethics

The two accounting professional bodies in Nigeria, The Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) have drawn professional codes of conducts for their members. They drew the codes of conducts from the standards set by the International Ethics Standards Board for Accountants (IESBA). IESBA is a unit of the International Federation of Accountants (IFAC). ANAN is making direct use of the handbook of the code of ethics for professional accountants as produced by IESBA and now using 2014 edition. The 2013 copy downloadable from IFAC and ANAN site contains changes to the code on three issues:

Breach of a Requirement of the Code
"The IESBA has revised the code to deal thoroughly with actions of qualified accountants when they act contrariwise to standards, ethics or code."
The effective date for the changes made is April 1, 2014, with permission for early adoption.
Conflicts of Interests
"The revision made by IESBA equips the accountants and auditors both in public and private sectors to be able to identify, evaluate, and manage conflicts of interest."
The effective date for the changes is July 1, 2014, with permission for early adoption.
Definition of "Engagement Team" in the Code
"IESBA clarifies the relationship by which the internal auditors directly aid an external audit team. The International Auditing and Assurance Standards Board (IAASB) is a party to this revision. The International Standard on Auditing (ISA) 610 (Revised 2013), *Using the Work of Internal Auditors*. ISA 610 (Revised 2013) includes requirements and guidance addressing the external auditor's responsibilities if using internal auditors to provide direct assistance under the direction, supervision, and review of the external auditor for purposes of the audit, where such assistance is not prohibited by law or regulation."
The effective date for this is December 15, 2014, with permission for early adoption.

The code directs a company's secretary to provide information on matters of ethics as a central source of management and assistance to the board of directors and the company [2011 SEC Code, Section 8.4(f)]. It also mandates that a copy of the code should be part of the documents a director collects on appointment as a board member. The purpose is for him to observe same in the conduct of his/her responsibilities [2011 SEC Code, Section 20.2 (I)]. In Sections 28.3 (i) and 34. (i), the code directs that the board should annually report on the extent of the company's compliance with the code of ethics. Section 36 is devoted to the code of ethics as a guideline for companies to draw their codes of ethics.

2.3.11 Financial Institutions

Banks, pension administrators, and other financial institutions are actors in corporate governance due to the nature of the interaction between them and business entities. Hence, Owojori et. al. (2011), claim that credit default by customers, directors and people related to the bank executives is one of the major factors that led to the failure of banks. Akanle et al. (2014) identify financial institutions as one of the social factors that influence the politics of fuel subsidy in Nigeria. Financial outfits can have this same influence on other sectors of the economy and an entity. Hence, 2006 CBN Code in Section 8.2.5 bans audit firms that have a former bank's ex-officials as directors, chief financial officers or chief audit officers in its employment as auditors of banks.

2.4 Organizational Attributes

Organizational attributes are features of internal processes relating to the organizational performance of an entity (Boyne, 2003). They are internal components that play vital roles in the corporate performance of an organization and explain the differences in the performance of various organizations (Pina, Torres, & Marti, 2012; Zheng et al., 2010). Past financial crisis, business failures, bankruptcies and mergers are accredited to deficiencies in governance, failure to implement good governance, the absence of strong enforcement bodies, a weak judiciary, political instability and audit failures (Arnold, 2012; Anyanwu & Erhijakpor, 2009; Reddy & Sharma, 2014). These studies claim that the effect of these factors attracts scholars to investigate the effect of organizational attributes on corporate governance. Hence, there are many literature on organizational attributes. Lishenga (2011) found that companies vary their governance and practices in response to weakening performance. In Nigeria, 2011 SEC Code directs that the board of directors is liable to account for the affairs and acts of the company. It further required that they should define a framework delegating the duty to management and specify aspects delegated and those reserved for the board. Some of the organizational attributes in 2011 SEC Code and the extant literature reviewed are:

2.4.1 Ownership Structure

Ownership structure varies from organization to organization. In some, it may be management, multinational, government or family ownership or a combination of two or more of these. Abdul-Manaf, Amran, & Che-Ahmad, (2013), claim that power distribution between managers and shareholders is a function of ownership structure. Ownership structure may affect the performance of an organization indirectly since it is their representatives on the board of directors that are responsible for decision making for the organization (Saleh, Rahman, & Hassan, 2009). Hence, the structure of ownership explains the variations in the demand for the monitoring mechanisms, being an important factor for modelling the corporate governance in an establishment (Amran & Che-Ahmad, 2013). Babatunde and Olaniran (2009) examine the relationship of components of corporate governance with audit quality using 62 Nigerian listed firms. The study asserts that ownership structure is one of the ways by which corporations could modify agency problems. Other literature on ownership structure are Amran and Che-Ahmad, 2013; Rahman, Mahboob, and Siddiqui, 2011; Adeyemi and Fagbemi, 2010; Saleh et al., 2009.

2.4.1.1 Managerial Ownership

Managerial ownership is the ownership structure in which a person is responsible for the functions of both the management (control) and shareholding (ownership) in an establishment. Managerial ownership is a form of incentive contract in which a manager is allowed to own some shares in the company where he works as an agent (Shleifer & Vishny, 1997). The motive for this incentive option is to reduce the agency problems in respect of the managers' self-interest attitudes (Jensen, 1998).

Prior studies on governance studies examine this ownership structure and conclude in line with agency theory that this ownership style helps to reduce conflicts that normally exist between management and shareholders as it converges their interests (Saleh et al., 2009; Shittu, Che-Ahmad, & Ishak, 2016). However, the performance of the organization reduces as managers' share of ownership increases (Amran & Che-Ahmad, 2013) giving an excess of 25% threshold (Saleh, et al., 2009) or when managerial ownership is very low (Jensen & Meckling, 1976). Sarens and Abdolmohammadi (2011) investigates the factors relating to the internal audit function using 73 Belgian listed companies and find that management ownership positively relates to the size of internal audit function. They suggest that increased management ownership is likely to affect the board of directors in its decision to support larger internal audit functions for close monitoring of management performance. Jusoh and Che-Ahmad (2014) examine the relationship existing between ownership structure and company performance of 730 Malaysian listed companies. The study finds that management ownership significantly and negatively relates to firms' performance. The management may have to expropriate company's assets for their personal interests if the managerial share is too low or becomes enormous (Amran & Che-Ahmad, 2013). In this case, the principal will need to intensify their monitoring mechanisms (directorship, internal, and external auditing) to protect their interests.

2.4.1.2 Government Ownership

The ownership of an establishment, in this case, belongs to the government at the federal/central or state/province or local level or government institutions or agencies or government-linked companies (Saleh et al., 2009). The possibility of political intervention in such companies is very high (Saleh et al., 2009). Such political interference is evidenced in government increasing its ownership and control of corporations starting from the Great Depression experience of the 1930s to subsequent global economic meltdowns (Borisova, Brockman, Salas, & Zagorchev, 2012). Al-Janadi et al. (2013) investigate how the internal and external corporate governance mechanisms impact on voluntary disclosure using data from 87 listed companies in Saudi Arabia. The study finds that government ownership (GO) has a negative influence on voluntary disclosure. GO negatively affects the whole progress of an organization (Omri, Becuwe, & Mathe (2014). Borisova et al. (2012) using 373 companies from 14 European Union, examine GO and corporate governance and find that government is related to lower governance quality. The study finds that its relationship with governance quality is negative in civil law countries.

Contrary to the negative impact of government ownership, there have been instances when it has a significant effect on corporate governance of an entity. The significant effect is consistent with the finding of Iwasaki (2011), in which the presence of board directors that represent the federal government significantly improves corporate governance quality. Borisova et al. (2012) also find that it is positive in common law countries. Omri et al. (2014) find that government ownership positively relates to independent directors and the innovative ideas of the management. Mustapha and Che-Ahmad (2013) find that increase in shares of government related institutional block-holders positively relates to more demand for monitoring. Al-Janadi et al. (2013) find that government ownership is one of the corporate governance mechanisms with a significant contribution that provide quality and voluntary disclosure. Latif et al. (2013) also find that inclusion of ex-government officials on the board of directors has a significant impact on the firm's performance.

Hence, findings regarding this variable are mixed.

2.4.1.3 Block-holders

Block-holders are shareholders and can be in any of the ownership class mentioned. However, the size of shares involved is very large. Hence, they are large shareholders. Concentrated ownership can be managerial (Amran & Che-Ahmad, 2013), family (Amran & Che-Ahmad, 2010; Saleh et al., 2009;), foreign (Saleh et al., 2009), institutional or governmental (Mustapha & Che-Ahmad, 2013; Saleh et al., 2009;) and can be an individual in as much as the shareholding becomes large. Also, a block-holder can be an insider or an outsider shareholder; an institution or individual. Ownership concentration enhances innovation by enforcing changes where and when needed because of its efficiency in controlling the management (Omri et al., 2014). The presence of block-holders on the board and committees can result in effective monitoring of the management (Aldamen et al., 2012). With the influence of this class of the shareholders, the audit committee finds it difficult to minimize earnings' management and reduce the majority-minority conflict (Habbash, 2012). Guthrie, Sokolowsky and Wan (2012) examine the association between CEO compensation and board structure and find a significant increase in remuneration of CEO in non-compliant firms that have non-employee block-holder directors. Mustapha and Che-Ahmad (2013) examine outside block-holders' ownership as related to the demand for corporate monitoring using 867 Malaysian listed companies. The study finds that concentrated ownership by block-holders positively influences the demand for monitoring costs. The study shows that agency theory on the relationship between agents and principals may differ between western cultures of developed countries compared to that of developing countries. However, their study shows a slight difference from studies in western countries. The study also finds that there is likely to be more demand for monitoring mechanisms, which may result in more monitoring costs in firms with block-holders ownership. The study finds that the demand for more monitoring mechanism is more related to institutional block-holders that are mostly government related institutions than non-institutional or individual shareholders. Wan-Hussin and Bamahros (2013) examine how the internal audit function attributes and audit delay are related, based on 432 Malaysian listed companies. The study finds that audit risk is low in a firm with insider block-holders who own at least 5% shares because the users of such audited financial statements are few. Hope (2013) examined large shareholders in Canada and documents that there are variations in the types of block-shareholders with different roles for each of the large shareholders' type. Countries with weaker shareholders' protection legislation are likely to be dominated by family-controlled or government-controlled companies (Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2008; Omri et al., 2014). Eng and Mak (2003) find no association between the presence of institutional, individual and nominee block-holders and increased disclosure. Henry (2010) finds that block-holders encourages agency alignment and reduces the level of agency costs. Hence, the findings on block-holders are mixed.

Principal-Principal Conflicts (Type II Agency Problem)

The conflicts emphasized mostly in most prior literature on the ownership structure is principal-agent conflicts (type I agency problem). However, conflicts also exist among the principals especially the majority against the minority (Al-Janadi et al., 2013; Effiok et al., 2012;). The conflict among the principals is referred to as type II agency cost (Ho & Hutchinson, 2010; Ali & Lesage 2013). The principal-principal conflict is a product of the ownership concentration whereby the block-owners and the owner-managers apply corporation assets for personal use at the detriment of the minority owners (Ho & Hutchinson, 2010; Shleifer & Vishny, 1997; Liu, Uchida, & Yang, 2012; Baek, Kang, & Park, 2004). Expropriation of minority shareholders by the management and controlling shareholders can be in the form of outrageous salaries, gratuities, bonuses, incentives, donations empire-building power and assets' diversion or mismanagement (Di Carlo, 2014; Hope, Langli, & Thomas, 2012). Ali and Lesage, (2013) claim that even though both the controlling and minority shareholders are entitled to the same amount of dividends per share, the controlling shareholder can benefit from the controlling power. Corporations treat minority shareholders as outsider interests in consolidated accounts, hence, the treatment of the group equity as a liability in the parent company's account (Vollenweider, Grossi, & Nilsson, 2011). Al-Janadi et al. (2013) documents that the control shareholders (family members on the board of directors or largest shareholders) have more information and will not likely disclose such information to other shareholders. Graham, Litan, and Sukhtankar (2002) claim that minority shareholders bear the cost of poor corporate governance more than any other investor (Armstrong, Guay, & Weber, 2010). Ali and Lesage, (2013) claim that expropriation of minority shareholders impacts the demand for audit services. Bae, Baek, Kang, and Liu (2012) examine the relationship between the controlling shareholders' expropriation incentives and firm values using 608 Korean listed companies. The study suggests that the expropriation of minority shareholders is vital to determine the relationship between corporate governance and firm value. The study finds that corporation performance and large shareholders' ownership increases in crisis period while low shareholders' ownership decreases. The study, thus suggests that large and government ownerships moderate financial constraints but at the expense of the minority shareholders. Consistent with this is the claim by Francis, Khurana, and Pereira (2003) that financial crisis exposes the minority shareholders to wealth expropriation by management and large shareholders. Hence, 2011 SEC Code in paragraph 22.3 directs that the board of directors should guard the interests of the minority shareholders. Also, 2009 NAICOM Code, paragraph 3.0(viii) states that it is imperative to consider the power of the controlling shareholders over minority shareholders to enhance good corporate governance in the insurance industry. Likewise, CAMA (2004 as Amended), paragraph 300 is dedicated to the protection of the minority shareholders.

2.4.2 Board of Directors (Composition and Activities)

The board of directors consists people elected by shareholders and in turn, hire the managers as agents to run the daily affairs of the entity (Duztas & D_Cle, 2008). Hence, Freeman (1994) refers to it as "stakeholders' governing board". The agency principle, one of the ground-rules in stakeholders' theory, suggests that an agent must serve the interests of all stakeholders (Freeman, 1994). Hence, the board of directors and managers employed by the board must serve the interests of all stakeholders. COSO, a private sector initiative suggests that boards of directors should oversee their entities' internal control system while the senior management should be accountable through the system of internal control (COSO, 2013). American Accounting Association (AAA), American Institute of Certified Public Accountants (AICPA), Financial Executives International (FEI), Institute of

Management Accountants (IMA) and The Institute of Internal Auditors (IIA) jointly sponsored the Committee of Sponsoring Organizations of the Treadway Commission, (COSO). The boards of directors are assigned the responsibility to ensure compliance with the standards of corporate governance (2011 SEC Code). The board of the Securities and Exchange Commission (SEC) of Nigeria released the revised code of corporate governance in 2011 with a guarantee for the highest transparency, accountability, and corporate governance. The code also gives a rundown of the board committees such as Audit Committee, Risk Management Committee and Governance/Remuneration Committee. The board has the responsibility to ensure that the committees effectively discharge their duties and responsibilities (2011 SEC Code). Board structure and activities as found in some of the literature reviewed comprises board size, leadership structure or CEO/Chairman duality, board independence, board composition, CEO tenure, executive directors owner (Amran & Che-Ahmad, 2009; Adeyemi & Fagbemi, 2010; Hashim & Devi, 2008; Latif et al., 2013; Che-Ahmad et al., 2006). Amran and Che-Ahmad (2011) examine the relationship between family controlled business and firm value using 896 Malaysian listed companies. The study finds that some of the board mechanisms influence family companies' performance. Okpara (2011) investigates the barriers, issues, and challenges that are hindering effective development and implementation of corporate governance using 296 Nigerian listed companies. The study claims that good corporate governance implementation and promotion is not feasible because of the deficiency on the part of boards of directors regarding commitment among other constraints to good corporate governance.

2.4.2.1 Board Size and Meetings

Prior literature reveals that board size significantly influences the performance of corporations (Ali & Nasir, 2014). Amran and Che-Ahmad (2011) find that family businesses that have large board size perform better than those with a smaller board size and separate leadership. Latif et al. (2013) investigate the extent of multiple directorship practices and relationship between board characteristics and firm performance using 132 Malaysian listed firms. The study finds that the size of the board of directors has no significant effect on the performance of the entity. 2011 SEC Code directs that the size of the board should be within the range of five and fifteen members. It further stresses that an entity needs to consider its scale and complexity of operations to determine the size of its board. Lishenga (2011) assess corporate governance reaction and declining firm performance using 47 listed firms. The study claims that frequent board meetings improve the performance of an organization. Appah and Emeh (2013) claim that larger boards add to the monitoring capacity of the board through diverse expertise. The study also finds no significant relationship between board meetings and timeliness of financial reports.

2.4.2.2 CEO's Tenure

Miller, 1991 claims that the longer the stay of the CEO, the less rigid and concerned he becomes about monitoring. Hence, he becomes a "stale in the saddle" (Miller, 1991). Carver (2014) argues that CEO significantly influences the decision to retain directors on the Audit Committee instead of the qualitative requirements of members of the committee. Coles, Mcwilliams, and Sen (2001) tested the relationship between governance mechanisms and firm performance using 430 US corporations. The study finds a positive correlation between CEO's tenure and CEO duality, managerial ownership, and board ownership but negative correlation with firm size. Gomez-mejia and Nunez-nickel (2001) documents that a lengthy tenure of CEO can be harmful to the corporation for reasons such as self-satisfaction and conservative attitude among others. Others are for lack of willingness (i) To face new problems or challenges. (ii) Not to quit the job and (iii) Not to act until the end of the tenure for self-accomplishments as against that of the corporation (Conger & Nadler, 2004). Board independence may decline with an increase in CEO's tenure (Sanda, Garba, & Mikailu, 2011) due to intimacy that may develop between board members and the CEO over years. On the contrary, Kyereboah-Coleman (2007) find that CEO's tenure impact positively on corporate governance (Kaur, 2014). However, such positive impact is possible in family ownership companies as they have incentives to acquire business' technology knowledge for monitoring (Amran & Che-Ahmad, 2009b). It could also be because they operate in a highly trusted environments (Miller & Breton-miller, 2006). It is also possible when the executive anticipates staying long as such individual will avoid opportunistic attitude that may affect his career (Miller & Breton-miller, 2006). Sakawa, Moriyama, and Watanabel (2012) find that CEO tenure correlates with the age of the CEO and influences the compensation structure for the CEO.

CEO duality describes the situation where an individual occupies the positions of the CEO and the chairman of the board of directors at the same time. Al-Janadi et al. (2013) find that separation of the positions of the CEO and the chairman of the board of directors negatively influence quality reporting. Ali and Nasir (2014) investigate how corporate governance practices impact on the financial performance of corporations. The study finds that separation of the CEO and the chairman of the board significantly and positively affects firm's performance. Adeyemi and Fagbemi (2010) find that CEO duality has a significant relationship with audit quality. However, Amran and Che-Ahmad (2011) find that family businesses that have large board size perform better than those with separate leadership structure. Appah and Emeh (2013) also find that CEO duality has no significant relationship with the timeliness of financial reports and board meetings.

2.4.2.3 Risk Management Committee (RMC)

Signalling theory suggests that the establishment of risk management committee (RMC) helps the stakeholders' readiness in the board of directors to ensure high-quality monitoring mechanisms (Subramaniam, McManus, & Zhang, 2009). Hence, the study suggests that establishing a separate committee like RMC solely to handle risk profile could be of greater value, especially when the risk in financial reporting is increasing. It also documents that the probability of establishing a risk management committee (RMC) increases with an increase in the size of an entity. However, the firms' size has no effect on whether or not the RMC should be a combined or a separate committee (Subramaniam et al., 2009). The studies of Yatim (2009) and Sarens and Abdolmohammadi (2011), claim that risk management is central to corporate governance, linked to internal control. Companies with a high level of risk awareness, formalized integrity, and clear ethical values highly appreciate the monitoring role of the internal audit in respect of risk management. Risk management is viewed so important that the report of the committee on "the financial aspects of corporate governance" in paragraph 4.24 recommends that it should always be on the agenda of meetings of the board of directors (Cadbury, 1992). Subramaniam et al. (2009) find that companies with high agency costs establish separate RMC for high-quality monitoring. Yatim (2009) investigates the relationship between risks management committee and board structures using 690 Malaysian listed firms. The study documents that the establishment of RMC associates with strong board structures. The study suggests that the board of directors that is committed to fortifying its corporate governance and internal control is likely to establish an RMC. The study finds that it takes a strong board structure to establish a risk management committee. Nworji et al. (2011) examine issues, challenges and opportunities relating to corporate governance and failures using 105 respondents from 11 Nigerian banks. The study claims that improper risk management is one of the basic reasons for the failure of banks. The study, therefore, finds that proper risk management is essential for prevention of bank distress.

2.4.2.4 Board Composition

Board composition is vital to innovation decision-making in corporations (Omri et al., 2014). Agency theory suggests that the treasured public firms are those with independent directors on the board of directors of an entity (Anderson & Reeb, 2004). The degree of the treasure is determined by the ability of the independent directors to mitigate conflicts among various groups of shareholders and protection of the interests of the minority shareholders (Anderson & Reeb, 2004). The officers of the board as enumerated in Nigerian 2011 SEC Code, section 4 are the Chairman, CEO, Executive Directors, Non-Executive Directors, Independent Directors, Multiple Directors, Family and Interlocking Directors and Company Secretary. It directs that the composition should be such that ensure the presence of mixed experience. It further directs that the composition should not compromise the independence of the board members, their compatibility, integrity and availability to attend meetings. The code further expatiates this in paragraphs 4.4 and 4.5 that board members should be people of upright characters; that are competent, entrepreneurial, and committed to the course of good governance. They should also have tangible achievements, knowledge in issues of the board of directors and sense of accountability.

The study of Hashim and Devi (2008) investigate board independence, CEO duality and accrual management using 200 Malaysian listed companies. The study finds that the board independence was significantly related to income-increasing and income-decreasing earnings management. Latif et al. (2013) find that an executive directorship is beneficial to an entity but cannot ascertain the extent of their independence to judge the performance of management. The expectation is that the extent of which they are capable of aligning the interests of the management with those of the shareholders is a function of the level of their ownership. Likewise, it claims that the presence of the founders on the board of directors aid increase in performance of a corporation. The study also suggests that family ownership on the board of directors significantly affects the performance of the company. Lishenga, (2011) claims that outsider-dominated (having more non-executive directors) on the board improves the performance of an organization. Al-Janadi et al. (2013) find that majority of non-executive directors can independently make decisions and monitor management effectively to safeguard shareholders' interests. Kibiya, Che-Ahmad, and Amran (2016) claim that the board independence significantly relates to the financial reports' quality. However, Fodio et al. (2013) argue that there is a negative and significant association between the independence of the board and earnings management. Hashim and Devi (2008) also argue that independent non-executive directors have no significant relationship with income-increasing/decreasing earnings management. Also, Malek and Che-Ahmad (2013) find that director-auditor link by independent directors has no impact on the fees for non-audit services. Adeyemi and Fagbemi (2010) find that non-executive director ownership increases the quality of auditing. Akhtaruddin and Haron (2010) likewise claim that board ownership relates with lower levels of voluntary disclosures; hence, it increases agency costs.

Globally, gender diversity is receiving attention on political and corporate governance for accountability, corruption or transparency issues (Ofo, 2013a). Lincoln and Adedoyin (2012) examine the relationship between gender diversity and board effectiveness. They claim that gender diversity in board composition can avail a wide pool of talent, which enhances effective corporate governance for company performance. Lenard, Yu, York and Wu (2014) investigate the association between boards of directors' gender diversity and corporate performance using 5,754 firm-year. The study documents that many countries have legislations that support the enlistment of female directors on the board of directors. Systems with gender equality offer effective checks on corruption (Nawaz, 2010). The study of Shittu et al. (2016) on female directorship, director compensation, managerial shareholding, and price-earnings multiple of Nigerian firms provides evidence that female directors add values to shareholders. Women attend board meetings more than men (Lincoln & Adedoyin, 2012). However, Lenard et al. (2014) find that board of directors with a higher female members associates with lower variability of stock market returns.

2.4.3 Compensation Structure

Since there should be a link between the directors and senior management compensations and performance of the organization, some literature had examined the relationship. Wahab and Pak (2011) investigate the relationship of tax planning activity with directors' remuneration using 321 non-financial Malaysian listed companies. The study claims that the compensation to the directors contributes to tax planning by reducing manipulation on salaries and wages of top management. Lishenga (2011) claims that companies can structure the compensation by highly contingent or long-term incentive contracts. The structure can be a combination of any of the following: salary, share payments, bonuses, and benefits in kind (UNCTAD, 2006). Armstrong et al. (2010) document the quality of the information environment as a performance measure to determine the executive compensation to promote a transparent information environment. The study further claims that such performance measures will help the board of directors to align the interests of the shareholders and management. Lishenga (2011) finds greater than 5% insider-shareholding, high salaries, and bonuses payment to top management improve the performance of an organization. Sakawa et al. (2012) claim that executive ownership is a substitute of incentive compensation. Shittu et al. (2016) provide empirical evidence that director compensation affects the intensity of monitoring and alignment of the interest of the shareholders and management.

The independence of the board of directors does not affect the decision on the compensation of the CEO and non-CEO directors. Deumes, Knechel, Meuwissen, Schelleman and Vanstraelen (2010) suggest that the incentives for members of the audit committee (AC) should align with the stakeholders that they represent. The study claims that this is necessary for the committee to take up its responsibility for the selection of the auditor and to supervise audit functions. AC compensation serves as a good proxy for AC quality (Mohamad-Nor et al., 2010). Engel et al. (2010) investigate the relationship between AC compensation and audit fees and their relationship with the factors influencing the demand for monitoring. The study finds that the demand to monitor financial reporting process and ACs' compensation are related. The incentives of AC should be taken serious for proper alignment of their interests with the stakeholders but should be carefully done to avoid economic bond (Deumes et al., 2010). Situations that permit individuals to be on multiple committees should be avoided for the economic bond that may result from such act not to undermine the oversight of the audit committee and audit functions (Deumes et al., 2010).

In Nigeria, NAICOM (2009), suggests that members of the board of directors should be satisfactorily compensated. Reason being that they are responsible for preservation and enhancement of the value of shareholders, and should be rewarded for the time they need to monitor and appraise management's performance. 2009 NAICOM Code is in agreement with SEC (2011), which include evaluation and remuneration of members of the board of directors and senior management on the duties of the board. 2011 SEC Code suggests that the board of directors should establish a Governance/Remuneration Committee (GRC), membership of which should be of non-executive directors only. It requires that the terms of reference or charter for GRC among other listed roles should include recommendations on compensation structure for the executive directors. Section 14 of SEC Code is devoted to issues of remuneration of the directors and senior management. It demands an all-inclusive policy for the compensation with a request that the remuneration should relate to corporate and individual performance but adequately attractive to motivate and retain skilled and qualified persons for a successful running of the corporation. If the compensation structure is equity-based, the code of corporate governance from paragraph 14.4 directed that they should not be at a discount except with SEC's authorization. The effective date for the discount is a year after the expiration of the minimum tenure of directorship. It also directs that such remuneration should be subjected to AGM approval. It further directs that shareholdings and all forms of remuneration (equity-based, material benefits, cash and otherwise) paid to the directors should be disclosed in the annual report of the organization. CAMA, 1990 considers directors' compensation as related to loss of office [paragraphs 262(6), 271, 272, 273(d), 274(2) and (3), 339(d)]. Suberu and Aremu (2010) assert that the equity-based compensation to the directors and top management heightens a forceful trailing of the shareholders' value.

2.5 Code of Corporate Governance (CCG)

A code of corporate governance (CCG) is a set of best practices giving recommendations on structures and behaviours of organizational attributes (Aguilera, Cuervo-Cazurra, & Kim, 2009). It is a template giving regulations binding listed companies for the achievement of shareholders’ value (Yasser, Entebang, & Mansor, 2011) through high-quality financial reports. The government of many countries came up with codes of corporate governance (Jo & Harjoto, 2011) following financial distresses in corporations like Enron, WorldCom and among others (Liu, 2012). The purpose of this was to safeguard the interests of the shareholders (He & Ho, 2010) through reformation of corporate governance. Prior literature have therefore examined the impact of codes of corporate governance (CCG) on the performance of corporations as relates to the interests of the shareholders (Husnin et al., 2013; Soobaroyen & Mahadeo, 2012; Ali & Nasir 2014). Husnin et al. (2013) examine how the internal corporate governance mechanisms relate to audit fee and the impact of Malaysia code of corporate governance (MCCG, 2007) on audit fees using the data from 300 listed companies. The study finds that corporations restructured the internal monitoring mechanisms such as the audit committee and the internal audit functions due to the new code of corporate governance (CCG). It also finds that the MCCG influences audit fees determination. Soobaroyen and Mahadeo (2012) examine the impact of CCG's expectations and requirements on accountability by the board of directors using top 100 listed and non-listed companies in Mauritius. The study finds a substantive change in board accountability, such that corporations structure their board committees to ensure adherence to procedures and proper authorization of managerial decisions. Ali and Nasir (2014) investigate the post-effect of CCG, 2002 implementation in Pakistan. The study finds that CCG has a significant impact on corporations' performance.

Nigeria has also reformed its corporate governance to improve on corporate governance by reviewing 2003 SEC Code to promote good corporate governance (2011 SEC Code). The reformation is the government's reaction to 1) failures in businesses and the global requirement for best practice and its significance to quality financial reports (Adeyemi & Fagbemi, 2010). 2) rapid changes in the corporate world that make 2003 SEC Code inadequate (Ofo, N., 2012). The code of corporate governance (CCG) addresses the type I agency problems in developed countries like US and UK (Sanda, Garba, & Mikailu, 2011). The reverse is the case in developing countries like Nigeria where type II agency problem dominates governance in corporations (Sanda et al., 2011). Paragraph 22.2, 22.3 and 22.5 of 2011 SEC Code is, therefore, designated for the protection of the rights of minority shareholders.

2.6 Financial Reporting

Financial reporting is an important instrument in corporate organizations bridging the gap of information that makes unevenness between the management and companies' stakeholders (Malek & Saidin, 2013). Financial reporting is important in issues of corporate governance because it serves as the basis for evaluating the health and viability of a firm (Anderson et al., 2003). Agency theory shows that shareholders have no time to get involved in the daily routine/affairs of the company (Freeman, 1994). However, financial statements provide information useful for the shareholders to monitor and make economic decisions (Malek & Saidin, 2013). Financial reporting is an indicator of transparency and accountability (Akhidime & Izedonmi, 2013). It has to do with how to present financial statements in formats easily understandable by users of the financial statements (IASB 2010). It is a means of passing financial information or accounting for stewardship (Nwanyanwu, 2013). Financial reporting as in IAS 1 is "a structured representation of the financial position and the financial performance of an entity." IAS 1 states further that the objective of financial reporting is "to provide information about the financial position, financial performance and cash flows of an entity such that will be useful to all users to make economic decisions." It gives the stewardship of management concerning the resources entrusted to it. IPSAS 1, provides information on the objectives of financial reporting as: "providing information about the: -Sources, allocation, and uses of financial resources. -How the entity finances its activities, which may be useful to evaluate the entity's ability to finance its activities and to meet its liabilities and commitments. -The financial condition of the entity and changes in it. –And the aggregate information useful in evaluating the entity's performance regarding service costs, efficiency and accomplishments." Financial reporting is a means to an end. Hence, its objective to provide information for accountability, transparency, and decision-making as may be useful to its general purpose financial statement (GPFS) users (IAASB, 2013).

2.7 Quality-differentiated Auditors (QDAs)

A quality-differentiated auditor (QDA) is an auditor that succeeds in structuring his audit firm in a manner to differentiate his audit services in the audit market for clients to make a preference for his audit firm above other firms (Basioudis & Fifi, 2004; Kaplan et al., 1990). Che-Ahmad et al. (2006) define a QDA as one of the then Big-4 audit firms. The claim is consistent with existing literature like Palmrose, (1988), Francis and Wilson (1988) among others. An exception to this definition is for proven audit failure (Gray & Ratzinger, 2010).

Francis et. al. (2013) find that big-4 has the larger market share in some countries because of their greater high-quality audit service, which makes them quality-differentiated auditors. Audit market has been noted for high competition in many countries of the world (Kaplan et al., 1990). Hence, the need for the auditors to differentiate their service and be preferred for one reason or the other by the consumers of their service (Kaplan et al., 1990; World Bank ROSC, 2004). The need for such differentiation among auditors arose from the advancement and changes in media, advertisement, and technology, which makes audit market competitive (Kaplan et al., 1990). The economy of supply and demand also plays a significant role in the audit market competitiveness (Okike, 2007). The study is the status quo of corporate governance in developing countries. It finds that only about 200 out of about 500,000 registered companies are listed on the Nigerian Securities Exchange (NSE). The qualified accountant that the companies are expected to employ as auditors and accountants of the 200 companies are more than 40,000 (ICAN and ANAN members and others with ACCA, ICPA, CPA). Thus, demand for audit services is likely significantly lower compared to the audit services supply. It is not likely that the huge number of registered companies not registered with NSE engage the qualified accountants either as auditor or accountants (Okike, 2007). They don't have to demand quality-differentiated services because audit failure detection is not common in such organizations and there is no legal requirement to scrutinize the financial statements of private organizations (Bauwhede & Kens, 2002).

Likewise, the demand of the clients for high-quality audit service due to changes in their size and complexity also contributes to the competition in the audit market (Ferguson et al., 2013). Ferguson et al. (2013) investigate economic forces responsible for the emergence of dominant audit firms using listed companies in Australia. The study finds that big companies with complex factor emerged and are in need of auditors with sufficient capacities for auditing large companies. Thus, the auditors are forced to meet the demand of corporations by investing on fixed capital costs such as technology and intellectual capital for quality staff maintenance (Ferguson et al., 2013; DeAngelo, 1981). It is this ability to increase investments in fixed and intellectual capital as demanded by changes in size and complexity of client companies that led to the emergence of QDA (Ferguson et al., 2013). The investment in audit technology (fixed capital investment) provides deterrence against the opportunistic behaviour of auditors and increases the deterrents with increases in audit firm's size (DeAngelo, 1981). However, Big-4 auditors may be able to meet up with the investment required but may not necessarily provide higher quality audit than non-Big-4 auditors as witnessed in the recent financial crisis like Enron and others. Hence, DeAngelo (1981) argues that the audit technology offers an incentive for an auditor to lower audit quality purposely to retain a client.

Krishnan, Park, and Vijayakumar (2008) claim that second-tier auditors associate with lower earnings management though they tolerate earnings management in pre-SOX period for clients from Big 4 auditors (Gray & Ratzinger, 2010). Huang, Raghumandan and Rama (2009) on the other hand, find that Big-4 firms are now conservative in the post-SOX period in accepting their new clients and pricing decisions. Howbeit, Big-4 and some non-Big-4 but large audit firms (second-tier auditors) can meet up with this demand that results in audit pricing differences (Ferguson et al., 2013). Thus, there are differences in audit quality resulting from competition in the audit market (Kaplan et al., 1990). The differentiation started in the mid-1970s and became well noted in mid-1980s with the emergence of Big-4 (Kaplan et al., 1990). The competition emanated from the removal (in many countries) of the traditional prohibition that forbids auditors to advertise or solicit for clients (Deumes et al., 2010). Auditing profession has been one of the professions with heavy regulations until the outbreak of economic crisis (Deumes et al., 2010). The competition in the audit market increased and brought changes to the conducts of the public accounting profession, such as auditors switching and audit product differentiation (Kaplan et al., 1990). Regulators in some countries, like Nigeria, limit the audit services that an audit firm is allowed to render to its clients to ensure that the independence of the auditor is not compromised [2011 SEC Code, Paragraph 30.4(k)]. Even the demise of Arthur Andersen does not reduce the competition on price and audit market concentration by the quality-differentiated auditors (QDAs) persists (Deumes et al., 2010).

Che-Ahmad et al. (2006) investigate how ethnic association and national issues affect the audit services market in Malaysia. The study claims that the distance of the head-office of foreign-controlled companies calls for higher level of agency costs and, therefore, will likely demand QDAs. Defond, Francis, and Wong (2000) examine the relationship between auditor industry specialization and market segmentation using 348 Hong Kong listed companies. The study finds that auditors' brand name and industry specialization influence audit premiums. The study also claims that specialization in audit market expands audit market segment to include differentiation among the Big-4's audit firms. It further suggests that such specialization paves ways to audit production economies and strategy to capture market share by lesser audit fees for low-priced audit clients, low balling (DeAngelo, 1981). Rose-green, Huang and Lee (2011) investigate the relationship between the auditor industry specialization and disclosure of weakness in internal control. The study finds that QDAs and industry specialists are related and that QDAs are likely to report weaknesses in internal controls than firms with non-specialist auditors. Francis and Wilson (1988) categorize QDAs as 1) the brand name Big-4 vs. non-Big-4 auditors. And 2) a continuous size variable based on total client sales audited by the audit firm. The study argues that quality-differentiated audit is a control system that helps to alleviate the problems that make monitoring of management difficult for diffused ownership. Numan and Willekens (2012) argue that industry specialization helps auditors to differentiate their products and find that the differentiation softens price competition in the audit market. Gray and Ratzinger (2010) document that the knowledge concerning clients' industries is vital for quality-differentiated audit and that the brand name auditors structure their firms along industry types. The study further claims that outcomes from financial statements reflect the association between higher-quality audits and Big-4 industry specialists. The researchers opine that Big-4 auditors issue informative going-concern reports with a better prediction for the next-period clients' bankruptcy. The study also claims that the clients of the quality-differentiated firms are less aggressive in earnings management attitudes.

Carpenter and Strawser (1971) and Arnett and Danos (1979), claim that companies going public are likely to choose a Big-4, as its auditor to enable it to sell its securities at a higher rate. Desender, Aguilera, Crespi, and Garcia-Cestona (2013) examine ways by which firm ownership affects board monitoring functions using Spain non-financial listed firms of 2007. The study claims that when a company has a greater independent board of directors, it will likely choose an all-inclusive audit. The ability to perform a comprehensive audit depends on the audit firm type. The desire for audit quality to reach the level required by audit market participants through QDAs informs the structuring of audit firms (Deumes et al., 2010). Thus, QDAs will reduce the risks of financial reports and material misstatement to the barest minimum. Nasser, Wahid, Nazri and Hudaib (2006) claim that structuring to be a QDA helps auditors to lengthen their tenure with clients that desire high-quality or quality-differentiated audits. Such auditors will maintain their independence and objectivity at a high degree at the same time (Nasser et al., 2006). Boone, Khurana, and Raman (2010) investigate how Big-4 and the second-tier firms render audits of similar quality. The study finds that investors perceive that clients of Big-4 have high-quality financial statements. However, both Big-4 and second-tier audit firms have a similar level of performance. Akhtaruddin and Haron (2010) claim that QDA firms are encouraged by their structure and reputation to ensure that their clients' annual reports give sufficient information to the shareholders and other stakeholders or users of the accounts.

However, existing literature on quality-differentiated auditors are with mixed findings. Azizkhani, Monroe, and Shailer (2010) find that the financial crisis that led to the demise of Arthur Anderson reduced the quality-differentiated audit value of Big-4. Palmrose (1988) find that it is difficult to make a distinction among the QDAs because of inconsistency found in comparing the classification across time and intra-industry wise. Further to this, the study also finds that it is rare to have litigations against auditors, which also confirms how difficult it is to distinguish among the QDAs. Likewise, Gray and Ratzinger (2010) claim that other audit firms will equally produce quality audit because many of the auditors in such firms are ex-staff of the quality-differentiated audit firms.

Lennox and Pittman (2010) document that Big-4 audit firms, quality-differentiated auditors (QDA) constantly connect with a lower occurrence of accounting fraud before and after the advent of the restructuring of corporate governance. The study also claims that companies that may plan to commit fraud may not engage QDAs. Gul, Kim, and Qiu (2010) claim that appointment of QDAs facilitates how information, especially firm-specific information credibly flows to the market. The study, further documents that QDAs play corporate governance roles through the timelier release of firm-specific information to defend the interests of the minority shareholders. Al-Janadi et al. (2013) argue that there is a positive association between Big-4 and the disclosure of information. These features empower the QDAs to possess a larger share of the audit market (Zhang and Uchida, n.d.). Mısırlıoğlu, Tucker, and Yükseltürk (2013) find that the use of high-quality audit firms is significant to the improvement of financial reports under IFRS system of accounting.

2.8 Quality-differentiated Auditors as a Mediating Variable

The present study is on quality-differentiated auditors (QDAs) as a mediating variable, which intervenes on the relationship between the organizational attributes and monitoring mechanisms. Prior literature had examined the relationship between QDAs and audit market. Francis and Wilson (1988) investigate the effect of agency costs on auditor differentiation. Palmrose (1988) explores the relationship between auditors' litigation and audit service quality. Kaplan et al. (1990) investigate audit structure as a way by which audit firms are differentiating themselves in the audit market. Sun and Liu (2011) test the effects of client specific litigation risk on audit quality differentiation. Han (2012) examines whether Big-4's service is of a high-quality audit. Hess, Mohrmann and Stefani (2014) investigate how audit market regulation and structure impact audit quality. In all these studies, the difference in audit quality and why clients choose to prefer one to the other are brought to the limelight. To the best of the researcher's knowledge, no study has considered quality-differentiated auditors (QDAs) as a mediating variable till date. Likewise, none of the literature reviewed relates QDAs to the three monitoring mechanisms in a single research.

A corporation aspires to engage auditors capable of detecting and correcting or revealing material omissions and misstatements in their financial statements (Sirois & Simunic, 2011). Large corporations or multinational companies with complexity will likely require quality-differentiated auditors (QDAs), especially because of the complexity of their operations (Gray & Ratzinger, 2010; Ferguson et al., 2013). The study further claims that corporations prefer the QDAs to others because their cachet adds to corporations' monetary value in the capital and financial markets. Gray and Ratzinger (2010) document that banks, financial forecasters, and analysts among other users of financial statement have a preference for QDAs in respect of their clients. The rationale for this is the fact that the size of an audit firm has an effect on the auditors' independence (Gray & Ratzinger, 2010; Nasser et al., 2006). Companies that desire lower cost of debt also have a preference for QDAs (Rodrıguez & Alegrıa, 2012). It is believed that QDAs are providing high audit quality and that non-Big-4 audit firms lack the ability to render similar services (Ferguson et al., 2013; Akhtaruddin & Haron, 2010). Hence, the corporations need QDAs. Existing literature, therefore, support that agency cost relates to the demand for QDAs (Gray & Ratzinger, 2010). Francis and Wilson (1988) claim that increment in the demand for QDAs is due to the need for corporations to mitigate agency costs. The organizational attributes like ownership structure (Rodrıguez & Alegrıa, 2012) board structure (Yatim, 2010), leverage (Pitman & Fortin, 2004), information system structure (Kinney, Palmrose, & Scholz, 2004; Moorthy et al., 2011) and compensation structure (Francis & Wilson, 1988), firm size (Gray &

Ratzinger, 2010), company complexity (Ferguson et al., 2013), firm performance (Myers, Myers & Omer, 2014), industry (Rose-green et al., 2011), as well as other factors like ethnicity (Che-Ahmad et al., 2006), audit and accounting regulations (Sun & Liu, 2011) regulatory agency, judiciary system among others will impact on decision for auditors to decide to be a QDA. Consistent to this is the claim by Numan and Willekens (2012) that the demand for an auditor is determined by the effect of the client's organizational attributes (such as industry) on the auditor's differentiation choice.

Quality-differentiated auditors (QDAs) are aware of their reputations before authorities of corporations and society at large and will not like to lose either the reputation or their client-specific rents. Hence, they are motivated to provide higher-quality audits (DeAngelo, 1981). The auditors are therefore developing formal policies, regulations and procedures using tools of auditing firms for audit observations, judgment or opinion to ensure quality-differentiated audit (Malek & Saidin, 2013). Iwasaki (2011) clarifies that the benefits of using QDAs are derivable from the ability of the auditor to improve the reliability and completeness of the information disclosed by the management regarding business matters and financial performance. The study further documents that the ability of the QDAs through audit structure to contribute to the corporation stock and financial market development will entice corporations to seek for their services. The study also asserts that QDAs will promote corporate auditing that guarantees transparency in management and protection of the rights of the minority shareholders with adequate audit structure.

When an auditor rightly obtains fame for itself as a quality-differentiated auditor (QDA), it will successfully impact on the monitoring mechanisms (directorship, internal, and external auditing). QDAs ensure that their clients' annual reports give sufficient information to the shareholders and other stakeholders or users of the accounts (Akhtaruddin & Haron, 2010). The three mechanisms are, therefore, expected to work towards the achievement of this goal to ensure that companies follow the appropriate records and procedures. Extant literature repute that a QDA for better monitoring proficiencies in the financial marketplace gives no option to switch to a third-tier accounting firm (Gray & Ratzinger, 2010). The study reveals further that such switching may yield a negative reaction from the market. Even though an internal audit function may be strengthened to substitute for external auditing process, external auditors are still required by law to assess the activities of the internal auditing (Ho & Hutchinson, 2010). QDAs make investments to improve external auditing quality that guarantee identification and report of internal control weaknesses (Rose-green et al., 2011).

2.9 Antecedents of Quality-differentiated Auditors

Many prior literature classify quality differentiated auditors (QDAs) using the size of the audit firm mostly into structured audit firm/Big-4/brand name auditor and unstructured audit firm/Non-Big-4. Others are big audit firms, medium size audit firms, and small audit firms, otherwise called Big-4, second-tier and third-tier firms (Che-Ahmad et al., 2006; Gray & Ratzinger, 2010, Palmrose, 1988; Bauwhede & Kens, 2002). The latter reclassifies the non-QDAs into two (medium and small size). Kaplan et al. (1990) classified them as structured, intermediate and unstructured. Organizations and public at large base their judgment of audit quality, audit pricing and audit fees decision on this classification, which is size based (Hess et al., 2014; Bauwhede & Kens, 2002). However, regulators and the medium and small size audit firms have been agitating against this judgment (DeAngelo, 1981). The basis of their contention is that the professional standards of the accounting profession evenly impart every individual member of the profession with no regard for the size of the firm where each of the professional members works (DeAngelo, 1981). Howbeit, the study by Kaplan et al. (1990) claims that the clients' environment makes a difference. The study asserts that a QDA is likely to attract the clients operating in a stable environment while the non-QDAs will be appealing to clients in an unstable environment. However, DeAngelo (1981), in her study on auditor size and audit quality, argues that audit quality by QDAs is higher compared to the smaller audit firms. The rationales given by the study for supporting the idea of determining audit quality by audit firm size are 1) measuring audit firm size by the number of clients put a check on the opportunistic behaviour of the auditor and sensitizes him to produce a high-quality audit. 2) QDAs are branded with substantial start-up costs and audit technology, which attracts clients to them and for which the existing client keep renewing the engagement of such firms. 3) The quality and costs attached to the work of QDAs inform fraudulent individuals in the management or board or any form of organizational structure to substitute his attitude of exchanging QDAs for its right quality. 4) A QDA that falls short of client's expectation for high audit quality is the greatest loser of all stakeholders of its client company. The case of Enron and Arthur Anderson is a good example of this.

Murase, Numata, and Takeda (2011) investigate the reputation of low-quality Big-4 and non-Big-4 auditors. The study finds that corporations interested in reputation switch to quality-differentiated auditors moving away from the low-quality Big-4 and non-Big-4 auditors. Numan and Willekens (2012) claim that differentiation of a QDA aligns companies' preference for auditor with the specialization of the QDA. The QDA derives market power through industry specialization (Numan & Willekens, 2012). The QDAs as industry specialists invest in recruiting and training staff and acquire information technology for audit effectiveness more than non-specialist auditors (Krishnan, 2003; Rose-green et al., 2011).

Hess et al. (2014) investigate the audit market regulation and earnings characteristics. They claim that auditors' liability in addition to client companies size and complexity of the operation affects audit quality. The study documents that laws are being promulgated in many countries following Enron scandal and the like to restrict the joint supply of audit and non-audit services. The study documents that audit market concentration had been a concern to regulators. Hence, they are trying to increase the level of competition in the market to reduce the concentration but raise audit quality. The study finds that the effect of the regulations may be negative if the competition is low and neutral if the competition is high.

2.9.1 Quality-differentiated Auditors and Ownership Structure

Iwasaki (2011) documents that the presence of foreign investors and affiliation with a business group through stock ownership of a client company are central to the determinant of the independence and expertise of the auditor. The foreign investors because of their awareness of grave information asymmetry between management and local shareholders are likely to suggest quality-differentiated auditors (QDAs), thorough supervision of management and adequate corporate audit structure

(Iwasaki, 2011). The study of Desender et al. (2013), claims that ownership control determines the relationship that may exist between the independent boards and external audit fees. Foreign-owned or multinational companies may not engage smaller audit firms due to lack of international network, without which client companies could recognize the Big-4 firms for such engagement (Sirois et al., 2011). However, Francis and Wilson (1988), find no relationship between managerial ownership and a QDA. The study finds a weak relationship between QDA and other variables like bonus incentive compensation plan, largest single ownership, leverage, debt dividend, new security issues after auditor change, total assets and growth.

2.9.2 Quality-differentiated Auditors and Board of Directors (Composition and Activities

Rodrı and Alegria (2012) claim that board of directors, audit committee and other internal mechanisms of corporate governance complement audit quality. The type of the auditor engaged by a corporation determines the extent of the effect of the internal mechanisms on audit quality. The study by Iwasaki (2011), has some empirical evidence that the audit committee is part of the decision process for the choice of an audit firm. The study of Desender et al. (2013) claims that the demand for an external audit by the board where the controlling shareholders are of a high fraction is low. The study documents that monitoring the opportunistic attitudes of management by controlling shareholders can reduce the positive relationship between the board of directors and audit fees. The study also claims that CEO duality may likely reduce external supervision specifically in relation with inadequacies of management. The study further claims that the objective of the board of director and the auditors are similar regarding identification and rectification of management errors to uplift the interests of the shareholders. It further claims that independent directors will request for more audit services to avoid legal obligations, support their monitoring responsibility and safeguard their reputational capital. It also claims that independent directors need to rely more on auditors because of their limitation resulting from the availability of little information from management compared to a corporate executive that has more information. All the findings stated above illustrate some of the conditions by which the organizational attribute, the board of directors can affect the quality differentiation of auditors for the purpose of helping the board of directors and structuring their audit work for effective internal and external auditing monitoring roles.

2.9.3 Quality-differentiated Auditors and Compensation Structure

Quality-differentiated auditors (QDAs) limits the opportunistic management of accrual-based earnings, like executive compensation contracts Boone et al. (2010) and stock-based compensation (Mohamad-Nor et al., 2010). The claim is consistent with the claim by Rodrı and Alegria (2012) that linking management compensation and firm performance is a mechanism that complements audit quality for monitoring purpose in the public companies. Hence, high-quality reporting obtainable by high-quality auditing is required to evaluate performance and determine the right compensation for the executives (Hope et al., 2012). Engel et al. (2010) argue that audit committee compensation and audit fees are positively related. The reliability of financial reports may be on enquiry where there is an audit qualified report and compensation is linked to reported earnings (Chow & Rice, 1982). The study finds that corporations switch auditors when issued a qualified opinion, which is due to perceived differences among auditors (auditor types, QDAs, and non-QDAs).

When the employment contract of the management is explicitly reported-earnings based, the management may likely pass accounting adjustments to present false reports and declare that the firm and management wealth have been maximized for the reporting period (Becker, Defond, Jiambalvo, & Subramanyam, 1998). Veronica and Bachtiar (2005) claim that management's decision/influence concerning reported earnings coupled with the effect of the earnings on their compensation create agency problems. However, a QDA is expected to be effective to deter such misstatements as the quality of the auditor determines the extent to constrain the management from such practices (Becker et al., 1998). Existing studies have illustrated this by examining the influence of quality differentiated auditors on earnings management (Zeghal et al., 2011; Che-Ahmad & Mansor, 2009; Soliman & Ragab, 2014) due to the importance of their roles in certifying the reliability and completeness of financial reports (Fodio et al., 2013).

2.9.4 Quality-differentiated Auditors and Control Variables

Sirois and Simunic (2011) document that the auditors for the large and public companies are the quality-differentiated auditors (QDAs). Listed companies' features regarding size and complexity in operation may disqualify the non-QDAs from being engaged as auditors of listed companies because they lack the capacity and expertise required of such audit (Sirois et al., 2011). Likewise, the benefits a large listed company can derive from being audited by a QDA will not encourage them to select a non-QDA.

2.9.5 Quality-differentiated Auditors and Directorship Monitoring Mechanism

Directorship refers to the executive directors, who are the people engaged by business owners or shareholders to manage a corporation on their behalf, (Freeman, 1994; Liu, 2012; Mustapha & Che-Ahmad, 2011). The board of directors is expected by agency theory to resolve conflicts of interest that normally exist between owners, management, and board of directors as well as among the owners of a corporation. Hence, most codes of corporate governance rules that the board of directors should oversee the daily management of a corporation (MCCG, 2007 in Malaysia; CAMA, 1990, 2004 as Amended in Nigeria; 2011 SEC Code in Nigeria).

When a corporation plans to go public, the potential buyers are likely to find the audited financial statements attached to the prospectus reliable if audited by a QDA (DeAngelo, 1981; Kaplan et al., 1990). When management provides a large irregularity of information for independent directors in companies with dispersed ownership, the independent directors will rely more extensively on a broad auditing (Desender et al., 2013). Hence, DeAngelo (1981) argue that an audited financial statement is an audit output from auditors' independent verification of the financial data prepared by management. The auditor expresses his opinion in compliance with relevant accounting and auditing standards on verification of the financial statements (DeAngelo, 1981; Kaplan et al., 1990; Hess et al., 2014). It is likely that an independent chairman will encourage audit scope that will enforce directorship monitoring using a QDA (Desender et al., 2013).

2.9.6 Quality-differentiated Auditors and Internal Audit Monitoring Mechanism

Abbott et al. (2010) find that a significant portion of internal audit budgets is in functions outside internal control, which include rendering assistance to the external auditor in auditing of the company's financial statements. The study by Iwasaki (2011), has empirical evidence that the audit firm may suggest ideas to help its client company structure its internal audit.

2.9.7 Quality-differentiated Auditors and External Audit Monitoring Mechanism

The relevance of a quality-differentiated auditor (QDA) to external auditing as a monitoring mechanism is in the ability to detect and report any breach in the accounting system of the firm's client (DeAngelo, 1981). The discovering probability is a function of the audit firm's information technology proficiency, coordinating and monitoring mechanisms (Hess, et al., 2014; DeAngelo, 1981). IT proficiency, coordinating and monitoring mechanisms of the audit firms are concerned with audit procedures on a given audit and the extent of sampling (Hess et al., 2014; DeAngelo, 1981). The consequence of failure to monitor and detect breaches is very expensive especially as clients view accounting and auditing standards as corporate governance mechanisms meant for management monitoring and corporate transparency improvement (Lishenga, 2011). Hence, shareholders and other stakeholders of a corporation will appreciate a QDA because of his ability to detect and report such breaches (DeAngelo, 1981;). The implication of this is that since specialization in certain quality level attracts higher fees, auditors that aim at having corporations that seek to engage auditors for uniform quality are likely to structure their firms to become experts in such fields. One of the differentiations is in the approach of audit firms to unexpected events and uncertainties in the application of coordination and control mechanisms (Kaplan et al., 1990). Only the QDAs can afford to apply such mechanisms because of the costs of acquisition of fixed assets it requires. Such mechanisms aid timely audit procedures for the achievement of specific objectives (Kaplan et al., 1990). Large public listed companies prefer to have a QDA because of his ability and expertise in handling the demands dictated by the companies' size and complexity. Likewise is the international network needed for recognition by foreign owned or multinational companies, which a non-QDA does not have. And its capability to deliver great benefits in resolving inherent business risks (Sirois et al., 2011). Therefore, audit market for listed companies is restricted to the QDAs, and auditors willing to be appointed by such companies should develop the required capacity and expertise to enter the market (Sirois et.al, 2011). QDAs are of greater value to banks and other private lenders compared to non-QDAs because of the ability to improve the quality of financial statements' information (Jeong-bon Kim, Simunic, Stein, & Yi, 2011).

2.10 Summary

The relationship between quality-differentiated auditors (QDAs) and organizational attributes as shown above illustrates how organizational attributes affects QDAs. Hence, this study documents that if a company's shareholders are to achieve their aim for a high-quality financial statement that guarantees earnings management, it has to consider the importance of auditors that makes for a good accomplishment audit system and corporate management. The company has to blend its task environment with the structure of audit firms with QDAs as the stability of the company's environment determines the number of uncertainties that the auditor has to deal with (Kaplan et al. 1990). Iwasaki's study further documents that the essence of the code of corporate governance (the legal framework) is to ensure that the auditor to be engaged by the shareholders is independent of executive officers, the board of directors and even the shareholders. Thus, the fairness of external audit is guaranteed. This same legal framework that guides the company to select its auditor is responsible for the development and structuring of the audit firms with QDAs (Iwasaki, 2011).

To the best of the knowledge of the researcher, only two existing literature combined the three monitoring mechanisms (directorship, internal, and external auditing) in their studies. These are Anderson et al. (1993) and Mustapha (2009). Anderson et al. (1993) examine the relationship between the three monitoring mechanisms and one organizational attribute, production investment. Mustapha (2009) built on the literature of Anderson et al. (1993) by expanding the test to include more organizational attributes such as ownership structure, information system structure, leverage, compensation structure and culture (ethnicity). None of these two literature considers the supply aspect of the audit market.

Existing literature that tested two out of the three monitoring mechanisms are Directorship and internal audit (Abbott et al., 2010; Barua et al., 2010; Sarens et al., 2009; 2011). Abbott et al. (2010) consider audit committee oversight only in all directorship dimensions. Barua et al. (2010) consider audit committee size, independence, member tenure and other committees' membership ignoring other dimensions of directorship. Directorship and external audit (Desender et al., 2013; Husnin et al., 2013; Johl, Subramaniam & Zain, 2012; Jusoh & Che-Ahmad, 2014; Malek & Che-Ahmad, 2011; Malek & Che-Ahmad, 2013). The only dimension of directorship considered by Malek & Che-Ahmad (2011) is the interlocking directorship.

Existing literature that tested only one out of the three monitoring mechanisms are: Akhtaruddin and Haron (2010), Aldamen et al. (2012), Babatunde and Olaniran (2009), Ahmad-Zaluki and Wan-Hussin (2010), Akhtaruddin et al. (2009), Jamil and Nelson (2011), Mustapha et al. (2011) for directorship. Adeyemi et al. (2012), Adeyemi and Fagbemi (2010), Ali and Lesage (2013), Che-Ahmad et al. (2006), Dedman et al. (2013), Francis et al. (2013), Latif et al. (2013), Nazri et al. (2012) for external auditing. Akhtaruddin and Haron (2010), Akhtaruddin, et al. (2009). Aldamen et al. (2012) and Jamil and Nelson (2011) tests are only on some dimensions of directorship (audit committee). The only dimensions of directorship treated by Babatunde and Olaniran (2009) are the independence and size of the board, the audit committee, director's shareholding and block-shareholders. The study did not consider CEO duality, gender or other board composition.

The researcher for this study believes that this is the first research work, especially in Nigeria that investigates quality-differentiated auditors as a mediating variable in the relationship between organizational attributes and monitoring mechanisms. Likewise, it is the first study that tests such relationship in combination with the three monitoring mechanisms at a time. This chapter reviews the literature relating to monitoring mechanisms, organizational attributes that affect the monitoring mechanisms and quality-differentiated auditors that mediate between them in this chapter. Hypotheses are developed in the next chapter in respect of these variables.

CHAPTER THREE

THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

3.0 Introduction

The preceding chapter discussed relevant literature on organizational attributes, quality differentiating auditors (QDAs) and monitoring mechanisms. The discussion in this chapter is on the theoretical framework and hypotheses development base on the agency theory, stakeholders' theory, signalling and empirical evidence from the prior literature. In this chapter, the study established four models for empirical testing of the hypotheses. The first model (Panel A), examines the effect of organizational attributes (ownership structure, board structure, and compensation structure) on the demand for monitoring mechanisms (directorship, internal, and external auditing). The second model (Panel B) examines the effect of organizational attributes (ownership structure, board structure, and compensation structure) on the choice of a QDA. The mediating effect of QDAs on the relationship between organizational attributes and demand for monitoring mechanisms is examined in the third model (Panel C). Panel D examines the impact of Nigerian code of corporate governance on monitoring mechanisms.

The study develops three main hypotheses in panel A, examining one attribute in relation to the aggregate monitoring mechanisms under one hypothesis. It likewise develops three hypotheses in panel B, examining one attribute in relation to the quality-differentiated auditors under one hypothesis. The study develops one hypothesis relating the mediating effect of the QDAs to each organizational attributes' influence on monitoring mechanisms in Panel C. It develops one hypothesis also on the impact of Nigerian code of corporate governance (NCCG) in Nigerian non-financial listed companies. Section 3.1 presents the nature and philosophy of the study. Section 3.2 presents and integrates the theoretical framework of the study. Section 3.3 discusses the theoretical and empirical support for the hypotheses development of the models. Hypothesis 1, which is the ownership structure of the organization, is the first attribute examined in the study. The study examines three categories of ownership structure, which are managerial ownership, block-holders' ownership, and government ownership. Hypothesis 2 is on board structure and its dimensions, which are size, meetings, composition, CEO tenure, and risk management committee. Hypothesis 3 is on compensation structure of the organization. Hypothesis 4 is on ownership structure, composition and activities of the board of directors, and compensation structure relating to QDA. Hypothesis 5 is on the mediating variable, QDA while hypothesis 6 is on NCCG. Section 3.4 discusses the operational definition. Finally, section 3.5 presents the summary of the chapter.

3.1 Nature and Philosophy of this Study

The nature and philosophy of this study are concerned with the fact that a firm or an organization is a set of contracts on how the inputs (labour, materials, and overheads) are put together to have outputs and how to share the revenues from the outputs among the input items. It also implies a difference in the interest of each party to the contracts. Nature and philosophy are consistent with the claim of Freeman (1994) that an organization is a collection of contracts linked together and that the interest of each party in the set of contracts is at variance with the interests of others (Jensen &

Meckling, 1976). The discrepancy in the interests of the parties results in agency costs (Jensen & Meckling, 1976). Hence, the move by the governments, regulators, stockholders and the corporation for monitoring mechanisms that can align the interests with one another for the best interest of all the parties (Fama, 1980). Firms are also developing schemes to efficiently monitor the performance of each stakeholder and the entire team within its set of contracts through the discipline from competing with other companies (Fama, 1980). Such schemes are necessary to mitigate the conflict of interests or limit the divergent attitudes of the manager (Jensen & Meckling, 1976). Organizations, therefore, give attention to the nature of contracts among principals and agents (shareholders, debenture holders, the board of directors, creditors, debtors, customers, and employee) in an organization. Prior literature illustrate the nature and philosophy of the monitoring mechanisms in the context of agency theory, stakeholder theory, contract theory, signalling theory, role theory and other organizational theories as discussed in the literature review. These theories help to provide the managers, auditors, regulatory bodies, and agents as well as government some good scientific basis to arrive at appropriate decisions (Jensen, 1998).

Another philosophy on which this study is built is moral. Freeman (1994) on the basis of this philosophy using stakeholder theory claims that the moral issues in the business value-creation activity are the function of the moral status of the community where the business operates. He suggests that both the interests of the investors and all contractors should be equally considered to introduce moral notions into the foundation of the value-creation activities a corporation may adopt.

Likewise, the philosophy of stakeholder management is very important in this study as all stakeholders for a corporation need to be considered for the success of its operation and course of existence. This philosophy is consistent with the claim of Donaldson and Preston (1995) that stakeholder management requires attention to the right of all stakeholders both within and without the organizational structures. With this theory, the management is not the only stakeholder that needs to be monitored to enhance good corporate governance. Hence, the conflict of interests among principals, between agents and the principal or third parties need to be addressed to establish a good corporate governance in a company. The need to monitor both management and controlling shareholders is consistent with the claim of Freeman (1994, pp 411) that "neither the principal nor the agent is immune."

Furthermore, a business can only work when shareholders and or their agents make proper use of the shareholders' property, which is the same as the corporate property in a manner to create value (Freeman et al., 2004). Also, the created value should be to the benefit of all; it should not be used to satisfy the interest of a party at the detriment of the interests of others.

3.2 Theoretical Framework

The framework explains the mediating effect of the quality-differentiated auditor on the relationship between organizational attributes and monitoring mechanisms with the agency, stakeholder, and signalling theories as the underpinning theories. A mediating variable is that through which two other variables are partially or absolutely related (Huynh & Yaling, 2013). Stimuli variables affect behaviour through the mediation of various transformation processes. There should be a strong relationship between the stimuli and mediating variable and also between the mediating variable and the behaviour variable (Baron & Kenny, 1986; Landsman, Maydew, & Thornock, 2012). The Stimuli are the independent variables, which, in this study are organizational attributes. Behaviour is the dependent variables, which are the demand for monitoring mechanisms (directorship, internal, and external auditing) and quality-differentiated auditors is the transformation process. Mediation idea spring from questions on cause and effect in relationship (Preacher & Hayes, 2008). This study, therefore, empirically discuss how organizational attributes relate to monitoring mechanisms. It also considers how organizational attributes cause structuring of audit firms and quality-differentiated auditors, in turn, influences the demand for monitoring mechanisms.

Agency theory explains the association between the owners of the business, otherwise known as shareholders of a listed company (principals, ably represented by the board of directors) and the agents that are responsible for controlling the economic resources of the organization (management). The theory is concerned with how to align the variation in the interests of the principal(s) and the agent(s). It suggests a separation between ownership and control or management (Fama, 1980). However, the increasing movement of ownership concentration to the agents and hedge fund ownership are negating this law of separation in developed countries like US and UK (Connelly et al., 2010). The theory provides discernments in respect of the problems of goal congruence between the principal and the agents and proffers solution to the problems (Ekanayake, 2004). Hence, it has been used by many to explain various variables in corporate governance. It has effectively explained the relationship between one or more attributes of an organization and one or more mechanisms for monitoring activities and performance of management or enforcement of certain standards or codes (Ekanayake, 2004; Stroh, Brett, Baumann, & Reilly, 1996; Muratbekova-Touron, 2009; Appah & Emeh, 2013; Li et al., 2012; Sarens & Abdolmohammadi, 2011; Jensen & Smith, 1985).

Stakeholder theory is more comprehensive than agency theory as it looks beyond the relationship between the principal and the agents but includes the third parties. Unlike agency theory, it takes cognisance of the society or environment where the corporation operates. Its emphasis is on stakeholders' value as opposed to shareholders' value in agency theory. Morals and values are central to the management of an organization in this theory. The theory examines the ends to all the activities among the stakeholders and how to accomplish such ends. It suggests that management should aim at satisfying all the stakeholders and also try to achieve the corporate goal, which is profit maximization (Donaldson & Preston, 1995). Stakeholder theory explains firms' behaviour as related to their social and economic performance (Key, 1999). Like agency theory, researchers used it to effectively explain the relationship between one or more attributes of an organization and one or more mechanisms for monitoring activities and performance of management or enforcement of certain standards or codes (Yusoff, Mohamad, & Darus, 2013; Nickell & Roberts, 2013; Gray & Ratzinger, 2010; Fauzi, Svensson, & Rahman, 2010; Saleh, Zulkifli, & Muhamad, 2010; Sanda et al., 2011).

Signalling theory helps to explicate the actions of the organization as signals useful to shape the reputation of a corporation. It suggests signals that form the basis of observations, impressions, and inferences that are formed by the stakeholders of an organization. The opinion formed following the signals guide the stakeholders to evaluate the capability of the corporations as to the satisfaction of their desires. Shareholders and bondholders desire to have the wealth maximized. The desire of the users of the company's product or service is quality products or services. The society's desire is that the company will contribute to the growth of the society through company social responsibilities (CSR). The staff desires to be gainfully employed and the government desire to collect tax from the company. Each of these stakeholders is on the outlook for assurance signals that the company will meet the expected desires. The assurance is needed because of the existence of information asymmetry existing in corporate relationship (Tang et al., 2012). In the like manner, the symbolic actions or green values that a corporation present to its stakeholders is a form of marketing and advertisement (Walker & Wan, 2012). The signals, therefore, help each stakeholder to make right decisions or take the right steps regarding the relationship with a corporation such as acquiring new stocks, partnering in business or employment among others (Reuer & Ragozzino, 2012). Researchers have used this theory to explain the mechanism of enhancing firm value through corporate philanthropy (Shapira, 2012; Chan, Chen, Chen & Yu, 2012; Reuer & Ragozzino, 2012; Eizentas, Krušinskas & Stankevičienė, 2012; Zare et al., 2013).

The research develops its model from this central research question: *"How will the quality-differentiated auditors mediate between organizational attributes and the demands or preference for monitoring mechanisms in Nigerian public listed companies?"* The theoretical framework of Anderson et al. (1993), extended by Mustapha (2009) as shown in figure 3.1 below, serve as the basis for the proposed theoretical framework for this study.

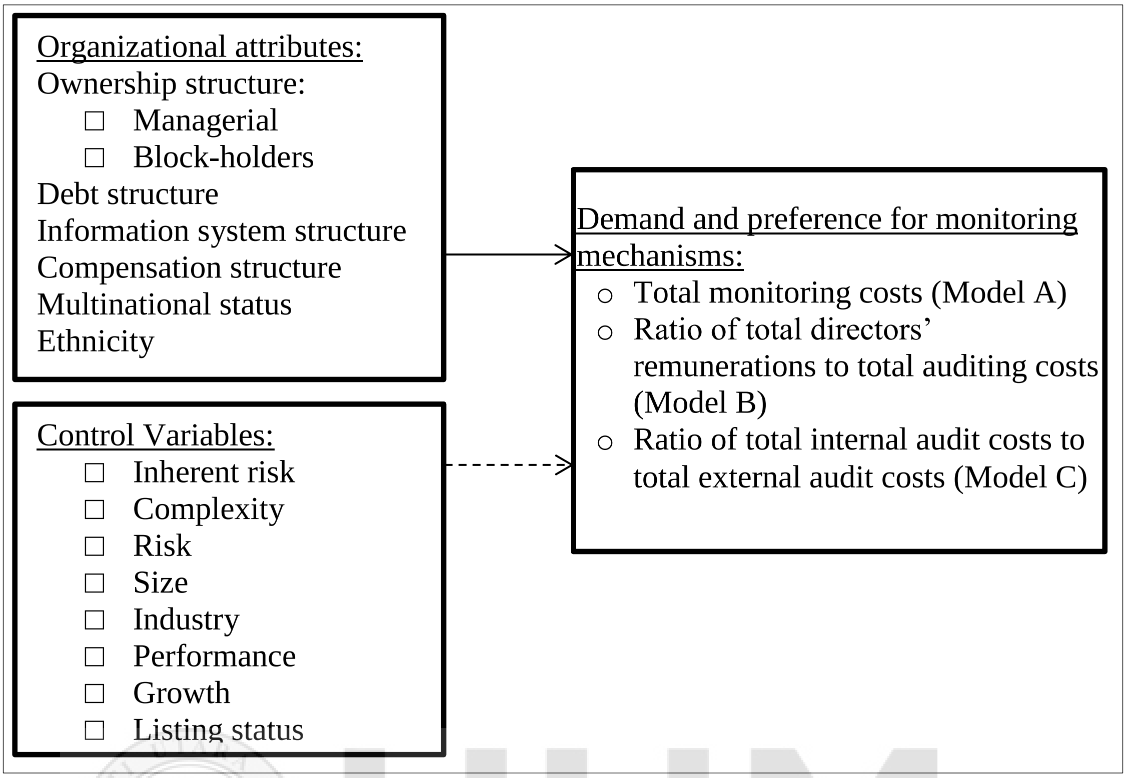


Figure 3.1: Theoretical model of Anderson et al. (1993), extended by Mustapha and Che-Ahmad (2009):
The framework presents hypothesized linkage between organizational attributes (IV) and demand and preference for monitoring mechanisms (DV). The straight line shows the direct effect of the attributes and the dotted line shows the effects of control variables (CVs) on the DV.

The proposed framework for this study is presented in Figure 3.2. The model shows the hypothesized linkage between organizational attributes (IVs), quality-differentiated auditors (MV) and demand for monitoring mechanisms (DV). Overall, the figure presents a joint model regarding IVs, MV, and DV. The proposed framework built on Mustapha (2009) is extended in this study with the introduction of 1) Board of directors (composition and activities) as an additional independent variable. 2) Quality-differentiated Auditors as a mediating variable. 3) Government Ownership as an additional dimension to ownership structure.

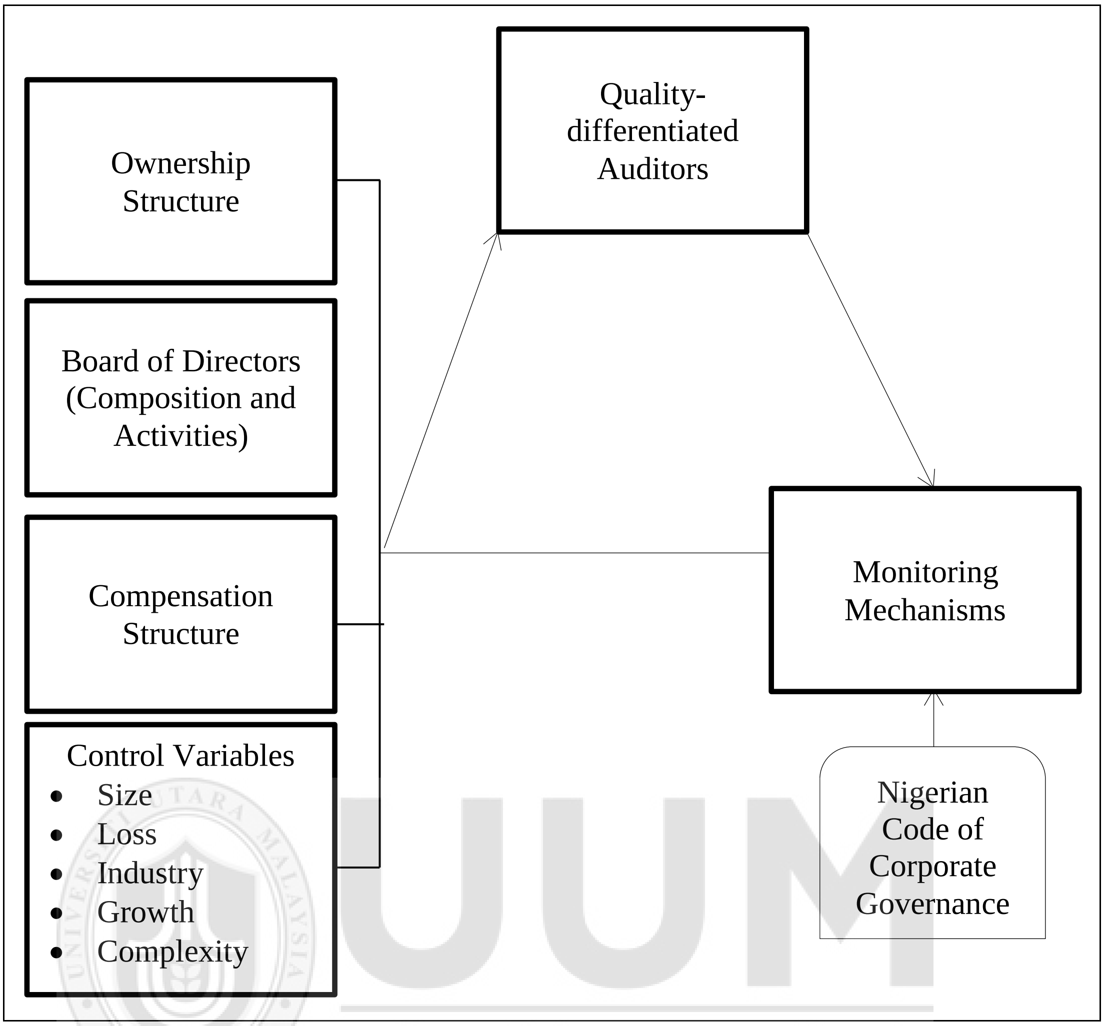


Figure 3.2: Theoretical Framework for the demand for monitoring mechanisms.
Research Model (Adapted from Mustapha, 2009).

3.3 Hypotheses Development

Hypotheses are developed from prior literature and justifications from agency, signalling and stakeholders' theories in respect of the variables and their dimensions (mentioned in Figure 3.1). The study has five constructs, namely organizational structure [ownership structure (managerial ownership, bock-holders ownership, government ownership), board structure and activities (size, meetings, composition, expertise, CEO tenure, risks management committee), and compensation structure] as the independent variable, quality-differentiated auditors as a mediating variable and monitoring mechanisms (directorship, internal, and external auditing) as the dependent variable. These characteristics of corporate governance if well strengthened will enhance higher performance for the corporation. Also, if made strong, it will align the interest of the management with the interests of the shareholders (Dionne & Triki, 2005). The benefits derivable in strengthening these characteristics is consistent with the aim of agency and stakeholder theories to eliminate or reduce conflicts and boost the value creation in the interests of all stakeholders in an organization (Lishenga, 2011). Hence, agency theory is useful for analysis of the contractual requirements for monitoring that controls the conflicts of interests among the stakeholders in an establishment (Jensen & Smith, 1985). Stakeholders' theory is also useful in this respect. Caroll (1979) and Freeman (1984) claim that it helps the management to set the right objectives that enables them to meet the expectations of all other stakeholders of the corporation (Cai, Jo & Pan, 2012).

3.3.1 Ownership Structure

Agency theory suggests that power sharing between management and shareholders is a function of ownership structure. Also, it emphasizes that ownership should be separated from control in which case the agents need to assure the investors of necessary returns on their investments (Shleifer & Vishny, 1997). Jenson and Meckling, 1976 claims that agency theory is a theory of the structure of ownership or capital of an organization (Duztas & D_Cle, 2008; Shleifer & Vishny, 1997). Ownership structure is very vital to the governance of a corporation (Amran & Che-Ahmad, 2013) it can take any of the following or some other forms:

3.3.1.1 Managerial Ownership

Agency theory suggests that management may employ opportunistic behaviour if shareholders fail to monitor and control the management. The agent's interest is always at variance with that of the principals. A manager wants high remuneration while the employer wants high returns on his investment in the corporation. He has more information than the principal regarding the operation and activities or business of the corporation. The principal has little or no time because of his engagement in other fields. The principal relies on what information the manager provides. Lack of sufficient information on the part of the principal makes it difficult to establish if the action of the agent is in the principal's interest. However, the attitude of an agent differs when s/he owns/does not own shares in the organization (Jensen & Meckling, 1976; Saleh et al., 2009; Sarens & Abdolmohammadi, 2011; Jusoh & Che-Ahmad, 2014; Amran & Che-Ahmad, 2013; Mustapha & Che-Ahmad, 2011; Brunzell & Peltomäki, 2015; Shittu, Che-Ahmad, & Ishak, 2016).

Base on the above discussion, this study asserts that managerial ownership enhances the alignment of the interests of the management with the interests of the shareholders. This is because, as a shareholder in the company, he now expects returns on his investment in the company and as a principal; he also has access to information needed to make decisions not only as a manager but also as a principal. The alignment of the interests of both the principal and agent, therefore, reduces the agency costs. Therefore, this study considers related hypotheses as shown below:

H_{1a} Managerial ownership is negatively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).

H_{1ai} Managerial ownership is negatively associated with the demand for directorship as a monitoring mechanism

H_{1aii} Managerial ownership is negatively associated with the demand for internal auditing as a monitoring mechanism.

H_{1aiii} Managerial ownership is negatively associated with to the demand for external auditing monitoring mechanism.

3.3.1.2 Government Ownership

Government ownership, in line with agency theory positively relates to the demand for monitoring by independent directors. Governments started acquiring shares in public companies as a result of incessant financial crisis starting from 1930 Great Depression. The intention is to ensure good corporate governance in the public companies. It is therefore expected that the involvement of the government in the ownership of corporations will ensure compliance with the code of corporate governance and relevant standards, principles and laws. The government is likely to demand monitoring to protect the public fund invested from experiencing what happened to shareholders of financial crisis-affected companies. The presence of the owners representative on the board of directors will help to achieve this objective (Iwasaki, 2011; Omri et al., 2014; Mustapha & Che-Ahmad, 2013; Eng & Mak, 2003; Al-Janadi et al., 2013; Latif et al., 2013).

This study, therefore asserts on the basis of the above arguments that government ownership effectively impacts the performance of a corporation. There is likely to be more disclosure with a significant government ownership. Governments are likely to ensure that proper modalities are in place for necessary monitoring of the management and the board of directors. Hence, more cost will be incurred on technology, research and development, competent management and high-quality audit because the presence of government ownership makes for easy access to funds to procure such. The more the fund provided, the more the monitoring that will be required. Therefore, this study considers related hypotheses as follows:

H_{1b} Government ownership is positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).

H_{1bi} Government ownership is positively associated with the demand for the directorship as a monitoring mechanism.

H_{1bii} Government ownership is positively associated with the demand for internal auditing as a monitoring mechanism.

H_{1biii} Government ownership is positively associated with the demand for external auditing as a monitoring mechanism.

3.3.1.3 Block-holders Ownership

Two types of agency problems or conflicts that agency theory suggests are: 1) The one that addresses the conflicts between management and shareholders, which is known as type I agency problem. 2) The one that addresses the conflicts among the shareholders, like large shareholders and second-largest shareholders or other shareholders or majority and minority shareholders is called type II agency problem. A block-holder can fall either into the group of large or second-largest shareholders (Di Carlo, 2014; Lei, Lin, & Wei, 2013; Ho & Hutchinson, 2010). Hence, this study considers the conflict between the block-holders and the manager and also among the block-holders and between the block-holders and minority shareholders.

3.3.1.3.1 Individual Block-holders

Individual block-holders are large shareholders other than the institutional block-holders. They may be family block-holders or other individuals but outside shareholders or even inside shareholders like management. However, this study is considering the outside shareholders. This is because other variables in the study relate to the inside shareholders, especially, the managerial ownership and compensation structure. These individual block-holders like the institutional block-holders also demand monitoring. Their demand for monitoring may not be as strong as the institutional block-holders because they are less influential or powerful compared to the institutional block-holders. Also, their ability to analyse and source for information resources may not be as high as that of the institutional block-holders (Ali & Lesage, 2013; Mustapha & Che-Ahmad, 2013; Habbash, 2012; Connelly et al., 2010; Haniffa & Hudaib, 2006; Oyejide & Soyibo, 2001).

On the basis of the above discussion, the study asserts that individual block-holders though may not be as active as the institutional block-holders will also demand effective monitoring. Their investments in the corporation are so significant that they will not give space to the expropriation of their interests. Hence, individual block-holders will encourage agency alignment and reduce the level of agency costs. Therefore, this study considers related hypotheses as shown below:

H_{1c} Individual block ownership is positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).

H_{1ci} Individual block ownership is positively associated with the demand for the directorship as a monitoring mechanism.

H_{1cii} Individual block ownership is positively associated with the demand for internal auditing as a monitoring mechanism.

H_{1ciii} Individual block ownership is positively associated with the demand for external auditing as a monitoring mechanism.

3.3.1.3.2 Principal-Principal Conflicts (Type II Agency Problem)

Principal-principal conflicts describe the situation in which the interest of different classes of shareholders is at variance with one another. The shareholders are equally mortal as the managers; hence, the selfish nature of man is prevalent in them also. Like the managers, they have more information and are more influential than the minority shareholders. Consolidated Accounting even helps them further to treat minority as outside shareholders. Therefore, the tendency for controlling or dominant shareholders to pursue their interest at the detriment of others, especially the minority shareholders is inevitable. However, the conflict among large shareholders helps to reduce the expropriation of minority shareholders. There can be a conflict between the foreign and local shareholders as well, which can only be resolved through high-quality monitoring. The high-quality monitoring resulting from such conflict, with an increase in the shares of the second-largest shareholder also helps to ensure the protection of foreign minority shareholders and that the company is professionally managed. The increase in the shareholding of the second-largest shareholder increases his voting right in decision making and more access to information for decision making (Azizan & Ameer, 2012; Oxelheim & Randoy 2003; Hope et al., 2012; Ujunwa, 2012; Ali & Lesage, 2013; Armstrong et al., 2010; Goh & Li, 2013).

The above discussion forms the basis by which the study asserts that an increment in the ownership of the second-largest shareholder reduces the power of the largest shareholder. Also, such increase will help the monitoring of the largest shareholders by the second large shareholders. It will also help to reduce the expropriation of minority shareholders. Therefore, this study considers related hypotheses as shown below:

H_{1d} Block-holders are positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing) with an increase in the ownership of second-largest shareholders.

H_{1di} Block-holders are positively associated with the demand for the directorship as a monitoring mechanism with an increase in the ownership of second-largest shareholders.

H_{1dii} Block-holders are positively associated with the demand for internal auditing as a monitoring mechanism with an increase in the ownership of second-largest shareholders.

H_{1diii} Block-holders are positively associated with the demand for external auditing as a monitoring mechanism with an increase in the ownership of second-largest shareholders.

3.3.2 Board of Director (Composition and Activities)

Agency theory submits that the highest internal control mechanism is the board of directors and that it is responsible for monitoring of the top management. The structure and activities (composition, size, meetings and committees) of the board determines how effective it could be in its monitoring responsibility. However, the legal and regulatory frameworks of a country determine the duties and structure of the board of directors for the companies operating in the country. In Nigeria for example, the board size should be within the range of five and fifteen (2011 SEC Code, Paragraph 4.2); its composition should be a combination of the executive and non-executive (to form the majority) directors with a Chairman and a least of one independent director (Paragraph 4.3); and should be independent of management (Paragraph 4.5). These may not be the same in other countries. Board structure and activities significantly affect the performance and the state of corporate governance of a corporation (Wong & Bajuri, 2013). The structure and activities of the board comprise features like the board size, board meetings, board independence, board composition, board expertise, CEO duality, audit committee and risk management committee discussed as follows:

3.3.2.1 Board Size and Meetings

Agency theory suggests that these two corporate governance mechanisms are instruments that can be used by the board of directors to oversee the affairs of a corporation. Many codes of corporate governance have therefore given guidelines on how a board of directors can make use of these tools.

Board Size: Board size is concerned with whether a corporation is a large, medium or small entity. Past literature reveal that the size of an organization can impact on its performance. Hence, it is an attribute for consideration in corporate governance issues such as earnings management and timeliness of financial reports. The size of the board of a corporation determines the spread of relevant expertise and knowledge needed to make reasonable decisions. It also determines the timeliness of decisions taken by the board and decisions made by the board affect the performance of the corporation. However, the findings in the existing literature are mixed. Some found that small board size is better because of its ability to improve firm value (Amran & Che-Ahmad, 2009; Veronica & Bachtiar, 2005). Others found that bigger size is better because it is likely to have more independent directors, expertise, and knowledge (Ali & Nasir, 2014; Velnampy, 2013; Uadiale, 2010). Some others found that board size significantly relates to timeliness of financial report, board performance, block-shareholders, leverage, high-quality auditing, and firm size (Ali & Nasir, 2014; Zéghal, Chtourou & Sellami, 2011; Yasser et al., 2011; Akhtaruddin et al., 2009; Appah & Emeh, 2013; Kajola, 2008; Zhang, Zhou, & Zhou, 2007; Lennox and Pittman (2010). Some found no relationship between board size and board performance (Babatunde & Olaniran, 2009).

Base on the mixed findings in existing literature, this study asserts that board size is significantly related to demand monitoring mechanisms. Therefore, this study will consider related hypotheses as shown below:

H_{2a} Board size is significantly associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).

H_{2ai} Board size is significantly associated with the demand for the directorship as a monitoring mechanism.

H_{2aii} Board size is significantly associated with the demand for internal auditing as a monitoring mechanism.

H_{2aiii} Board size is significantly associated with the demand for external auditing as a monitoring mechanism.

Board Meetings: The organizational attribute is concerned with how often the board of directors meets in a period of time. The number of times the board meets is a factor to determine the amount of information placed at its disposal for decision making. Due to conflict of interests between the agents (management) and the shareholders that the board is representing, management is likely to fail in releasing information except when enforced by the board. Meetings serve as an enforcement tool for the board to get the information needed from the management. It can be used to evaluate the effectiveness of a board of directors. Many prior literature have tested this organizational attribute in relation to corporate governance issues (Lishenga, 2011; Kajananthan, 2012; Lennox & Pittman, 2010; Armstrong et al., 2010; Wu, 2012; Appah & Emeh, 2013; Brunzell & Peltomäki, 2015; Grove et al. (2011).

Following the above arguments, this study asserts that the more the board meets the, more effective their monitoring role, the more the agency cost incurred and the more the demand for monitoring. Therefore, this study considers related hypotheses as shown below:

H_{2b} Board meetings are positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).

H_{2bi} Board meetings are positively associated with the demand for the directorship as a monitoring mechanism.

H_{2bii} Board meetings are positively associated with the demand for internal auditing as a monitoring mechanism.

H_{2biii} Board meetings are positively associated with the demand for external auditing as a monitoring mechanism.

3.3.2.2 CEO's Tenure

According to agency theory, the management (which the CEO represents and heads) has more information than anyone on the board of directors. He can easily influence other members of the board to make decisions that suit his interest. A CEO with a longer period of service whether serving as a separate leader or has a combined honour to occupy both the offices of the CEO and chairman will be too familiar with members of the board. In Nigeria, CEO duality is not encouraged (2011 SEC Code, paragraphs 5.1(a and b). Nonetheless, the CEO can still become very close to the independent directors, especially, those appointed as members of the board during his tenure. He gets too familiar with members of the board of directors, which may not be healthy for the company as such relationship can create room for the expropriation of company's assets. His interest in the company, strictness in staff supervision and compliance to standards and codes reduces as his service year increases (Gomez-mejia & Nunez-nickel, 2001; Carver, 2014; Miller & Breton-miller 2006; Miller, 1991; Luo, Kanuri, & Andrews 2014; Sakawa et al., 2012; Sanda et al., 2011).

Therefore, this study asserts that CEO's tenure when lengthy will attract more agency costs because his interests in the activities of the company will reduce, likewise is his strictness to ensure compliance with standards and codes. Therefore, the company will incur a loss, which in turn increases agency costs. The longer he stays in office the more powerful he becomes. Such accumulated power could be misused to satisfy his personal interests. Hence, there will be a need for more monitoring. Hence, the study considers related hypotheses as shown below:

H_{2c} CEO tenure is positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).

H_{2ci} CEO tenure is positively associated with the demand for the directorship as a monitoring mechanism.

H_{2cii} CEO tenure is positively associated with the demand for internal auditing as a monitoring mechanism.

H_{2ciii} CEO tenure is positively associated with the demand for external auditing as a monitoring mechanism.

3.3.2.3 Risk Management Committee (RMC)

As agency theory suggests, risk management committee (RMC) can also help to increase board monitoring specifically in risk associated issues. The audit committee had the responsibility of overseeing issues of risks and internal control before the advent for this separate Committee for risk management. Most codes of corporate governance specify that the board of directors should oversee issues of internal control and risk management. The determination of the quality of financial reports rests on these two factors, internal control, and risk management. Corporations need RMC as a separate committee to enable audit committee focus on internal control for greater and effective monitoring (Yatim, 2009; Subramaniam et al., 2009). Hence, the settings of standards like ISO 31000 to provide guidance on how to manage risks in organizations. Likewise is framework provided by the Committee of Sponsoring of the Treadway Commission (COSO) for effective internal control as related to operations, reporting and compliance to relevant standards, policies, principles, rules, and regulations.

Following the above discussion, this study asserts that RMC will demand more monitoring and incur more agency costs to ensure adequate risk management. Records and procedures will be more scrutinized for easy discovery of anomalies and necessary actions to ensure compliance with relevant standards, policies, principles, rules, and regulations. Therefore, this study considers related hypotheses as shown below:

H_{2d} RMC is positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).

H_{2di} RMC is positively associated with the demand for the directorship as a monitoring mechanism.

H_{2dii} RMC is positively associated with the demand for internal auditing as a monitoring mechanism.

H_{2diii} RMC is positively associated with the demand for external auditing as a monitoring mechanism.

3.3.2.4 Board Composition

The calibre of people that constitutes the board of directors determines its independence level as agency theory suggests. The rationale for this is that the independence of the board is vital to corporate governance. Hence, it features in the codes of governance of different countries, past literatures on corporate governance, auditing, accounting, finance, and economics. Board composition has proved to be an important factor necessary to ensure that board of directors are effective in their corporate governance roles. Existing, prospective shareholders and other stakeholders are of diverse culture, skills, experience and gender. Representation of such diversity on the board of directors can result in knowledge that can assist the board to easily mitigate agency conflicts (Anderson & Reeb, 2004; Omri et al., 2014; Hashim & Devi, 2008; Latif et al., 2013; Lishenga, 2011; Malek & Che-Ahmad, 2013; Adeyemi & Fagbemi, 2010; Kibiya et al., 2016).

Ownership and control should be separated one from the other as agency theory denotes. The inclusion of non-executive directors on the board of directors helps to see to the execution of this suggestion. Hence, they are independent of the management. Their proportion on the board determines the independence of the board. They encourage more and intensive monitoring of management activities to ensure enhancement of shareholders' value. Their presence on the board of directors is an incentive for monitoring, putting control on the opportunistic attitudes of the management. Thus, non-executive directors help to strengthen the monitoring role of the board (Mohamad et al., 2012; Akhtaruddin & Haron, 2010; Wong & Bajuri, 2013; Kelton & Yang 2008; Subramaniam, McManus & Zhang, 2009; Adeyemi & Fagbemi, 2010). The majority of non-executive directors represent institutional block-holders or controlling shareholders on the board of directors, which this study tests under ownership structure.

Following the above arguments, this study considers other board composition as follows:

3.3.2.4.1 Independent Directors

Agency, shareholders and signalling theories suggest that the presence of Independent directors on the board of directors helps to align the interests of the management and shareholders. It helps to ensure that companies comply with relevant standards, policies, codes, and regulations. Independent directors, though non-executive directors are not block-holders, neither are they the controlling shareholders. The share of an individual independent director is not expected to be above 0.1% in Nigeria [2011 SEC Code, 5.5(a)(i)]. Hence, they are representatives of the minority shareholders on the board of directors. Independent directors and minority shareholders are therefore complements. Independent directors signal strong and healthy board of directors and a healthy board of directors protects the interests of shareholders (Kim, Kitsabunnara-Chatjuthamard, & Nofsinger, 2007).

This study asserts that independent directors will demand more monitoring to ensure that management, block-holders or controlling principals do not exploit the shareholders. Therefore, this study considers related hypotheses as shown below:

H_{2e} Independent directors are positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).

H_{2ei} Independent directors are positively associated with the demand for the directorship as a monitoring mechanism.

H_{2eii} Independent directors are positively associated with the demand for internal auditing as a monitoring mechanism.

H_{2eiii} Independent directors are positively associated with the demand for external auditing as a monitoring mechanism.

3.3.2.4.2 Gender

Signalling theory suggests that female directors will help to fortify the independence of the board of directors and strengthens the board to effectively discharge its supervisory responsibility. Women are appraised as less corrupt and holding more strictly to standards in most of the existing literature. Many of them are likely not to tolerate bribery. They are averse to risks, hence, they fear losing their jobs and shame of being caught for corruption. Female directors will frown at every form of breach of standards and code of corporate governance. Hence, such directors will demand for more monitoring for protection of shareholders' interests (Nawaz, 2010; Lenard et al., 2014; Remery, Matser, & Floren 2010; Lincoln & Adedoyin, 2012; Bear et al., 2010; Bøhren & Staubo, 2016; Horak, 2015; Kibiya et al., 2016).

Therefore, this study asserts that female directors make positive contributions that will ensure transparency, accountability, and protection of the shareholders' interests. Female directors will demand more monitoring to ensure that management, block-holders or controlling principals do not exploit minority shareholders. Therefore, this study considers related hypotheses as shown below:

H_{2f} Female directors are positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).

H_{2fi} Female directors are positively associated with the demand for the directorship as a monitoring mechanism.

H_{2fii} Female directors are positively associated with the demand for internal auditing as a monitoring mechanism.

H_{2fiii} Female directors are positively associated with the demand for external auditing as a monitoring mechanism.

3.3.3 Compensation Structure

Agency theory proposes that there is a wide spread of ownership with management having access to more information than the owners to possess outstanding rights of control by which they pursue more of self-interested activities at the expense of the owners of the corporations. The theory, therefore, suggests that compensation structure can be used to control management to act in the interest of the shareholders. It also suggests alignment of the interests of the management with the interests of the investors through incentives of long-term contracts. Thus, the theory expects managers and board members' compensation to spur them to rightly take decisions and implement it for increment in the wealth of the shareholders or performance of the corporation (Armstrong et al., 2010; Lishenga, 2011; Babatunde & Olaniran, 2009).

This study, therefore, asserts that incentive compensation would reduce the opportunistic attitudes of the management and controlling shareholders of a listed company. Thus, management interests will align with the shareholders' interests and reduce agency costs. Therefore, there will be less demand for monitoring. This study, therefore, considers related hypothesis as follows:

H_3 Compensation structure is negatively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).

H_{3i} Compensation structure is negatively associated with the demand for the directorship as a monitoring mechanism.

H_{3ii} Compensation structure is negatively associated with the demand for internal auditing as a monitoring mechanism.

H_{3iii} Compensation structure is negatively associated with the demand for external auditing as a monitoring mechanism.

3.3.4 Quality-differentiated Auditors (QDA)

3.3.4.1 Effect of Organizational Attributes on Quality-differentiated Auditors

Corporations that desire high-quality financial reports to protect the interests of the shareholders and other stakeholders of the company are likely to demand quality monitoring mechanisms. Their demands for effective monitoring will make them look into the means of attaining this aim. Hence, they have to decide on the auditor type to select. For high-quality financial reports, such organizations through the influence of their attributes are likely to select quality-differentiated auditors (QDAs). However, such high-quality reports attract higher price following general market practice. Users of financial statements are aware of differences in audit quality in terms of audit assurance, expertise, industry specialization, and ability or willingness to give a going-concern report. Existing literature find that the reputation of the auditors relates to audit service pricing and quality (Francis & Wilson, 1988; Becker et al., 1998; Che-Ahmad & Houghton, 1996; Francis, Reichelt & Wang, 2005; Defond et al., 2000). The corporations are prepared to pay the high price of engaging QDAs because of their investments in greater audit effort and higher expertise. The difference in auditor type leads to differential pricing for which there exist two different audit markets (Sundgren & Svanström, 2011; Wang & Xin, 2011; Ferguson et al., 2013; Numan & Willekens, 2012; Kim, Kaye, & Wright, 2001; Che-Ahmad & Abidin, 2001).

However, the need for high-quality financial reports provides the channel for the mediating role of the quality-differentiated auditors on the relationship between organizational attributes and monitoring mechanisms in the bid to satisfy all stakeholders. The achievement of this aim requires that the conflict of interests among the stakeholders (managers, shareholders, bondholders and others) should be controlled. Otherwise, there may be no quality financial reports except with the presence of proper monitoring through the directorship, internal, and external auditing. Hence, management is mindful of auditor type to recommend through the Audit Committee for the shareholders' approval at the AGM meetings. The shareholders on the other hand desire high-quality, transparent and reliable financial report, hence, they are aspired to give approval for quality differentiated auditors (QDA) to realize their desire. QDA is, therefore, a tool to specify the mechanisms through which the organization by its attributes can monitor the activities of the organization to ensure the protection of the interests of the shareholders and other stakeholders. Some organizational attributes will affect the decision of the audit firm to be chosen as the decision on the type of auditor to engage is processed through the attributes. Hence, it is likely that the demands for monitoring mechanisms by organizational attributes (ownership structure, board structure, leverage, among others) can affect audit quality differentiation (Che-Ahmad et al., 2006; Houqe, Monem, & Zijl, 2012; Kim et al., 2001; Chow, 1982; Al-Rassas et al. (2016).

In addition, the volume of transactions of most listed firms is large because of their size. Hence, they are likely not to choose a one man audit firm with few or no qualified audit staff (small firms). They are likely to choose the audit firm that has required technology to audit their financial statement, since most listed companies process many of their transactions, financial and otherwise using information technology (Ferguson et al., 2013; Che-Ahmad et al., 2006; Rose-green et al., 2011; Numan & Willekens, 2012; Gray & Ratzinger, 2010).

The influence of organizational attributes on auditor types is evidenced in the existing literature (Chow, 1982; Che-Ahmad et al., 2006). Ownership types in a corporation have an influence on the audit pricing and audit type to be engaged. Che-Ahmad et al. (2006), however, predict that the influence of ownership structure on the choice of an audit firm is possible at a level of 50% and above ownership. Likewise, the board structure will influence the kind of audit firm to be chosen. The directorship needs information for monitoring and decision making. Management is the source of this information. However, it does not perceive the information from the management as reliable because agency theory suggests opportunistic behaviour for management. It, therefore, needs high-quality services to effectively carry out its mission; hence, it will depend on quality-differentiated auditors (QDAs) for reliable audited financial statements to make the right decisions. Subramaniam et al. (2009) find that risk management committee has no significant correlation with the type of external auditors engaged. Saleh et al. (2009) find that quality-differentiated auditors (QDAs) and foreign shareholding are positively related. Guedhami, Pittman, and Saffar (2009) find that government ownership has lower demand for a QDA.

Others (Murase et al., 2011; Guedhami et al., 2009) found fund providers such as debenture holders, preference shareholders, banks and the like (leverage) are likely to be interested in the type of auditors engaged for the companies, whose projects they are financing. Hence, Guedhami et al. (2009), find that entities with the complex operation but less debt in capital structures have a preference for Big-4 auditors. The study also claims that firms bonded by Stock exchange are likely to have demand for high-quality auditors. The preference for QDAs will make it possible for them to attain greater transparency and corporate governance required of such bonds. Mısırlıoğlu et al. (2013) find that QDA is positively related to gearing. The information system structure (ISS) of an entity will also influence the type of audit firm for the entity. The service providers such as different providers of the internet (softcopies and hardcopies) install securities in the information technology (IT) involved in the ISS of an establishment. Each of the securities installed in these facilities is for certain controls. Further to this, some of the IT functions are outsourced in some organizations. A corporation considers the nature of these securities to determine whether to centralize or decentralize or federalize its ISS. The auditor has the duty to examine the effectiveness of internal control of which includes the securities installed by the service providers. Bachlechner, Thalmann and Manhart (2014) documents that some of the information that the auditor needs to check the internal control of his client are held by some of these facilities. Hence, the auditor needs to extract such information from the originating systems. The study, therefore, claims that the size of such required information and how the client distributes its IT landscape poses a great challenge to the auditor. Hence, it recommends acquisition of software support as an interface for the collection of such information. Acquisition of IT is an important factor in structuring an audit firm differentiating a QDA from non-QDA. Therefore, an organization with complex internal control resulting from such IT securities is likely to demand and have a preference for a QDA. Likewise, the compensation structure for the directors and executives or top management will affect the type of audit firm to be chosen. Most codes of corporate governance expect that executive compensation should be a function of the performance measures. Also, the principals cannot have direct information on all the activities of the management and the board of directors. The principals, therefore seek to identify measures of performance to determine incentives for the agent. Hence, the board of directors uses the identified performance measures to align the executive compensation with the interest of the shareholders (Armstrong et al., 2010). These measures are related to audited financial information. The manager may wish to manipulate such information for the principal to approve a high compensation for him. To do this, the manager may need to influence the external auditor's decision. His opportunistic action may be an oversight of the auditor where less or none QDA is engaged. Hence, management will be mindful of the type of audit firm to recommend for the shareholders' approval with the awareness that it may be very difficult to influence a QDA not to pass a going-concern report. This can easily be done in firms with CEO duality. The demand of the clients (represented by the organizational attributes) for high-quality audit service due to changes in their size and complexity among others contributes to the competition that birth QDAs (Ferguson et al., 2013).

This study, therefore, asserts that organizational attributes, independent variables (managerial ownership, government ownership, individual block-holders, type II agency conflicts, board size, board meeting, CEO tenure, risk management committee, board independence, board gender, compensation structure), and control variables (company size, inherent risks, industry, growth and complexity) would affect the choice of auditor type to ensure quality financial reports. The positive influence of organizational attributes on the choice of auditor type will help to prevent management and the controlling shareholder of a listed company from pursuing their personal interests at the detriment of the shareholders. More cost will be incurred as quality-differentiated auditors imply more audit fees. Therefore, this study considers related hypotheses as shown below:

H_{41a} Managerial ownership is negatively associated with quality-differentiated auditors

H_{41b} Governmental ownership is positively associated with quality-differentiated auditors

H_{41c} Individual block-holders are positively associated with quality-differentiated auditors

H_{41d} Principal-principal conflicts are positively associated with quality-differentiated auditors with an increase in the ownership of the second-largest shareholders.

H_{42a} Board size is positively associated with quality-differentiated auditors.

H_{42b} Board meeting is positively associated with quality-differentiated auditors.

H_{42c} CEO tenure is positively associated with quality-differentiated auditors.

H_{42d} Risk management committee is positively associated with quality-differentiated auditors.

H_{42e} Independent directors are positively associated with quality-differentiated auditors.

H_{42f} Female directors are positively associated with quality-differentiated auditors.

H_{43} Compensation structure is positively associated with quality-differentiated auditors.

3.3.4.2 Effect of Organizational Attributes on Monitoring Mechanisms

The proposition by agency theory, which is basically concerned with the relationship between the principals and agents, is that the basic problem in the principal-agent relationship is moral-hazard. This study uses the theory to explain the mediating effect of quality-differentiated auditors (QDA) on organization attributes and monitoring mechanisms because the problem of moral-hazard accounts for conflicts of interests between the parties. The conflicts of interest results in agency costs and this gives rise to the need to align the interest of the parties in the nexus of contracts of an establishment. The alignment calls for monitoring, which should be evidenced in high-quality financial reports since it is the means of communication between the two parties. A high-quality financial report is required because 1) It serves as a channel of accountability by the agent (management) to the owners (shareholders). 2) The owners want proper accountability for their investments and therefore require high-quality financial reports. 3) It is also a process of evaluating the performance of the agent. 4) It guides the owners to make reasonable decisions on all facets of an organization. Other users of financial reports or stakeholders of an organization such as creditors, debtors, suppliers, employees, auditors, government and even society at large also require high-quality financial reports. Hence, stakeholder theory suggests consideration of such users. The expectation, therefore, is that the management of a corporation aims at convincing the shareholders and other stakeholders that the financial report presented to them is of high quality. Thus, there is a relationship between the organization attributes, independent variables, and monitoring mechanisms, dependent variables (Kim et al., 2001). However, the relationship cannot be significant as it was before the consideration of the mediating factor. This is because the focus is now more on the mediator to ensure the effectiveness of the monitoring mechanisms. Hence, QDA is likely to mediate the relationship base on the above arguments.

3.3.4.3 Effect of Quality-differentiated Auditors on Monitoring Mechanisms

The quality-differentiation can also affect the monitoring mechanisms (directorship, internal, and external auditing). The audit firms may decide to differentiate its services from other audit firms to influence the demand for monitoring mechanisms. Hence, Kaplan et al. (1990), claim that some audit firms have differentiated themselves in audit accounting services, non-audit accounting services, general management consulting services and information systems. It may train its staff to become quality-differentiated auditors (QDAs) to fall in line with certain factors in organizational attributes. It may acquire more fixed capital items like information technology. Thus, the aim of audit firms with QDAs is to enhance good corporate governance as a response to the demand of the clients (Craswell & Taylor, 1991). Therefore, this study seeks to investigate the mediating effect of QDAs on the relationship between organizational attributes and monitoring mechanisms.

An auditor is an instrument to connect the interests of the stakeholders which include auditor himself. To be an effective tool in this order, the auditor has to aim at rendering a very high-quality audit to his clients. Also, an auditor aims at having a big firm to enhance its income. This is consistent with the stakeholders' theory which suggests that each stakeholder with his legitimate interests participates in the entity to obtain benefits. It also suggests that no stakeholder's interest is superior to others. Such auditors will, therefore, consider differentiating his audit service for high-quality auditing to assure the clients that it has the capability to deliver the kind of service they desire. Thus, its structure and performance will place it in a position to influence the audit committee to convince the board of directors to recommend such firm for the approval of the shareholders at the AGM meeting.

The auditor type as a QDA or non-QDA is likely to impact directorship decision on the choice of the audit firm to enhance its monitoring role. The firm will, therefore, have to invest in human capital and fixed assets. The audit firm will, therefore, set standards for personnel recruitment, work manual, necessary information technology and field staff monitoring. The firm will develop itself with the skills and practices that can differentiate its audit firm in the audit market. For this reason, the QDAs dominate the audit market in countries with strong demand for high-quality earnings (Francis et al., 2013). Ahmad-Zaluki and Wan-Hussin (2010) claim that a QDA influences companies that have a high percentage of non-executive in their Audit Committees (ACs) and larger size ACs to produce greater forecast accuracy. Thus, QDAs can be a substitute for ACs.

The internal auditor of a listed company is expected to be a professional accountant, indicating that he must have received the same training as the external auditor. Such personnel will not like to have his work condemned by a colleague, more so when he knows that a QDA will apply due process for his audit work. 2011 SEC Code, Paragraph 31.14 directs that external assessment of the effectiveness of internal audit function should be done at least every three years. The performance of the internal audit functions definitely will reflect the quality of the management report of the external auditor aside from the qualified independent reviewers or team that may be engaged. This is because the internal audit function is expected to ensure effective performance of control function, which the external auditor checks in its audit function. Hence, Cohen and Sayag (2010), document that internal audit's effectiveness is preliminary to external audit function. Thus, an adverse or qualified management report from the external auditor is an indicator of internal control weakness, which is a reflection of the ineffectiveness of the internal audit. This can only emanate from quality audit. Furthermore, the internal audit is expected to compliment the external audit function and thereby reduce the external audit efforts and fees. The internal audit size for this purpose has to be larger, adequately staffed to include expertise with audit plans and programs covering financial statement related activities. The working papers from such activities should form part of documents and information accessible for external auditors' usage (Ho & Hutchinson, 2010; Botez, 2012; Mihret & Admassu, 2011). These arguments signify that the effectiveness of the internal audit function may be dependent on the type of external auditor engaged by the organization. Therefore, the audit firm type engaged can spur the internal auditor to be more efficient and effective in his audit function. Hence, the findings of Mihret & Admassu (2011), suggest that the performance of the internal audit is the most important of all the monitoring and governance mechanisms. The study further suggests the corporations need to strengthen their internal audit and foster the relationship between the internal and external auditors.

The audit type engaged for a corporation will definitely influence the external auditing since the essence of the differentiation is to enhance the quality of external auditing. Past literature, therefore, document that providers of higher quality audits are the QDAs (Soliman & Ragab, 2014; Lennox & Pittman, 2010; Ferguson et al., 2013; Fodio et al., 2013). External auditors that are QDAs invest more on fixed costs like technology, staff development, and reputation than non-QDAs. The investments help them to enhance higher quality audits than their counterparts. Clients whose external auditors are QDAs portray the image of quality firm's earnings. The scrutiny of QDAs as external auditors is greater than non-QDAs, which is of great benefit to their clients. Hence, corporations in financial needs, those with low sale turnover or those going public will likely engage QDAs as external auditors because of their reputation capital (Chen, Su & Wu, 2010). Clients that engage QDAs with related industry specialization as external auditors enjoy the benefits of increased effective audit (Krishnan, 2003). Thus, such specialization is an additional element in audit quality (Chow, 1982).

The above background and results of this study indicate that quality differentiating auditors (QDA) is a mediating variable which organizational attributes influence and in turn influences the monitoring mechanisms. The influence of each organizational attribute on the demand for monitoring mechanisms varies as a function of changes in the quality-differentiated auditors. It illustrates how the importance of QDA determines the relationship between organizational attributes (independent variables) and monitoring mechanisms (dependent variable). It strengthens the relationship between the two variables ((Ramadan, Chen, Al-Khadash, & Atmeh, 2012).

Just as introduction of a mediating variable is expected to render the path between the independent and dependent variable less significant (Baron & Kenny, 1986), many users of financial reports consider first the type of external auditor in use. They, especially the prospective shareholders consider the organizational attributes and the monitoring mechanisms after they have established the type of auditors used before making decision to buy shares in a company. The justification for this is that engagement of a quality-differentiated auditor (QDA) signals high integrity of the financial reporting, and this builds the confidence of the shareholders in the company and its management. It also signals intensive monitoring, which gives assurance of a credible financial report but at higher audit price. The impact of the demise of Arthur Andersen audit firm that reduces the level of discrimination among the Big-4 firms and opens opportunities to other Big-4s and non-Big-4s but large firms is a confirmation of reduction in the path between organizational attributes and external auditing. According to Abidin, Beattie, and Goodacre (2010), Deloitte captured about 70% of the clients of Arthur Andersen and total audit fees. Chen & Zhou (2007) claim that 89% of the clients switched to Big-4s while the remaining 11% chose to switch to non-Big-4s. Thus, in line with Baron and Kenny (1986), the audit type accounts for the relationship between the organizational attributes and external auditing.

Further to this are existing literature suggesting that auditor type (QDA or non-QDA) can be a mediating variable. An example is that the actual audit market concentration or competition like audit fee and quality is a product of relations between influencing factors of an entity which specific factors of an audit firm mediates (Abidin et al., 2010). Inferences that could be deduced from this statement are: 1) The influencing factors of an entity regarding financial reports are the organizational attributes and monitoring mechanisms. 2) Specific factors of an audit firm are its type, size, area of specialization, assets and technological expertise.

Following the background discussed above, this research asserts that the organizational attributes (ownership structure, board of directors and compensation structure) would influence QDA significantly. QDA is likely to also influence the demand for monitoring mechanisms (directorship, internal, and external auditing) significantly. Also, the organizational attributes will also affect the monitoring mechanisms significantly. Hence, it will help to prevent management of a listed company from pursuing their personal interest at the detriment of the shareholders. Therefore, this study considers a related hypothesis as shown below:

H_5 QDA positively and significantly mediates the relationship between organizational attributes (ownership structure, board of directors, and compensation structure) and the demand for monitoring mechanisms (directorship, internal, and external auditing).

3.3.5 Code of Corporate Governance (CCG)

Agency theory recognizes the existence of conflicts of interests between the principal and agents. It, therefore, suggests mechanisms to align the interests of the two parties to enhance good corporate governance. Stakeholders' theory recognized not only type I and II agency problems but the interest of the third party as well. Code of corporate governance (CCG), can help to bring this into reality. Hence, many countries had either reformed or introduced CCG. It is quite imperative that countries with a bad image for corruption and incidences of bankruptcy and financial meltdown should adopt or adapt CCG from countries with the minimum occurrence of such evils. Nigeria, being in the category of one of the countries with such bad image has therefore come up with 2011 SEC Code for this purpose. Nigerian Securities and Exchange Commission reviewed 2003 SEC Code to address the: 1) weaknesses in 2003 SEC Code for independent directors, appointment of directors, critical board committees, whistle blowing procedures and sustainability issues among others. 2) Need for uniformity in the code of corporate governance for all corporations. The oversight by SEC for amendment of 2003 SEC Code led to industry-specific codes of corporate governance like 2006 CBN Code, 2008 PENCOM Code and 2009 NAICOM Code. Each of these codes is at variance with one another in certain aspects, hence, the need for uniformity. 3) Need for enforcement of the codes among the listed companies through improved mechanism. The expectation is assurance of "highest standards of transparency, accountability and good corporate governance with no undue inhibiting enterprise and innovation." The review was done in alignment with international best practices (2011 SEC

Code). The new code gives freedom to corporations to transform their management practices with the hope for full enforcement. Private companies are also encouraged to adopt the principles in the code, though they are not regulated by SEC. Its alignment with the international best practices to strengthen the corporate governance will affect the monitoring mechanism, especially now that the directors and all stakeholders are aware of actions that may be taken against them if they breach the code. Having done this, there is the need to find out the impact of the reviewed code on monitoring mechanisms.

This study, on the basis of the above discussion, asserts that code of corporate governance (CCG) would gear corporations to have proper monitoring mechanisms that will help to protect the interests of the shareholders. It will also protect the interests of other stake-holders aside the principal and agents. CCG will also ensure the enforcement of the standards covered in the code. It will likewise help to ensure that proper modalities are in place for necessary monitoring of the management and the board of directors. Therefore, this study considers running the regression for years 2010 to 2012, testing data for pre-2011 SEC Code, the transition to the code and post the transition period. The approach is adopted from Abidin, et al. (2010). The study considers related hypotheses as shown below:

H6	CCG is positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).
H_{6i}	CCG is positively associated with the demand for directorship as a monitoring mechanism.
H_{6ii}	CCG is positively associated with the demand for internal auditing as a monitoring mechanism.
H_{6iii}	CCG is positively associated with the demand for external auditing as a monitoring mechanism.

3.4 Operational Definition

The definitions of selected variables in this study are as follows:

1. **Corporate Governance**: This is the process of relationship between the corporations' managers and corporations' owners (Monks, 2002). Organizations design structure, processes and mechanisms to direct and manage their affairs to enhance long-term shareholder value, accountability and transparency on the part of the managers and improved organizational performance (Velnampy, 2013). It is the diligent way of legal, ethical and moral rewards by providers of corporate financial capital (Nworji et al., 2011).

2. **Monitoring Mechanisms**: These are the means by which shareholders monitor the management performance to ensure the protection of their interests (Azim, 2012). There are three mechanisms mandatorily stipulated for public listed companies in Nigeria. They are specifically directorship, internal auditing and external auditing (used by Anderson et al., 1993 and Mustapha & Che-Ahmad, 2011) as required by 2011 SEC Code and other codes of governance in Nigeria.

3. **Board Structure**: This refers to the structuring of the body that represents the shareholders in decision making of a company. According to 2011 SEC Code, it has a duty to oversee the affairs and performance of the company.

4. **Directorship**: This is a monitoring mechanism in respect of the duties and functions of the CEO and board of directors for smooth running of an organization, development, and growth of an organization and proper leading representation in transactions with other stakeholders (2011 SEC Code).

5. **Internal Auditing**: Internal auditing is a process through which an entity can obtain independent and objective assurance and professional consultation internally (IIA, 2014). It is the process by which the internal control system is regularly,

independently monitored and evaluated for assurance on the organization's effectiveness and cost efficiency (IFAC, 2012).

6. **External Auditing**: It is the statutory pillar that gives assurance on the quality of the annual financial reports of an entity; being one of the control mechanisms used to resolve agency problems in organizations (Fodio et al., 2013).

7. **Risks Management Committee**: This committee is to assist the board of directors to effect their responsibilities for risks management (2011 SEC Code).

8. **Organisational Attributes**: These are the powers and qualities possessed by an organization to ensure efficiency and effectiveness in all its activities.

9. **Ownership Structure**: This refers to holding of ownership interest.

10. **Managerial Ownership**: This refers to people working as managers or executive staff of a company that also hold shares of the company (Ali & Lesage, 2013).

11. **Block-holders**: These are significant investors (individuals or institutions) that hold a significant stake in a company. However, they are not linked to the organization's management (Zéghal et al., 2011; Mustapha & Che-Ahmad, 2011).

Individual Block-holders are persons with concentrated ownership.

Principal-principal Conflicts refer to type II agency problem among the shareholders.

12. **Compensation Structure**: This refers to the remuneration of the top management of an organization.

13. **Quality-differentiated Auditor**: A quality-differentiated auditor is branded with the proof for high-quality auditing.

3.5 Summary

This study applies agency theory to explain the relationship between organizational attributes and monitoring costs and stakeholder and signalling theories to explain the mediating effect of a quality differentiating auditor on the relationship. The study develops hypotheses tested to answer the research questions in line with research objectives. The study examines the relationship between the three variables as related to Nigeria, a developing country using four panels.

CHAPTER FOUR

RESEARCH METHOD AND DESIGN

4.0 Introduction

The earlier chapter discussed theoretical framework and hypothesis development using agency theory, stakeholder theory, signalling theory and prior empirical literature. This chapter deals with the procedures to develop and conduct the research using the models and hypothesis developed in the previous chapter. Section 4.2 deliberates research design. Section 4.3 explains the population and sample of the study. Section 4.4 describes the measurement of variables. Section 4.5 discusses data collection while section 4.6 debates the procedure for data collection. Section 4.7 describes the techniques of data analysis and section 4.8 gives a summary of the chapter.

4.1 Research Design

The research design is concerned with the plan or framework a researcher needs to take into consideration in carrying out a research work (Williams, 2007; Yu & Cooper, 1983). According to Raman (2012), it has to do with basic strategies that guide the researchers in developing accurate and understandable evidence.

This research work, therefore, uses quantitative analysis to test the hypotheses developed in the previous chapter. This statistical approach is adopted because of its ability to prove the validity and reliability of hypotheses developed base on established theories and empirical findings. Likewise, it measures attitudes and rate of behaviours which are central to this research. Monitoring mechanisms in this study are considered as tools combating moral hazards or corruption, which is the foundation of assets expropriation, information asymmetry, opportunistic behaviour and conflict of interests between the management and shareholders. All mentioned here are attitudes or behaviour and the essence of corporate governance, expressed by its cost (agency cost) to the organization. In this study, it measures the agency cost by the contribution of each organizational attribute tested to the costs of directorship, internal and external auditing. According to Creswell (2003), it is the best approach to identify factors that impact an outcome, discover the usefulness of a mediation or understand the best judges of outcomes. It allows for objectivity in the collection of data as the researcher may not be able to influence the response to research questions (Creswell, 2003). In this study, empirical examinations are done to identify the organizational factors that impact monitoring mechanisms and discover the usefulness of quality-differentiated auditors to understand the best judges of monitoring mechanisms.

The research is structured to be investigative and also explanatory because these two factors are paramount to monitoring, which is a pivot to this study. The research design helps to investigate and explain the relationship between variables. Hence, the structuring is used for investigation, variable identification and relationship establishment of quality-differentiated auditors, organizational attributes, and monitoring mechanisms. The method of statistical analysis used includes descriptive, regression analysis, and correlation. It involves data collection, problems' identification, making comparisons and systematic evaluations.

The research is a combination of cross-sectional and time series study as it involves companies from different sectors of Nigerian economy over three financial years.

4.2 Population and Sample of the Study

All companies listed on the Nigeria Stock Exchange with the exception of those operating in the financial sector constitute the population of the study, which is 177 as shown in Table 4.1. Financial institutions were excluded due to their unique characteristics and the industry-specific regulations they are to observe. Since the population is below 200 having excluded the financial sector, sampling is not required except for pilot test. Both financial and non-financial information of the listed corporations was sourced from three years annual reports (2010-2012). The study selects years 2010-2012 to be consistent with the approval and implementation date of the reviewed code of corporate governance, which is the year 2011. Thus, data within the period of the year 2010 constitutes the pre-implementation period, while that 2011 is for the transition period and 2012 represents the post-implementation period. Examples of extant literature that use three years' data to examine the impact of one variable over the other are Himmelberg, Hubbard and Palia (1999), Fan and Wong (2005), Moyer, Kolas and Busingye (2014), Hashim and Rahman (2011), Che-Ahmad et al. (2006), and Tomata, Suzuki, Kawado… and Tsuji et al. (2015), Bambang et al. (2013).

4.3 Measurement of Variables

The researcher collected a three-year data on the dependent variable (monitoring mechanisms – directorship, internal, and external auditing), mediating variable (quality-differentiated auditor), independent variables (ownership structure, board of director, and compensation structure) and control variables (firm size, company performance, risks, industry, company’s growth, complexity and listing status). The study runs panel data regression model as shown in 4.7. Data was analysed using multivariate analysis because of its usefulness in allowing for comparison of multiple response and explanatory variables.

Table 4.1
Total Number of Non-financial Listed Companies in Nigeria

Industry	**Number**
Agriculture	6
Apparel and Footwear	1
Automotives	5
Beverages	8
Building and Construction	1
Building Materials	9
Chemicals	8
Computers and Technology	9
Conglomerates and Holding	7
Engineering Construction	5
Food	18
Health Care	14
Holding	1
Home Builders	1
Hotels, Casinos, Resorts	3
Manufacturing and Industrial	11
Media and Broadcasting	2
Meals and Minerals	4
Natural Gas and Oil	16
Printing and Publishing	6
Real Estate	3
Services	12
Telecommunications	4
Textiles	5
Transportation	4
Unspecified	14
Total	**177**

4.3.1 Dependent Variable

The dependent variable is concerned with the costs of monitoring mechanisms as contained in the 2003 SEC Code and subsequently 2011 SEC Code for corporations to monitor the wealth of the shareholders. The monitoring mechanisms are directorship, internal, and external auditing. The directorship includes executive and non-executive categories. The executive directors are charged with the responsibility of the corporation management. The non-executive directors have a duty to ensure the engagement of executive directors in activities that upholds the interests of the shareholders. The internal auditing helps to enhance the quality of financial reports. It also helps the audit committee to be effective in assisting the board of directors in its monitoring role. It assists corporations to achieve their costs-saving objectives. Hence, it helps to reduce agency costs. The external auditing helps to ensure quality financial reporting, thus, mitigating information asymmetry between the principals and agents.

The study deduces the measurement for this variable from the annual reports since it is the medium through which corporations communicate the implementation of corporate governance to the shareholders and other stakeholders. However, the researcher developed a questionnaire to solicit information in respect of the internal auditing. Relevant information on internal auditing is not obtainable from financial statements. The measurement of the dependent variable is informed by prior studies such as Anderson et al, 1993; Mustapha and Che-Ahmad, 2011; Al-Janadi et al., 2013. Thus, the study measures the dependent variable, monitoring mechanisms (MM) by the total monitoring costs (the summation of remunerations of non-executive directors, costs of internal auditing, and external audit). That is:

MM = NEDIR + IA + EA

The study measures the variables as shown below:

NEDIR	measures the non-executive directors' remunerations in Nigerian currency, naira (₦)
IA	measures the amount paid as to the internal auditors in Nigerian currency, naira (₦)
EA	measures the fees paid to the external auditors in Nigerian currency, naira (₦)

The shareholdings of the executive directors (Chief Executive Officer and top management) are not included in the calculation of the monitoring cost. The rationale for this is concerned with separation of power from control. The codes of corporate governance assign different responsibilities to the two different categories of directors. While the executive directors are expected to manage the affairs of a company, the non-executive directors are expected to ensure that the company is suitably managed. The non-executive directors are to function as checks and balances to management activities to ensure maximization of shareholders' value.

4.3.2 Independent Variables

The independent variables that this study tested are ownership structure, the board of directors, and compensation structure of organizations or corporations.

4.3.2.1 Ownership structure measurement

Ownership structure measurement employs following existing literature (Mustapha & Che-Ahmad, 2011; Stoughton & Zechner, 1998; Kusnadi, 2011; Amran & Che-Ahmad, 2009; Omri et al., 2014; Jusoh & Che-Ahmad, 2014). The ownership structure in this study includes managerial ownership, government ownership, individual block-holders ownership, and an increase in second-largest shareholder. The measurement is the proportion of shares held by each type of ownership to the total equity. Table 4.2 presents the details of the measurement.

4.3.2.2 Board of Directors (Composition and Activities)

The measurement of the composition and activities of the board of directors is informed by prior literature such as Amran and Che-Ahmad, 2010; Omri et al., 2014; Mohamad et al., 2012; Hashim and Devi, 2008; Appah and Emeh, 2013; Subramaniam et al., 2009; Akhtaruddin and Haron, 2010. The study measures the board of directors as detailed in Table 4.2 for 1) board size. 2) board meetings. 3) independent directors. 4) female directors. 5) CEO tenure. 6) risk management committee (RMC).

4.3.2.3 Compensation Structure

Another organizational attribute considered is compensation structure. The measurement of compensation structure is informed by prior literature such as Sakawa et al. (2012), Guthrie et al. (2012), Armstrong et al. (2010). Its measurement is detailed in Table 4.2.

4.3.3 Mediating Variable

Existing literature measure quality differentiated auditors (QDA) by size or brand name (Francis & Wilson, 1988; Defond et al., 2000; DeAngelo, 1981; Becker et al., 1998; Lai, 2013; Subramaniam et al., 2009; Jusoh & Che-Ahmad, 2014; Hess et al., 2014). Hence, this study measures QDA by scoring 1 for Big-4 audit firms and 0 for

Table 4.2:
The measurement of the dependent and hypothesized variables

Variable	Explanation	Measurement	Expected Sign
MM	Total costs of monitoring	Summation of the costs of non-executive directors, internal audit, and external audit	
NEDIR	Non-Executive Director	Measures the non-executive directors' remunerations in Nigerian currency, naira (₦)	
IA	Internal Auditing	Measures the amount paid to the internal auditors in Nigerian currency, naira (₦)	
EA	External Auditing	Measures the fees paid to the external auditors in Nigerian currency, naira (₦)	
MO	Managerial ownership	Percentage shares of the executive directors	-
GO	Government ownership	Percentage equities owned by the government (Federal or State or Local Government or Parastatal)	+
IB	Block-holders ownership2	Percentage equities owned by Individual block-holders	+
PPC	Block-holders ownership3	Percentage increase in second largest shareholder	+
Bz	Board Size	Number of directors on the board	±
BM	Board Meetings	Number of meeting the board of directors held in a year	+
CEOT	CEO Tenure	Years of CEO in the organization	+
RMC	Risk Management Committee	1 for firms with the committee; 0 for firms with no such committee	+
BI	Board structure 1	Proportion of independent directors (IDIR) and non-independent directors (NIDIR)	+
BG	Board structure 2	Proportion of female (FDIR) to male directors (MDIR)	+
CS	Compensation Structure	1 for firms with CS in place for the top management (TM) and 0 for those without CS for TM.	-
CCG	Code of Corporate Governance	Pre, Transition, and Post 2011 SEC Code regression.	+

non-Big-4 audit firms. The study tests to see how the QDA as a mediating variable affects the directions of the relationship between the organizational attributes (ownership structure, board of directors, and compensation structure) and monitoring mechanisms (directorship, internal, and external auditing) following Baron and Kenny, (1986) and Zhao, Lynch Jr., and Chen (2010). The study adopts binary-mediation model and runs the tests through Stata to explain if organizational attributes (OAs) are significant variables to explain the capability of QDA as a mediating variable. Thus, the test reveals how QDA helps to expose the relationship between OAs and monitoring mechanisms. The research uses panel-corrected standard errors (PCSEs) regression analysis to establish whether or not each OA affects MM separately and in aggregate through the QDA.

4.3.3.1 Mediator Regression on Independent Variable:

The study regresses quality-differentiated auditors (QDAs) on each organizational attribute (OAs) - Equation 4.3. The test establishes if each OA significantly affects QDA.

4.3.3.2 Dependent Variable Regression on Independent Variable:

In this case, this study regresses the monitoring mechanisms (MM) on the organizational attributes (OAs) - Equation 4.1. The test establishes if the variations in quality-differentiated auditors account significantly for variations in MM.

4.3.3.3 Dependent Variable Regression on the Independent and Mediating Variables

The last equation regresses the monitoring mechanisms on both organizational attributes (OAs) and quality-differentiated auditors (QDAs) (Equation 4.2). The test establishes if effective control of both the OAs and QDAs renders the prior significant relationship between OAs and monitoring mechanisms.

Furthermore, it is expected that if the result of 4.4.3.3 is zero, then the only mediating variable for the firm is quality-differentiated auditors (QDAs). Otherwise, there may be one or more other mediating variables in the relationship. Table 4.3 presents the measurement for QDAs.

Table 4.3:
The measurement of the quality-differentiated auditors (QDAs)

Variable	**Explanation**	**Measurement**
QDAs	Quality-differentiated Auditors	1 for Big-4 audit firms, 0 for non-Big-4 audit firms

4.3.4 Control Variables

Control Variables (CV) are other characteristics of an establishment that affect monitoring costs but are not within the focus of this study. They are chosen base on related prior studies. They are:

4.3.4.1 Firm's size

The size of a company (Cz) is a major determinant of compensation for the directors and top management (Wahab & Pak, 2011). This is contrary to the provision in the codes of corporate governance (2011 SEC Code; CAMA, 1990; 2009 NAICOM Code) which stress that the compensation should be a function of the corporation performance. Agency conflicts are likely to increase as the corporation grows (Nasser et al., 2006). Al-Janadi et al. (2013) argue that Cz is significantly and positively related to voluntary disclosure. Adeyemi and Fagbemi (2010) find that Cz is related to auditing quality for listed companies in Nigeria. This study controls for Cz considering the effect of economies of scale opened to larger firms, increase conflicts resulting from growth in size and higher audit fees payable by such firm due to higher risks of the growth in its size. It, therefore, tests the effect of Cz using total assets as the yardstick of measurement following Mustapha (2009); Swastika (2013); Alzharani, Che-Ahmad, and Aljaaidi (2011); and Ho, Wu and Xu (2011) among others.

4.3.4.2 Performance

Prior studies measure firms' performance (FP) using Returns on Assets (ROA) [Amran & Che-Ahmad, 2009; Alzaharani, Che-Ahmad, & Aljaaidi, 2011; 2012; Jusoh & Che-Ahmad, 2014; Jiang et al., 1971; Pozzoli & Venuti, 2014; Ibrahim & Samad, 2011; Jamil & Nelson, 2011; Semenova & Hassel, 2013; Verriest et al., 2008; Reddy & Sharma, 2014; Stoughton & Zechner, 1998;], Returns on Equity (ROE) [Alzaharani, Che-Ahmad, & Aljaaidi, 2011; 2012; Amran & Che-Ahmad, 2013;]. The outcome of these research shows that the FP influences company's decisions on matters like compensation. Hence, 2011 SEC Code stipulates that the remuneration of executive members and board members should have a link with FP. It implies that FP can influence the costs of monitoring the organization. For this reason, therefore, this study controls for FP to test its relationship with monitoring mechanisms (MM) and auditors' type. It applies ROA to measure FP before establishing the relationship between FP and MM, following Mustapha, 2009; Mishra and Suar, 2010; Ho et al., 2011; Chiu and Lee, 2013. The measurement for this is profit before interests and tax divided by total assets.

4.3.4.3 Loss

Agency theory suggests that shareholders require high returns on their investment commensurate with the risks embedded in investing in the company. Debt-holders (Preference shareholders, debenture holders, and banks) always enjoy priority in time of bankruptcy and economic meltdown. Hence, the principal, ordinary shareholders require appropriate returns guaranteed only by transparency in financial reports considering the risk of losing all to debt-holders. Also, there are risks embedded in every activity and transaction of an entity. Taking the issue of information technology, for example, corporations are exposed to wider risks of e-fraud. Hence, UNCTAD (2006), advises that issues like valuation and revaluation of assets should be properly monitored to ensure that management does not use it to satisfy its own interest. It further advises that corporations should ensure compliance with relevant financial reporting standards. Therefore, to satisfy investors' demand for transparency, 2011 SEC Code direct the board of directors to oversee and give a report at AGM on significant risks identifiable across a corporation's activities and transactions. It also directs that the board should ensure that such risks are adequately prevented, detected and reported. Therefore, the inclusion of financial literates on the board of directors is important to equip the board to moderate risks embedded in decision making (Mouna & Jaboui, 2013). This study controls for the effect of the risk because of the probable effect of its changes on decision making of the board, audit fees, returns on investments of the shareholders and internal control in particular. It was measured by scoring the firm with a loss as 1 and 0 if otherwise, following Mustapha (2009).

4.3.4.4 Industry

This study tests the impact of the differences in characteristics of industries on monitoring mechanisms (directorship, internal, and external auditing). Some prior literature also indicate that industries differ from one another to explain why certain industries, especially the financial institution (banks and insurance) are regarded as peculiar considering the manner of their operations (Zéghal et al., 2011; Callao, Jarne, & Laínez, 2007). Coles et al. (2001) claim that the degree of opportunities in the industry restrains the performance of organizations. Dickens and Katz (1986) suggest differences in industry characteristics and remuneration accounts for differences in efficiency, control functions, personnel practices. This is consistent with the claim of Baron, Dobbin, and Jennings (1986). The study claims that differences in firms and industries associate with outcomes in the labour market, employment practices, control systems, organizational efficiency, and rationality. Pizzini, Lin, Vargus, and Ziegenfuss (2011) claim that the external auditors' decision to rely on or consider any of the internal auditors' working paper is a function of the differences in the standards and complexity of the industry. The International Federation of Accountants (IFAC), in its handbook of the code of ethics for professional accountants, paragraph 210.7 directs among others that a professional accountant should acquire knowledge in respect of the industry of his clients. The differences are recognized in some countries, hence, the presence of industry-specific codes of governance. In Nigeria, for example, aside 2011 SEC Code and CAMA, 2004 (as Amended) we have industry-specific codes of governance for insurance (2009 NAICOM Code), banks (2006 CBN Code), and pension (2008 Pension Code). The growth in such complexity can result in information asymmetry. Necessary disclosures in the annual report will help to overcome the information irregularity that may arise from such complexity (Al-Janadi et al., 2013). This study tests the effect of industry on the monitoring mechanisms by industry type. The industries are scored 1 those in manufacturing and construction and 0 for firms dealing with consumable items and those that are service providers.

4.3.4.5 Growth

Agency theory suggests lower debt ratio and agency costs for firms privileged to grow. The suggestion is consistent with findings in the prior literature, especially as relates to family and block-holders ownership organizations. Since the manager is a member of the family, the business runs with great assurance for growth with little or no agency costs. The retained profits are utilized for more profitable investments with avoidance of debts in the capital structure of the establishment in such organizations. The management avoids such debts to guide against the expropriation of the companies wealth by debt-holders (Ramadan et al., 2012). The study also claims that the management of such organizations will rather go for bank loans as banks are also delighted in lending to such organizations. The theory also suggests that the management gains more power as the organization grows. Other shareholders are encouraged since the management can maximize their wealth. It is an opportunity for an increase in the executive's compensation as the shareholder will not deny such management the approval for higher incentives to encourage them to put in more efforts. The greater the growth, the greater is the agency problems. Hence, the greater the need to demand higher is the demand for monitoring mechanisms. Growth is the evidence that an establishment realizes the main objective of its business to maximize profit. Hence, Akinbuli and Kelilume (2013), claim that it is the major success index for an organization and that it contributes to the national economy. This study controls for growth because of its importance to capital structure, compensation, and national economy. It, therefore, tests the impact of firms' growth as related to organizational attributes and monitoring mechanisms using Tobin's Q, following Mustapha, 2009.

4.3.4.6 Complexity

Monitoring can be complex in organizations spread over a country or even across nations compared to an establishment operating within one to three different locations. The situation is the same with organizations whose nature of business is diversified dealing in a large number of services or products. This is consistent with the findings of Gray and Ratzinger (2010), whose study finds that large organizations with complex and/or multinational status need the service of big-4 audits. The argument is based on the fact that the QDAs possess adequate resources that the required service needs (DeAngelo, 1981). Choi and Lee (2014) claim that the investors of diversified companies have difficulty in monitoring expropriation attitude of the management. Mohamed (2006) claims that agency problems are magnified as a corporation increases in size, the number of operational locations, and density of its structure. It is one of the forces influencing the demand for monitoring financial reporting process (Engel et al., 2010). Basioudis and Fifi (2004) documents that complexity of a firm affects the demand for auditing, audit fees and litigation costs that may arise from inherent risks. The complexity can be in the business operation or the composition of its assets. IESBA, in its handbook of the code of ethics for professional accountants, paragraph 210.7 directs among others that a professional accountant should acquire proper understanding of the complexity of the operations of his clients (IESBA, 2013). This study, therefore, controls to see the effect of diversification on business spread following Mustapha (2009), using the number of the subsidiaries added to the headquarters for complexity in operations

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Table 4.4:
The measurement of the control variables

Variable	Explanation	Measurement
Cz	Company size	Total Assets
LO	Loss	Score = 1 firms with loss and 0 for firms with profit
IND	Industry	Industry type = INDS = 0 for those in consumable and services; INDM = 1 for those in manufacturing and construction
GR	Company's growth	Tobin's Q = Ratio of the market-value of company to its total assets
CC	Operations	Number of subsidiaries, head-office inclusive

4.4 Data Collection

Data was collected using primary (questionnaires) and secondary (three years annual reports) data of Nigerian non-financial listed companies. These form the basis of scientific methods of generating accurate and objective data for the research (Zickmund, Babin, Carr, & Griffi, 2012). The information on internal auditing and is not obtainable from the financial statements. Hence, the study had to obtain information using primary data in addition to the annual reports. Both 2003 and 2011 Codes of Corporate Governance demand that the board of directors should include in the annual report, the effectiveness of their internal control. However, none of the two codes require companies to state the cost of their internal control in the financial statement. Anderson et al., (1993) and Mustapha (2009), employed this approach to examine monitoring costs and demand for monitoring mechanisms.

Other existing literature use other techniques such as interview and observation (Aldamen et al., 2012; Deaconu, Nistor & Filip, 2011; Cohen & Sayag, 2010; Reddy & Sharma, 2014; Iwasaki, 2011; Chen et al., 2010; Omri et al., 2014). The quantitative approach is more suitable for investigations relating to behavioural aspect of governance. However, it is more appropriate to use survey method since, the study focus on the actual demand for monitoring mechanisms and not behaviour. Likewise, it is possible to adopt interview technique; however, very few CEOs may be available for the interview, and the cost may be too expensive to embark on. Also, many of the listed companies may not be reached, and this may give generalization problem.

The collection commenced with a letter of introduction from the School of Accountancy, Universiti Utara, Malaysia. Copies of this letter were taken to the Nigerian companies investigated and regulators like the Institute of Chartered Accountants of Nigeria, Securities Exchange Commission, and Nigerian Stock Exchange. The researcher personally distributed and collected back the questionnaires engaging her with two research assistant personnel.

4.5 Data Collection Procedures

The survey questionnaires were circulated to 166 of 177 Nigerian non-financial listed companies as some of the companies had closed down in the course of data collection due to the outcomes of financial recession in Nigeria. The researcher solicited assistance from the Institute of Chartered Accountants, Nigerian Security and Exchange Commission and Nigeria Stock Exchange for both primary and secondary data collection. The study considers the efforts already taken by other researchers to solve similar problems, the benefits derivable and derived from actions taken by them, which may be of assistance in future plans and decision makings.

The primary source is the direct information collected through questionnaires on internal auditing among companies listed on Nigeria Stock Exchange (NSE). Question 17 collects the data for internal audit costs while other questions address information about the internal audit structure. Questions in section A of the questionnaire were adapted as follows: questions 1, 4, 13 and 14 from Mustapha (2009); and Loh and Venkatraman (1992); questions 2, 3 and 8 from Ho and Hutchinson (2010); questions 5,6, 10 and 11 from Cohen and Sayag (2010); question 7 from Abbott et al. (2010); and questions 9 and 12 from Wright and Charles, (2012). The second section is on the information about the respondents. The questionnaire is attached as Appendix A.

The study thereafter scrutinized the companies' annual reports for necessary data on other variables. The test was by panel data analysis so as to control for unobservable variables to produce more robust results with accounts for individual heterogeneity following Mustapha, 2009 and Anderson et al., 1993. Panel data is designed to handle cross sectional and time series, which are the features of this study. Hence, the study chose to run the test using panel data analysis.

Copies of the drafted questionnaire were circulated to some researchers in tertiary institutions to help verify the content validity of the questionnaires. The essence of this is to determine the intelligibility of each question in the questionnaire. The researcher effected necessary adjustments after the content validity of the questionnaire. Thereafter, the questionnaire was further administered to a sample of internal auditors, financial officers and company secretaries from the sampled population as a pilot test. A pilot study is essential to justify the credibility of data used and establish that the survey questionnaires are appropriately worded and free of ambiguity (Nkundanbanyaga et al., 2013). Thus, it helps to establish validity and reliability of the survey questionnaires. The study reviewed the instrument based on the feedback received from the first circulation.

4.6 Techniques of Data Analysis

Data from the primary and secondary source were inputted using the Statistical Package for Social Science (SPSS 22) and analysed using Stata 12. The unit of analysis is organization. The data was cleaned and screened for missing data and outliers followed by confirmatory factor analysis. The study runs descriptive analysis for the variables using Stata summary and descriptive statistics. In line with Baron and Kenny (1986), monitoring mechanisms was regressed on the organizational attributes using Stata panel-corrected standard errors tests; quality-differentiated auditors was regressed on the organizational attributes using Stata logistic regression analysis due to the dichotomous nature of quality-differentiated auditors; and the monitoring mechanisms was regressed both on the organizational attributes and the mediator using binary-mediation analysis, also due to the nature of quality-differentiated auditors.

4.6.1 Research Equation

The study checks the data for outliers and normality to achieve the stated objectives, ensure that the scales are good, the coding is rightly done, and the data are correctly entered into the computer packages used. The study also performs tests to establish that the information system's dimension of the questionnaire is valid and reliable. To achieve this, the study runs descriptive analysis, factor analysis, tests of differences, correlation analysis, and multiple regression analysis. The study runs four panel data models as follows:

Panel A applies the dependent variable as discussed in paragraph 4.4.1 to test the following hypothesis as done by Reddy and Sharma (2014), Fauzi, Mahoney, and Rahman (2007) using multivariate analysis : H_{1a}, H_{1b}, H_{1c}, H_{1d}, H_{2a}, H_{2b}, H_{2c}, H_{2d}, H_{2e}, H_{2f}, and H_3. Thus, the dependent variable is the total monitoring cost in Naira (Nigerian currency) while the independent variables are the organization attributes. Regression lines X, Y are the best fits where Y, stands for dependent variable and X, the independent variables. Error term μ_{it} and ε_{it} are introduced in applying the general equation shown in 4.7.1 above since the study is to use panel data for the tests. Thus, the relationship between Y and X is:

$Y_{it} = \alpha_{it} + \beta X_{it} + \mu_{it} + \varepsilon_{it}$ in which case
Y is the value predicts for the dependent variable and
X stands for the value predicts for the independent variable
α signifies the value of the Y intercept
β represents the regression coefficient defined by the gradient
μ is the combination of error terms for components of time series and conception
ε is the error term for cross-section testing

Multiple regressions are used to describe the relationship between the dependent variable, Y and several independent variables, X_1, X_2, X_3, X_4, X_5, X_6, … X_n. n here signifies the independent variables that the study examines. The study uses multiple independent variables simultaneously to predict the demand for the dependent variable, monitoring mechanisms. The mathematical expression for this is as shown below:

$$Y_{it} = \alpha_{it} + \beta_1 X_{it} + \beta_2 X_{it} + \beta_3 X_{it} + \beta_4 X_{it} + \beta_5 X_{it} + \beta_6 X_{it} + \ldots + + \beta n X_{it} + \mu_{it} + \varepsilon_{it}$$

Thus, Panel A, therefore, regresses the monitoring mechanisms on organizational attributes as follows:

$$\begin{aligned} MM_{it} = {} & \alpha_{it} + \beta_1 MO_{it} + \beta_2 GO_{it} + \beta_3 IB_{it} + \beta_4 PPC_{it} + \beta_5 Bz_{it} + \beta_6 BM_{it} + \beta_7 CEOT_{it} + \\ & \beta_8 RMC_{it} + \beta_9 BI_{it} + \beta_{10} BG_{it} + \beta_{11} CS_{it} + \beta_{12} Cz_{it} + \beta_{13} IR_{it} + \beta_{14} IND_{it} + \\ & \beta_{15} GR_{it} + \beta_{16} CC_{it} + \mu_{it} + \varepsilon_{it} \end{aligned}$$

(Equation 4.1)

4.6.1.1 Direct Relationship for Equation 4.2 Panel B

This study regresses quality-differentiated auditors on organizational attributes as follows:

$$\begin{aligned} QDA_{it}\ (M) = {} & \alpha_{it} + \beta_1 MO_{it} + \beta_2 GO_{it} + \beta_3 IB_{it} + \beta_4 PPC_{it} + \beta_5 Bz_{it} + \beta_6 BM_{it} + \beta_7 CEOT_{it} \\ & + \beta_8 RMC_{it} + \beta_9 BI_{it} + \beta_{10} BG_{it} + \beta_{11} CS_{it} + \beta_{12} Cz_{it} + \beta_{13} IR_{it} + \beta_{14} IND_{it} + \\ & \beta_{15} GR_{it} + \beta_{16} CC_{it} + \mu_{it} + \varepsilon_{it} \end{aligned}$$

(Equation 4.2)

Where:

Y	=	Monitoring Costs (MM)
QDA	=	Quality-differentiated Auditors (M)
MO	=	Managerial Ownership
GO	=	Government Ownership
IB	=	Block-holders Ownership, Individual
PPC	=	Increase in second-largest shareholder, signifying principal-principal conflicts
Bz	=	Board Size
BM	=	Board Meeting
CEOT	=	Chief Executive Officer Tenure
RMC	=	Risk Management Committee
BI	=	Proportion of independent to non-independent Directors on board of directors

BG	=	Proportion of female to male directors
CS	=	Compensation Structure
Cz	=	Company Size
IR	=	Risks
IND	=	Industry
GR	=	Company's growth
CC	=	Complexity in operation

Equation 4.1 was repeated to test for individual monitoring mechanism with Y value changing to NEDIR, IA and EA instead of MM in the equation. However, these equations are not shown in this study because they are not part of the major tests required for this study.

4.6.1.2 Indirect Relationship for Equation 4.3 Panel C

The study regresses monitoring mechanisms on both organizational attributes and quality-differentiated auditors as follows:

$$MM_{it}\ (\Upsilon) = \alpha_{it} + \beta_1 MO_{it} + \beta_2 GO_{it} + \beta_3 IB_{it} + \beta_4 PPC_{it} + \beta_5 Bz_{it} + \beta_6 BM_{it} + \beta_7 CEOT_{it} + \beta_8 RMC_{it} + \beta_9 BI_{it} + \beta_{10} BG_{it} + \beta_{11} CS_{it} + \beta_{12} Cz_{it} + \beta_{13} IR_{it} + \beta_{14} IND_{it} + \beta_{15} GR_{it} + \beta_{16} CC_{it} + \beta_{17} QDA_{it} + \mu_{it} + \varepsilon_{it}$$

(Equation 4.3)

Panel C tests the mediating effect of quality-differentiated auditors on the attributes of organization and monitoring mechanisms, following Ramadan et al. (2012). Their study tested the mediating role of debt level on capital structure and performance of an entity. This study tests H_5 as shown in equation 4.3 above.

Following Baron and Kenny (1986), it is expected that the tests must prove that the relationship between 1) organizational attributes and monitoring mechanisms (c) are significant. 2) organizational attributes and quality-differentiated auditors are significant. 3) quality-differentiated auditors and monitoring mechanisms is significant. 4) organizational structures and monitoring mechanisms for quality-differentiated auditors ($^{1}c'$) is not significant. If all these requirements are met, then the effect is full mediation. However, if $^{1}c'$ is less than c, the effect is partial mediation. The study used binary-mediation bootstrap to determine the significance for condition 4 and followed Zhao et al. (2010) to determine the typology of the mediation.

4.6.2 Code of Corporate Governance (CCG)

This study tests the impact of the revised code of governance following Zellner (1962, 1963); Wang (2014); Craswell, Francis, and Taylor (1996). The study runs regression analysis for years 2010 to 2012, testing data for pre-2011 SEC Code, the transition to the code and post implementation period. The data collected for the year 2010 were prepared base on 2003 SEC Code, which 2011 SEC Code repealed. 2003 SEC Code became inadequate for corporate governance following globally numerous changes in corporate governance, financial crisis, replication of code of governance, which are at variance on certain corporate governance aspects and weaknesses in 2003 SEC code. The revoked code was silent on punishment for breach of any part of the code, but 2011 code has taken care of this in paragraphs 1.3(c) and (d). 2003 code is with no provision for risk management and committee to handle risk management for a corporation. 2011 code made appropriate provision for this in paragraph 29. Except for audit committee, 2003 code did not enumerate the duties of governance mechanisms as done in 2011 code (paragraph 3 for the board of directors, 5.1 for the chairman, 5.2(d) for the CEO/MD, 8.4 for company secretary, 10.2 for risk management committee, 11.2 for the governance/remuneration committee, 30.4 for audit committee and 31.7 for the internal audit). Even though the responsibilities of the external auditor are not listed as others, the disclosures to accomplish the audited financial reports are listed in 34.10 and 34.11. Furthermore, details in 2011 code are clearer with specifics not found in 2003 Code concerning the appointment, committee membership, disengagement and professionalism of all governance mechanisms in the code. 2011 code specifically defines the applicability of the corporate governance in paragraph 1. While 2003 Code recognizes separate leadership as an ideal philosophy, 2011 Code give a mandate that the positions of the CEO and Chairman of the board of directors should be manned by different individuals. The criteria for corporations to determine an independent director is specifically stated in 2011 Code while 2003 Code has no specification for it. Absent in 2003 Code but present in 2011 Code is 7 days' notice by which corporations are mandated for service of notice for annual general meetings. The revised code is more flexible than the formal as it is approved as the minimum standard. Other items in 2011 Code not in 2003 Code are: multiple directorships, family and interlocking directorship, performance evaluation of the board, conflict of interest, insider trading, orientation and training of directors, tenure and re-election of directors, terms and conditions of service for board members, protection of shareholder rights, role of shareholder associations, sustainability issues, whistle-blowing policy, rotation of external auditors, communication policy and code of ethics. Beside the omissions in 2003 Code, it seeks for voluntary compliance and the basis of sanction for breaches is a subject of interpretation (Egwuatu, 2010). The difference between the two codes shows a lot of improvements with principles to ensure the effectiveness of the three monitoring mechanisms (directorship, internal, and external auditing). This study investigates to see the impact of the new code on governance of public companies.

This study, therefore, regresses the reviewed CCG on monitoring mechanisms for the difference in pre and post transition to the reviewed CCG following the concept of seemingly unrelated regression equations (SURE) model of Zellner (1962, 1963) shown below:

$$\Upsilon_\mu = X_\mu \beta_{\mu t} + \mu_\mu$$

Where:

$y \equiv [y'_1 y'_2 \ldots y'_M]'$,
$\beta \equiv [\beta'_1 \beta'_2 \ldots \beta'_M]'$,
$\mu \equiv [\mu'_1 \mu'_2 \ldots \mu'_M]'$,
X = the block-diagonal matrix

The equation is solved using iterated feasible general least square – FGLS (Cushing & Ahlawat, 1996; Heij, Boer, Franses, Kloek, & Van Dijik, 2004).

In this case to be represented thus:

$\Upsilon_1 = X_1\beta_1 + \mu_1 + \varepsilon_1$..for the pre-transition period

$\Upsilon_2 = X_2\beta_2 + \mu_2 + \varepsilon_2$..for the post-transition period

The multiple regressions in this case is:

$$\Upsilon_1 = X_1\beta_1 + X_{11}\beta_{11} + X_{12}\beta_{12} + X_{13}\beta_{13} + X_{14}\beta_{14} \ldots X_n\beta_n + \mu + \varepsilon$$

$$\Upsilon_2 = X_2\beta_2 + X_{21}\beta_{21} + X_{22}\beta_{22} + X_{23}\beta_{23} + X_{24}\beta_{24} \ldots X_n\beta_n + \mu + \varepsilon$$

Thus, Panel D is therefore as follows:

$$MM_{1it} = \alpha_{1it} + \beta_{11}MO_{1it} + \beta_{12}GO_{1it} + \beta_{13}IB_{1it} + \beta_{14}PPC_{1it} + \beta_{15}BS_1z_{it} + \beta_{16}BM_{1it} + \beta_{17}CEOT_{1it} + \beta_{18}RMC_{1it} + \beta_{19}BI_{1it} + \beta_{110}BG_{1it} + \beta_{111}CS_{1it} + \beta_{112}Cz_{1it} + \beta_{113}IR_{1it} + \beta_{114}IND_{1it} + \beta_{115}GR_{1it} + \beta_{116}CC_{1it} + \beta_{117}QDA_{1it} + \mu_{1it} + \varepsilon_{1it}$$

(Equation 4.4a)

$$MM_{2it} = \alpha_{2it} + \beta_{21}MO_{2it} + \beta_{22}GO_{2it} + \beta_{23}IB_{2it} + \beta_{24}PPC_{2it} + \beta_{25}BS_2z_{it} + \beta_{26}BM_{2it} + \beta_{27}CEOT_{2it} + \beta_{28}RMC_{2it} + \beta_{29}BI_{2it} + \beta_{210}BG_{2it} + \beta_{211}CS_{2it} + \beta_{212}Cz_{2it} + \beta_{213}IR_{2it} + \beta_{214}IND_{2it} + \beta_{215}GR_{2it} + \beta_{216}CC_{2it} + \beta_{217}QDA_{2it} + \mu_{2it} + \varepsilon_{2it}$$

(Equation 4.4b)

$$MM_{3it} = \alpha_{3it} + \beta_{31}MO_{3it} + \beta_{32}GO_{3it} + \beta_{33}IB_{3it} + \beta_{34}PPC_{3it} + \beta_{35}BSz_{3it} + \beta_{36}BM_{3it} + \beta_{37}CEOT_{3it} + \beta_{38}RMC_{3it} + \beta_{39}BI_{3it} + \beta_{310}BG_{3it} + \beta_{311}CS_{3it} + \beta_{312}Cz_{3it} + \beta_{313}IR_{3it} + \beta_{314}IND_{3it} + \beta_{315}GR_{3it} + \beta_{316}CC_{3it} + \beta_{317}QDA_{3it} + \mu_{3it} + \varepsilon_{3it}$$

(Equation 4.4c)

Where:

MM_1 is the monitoring cost for year 2010
MM_2 is the monitoring cost for year 2011 and
MM_3 is the monitoring cost for year 2012
$_{1,\ 2,\ 3}$ are respectively added to the codes of other variables to indicate the years (2010, 2011 and 2012) of the variables used to compute the monitoring cost for each year.

The study obtains the variance-covariance matrix and thereafter fit the equations simultaneously and compares the monitoring costs for each of the years using the same variables and companies.

4.7 Summary

This study considers the proposed research design, population, sample, measurement, data collection, techniques and analysis in this chapter. The study uses both primary and secondary data to examine the mediating effect of quality-differentiated auditors on the organizational attributes, the monitoring costs and the demand for the monitoring mechanisms. The organizational attributes in the study are ownership structure, board of directors, and compensation structure.

CHAPTER FIVE

RESULTS

5.0 Introduction

The earlier chapter discussed research methods and design with hypotheses development. This chapter presents the data analysis and empirical evidence for the study, the mediating effects of the quality-differentiated auditors on the relationship between organizational attributes and monitoring mechanisms. Section 5.1 introduces the chapter. Section 5.2 details response rate. 5.3 discuss the overview and preliminaries of the data analysis. Section 5.4 presents the descriptive analysis for both primary and secondary data. Section 5.5 details the results of Panels A, B, C and D. Section 5.6 compares the outcome with the proposed hypotheses. Section 5.7 provides chapter summary.

5.1 Response Rate

Information from the annual reports is exclusive of the costs of internal auditors; hence, the study collected information on it using questionnaires. Table 5.1.1 presents questionnaires sent and the response received from the companies. 117 companies responded out of 166 companies given questionnaires. However, there were no annual reports for six of the companies, hence, 111 questionnaires were used for the empirical tests. Two questionnaires were administered in each company, one to the internal auditor and one to either the head of accounts or the company secretary. The objective is to ensure receipt of at a response from each company as the study needs only one from each company; considering the possible difficulty in getting a response from a company. The basis of choosing these three officers is that they are the custodians of relevant records needed for the information. Hence, a total of 332 (166 x 2) questionnaires were distributed as shown in table 5.1.1 The same questionnaire was sent by e-mail to the listed companies and resent three times after the first reminder. However, the e-mailed copies are not included in table 5.1.1 Reminders were also sent severally through phone calls and visitations to conform with the suggestion of the study of Shih and Fan (2008) that follow-up reminders is likely to increase response rates. Achieving a higher response rate will give larger data, guarantees statistical power and smaller confidence intervals that produce credible empirical results (Baruch & Holtom, 2008).

The sample for this study is 117, which is 35.24% of questionnaires distributed and constitute 66% (117/177) of the total population of non-financial listed companies in Nigeria. The response is a good coverage of manufacturing and service sectors of non-financial listed companies in Nigeria. It's high enough to ensure less potential non-response bias (Shih & Fan, 2008). Hence, the sample size is adequate for the study. The result of descriptive analysis ran using IBM SPSS 22 indicates that 89.2% of the data is from the manufacturing sectors while the remaining 10.8% are from the service sectors.

Table 5.1.1
Questionnaire Distribution

Item	**Frequency**	**Percentage % to Distributed Questionnaires**
Distributed Questionnaires	332	100
Completed Questionnaires	117	35.24
Unusable Questionnaires	6	1.8
Used Questionnaires	111	33.43

5.1.1 Validity of Questionnaire

Copies of the questionnaire were sent to fifteen academicians in different Nigerian universities and one non-academician (a senior research and technical personnel) for validation of the questionnaires. The questionnaire was corrected following suggestions from six academicians and one non-academician that responded to the request. The corrected questionnaires were distributed thereafter. Furthermore, a pilot test was conducted to further validate the questionnaire.

5.1.2 Non-Response Bias

A total of 332 questionnaires were distributed with the letter of introduction from School of Accountancy (SOA), Universiti Utara Malaysia (UUM) to the Nigerian non-financial listed companies within 15 weeks from 06 April to 13 July 2015. 117 questionnaires were eventually received and used for testing the hypotheses in this study. 6 questionnaires were unusable and rejected. One was an outlier as there was no response to some questions in section A. This same response and other 5 responses were with no corresponding annual reports needed for the tests.

Researchers have to make efforts to identify and correct non-response bias as it is always a concern in research surveys (Lambert & Harrington, 1990). Failure to identify and correct non-response bias may threaten the generalizability of the findings of a study (Rogelberg & Stanton, 2015). Hence, the need to follow the checklist provided by Baruch and Holtom (2008) to conduct and report the tests on the non-response bias. The study of Shih and Fan (2008), shows that follow-up reminders contribute statistically to the differences in response received from the respondents.

In this study, early responses are the questionnaires returned within the 15 weeks of the distribution, while those received thereafter are considered the late responses. The study of Baruch and Holtom (2008), suggests publicity, reminders, pre-notification and survey feedback response facilitation approaches. This study, therefore, used reminders through e-mails, phone calls, phone messages and follow-up visitations. Reminder methods have been used by existing literature such as reminder letters Mustapha, 2009); reminder cards (Udin, Idris, & Hanefah, 2012); telephone calls and/or emails/posts (Stent, 2011; Ismail, 2013; Bezes, 2013).

Table 5.1.2 (descriptive statistics for early and late respondents) classifies 75 respondents as early responses and 36 as late responses. The study conducts descriptive statistics and Levene's test for equality of variance. The purpose of the tests is to identify any significant difference in the response between early and late responses regarding the internal audit costs. The results in Table 5.1.3 (independent sample t-test) reveal that there is no significant difference in the mean scores of responses at 5% confidence level between the early and late responses. The result, therefore, implies that the study is with no non-response bias.

Table 5.1.2
Descriptive Statistics for Early and Late Respondents

Response		**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Internal Audit Costs	Early Response	75	1.467	0.572	0.066
	Late Response	36	1.463	0.634	0.106
Internal Audit Structure	Early Response	75	1.851	0.349	0.04
	Late Response	36	1.849	0.326	0.054

Table 5.1.3
Independent Samples Test for Early and Late Responses

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	**Sig.**	**t**	**df**	**Sig.** (2-tailed)	**Mean Difference**	**Std. Error Difference**
IAC	Equal variances assumed	0.18	0.67	0.03	109	0.98	0	0.12
	Equal variances not assumed			0.03	63.16	0.98	0	0.12
IAS	Equal variances assumed	0.59	0.44	0.03	109	0.98	0	0.07
	Equal variances not assumed			0.03	73.48	0.98	0	0.07

Variable definition:
IAC = Internal Audit Costs; IAS = Internal Audit Structure

5.1.3 Profile of Respondents

Table 5.1.4 presents the respondents' profile. The company Internal Auditors answered 48.6% of the questionnaires; the company Accountants answered 38.7% while the company Secretaries answered the remaining 12.6%. 46.8% of the respondents have been with their companies for periods of 1 to 5 years. 36% have been with their companies for periods within 6 and 10 years. Only one (0.9%) of the respondents has been with his company for more than 20 years while the remaining respondents' experience with the company is within 11 and 20 years. 9% of the respondents are with more than 20 years working experience, 11.7% with 1 to 5, 39.6% with 6 to 10, 25, 2% with 11 to 15, and 14.4% with 16 to 20 years of working experience. 80.2% of the respondents are male and 97.3% of them are Nigerians.

Table 5.1.4
Profile of the Respondents (No = 111 Companies)

Background information	**Categories**	**Frequency**	**%**
	Internal Auditor	54	48.6
Position	Accountant	43	38.7
	Company Secretary	14	12.6
	1-5 years	52	46.8
	6-10 years	40	36
Years with the company	11-15 years	9	8.1
	16-20 years	9	8.1
	20 years and above	1	0.9
	1-5 years	13	11.7
	6-10 years	44	39.6
Years of working experience	11-15 years	28	25.2
	16-20 years	16	14.4
	20 years and above	10	9
Gender	Male	89	80.2
	Female	22	19.8
Nationality	Nigerian	108	97.3
	Others	3	2.7

5.1.4 Respondent Companies

Table 5.1.5 presents the profile of the 111 companies for the study. These are companies in the Agriculture (3 or 2.7%), Automotive (2 or 1.8%), Beverages (5 or 4.5%), Building and Construction (7 or 6.3%), Chemicals (10 or 9%), Computers and Technology (5 or 4.5%), Conglomerates and Holding (7 or 6.3%), Engineering Construction (3 or 2.7%), Food (16 or 14.4%), Health Care (9 or 8.1%), Holding (1 or 0.9%), Home Builders (1 or 0.9%), Hotels, Casinos and Resorts (2 or 1.8%), Leisure (1 or 0.9%), Manufacturing and Industrial (6 or 5.4%), Media and Broadcasting (1 or 0.9%), Metals and Minerals (2 or 1.8%), Natural Gas and Oil (11 or 9.9%), Printing and Publishing (2 or 1.8%), Real Estate (4 or 3.6%), Services (3 or 2.7%), Telecommunications (5 or 4.5%) and Transportation (4 or 3.6%).

The population for the study is adequately covered as all the sectors in the non-financial industry are well represented as shown in Table 5.1.5. These sectors were grouped into manufacturing and services for the purpose of investigation. Manufacturing industry comprises agriculture, conglomerates, construction and real estates, consumer goods, healthcare, ICT, industrial goods, natural resources and oil and gas. Service industry covers transportation, printing press, media, hotels, courier services, telecommunication, tourist, and companies as classified in the annual reports from Nigerian Stock Exchange (NSE).

Table 5.1.5
Sectors of the Companies

Sectors	**Frequency**	**Percent**
Agriculture	3	2.7
Automotive	2	1.8
Beverages	5	4.5
Building and Construction	7	6.3
Chemicals	10	9
Computers and Technology	5	4.5
Conglomerates	1	0.9
Conglomerates and Holding	7	6.3
Engineering Construction	3	2.7
Food	16	14.4
Health Care	9	8.1
Holding	1	0.9
Home Builders	1	0.9
Hotels, Casinos, Resorts	2	1.8
Leisure	1	0.9
Manufacturing and Industrial	6	5.4
Media and Broadcasting	1	0.9
Metals and Minerals	2	1.8
Natural Gas and Oil	11	9.9
Printing and Publishing	2	1.8
Real Estate	4	3.6
Services	3	2.7
Telecommunications	5	4.5
Transportation	4	3.6
Total	**111**	**100**

Table 5.1.6 presents the study’s variables and their statistics separately for the continuous and categorical variables. The continuous aspect of the presentation reveals that directorship is the largest of the components of monitoring mechanisms. Next to the director remuneration is the cost of internal audit followed by the external audit fee, which is the least of the three components of monitoring mechanisms.

Table 5.1.6
Descriptive Statistics for the Variables (Untransformed Data)

Variable	**Mean**	**Std. Dev.**	**Min**	**Max**
SN	56	32.1	1	111
YEAR	2011	0.8	2010	2012
Continuous Variables				
Directorship (₦’m)	23.03	54.49	0.00	496.50
Directorship 2010 (₦’m)	19.14	48.30	0.00	437.40
Directorship 2011 (₦’m)	23.22	59.25	0.00	496.50
Directorship 2012 (₦’m)	26.73	55.58	0.00	341.60
Internal Auditing Costs (₦’m)	18.61	11.73	10.50	50.50
Internal Auditing Costs 2010 (₦’m)	17.35	10.62	10.50	50.50
Internal Auditing Costs 2011 (₦’m)	18.97	12.23	10.50	50.50
Internal Auditing Costs 2012 (₦’m)	19.51	12.28	10.50	50.50
External Auditing Costs (₦’m)	16.50	25.12	0.35	174.40
External Auditing Costs 2010 (₦’m)	12.11	15.91	0.35	120.00
External Auditing Costs 2011 (₦’m)	17.19	25.57	0.35	165.00
External Auditing Costs 2012 (₦’m)	20.19	31.05	0.50	174.40
Monitoring Mechanisms' Costs (₦’m)	58.13	75.66	11.66	609.50
Monitoring Mechanisms' Costs 2010 (₦’m)	48.60	59.94	11.66	491.00
Monitoring Mechanisms' Costs 2011 (₦’m)	59.38	81.81	12.05	609.50
Monitoring Mechanisms' Costs 2012 (₦’m)	66.43	82.64	11.86	528.30
Managerial Ownership	3.03	8.86	0.00	59.17
Managerial Ownership 2010	3.25	9.15	0.00	55.63
Managerial Ownership 2011	2.90	8.64	0.00	55.63
Managerial Ownership 2012	2.94	8.85	0.00	59.17
Government Ownership	0.82	2.88	0.00	16.87
Government Ownership 2010	0.88	3.10	0.00	16.87
Government Ownership 2011	0.82	2.83	0.00	14.41
Government Ownership 2012	0.77	2.73	0.00	14.41

Table 5.1.6: (Continued)

Variable	Mean	Std. Dev.	Min	Max
Individual Block-holders	8.44	15.80	0.00	87.00
Individual Block-holders 2010	8.95	16.98	0.00	87.00
Individual Block-holders 2011	8.14	15.23	0.00	75.00
Individual Block-holders 2012	8.23	15.24	0.00	74.00
Principal-principal Conflicts	0.11	1.10	-9.26	13.09
Principal-principal Conflicts 2010	0.02	0.52	-3.28	2.09
Principal-principal Conflicts 2011	0.15	1.64	-9.26	13.09
Principal-principal Conflicts 2012	0.15	0.82	-2.29	5.63
Board Size	8.33	2.07	4.00	14.00
Board Size 2010	8.29	1.97	4.00	13.00
Board Size 2011	8.37	2.08	4.00	13.00
Board Size 2012	8.34	2.18	5.00	14.00
Board Meetings	4.29	1.14	2.00	10.00
Board Meetings 2010	3.98	1.21	2.00	8.00
Board Meetings 2011	4.37	1.10	2.00	10.00
Board Meetings 2012	4.53	1.05	2.00	9.00
CEO Tenure	5.68	5.08	1.00	33.00
CEO Tenure 2010	5.47	4.92	1.00	31.00
CEO Tenure 2011	5.59	5.07	1.00	32.00
CEO Tenure 2012	5.97	5.28	1.00	33.00
Board Independence	0.44	0.23	0.00	1.00
Board Independence 2010	0.44	0.24	0.00	1.00
Board Independence 2011	0.44	0.23	0.00	1.00
Board Independence 2012	0.44	0.22	0.00	1.00
Board Gender	0.09	0.10	0.00	0.50
Board Gender 2010	0.09	0.09	0.00	0.43
Board Gender 2011	0.09	0.10	0.00	0.50
Board Gender 2012	0.10	0.10	0.00	0.50
Company Size (Total Assets in ₦'bn)	31.01	73.08	0.07	673.70
Company Size 2010 (Total Assets in ₦'bn)	23.78	54.08	0.07	402.00
Company Size 2011 (Total Assets in ₦'bn)	31.72	71.31	0.07	526.50
Company Size 2012 (Total Assets in ₦'bn)	37.54	89.51	0.09	673.70
Company Growth	0.52	2.17	-15.57	25.50
Company Growth 2010	0.63	2.83	-14.81	25.50
Company Growth 2011	0.45	1.76	-15.57	8.03
Company Growth 2012	0.48	1.74	-12.30	12.67
Company Complexity	3.54	3.96	1.00	31.00
Company Complexity 2010	3.49	3.60	1.00	21.00
Company Complexity 2011	3.55	4.13	1.00	31.00
Company Complexity 2012	3.59	4.16	1.00	29.00

Table 5.1.6: (Continued)

Variable	Mean	Std. Dev.	Min	Max
Categorical Variables				
Quality-differentiated Auditors	0.58	0.49	0	1
Quality-differentiated Auditors 2010	0.59	0.49	0	1
Quality-differentiated Auditors 2011	0.57	0.50	0	1
Quality-differentiated Auditors 2012	0.59	0.49	0	1
Risk Management Committee	0.37	0.48	0	1
Risk Management Committee 2010	0.30	0.46	0	1
Risk Management Committee 2011	0.38	0.49	0	1
Risk Management Committee 2012	0.42	0.50	0	1
Compensation Structure	0.68	0.47	0	1
Compensation Structure 2010	0.68	0.47	0	1
Compensation Structure 2011	0.68	0.47	0	1
Compensation Structure 2012	0.68	0.47	0	1
Loss	0.26	0.44	0	1
Loss 2010	0.29	0.46	0	1
Loss 2011	0.23	0.42	0	1
Loss 2012	0.25	0.44	0	1
Industry	0.88	0.32	0	1
Industry 2010	0.88	0.32	0	1
Industry 2011	0.88	0.32	0	1
Industry 2012	0.88	0.32	0	1

Note – Observations for each variable is 333 and 111 for annual (2010, 2011, 2012) observations. All the amounts are in millions of naira (₦'m) and billions of naira (₦'bn).

The mean for managerial ownership is 3% which is quite very low compared to 27% of the findings of Mustapha (2009) and 34% of Haniffa and Hudaib (2006). These two studies were done in Malaysia where shareholding is not widely dispersed as companies are mostly family owned. Government ownership is very low with the means of 0.82%. The prevailing economy situation in the country demands a lot from the government and may be credited for the low level of government ownership. The disclosure level of the financial statements of the companies may also contribute to the low level reported. Except where the government is a block-holder, there is no information on the government ownership in most of the accounts.

The mean for individual block-holders is 8%. The Principal-principal Conflicts, changes in the shareholding of the second-largest shareholders has a mean of 0.11%. Further information is provided in table 5.1.7 on shareholding.

The mean for the board size is 8. All sampled companies have the board of directors within the range of 4 and 13 board members in years 2010 and 2011 and 5 and 14 in 2012. This is in compliance with the demand of the Nigerian code of corporate governance. SEC, 2011, section 4.1 and 4.2 directs that the size should be within the range of 5 and 15 in relation to the scale and complexity of the operations of the companies. All companies complied with the range of 5 to 15 in 2012.

The average board meetings for the sampled companies are 4. This is in compliance with the Nigerian code of corporate governance. SEC, 2011 in section 12.1 directs that companies' board of directors should meet at least once every quarter, 4 times a year.

The mean for the tenure of the chief executive officer is 6 years. There is no directive in respect of this in the SEC, 2011. However, experience shows that the tenure of the chief executive officer can have an impact on the corporate governance of a company.

The total assets of the sampled companies are averagely ₦31billion. Further details on the total assets of the companies are provided in Table 5.3.4. The company growth has 0.52.

The company complexity measured by the number of subsidiaries has a means of 3.53. The descriptive statistics on complexity shows that the sample for the study is wide enough to cater for small, medium and large companies. There are companies with only the head office but no subsidiaries (small), some with few subsidiaries (medium) and some with so many subsidiaries (large), all within a range of 1 and 31 subsidiaries. The mean for loss is 25.53%, and industry is 88.29%.

Table 5.1.7 presents the details of the shareholdings of the companies. 51.3% of them have up to ₦600million share capital in 2010 and 2011 but dropped to 49.5% in 2012. 16.2 % of the companies have between ₦600million and ₦1billion in 2010 but dropped to 14.4% in 2011 and 2012. 16.2% between ₦1billion and ₦2billion in 2010 and 2011 but increase to 18% in the year 2012. 16.2% are having between ₦2billion and above ordinary share capital. In 2010 and grew to 18% in 2011 and 2012.

Table 5.1.7
Shareholdings of the Companies

Naira (₦,m)	Year 2010		Year 2011		Year 2012	
	Frequency	**%**	**Frequency**	**%**	**Frequency**	**%**
10 – 50	7	6.3	7	6.3	7	6.3
50 – 100	6	5.4	6	5.4	6	5.4
100 – 150	9	8.1	8	7.2	8	7.2
150 - 300	15	13.5	16	14.4	16	14.4
300 – 600	20	18.0	20	18.0	18	16.2
600 – 1,000	18	16.2	16	14.4	16	14.4
1,000 - 2,000	18	16.2	18	16.2	20	18.0
2,000 and above	18	16.2	20	18.0	20	18.0
Total	**111**	**100.0**	**111**	**100.0**	**111**	**100.0**

Table 5.1.8 presents information about the year by year total assets of the companies. 25.3%, 24.32% and 18.02% of the companies held below ₦2.5billion total assets respectively in years 2010, 2011 and 2012. Likewise, 14.41%, 11.71%, and 18.92% held between ₦2.5billion and ₦5billion respectively in 2010, 2011 and 2012. Also, 10.81%, 11.71%, and 9.91% held between ₦5billion and ₦7.5billion respectively in 2010, 2011 and 2012. Similarly, 10.81%, 7.21% and 4.5% held between ₦7.5billion and ₦10billion, 11.71%, 15.32% and 14.41% held ₦10billion and ₦20billion. Likewise, 14.41%, 12.61%, and 17.12% held between ₦20billion and ₦50billion total assets, while 8.11%, 10.81% and 9.91% of the companies held between ₦50billion and ₦100billion and 4.5%, 6.31%, and 7.21% held more than ₦100billion total assets. This reflects further, the complexity of the companies in terms of the composition of their assets giving a range of ₦68.934million and ₦673.3666billion.

Table 5.1.8
Total Assets of the Companies

Naira (₦,tr)	**Year 2010**		**Year 2011**		**Year 2012**	
	Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
0 – 2.5	28	25.23	27	24.32	20	18.02
2.5 - 5	16	14.41	13	11.71	21	18.92
5 – 7.5	12	10.81	13	11.71	11	9.91
7.5 - 10	12	10.81	8	7.21	5	4.5
10 - 20	13	11.71	17	15.32	16	14.41
20 - 50	16	14.41	14	12.61	19	17.12
50 - 100	9	8.11	12	10.81	11	9.91
100 and above	5	4.5	7	6.31	8	7.21
Total	**111**	**100**	**111**	**100**	**111**	**100**

Table 5.1.9 presents the information on the internal audit costs of the companies for years 2010, 2011 and 2012. 64% of the companies expensed ₦20million and below for the year 2010, while the internal audit costs incurred by 31.5% of the companies

ranged between ₦21million and ₦40million in 2010. Only 4.5% of the companies spent between ₦41million and ₦60million on internal audit in 2010. 60.4% of the companies spent between ₦1million and ₦20million on internal audit in 2011. The cost of the internal audit for 30.6% of the companies is within the range of ₦21million and ₦40million while the remaining 9% companies spent between ₦1million and ₦20million naira in 2011. 57.7% of the sampled companies spent between ₦1million and ₦20million on internal audit in 2012. 34.2% of the companies spent within the range of ₦21million and ₦40million and the remaining 8.1% companies spent between ₦1million and ₦20million on internal audit in 2012.

Table 5.1.9
Internal Audit Costs of the Companies

Internal Audit Costs	Year 2010		Year 2011		Year 2012	
	Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
(₦'m) 1-20	71	64	67	60.4	64	57.7
(₦'m) 21-40	35	31.5	34	30.6	38	34.2
(₦'m) 41-60	5	4.5	10	9	9	8.1
Total	**111**	**100**	**111**	**100**	**111**	**100**

Table 5.1.10 presents the information in respect of the internal audit structure of the companies. It also reveals that in the year 2010, 76% of the sampled companies had in-house internal auditing. The companies with in-house internal auditing in 2011 and 2012 are respectively 63.1%% and 72.1%. Those that outsourced their internal auditing in 2010 were 17.1% and 15.3% in 2011 and 9% in 2012. 6.3% of the companies co-sourced their internal auditing while those that co-sourced in 2011 and 2012 respectively are 21.6% and 18.9%.

Table 5.1.10
Internal Audit Structure of the Companies

Internal Audit Structure	Year 2010		Year 2011		Year 2012	
	Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
In-house	85	76.6	70	63.1	80	72.1
Outsourcing	19	17.1	17	15.3	10	9
Co-sourcing	7	6.3	24	21.6	21	18.9
Total	**111**	**100**	**111**	**100**	**111**	**100**

Table 5.1.11 presents the information about the professional qualifications of the head of the departments of the internal auditors of the sampled companies. It reveals that all the listed companies' heads of internal audit departments are professional accountants with 80.1% from the Institute of Chartered Accountants of Nigeria.

Table 5.1.11
Professional Qualification of the Head of Internal Audit Departments of the Companies

	Professional Qualification	Frequency	Percent	Valid Percent
	Fellow Chartered Accountant	49	44.1	44.5
	Associate Chartered Accountant	40	36	36.4
	Fellow of the Institute of Internal Auditors	6	5.4	5.5
	Associate of the Institute of Internal Auditors	5	4.5	4.5
	Fellow of the Institute of National Accountant of Nigeria	2	1.8	1.8
	Associate of the Institute of National Accountant of Nigeria	3	2.7	2.7
	Members of other IFAC members.	5	4.5	4.5
	Total	**110**	**99.1**	**100**
Missing	System	1	0.9	
Total		111	100	

5.2 Overview and Preliminaries of Data Analysis

Following the collection of data for the study, the researcher prepared the data by setting up the structure of data file and entering data in Microsoft Excel. The data was thereafter exported to IBM SPSS 22 for screening and accuracy checking.

5.2.1 Data Preparation

The checking for unanswered questions was done at the point of collection for respondents to complete. Corrective actions were taken by those that were available at the point of collection. The technique helps to reduce the number of unanswered questions. Questionnaires were arranged and numbered; variables were coded both for primary and secondary data in readiness for entries into the computer applications used.

5.2.2 Data Cleaning

The researcher checked for typographical errors after inputting data (primary and secondary) in Microsoft Excel before exporting to the IBM SPSS version 22. The editing is meant to ensure that the researcher accurately and completely inputted the data into the computer. The descriptive analysis in the IBM SPSS version 22 application helps further cleaning of the data. It helps to discover and correct missing data and outliers.

5.2.2.1 Missing Data

Data may be missing for several reasons. Reasons for missing data include failure to answer because the respondent: 1) does not know the answer to the question. 2) is not comfortable answering the question. 3) perceives that the information required is confidential. 4) The questions are ambiguous or too many. 5) The missing data may be by design (Vriens & Melton, 2002). Schlomer, Bauman, and Card (2010) argue that it is essential to report and manage missing data for the proper understanding of the results of a study. The study claims that the report should include the nature and degree of the missing data as well as the method adopted to manage it in the process of data analysis. It also requires that researchers should justify why the method adopted is preferred to any other method applicable to manage missing data. The study also recommends SPSS as one of the statistical software packages useful to handle missing data but discourages deletion methods of handling missing data. This study used mean substitution, one of the non-stochastic imputation methods recommended by the study of Schlomer et al. (2010), to manage the missing data.

A total of 26 (0.55%) missing data were found after correcting typographical errors. The researcher replaced each affected variable indicator with the mean for the indicator as provided by IBM SPSS version 22. The frequency distribution of the data reveals the missing data while the descriptive mean statistics computes the mean used to transform the data replacing the missing data.

5.2.2.2 Outliers

The researcher screened for outliers after treating the missing data by running Mahalanobis distance in IBM SPSS version 22 linear regression and checking to the chi-square table. The primary data is free of outliers.

For secondary data, the study tests for outliers using a stem and leaf plot, avplot, and graph matrix in Stata 12 package. The stem-and-leaf plot shows some residuals that stick out, -3.33, -3.23, -3.03, -3.98, -3.91, and 3.68. These are possible outliers. The coefficient, standard errors and t-value shown for each variable by avplots helps to identify the presence of outliers if any. The graph matrix shows some data points that are far away from other data points. These are evidence of outliers. These results show that the secondary data is not free from outliers. Outliers are not unexpected of a panel data as outliers problems are more related to panel data settings (Bramati & Croux, 2007). The study of Bramati and Croux (2007), attributes this problem to the size of variables always involved in panel data settings. The study claims further that this could be from typographical errors, recording errors, and computational errors. The problems of outliers in panel data inform the development and recommendation of robust estimators for panel data. However, most of these robust estimators are majorly for heteroscedasticity and autocorrelation. Examples of such robust estimators are: 1) Robust Generalized Method of Moments (Dell'Aquila, Ronchetti, & Trojani, 2001). 2) Symmetrically Normalized General Method of Moments (Alonso-Borrego & Arellano, 1999), Panel-corrected Standard Errors (Beck & Katz, 1995), Robust Fixed Effects, MS Estimator (Maronna & Yohai, 2000).

Other reasons for the presence of outliers in panel data are unobserved country effects, model uncertainty and endogeneity (Naudé & Saayman, 2005). Even though country is not a variable for this study, there could be unobserved industry effects and unobserved regulatory effects within the country that affects the data collected for the study. Outliers are likely to be present also in data from a sample of listed companies with large variations across units (Arellano & Bond, 1991). The claim of Arellano and Bond (1991) fit into the data used for this study. Hence, the researcher did not delete any outlier in the secondary data. Also, because robust techniques require no preliminary data cleaning to produce reasonable estimates (Bramati & Croux, 2007) and this study uses panel-corrected standard errors.

5.2.3 Normality Test

Normality test was done after testing for outliers to certify if the data is normally distributed and appropriate for multivariate analysis proposed for the tests. It is expected that data for research should be from a normally distributed population (Abdi & Molin, 2007). The results of the various tests of normality ran for this study certifies that the data is with no serious indication of non-normality. Hence, the data is suitable for multivariate analysis.

5.2.4 Multicollinearity Test

Multicollinearity is a situation wherein two or more variables highly correlate with one another (Hair Jr, Hult, Ringle, & Sarstedt, 2014; pages 115 and 123). It results from usage of redundant indicators as an item to measure two or more constructs. Its occurrence may be because the items in the model for regression share a common trend (Gujarati, 2004). Hence, it is defined by Gujarati (2004) as "the existence of more than one exact linear relationship." Even though there is no perfect linear relationship, the occurrence of multicollinearity at a high level affects results of analyses (Gujarati, 2004). It boosts standard errors, which makes it impossible for a researcher to establish the significant variation of estimated weights of the affected variable from zero (Hair Jr et al., 2014). It can also cause an incorrect estimation of the weights of the affected variables and also reverse their signs (Hair Jr et al., 2014). It is, therefore, pertinent to have multicollinearity test as part of the preliminary tests for a research work.

This study, therefore, checked to identify the presence of multicollinearity in the independent variables as suggested by Hair, Sarstedt, Ringle, and Mena (2011). Tables 5.2.1 – 5.2.3 present Pearson Correlation for Panels A-C showing that the variables are not highly correlated as all are below 0.90 suggested by (Hair, Black, Babin, and Anderson (2010).

Table 5.2.1
Pearson Correlation for Panel A

Variables	**Monitoring Mechanisms**	**Managerial Ownership**	**Government Ownership**	**Individual Block-holders**	**Principal-principal Conflicts**	**Board Size**	**Board Meeting**	**CEO Tenure**	**Risk Management Committee**	**Board Independence**	**Board Gender**	**Compensation Structure**	**Company Size**	**Loss**	**Industry**	**Growth**	**Complexity**
Monitoring Mechanisms	1.00																
Managerial Ownership	-0.09	1.00															
Government Ownership	-0.04	-0.06	1.00														
Individual Block-holders	-0.13	0.67	-0.09	1.00													
Principal-principal Conflicts	0.07	0.01	0.01	-0.01	1.00												
Board Size	0.23	0.04	0.17	-0.13	0.03	1.00											
Board Meeting	0.32	0.01	-0.03	-0.04	-0.02	0.12	1.00										
CEO Tenure	0.04	0.28	-0.09	0.22	0.06	-0.02	-0.02	1.00									
Risk Management Committee	0.10	-0.03	0.00	-0.06	0.03	0.06	0.19	-0.04	1.00								
Board Independence	0.21	-0.09	0.15	-0.09	0.06	0.17	0.02	0.01	-0.02	1.00							
Board Gender	0.16	0.03	-0.14	-0.09	0.05	0.11	0.11	-0.08	0.07	0.09	1.00						
Compensation Structure	0.03	0.23	-0.23	0.18	0.01	-0.01	0.13	0.02	0.28	-0.15	0.15	1.00					
Company Size	0.64	-0.11	0.05	-0.18	0.12	0.25	0.25	-0.03	0.09	0.08	0.07	-0.03	1.00				
Loss	-0.20	-0.03	-0.07	-0.03	0.02	-0.16	-0.13	-0.01	-0.03	0.01	-0.02	-0.03	-0.18	1.00			
Industry	0.09	-0.11	0.08	-0.20	0.02	0.00	-0.14	-0.11	-0.03	0.09	0.14	-0.01	0.12	0.04	1.00		
Growth	0.02	0.01	0.00	0.01	0.04	0.02	0.10	0.01	0.17	0.11	0.13	0.03	0.01	0.03	0.01	1.00	
Complexity	0.64	-0.02	-0.06	-0.02	0.03	0.13	0.21	0.22	0.11	0.09	0.08	0.15	0.53	-0.05	0.02	0.01	1.00

Table 5.2.2
Pearson Correlation for Panel B

Variables	**Quality-differentiated Auditor**	**Managerial Ownership**	**Government Ownership**	**Individual Block-holders**	**Principal-Principal Conflicts**	**Board Size**	**Board Meeting**	**CEO Tenure**	**Risk Management Committee**	**Board Independence**	**Board Gender**	**Compensation Structure**	**Company Size**	**Loss**	**Industry**	**Growth**	**Complexity**
Quality-differentiated Auditors	1.00																
Managerial Ownership	-0.04	1.00															
Government Ownership	0.00	-0.06	1.00														
Individual Block-holders	-0.17	0.67	-0.09	1.00													
Principal-principal Conflicts	0.14	0.01	0.01	-0.01	1.00												
Board Size	0.07	0.04	0.17	-0.13	0.03	1.00											
Board Meeting	0.17	0.01	-0.03	-0.04	-0.02	0.12	1.00										
CEO Tenure	-0.15	0.28	-0.09	0.22	0.06	-0.02	-0.02	1.00									
Risk Management Committee	0.22	-0.03	0.00	-0.06	0.03	0.06	0.19	-0.04	1.00								
Board Independence	0.10	-0.09	0.15	-0.09	0.06	0.17	0.02	0.01	-0.02	1.00							
Board Gender	0.09	0.03	-0.14	-0.09	0.05	0.11	0.11	-0.08	0.07	0.09	1.00						
Compensation Structure	0.23	0.23	-0.23	0.18	0.01	-0.01	0.13	0.02	0.28	-0.15	0.15	1.00					
Company Size	0.27	-0.11	0.05	-0.18	0.12	0.25	0.25	-0.03	0.09	0.08	0.07	-0.03	1.00				
Loss	-0.17	-0.03	-0.07	-0.03	0.02	-0.16	-0.13	-0.01	-0.03	0.01	-0.02	-0.03	-0.18	1.00			
Industry	0.09	-0.11	0.08	-0.20	0.02	0.00	-0.14	-0.11	-0.03	0.09	0.14	-0.01	0.12	0.04	1.00		
Growth	0.12	0.01	0.00	0.01	0.04	0.02	0.10	0.01	0.17	0.11	0.13	0.03	0.01	0.03	0.01	1.00	
Complexity	0.21	-0.02	-0.06	-0.02	0.03	0.13	0.21	0.22	0.11	0.09	0.08	0.15	0.53	-0.05	0.02	0.01	1.00

Table 5.2.3

Pearson Correlation for Panel C

Variables	**Monitoring Mechanisms**	**Managerial Ownership**	**Government Ownership**	**Individual Block-holders**	**Principal-Principal Conflicts**	**Board Size**	**Board Meeting**	**CEO Tenure**	**Risk Management Committee**	**Board Independence**	**Board Gender**	**Compensation Structure**	**Company Size**	**Loss**	**Industry**	**Growth**	**Complexity**	**Quality-differentiated Auditor**
Monitoring Mechanisms	1.00																	
Managerial Ownership	-0.09	1.00																
Government Ownership	-0.04	-0.06	1.00															
Individual Block-holders	-0.13	0.67	-0.09	1.00														
Principal-principal Conflicts	0.07	0.01	0.01	-0.01	1.00													
Board Size	0.23	0.04	0.17	-0.13	0.03	1.00												
Board Meeting	0.32	0.01	-0.03	-0.04	-0.02	0.12	1.00											
CEO Tenure	0.04	0.28	-0.09	0.22	0.06	-0.02	-0.02	1.00										
Risk Management Committee	0.10	-0.03	0.00	-0.06	0.03	0.06	0.19	-0.04	1.00									
Board Independence	0.21	-0.09	0.15	-0.09	0.06	0.17	0.02	0.01	-0.02	1.00								
Board Gender	0.16	0.03	-0.14	-0.09	0.05	0.11	0.11	-0.08	0.07	0.09	1.00							
Compensation Structure	0.03	0.23	-0.23	0.18	0.01	-0.01	0.13	0.02	0.28	-0.15	0.15	1.00						
Company Size	0.64	-0.11	0.05	-0.18	0.12	0.25	0.25	-0.03	0.09	0.08	0.07	-0.03	1.00					
Loss	-0.20	-0.03	-0.07	-0.03	0.02	-0.16	-0.13	-0.01	-0.03	0.01	-0.02	-0.03	-0.18	1.00				
Industry	0.09	-0.11	0.08	-0.20	0.02	0.00	-0.14	-0.11	-0.03	0.09	0.14	-0.01	0.12	0.04	1.00			
Growth	0.02	0.01	0.00	0.01	0.04	0.02	0.10	0.01	0.17	0.11	0.13	0.03	0.01	0.03	0.01	1.00		
Complexity	0.64	-0.02	-0.06	-0.02	0.03	0.13	0.21	0.22	0.11	0.09	0.08	0.15	0.53	-0.05	0.02	0.01	1.00	
Quality-differentiated Auditors	0.30	-0.04	0.00	-0.17	0.14	0.07	0.17	-0.15	0.22	0.10	0.09	0.23	0.27	-0.17	0.09	0.12	0.21	1.00

Table 5.2.4 presents the variance inflation factor (VIF). VIF also confirms low multicollinearity as the VIF values for Panels A, B, and C are respectively 1.39, 1.39, and 1.42. The VIF values are less than 5, and the tolerance are all greater than 20 as suggested by Hair et al. (2011).

Table 5.2.4
Variance Inflation Factors (VIF)

Variable	**Panel A**		**Panel B**		**Panel C**	
	VIF	**1/VIF**	**VIF**	**1/VIF**	**VIF**	**1/VIF**
Managerial Ownership	2.08	0.482	2.08	0.482	2.11	0.473
Government Ownership	2.05	0.488	2.05	0.488	2.13	0.469
Individual Block-holders	1.69	0.592	1.69	0.592	1.71	0.583
Principal-principal Conflicts	1.62	0.617	1.62	0.617	1.64	0.610
Board Size	1.31	0.763	1.31	0.763	1.37	0.732
Board Meeting	1.23	0.815	1.23	0.815	1.27	0.788
CEO Tenure	1.20	0.835	1.20	0.835	1.20	0.831
Risk Management Committee	1.18	0.850	1.18	0.850	1.18	0.848
Board Independence	1.17	0.857	1.17	0.857	1.18	0.847
Board Gender	1.16	0.866	1.16	0.866	1.16	0.866
Compensation Structure	1.14	0.875	1.14	0.875	1.14	0.874
Company Size	1.14	0.881	1.14	0.881	1.14	0.880
Loss	1.11	0.902	1.11	0.902	1.12	0.890
Industry	1.08	0.925	1.08	0.925	1.11	0.900
Growth	1.07	0.937	1.07	0.937	1.08	0.928
Complexity	1.04	0.963	1.04	0.963	1.06	0.947
Quality-differentiated Auditors					1.34	0.744
Mean VIF	1.33		1.33		1.35	

5.2.5 Heteroscedasticity and Reason for using Panel-corrected Standard Errors (PCSEs).

A heteroscedasticity problem has to do with the variations in the estimated slope parameters and their significance to determining the validity of the data for a research work (Koenker & Bassett Jr., 1982). It can arise with the presence of outliers in a set of data, omission of important variables from the data model, skewness in regressor's distribution in the model and incorrect data transformation

(Gujarati, 2004). The presence of heteroscedasticity in investigation data results in biased estimated standard errors, thereby leading to invalid inferences (Breusch & Pagan, 1979). Researchers normally assess heteroscedasticity problem using White test or Breusch and Pagan Lagrangian Multiplier (LM) test for random effects. Either Estimated Generalized Least Squares (EGLS) or Feasible Generalized Least Squares (FGLS) helps to fix the heteroscedasticity problems (Yaffee, 2003; Gujarati, 2004). Other tools for correction of heteroscedasticity are Panel-corrected Standard Errors (PCSE) (Bailey & Katz, 2011), and fixed effects estimator with robust standard errors (Kristensen & Wawro, 2003). The test of Breusch and Pagan LM reveals the presence of heteroscedasticity giving a significant result. The researcher, therefore, chose to analyse the data using PCSE to fix the heteroscedasticity problem.

5.2.6 Autocorrelations

Autocorrelation refers to an instance whereby the outcomes of two variables relate to each other and may render results invalid. Table 5.2.4 presents the summary of the results of the regression for Panel A indicating no autocorrelation among the variables in the model.

Table 5.2.5
Summary of Panel Results

Linear regression, correlated panels corrected standard errors (PCSEs)		
Group variable: SN	Number of obs =	333
Time variable: YEAR	Number of groups =	111
Panels: correlated (balanced)	Obs per group: min =	3
Autocorrelation: no autocorrelation	avg =	3
	max =	3
Estimated covariances = 6216	R-squared =	0.4179
Estimated autocorrelations = 0	Wald chi2(8) =	281.32
Estimated coefficients = 17	Prob > chi2 =	0.0000

5.3 Demographic Information of the Respondents

This section presents the general information about the respondents. These are the designations of the respondents, their working experience, how long they have been with their current companies, their sex, and nationality. The details are as follows:

5.3.1 Respondents' Position

The targets for the study encompass the companies' internal auditors, heads of account department and company secretaries. Table 5.3.1 presents the information in respect of the position of the respondents.

Table 5.3.1
The Designations of the Respondents

Designation	Frequency	Percent
Internal Auditor	54	48.6
Accountant	43	38.7
Company Secretary	14	12.6
Total	**111**	**100**

5.3.2 Respondents' Years with the Company

Table 5.3.2 presents the results of the years the respondents had been with the companies. The result indicates that 46.8% of the respondents have been with their companies for 1 to 5 years, 36% for 6-10 years, 8.1% each for 11 to 15 years and 16 to 20 years. Only 0.9% of the respondents have been working with their companies for more than 20 years.

Table 5.3.2
Years of the Respondents with the Company

Years with the Company	Frequency	Percent
1-5 years	52	46.8
6-10 years	40	36
11-15 years	9	8.1
16-20 years	9	8.1
20 years and above	1	0.9
Total	**111**	**100**

5.3.3 Respondents' Working Experience

Table 5.3.3 shows the results of the working experience of the respondents. The result shows that the total life working experience of 11.7% of the respondents ranges between 1 and 5 years, 6 and 10 years for 39.6%, 11 to 15 years for 25.2%, 16-20 years for 14.4%. Only 9% of the respondents have more than twenty years total life working experience.

Table 5.3.3
The Working Experience of the Respondents

Working Experience	Frequency	Percent
1-5 years	13	11.7
6-10 years	44	39.6
11-15	28	25.2
16-20	16	14.4
20 and above	10	9
Total	**111**	**100**

5.3.4 Respondents' Gender

Table 5.3.4 presents the information regarding the gender of the respondents. It shows that 80.2% of the respondents are men while the remaining 19.8% are females.

Table 5.3.4
The Designations of the Respondents

Gender of the Respondents	Frequency	Percent
Male	89	80.2
Female	22	19.8
Total	**111**	**100**

5.3.5 Respondents' Nationality

Almost all the respondents are Nigerians with only 2.7% foreigners as shown in table 5.3.5.

Table 5.3.5
The Nationalities of the Respondents

Nationality	Frequency	Percent
Nigerian	108	97.3
Others	3	2.7
Total	**111**	**100**

5.4 Results

The study ran pool, fixed effect, random effect and panel-corrected standard errors (PCSEs) regressions for the multivariate tests of the hypotheses (Appendix D). However, PCSEs was chosen because of its robustness nature (Beck & Katz, 1995). PCSEs is characterized by the ability to correct for heteroscedasticity and autocorrelation (Bailey & Katz, 2011). The PCSEs results show that the data for the study is with no autocorrelation problem. The results using PCSEs regressions for Panel A as proposed in paragraph 4.7.1 of chapter four of this study are as follows:

5.4.1 Results of Panel A: Monitoring Mechanisms and Organizational Attributes (C-Path)

Panel A hypothesized that managerial ownership, and compensation structure, each relates negatively to the demand for monitoring mechanisms (directorship, internal, and external auditing). It also hypothesized that board size relates significantly to the demand for monitoring mechanisms (directorship, internal, and external auditing). It further hypothesized that government ownership, individual block ownership, and type II agency problem, each relates positively with the demand for monitoring mechanisms (directorship, internal, and external auditing). Likewise, it hypothesized that each of the following board composition and activities relates positively to the demand for monitoring mechanisms (directorship, internal, and external auditing) – board meetings, CEO tenure, risk management committee, independent directors, and female directors.

The R^2 of the PCSEs regression for the direct relationship between organizational attributes (OAs) and monitoring mechanisms is 41.79%. It is 30.41, 17.0 and 49.05 respectively for the relationship between OAs and directorship, internal, and external auditing. The F ratio is significant ($p<0.0000$) for all the relationship. The results signify that the regression models for the relationship between organizational attributes and aggregate monitoring mechanisms as well as directorship, internal, and external auditing fit the data. The results also indicate the existence of a linear relationship in each of the models.

Table 5.4.1 presents the results from the PCSEs regression for hypotheses 1 to 3. The results of the direct relationship between organizational attributes and monitoring mechanisms support hypotheses H_{1a}, H_{1c}, H_{2a}, H_{2b}, H_{2e}, H_{2f}, and H_3. The result shows that hypothesis H_{1b} is significant but in the opposite direction. It also reveals that hypotheses H_{1d}, H_{2c}, and H_{2d} are in the right direction. It also provides evidence in support of hypotheses H_{1ai}, H_{1ci}, H_{2ai}, H_{2bi}, H_{2ci}, H_{2ei}, H_{2fi}, and H_{3i} in the relationship of organizational attributes and directorship as a monitoring mechanism.

It also shows that hypothesis H_{2di} is in the right direction while H_{1di} is in the opposite direction. The result shows that hypothesis H_{1bi} is significant but in the opposite direction. The result is also in support of hypotheses H_{1dii}, H_{2cii}, H_{2dii}, H_{2eii}, H_{2fii}, and $H_{3ii.}$ It also reveals that hypothesis H_{2aii} and H_{2bii} are in the right direction. The result shows that hypotheses H_{1aii} H_{1bii} H_{1cii} are significant but in the opposite direction. Likewise, it supports hypotheses H_{1aiii}, $H_{1ciii,}$ H_{1diii}, H_{2biii}, and H_{3iii}. It also shows that H_{2aiii} and H_{2eiii} are in the right direction. Hypotheses H_{1biii}, H_{2ciii}, and H_{2fiii} are significant but in the opposite direction.

The study used beta coefficients for the relative importance of the independent variables in the equations. Evaluation by beta helps to identify the contributions of each independent variable to the prediction of the dependent variable (monitoring mechanisms) in the model. The strength of the contribution of a variable reflects the size of its contribution when the study controls for all the variables in the model. The results specify that the board gender has the highest contribution to the: 1) monitoring mechanisms with a beta of ₦55.751m (41.04%); 2) directorship with a beta of ₦60.511m (44.54%); 3) internal auditing with a beta of ₦12.665m (9.32%). However, board meeting contributes the highest to the external auditing with a beta of ₦2.424m (4.86%). Furthermore, control variable, complexity contributes the highest even much more than the board meeting. It has a beta of ₦25.241m.

Table 5.4.1
PCSEs Regressing Monitoring Mechanisms (MM), and each of its dimensions, Directorship (NEDIR), Internal Auditing (IA) and External Auditing (EA) as well as the Quality Differentiated Auditors (QDA) on the Independent and Control Variables

Variables	**Monitoring Mechanisms**	**Directorship**	**Internal Auditing**	**External Auditing**
Managerial Ownership	-0.761***	-0.693***	0.200***	-0.269***
	(0.207)	(0.183)	(0.029)	(0.025)
Government Ownership	-2.324***	-1.237***	-0.530***	-0.556***
	(0.375)	(0.166)	(0.080)	(0.219)
Individual Block-holders	0.426***	0.404***	-0.089***	0.112***
	(0.147)	(0.135)	(0.014)	(0.017)
Principal-principal Conflicts	1.197	-1.535	0.611**	2.120*
	(1.838)	(1.504)	(0.270)	(1.473)
Board Size	1.100**	1.002***	-0.185	0.284
	(0.485)	(0.325)	(0.148)	(0.203)
Board Meetings	11.156**	8.357***	0.375	2.424***
	(4.579)	(3.413)	(0.486)	(0.993)
CEO Tenure	0.047	0.278*	0.182***	-0.412***
	(0.185)	(0.204)	(0.070)	(0.065)
Risk Management Committee	3.734	0.699	3.861***	-0.826
	(3.082)	(2.944)	(0.654)	(-0.765)
Board Independence	39.568***	33.688***	5.522***	0.360
	(9.072)	(6.957)	(2.096)	(1.633)
Board Gender	55.751***	60.511***	12.665***	-17.428***
	(19.400)	(14.837)	(2.272)	(5.366)
Compensation Structure	-11.386***	-4.936*	-1.687***	-4.763***
	(4.558)	(3.391)	(0.478)	(1.682)
Company Size	14.447***	6.837***	0.690**	6.920***
	(1.821)	(0.784)	(0.353)	(0.831)
Loss	-15.828***	-8.994***	-5.627***	-1.207*
	(3.679)	(2.272)	(1.286)	(0.675)
Industry	16.037***	6.413***	3.027***	6.596***
	(3.649)	(2.411)	(0.326)	(1.289)
Growth	-2.557***	-1.772***	-0.281**	-0.504***
	(0.386)	(0.283)	(0.121)	(0.158)
Complexity	25.241***	16.618***	-0.214	8.837***
	(3.296)	(2.299)	(0.288)	(1.928)
Constant	-375.142***	-213.122***	-2.489	-159.546***
	(40.031)	(15.574)	(8.379)	(18.578)
R-squared	0.418	0.304	0.170	0.491

Note: *** significant at 1% level; ** significant at 5% level; * significant at 10% level
n=333; SN=111

5.4.1.1 Organizational Attributes and Monitoring Mechanisms

Table 5.4.2 presents the details about aggregate monitoring mechanisms. The test variables, Managerial Ownership (β=0.761, z=3.68), Individual block-holders (β=0.426, z=2.9), Board Size (β=1.100, z=2.27), Board Meetings (β=11.156, z=2.44), Board Independence (β=39.568, z=4.36), Board Gender (β=55.751, z=2.87), and Compensation Structure (β=11.386, z=2.5) are significant in the right direction for the relationship. Government Ownership (β=2.324, z=6.2) is significant but in the opposite direction. Principal-principal conflicts (β=1.197, z=0.65), CEO tenure (β=0.047, z=0.26), and Risk Management Committee (β=3.734, z=1.21) are also in the right direction.

Control variables, company size (β=14.447, z=7.93), industry (β=16.037, z=4.39), and complexity (β=25.241, z=7.66) have positive significant impacts, while loss (β=15.828 z=4.30), growth (β=2.557, z=6.62) have negative significant impacts on the construct, monitoring mechanisms. Complexity contributes highest among control variables with a beta value of ₦25.241m (18.5%). The findings on company size, loss, industry, growth, and complexity are consistent with agency theory and the results of Mustapha (2009), Swastika (2013), Alzharani et al. (2011) and Adeyemi and Fagbemi (2010).

Baron and Kenny (1986) suggest that the independent variables must affect the dependent variables to establish mediation effect of a mediator. Organizational attributes, managerial ownership, government ownership, individual block-holders, board size, board meeting, board independence, board gender, and compensation structure meet this condition. Likewise, control variables – company size, loss, industry, growth and complexity also meet the condition. Hence, the results suggest possible mediation on the relationship between the organizational attributes and aggregate monitoring mechanisms.

Table 5.4.2
PCSEs Regression of Direct Relationship between the construct, Monitoring Mechanisms and Organizational Attributes (Independent and Control Variables)

Monitoring Mechanisms	**Prediction**	**Coef.**	**Std. Err.**	**z**	**P>z**	**Remark**
Managerial Ownership	-	-0.761	0.207	-3.68	0.000	Supported
Government Ownership	+	-2.324	0.375	-6.20	0.000	Not Supported
Individual Block-holders	+	0.426	0.147	2.90	0.002	Supported
Principal-principal Conflicts	+	1.197	1.838	0.65	0.258	Not Significant
Board Size	±	1.100	0.485	2.27	0.023	Supported
Board Meeting	+	11.156	4.579	2.44	0.008	Supported
CEO Tenure	+	0.047	0.185	0.26	0.399	Not Significant
Risk Management Committee	+	3.734	3.082	1.21	0.113	Not Significant
Board Independence	+	39.568	9.072	4.36	0.000	Supported
Board Gender	+	55.751	19.400	2.87	0.002	Supported
Compensation Structure	-	-11.386	4.558	-2.50	0.006	Supported
Company Size		14.447	1.821	7.93	0.000	
Inherent Risks		-15.828	3.679	-4.30	0.000	
Industry		16.037	3.649	4.39	0.000	
Growth		-2.557	0.386	-6.62	0.000	
Complexity		25.241	3.296	7.66	0.000	
_cons		-375.142	40.031	-9.37	0.000	

NOTE: n=333; SN=111

5.4.1.2 Organizational Attributes and Directorship as a Monitoring Mechanism

Table 5.4.3 presents the results from PCSEs regression for the relationship between organizational attributes and directorship as a monitoring mechanism. The test variables, Individual Block-holders (β=0.404, z=2.98), Board Size (β=1.002, z=3.08), Board Meeting (β=8.357, z=2.45), CEO Tenure (β=0.278, z=1.37), Board Independence (β=33.688, z=4.84), and Board Gender (β=60.511, z=4.08) have positive significant impacts; Managerial Ownership (β=0.693, z=3.79) and Compensation Structure (β=4.936, z=1.46) have negative significant impacts on directorship all in the right direction. Government Ownership (β=1.237, z=7.45) is significant but in the opposite direction. Risk Management Committee (β=0.699, z=0.24) is also in the right direction. However, CEO tenure and Compensation Structure become significant with a two-tails test giving a p-value of 0.086 and 0.073 respectively.

Control variables, company size (β=6.837, z=8.72), industry (β=6.413, z=2.66), and complexity (β=16.618, z=7.23) have significant positive impacts on directorship. Loss (β=8.994, z=3.96) and growth (β=1.772, z=6.25) are with negative significance in their relationship with directorship. Complexity contributes the highest among control variables with a beta value of ₦16.6m (12.23%). The findings on company size, industry, and complexity are consistent with agency theory and the results of Mustapha (2009), Swastika (2013), Alzharani et al. (2011) and Adeyemi and Fagbemi (2010).

Organizational attributes, managerial ownership, government ownership, individual block-holders, board size, board meetings, CEO tenure, board independence, board gender, and compensation structure meet the first condition of Baron and Kenny (1986). Likewise, control variables – company size, loss, industry, growth and complexity meet the condition. Hence, the results suggest possible mediation on the relationship between the organizational attributes and directorship as a monitoring mechanism.

Table 5.4.3

PCSEs Regression of direct Relationship between Directorship (a dimension of construct monitoring mechanisms) and Organizational Attributes.

Directorship	Prediction	Coef.	Std. Err.	z	P>z	Remark
Managerial Ownership	-	-0.693	0.183	-3.79	0.000	Supported
Government Ownership	+	-1.237	0.166	-7.45	0.000	Not Supported
Individual Block-holders	+	0.404	0.135	2.98	0.002	Supported
Principal-principal Conflicts	+	-1.535	1.504	-1.02	0.154	Not Significant
Board Size	±	1.002	0.325	3.08	0.002	Supported
Board Meetings	+	8.357	3.413	2.45	0.007	Supported
CEO Tenure	+	0.278	0.204	1.37	0.086	Supported
Risk Management Committee	+	0.699	2.944	0.24	0.406	Not Significant
Board Independence	+	33.688	6.957	4.84	0.000	Supported
Board Gender	+	60.511	14.837	4.08	0.000	Supported
Compensation Structure	-	-4.936	3.391	-1.46	0.073	Supported
Company Size		6.837	0.784	8.72	0.000	
Loss		-8.994	2.272	-3.96	0.000	
Industry		6.413	2.411	2.66	0.004	
Growth		-1.772	0.283	-6.25	0.000	
Complexity		16.618	2.299	7.23	0.000	
_cons		-213.122	15.574	-13.68	0.000	

NOTE: n=333; SN=111

5.4.1.3 Organizational Attributes and Internal Auditing as a Monitoring Mechanism

Table 5.4.4 presents the results from PCSEs regression for the relationship between organizational attributes and internal auditing as a monitoring mechanism. The test variables, Principal-principal Conflicts (β=0.611, z=2.26), CEO Tenure (β=0.182, z=2.59), Risk Management Committee (β=3.861, z=5.91), Board Independence (β=5.522, z=2.63), Board Gender (β=12.665, z=5.57), and Compensation Structure (β=1.687, z=3.53) are significant in the right direction for the relationship between organizational attributes and the construct's dimension, internal auditing. Managerial Ownership (β=0.200, z=6.79), Government Ownership (β=0.530, z=6.59), and Individual block-holders (β=0.089, z=6.44), are significant but in the opposite direction. Board Size (β=0.185, z=1.25) and Board Meeting (β=0.375, z=0.77), are also in the right direction.

Control variables, company size (β=0.690, z=1.96), and industry (β=3.027, z=9.27) have significant positive impact on the construct's dimension, internal auditing. Loss (β=5.627, z=4.38), growth (β=0.281, z=2.33), and complexity (β=0.214, z=0.74) are with negative significance in the relationship with internal auditing. Industry contributes the highest among control variables with a beta value of ₦3m. The findings on company size and industry are consistent with agency theory and the results of Mustapha (2009), Swastika (2013), Alzharani et al. (2011) and Adeyemi and Fagbemi (2010).

Organizational attributes, managerial ownership, government ownership, individual block-holders, principal-principal conflicts, CEO tenure, risk management committee, board independence, board gender, and compensation structure meet the first condition of Baron and Kenny (1986). Likewise, control variables – company size, loss, industry, and growth meet the condition. Hence, the results suggest possible mediation on the relationship between the organizational attributes and internal auditing as a monitoring mechanism.

Table 5.4.4
PCSEs Regression of Direct Relationship between Internal Auditing (a dimension of construct monitoring mechanisms) and Organizational Attributes

Internal Auditing	**Prediction**	**Coef.**	**Std. Err.**	**z**	**P>z**	**Remark**
Managerial Ownership	-	0.200	0.029	6.79	0.000	Not Supported
Government Ownership	+	-0.530	0.080	-6.59	0.000	Not Supported
Individual Block-holders	+	-0.089	0.014	-6.44	0.000	Not Supported
Principal-principal Conflicts	+	0.611	0.270	2.26	0.012	Supported
Board Size	±	-0.185	0.148	-1.25	0.210	Not Significant
Board Meetings	+	0.375	0.486	0.77	0.220	Not Significant
CEO Tenure	+	0.182	0.070	2.59	0.005	Supported
Risk Management Committee	+	3.861	0.654	5.91	0.000	Supported
Board Independence	+	5.522	2.096	2.63	0.004	Supported
Board Gender	+	12.665	2.272	5.57	0.000	Supported
Compensation Structure	-	-1.687	0.478	-3.53	0.000	Supported
Company Size		0.690	0.353	1.96	0.026	
Loss		-5.627	1.286	-4.38	0.000	
Industry		3.027	0.326	9.27	0.000	
Growth		-0.281	0.121	-2.33	0.010	
Complexity		-0.214	0.288	-0.74	0.229	
_cons		2.488	8.379	0.30	0.388	

NOTE: n=333; SN=111

5.4.1.4 Organizational Attributes and External Auditing as a Monitoring Mechanism

Table 5.4.5 presents the results from PCSEs regression for the relationship between organizational attributes and external auditing. The test variables, Managerial Ownership (β=0.269, z=10.63), Individual block-holders (β=0.112, z=6.7), Principal-principal Conflicts (β=2.120, z=1.44), Board Meeting (β=2.424, z=2.44), and Compensation Structure (β=4.763, z=2.83) are significant in the right direction for the relationship between organizational attributes and the construct's dimension, external auditing. Government Ownership (β=0.556, z=2.54), CEO tenure (β=0.412, z=6.35), and Board Gender (β=17.428, z=3.25) are significant but in the opposite direction. Board Size (β=0.284, z=1.40) and Board independence (β=0.360, z=0.22) are in the right direction but with no statistical relevance. Principal-principal Conflicts become significant with a two-tails test giving a p-value of 0.075

Control variables, company size (β=6.920, z=8.32), industry (β=6.596, z=5.12), and complexity (β=8.837, z=4.58) have significant positive impact on the construct's dimension, external auditing. Loss (β=1.207, z=1.79) and growth (β=0.504, z=3.19) are with negative significance in the relationship with external auditing. Complexity contributes highest among control variables with a beta value of ₦8.8m. The findings on company size, industry, and complexity are consistent with agency theory and the results of Mustapha (2009), Swastika (2013), Alzharani et al. (2011) and Adeyemi and Fagbemi (2010).

Organizational attributes, managerial ownership, government ownership, individual block-holders, principal-principal conflicts, board meetings, CEO tenure, board gender, and compensation structure meet the first condition of Baron and Kenny (1986). Likewise, control variables – company size, loss, industry, growth, and complexity meet the condition that independent variables must affect the dependent variables. Hence, the results suggest the likelihood of mediation in the relationship between the organizational attributes, and external auditing as a monitoring mechanism.

Table 5.4.5

PCSEs Regression of Direct Relationship between External Auditing (a dimension of construct monitoring mechanisms) and Organizational Attributes

External Auditing	Prediction	Coef.	Std. Err.	z	P>z	Remark
Managerial Ownership	-	-0.269	0.025	-10.63	0.000	Supported
Government Ownership	+	-0.556	0.219	-2.54	0.006	Not Supported
Individual Block-holders	+	0.112	0.017	6.70	0.000	Supported
Principal-principal Conflicts	+	2.120	1.473	1.44	0.075	Supported
Board Size	±	0.284	0.203	1.40	0.162	Not Significant
Board Meetings	+	2.424	0.993	2.44	0.008	Supported
CEO Tenure	+	-0.412	0.065	-6.35	0.000	Not Supported
Risk Management Committee	+	-0.826	0.765	-1.08	0.140	Not Significant
Board Independence	+	0.360	1.633	0.22	0.413	Not Significant
Board Gender	+	-17.428	5.366	-3.25	0.001	Not Supported
Compensation Structure	-	-4.763	1.682	-2.83	0.003	Supported
Company Size		6.920	0.831	8.32	0.000	
Loss		-1.207	0.675	-1.79	0.037	
Industry		6.596	1.289	5.12	0.000	
Growth		-0.504	0.158	-3.19	0.001	
Complexity		8.837	1.928	4.58	0.000	
_cons		-159.546	18.578	-8.59	0.000	

NOTE: n=333; SN=111

It is worthy to note that the issue of significance may not affect the possibility of mediation in any of the above relationship. The expectation by the studies of Baron and Kenny (1986) is that the direct relationship between the independent and dependent variables should be significant to establish mediation. However, there have been studies thereafter, suggesting that significant relationship between independent and dependent variables may not be necessary to establish a mediation effect on the relationship between two variables (Zhao et al., 2010; Hayes, 2009). Hence, even though this study fails to establish an association between some of the organizational attributes and dependent variable construct, monitoring mechanisms

(MM) or any of its dimensions, directorship (NEDIR), internal auditing (IA) and external auditing (EA), mediation by quality-differentiated auditors may still exist. The basis for this is the extant literature in which such variables had tested significant. Also, some of them tested significant with univariate regression analysis detailed in section 5.5.2. The affected organizational attributes in the relationship with MM, in this case, are: independent variables, 1) principal-principal conflicts (PPC). 2) CEO tenure (CEOT). 3) risk management committee (RMC). The affected variables in the relationship with NEDIR are PPC and RMC. Those affected in the relationship with IA are board size (BS), and board meeting. The affected variables in the relationship with the external auditing are BS, RMC, and BI.

Except for the relationship between complexity and internal auditing, no control variable fall into this category in relationship with the dependent variable construct, monitoring mechanisms and construct's dimensions, directorship and external auditing. All control variables except complexity <- internal auditing are significant in the four models in Panel A.

All variables were therefore tested for mediation following Zhao et al. (2010) and Hayes, (2009), because of evidence of significant relationship with the construct and/or construct’s dimensions in extant literature and further tests carried out by this study.

5.4.2 Results of Panel B: Quality-differentiated Auditors and Organizational Attributes (A-Path)

Panel B hypothesized that organizational attributes (ownership structure – government, individual shareholders and Principal-principal Conflicts), the board of directors' composition and activities (board size, board meeting, CEO tenure, risk management committee, board independence, board gender), and compensation structure significantly affect quality-differentiated auditors (QDAs) positively. Only managerial ownership is expected to significantly and negatively affects QDAs. It also controls for the effects of company size, loss, industry, growth, and complexity on QDAs.

Table 5.4.6, presents the results of the logistic regression of quality-differentiated auditors (QDA) as a dependent variable on organizational attributes (OAs). The study uses logistic regression for the relationship between OAs and QDA because QDA is dichotomous and it is the dependent variable in these relationship. It reports the logistic regression for hypotheses 4_{1a} to 4_{3}. The results support hypotheses 4_{1d}, 4_{2a}, 4_{2d}, 4_{2e} and 4_{3}. The relationship of QDA and organizational attributes [managerial ownership (MO – β=3.5%, z=1.65), principal-principal conflicts (PPC – β=57.9%, z=2.0), Risk Management Committee (RMC – β-65.9%, z=2.14), board independence (BI – β=87.4%, z=1.42, p=0.078 and compensation structure (CS – β=115.6%, z=3.31)] are positively significant to QDA. Organizational attributes, individual block-holders (IB – β=2.9%, z=2.19), board size (BS – β=21.1%, z=2.68), and CEO tenure (CEOT – β=7.2%, z=2.48) are negatively significant to QDA. Control variable, company size (β=69.9%, z=5.43)) also has a significant positive relationship with quality-differentiated auditors (QDA). The results are consistent with the second condition expected following (Baron & Kenny, 1986) that independent variables must affect the mediator. The log likelihood of the logistic regression is -160.07628 and the F ratio is significant (p<0.0000). Therefore, the results suggest a likelihood of mediating effects of QDA on the relationship between organizational attributes (MO, PPC, RMC, BI, CS, IB, BS, CEOT, and Cz) and dependent variable construct, monitoring mechanisms as well as construct's dimensions (directorship, internal, and external auditing).

The results from beta coefficients specify that compensation structure contributes the highest to the quality-differentiated auditors (QDA). Board independence is next to it, followed by risk management committee and principal-principal conflict. Company size is the only control variable that has a significant relationship with QDA. It contributes highest among variables that have significant relationship with QDA with a beta value of 69.9%.

Table 5.4.6
Logistic regression of direct relationship between organizational attributes and quality-differentiated auditors

Quality-differentiated Auditors	**Prediction**	**Coef.**	**Std. Err.**	**z**	**P>z**	**Remark**
Managerial Ownership	-	0.035	0.021	1.65	0.050	Not Supported
Government Ownership	+	0.002	0.048	0.03	0.488	Not Significant
Individual Block-holders	+	-0.029	0.013	-2.19	0.015	Not Supported
Principal-principal Conflicts	+	0.579	0.29	2.00	0.023	Supported
Board Size	+	-0.211	0.079	-2.68	0.007	Not Supported
Board Meetings	+	0.057	0.137	0.41	0.340	Not Significant
CEO Tenure	+	-0.072	0.029	-2.48	0.007	Not Supported
Risk Management Committee	+	0.659	0.308	2.14	0.016	Supported
Board Independence	+	0.874	0.617	1.42	0.078	Supported
Board Gender	+	-1.324	1.6	-0.83	0.204	Not Significant
Compensation Structure	+	1.156	0.35	3.31	0.001	Supported
Company Size		0.699	0.129	5.43	0.000	
Loss		-0.533	0.329	-1.62	0.053	
Industry		0.087	0.432	0.20	0.420	
Growth		0.055	0.127	0.43	0.333	
Complexity		0.242	0.198	1.22	0.111	
_cons		-0.463	0.995	-0.47	0.321	

NOTE: n=333; SN=111

5.4.3 Results of Panel C – Organizational Attributes, Quality-differentiated Auditors, and Monitoring Mechanisms

The study used Stata binary-mediation analysis (Ender, n.d) to test for the indirect effects for the model using standardized coefficients. Furthermore, the study used bootstrap standard errors and confidence intervals as recommended by Ender (n.d) because a binary-mediation analysis does not provide statistical tests for coefficients. Hayes and Preacher (2014) claims that bootstrap makes statistical inference about indirect effects. The study claims that bootstrap does not assume normality of sampling distribution, performs well in several simulation studies and its implementation is very easy using codes from the online supplement. The study, therefore, used bootstrapping (500 replications) to produce bias corrected confidence intervals (CI).

5.4.3.1 B-Path and Total Effect Using Binary-mediation Analysis and Bootstrap

Panel C hypothesized that quality-differentiated auditors mediate between the organizational attributes, [ownership structure (managerial, government, individual shareholders and Principal-principal Conflicts); board of directors' composition and activities (board size, board meeting, CEO tenure, risk management committee, board independence, board gender); and compensation structure] and the dependent variable, monitoring mechanisms (MM) and its dimensions, directorship, internal, and external auditing. It, therefore, regresses monitoring mechanisms on the predictors, organizational attributes (OAs) and quality-differentiated auditors (QDA) using binary-mediation analysis because QDA is a categorical mediator. It also regresses the dimensions of MM, directorship, internal auditing, and external auditing on the independent variables, OAs and mediating variable, QDA. Table

5.4.7 presents the results of the regressions using binary-mediation analysis, with MM, NEDIR, IA and EA as dependent variables.

Column 3, Table 5.4.7 reveals that quality-differentiated auditors (QDA) consistently demonstrate a positive significant relationship with aggregate monitoring mechanisms (MM) for all organizational attributes (OAs). The result suggests QDA as a possible mediator between OAs and MM. QDA's status remains the same for internal auditing (IA) and external auditing (EA) in Model B, columns 3 and 5. Likewise, QDA consistently demonstrates a positive significant relationship with directorship on Model A, column 5, except in the relationship between Cz and directorship. Following Baron & Kenny (1986) that the mediator must affect the dependent variables, the mediating variable, QDA affects the dependent variable, MM as well as its dimensions, directorship, internal, and external auditing.

Table 5.4.7

Binary-mediation Analysis on the Mediation Effect of Quality-differentiated Auditor on the relationship between Organizational Attributes and Total Monitoring mechanisms and its dimensions, Directorship, Internal Auditing and External Auditing

Variable	**Monitoring Mechanisms**	**Quality-differentiated Auditors**	**Directorship**	**Quality-differentiated Auditors**
Model A				
Managerial Ownership	-0.642*	45.678***	-0.365	23.313***
	(0.447)	(8.014)	(0.330)	(5.920)
Government Ownership	-1.089	46.124***	-0.767	23.570***
	(1.376)	(8.026)	(1.015)	(5.922)
Individual Block-holders	-0.392*	43.944***	-0.139	22.788***
	(0.254)	(8.126)	(0.188)	(6.012)
Principal-principal Conflicts	1.717	45.577***	-1.010	23.856***
	(3.638)	(8.106)	(2.685)	(5.982)
Board Size	7.771***	43.735***	4.659***	22.134***
	(1.873)	(7.852)	(1.394)	(5.845)
Board Meetings	18.198***	38.875***	12.728***	18.499***
	(3.376)	(7.817)	(2.502)	(5.793)
CEO Tenure	1.314**	48.128***	1.009**	25.111***
	(0.788)	(8.092)	(0.581)	(5.968)
Risk Management Committee	4.929	45.047***	3.057	22.899***
	(8.430)	(8.228)	(6.221)	(6.072)
Board Independence	59.144***	43.364***	43.865***	21.524***
	(17.101)	(7.931)	(12.615)	(5.851)
Board Gender	106.963*	44.196***	85.553***	22.030***
	(41.220)	(7.986)	(30.359)	(5.882
Compensation Structure	-6.966	47.594***	-1.227	2.38e+07***
	(8.734)	(8.242)	(6.450)	-6086952
Company Size	21.595***	11.218*	12.120***	3.975
	(2.307)	(8.055)	(1.795)	(6.267)
Loss	-26.836***	42.041***	-15.8083**	21.161***
	(9.112)	(8.049)	(6.755)	(5.967)
Industry	15.802	45.200***	5.061	23.263***
	(12.349)	(8.044)	(9.130)	(5.947)
Growth	-0.405	46.309***	-0.353	23.736***
	(1.846)	(8.091)	(1.362)	(5.970)
Complexity (Subsidiaries)	35.490***	33.712***	22.777***	15.602***
	(4.420)	(7.508)	(3.338)	(5.670)

Table 5.4.7 (Continued)

Variable	**Internal Auditing**	**Quality-differentiated Auditors**	**External Auditing**	**Quality-differentiated Auditors**
Model B				
Managerial Ownership	0.090	4.189***	-0.367**	18.178***
	(0.072)	(1.284)	(0.144)	(2.583)
Government Ownership	-0.384**	4.140***	0.061	18.416***
	(0.220)	(1.281)	(0.447)	(2.607)
Individual Block-holders	-0.028	3.978***	-0.226***	17.178***
	(0.041)	(1.305)	(0.082)	(2.617)
Principal-principal Conflicts	0.617	3.943***	2.110**	17.778***
	(0.582)	(1.296)	(1.175)	(2.619)
Board Size	0.422	4.002***	2.690***	17.599***
	(0.307)	(1.286)	(0.606)	(2.539)
Board Meeting	0.834*	3.799***	4.636***	16.577***
	(0.562)	(1.302)	(1.114)	(2.579)
CEO Tenure	0.248*	4.513***	0.057	18.505***
	(0.126)	(1.294)	(0.257)	(2.637)
Risk Management Committee	2.980**	3.495***	-1.108	18.653***
	(1.341)	(1.309)	(2.736)	(2.671)
Board Independence	5.278**	3.886***	10.004**	17.955***
	(2.773)	(1.286)	(5.622)	(2.608)
Board Gender	19.216***	3.789***	2.191	18.378***
	(6.584)	(1.276)	(13.512)	(2.618)
Compensation Structure	-0.183	4.170***	-5.557*	19.611***
	(1.400)	(1.321)	(2.821)	(2.662)
Company Size	1.197***	2.197*	8.278***	5.047**
	(0.410)	(1.433)	(0.708)	(2.473)
Loss	-5.509***	3.298**	-5.519**	17.583***
	(1.447)	(1.278)	(2.980)	(2.632)
Industry	2.845*	3.969***	7.896**	17.969***
	(1.976)	(1.287)	(3.994)	(2.601)
Growth	-0.018	4.140***	-0.034	18.435***
	(0.296)	(1.296)	(0.599)	(2.626)
Complexity (Subsidiaries)	0.595	3.923***	12.118***	14.188***
	0(.773)	(1.313)	(1.419)	(2.411)

Note: *** significant at 1% level; ** significant at 5% level; * significant at 10% level
n=333; SN=111

Table 5.4.8 presents the result of the total effect and proportion mediated for each variable in the relationship with the construct, monitoring mechanisms and each of its dimensions (directorship, internal, and external auditing). It shows the proportion of total effects mediated for the relationship between organizational attributes and total monitoring mechanisms, directorship, internal auditing, and external auditing.

The mediating effects are above 80% in the relationship between CEO tenure (CEOT) and monitoring mechanisms (MM); compensation structure (CS) and MM respectively by 1519% and 227% as well as the control variable, growth (GR) and MM by 120%. Following Hair Jr et al. (2014), the result suggests that CEOT, CS, and GR are with full mediation in their relationship with MM. The following are with partial mediation having variance accounted for (VAF) above 20% but below 80% , individual block-holders (IB), principal-principal conflicts (PPC), risk management committee (RMC) respectively with VAF of 40%, 77.9%, and 70%.The VAF for others are within the range of 4% and 18% and following Hair Jr et al. (2014) are with no mediation. Hence, the result of binary-mediation analysis for the relationship of the following independent variables with MM are with practical relevance but lack statistical relevance: (1) managerial ownership (MO – 14%), (2) government ownership (GO – 4%), (3) board size (BS – 10%), (4) board meetings (BM – 16%), and (5) board independence (BI – 15%). In the relationship between independent variables and directorship (NEDIR): PPC (147%) and CS (125%) are with full mediation. IB (50%), CEOT (69%), RMC (66%) are partially mediated. Others are with no mediation as their VAF are within the range of 3% and 12%. Likewise, the relationship between CS and internal auditing (120%) is fully mediated. Those partially mediated in relationship with the internal auditing are IB (46%), PPC (46%), BM (29%), CEOT (43%), and RMC (23%). It produces similar results in the relationship between the following independent variables and external auditing (EA): full mediation for CEOT (123%), RMC (131%), BG (82%), and CS (1198%). Those with partial mediation are GO (20%), IB (31%), PPC (53%), BM

(24%), BI (30%). Others are with no mediation with VAF within the range of 9% and 14% all below 20%.

Table 5.4.8
Proportion of Total Effect Mediated using Binary-Mediation Analysis

Proportion of Total Effect Mediated (Variance Accounted For -VAF)				
Model A Variables	**Monitoring Mechanisms**		**Directorship**	
	Total Effect	**Proportion mediated**	**Total Effect**	**Proportion mediated**
Managerial Ownership	-0.087	0.137	-0.068	0.125
Government Ownership	-0.040	-0.036	-0.040	-0.026
Individual Block-holders	-0.137	0.403	-0.080	0.497
Principal-principal Conflicts	0.113	0.779	0.043	1.470
Board Size	0.236	0.099	0.194	0.085
Board Meetings	0.327	0.158	0.302	0.113
CEO Tenure	0.035	-1.519	0.056	-0.693
Risk Management Committee	0.104	0.699	0.079	0.655
Board Independence	0.211	0.151	0.207	0.107
Board Gender	0.166	0.182	0.171	0.122
Compensation Structure	0.034	2.271	0.043	1.245
Company Size	0.533	0.076	0.404	0.050
Loss	-0.206	0.249	-0.162	0.220
Industry	0.095	0.295	0.050	0.402
Growth	0.057	1.203	0.035	1.402
Complexity	0.446	0.117	0.384	0.087
Model B Variables	**Internal Auditing**		**External Auditing**	
	Total Effect	**Proportion mediated**	**Total Effect**	**Proportion mediated**
Managerial Ownership	0.061	-0.116	-0.144	0.100
Government Ownership	-0.093	-0.009	0.009	0.200
Individual Block-holders	-0.0694	0.464	-0.207	0.314
Principal-principal Conflicts	0.107	0.459	0.196	0.527
Board Size	0.088	0.156	0.250	0.113
Board Meeting	0.114	0.286	0.278	0.239
CEO Tenure	0.075	-0.428	0.050	1.228
Risk Management Committee	0.159	0.229	0.070	1.306
Board Independence	0.122	0.152	0.131	0.304
Board Gender	0.174	0.096	0.046	0.819
Compensation Structure	0.036	1.202	-0.008	-11.977
Company Size	0.227	0.226	0.624	0.088
Loss	-0.231	0.112	-0.160	0.402
Industry	0.094	0.170	0.135	0.250
Growth	0.036	1.090	0.080	1.037
Complexity	0.082	0.479	0.471	0.140

NOTE: n=333; SN=111

The last condition required to conclude a mediation effect following Baron and Kenny (1986) is that the effect of the independent variables on the dependent variable (c') must be insignificant and/or less than the effect in the direct relationship with no consideration for mediation (c). Table 5.4.9 presents the results of the regression of the total monitoring mechanisms (MM) and its individual dimensions (directorship, internal, and external auditing) on the organizational attributes (independent and control variables) with (c' path) and without consideration for mediation (c path).

The results on Model A of Table 5.4.9, regressing the aggregate monitoring mechanisms (MM) on the organizational attributes (OAs) reveals that the c' for the following OAs are significant 1) managerial ownership (MO), 2) individual block-holders (IB), 3) board size (BS), 4) board meeting (BM), 5) CEO tenure (CEOT), 6) board independence (BI), and 7) board gender (BG). [2]The implication of this following Baron and Kenny (1986) is that quality-differentiated auditors (QDA) cannot mediate between the relationship of OAs (MO, IB, BS, BM, CEOT, BI, and BG) and MM despite satisfying the first three conditions. QDA's mediation is partial in the relationship between the following OAs and MM - government ownership, principal-principal conflicts, risk management committee, and compensation structure. Also, it shows that QDA has partial mediation effect on the following control variables in relation with MM - industry and growth.

Model B of Table 5.4.9 presents the results on regressing the monitoring mechanisms' dimension, directorship (NEDIR) on the organizational attributes

[2] However, this does not hold any longer following Hair Jr et al. (2014), Zhao et al. (2010) Preacher and Hayes (2008), and Hayes and Preacher (2014).

(OAs). The results reveal that quality-differentiated auditors can fully mediate between OAs (managerial ownership, individual block-holders, and risk management committee) and the total monitoring mechanisms (MM). The mediation is partial in the relationship with OAs (government ownership, principal-principal conflicts, and compensation structure) and NEDIR. It has no mediating effect on others as their c' are significant.

Model C of Table 5.4.9 presents the results on regressing the aggregate monitoring mechanisms' dimension, internal auditing (IA) on the organizational attributes (OAs). It reveals full mediation of quality-differentiated auditors for the relationship between OAs (managerial ownership and individual-block-holders) and IA. It illustrates partial mediation in the relationship of principal-principal conflicts, board size and compensation structure with IA. Others are with no mediation due to significant c'.

Model D of Table 5.4.9 presents the results on regressing the aggregate monitoring mechanisms' dimension, external auditing (EA) on the organizational attributes (OAs). It reveals full mediation of quality-differentiated auditors in the relationship between CEO tenure and EA. It shows partial mediation in the relationship of EA with government ownership, risk management committee and board gender. Others are with no mediation because they are with no statistical relevance of c'.

This study follows Zhao et al. (2010) and Hayes and Preacher (2014) to determine the mediation typology for this investigation considering the fact that c-c' (Baron and Kenny) method in most situations suffers low statistical power (MacKinnon, Lockwood, Hoffman, West & Sheets, 2002). The significance of the mediation is further confirmed by binary-mediation bootstrap as it conducts inferential tests that are not affected by the shape of the sampling distribution (Preacher, Rucker, & Hayes, 2007; Hayes & Preacher, 2014). The study bootstrapped to determine the significance of the indirect, total indirect, direct effect and total effect and draws the conclusion of the findings. No bootstrap for any of the variables is with zero in the interval for indirect effect. Tables 5.4.10, 5.4.12, 5.4.14, and 5.4.16 present details of the direct effect, indirect effect, and proportion of the total effect that quality-differentiated auditors mediate, while Tables 5.4.11, 5.4.13, 5.4.15 and 5.4.17 present the details of the bootstrap analyses for each tested variable.

Table 5.4.9
Direct Relationship between Independent Variables and Dependent Variable with each of its dimensions with and without Mediating Variable, quality-differentiated auditors (QDA) [Dependent Variable, Total Monitoring Mechanisms and its dimension, Directorship, Internal External Auditing]using Binary-mediation Analysis (c and c' paths)

Variables	**Monitoring Mechanisms**		**Difference**	**Mediation**
Model A	C	c'		
Managerial Ownership	-0.735*	-0.642*	-0.093	NA
Government Ownership	-1.056	-1.089	0.033	Partial
Individual Block-holders	-0.628***	-0.392*	-0.236	NA
Principal-principal Conflicts	4.497	1.717	2.780	Partial
Board Size	8.527***	7.771***	0.756	NA
Board Meetings	21.075***	18.198***	2.877	NA
CEO Tenure	0.609	1.314**	-0.705	NA
Risk Management Committee	15.005**	4.929	10.076	Partial
Board Independence	68.459***	59.144***	9.315	NA
Board Gender	127.884***	106.963***	20.921	NA
Compensation Structure	4.517	-6.967	11.484	Partial
Company Size	23.081***	21.595***	1.486	NA
Loss	-34.981***	-26.836***	-8.145	NA
Industry	21.846*	15.802	6.044	Partial
Growth	0.859	-0.405	1.264	Partial
Complexity	39.568***	35.490***	4.078	NA

Table 5.4.9 Continued

Variables	**Directorship**		**Difference**	**Mediation**
Model B	C	c'		
Managerial Ownership	-0.413	-0.365	-0.048	Full
Government Ownership	-0.749	-0.767	0.018	Partial
Individual Block-holders	-0.261*	-0.139	-0.122	Full
Principal-principal Conflicts	0.445	-1.010	1.455	Partial
Board Size	5.042***	4.659***	0.383	NA
Board Meetings	14.097***	12.728***	1.369	NA
CEO Tenure	0.642	1.009**	-0.368	NA
Risk Management Committee	8.179*	3.057	5.122	Full
Board Independence	48.488***	43.865***	4.623	NA
Board Gender	95.982***	85.553***	10.429	NA
Compensation Structure	4.519	-1.227	5.746	Partial
Company Size	12.647***	12.120***	0.527	NA
Loss	-19.908***	-15.808*	-4.100	NA
Industry	8.172	5.061	3.111	Partial
Growth	0.295	-0.353	0.648	Partial
Complexity	24.665***	22.777***	1.888	NA

Variables	**Internal Auditing**		**Difference**	**Mediation**
Model C	C	c'		
Managerial Ownership	0.818	0.090	-0.728	Full
Government Ownership	-0.381**	-0.384**	0.003	NA
Individual Block-holders	-0.049	-0.028	0.021	Full
Principal-principal Conflicts	0.857*	0.617	0.240	Partial
Board Size	0.491	0.422	0.069	Partial
Board Meetings	1.115**	0.834*	0.281	NA
CEO Tenure	0.182*	0.248**	-0.066	NA
Risk Management Committee	3.762***	2.980**	0.782	NA
Board Independence	6.113**	5.278**	0.835	NA
Board Gender	21.009***	19.216***	1.793	NA
Compensation Structure	0.823	-0.183	1.006	Partial
Company Size	1.488***	1.197***	0.291	NA
Loss	-6.148***	-5.509***	-0.639	NA
Industry	3.375*	2.845*	0.531	NA
Growth	0.095	-0.018	0.113	Partial
Complexity	1.070*	0.595	0.475	Partial

Table 5.4.9 Continued

Variables	External Auditing		Difference	Mediation
Model D	C	c'		
Managerial Ownership	-0.404***	-0.367***	-0.037	NA
Government Ownership	0.074	0.061	0.013	Partial
Individual Block-holders	-0.318***	-0.226***	-0.092	NA
Principal-principal Conflicts	3.194***	2.110**	1.084	NA
Board Size	2.995***	2.690***	0.305	NA
Board Meetings	5.863***	4.636***	1.227	NA
CEO Tenure	-0.215	0.057	-0.272	Full
Risk Management Committee	3.064	-1.108	4.172	Partial
Board Independence	13.861**	10.004**	3.857	NA
Board Gender	10.891	2.191	8.700	Partial
Compensation Structure	-0.825	-5.557**	4.732	NA
Company Size	8.947***	8278***	0.669	NA
Loss	-8.925***	-5.519**	-3.406	NA
Industry	10.298***	7.896**	2.402	NA
Growth	0.469	-0.034	0.503	Partial
Complexity	13.835***	12.118***	1.717	NA

Note: *** significant at 1% level; ** significant at 5% level; * significant at 10% level

5.4.3.1.1 Mediating Effects of Quality-differentiated Auditors on the Relationship between Managerial Ownership and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.10 show that the direct effect is 7.5% while the total effect is 8.7% and the proportion of total effect mediated is 13.7% in the relationship between managerial ownership (MO) and monitoring mechanisms (MM). The direct and total effects are both negative, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between MO and directorship (NEDIR), between MO and internal auditing (IA), and MO and external auditing (EA) are also complementary. The direct and total effects are both negative except in the relationship for MO and IA where both are positive, pointing towards the same direction. The result displays direct effect of 5.94% and total effect of 6.79% with the proportion of 12.49% total effect mediated for NEDIR. The result displays direct effect of 6.82% and total effect of 6.11% with the proportion of 11.56% total effect mediated for IA. It also displays direct effect of 12.95% and total effect of 14.38% with the proportion of 9.97% total effect mediated for EA. The bootstrap analysis results on Table 5.4.11 demonstrate that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero (Rivera, 2012) and in the right direction. Hence, QDA serves as a mediator between MO and MM. It also serves as a mediator in the relationship between MO and NEDIR, IA, and EA.

5.4.3.1.2 Mediating Effects of Quality-differentiated Auditors on the Relationship between Government Ownership and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.10 indicate that the direct effect is 4.2% while the total effect is 4% and the proportion of total effect mediated is 3.6% in the relationship between government ownership (GO) and monitoring mechanisms (MM). The direct and total effects are both negative, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between GO and directorship (NEDIR), GO and internal auditing (IA) and GO and external auditing (EA) are also complementary. The direct and total effects are both negative except in the relationship for GO and EA where both are positive, pointing towards the same direction. The result displays direct effect of 4.06% and total effect of 3.95% with the proportion of 2.6% total effect mediated for GO and NEDIR. It displays direct effect of 9.43% and total effect of 9.35% with the proportion of 0.9% total effect mediated for GO and IA. It also displays direct effect of 0.7% and total effect of 0.9% with the proportion of 19.93% total effect mediated for GO and EA. The bootstrap analysis results on Table 5.4.11 demonstrate that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero but in the opposite direction. Hence, QDA serves as a mediator between GO and MM. It also serves as a mediator in the relationship between GO and each dimension of MM, NEDIR, IA, and EA.

5.4.3.1.3 Mediating Effects of Quality-differentiated Auditors on the Relationship between Individual Block-holders and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.10 show that the direct effect is 8.18% while the total effect is 13.7% and the proportion of total effect mediated is 40.29% in the relationship between individual block-holders (IB) and monitoring mechanisms (MM). It also presents the mediating effects in the relationship between IB and dimensions, directorship (NEDIR), internal auditing (IA), and external auditing (EA). The direct and total effects are both negative, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between IB and NEDIR, IB and IA and IB and EA are also complementary. The result displays direct effect of 4.02% and total effect of 8% with the proportion of 49.7% total effect mediated for IB and NEDIR. It displays direct effect of 3.72% and total effect of 6.95% with the proportion of 46.4% total effect mediated for IB and IA. It also displays direct effect of 14.18% and total effect of 20.68% with the proportion of 31.43% total effect mediated for IB and EA. The bootstrap analysis results demonstrate that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero and in the right direction. Hence, QDA serves as a mediator between IB and MM. It also reveals that QDA serves as a mediator in the relationship between IB and each dimension of MM, directorship, internal, and external auditing.

5.4.3.1.4 Mediating Effects of Quality-differentiated Auditors on the Relationship between Principal-principal Conflicts and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.10 show that the direct effect is 2.5% while the total effect is 11.28% and the proportion of total effect mediated is 77.86% in the relationship between principal-principal conflicts (PPC) and monitoring mechanisms (MM). The direct and total effects are both positive, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between PPC and internal auditing (IA) and PPC and external auditing (EA) are also complementary. The result displays direct effect of 5.79% and total effect of 10.69% with the proportion of 45.85% total effect mediated for PPC and IA. It displays direct effect of 9.25% and total effect of 19.57% with the proportion of 52.74% total effect mediated for PPC and EA. However, the mediating effects on the relationship between PPC and directorship (NEDIR) are competitive. The direct effect is negative while the total effect is positive, pointing towards different directions. The result displays direct effect of 2.04% and total effect of 4.34% with the proportion of 147.01% total effect mediated in the relationship between PPC and NEDIR. The bootstrap analysis result on Table 5.4.11 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero and in the right direction. Hence, QDA serves as a mediator between PPC and MM. It also serves as a mediator in the relationship between PPC and each dimension of MM, NEDIR, IA, and EA.

Table 5.4.10

Binary-mediation Analysis (Ownership Structure and Monitoring Mechanisms with its Dimensions, Directorship, Internal, and External Auditing).

Variables	**Analysis Results**	**Monitoring Mechanisms**	**Directorship**	**Internal Auditing**	**External Auditing**
Managerial Ownership	Direct Effect	-0.075	-0.059	0.068	-0.130
	Total Effect	-0.087	-0.068	0.061	-0.144
	Proportion mediated	0.137	0.125	-0.116	0.100
Government Ownership	Direct Effect	-0.042	-0.041	-0.094	0.007
	Total Effect	-0.040	-0.040	-0.094	0.009
	Proportion mediated	-0.036	-0.026	-0.009	0.199
Individual Block-holders	Direct Effect	-0.082	-0.040	-0.037	-0.142
	Total Effect	-0.137	-0.080	-0.070	-0.207
	Proportion mediated	0.403	0.497	0.464	0.314
Principal-principal Conflicts	Direct Effect	0.025	-0.020	0.058	0.093
	Total Effect	0.113	0.043	0.107	0.196
	Proportion mediated	0.779	1.470	0.459	0.527

NOTE: n=333; SN=111

Table 5.4.11

Binary-mediation Bootstrap Coefficients, Standard Errors, Indirect, Total Indirect, Direct and Total Effects (Ownership Structure, Monitoring Mechanisms, Directorship, Internal, and External Auditing).

Bootstrap Results	**Monitoring Mechanisms**			**Directorship**			**Internal Auditing**			**External Auditing**		
	B	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**	
Managerial Ownership												
Indirect	-0.012	-0.051	0.027	-0.009	-0.034	0.019	-0.007	-0.031	0.016	-0.014	-0.057	0.044
	(0.020)	-0.052	0.027	(0.013)	-0.034	0.020	(0.012)	-0.033	0.015	(0.045)	-0.058	0.043
Total Indirect	-0.012	-0.051	0.027	-0.008	-0.034	0.019	-0.007	-0.031	0.016	-0.014	-0.057	0.044
	(0.020)	-0.052	0.027	(0.013)	-0.034	0.020	(0.012)	-0.033	0.015	(0.025)	-0.058	0.043
Direct Effect	-0.075***	-0.109	-0.043	-0.059***	-0.089	-0.024	0.068	-0.037	0.176	-0.129***	-0.180	-0.092
	(0.018)	-0.105	-0.040	(0.017)	-0.089	-0.023	(0.056)	-0.050	0.171	(0.022)	-0.173	-0.090
Total Effect	-0.087***	-0.124	-0.040	-0.068***	-0.096	-0.033	0.061	-0.052	0.190	-0.144***	-0.178	-0.117
	(0.022)	-0.124	-0.037	(0.018)	-0.095	-0.029	(0.061)	-0.061	0.181	(0.015)	-0.177	-0.115
Government Ownership												
Indirect	0.001	-0.036	0.043	0.001	0.016	0.147	0.001	-0.021	0.024	0.002	-0.045	0.050
	(0.019)	-0.038	0.042	(0.014)	0.020	0.156	(0.011)	-0.020	0.026	(0.023)	-0.046	0.048
Total Indirect	0.001	-0.036	0.043	0.001	0.016	0.147	0.001	-0.021	0.024	0.002	-0.045	0.050
	(0.019)	-0.038	0.042	(0.014)	0.020	0.156	(0.011)	-0.020	0.026	(0.023)	-0.046	0.048
Direct Effect	-0.042	-0.098	0.036	-0.041	-0.067	0.065	-0.094***	-0.158	-0.017	0.007	-0.044	0.088
	(0.034)	-0.092	0.052	(0.037)	-0.067	0.065	(0.036)	-0.153	-0.014	(0.033)	-0.042	0.090
Total Effect	-0.040	-0.097	0.045	-0.040	-0.032	0.158	-0.094***	-0.160	-0.015	0.009	-0.059	0.106
	(0.037)	-0.090	0.054	(0.038)	-0.034	0.151	(0.036)	-0.153	-0.009	(0.043)	-0.059	0.106

Table 5.4.11 (Continued)

Bootstrap Results	**Monitoring Mechanisms**			**Directorship**			**Internal Auditing**			**External Auditing**		
	B	**[95% Conf.**	**Interval]**	**B**	**[95% Conf.**	**Interval]**	**B**	**[95% Conf.**	**Interval]**	**B**	**[95% Conf.**	**Interval]**
Individual Block-holders												
Indirect	-0.055***	-0.100	-0.017	-0.040*	-0.075	-0.012	-0.032**	-0.074	-0.009	-0.065***	-0.114	-0.025
	(0.021)	-0.100	-0.017	(0.016)	-0.077	-0.013	(0.017)	-0.084	-0.010	(0.023)	-0.114	-0.023
Total Indirect	-0.055***	-0.100	-0.017	-0.040*	-0.075	-0.012	-0.032**	-0.074	-0.009	-0.065***	-0.114	-0.025
	(0.021)	-0.100	-0.017	(0.016)	-0.076	-0.013	(0.017)	-0.084	-0.010	(0.023)	-0.114	-0.023
Direct Effect	-0.082*	-0.163	0.001	-0.040	-0.114	0.040	-0.037	-0.118	0.074	-0.142***	-0.186	-0.100
	(0.041)	-0.162	0.003	(0.040)	-0.109	0.046	(0.048)	-0.122	0.073	(0.0210)	-0.184	-0.098
Total Effect	-0.137***	-0.214	-0.055	-0.080*	-0.155	-0.002	-0.070	-0.147	0.039	-0.207***	-0.252	-0.169
	(0.042)	-0.208	-0.052	(0.039)	-0.150	0.005	(0.045)	-0.143	0.042	(0.022)	-0.249	-0.161
Principal-principal Conflicts												
Indirect	0.088*	0.028	0.193	0.0640**	0.016	0.147	0.049**	0.010	0.127	0.103**	0.034	0.231
	(0.044)	0.030	0.205	(0.034)	0.020	0.156	(0.030)	0.015	0.162	(0.053)	0.031	0.224
Total Indirect	0.088*	0.028	0.193	0.064**	0.016	0.147	0.049**	0.010	0.127	0.103**	0.034	0.231
	(0.044)	0.030	0.205	(0.034)	0.020	0.156	(0.030)	0.015	0.162	(0.053)	0.031	0.224
Direct Effect	0.025	-0.045	0.134	-0.020	-0.067	0.065	0.058	-0.028	0.120	0.093	-0.026	0.267
	(0.045)	-0.032	0.158	(0.037)	-0.067	0.065	(0.039)	-0.038	0.115	(0.070)	-0.025	0.268
Total Effect	0.113**	0.004	0.249	0.043	-0.032	0.158	0.107*	0.003	0.205	0.196*	0.047	0.402
	(0.064)	0.004	0.249	(0.049)	-0.034	0.151	(0.052)	-0.001	0.202	(0.084)	0.027	0.346

Note: *** significant at 1% level; ** significant at 5% level; * significant at 10% level; n=333; SN=111

5.4.3.1.5 Mediating Effects of Quality-differentiated Auditors on the Relationship between Board Size and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.12 show that the direct effect is 21.29% while the total effect is 23.61% and the proportion of total effect mediated is 9.86% in the relationship between board size (BS) and monitoring mechanisms (MM). The direct and total effects are both positive, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between BS and directorship (NEDIR), BS and internal auditing (IA) and BS and external auditing (EA) are also complementary. The result displays direct effect of 17.72% and total effect of 19.36% with the proportion of 8.45% total effect mediated for BS and NEDIR. It displays direct effect of 7.45% and total effect of 8.82% with the proportion of 15.57% total effect mediated for BS and IA. It also displays direct effect of 22.19% and total effect of 25.01% with the proportion of 11.28% total effect mediated for BS and EA. The bootstrap analysis result on Table 5.4.13 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero. It is a non-directional hypothesis as the findings of the extant literature on it is mixed, but positive in this study. Hence, QDA serves as a mediator between BS and MM. It also serves as a mediator in the relationship between BS and each dimension of MM, directorship, internal, and external auditing.

5.4.3.1.6 Mediating Effects of Quality-differentiated Auditors on the Relationship between Board Meeting and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.12 show that the direct effect is 27.54% while the total effect is 32.72% and the proportion of total effect mediated is 15.83% in the relationship between board meetings (BM) and monitoring mechanisms (MM). The direct and total effects are both positive, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between BM and directorship (NEDIR), BM and internal auditing (IA) and BM and external auditing (EA) are also complementary. The result displays direct effect of 26.74% and total effect of 30.17% with the proportion of 11.35% total effect mediated for BM and NEDIR. It displays direct effect of 8.14% and total effect of 11.41% with the proportion of 28.62% total effect mediated for BM and IA. It also displays direct effect of 21.13% and total effect of 27.78% with the proportion of 23.94% total effect mediated for BM and EA. The bootstrap analysis result on Table 5.4.13 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero and in the right direction. Hence, QDA serves as a mediator between BM and MM. It also serves as a mediator in the relationship between BM and each dimension of MM, directorship, internal, and external auditing.

5.4.3.1.7 Mediating Effects of Quality-differentiated Auditors on the Relationship between CEO Tenure and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.12 show that the direct effect is 8.81% while the total effect is 3.5% and the proportion of total effect mediated is 151.89% in the relationship between CEO tenure (CEOT) and monitoring mechanisms (MM). The direct and total effects are both positive, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between CEOT and directorship (NEDIR) and CEOT and internal auditing (IA) are also complementary. The result displays direct effect of 9.41% and total effect of 5.55% with the proportion of 69.35% total effect mediated. It displays direct effect of 10.72% and total effect of 7.51% with the proportion of 42.8% total effect mediated for CEOT and IA. The mediation is competitive in the relationship between CEOT and external auditing (EA) as the direct and total effects are pointing towards different directions. The result displays direct effect of 1.14% and total effect of -5.01% with the proportion of 122.8% total effect mediated for CEOT and EA. The bootstrap analysis result on Table 5.4.13 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero but in the opposite direction. Hence, QDA serves as a mediator between CEOT and MM. It also serves as a mediator in the relationship between CEOT and each dimension of MM, directorship, internal, and external auditing.

5.4.3.1.8 Mediating Effects of Quality-differentiated Auditors on the Relationship between Risk Management Committee and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.12 indicate that the direct effect is 3.14% while the total effect is 10.43% and the proportion of total effect mediated is 69.86% in the relationship between risk management committee (RMC) and monitoring mechanisms (MM). The direct and total effects are both positive, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between RMC and directorship (NEDIR), and RMC and internal auditing (IA) are also complementary. The result displays direct effect of 2.71% and total effect of 7.85% with the proportion of 65.51% total effect mediated. It displays direct effect of 12.26% and total effect of 15.9% with the proportion of 22.93% total effect mediated for RMC and IA. The mediation is competitive in the relationship between RMC and external auditing (EA). The direct and total effects are towards different directions. The result displays direct effect of 2.13% and total effect of 6.96% with the proportion of 130.61% total effect mediated for RMC and EA. The bootstrap analysis result on Table 5.4.13 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero but in the opposite direction. Hence, QDA serves as a mediator between RMC and MM. It also serves as a mediator in the relationship between RMC and each dimension of MM, directorship, internal, and external auditing.

5.4.3.1.9 Mediating Effects of Quality-differentiated Auditors on the Relationship between Board Independence and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.12 indicate that the direct effect is 17.92% while the total effect is 21.12% and the proportion of total effect mediated is 15.13% in the relationship between board independence (BI) and monitoring mechanisms (MM). The direct and total effects are both positive, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between BI and directorship (NEDIR), BI and internal auditing (IA), and BI and external auditing (EA) is also complementary. The result displays direct effect of 18.46% and total effect of 20.66% with the proportion of 10.66% total effect mediated. It displays direct effect of 10.31% and total effect of 12.16% with the proportion of 15.19% total effect mediated for BI and IA. It also displays direct effect of 9.13% and total effect of 13.11% with the proportion of 30.39% total effect mediated for BI and EA. The bootstrap analysis result on Table 5.4.13 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero and in the right direction. Hence, QDA serves as a mediator between BI and MM. It also serves as a mediator in the relationship between BI and each dimension of MM, directorship, internal, and external auditing.

5.4.3.1.10 Mediating Effects of Quality-differentiated Auditors on the Relationship between Board Gender and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.12 show that the direct effect is 13.54% while the total effect is 16.56% and the proportion of total effect mediated is 18.25% in the relationship between board gender (BG) and monitoring mechanisms (MM). The direct and total effects are both positive, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between BG and directorship (NEDIR), BG and internal auditing (IA), and BG and external auditing (EA) are also complementary. The result displays direct effect of 15.04% and total effect of 17.13% with the proportion of 12.21% total effect mediated for BG and NEDIR. It displays direct effect of 15.69% and total effect of 17.36% with the proportion of 9.63% total effect mediated for BG and IA. It also displays direct effect of 0.8% and total effect of 4.62% with the proportion of 81.92% total effect mediated for BG and EA. The bootstrap analysis result on Table 5.4.13 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero but in the opposite direction. Hence, QDA serves as a mediator between BG and MM. It also serves as a mediator in the relationship between BG and each dimension of MM, directorship, internal, and external auditing.

Table 5.4.12

Binary-mediation Analysis (Board of Directors and Monitoring Mechanisms with its dimensions, Directorship, Internal, and External Auditing).

Variables	Binary-mediation Analysis Results	Monitoring Mechanisms	Directorship	Internal Auditing	External Auditing
Board Size	Direct Effect	0.213	0.177	0.075	0.222
	Total Effect	0.236	0.194	0.088	0.250
	Proportion mediated	0.099	0.085	0.156	0.113
Board Meetings	Direct Effect	0.275	0.267	0.081	0.211
	Total Effect	0.327	0.302	0.114	0.278
	Proportion mediated	0.158	0.114	0.286	0.240
Board Expertise	Direct Effect	0.080	0.075	0.137	0.014
	Total Effect	0.137	0.115	0.168	0.083
	Proportion mediated	0.413	0.345	0.184	0.831
CEO Tenure	Direct Effect	0.088	0.094	0.107	0.011
	Total Effect	0.035	0.056	0.075	-0.050
	Proportion mediated	-1.519	-0.694	-0.428	1.228
Risk Management Committee	Direct Effect	0.031	0.027	0.123	-0.021
	Total Effect	0.104	0.079	0.159	0.070
	Proportion mediated	0.699	0.655	0.229	1.306
Board Independence	Direct Effect	0.179	0.185	0.103	0.091
	Total Effect	0.211	0.207	0.122	0.131
	Proportion mediated	0.151	0.107	0.152	0.304
Board Gender	Direct Effect	0.135	0.150	0.157	0.008
	Total Effect	0.166	0.171	0.174	0.046
	Proportion mediated	0.183	0.122	0.096	0.819

NOTE: n=333; SN=111

Table 5.4.13

Binary-mediation Bootstrap Coefficients, Standard Errors, Indirect, Total Indirect, Direct and Total Effects (Board of Directors, Monitoring Mechanisms, Directorship, Internal, and External Auditing).

Bootstrap Results	**Monitoring Mechanisms**			**Directorship**			**Internal Auditing**			**External Auditing**		
	B	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**	
Board Size												
Indirect	0.023	-0.016	0.061	0.016	-0.008	0.042	0.014	-0.006	0.035	0.028	-0.009	0.067
	(0.017)	-0.008	0.063	(0.013)	-0.010	0.039	(0.011)	-0.004	0.041	(0.020)	-0.006	0.068
Total Indirect	0.023	-0.016	0.061	0.016	-0.008	0.042	0.014	-0.006	0.035	0.028	-0.009	0.067
	(0.017)	-0.008	0.063	(0.013)	-0.010	0.039	(0.011)	-0.004	0.041	(0.020)	-0.006	0.068
Direct Effect	0.213***	0.157	0.283	0.177***	0.124	0.234	0.075	-0.029	0.187	0.222***	0.137	0.338
	(0.031)	0.140	0.267	(0.028)	0.121	0.230	(0.056)	-0.025	0.196	(0.052)	0.135	0.330
Total Effect	0.236***	0.173	0.303	0.194***	0.142	0.245	0.088	-0.021	0.206	0.250***	0.158	0.375
	(0.031)	0.161	0.295	(0.026)	0.137	0.236	(0.056)	-0.016	0.217	(0.056)	0.148	0.370
Board Meetings												
Indirect	0.052***	0.023	0.083	0.034***	0.015	0.058	0.033*	0.009	0.064	0.067***	0.031	0.109
	(0.015)	0.021	0.082	(0.011)	0.015	0.056	(0.014)	0.011	0.069	(0.020)	0.032	0.111
Total Indirect	0.052***	0.023	0.083	0.034***	0.015	0.058	0.033*	0.009	0.064	0.067***	0.031	0.109
	(0.015)	0.021	0.082	(0.011)	0.015	0.056	(0.014)	0.011	0.069	(0.020)	0.032	0.111
Direct Effect	0.275***	0.131	0.410	0.267***	0.102	0.420	0.081	-0.030	0.190	0.211***	0.108	0.307
	(0.073)	0.126	0.398	(0.084)	0.082	0.410	(0.055)	-0.043	0.181	(0.053)	0.104	0.305
Total Effect	0.327***	0.188	0.463	0.302***	0.133	0.453	0.114*	-0.001	0.217	0.278***	0.173	0.378
	(0.074)	0.184	0.453	(0.083)	0.116	0.446	(0.055)	-0.012	0.210	(0.052)	0.168	0.375
CEO Tenure												
Indirect	-0.053*	-0.098	-0.014	-0.039*	-0.071	-0.011	-0.032*	-0.073	-0.008	-0.062***	-0.105	-0.020
	(0.022)	-0.095	-0.013	(0.015)	-0.072	-0.011	(0.016)	-0.077	-0.009	(0.022)	-0.108	-0.022
Total Indirect	-0.053*	-0.098	-0.014	-0.039*	-0.071	-0.011	-0.032*	-0.073	-0.008	-0.062***	-0.105	-0.020
	(0.022)	-0.095	-0.013	(0.015)	-0.072	-0.011	(0.016)	-0.077	-0.009	(0.022)	-0.108	-0.022
Direct Effect	0.0882**	0.002	0.190	0.0941**	-0.017	0.207	0.107	-0.054	0.262	0.011	-0.074	0.085
	(0.051)	-0.026	0.174	(0.055)	-0.016	0.210	(0.080)	-0.055	0.256	(0.042)	-0.065	0.101
Total Effect	0.035	-0.053	0.137	0.056	-0.051	0.178	0.075	-0.082	0.225	-0.050	-0.141	0.037
	(0.052)	-0.068	0.127	(0.057)	-0.044	0.186	(0.076)	-0.082	0.225	(0.045)	-0.128	0.040

Table 5.4.13 (Continued)

Bootstrap Results	Monitoring Mechanisms			Directorship			Internal Auditing			External Auditing		
	B	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**	
Risk Management Committee												
Indirect	0.073***	0.039	0.117	0.051***	0.024	0.086	0.037*	0.007	0.074	0.091***	0.045	0.139
	(0.020)	0.034	0.110	(0.017)	0.023	0.084	(0.017)	0.008	0.079	(0.025)	0.042	0.136
Total Indirect	0.073***	0.039	0.117	0.051***	0.024	0.086	0.037*	0.007	0.074	0.091***	0.045	0.139
	(0.020)	0.034	0.110	(0.017)	0.023	0.084	(0.017)	0.008	0.079	(0.025)	0.042	0.136
Direct Effect	0.031	-0.087	0.142	0.027	-0.091	0.142	0.123*	0.013	0.230	-0.021	-0.131	0.091
	(0.057)	-0.089	0.141	(0.062)	-0.090	0.145	(0.054)	0.012	0.229	(0.057)	-0.128	0.092
Total Effect	0.104**	-0.007	0.214	0.079	-0.035	0.186	0.159***	0.049	0.259	0.070	-0.032	0.184
	(0.055)	-0.011	0.212	(0.059)	-0.033	0.191	(0.052)	0.059	0.264	(0.059)	-0.030	0.187
Board Independence												
Indirect	0.032**	-0.001	0.066	0.022**	0.000	0.045	0.019**	0.000	0.042	0.040**	-0.001	0.080
	-0.017	-0.002	0.066	(0.011)	-0.001	0.044	(0.011)	0.001	0.042	(0.021)	0.002	0.081
Total Indirect	0.032**	-0.001	0.066	0.022**	0.000	0.045	0.019**	0.000	0.042	0.040**	-0.001	0.080
	-0.017	-0.002	0.066	(0.011)	-0.001	0.044	(0.011)	0.001	0.042	(0.021)	0.002	0.081
Direct Effect	0.179***	0.088	0.256	0.185***	0.099	0.263	0.103**	-0.012	0.216	0.091*	0.023	0.171
	-0.046	0.085	0.251	(0.043)	0.102	0.269	(0.060)	-0.011	0.216	(0.039)	0.006	0.159
Total Effect	0.211***	0.116	0.299	0.207***	0.119	0.281	0.122*	0.003	0.230	0.131***	0.058	0.201
	-0.050	0.114	0.293	(0.046)	0.120	0.282	(0.061)	0.009	0.243	(0.038)	0.051	0.194
Board Gender												
Indirect	0.030**	-0.006	0.064	0.021**	-0.005	0.047	0.017	-0.003	0.045	0.038	-0.006	0.089
	-0.018	-0.002	0.069	(0.013)	-0.007	0.045	(0.012)	-0.001	0.049	(0.024)	-0.007	0.086
Total Indirect	0.030**	-0.006	0.064	0.021**	-0.005	0.047	0.017	-0.003	0.045	0.038	-0.006	0.089
	-0.018	-0.002	0.069	(0.013)	-0.007	0.045	(0.012)	-0.001	0.049	(0.024)	-0.007	0.086
Direct Effect	0.135*	-0.007	0.241	0.150*	-0.010	0.262	0.157***	0.041	0.258	0.008	-0.124	0.151
	-0.068	0.005	0.260	(0.067)	-0.006	0.264	(0.054)	0.041	0.258	(0.069)	-0.117	0.159
Total Effect	0.166*	0.021	0.280	0.171*	0.017	0.291	0.174***	0.063	0.277	0.046	-0.085	0.182
	-0.069	0.032	0.298	(0.069)	0.017	0.291	(0.054)	0.062	0.277	(0.070)	-0.076	0.204

Note: *** significant at 1% level; ** significant at 5% level; * significant at 10% level; n=333; SN=111

5.4.3.1.11 Mediating Effects of Quality-differentiated Auditors on the Relationship between Compensation Structure and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.14 show that the direct effect is 4.3% while the total effect is 3.38% and the proportion of total effect mediated is 227.11% in the relationship between compensation structure (CS) and monitoring mechanisms (MM). The direct (-) and total effects (+) are in the opposite direction. The mediation is, therefore, competitive (Zhao et al., 2010). The mediating effects in the relationship between CS and directorship (NEDIR) and CS and internal auditing (IA) are also competitive. The result displays direct effect of 1.05% and total effect of 4.2% with the proportion of 124.5% total effect mediated for CS and NEDIR. It displays direct effect of 0.73% and total effect of 3.61% with the proportion of 120.2% total effect mediated for CS and IA. However, the mediating effect in the relationship between CS and external auditor (EA) is complementary. Both the direct and total effects are negative pointing towards the same direction in the relationship between CS and EA. The result displays direct effect of 10.32% and total effect of 0.8% with the proportion of 1196.41% total effect negatively mediated for CS and EA. The bootstrap analysis result on Table 5.4.15 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero and in the right direction. Hence, QDA serves as a mediator between CS and MM. It also serves as a mediator in the relationship between CS and each dimension of MM, directorship, internal, and external auditing

Table 5.4.14

Binary-mediation Analysis (Compensation Structure and Monitoring Mechanisms with its dimensions, Directorship, Internal, and External Auditing).

Variables	**Binary-mediation Analysis Results**	**Monitoring Mechanisms**	**Director-ship**	**Internal Auditing**	**External Auditing**
Compensation Structure	Direct Effect	-0.043	-0.011	-0.007	-0.103
	Total Effect	0.034	0.043	0.036	-0.008
	Proportion mediated	2.271	1.245	1.202	-11.964

NOTE: n=333; SN=111

Table 5.4.15

Binary-mediation Bootstrap Coefficients, Standard Errors, Indirect, Total Indirect, Direct and Total Effects (Compensation Structure and Monitoring Mechanisms with its dimensions, Directorship, Internal, and External Auditing).

Bootstrap Results	**Monitoring Mechanisms**			**Directorship**		
	B	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**	
Compensation Structure						
Indirect	0.077***	0.040	0.120	0.053***	0.025	0.086
	(0.020)	0.040	0.121	(0.017)	0.027	0.089
Total Indirect	0.077***	0.040	0.120	0.053***	0.025	0.086
	(0.020)	0.040	0.121	(0.017)	0.027	0.089
Direct Effect	-0.043	-0.158	0.048	-0.011	-0.115	0.074
	(0.050)	-0.154	0.049	(0.048)	-0.110	0.082
Total Effect	0.034	-0.079	0.120	0.043	-0.054	0.128
	(0.051)	-0.069	0.120	(0.046)	-0.048	0.138

Bootstrap Results	**Internal Auditing**			**External Auditing**		
	B	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**	
Compensation Structure						
Indirect	0.043*	0.014	0.079	0.095***	0.050	0.145
	(0.017)	0.016	0.080	(0.024)	0.049	0.145
Total Indirect	0.043*	0.014	0.079	0.095***	0.050	0.145
	(-0.017)	0.016	0.080	(0.024)	0.049	0.145
Direct Effect	-0.007	-0.114	0.106	-0.103**	-0.210	0.011
	(0.056)	-0.115	0.101	(0.058)	-0.210	0.011
Total Effect	0.036	-0.075	0.140	-0.008	-0.120	0.115
	(0.056)	-0.075	0.140	(0.062)	-0.125	0.110

Note: *** significant at 1% level; ** significant at 5% level; * significant at 10% level
n=333; SN=111

5.4.3.2 B-Path Using Binary-mediation Analysis and Bootstrap Command (Control, Mediating and Dependent Variables)

Table 5.4.16 presents the results on the mediation effects of quality-differentiated auditors (QDA) on the relationship between control variables [company size (Cz), loss (LO), industry (IND), growth (GR), and complexity (CC) using binary-mediation analysis. Table 5.4.17 presents the results of the mediation effects of the same set of variables using binary-mediation bootstrap. Details are as follows:

5.4.3.2.1 Mediating Effects of Quality-differentiated Auditors on the Relationship between Company Size and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.16 reveal that the direct effect is 49.26% while the total effect is 53.33% and the proportion of total effect mediated is 7.63% in the relationship between company size (Cz) and monitoring mechanisms (MM). The direct and total effects are both positive, pointing towards the same direction. The mediation is complementary (Zhao et al., 2010). The mediating effects in the relationship between Cz and directorship (NEDIR), Cz and internal auditing (IA), and Cz and external auditing (EA) are also complementary. The results display direct effect of 38.39% and total effect of 40.39% with the proportion of 4.96% total effect mediated for Cz and NEDIR. The table also displays direct effect of 17.61% and total effect of 22.75% with the proportion of 22.58% total effect mediated for Cz and IA. It also displays direct effect of 56.88% and total effect of 62.39% with the proportion of 8.84% total effect mediated for Cz and EA.

The bootstrap analysis result on Table 5.4.17 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero. Also, it has a significant relationship with QDA in the logistic regression model with a beta of 6.99 and z-statistics of 5.43 and p-value of 0.000. Though, the indirect effect is insignificant as the confidential interval is with no zero, QDA is not significant in the relationship between Cz and directorship (NEDIR). The mediation effect is inconclusive in the relationship of Cz with NEDIR (β=₦3.9m, t=0.63, p=0.263) using a two-tailed test. However, it serves as a mediator in the relationship between Cz and monitoring mechanisms (β=₦11.2m, t=1.39, p=0.083) Cz and internal auditing (β=₦2.2m, t=1.53, p=0.063), and Cz and external auditing (β=₦5m, t=2.04, p=0.021).

5.4.3.2.2 Mediating Effects of Quality-differentiated Auditors on the Relationship between Loss and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.16 show that the direct effect is 15.49% while the total effect is 20.61% and the proportion of total effect mediated is 24.85% in the relationship between loss and monitoring mechanisms (MM). The direct and total effects are both negative, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between loss (LO) and directorships (NEDIR), LO and internal auditing (IA), and LO and external auditing (EA) are also complementary. The result displays direct effect of 12.67% and total effect of 16.25% with the proportion of 22.03% total effect mediated. It displays direct effect of 20.5% and total effect of 23.09% with the proportion of 11.22% total effect mediated for LO and IA. It also displays direct effect of 9.59% and total effect of 16.04% with the proportion of 40.21% total effect mediated for loss and EA. The bootstrap analysis result on Table 5.4.17 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero. Hence, QDA serves as a mediator between

LO and MM. It also serves as a mediator in the relationship between LO and each dimension of MM, directorship, internal, and external auditing.

5.4.3.2.3 Mediating Effects of Quality-differentiated Auditors on the Relationship between Industry and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.16 show that the direct effect is 6.73% while the total effect is 9.54% and the proportion of total effect mediated is 29.53% in the relationship between industry (IND) and monitoring mechanisms (MM). The direct and total effects are both positive, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between IND and directorship (NEDIR), IND and internal auditing (IA), and IND and external auditing (EA) are also complementary. The result displays direct effect of 2.99% and total effect of 5% with the proportion of 40.24% total effect mediated. It displays direct effect of 7.81% and total effect of 9.4% with the proportion of 16.97% total effect mediated for IND and IA. It displays direct effect of 10.12% and total effect of 13.5% with the proportion of 25% total effect mediated for IND and EA. The bootstrap analysis result on Table 5.4.17 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero. Hence, QDA serves as a mediator between IND and MM. It also serves as a mediator in the relationship between IND and each dimension of MM, directorship, internal, and external auditing.

5.4.3.2.4 Mediating Effects of Quality-differentiated Auditors on the Relationship between Growth and Monitoring Mechanisms

The binary-mediation analysis results on Table 5.4.16 show that the direct effect is 1.16% while the total effect is 5.72% and the proportion of total effect mediated is 120.27% in the relationship between growth (GR) and monitoring mechanisms (MM). The direct (-) and total (+) effects are pointing towards different directions. The mediation is, therefore, competitive (Zhao et al., 2010). The mediating effects in the relationship between GR and directorship (NEDIR), GR and internal auditing (IA), and GR and external auditing (EA) are also competitive. The result displays direct effect of -1.4% and total effect of 3.49% with the proportion of 140.22% total effect mediated for GR and NEDIR. It displays direct effect of -0.33% and total effect of 3.64% with the proportion of 109% total effect mediated for GR and IA. It also displays direct effect of -0.29% and total effect of 7.95% with the proportion of 103.69% total effect mediated for GR and EA. The result on Table 5.4.17 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero. Hence, QDA serves as a mediator between GR and MM. It also serves as a mediator in the relationship between GR and each dimension of MM, directorship, internal, and external auditing.

5.4.3.2.5 Mediating Effects of Quality-differentiated Auditors on the Relationship between Complexity and Monitoring Mechanisms

Table 5.4.16 shows that the direct effect is 60.01% while the total effect is 65.56% and the proportion of total effect mediated is 8.47% in the relationship between complexity (CC) and monitoring mechanisms (MM). The direct and total effects are both positive, pointing towards the same direction. The mediation is, therefore, complementary (Zhao et al., 2010). The mediating effects in the relationship between CC and directorship (NEDIR), CC and internal auditing (IA), and CC and external auditing (EA) are also complementary. The results display direct effect of 56.37% and total effect of 59.41% with the proportion of 5.13% total effect mediated for CC and NEDIR. The study displays direct effect of 7.03% and total effect of 12.03% with the proportion of 41.51% total effect mediated for CC and IA. It also displays direct effect of 55.19% and total effect of 62.97% with the proportion of 12.35% total effect mediated for CC and EA. The result on Table 5.4.17 demonstrates that the mediating relationship (indirect effect) is significant as the confidential interval includes no zero. Hence, QDA serves as a mediator between CC and MM. It also serves as a mediator in the relationship between CC and each dimension of MM, directorship, internal, and external auditing.

Table 5.4.16
Binary-mediation Analysis (Control Variables, Monitoring Mechanisms, Directorship, Internal, and External Auditing).

Variables	**Binary-mediation Analysis Results**	**Monitoring Mechanisms**	**Director-ship**	**Internal Auditing**	**External Auditing**
Company Size	Direct Effect	0.493	0.384	0.176	0.569
	Total Effect	0.533	0.404	0.228	0.624
	Proportion mediated	0.076	0.050	0.226	0.088
Loss	Direct Effect	-0.155	-0.127	-0.205	-0.096
	Total Effect	-0.206	-0.163	-0.231	-0.160
	Proportion mediated	0.249	0.220	0.112	0.402
Industry	Direct Effect	0.067	0.030	0.078	0.101
	Total Effect	0.095	0.050	0.094	0.135
	Proportion mediated	0.295	0.402	0.170	0.250
Growth	Direct Effect	-0.012	-0.014	-0.003	-0.003
	Total Effect	0.057	0.035	0.036	0.080
	Proportion mediated	1.203	1.402	1.090	1.037
Company Complexity	Direct Effect	0.600	0.564	0.070	0.552
	Total Effect	0.656	0.594	0.120	0.630
	Proportion mediated	0.085	0.051	0.415	0.124

NOTE: n=333; SN=111

Table 5.4.17

Binary-mediation Bootstrap Coefficients, Standard Errors, Indirect, Total Indirect, Direct and Total Effects (Control Variables, Monitoring Mechanisms, Directorship, Internal, and External Auditing).

Bootstrap Results	Monitoring Mechanisms			Directorship			Internal Auditing			External Auditing		
	B	[95% Conf. Interval]		B	[95% Conf. Interval]		B	[95% Conf. Interval]		B	[95% Conf. Interval]	
Company Size												
Indirect	0.041*	0.000	0.078	0.020	-0.020	0.059	0.051	-0.012	0.121	0.055***	0.026	0.087
	(0.018)	0.000	0.077	(0.019)	-0.022	0.056	(0.034)	-0.016	0.117	(0.016)	0.025	0.085
Total Indirect	0.041*	0.000	0.078	0.020	-0.020	0.059	0.051	-0.012	0.121	0.055***	0.026	0.087
	(0.018)	0.000	0.077	(0.019)	-0.022	0.056	(0.034)	-0.016	0.117	(-0.016)	0.025	0.085
Direct Effect	0.493***	0.416	0.570	0.384***	0.299	0.476	0.176***	0.052	0.295	0.569***	0.498	0.632
	(0.039)	0.410	0.566	(0.045)	0.285	0.467	(0.062)	0.045	0.291	(0.032)	0.493	0.628
Total Effect	0.533***	0.467	0.598	0.404***	0.335	0.484	0.227***	0.117	0.331	0.624***	0.575	0.670
	(0.032)	0.467	0.597	(0.038)	0.332	0.476	(0.054)	0.109	0.321	(0.024)	0.571	0.667
Loss												
Indirect	-0.051***	-0.086	-0.021	-0.036***	-0.064	-0.013	-0.026**	-0.056	-0.006	-0.065***	-0.110	-0.021
	(0.016)	-0.088	-0.024	(0.014)	-0.070	-0.016	(0.013)	-0.062	-0.007	(0.021)	-0.110	-0.021
Total Indirect	-0.051***	-0.086	-0.021	-0.036***	-0.064	-0.013	-0.026**	-0.056	-0.006	-0.065***	-0.110	-0.021
	(0.016)	-0.088	-0.024	(0.014)	-0.070	-0.016	(0.013)	-0.062	-0.007	(0.021)	-0.110	-0.021
Direct Effect	-0.155***	-0.200	-0.112	-0.127***	-0.169	-0.090	-0.205***	-0.287	-0.110	-0.096***	-0.147	-0.039
	(0.023)	-0.197	-0.108	(0.020)	-0.165	-0.076	(0.045)	-0.290	-0.119	(0.028)	-0.145	-0.035
Total Effect	-0.206***	-0.252	-0.162	-0.162***	-0.202	-0.128	-0.231***	-0.311	-0.141	-0.160***	-0.216	-0.103
	(0.022)	-0.252	-0.162	(0.018)	-0.194	-0.119	(0.044)	-0.317	-0.148	(0.029)	-0.216	-0.103

Table 5.4.17 (Continued)

Bootstrap Results	Monitoring Mechanisms			Directorship			Internal Auditing			External Auditing		
	B	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**		**B**	**[95% Conf. Interval]**	
Industry												
Indirect	0.028	-0.011	0.068	0.020	-0.006	0.050	0.016	-0.003	0.046	0.034	-0.005	0.080
	(0.018)	-0.012	0.065	(0.014)	-0.006	0.050	(0.012)	-0.002	0.047	(0.022)	-0.008	0.078
Total Indirect	0.028	-0.011	0.068	0.020)	-0.006	0.050	0.016	-0.003	0.046	0.034	-0.005	0.080
	(0.018)	-0.012	0.065	(0.014)	-0.006	0.050	(0.012)	-0.002	0.047	(0.022)	-0.008	0.078
Direct Effect	0.067***	0.030	0.104	0.030	-0.021	0.070	0.078**	-0.005	0.148	0.101***	0.060	0.140
	(0.019)	0.030	0.104	(0.022)	-0.026	0.069	(0.040)	-0.003	0.148	(0.020)	0.060	0.140
Total Effect	0.095***	0.049	0.137	0.050*	-0.003	0.096	0.094*	0.009	0.171	0.135***	0.098	0.179
	(0.022)	0.047	0.134	(0.024)	-0.008	0.089	(0.043)	0.005	0.171	(0.020)	0.091	0.170
Growth												
Indirect	0.069*	0.012	0.144	0.049*	0.013	0.097	0.040*	0.006	0.082	0.082*	0.021	0.165
	(0.031)	0.012	0.144	(0.022)	0.016	0.099	(0.019)	0.008	0.091	(0.036)	0.021	0.156
Total Indirect	0.069*	0.012	0.144	0.049*	0.013	0.097	0.040*	0.006	0.082	0.082*	0.021	0.165
	(0.031)	0.012	0.144	(0.022)	0.016	0.099	(0.019)	0.008	0.091	(0.036)	0.021	0.156
Direct Effect	-0.012	-0.044	0.037	-0.014	-0.058	0.041	-0.003	-0.115	0.119	-0.003	-0.034	0.040
	(0.019)	-0.046	0.031	(0.026)	-0.059	0.041	(0.057)	-0.120	0.115	(0.017)	-0.037	0.031
Total Effect	0.057*	0.007	0.125	0.035	-0.016	0.099	0.036	-0.073	0.155	0.080*	0.015	0.161
	(0.028)	0.002	0.120	(0.029)	-0.021	0.090	(0.058)	-0.081	0.150	(0.038)	0.012	0.154
Company Complexity												
Indirect	0.052***	0.030	0.078	0.034***	0.016	0.055	0.039*	0.011	0.080	0.066***	0.039	0.092
	(0.013)	0.025	0.075	(0.010)	0.016	0.057	(0.018)	0.011	0.080	(0.013)	0.038	0.091
Total Indirect	0.052***	0.030	0.078	0.034***	0.016	0.055	0.039*	0.011	0.080	0.066***	0.039	0.092
	(0.013)	0.025	0.075	(0.010)	0.016	0.057	(0.018)	0.011	0.080	(0.013)	0.038	0.091
Direct Effect	0.394***	0.278	0.497	0.351***	0.203	0.451	0.043	-0.078	0.163	0.405***	0.298	0.493
	(0.060)	0.284	0.500	(0.063)	0.195	0.449	(0.063)	-0.078	0.163	(0.050)	0.301	0.496
Total Effect	0.446***	0.335	0.544	0.384***	0.245	0.488	0.082	-0.030	0.193	0.471***	0.370	0.563
	(0.060)	0.335	0.544	(0.061)	0.245	0.488	(0.058)	-0.028	0.194	(0.051)	0.371	0.565

Note: *** significant at 1% level; ** significant at 5% level; * significant at 10% level; n=333; SN=111

5.4.4 Seemingly Unrelated Regression Results for Code of Corporate Governance

Panel D hypothesized to know the impact of the revised code of corporate governance on monitoring mechanisms. Seemingly Unrelated Regression (SUR) is adopted following Zellner (1962, 1963). Table 5.5.18 presents the result of SUR for comparison between the year 2010 under SEC 2003 and years 2011 and 2012 under SEC, 2011 (H_7). The results support the hypothesis that Nigerian code of corporate governance (SEC, 2011) positively relates to the demand for monitoring mechanisms in total (directorship, internal, and external auditing). The R^2 under SEC, 2003 was 55.21% in 2010, but it rose to 61.44% in 2012 under SEC, 2011. Furthermore, the models in Equation 2010 through 2012 were validated by the statistical significance of χ^2 at 1%.

Table 5.4.18
Seemingly Unrelated Regression for Nigerian Code of Corporate Governance on Monitoring Mechanisms

Equation	R^2	χ^2	**P-value**
2010 Monitoring Mechanisms	0.5521	410.54	0.000
2011 Monitoring Mechanisms	0.5016	335.18	0.000
2012 Monitoring Mechanisms	0.6144	530.56	0.000

NOTE: n=333; SN=111

Table 5.5.19 presents the result of SUR for comparison between the year 2010 under SEC 2003 and years 2011 and 2012 under SEC, 2011 ($H_{7i,}$ and H_{7ii}). The results support the hypothesis that Nigerian code of corporate governance (SEC, 2011) positively relates to the demand for each dimension of monitoring mechanisms (directorship, internal, and external auditing). The R^2 under SEC, 2003 for directorship in 2010 was 34.78% and rose to 43.46% in 2012 under SEC, 2011. It was 69.19% for internal auditing under SEC, 2003 in 2010 and rose to 69.81% in

2012 under SEC 2011. It was 55.5% for external auditing under SEC, 2003 in 2010 and rose to 59.08% in 2012 under SEC 2011. The models in equations for years 2010, 2011 and 2012 for the directorship, internal, and external auditing were validated by the statistical significance of χ^2 at 1%.

Table 5.4.19
Seemingly Unrelated Regression for Nigerian Code of Corporate Governance on each dimension of Monitoring Mechanisms (Directorship, Internal, and External Auditing

Equation	R^2	χ^2	**P-value**
2010 Directorship	0.3478	177.54	0.000
2011 Directorship	0.3237	159.37	0.000
2012 Directorship	0.4346	255.93	0.000
2010 Internal Auditing	0.6919	747.93	0.000
2011 Internal Auditing	0.7062	800.45	0.000
2012 Internal Auditing	0.6981	769.93	0.000
2010 External Auditing	0.5505	407.83	0.000
2011 External Auditing	0.5188	359.02	0.000
2012 External Auditing	0.5908	480.73	0.000

NOTE: n=333; SN=111

5.5 Further Tests

5.5.1 Structural Equation Model and Seemingly Unrelated Regressions

The study runs structural equation model (SEM) and seemingly unrelated regressions (Sureg) to validate its findings. Table 5.5.1 (columns 3 and 5) presents the multivariate results from SEM and Sureg. Relating the result to the findings in Panel A, either or both tests for further tests validates the findings for hypotheses, H_{1a}, H_{1b}, H_{1c}, H_{1d}, $H_{2a,}$ H_{2b}, H_{2c}, H_{2e}, H_{2d}, H_{2f}, and H_3. Managerial ownership and Individual block-holders significantly relate to the demand for monitoring mechanisms (MM) only in Sureg but in the right direction both in SEM and Sureg. Government ownership and compensation structure significantly and negatively relate to MM both using SEM and Sureg. Principal-principal conflicts relate to MM in the right direction both in SEM and Sureg. Board size significantly relates to the demand for monitoring mechanisms (MM) only in SEM, but it is in the right direction both in SEM and Sureg. Board meeting, Board independence, gender, and RMC relate significantly and positively to MM both in SEM and Sureg. CEO tenure relates positively with MM in Sureg but negatively in SEM.

The results on Table 5.5.1 (columns 2 and 4) validates the results from the main tests for Panel B for hypotheses H_{1a}, H_{1b}, H_{1c}, H_{1d}, H_{2a}, H_{2b}, H_{2c}, H_{2d}, H_{2e}, H_{2f}, and H_3 in both or either of SEM and Sureg. Managerial ownership and board independence relate positively to Quality-differentiated auditors (QDA) both in SEM and Sureg, but it is significant only in SEM. Government ownership, board meetings, and board independence relate positively to QDA both in SEM and Sureg. Individual block-holders, Board size, and CEO tenure relate negatively and significantly to QDA both in SEM and Sureg. Principal-principal conflicts, risk management committee, and compensation structure relate positively and significantly to QDA both in SEM and Sureg. Board gender relates negatively to QDA.

Table 5.5.1
Hypotheses Tests with Structural Equation Model and Seemingly Unrelated Regression

Variables	Structural Equation Model		Seemingly Unrelated Regression	
	Quality-differentiated Auditors	**Monitoring Mechanisms**	**Quality-differentiated Auditors**	**Monitoring Mechanisms**
Managerial Ownership	0.006***	-0.304	0.005	-0.824*
	(0.004)	(0.458)	(0.004)	(0.518)
Government Ownership	0.001	-1.841**	0.000	-2.329**
	(0.008)	(1.032)	(0.008)	(1.174)
Individual Block-holders	-0.004**	0.109	-0.004**	0.472*
	(0.002)	(0.263)	(0.002)	(0.297)
Principal-principal Conflicts	0.046***	1.767	0.045**	0.676
	(0.020)	(2.565)	(0.020)	(2.919)
Board Size	-0.040***	1.560*	-0.039***	1.552
	(-0.012)	(1.552)	(0.012)	(1.770)
Board Meetings	0.004	9.807***	0.004	11.111***
	(0.021)	(2.626)	(0.021)	(2.992)
CEO Tenure	-0.015***	-0.608**	-0.015***	0.218
	(0.005)	(0.611)	(0.005)	(0.704)
Risk Management Committee	0.114***	1.004	0.114**	2.423
	(0.050)	(6.247)	(0.050)	(7.117)
Board Independence	0.128	32.389***	0.133	38.044***
	(0.103)	(12.849)	(0.103)	(14.646)
Board Gender	-0.222	40.812*	-0.210	58.158**
	(0.247)	(30.913)	(0.247)	(35.196)
Compensation Structure	0.196***	-15.472**	0.194***	-13.617**
	(0.054)	(6.875)	(0.054)	(7.870)
Company Size	0.118***	0.8.135**	0.118***	13.089***
	(0.018)	(2.390)	(0.018)	(2.700)
Loss	-0.096**	-17.479***	-0.097**	-14.711**
	(0.054)	(6.780)	(0.054)	(7.741)
Industry	0.000***	13.691	0.002	16.012*
	(0.073)	(9.152)	(0.073)	(10.425)
Growth	0.006**	-1.685	0.006	-2.620**
	(0.011)	(1.348)	(0.011)	(1.535)
Complexity	0.006**	9.777***	0.028	24.923***
	(0.007)	(0.826)	(0.031)	(4.429)
Quality-differentiated Auditors		9.756**		11.485*
		(6.849)		(7.801)
RMSE			0.404	57.500
R2			0.332	0.422
F-stat			0.000	0.000
Log likelihood	-23230.059			

Note: *** significant at 1% level; ** significant at 5% level; * significant at 10% level
n=333; SN=111

5.5.2 Univariate Tests

Table 5.6.2 presents the results from univariate tests for each tested independent variable that has insignificant results in the multivariate tests. Principal-principal conflict significantly relates only to the internal auditing (IA) and external auditing (EA) in the multivariate test (MT) in the right direction. However, it significantly relates to the aggregate monitoring mechanisms (MM), thus being practically relevant. In univariate tests (UT), it significantly relates to MM in the right direction. It is practically but not statistically related to directorship (NEDIR) in the right direction in (UT). CEOT significantly and positively relates to NEDIR, IA, and EA in the MT. However, UT reveals that it significantly relates to MM and in the right direction. The MT shows that risk management committee significantly and positively relates only to the IA. However, the UT shows that it relates significantly and positively to the MM, NEDIR, and EA as well. MT displays significant relationship between board size and MM and NEDIR only. UT shows that it relates significantly also to IA and EA. MT demonstrates significantly positive relationship between board meetings (BM) and MM, BM and NEDIR, and BM and EA. UT shows that it also relates to IA in the right direction. MT reveals that board independence relates significantly to MM and dimensions except EA in the right direction. UT shows that it also relates to EA in the right direction. MT reveals that complexity relates significantly and positively to MM, NEDIR, and EA. UT reveals that it is likewise related to IA significantly and positively.

Table 5.5.2 presents the univariate test (UT) on the relationship between board meeting (BM) and the demand for quality-differentiated auditors (QDA), and also board gender (BG). BM is practically but not statistically relevant in the multivariate tests (MT) but the UT reveals that it is positively significant at 1% level of confidence. The result implies the more the board meets the more the demand for high-quality auditing. BG is both practically and statistically irrelevant in MT but significantly related to QDA in the right direction in UT.

Table 5.5.2
Hypotheses Tests by Univariate Regressions (Panels A and B)

Variables	**Panel A**				**Panel B**
	Monitoring Mechanisms	**Directorship**	**Internal Auditing**	**External Auditing**	**Quality-differentiated Auditors**
Principal-principal Conflicts	4.497** (2.486)	0.445 (1.030)		3.194** (1.895)	
CEO Tenure	0.609*** (0.209)				
Risk Management Committee	15.005*** (1.148)	8.179*** (1.811)		3.064*** (1.089)	
Board Size			0.491*** (0.131)	2.995*** (0.4739)	
Board Meetings			1.115* (0.728)		0.330*** (0.108)
Complexity			1.070*** (0.234)		
Board Independence				13.900*** (3.985)	
Board Gender					1.993** (1.197)
Government Ownership					0.003 (0.039)

Note: *** significant at 1% level; ** significant at 5% level; * significant at 10% level
n=333; SN=111

5.6 Summary Results of Hypotheses Tests for Monitoring Mechanisms

The study tested hypotheses H_1 to H_4 using Stata multivariate analysis, Panel-corrected Standard Errors and Logistic Regression; H_5 using Binary-mediation analysis and bootstrap; and H_6 using Seemingly Unrelated Regression. The summary of the results is in Table 5.6.

Table 5.6
Hypotheses Tests with Aggregate Monitoring Mechanisms as the Dependent Variable

Hypotheses		**Proposed Direction**	**Result Direction**	**Remark**
Direct effect on monitoring mechanisms				
H_{1a}	Managerial ownership is negatively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).	-	-	Supported
H_{1b}	Government ownership is positively associated with demand for monitoring mechanisms (directorship, internal, and external auditing)	+	-	Not Supported
H_{1c}	Individual block ownership is positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported
H_{1d}	Block-holders are positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing) with an increase in the ownership of second-largest shareholders.	+	+	Not significant
H_{2a}	Board size is significantly associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).	±	+	Supported
H_{2b}	Board meetings are positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported
H_{2c}	CEO tenure is positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Not Significant
H_{2d}	Risk Management Committee is positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Not Significant
H_{2e}	Independent directors are positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported
H_{2f}	Female directors are positively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported
H_3	Compensation structure is negatively associated with the demand for monitoring mechanisms (directorship, internal, and external auditing).	-	-	Supported
H_{41a}	Managerial ownership is negatively associated with quality-differentiated auditors.	-	+	Not Supported
H_{41b}	Government ownership is positively associated with quality-differentiated auditors.	+	+	Not Significant
H_{41c}	Individual block ownership is positively associated with quality-differentiated auditors.	+	-	Not Supported

Table 5.6 (Continued)

Direct effect on quality-differentiated auditors				
H_{41d}	Block-holders are positively associated with quality-differentiated auditors with an increase in the ownership of second-largest shareholders.	+	+	Supported
H_{42a}	Board size is positively associated with quality-differentiated auditors.	±	-	Supported
H_{42b}	Board meetings are positively associated with quality-differentiated auditors.	+	+	Not Significant
H_{42c}	CEO tenure is positively associated with quality-differentiated auditors.	+	-	Not Supported
H_{42d}	Risk Management Committee is positively associated with quality-differentiated auditors.	+	+	Supported
H_{42e}	Independent directors are positively associated with quality-differentiated auditors.	+	+	Supported
H_{42f}	Female directors are positively associated with quality-differentiated auditors.	+	-	Not Significant
H_{43}	Compensation structure is negatively associated with quality-differentiated auditors.	+	+	Supported
Mediating effect of quality-differentiated auditors				
H_{51a}	QDA positively mediates the relationship between Managerial ownership and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	-	Not Supported
H_{51b}	QDA positively mediates the relationship between Government ownership and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported
H_{51c}	QDA positively mediates the relationship between Individual block ownership and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	-	Not Supported
H_{51d}	QDA positively mediates the relationship between principal-principal block-holders with an increase in the ownership of second-largest shareholders and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported
H_{52a}	QDA positively mediates the relationship between Board size and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported
H_{52b}	QDA positively mediates the relationship between Board meetings and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported
H_{52c}	QDA positively mediates the relationship between CEO tenure and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	-	Not Supported

Table 5.6 (Continued)

Mediating effect of quality-differentiated auditors				
H_{52e}	QDA positively mediates the relationship between Independent directors and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported
H_{52f}	QDA positively mediates the relationship between Female directors and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported
H_{53}	QDA positively mediates the relationship between Compensation structure and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported
H_6	Code of Corporate Governance (CCG) relates positively to the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	+	Supported

5.7 Summary

This chapter presents the results of the tests on hypotheses developed in Chapter 4. It provides empirical evidence that managerial ownership (MO), government ownership (GO), and compensation structure (CS) negatively and significantly affect total monitoring mechanisms. Individual block-holders (IB), board size (BS), board meetings (BM), board independence (BI), and board gender (BG) positively and significantly affect monitoring mechanisms. For the relationship between organizational attributes and directorship, all variables significant in the relationship to aggregate monitoring mechanisms remain significant relating to directorship. CEO tenure is also positively significant relating to directorship and the significance of principal-principal conflicts (PPC) is in the opposite direction. GO, IB, and CS are negatively significant while MO, PPC, CEOT, RMC, BI, and BG are positively significant in relation to internal auditing. MO, GO, CEOT, BG, and CS are negatively significant while IB, PPC, BS and BM are positively significant in relation to external auditing.

It also provides empirical evidence of the mediating effects of the quality-differentiated auditors (QDA) on the relationship between organizational attributes and monitoring mechanisms (directorship, internal, and external auditing). QDA significantly mediates between organizational attributes (managerial ownership, government ownership, individual block-holders, principal-principal conflicts, board size, board meetings, CEO tenure, risk management committee, board independence, and board gender, compensation structure) and monitoring mechanisms.

CHAPTER SIX

DISCUSSIONS AND CONCLUSION

6.0 Introduction

The earlier chapter discusses research analysis and empirical evidence for the study. This chapter discusses the results of data analysis presented in Chapter 5 in the context of the research questions, literature review, underpinning theories and hypotheses discussed in Chapters 1 to 4 of this study. The chapter is into seven sections. Section 6.1 recapitulates the entire study. Section 6.2 discusses the four main panels in the study as related to research questions, hypotheses, theories and literature review. Section 6.3 discusses the implication of the study, while Section 6.4 is on the limitations of the study with suggestions for future research discussed in Section 6.5. Section 6.6 discusses the conclusion of the study, while Section 6.7 summarizes the chapter.

6.1 Study Recapitulation

This study used panel-corrected standard errors regression analysis to answer research question one and logistic regression analysis to answer question two. The study determines the results of these analyses in relation to the objectives one and two and thereafter, applied binary-mediation analysis and bootstrap to address research question three and examine objective three. The study addresses question four using seemingly unrelated regression analysis (SUR) and examines objective four. This section summarizes the findings viz-a-viz the research objectives and research questions in chapter one. The bases of the findings are the responses of 111 respondents in 111 non-financial listed companies in Nigeria and the companies' annual reports for years 2010, 2011 and 2012. The summary of the major findings is as shown below:

Objective One: To examine the relationship between organizational attributes (ownership structure, the board of directors, and compensation structure) and the demand for monitoring mechanisms (directorship, internal, and external auditing).

The study answered research question one to determine the objective using panel-corrected standard errors regression analysis. There are extant literature that used this statistic method for their studies (de Haas & van Lelyveld, 2006; Barako, 2007; Shafer & Moeller, 2012; Hallerberg & Wolff, 2008; Quinn & Toyoda, 2008). The present outlook of the non-financial listed companies in Nigeria reveals a concern for adequate monitoring of company activities to ensure the protection of the interests of the minority shareholders.

The results show that ownership structure (managerial ownership, government ownership, individual block-holders and principal-principal conflicts) influence the construct, monitoring mechanisms and construct's dimensions, directorship, internal, and external auditing in the non-financial listed companies in Nigeria. Hence, ownership structure significantly impacts on the demand for monitoring mechanisms (Jensen & Meckling, 1976; Omri et al., 2014; Connelly et al., 2010; Oxelheim & Randoy 2003;). Many of the companies are encouraging managerial ownership as an incentive to curb expropriation of company’s assets. However, they attempt to check on the negative impact of managerial ownership through the separation of leadership (CEO and Chairman) and independent directors.

The results also indicate that the composition and activities of the board of directors (board size, board meeting, CEO tenure, risk management committee, independent directors, and board gender) positively influence the construct, monitoring mechanisms (MM). Also, it positively affects construct's dimensions, directorship, internal, and external auditing in the non-financial listed companies in Nigeria. Board of directors' composition and activities, therefore, impact on the demand for MM (Zéghal et al., 2011; Lishenga, 2011; Miller, 1991; Yatim, 2009; Malek & Che-Ahmad, 2013; Lincoln & Adedoyin, 2012). It is evidenced that many of the companies are trying to improve on the composition and activities of the board of director to ensure adequate monitoring. The result shows that the composition and activities of the board of directors significantly influence MM.

Likewise, compensation structure (CS) influences the monitoring mechanisms in the non-financial listed companies in Nigeria. CS is an incentive for management, members of the board and its committees. CS helps to align the interests of the management and shareholders. The demand for monitoring mechanisms will be less because the incentive helps the audit committee and the board to enhance the alignment of the interests of the management and the shareholders (Sakawa et al., 2012; Sarens & Abdolmohammadi, 2011).

Objective Two: To examine the relationship between organizational attributes (ownership structure, the board of directors, and compensation structure) and quality-differentiated auditors.

The study answers research question two using logistic regression analysis to determine the objective because quality-differentiated auditor is dichotomous. Many extant literature used logistic regression analysis for their studies (Moseson et al., 2014; Yatim, 2009; Adeyemi & Fagbemi, 2010; Hope et al., 2012; Fuerman & Kraten, 2009). The logistic regression shows that ownership structure (managerial ownership, government ownership, individual block-holders and principal-principal conflicts) influence the construct, quality-differentiated auditors in the non-financial listed companies in Nigeria. Therefore, ownership structure impacts on quality-differentiated auditors (DeAngelo, 1981; Henry, 2010; Hope, 2013).

The results also prove that board of directors' composition and activities also influence quality-differentiated auditors (QDA) in the non-financial listed companies in Nigeria. The composition and activities of the board of directors impact on QDA. The right composition of the board of directors and its activities is likely to demand high-quality financial reports for the protection of shareholders' interests. The board is likely to demand quality-differentiated auditors to obtain quality financial reports (Ali & Nasir, 2014; Sanda et al., 2011; Yatim, 2009).

Likewise, where compensation structure serves as an incentive to the management and members of the board and board committees, both the management and the board of directors are likely to be interested in aligning their interests with the interests of the shareholders. Thus, quality financial reports may be desired, and quality-differentiated auditors may be engaged to enhance high-quality financial reports (Sarens & Abdolmohammadi, 2011).

Objective Three: To examine how quality-differentiated auditors impact organizational attributes (ownership structure, the board of directors, and compensation structure) and monitoring mechanisms (directorship, internal, and external auditing).

The study ran the binary-mediation analysis and bootstrap to answer question three and determine this objective. The regression reveals that quality-differentiated auditors mediate the relationship between organizational attributes and monitoring mechanisms. It, therefore, validates the mediation effect of quality-differentiated auditors in the relationship between organizational attributes and monitoring mechanisms. Many extant literature used binary-mediation analysis (Rivera, 2012; Russell, Ford, Rosenberg & Kelly, 2013; El-Amin, Kinnunen, Ollila, Helminen, Alves, Lindfors, & Rimpela, 2015; Voisin, Hotton, & Neilands, 2014).

Ownership structure significantly relates to monitoring mechanisms and significantly relates to quality-differentiated auditors (QDA). QDA also relates significantly to monitoring mechanisms (MM). The mediation is significant in the relationship of ownership structure with the MM, directorship, internal auditing, and external auditing (Iwasaki, 2011; Sirois, et al., 2011). Thus, QDA mediates between ownership structure and monitoring mechanisms.

Board of directors' composition and activities also relates significantly to quality-differentiated auditors (QDA). QDA also relates significantly to monitoring mechanisms (MM). The mediation is significant in the relationship between the structure and activities of the board of directors with the MM, directorship, internal auditing, and external auditing (Iwasaki, 2011; Desender et al., 2013). Thus, QDA mediates between composition and activities of the board of directors and monitoring mechanisms.

Compensation structure also relates significantly to quality-differentiated auditors (QDA). QDA also relates significantly to monitoring mechanisms (MM) in this relationship. The mediation is significant in the relationship of compensation structure with the MM, directorship, internal auditing, and external auditing (Boone et al, 2010; Mohamad-Nor et al., 2010). Thus, QDA mediates between compensation structure and monitoring mechanisms.

Objective Four: To examine how 2011 SEC Code impact the monitoring mechanisms in Nigerian public listed companies.

The study answers question four and determine this objective using seemingly related regression analysis (SUR). The regression reveals that 2011 SEC code impacts the monitoring mechanisms in the non-financial listed companies in Nigeria showing improvement in monitoring comparing monitoring before and after the implementation of the new code of corporate governance. It reveals that companies are pursuing high-quality financial reports to safeguard the interests of the shareholders. Information asymmetry problem can be resolved with the adoption and full enforcement of the code of corporate governance and a continuous review of the code to incorporate global and local changes in governance practice.

Presently, information on internal audit costs, information system structure, proportional shareholding per class of shareholders (family, government) is missing in the financial reports. Likewise, non-executive directors' remuneration needs to be clearly separated from executive directors' remuneration.

6.2 Discussion of the Study

This study examines the mediating effect of quality-differentiated auditors on the relationship between organizational attributes (managerial ownership, government ownership, individual block-holders, principal-principal conflicts, board size, board meetings, CEO tenure, risk management committee, board independence, board gender, and compensation structure) and monitoring mechanisms (directorship, internal, and external auditing combined). 34 hypotheses representing the constructs relationship were developed. 23 hypotheses were developed for each of the constructs' dimension relationship. The results empirically support 26 of the 34 constructs' relationship of the organizational attributes with the aggregate monitoring mechanisms. The results empirically support 16 of the 23 constructs' dimension relationship of the organizational attributes with directorship; 17 of the 23 relationship with internal auditing; and 15 of the 23 relationship with the external auditing.

The result provides empirical evidence that all the five control variables are significant. Company size (Cz), industry (IND), and complexity (CC) are positive and significant while loss (LO), and growth (GR) are negatively significant in the relationship with the construct, aggregate monitoring mechanisms. Cz, IND, CC are positive and significant also relating to constructs' dimensions, directorship (NEDIR), internal auditing (IA) and external auditing (EA) with exception to the relationship between CC and IA. LO and GR are negatively and significantly related to NEDIR, IA, and EA.

6.2.1 Monitoring Mechanisms and Organizational Attributes (C-Path)

The results of the multiple regression analysis testing the hypothesized variables for the direct relationship between the organizational attributes suggest that the model is statistically significant ($p<0.000$) and a good predictive model of monitoring mechanisms for Nigerian data. The R^2 of the model is 0.4179, a little lower than the model in Anderson et al. (1993) of a similar study in Australia with R^2 of 0.423. It is quite low compared to that of Mustapha (2009) in Malaysia with R^2 of 0.7767. Thus, it explains about 40% of the variation in the monitoring mechanisms in Nigerian non-financial listed companies.

The study suggests that the following hypothesized variables are significant in the right direction: 1) managerial ownership, 2) individual block-holders, 3) board size, 4) board meetings, 5) board independence, 6) board gender, and 7) compensation structure. However, government ownership is significant in the opposite direction. In addition, it also finds that all the control variables are significant. It also finds that principal-principal conflicts, CEO tenure, and risk management committee are with practical but no statistical relevance.

6.2.1.1 Ownership Structure

6.2.1.1.1 Direct Effect of Managerial Ownership on Monitoring Mechanisms (Directorship, Internal, and External Auditing)

Agency theory suggests that managerial ownership (MO) has a negative relationship with monitoring mechanisms (MM). This study in Panel A is consistent with agency theory as it suggests a significant negative relationship with the construct, MM. Hence, the results support hypotheses $H_{1a,}$ H_{1ai}, and H_{1aiii}. The finding is consistent with the extant literature (Brunzell & Peltomäki, 2015; Jusoh & Che-Ahmad, 2014; Reddy & Sharma, 2014; Mustapha & Che-Ahmad, 2011; Eng & Mak, 2003; Jensen & Meckling, 1976) but with exception to internal auditing, which is significant but in the opposite direction**.** The findings imply that the more the managerial ownership increases, the less the demand for MM, directorship, and external auditing but the more the demand for internal auditing.

The findings are consistent with the ownership model of Jusoh and Che-Ahmad (2014), which suggests that 1) managerial ownership (MO) is likely to align the principal-manager interests. 2) lower MO helps to resolve shareholders-managers conflicts. 3) MO significantly and negatively relates to the performance of the company. Likewise, it is consistent with the findings of Mustapha and Che-Ahmad (2011), which suggests that MO results in less information asymmetry and hierarchical organizational structure. It conforms also to the findings of Saleh et al. (2009), that MO should minimize agency problem. It is also consistent with the findings of Jensen (1998) that MO is an incentive to eliminate agency problems in respect of the opportunistic attitudes of the managers. Hence, monitoring costs should reduce. Likewise, it follows the claim of Amran and Che-Ahmad (2013) that 1) there is more demand for monitoring mechanism when MO is low. 2) performance of the company reduces with increase in shareholdings of the managers.

The managerial shareholder does not need to monitor the management as the owner is also the manager. The managerial shareholder has access to all information needed to run and monitor the activities of the company. Also, maximizing the company's wealth is maximizing managerial shareholder's wealth. Hence, he will be more productive to ensure the achievement of the corporate goals. Managerial ownership, therefore, enhances the alignment of the management and shareholders' interests. Thereby, it helps to reduce agency costs.

The rationale for more demand for the internal auditing could be because of the control that the management has on the internal auditors, which affects their independence and prestige. This conforms to the findings of Wright and Charles, (2012) that many internal auditors lack audit independence for receiving little or no support from one or more senior executives. It is also consistent with Sarens and Abdolmohammadi (2011), that managerial ownership affects the decision and support of the board of directors for larger internal audit functions that allows for close monitoring of management performance. Thus, shareholding by managers through voting rights escalates their influence on the board of directors and impact board decisions and policies in general. Furthermore, the study provides evidence through the primary data that only 1.8% of the internal auditors report to the board of directors, 26.1% report to the audit committee 11.7% report to the Chief Financial Officers and the remaining 60.4% report to the CEO. The results, therefore, provide evidence that executive directors have an influence on internal audit's independence and performance in Nigerian non-financial listed companies. It is, therefore, difficult for internal audit to really monitor management on behalf of other shareholders. Hence, a large manager-owner is likely to expropriate minority shareholders' interests in Nigeria.

The study carried out further tests segmenting the companies into companies with managerial ownership (MO) and companies with no MO, re-estimating Panel A using the alternatives. The result from this test shows that companies with MO are with negative significance at $p<0.000$ with other variables remaining unchanged. The independent t-test carried out following the regression shows that the two classes of companies (with and without MO) differ significantly. Surprisingly, however, companies with MO (β = ₦0.757m, z = 3.56) are with average monitoring costs of ₦3.029m while companies without MO (β = 19m, z = 1.89) are with lesser average monitoring costs of ₦0.648m giving a difference of ₦2.381m. This is the reverse of the findings of Mustapha (2009) where companies with MO have lesser monitoring costs. The study conducted a further test comparing the monitoring costs of companies with more than 5% MO (β = ₦0.744, z = 4.04) to those with lesser MO (β = ₦0.192, z = 0.15). The average monitoring costs for companies with 5% and above MO is ₦2.649 while that of companies with less than 5% MO is ₦0.380 giving a difference of ₦2.269. It reveals that those with more than 5% MO demand more monitoring. This is due to the fact that the MO in the Nigerian non-financial companies that are above 5% threshold is about 42%. It is consistent with the findings of Saleh, et al. (2009), Jusoh and Che-Ahmad (2014) that: 1) MO could be detrimental if a certain threshold is exceeded. 2) higher MO promotes expropriation of minority interests; hence, it can result in grave agency conflicts. More monitoring is required with the presence of agency conflicts, hence; more monitoring costs will be incurred.

6.2.1.1.2 Direct Effect of Government Ownership on Monitoring Mechanisms (Directorship, Internal, and External Auditing)

Government ownership (GO) in Panel A is with a significant negative relationship with the construct, aggregate monitoring mechanisms (MM) as well as construct's dimensions – directorship (NEDIR), internal auditing (IA) and external auditing (EA). This is the opposite direction of the hypothesis H_{1b}. Hence, the results do not support hypotheses $H_{1b,}$ $H_{1bi,}$ $H_{1bii,}$ and H_{1biii}. Findings of extant literature on the relationship between government ownership (GO) and MM are mixed. Findings consistent with agency theory are with positive significant results for GO and MM. This class of thought suggests that GO improves the quality of corporate governance; positively affects MM in common law countries; positively relates to independent directors, quality disclosure, voluntary disclosure, low managerial ownership, management's innovative ideas and more demand for MM (Mustapha & Che-Ahmad, 2013; Al-Janadi et al., 2013; Iwasaki, 2011; Eng & Mak, 2003). On the other hand, other extant literature find that political interventions arise with the presence of GO; GO has negative impact on voluntary disclosure, firm performance, firm growth, governance quality, more agency conflicts (Omri et al., 2014; Borisova et al., 2012; Saleh, et al., 2009; Vasilescu, 2008).

The result is, therefore, consistent with the findings of Borisova et al. (2012) suggesting that government ownership (GO) is with negative governance quality. It is negative because Nigeria is a civil law country. It also conforms with the findings of Vasilescu (2008) that there is a conflict of interest between management and government in companies with GO (partial or total).

Further tests were made. It was tested alone with the monitoring mechanisms (MM) and it tested positive only for construct's dimension, external auditing (β=74470.25, z=0.28, p=0.781). Its failure to test positive with directorship and internal auditing could be attributed to the fact that the internal audit is part of management and will not willingly agree with any force that works against its opportunistic attitudes. For the directors, it may be that the shares of the companies are concentrated and not widely spread or they are family owners. Individual block-holders are very few in Nigeria and may lack appropriate votes to control the activities of the management or the board of directors.

6.2.1.1.3 Direct Effect of Individual Block-holders on Monitoring Mechanisms (Directorship, Internal, and External Auditing)

The result on Panel A reveals that individual block-holders (IB) have positive significant relationship with the construct, monitoring mechanisms and construct's dimensions, directorship and external auditing. Thus, it is consistent with agency theory and supports hypotheses H_{1c}, H_{1ci}, and H_{1ciii}. The result is consistent with the extant literature (Habbash, 2012; Ali & Lesage, 2013). As outside block shareholders, though not as strong as institutional block-holders, IB demands more monitoring. The result provides evidence that IB helps to reduce agency conflicts following the study of Yaacob and Che-Ahmad (2012a), which treated IB as independent directors with 5% and above shareholdings. It is also consistent with the findings of Lishenga (2011), who treated IB as outside directors, that outside directors positively relates to firms' performance. Its ability to address the conflicts between shareholders and management will help in improving the performance of the company and demand for more monitoring to ensure the alignment of the interests of the two parties. It is also consistent with the findings of Oyejide and Soyibo (2001), that IB applies more operational corporate governance. The result is consistent with the finding of Mustapha and Che-Ahmad (2013), which provides evidence that non-institutional block-holders demand more monitoring with an increase in their shareholdings.

However, it has a negative significant relationship with the internal auditing (IA). Hence, the result does not support hypothesis H_{1cii} that expect a positive significant relationship between individual block-holders (IB) and IA. The result provides evidence that IA is more or less part of management whose activities is to be monitored. Hence, IB is likely to demand other dimensions of monitoring than IA considering the influence of management on the independence of internal audit. This is consistent with the findings of Sarens and Abdolmohammadi (2011) that a block-holder is likely to invest less in internal audit function.

6.2.1.2 Board of Directors (Composition and Activities)

6.2.1.2.1 Direct Effect of Board Size on Monitoring Mechanisms (Directorship, Internal, and External Auditing)

The results for Panel A show positive significant relationship between board size (BS) and the construct, monitoring mechanisms (MM), as well as construct's dimension, directorship (NEDIR). Thus, it is consistent with stakeholders' theory and supports hypothesis H_{2a} and H_{2ai} that board size relates significantly to the demand for MM and NEDIR. It reveals that a unit increase in BS results in an increase in the demand for MM and NEDIR. This is consistent with the results from the studies of Zéghal et al. (2011). It is also consistent with the findings of Zhang et al. (2007) that BS is positively associated with high-quality auditing. It is also consistent with the study of Kajola (2008), that find a positive significant relationship between BS and returns on equity.

The result fails to support hypotheses H_{2aii} and H_{2aiii} that board size relates significantly to internal and external auditing as monitoring mechanisms as it shows no significant relationship between board size and neither internal nor external auditing. However, it shows that, though not statistically relevant, it is practically relevant to external auditing. The finding is consistent with the study of Babatunde and Olaniran (2009).

Further tests were carried out reclassifying the companies to companies with smaller board size (BS) and companies with larger BS. The result from re-estimating Panel A using these alternatives shows that companies with smaller BS are with negative significance at $p<0.000$ while those with larger BS are with positive significance at $p<0.000$. It shows that companies with smaller BS and those with larger BS differ significantly. The average monitoring costs for companies with smaller BS is ₦0.351m while the average monitoring costs for those with larger BS is ₦8.054m giving a difference of ₦7.703m. It implies that companies with larger BS have more demand for monitoring mechanisms than companies with smaller BS. Larger BS helps to scrutinize information from the management. This is consistent with the findings of (Ali & Nasir, 2014; Velnampy, 2013; Uadiale, 2010). Larger BS is characterized with more independent directors, and financial expertise on board, hence, it helps to align the interests of management and shareholders effectively. Most of the Nigerian non-financial listed companies aim to take advantage of larger board size. The study provides evidence that more than 78% of the respondent companies are with 7 to 14 board members.

6.2.1.2.2 Direct Effect of Board Meetings on Monitoring Mechanisms (Directorship, Internal, and External Auditing)

The results for Panel A show significant positive relationship between board meetings (BM) and the construct, monitoring mechanisms (MM), as well as construct's dimensions, directorship (NEDIR) and external auditing (EA). Thus, it is consistent with agency theory and supports hypothesis H_{2b}, H_{2bi}, and H_{2biii} that BM relates significantly to the demand for MM, NEDIR, and EA. It reveals that a unit increase in BM results in an increase in the demand for MM as well as NEDIR and EA. This is consistent with the results from the studies of Lishenga (2011); Kajananthan (2012). The study, therefore, provides evidence that BM enhances more demand for monitoring, especially through NEDIR and EA. The finding is consistent with the study of Appah and Emeh (2013) that larger boards add to the monitoring capacity of the board through diverse expertise. It is evidence that regular meetings of the board enhance alignment of the interests of the management and shareholders and ensure more demand for monitoring through NEDIR and EA. The demand for internal auditing is not so high because of the possible interference of the top management.

Further tests were carried out reclassifying the companies to companies with more board meetings (BM) and companies with lesser BM. The result from re-estimating Panel A using these alternatives shows that companies with lesser BM are with negative significance at $p<0.000$ while those with more BM are with positive significance at $p<0.000$. It shows that companies with lesser BM and those with more BM differ significantly. The average monitoring costs for companies with lesser BM is ₦0.084m while those with more BM is ₦4.252m giving a difference of ₦4.168. It implies that companies with more BM have more demand for monitoring mechanisms than companies with lesser BM. This is consistent with the findings of Kajananthan (2012). More BM connotes more access to more information through which board aligns the interests of management and shareholders effectively. The study provides evidence that about 83% of the sampled Nigerian non-financial companies met between 4 and 10 times in a year.

6.2.1.2.3 Direct Effect of Board Independence on Monitoring Mechanisms (Directorship, Internal, and External Auditing)

The results for Panel A show significant positive relationship between board independence (BI) and the construct, monitoring mechanisms (MM). BI also relates positively and significantly to construct's dimensions, directorship (NEDIR) and internal auditing (IA). Thus, it supports hypotheses H_{2e}, H_{2ei}, and H_{2eii} that independent directors relate positively to the demand for MM as well as NEDIR and IA. It reveals that a unit increase in BI results in an increase in the demand for MM as well as NEDIR and IA. This is consistent with agency and signalling theories and the results of the studies of Al-Janadi et al. (2013), Akhtaruddin and Haron (2010), Adeyemi and Fagbemi (2010). The study, therefore, provides evidence that board independence enhances more demand for monitoring especially through directorship and internal auditing. The result shows that the relationship between BI and external auditing is in the right direction.

This study, therefore, provides evidence that a company with independent directors are treasured because of their ability to ensure the protection of minority shareholders' interests. The presence of independent directors on the board of directors helps to align the interests of the management with those of the shareholders. This is consistent with the findings of Anderson and Reeb (2004) and Latif, Kamardin, Nisham, Mohd, and Adam (2013). The study provides evidence that almost all the non-financial listed companies in Nigeria (about 98%) have independent directors on the board of directors.

6.2.1.2.4 Direct Effect of Board Gender on Monitoring Mechanisms (Directorship, Internal, and External Auditing).

The results for Panel A show significant positive relationship between board gender (BG) and the construct, monitoring mechanisms (MM), as well as construct's dimensions, directorship (NEDIR) and internal auditing (IA). Thus, it supports hypothesis H_{2f}, H_{2fi}, and H_{2fii} that BG relates positively to the demand for MM, NEDIR, and IA. It reveals that a unit increase in BG results in an increase in the demand for MM as a construct as well as NEDIR and IA as units of the construct. This is consistent with the agency, stakeholders, and signalling theories and the results of the studies of Jonty and Mokoteli (2015), Lenard et al. (2014), Remery et al. (2010), Lincoln and Adedoyin (2012). The study, therefore, provides evidence that BG enhances more demand for monitoring, especially through NEDIR and IAC. It provides the template for effective governance, better company performance, risk management and firm value through the availability of a wider pool of talents. It is consistent with agency theory, suggesting that gender balance enhances board independence. The result shows that the relationship between BG and EA is significant but in the opposite direction. The finding is consistent with the study of Abdullah, Ismail, and Nachum (2015). The possible explanation for this is that external auditing is mandatory and has nothing doing with whether or not there is gender inequality in the composition of the board.

Further tests were carried out reclassifying the companies to companies with female directors (FD) and companies with no FD. The result from re-estimating Panel A using these alternatives shows that companies with FD (β = ₦129m, z = 5.59) are with positive significance at $p<0.000$ while companies with no FD (β = ₦17.4m, z = 3.31) are with negative significance in the relationship with monitoring mechanisms. It implies that companies with more FD have more demand for monitoring mechanisms than companies with lesser FD. About 41% of the Nigerian non-financial listed companies are with no FD on their board of directors.

6.2.1.3 Direct Effect of Compensation Structure on Monitoring Mechanisms (Directorship, Internal, and External Auditing)

The results for Panel A show that significant negative relationship exist between compensation structure (CS) and the construct, monitoring mechanisms (MM), as well as construct's dimensions, directorship (NEDIR), internal auditing (IA), and external auditing (EA). Thus, it supports hypothesis H_3, H_{3i}, H_{3ii}, and H_{3iii} that CS relates negatively to the demand for MM, NEDIR, IA, and EA. It reveals that a unit increase in CS results in a decrease in the demand for MM as well as NEDIR, IA, and EA. This implies that the interest of the management and shareholders are aligned, and there is an improvement in the performance of the company. It is a tool to solving agency conflicts for which lesser amount is spent on monitoring as it helps to reduce auditors' efforts. This is consistent with agency theory and the results of studies of Armstrong et al. (2010), Lishenga (2011), Sanda et al. (2011), Hope et al. (2012). The study, therefore, provides evidence that CS is with less demand for monitoring. However, the study of Mustapha (2009) provides practical but no statistical evidence for the relationship between CS and MM.

This study, therefore, provides evidence that compensation structure is an incentive for resolving agency conflicts in organizations. It helps to align the interests of the management and the shareholders. Hence, companies should adequately compensate the top management and board committees to spur them to be more effective and efficient in discharging their duties in maximizing shareholders' value. However, SEC 2011's guide on the remuneration of the directors and senior management should be considered in making such decisions. It should be noted, however, that this finding is yet to be felt in the prevailing practice, more so, this study explains only 40% of the interactions in the audit market and corporate governance in Nigerian non-financial sector. However, it may be an evidence of improvement for a change, which may not be easily noted where corruption and fraud are legendary.

6.2.2 Quality-differentiated Auditors and Organizational Attributes (A Path)

The results in Panel B testing the hypothesized variables for the relationship between the organizational attributes and quality-differentiated auditors suggest that the model is statistically significant ($p<0.000$) and a good predictive model of quality-differentiated auditors for Nigerian data.

The study suggests that the following hypothesized variables are significant and supported: 1) principal-principal conflicts, 2) board size, 3) risk management committee, 4) board independence, and 5) compensation structure. Managerial ownership, individual block-holders, and CEO tenure are significant but in the opposite direction. In addition, it finds that control variables, company size is positively significant and loss is negatively significant. It also suggests that government ownership and board meetings are with practical but no statistical relevance, but board gender is in the opposite direction.

6.2.2.1 Ownership Structure

6.2.2.1.1 Direct Effect of Managerial Ownership on Quality-differentiated Auditors

The results show a significant positive relationship between managerial ownership (MO) and quality-differentiated auditors (QDAs) but in the opposite direction. It reveals that a unit increase in MO results in an increase in the demand for QDAs. This implies that the interest of the management and shareholders are not aligned, and there is no improvement in the performance of the company. It fails as a tool to solving agency conflicts triggering companies to spend more on monitoring. This is consistent with the results of studies of DeAngelo (1981), Defond et al. (2000), Numan and Willekens (2012) that information asymmetry between management and shareholders increases with an increase in shareholding of the management. The inside holdings have exceeded a level that results in increased agency costs, leading to competition in audit market and demand for a quality audit. About 42% of the Nigerian non-financial companies are above 5% MO threshold. The result is consistent with the findings of Jusoh and Che-Ahmad (2014) that MO could be detrimental if a certain threshold is exceeded. The result from further test reveals that companies with MO are positively related to QDA (β=0.036, z=1.68, p=0.094) and those with no MO are negatively related to QDA (β=3.608, z=2.14, p=0.032). The study, therefore, provides evidence that MO is likely to promote opportunistic attitudes with a high proportion of shareholding. MO may fail to eliminate owner-manager conflict, which is the basis of the demand through other organizational attributes for costly auditing. Hence, quality-differentiated auditors may be required especially in companies with high MO as there are evidence of companies with MO in the range of 12% and 60% in the Nigerian non-financial respondent companies.

6.2.2.1.2 Direct Effect of Individual Block-holders on Quality-differentiated Auditors

The results show a significant negative relationship between individual block-holders (IB) and quality-differentiated auditors (QDAs). Thus, it fails to support hypothesis H_{41c} that IB relate positively to QDAs. It reveals that a unit increase in IB results in a decrease in the demand for QDAs. This implies that the interests of the management and shareholders are aligned, and there is an improvement in the performance of the company. It suggests that the IBs are inside-owners and have access to full information needed for decision making. It means that the IBs are manager block-holders or family block-holders or are closely related to the management and have less information asymmetry with the management. It, therefore, helps to resolve agency conflicts and attracts less monitoring. Since the level of information asymmetry relates to the demand for a quality audit, and there exist little or no information asymmetry with IB, the demand for QDA will be less. This is consistent with the results of the study of Henry (2010) that IB encourages agency alignment and reduces the level of agency costs. It is also consistent with the study of Habbash (2012), that block-holding faces less agency problems because ownership is separated from control, however, it is characterized by severe agency problems between the block-holders and minority shareholders. Individual block-holders in Nigeria are few and less powerful.

6.2.2.1.3 Direct Effect of Principal-principal Conflicts on Quality-differentiated Auditors

The results show a significant positive relationship between principal-principal conflict (PPC), otherwise known as type II agency problem and QDAs. The study supports hypothesis H_{41d} that PPC relates positively to QDAs. It reveals that a unit increase in PPC results in an increase in the demand for QDAs. This implies that an increase in the shareholding of the second-largest shareholder (SLS) helps to demand high-quality audit that helps to resolve the conflicts among the shareholders. The result is consistent with agency and shareholders theory the claims of Hope (2013) Gogineni, Linn, and Yadav (2011) Pagano and Roell (1998). Hope (2013) claims that the monitoring ability of the SLS increases with the increase in their stockholdings and are empowered to monitor the largest shareholders (LS). It implies that SLS can help to prevent the LS from exploiting the minority shareholders. Pagano and Roell (1998) claims that increase in the stake-holdings of second-largest owners (non-controlling owners) lessens the expropriation of the minority shareholders. The result is also consistent with the study of Gogineni et al. (2011) that the ability of the SLS to prevent the LS' private benefits extraction is a function of the magnitude of stocks held by the SLS. Furthermore, it conforms to the findings of Jensen and Meckling (1976) that the number of shares determines the magnitude of the demand for monitoring. It is also consistent with the study of Habbash (2012), that block-holding faces less agency problems because ownership is separated from control, however, it is characterized by severe agency problems between the block-holders and minority shareholders.

6.2.2.2 Board of Directors (Composition and Activities)

6.2.2.2.1 Direct Effect of Board Size on Quality-differentiated Auditors

The results show a significant negative relationship between board size (BS) and quality-differentiated auditors (QDAs). The study fails to support hypothesis H_{42a} that BS relates positively to QDAs. It reveals that a unit increase in BS results in a decrease in the demand for QDAs. This implies that as the BS is getting bigger, the demand for high-quality audit reduces. It means that as the number of directors on the board of directors increases, more experts with diverse but relevant knowledge needed for adequate directorship monitoring are included in board composition. Thereby, the demand for QDAs may be exchanged for the medium-sized auditors or other auditors. Thus, there will be a reduction in agency costs especially regarding external auditing because monitoring by financial expertise now on board can substitute for external auditors to a certain extent. With adequate financial expertise on board due to BS, BS positively affects the quality of financial reports. It also signals good strategies and services that promote effective board monitoring of the management. The result is consistent with the claim of Ali and Nasir (2014), Lishenga (2011), Appah and Emeh (2013). The study of Appah and Emeh (2013) reveals that larger boards of directors help to fortify the board's monitoring capacity through diverse expertise on board. The growth in the size of the board of directors ensures the presence of expertise on the boards of Nigerian non-financial companies. Hence, there have been reductions in agency costs of some of the companies.

6.2.2.2.2 Direct Effect of CEO Tenure on Quality-differentiated Auditor

The results show a significant relationship between CEO tenure (CEOT) and quality-differentiated auditors (QDAs) but in the opposite direction. It reveals that a unit increase in CEOT results in a decrease in the demand for QDAs. This implies that as the CEO's years in the company increases, the demand for high-quality audit reduces. The result is consistent with the findings of Miller (1991), Gomez-mejia and Nunez-nickel (2001), Conger and Nadler (2004), Sanda et al. (2011). A CEO with a lengthy tenure has established a relationship with members of the board of directors to the extent of being able to influence their decisions. The relationship may be unhealthy for the company, which results in more agency costs. CEO’s monitoring becomes less rigid as his tenure increases. The CEO may relax his monitoring to the departure time with the aim of self-accomplishments contrary to corporation endeavours. The implication of this result is that as the CEO becomes a stale in the saddle because of his lengthy tenure, it is likely that he will not recommend a QDA for board’s approval. More than 35% of the CEOs of the Nigerian non-financial listed respondent companies have been with their companies for 6 to 33years. Their lengthy periods of service have been increasing the agency costs. Hence, more monitoring is required in such companies, and quality-differentiated auditors are likely to be preferred to ensure no expropriation of the companies' assets.

6.2.2.2.3 Direct Effect of Risk Management Committee on Quality-differentiated Auditors

The results show a significant positive relationship between risk management committee (RMC) and quality-differentiated auditors (QDAs). The study supports hypothesis H_{42d} that RMC relates positively to QDAs. It reveals that a unit increase in RMC positively contributes to the variations in the demand for QDAs. The result is consistent with the findings of Yatim (2009) that companies with RMC are likely to demand QDAs. It conforms to the findings of Subramaniam, McManus, and Zhang (2009) that the existence of RMC signals the willingness of the board of directors to ensure quality monitoring of management activities. It implies that quality monitoring will require QDAs to complement directorship monitoring. The existence of RMC also signals the presence of financial expertise on the board of directors. It is also a signal for debt holders that the company is capable of discharging its obligations to pay back the borrowed money with accrued interests. Also, the importance of risk management, which is the focus of RMC is central to internal control, and internal control is also central to quality auditing. Therefore, a significant positive relationship between RMC and QDA is supported. About 37% of the Nigerian non-financial respondent companies are with separate committees for risk management and already reaping its benefits.

6.2.2.2.4 Direct Effect of Board Independence on Quality-differentiated Auditors

The results show a significant positive relationship between board independence (BI) and quality-differentiated auditors (QDAs). The study supports hypothesis H_{42e} that BI relates positively to QDAs. It reveals that a unit increase in BI positively contributes to the variations in the demand for QDAs. The result is consistent with the findings of Kim et al. (2007), Anderson et al. (2004), Omri et al. (2014), Latif et al. (2013), Adeyemi and Fagbemi (2010). It implies that BI: 1) helps to enhance the empowerment of minority shareholders. 2) is a vital instrument for a reliable financial report required to restore and build shareholders' trusts and confidence. 3) helps to improve the quality of management's decisions because a proportional increase in the number of independent directors on the board of directors reduces the willingness of management to expropriate company's assets. 4) exposes poor performance and proposals, acting in the interests of the shareholders. 5) enhances innovative behaviour and favourable long-term strategies. 6) adds to diverse skills and knowledge of the board. 7) helps to enhance monitoring within the firm. Hence, it relates to audit quality and therefore, will demand QDAs.

6.2.2.3 Direct Effect of Compensation Structure on Quality-differentiated Auditors

The results show a positive significant relationship between compensation structure (CS) and quality-differentiated auditors (QDAs). The study supports hypothesis H_{43} that CS relates positively to the demand for QDAs. It reveals that a unit increase in CS positively contributes to the variations in the demand for QDAs. The finding is consistent with the study of Armstrong et al. (2010) that executive and non-executive compensation which is performance based helps to promote transparency. It also helps to align the interests of the shareholders and management. Hence, SEC Code, 2011 directs that a company should establish a governance/remuneration committee as a committee of non-executive directors. The result is also consistent with the findings of Lishenga (2011), Sakawa et al. (2012), Sarens and Abdolmohammadi (2011), Engel et al. (2010), and Deumes et al. (2010). CS either or both for the management and board members is a useful tool for performance improvement to resolve agency conflicts.

6.2.3 Mediating Effects of Quality-differentiated Auditors

The study follows the conditions stipulated in Baron and Kenny (1986) and Zhao et al. (2010) to determine the probability of QDAs mediating between OAs and monitoring mechanisms (directorship, internal, and external auditing). Further to this is the specifications in the study by Zhao et al. (2010), Rivera (2012) and statistical principles to finally conclude on the findings. Baron and Kenny (1986)'s four conditions are the significant relationship between 1) independent variables (OAs) and the dependent variable (monitoring mechanisms) – 'path c.' 2) OAs and mediating variable (QDA) – 'path a'. 3) QDA and monitoring mechanisms (MM). 4) and insignificant relationship between OAs and MM for QDA (path c') with an extension that the mediation is partial if c' is less than c. All variables were tested for mediation following extant literature that the relationship between independent and dependent variables need not be significant to establish a mediation effect (Zhao et al., 2010; Hayes, 2009). The extant literature further suggests that the significant relationship required is not necessarily from the study but from extant literature in which it previously tested significant (Zhao et al., 2010; Engel et al., 2010).

Sections 6.2.1 and 6.2.2 have shown that relationship exist between 1) organizational attributes (OAs) and monitoring mechanisms (MM), and 2) OAs and quality-differentiated auditors (QDA) as the first two conditions to establish mediating effects following Baron and Kenny (1986). QDAs significantly relate to OAs as the third condition following Baron and Kenny (1986). This study also establishes the proportion of the total effect that QDA mediated. The study also compares the results of the relationship between OAs and MM with no mediation (path c) and OAs and MM with mediation (path c'). The essence of the test is to establish that c' is not significant or less than c as the fourth condition following Baron and Kenny (1986). However, bootstrap result is more superior and overrules the fourth condition. The results suggest that the model is statistically significant ($p < 0.000$) and a good predictive model of QDAs for Nigerian data. Furthermore, none of the results is with zero confidential intervals for indirect effects, suggesting that there may be one or more other mediating variables in the relationship. Thus, the research establishes that a QDA is an external physical event but with internal psychological significance, to confirm its likelihood of being a mediating variable as suggested by Baron and Kenny, 1986; Kim et al., 2001. The final results are discussed as follows:

6.2.3.0 Mediating Effects of Quality-Differentiated Auditors on the Relationship between Organizational Attributes and Monitoring Mechanisms (b&c'-Paths)

6.2.3.1 Mediating Effects of Quality-Differentiated Auditors on the Relationship between Ownership Structure and Monitoring Mechanisms

The results reveal that quality-differentiated auditors (QDAs) significantly mediate the relationship between ownership structure (OS) and monitoring mechanisms (directorship, internal, and external auditing).

6.2.3.1.1 Mediating Effects of Quality-differentiated Auditors on the Relationship between Managerial Ownership and Monitoring Mechanisms

As already argued in section 6.2.1.1.1 this study finds that managerial ownership (MO) in the relationship with monitoring mechanisms (MM), as well MM's dimensions (directorship and external auditing) is significant in the right direction. It is likewise significant in its relationship with quality-differentiated auditors (QDA) but in the opposite direction as argued in section 6.2.2.1.1. Thirdly, QDA relates significantly to MM and its dimensions (directorship, internal and external auditing) as demanded by Baron and Kenny (1986) as argued in 5.4.3.1.1. Most importantly, this study finds that QDA mediates the relationship between MO and MM as well as MM's dimensions (directorship and external auditing) as highlighted in 5.4.3.1.1 following Zhao et al. (2010) and Rivera (2012).

The findings of this study match Jusoh and Che-Ahmad, 2014 in which MO significantly and negatively relates to firms' performance. Firms' performance is central to monitoring mechanisms. Hence, it is relevant to the present study. When firms' performance is not favourable to shareholders' interest due to management's opportunistic attitudes, management's demand for monitoring mechanisms will likely be low so as not to get exposed.

The rationale behind the negative significant effect of managerial ownership (MO) on monitoring mechanisms (MM) or its dimensions, (directorship and external auditing) is that the firms' performance reduces as the shareholding of the management increases (Amran & Che-Ahmad, 2013) or when MO is very low (Jensen & Meckling, 1976). Also, agency theory suggests that if shareholders fail to monitor the management, it is likely that management displays opportunistic behaviour and expropriate the assets of the company. Agency theory suggests that agents and principals' interests are always at variance (Brunzell & Peltomäki, 2015; Reddy & Sharma, 2014; Mustapha & Che-Ahmad, 2011; Eng & Mak, 2003; Jensen & Meckling, 1976). Quality monitoring is therefore needed to curb the opportunistic attitudes, provide quality information through quality financial reports to the shareholders, and regain their trusts and confidence in the management of the company. A company's management with a reasonable shareholding will avoid engagement in the expropriation of assets and seek to produce quality financial reports. However, if the shareholding of the management becomes enormous, it is likely that the management expropriates company assets and fail to choose quality-differentiated auditors to examine the company's financial reports. This implies that engagement of a quality-differentiated auditor in a company with managerial ownership is a function of the size of the shareholding of the management.

6.2.3.1.2 Mediating Effects of Quality-differentiated Auditors on the Relationship between Government Ownership and Monitoring Mechanisms

As argued in 6.2.1.1.2, this study finds that government ownership (GO) in the relationship with monitoring mechanisms (MM) and MM's dimensions (directorship, internal and external auditing) is significant in the opposite direction. It fails to satisfy condition two of Baron and Kenny (1986) both in multivariate (Table 5.4.6) and univariate (Table 5.5.2) tests in its relationship with QDA. However, the study tested the variable base on earlier arguments of extant literature (Zhao et al., 2010; Hayes, 2009) that the significant relationship is not compulsory to establish a mediation effect. Thirdly, QDA relates significantly to MM and its dimensions (directorship, internal and external auditing) as demanded by Baron and Kenny (1986) and argued in 5.4.3.1.2. Most importantly, this study finds that QDA mediates the relationship between GO and MM as well as MM's dimensions (directorship and external auditing) as highlighted in 5.4.3.1.2 following Zhao et al. (2010) and Rivera (2012).

The findings are consistent with the findings of Borisova et al. (2012) that government ownership is disadvantageous to quality monitoring in countries with civil law. It demonstrates the disparity between the goals of the government and corporations. The corporate goal is to maximize shareholders' wealth while the government is aiming at sufficient tax income to run the affairs of the nation. A high-quality financial report is needed to blend these two different goals and a quality-differentiated auditor (QDA) is likely to be chosen for this purpose. The likelihood of choosing a QDA is confirmed in the finding which demonstrates that GO relates to QDA in the right direction. The findings of this study match Saleh et al. (2009) that government ownership is important to monitor the ability of the management for the realization of corporate goals.

Thus, it implies that engagement of a quality-differentiated auditor in a company with government ownership will help to protect the public fund in the company and thereby protect the interests of the shareholders as well.

6.2.3.1.3 Mediating Effects of Quality-differentiated Auditors on the Relationship between Individual Block-holders and Monitoring Mechanisms

This study finds that individual block-holders (IB) in the relationship with monitoring mechanisms (MM) is significant in the right direction as well as MM's dimensions (NEDIR and EA) but in the opposite direction IB and IA relationship as argued in 6.2.1.1.3. It is likewise significant but in the opposite direction in its relationship with quality-differentiated auditors (QDA) as argued in 6.2.2.1.2. Thirdly, QDA relates significantly to MM and all MM's dimensions as demanded by Baron and Kenny (1986) and argued in 5.4.3.1.3. Most importantly, this study finds that QDA mediates the relationship between IB and MM as well as MM's dimensions (directorship and external auditing) as highlighted in 5.4.3.1.2.

The findings of this study match Mustapha and Che-Ahmad (2013) and Haniffa and Hudaib (2006) that outside shareholders are likely to monitor the inside shareholders and ensure the protection of their interests and that of the minority shareholders. It is also consistent with the study of Connelly et al. (2010) that outside block-holders are more likely to represent better the interests of other shareholders compared to other types of ownership. It also conforms with the study of Oyejide and Soyibo (2001) that IB helps to minimize management's free-rider activities and constraints the discretion of the manager to expropriate. Hence, it encourages more monitoring and allows for economies of scale. They may not be as influential as the institutional block-holders, they demand monitoring as the institutional block-holders. The enormity of their investment requires quality auditing to protect their interests. Hence, they are likely to demand high-quality financial reports. Therefore, they are likely to choose quality-differentiated auditors as the external auditors for their company.

In addition, the results demonstrate that the individual block-holders are either family shareholders or management shareholders. The result is consistent with the study of Connelly, et al. (2010).

6.2.3.1.4 Mediating Effects of Quality-differentiated Auditors on the Relationship between Principal-principal Conflicts and Monitoring Mechanisms

This study finds that Principal-principal Conflicts (PPC) is only significant in its relationship with the internal and external auditing as a monitoring mechanism in the right direction as displayed in Table 5.4.1, and argued in sections 5.4.1.3 and 5.4.1.4. Its relationship with monitoring mechanisms is in the right direction as argued in section 5.4.1.1. This study follows literature that suggest that the significant relationship required is not necessarily from the study but from extant literature in which it previously tested significant (Zhao et al., 2010; Engel et al., 2010). Likewise, PPC tested significant when tested alone with MM as discussed in section 5.5.2. It tested practically but not statistically relevant in the relationship with the directorship in the univariate test considered in section 5.5.2 of this study. It is significant also in its relationship with quality-differentiated auditors (QDA) in the right direction as reasoned in section 6.2.2.1.3. Thirdly, QDA relates significantly to

MM and all MM's dimensions as demanded by Baron and Kenny (1986) and argued in 5.4.3.1.4. Most importantly, this study finds that QDA mediates the relationship between PPC and MM as well as MM's dimensions (directorship and external auditing) as highlighted in 5.4.3.1.4.

The findings of this study match Hope et al. (2012) and Pagano and Roell (1998) that PPC helps to monitor the controlling shareholders' expropriation behaviour. Lei, Lin, and Wei (2013) also claim that PPC helps to control expropriation of minority shareholders. It is also consistent with the study of Fan and Wong (2005) that companies with quality-differentiated auditors (QDA) are with less expropriation of minority shareholders. Hence, QDA mediates the relationship between the PPC and monitoring mechanisms. The findings in the relationship between PPC and NEDIR imply less monitoring by NEDIR because PPC is effective in monitoring both the management and the controlling shareholders. The result implies that agency conflicts between the controlling and second-largest shareholders reduce the opportunistic attitudes of the controlling shareholders. The reduction is due to the increase in their shareholdings, which lessens the power of the largest shareholder. It also helps to protect both the foreign and local minority shareholders and enhance professional management of the company. The conflicts among shareholders require high-quality monitoring. Hence, quality-differentiated auditors are likely to be desired to resolve the conflicts.

6.2.3.2 Mediating Effects of Quality-Differentiated Auditors on the Relationship between the Board of Directors (Composition and Activities) and Monitoring Mechanisms

The results reveal that quality-differentiated auditors (QDA) significantly mediate the relationship between the board of directors (composition and activities) and monitoring mechanisms (directorship, internal, and external auditing).

6.2.3.2.1 Mediating Effects of Quality-differentiated Auditors on the Relationship between Board Size and Monitoring Mechanisms

As earlier debated in section 6.2.1.2.1, this study finds that board size (BS) is significant in its relationship with monitoring mechanisms (MM) and one of its dimensions, directorship. The deliberation in section 5.5.2 also reveals that BS significantly relates to MM's dimensions (internal and external auditing) in the univariate test. It is significant also in its relationship with quality-differentiated auditors (QDA) but in the opposite direction as deliberated in section 6.2.2.1.4. Thirdly, QDA relates significantly to MM and all MM’s dimensions as demanded by Baron and Kenny (1986) and argued in 5.4.3.1.5. Most importantly, this study finds that QDA mediates the relationship between BS and MM as well as MM’s dimensions (directorship and external auditing) as highlighted in 5.4.3.1.5.

The findings of this study match Zéghal et al. (2011), Yasser et al. (2011), Appah and Emeh (2013) and (Kajola, 2008) that BS relates significantly to the timeliness of financial reports, earnings management and returns on equity. It is also consistent with the findings of Lennox and Pittman (2010) that BS negatively relates to fraud. It is likewise consistent with the studies of Al-Janadi et al. (2013) and Akhtaruddin et al. (2009) that BS has a significant contribution to the provision of quality voluntary disclosure. It impacts on company's performance. It is influenced by the spread of relevant expertise, knowledge, and skills for reasonable decision making and adequate monitoring. The result suggests that a sizeable board of directors is more intensive in its monitoring roles. Hence, it is likely to reduce fraud. The board aims at a high-quality financial report, and it is likely to choose quality-differentiated auditors to achieve its aim and objectives.

6.2.3.2.2 Mediating Effects of Quality-differentiated Auditors on the Relationship between Board Meetings and Monitoring Mechanisms

As earlier discussed in section 6.2.1.2.2, this study finds that board meetings (BM) are significant in the relationship with monitoring mechanisms (MM) as well as MM's dimensions (directorship and external auditing). The reflection from section 5.5.2 indicates that BM is significant in its relationship with the internal auditing and also with quality-differentiated auditors (QDA) in the right direction in univariate tests. Thirdly, QDA relates significantly to MM and all MM's dimensions as demanded by Baron and Kenny (1986) and argued in 5.4.3.1.6. Most importantly, this study finds that QDA mediates the relationship between BM and MM as well as MM's dimensions (directorship and external auditing) as highlighted in 5.4.3.1.6.

The findings of this study match Lishenga (2011) and Kajananthan (2012) that BM relates significantly to earnings management and returns on equity. It is consistent also with the findings of Armstrong et al. (2010) that BM helps to establish the reputation of the board of directors in respect of their independence. It is also consistent with the findings of Lennox and Pittman (2010) that there is likely to be less fraud in companies with frequent BM. The result implies that the frequency of the meetings of the board of directors relates to the amount of information the management releases for its decision making. It is a yardstick to measure the effectiveness of the board of directors. Frequent board meetings may likely reduce fraud occurrence because the more they meet, the more they demand monitoring. The board is likely to choose quality-differentiated auditors to achieve its aim and objectives for a high-quality financial report and comprehensive monitoring.

6.2.3.2.3 Mediating Effects of Quality-differentiated Auditors on the Relationship between CEO Tenure and Monitoring Mechanisms

This study finds that CEO tenure (CEOT) is practically but not statistically relevant in its relationship with monitoring mechanisms (MM) as displayed in Table 5.4.1. Surprisingly, it is significant in its relationship with MM's dimensions [directorship internal auditing, and external auditing] but in the opposite direction for CEOT and EA. However, CEOT tested significant with MM in univariate regression as discussed in section 5.5.2. This paper earlier argued in section 6.2.2.1.5 that CEOT is significant in its relationship with quality-differentiated auditors (QDA) but in the opposite direction. Thirdly, QDA relates significantly to MM and all MM's dimensions as demanded by Baron and Kenny (1986) and argued in 5.4.3.1.7. Most importantly, this study finds that QDA mediates the relationship between CEOT and MM as well as MM's dimensions (directorship and external auditing) as highlighted in 5.4.3.1.7.

The findings of this study match the studies of Gomez-mejia and Nunez-nickel (2001), Conger and Nadler (2004), Sanda et al. (2011), Carver (2014), Miller (1991), Luo et al. (2014), and Sakawa et al. (2012). The results reveal that lengthy tenure may empower the CEO to influence the decisions of the board of directors and/or any of its committees. Such influence may not be favourable to the company if it is in the interest of self-satisfaction, unwillingness to face new problems, determination to delay actions to the end of the tenure or not to quit the job. The intimacy developed between the CEO and the board members over the years of the lengthy tenure can mar the independence of the board. There is likely to be opportunities for the expropriation of the assets of the company as board independence is challenged with intimacy with the CEO and lessened monitoring. It is, therefore, likely that agency costs will be very high due to repercussions of the reduction of the CEO's interests in the company's activities and leniency regarding compliance to standards, policies, rules, and regulations. Thus, there may be a need for more monitoring and a high-quality financial report may be required to ensure the protection of company's assets. Therefore, a quality-differentiated auditor (QDA) may be required for this purpose.

6.2.3.2.4 Mediating Effects of Quality-differentiated Auditors on the Relationship between Risk Management Committee and Monitoring Mechanisms

This study finds that risk management committee (RMC) is significant only in its relationship with construct's dimension, internal auditing in the right direction as revealed in section 5.4.1. Its relationship with the construct and monitoring mechanisms construct's dimension, the directorship are in the right direction, though with no statistical relevance. However, RMC tested significant with MM directorship, and external auditing in univariate regression. Secondly, this paper argues in section 6.2.2.1.6 that RMC is also significant in its relationship with quality-differentiated auditors (QDA) and in the right direction. Thirdly, QDA relates significantly to MM and all MM's dimensions as demanded by Baron and Kenny (1986) and argued in 5.4.3.1.8. Most importantly, this study finds that QDA mediates the relationship between RMC and MM as well as MM's dimensions (directorship and external auditing) as highlighted in 5.4.3.1.8.

The findings of this study are consistent with the studies of Subramaniam et al. (2009), Yatim (2009), Sarens and Abdolmohammadi (2011) and Nworji et al. (2011). An increase in RMC explains the contribution of RMC in the variation of monitoring mechanisms (MM). Risk is central to MM and RMC enhances high-quality monitoring. Establishment of a separate RMC is indispensable especially as financial risk is increasing. Since risk management is paramount to the desire for high-quality financial reports, the board is likely to choose quality-differentiated auditors (QDA) to achieve a high-quality financial report. The risks of expropriation of assets resulting in economic melt-down and business failure brought discouragement to investors. High-quality financial reports emanating from the existence of RMC and choice of QDAs can help to restore the trusts and confidence of investors in the management of a company.

6.2.3.2.5 Mediating Effects of Quality-differentiated Auditors on the Relationship between Board Independence and Monitoring Mechanisms

As already discussed in section 6.2.1.2.3, this study finds that board independence (BI) is significant in its relationship with monitoring mechanisms (MM) and MM's dimensions (directorship and internal auditing) in the right direction. Secondly, this study also argued in section 6.2.2.1.7 that BI is significant in its relationship with quality-differentiated auditors (QDA) in the right direction. Thirdly, QDA relates significantly to MM and all MM's dimensions as demanded by Baron and Kenny (1986) and argued in 5.4.3.1.9. Most importantly, this study finds that QDA mediates the relationship between BI and MM as well as MM's dimensions (directorship and external auditing) as highlighted in 5.4.3.1.9.

The findings of this study are consistent with the studies of Omri et al. (2014), Anderson et al. (2004), Hashim and Devi (2008), Lishenga (2011), Al-Janadi et al. (2013), and Adeyemi and Fagbemi (2010). An increase in BI explains the contribution of BI in the variation of MM and each construct's dimension, NEDIR, IA, and EA. The presence of independent directors on the board of directors upholds agency rule for separation of ownership and control. BI guarantees the independence of the board of directors. BI is likely to enhance adequate monitoring of the management and controlling shareholders. The board is likely to choose quality-differentiated auditors through the impact of BI.

6.2.3.2.6 Mediating Effects of Quality-differentiated Auditors on the Relationship between Board Gender and Monitoring Mechanisms

This study finds that board gender (BG) is significant in its relationship with monitoring mechanisms (MM) and MM's dimensions (directorship and internal auditing) in the right direction as already argued in section 6.2.1.2.4. Secondly, the discussion in section 5.4.2 shows that BG is also significant in its relationship with quality-differentiated auditors (QDA) but in the opposite direction. Thirdly, QDA relates significantly to MM and all MM's dimensions as demanded by Baron and Kenny (1986) and argued in 5.4.3.1.10. Most importantly, this study finds that QDA mediates the relationship between BG and MM as well as MM's dimensions (directorship and external auditing) as highlighted in 5.4.3.1.10.

The findings of this study validate the studies of Bøhren and Staubo (2015), Horak (2015), Lenard et al. (2014), Lincoln and Adedoyin, (2012), Bear et al. (2010), and Nawaz (2010). An increase in Board Gender (BG) explains the contribution of BI in the variation of MM and each construct's dimension, NEDIR, IA, and EA. The results show that female directors are likely to frown at poor corporate governance or any form of its breach. There is likely to be a demand for more monitoring to ensure the protection of the interests of the shareholders. Female directors are likely to make more contributions to guard against the expropriation of minority shareholders by management and controlling principals. The presence of female directors aids the effectiveness of the board. The composition of more women on the board of director strengthens the independence of the board and engenders the demand for quality monitoring. BG helps to promote high-quality financial reports, and board of directors is likely to choose quality-differentiated auditors through the influence of BG to restore the trusts and confidence of investors in the management of a company.

6.2.3.3 Mediating Effects of Quality-differentiated Auditors on the Relationship between Compensation Structure and Monitoring Mechanisms

This study finds that compensation structure (CS) is significant in its relationship with monitoring mechanisms (MM) and MM’s dimensions (directorship and internal auditing) in the right direction as argued in section 6.2.1.3. Secondly, the discussion in section 6.2.2.1.8 reveals that CS is also significant in its relationship with quality-differentiated auditors (QDA) in the right direction. Thirdly, QDA relates significantly to MM and all MM’s dimensions as demanded by Baron and Kenny (1986) and argued in 5.4.3.1.11. Most importantly, this study finds that QDA mediates the relationship between CS and MM as well as MM's dimensions (directorship and external auditing) as highlighted in 5.4.3.1.11.

The findings of this study validate the studies of Wahab and Pak (2011), Armstrong et al., (2010), Lishenga (2011), Sakawa et al. (2012), Sarens and Abdolmohammadi (2011). An increase in CS explains the contribution of CS in the variation of MM and each construct's dimension, NEDIR, IA, and EA. Incentive compensation will encourage managers to align their interests with shareholders' interests. Thus, compensation structure will help to reduce agency costs. Hence, the demand for monitoring will be minimal, and cost of auditing will be lesser as the financial risk is reduced. Therefore, a quality-differentiated auditor may not be needed.

6.2.4 Impact of Nigerian Code of Corporate Governance

The result from seemingly unrelated regression for Nigerian code of corporate governance (SEC, 2011) on monitoring mechanisms for years 2010, 2011 and 2012 supports SEC, 2011 that the code of corporate governance positively relates to the demand for monitoring mechanisms.

6.3 Implications of the Study

This study offers a new knowledge and understanding of the antecedents of monitoring mechanisms with significant empirical, theoretical, managerial and practical contributions. This section, therefore, discusses the theoretical, practical, and methodological implications of the study as follows:

6.3.1 Theoretical Implications

The results of this study reveal that most of the non-financial listed companies in Nigeria have adopted the 2011 SEC code conforming to directives on board size, audit committee size, internal control, separate chairman and CEO, and board composition. The study finds that managerial ownership, government ownership, individual block-holding, board size, board meetings, board independence, board gender and compensation structure significantly influence the demand for monitoring mechanisms. When tested alone, principal-principal conflicts, CEO tenure, and risk management also significantly influence the demand for monitoring mechanisms. The result shows inconsistent results for the three organizational attributes (principal-principal conflicts, CEO tenure, and risk management). However, there are also inconsistent findings in the extant literature [(Shleifer & Vishny, 1997; and Ali & Lesage, 2013) on block-holding; (Amran & Che-Ahmad, 2009; and Latif et al., 2013) on board size; (Luo et al., 2014; and Carver, 2014) on CEO tenure] regarding each of the three organizational attributes as earlier discussed in chapter three of this study.

While previous studies are on the direct relationship between organizational attributes (OAs) and monitoring mechanisms (MM), this study adds to knowledge and literature by investigating the mediating effect of quality-differentiated auditors in the relationship between OAs and MM. Also, most of the existing literature examine one or two aspects of monitoring mechanisms, but this study followed two literature that examined all the three aspects of monitoring mechanisms (Mustapha & Che-Ahmad, 2011; and Anderson et al., 1993). It is likely to be the first to examine the three in a study in Sub-Saharan Africa.

The study reveals the relevance of agency theory to the achievement of corporation objectives with reduction of information asymmetry and expropriation of assets by management and controlling shareholders. It also reveals the relevance of the stakeholders' theory by ensuring that all parties to the contract of the company contribute to decision making. Likewise, it shows what the existence of one attribute or the other signals to the public, government, investors and other fund providers through signalling theory.

Agency theory suggests that a company is a combination of contractual relationship involving principals and agents (Freeman, 1994; Fama & Jensen, 1983; Jensen & Meckling, 1976). The theory addresses the problems of moral hazard and information asymmetry (Hashim & Devi, 2008). It suggests the likelihood of management diverting the wealth of the company to serve their interest. It, therefore, proposes mechanisms to monitor and provide incentives that can regulate agency costs resulting from the conflict of the interests of management and shareholders (Chitnomrath et al., 2011). It suggests that an increase in agency costs necessitates more monitoring. The greater the agency costs, financial risks, moral hazards, the greater the need for monitoring. It, therefore, entails improving the contracts between the principals and the agents (de T'Serclaes et al., 2007). Agency theory attempts to resolve agency problems between management, board of directors and the shareholders. The theory has been used to resolve many agency problems (type I and II) and forms the basis of the code of corporate governance in many countries.

The study supported agency theory with stakeholder theory to explain third parties' relationship with the agents and the principals. Stakeholder theory is concerned with the management and ethics of an organization (Phillips et al., 2003). It also suggests that a company is a nexus of contracts involving the management and stakeholders (Jones, 1995). According to Donaldson and Preston (1995), the theory comprehends attitudes, structures, and practices as related to managing the affairs of a company and all personalities affecting the policies of the company. It recognizes only one master but with the responsibility to all stakeholders through one master, which in turn enhances accountability.

Furthermore, the study supported agency and stakeholders' theories with the signalling theory because it is designed to handle information asymmetry in relationship affecting a company. It provides explanations for signals from the actions of the company. Hence, extant literature used it to determine the reputation of a company (Bear et al., 2010), the expected cash flows of a company through its dividends (Mouna & Anis, 2013). It suggests that investors will likely invest in promising companies and mediate in board composition and top management structure to ensure that the company maximizes shareholders' wealth (Chowdhury et al., 2014). The rationale for this is that both the board and top management are important governance mechanisms for making tactical decisions on behalf of the investors of a corporation.

Board independence and gender are part of the organizational attributes that should be used in every company to ensure effective directorship monitoring and quality financial reports. These two attributes through stakeholder and signalling theories help to align the interests of the management, board of directors and shareholders. Also, by stakeholders' theory the two attributes help to ensure that the interests of all parties to the contracts of a company are adequately protected. The presence of independent and female directors also signal board independence, more expertise, skills and knowledge that guarantee the protection of the interests of all shareholders. Listed companies should, therefore, endeavour to have more of independent and female directors on board considering the benefits derivable from such board composition.

This study tests both types I and II agency conflicts and considered board gender. Added to the uniqueness is the combination of directorship, internal, and external auditing in a study in Sub-Saharan Africa, Nigeria, in particular. These contributions are rarely found in most of the extant studies in this context.

6.3.2 Practical Implications

The findings from this study create new knowledge about the prevalent monitoring practices and implementation of the code of corporate governance for the protection of shareholders' interests in the non-financial listed companies in Nigeria. The study also creates new knowledge on the antecedents that influence the demand for monitoring mechanisms. It also provides new knowledge in the antecedents of quality-differentiated auditors as a mediator between organizational attributes and monitoring mechanisms. This study is vital to the governance of Nigerian non-financial listed companies in particular.

Listed companies on the verge of failure, business merger or closure due to agency costs could find the outcome of this study useful for possible sustenance and continuity. The findings of this study are also useful for companies that wish to embrace good corporate governance. The findings suggest full enforcement of the code of corporate governance in all listed companies and even private companies.

Furthermore, the findings are likewise useful to the management, board of directors and regulators in new areas necessary for more relevant information. Information like the breakdown of shareholdings into proportions held by each category of shareholders such as family and government as well as costs of internal auditing should be incorporated in the financial reports. It may also be necessary to disclose the remuneration for each board committees. Such information can be useful for further investigations and decisions. It helps management and the board to decide the organizational attributes to adopt to achieve the corporate goals. A proper understanding of monitoring mechanisms will help to align the interests of the management and shareholders and enhance corporate value.

The accomplishment of the right mix of organizational attributes and demand for monitoring mechanisms possibly mediated by quality-differentiated auditors can, therefore, significantly minimize agency conflicts with this study assisting the board of directors, internal and external auditors to effectively and efficiently execute their monitoring roles. The independent directors, female directors, individual block-holders, and second-largest shareholders must be effective to ensure that monitoring mechanisms are strengthened to protect both their interests and the interests of the minority shareholders. The results also suggest that shareholders should ensure more monitoring where a company is with a high managerial ownership, lengthy CEO tenure, or high financial risks. The inclusion of more independent directors and/or female directors on the board of directors is likely to be of help in such instances.

Every class of shareholders should be well represented on the board with diverse skills and knowledge to ensure protection of the interests of all shareholders. Regulators may consider competency for individual board member and management position in subsequent revision of the code of corporate governance for Nigeria.

Risk management as an organizational attribute should be given more attention as risks are central to monitoring and key to the choice of auditor type. Therefore, this study will be useful to the board of directors and regulators to acquire more knowledge on how to manage various risks with more emphasis on the financial risks by establishing effective risk management committee. Hence, the empirical findings of this study on risk management committee are useful to the board of directors and regulators.

The findings of this study are also of use to the internal auditors or companies for the effectiveness of their internal audit functions. Issues of internal control and risk management are the essence of an internal auditing. Internal audit departments, therefore, need to be strengthened and allowed to function with little or no intervention for adequate monitoring. Internal auditing can adequately complement directorship in monitoring and reduces cost of external auditing with lesser risks and internal control challenges.

Companies should also take the compensation for members of audit committee, risk management committee and management very serious as it motivates them to be more effective and efficient in discharging their duties. The guideline of SEC, 2011 on remuneration of directors and senior management should be considered in making compensation decisions.

The findings are also useful to the external auditors to ensure high-quality financial reports. The result certifies that an auditor is an instrument capable of protecting the interests of the stakeholders which include auditor himself. It, therefore, requires that an auditor has to aim at rendering a very high-quality audit to his client. As many as wish to remain relevant in audit market should, therefore, aspire to install audit structure that enables high-quality financial reports.

This study explains only 41.79% of the variations in monitoring costs, and attributes that affect the demand for the monitoring mechanisms. It was still below 50% even with more encompassing variables for organizational attributes. It implies that there are much more to corporate governance than competency of auditors, management, and board members. It, therefore, implies that regulators, boards of directors and management with the help of academicians need to engage more investigations to identify such factors and ensure good governance.

The results also reveal that there may be one or more other mediating variables in the relationship. The study is, therefore, an eye opener for the management, board of directors, regulators and academicians to explore other mediating effects to strengthen corporate governance in Nigeria.

Also, incidence of an organizational attributes significance and sign status changing when tested with certain attributes or tested alone or tested with larger variables implies that good corporate governance is not a function of the number of organizational attributes but right mixture of the attributes relating to monitoring mechanisms.

Differences noted in the results of this study and extant literature in other countries also contribute to deliberations on corporate governance that companies should consider the uniqueness of their business environment to determine the best governance structure suitable for the company. Consideration of business environment is essential because country specifics can make a lot of difference (Beneish & Yohn, 2008).

The study also has practical implication for Nigerian market and regulatory authorities. The understanding and knowledge of the mediating effect of the quality-differentiated auditors on organizational attributes and monitoring mechanisms will enhance adequate supply and demand of quality auditing as well as other monitoring mechanisms, directorship, and internal auditing. High-quality financial reports that will emanate from the quality supply and demand for quality directorship and auditing will reflect in the stock value of the listed companies and restoration of shareholders' trust and confidence in the management. Appreciation in stock value will also help to build up the economy of the country. Changes in stock value are important because the stock market performance drives economic growth, which, presently is the major need of Nigeria. Furthermore, the knowledge from this study can help the regulatory authorities (SEC, NSE, NFRC, and CIBN) to enforce and review the codes of corporate governance as appropriate.

6.3.3 Methodological Implication

Many extant literature examined monitoring mechanisms and antecedents of organizational attributes using different analysis techniques like ordinary least square regression (Engel et al., 2010; Mustapha & Che-Ahmad, 2013; Marra et al., 2011). Some other studies tested their hypotheses using fixed effect regression (Yaacob & Che-Ahmad, 2012b), random effect regression (Fidrmuc & Jacob, 2010), probit analysis (Eng & Mak, 2003), logistic regression (Yatim, 2009), generalized method of moments estimation (Luo et al., 2013;, general least square (Chang, 2015), descriptive statistics (Anderson et al., 1993), two-stage least square (2 SLS) (Veronica & Bachtiar, 2005). However, this study used panel-corrected standard errors (PCSEs), logistic regression, binary-mediation analysis and bootstrap, and seemingly unrelated regression analysis. To the best of the knowledge of the researcher, PCSE, and binary-mediation analysis have been scarcely used in testing monitoring mechanisms. The results are made more robust with further tests using other analysis, structural equation model, and seemingly unrelated regression.

Equally, to the best of the knowledge of the researcher, the introduction of mediation in the relationship between organizational attributes and monitoring mechanisms is tested for the first time and makes the study unique in methodology in Sub-Saharan Africa, Nigeria, in particular.

6.4 Limitation of the Study

Numerous contribution of the study to the body of knowledge in respect of the antecedents of monitoring mechanisms and its implementation status in the non-financial listed companies in Nigeria notwithstanding, the study has limitations.

The measurement of the mediation variable, quality-differentiated auditors (QDA) is the first limitation because the measurement is nominal, big-4, 1 if not, and 0. The power of prediction is limited as the annual reports do not provide detail information. Secondly, the study is limited to years 2010, 2011 and 2012. However, some studies also adopted the same strategy using three years data. For example Himmelberg, et al. (1999), Bambang et al. (2013), Fan and Wong (2005), Hashim and Rahman (2011), Che-Ahmad et al. (2006). The constraint in this wise is due to the lack of information on internal audit costs in the annual reports for which questionnaire was applied. It is very difficult to obtain information over years through questionnaire. Hence, the study uses three years data.

Thirdly, only three aspects of organizational attributes are considered. The study does not consider some ownership structure like family ownership, institutional block-holders. Likewise, it considers only six out of many composition and activities of the board of directors. It also excludes other organizational attributes like leverage, information system structure, dividend policy among others as it is not possible for a study to consider all aspects of an issue like organizational attributes. Organizational attributes is a wide concept and poses opportunity for further exploration.

Fourthly, the study is only on the non-financial listed companies. Financial listed companies are excluded from the investigation. Likewise, the private or non-listed companies like MTN and some other communication companies are not inclusive even though we have some of them doing better than the listed companies.

6.5 Suggestions for Future Research

The limitations are potential opportunities for future researchers. The short period covered may not represent the true position of the activities and operations of the companies. Future research should, therefore, expand the period of investigation to obtain more data on the relationship between organizational attributes and monitoring mechanisms.

There are other factors that can mediate the relationship between organizational attributes and monitoring mechanisms. Future research may, therefore, consider the probability of such other factors like information system structure, information system, financial reporting standards, and board independence among others as mediating or moderating variables.

Other aspects of organizational attributes not considered in this study could be explored for future research as the model for this study explains only 41.79% of the variations in monitoring costs and attributes that affect the demand for the monitoring mechanisms.

Likewise, future researchers may consider qualitative methodology on the relationship between organizational attributes and monitoring mechanisms. Future studies may also adopt other theories such as stewardship, economic, neo-institutional and positive accounting for their investigations.

Future studies may wish to extend to cover financial listed companies and non-listed companies especially, those in the communication sector like MTN, Airtel, and Etisalat.

6.6 Conclusion

This study investigates the mediating effect of quality-differentiated auditors (QDAs) on the relationship between organizational attributes (ownership structure, composition and activities of the board of directors and compensating structure) and monitoring mechanisms (directorship, internal, and external auditing). The motivation for the study is from the gap in extant literature and limited evidence in Sub-Saharan Africa, Nigeria in particular in the light of the peculiarities of the corporate governance in Nigeria. The type of organizational attributes (OAs) or system a company adopts determines the costs it incurs for monitoring. A wrong mix of OAs can impact shareholders' wealth and continuity of the company. This study, therefore, investigates the influence of OAs on monitoring costs and the mediating effects of QDAs on the relationship between OAs and monitoring mechanisms. The OAs considered in this study are managerial ownership, government ownership, individual block-holders, principal-principal conflicts, board size, board meeting, CEO tenure, risk management committee, board independence, board gender, and compensation structure.

Individual block-holders, board size, board meeting, board independence, and board gender are significant. However, principal-principal conflicts, CEO tenure, risk management committee though not significant in the model are significant when ran alone or with few or more other attributes. Managerial ownership and compensation structure have inverse relationship with monitoring mechanisms in the right direction, consistent with agency theory and earlier studies in developed and transiting countries like U.S, UK, Australia, and Malaysia.

For the relationship between organizational attributes and quality-differentiated auditors, managerial ownership, principal-principal conflicts, risk management committee, board independence and compensation structure are significant. Individual block-holders, board size, and CEO tenure have inverse relationship with quality-differentiated auditors in the opposite direction, consistent with mixed findings in extant literature in the developed and transiting countries.

For mediating effects, quality-differentiated auditors (QDA), the results display complementary mediation except in compensation structure (CS) following Zhao et al. (2010). The mediating effects of QDA on the relationship of CS with monitoring mechanisms (MM) and dimensions, directorship (NEDIR), and internal auditing (IA) are competitive while it is complementary in CS and external auditing (EA). We also have competitive mediation in the relationship of other organizational attributes in their relationship with dimensions, NEDIR, IA OR EA while they are with complementary mediation in the relationship with the MM. These are: 1) principal-principal conflicts and NEDIR. 2) CEO tenure and external auditing. 3) risk management and external auditing. The result is supported by the signalling theory of a company with QDA. The general belief is that clients' satisfaction and good financial reports receive great attention base on consideration of a comprehensive performance structure of the client and relevant rules, regulations and standards by the QDAs.

Overall, the study shows that monitoring mechanisms (MMs) are drivers to the code of corporate governance geared at protecting the interests of the shareholders. Companies incur costs to put each MM to work. It demonstrates that the relationship between MMs and organizational attributes (OAs) promote either the success or failure of the company. It also shows that the interaction of the quality-differentiated auditors (QDAs) in between the OAs and MMs is an indicator of high-quality financial reports. The end result of these relationship helps to reduce information asymmetry, align the interests of the management and shareholders and promotes transparency and accountability in companies. However, the achievement of all these put together requires that the auditors should endeavour to acquire necessary skills and technology knowledge.

Only 11.51% of the Nigerian non-financial listed companies are with managerial ownership greater than 5% shareholdings. The situation is healthy for companies as it helps to lessen agency conflicts. However, most of the companies are with significant monitoring possibly due to the incessant business failures and mergers and difficulty in getting foreign investors with the few ones now withdrawing the little they have.

6.7 Summary

This thesis investigates the mediating effect of quality-differentiated auditors on the relationship between organizational attributes and monitoring mechanisms in Nigerian non-financial listed companies. The study broadens knowledge on the justification for each monitoring mechanism and its impact on the governance of a company as related to organizational attributes and the mediating effect of quality-differentiated auditors. The results provide evidence that the relationship between the principals, agents and third parties in the agency, stakeholders, and signalling theories are generally consistent as obtainable in the developed and transiting countries in developing countries. In addition, the results also show unique relationship prevalent in developing countries like Nigeria.

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Appendix A: Questionnaire

25 January, 2015.

Dear Sir/Madam

Research Survey on Corporate Monitoring Mechanisms by Nigerian Non-financial Public Listed Companies

I am a PhD student at the School of Accountancy in the College of Business of the Universiti Utara Malaysia under the supervision of Prof. Dr. Ayoib Che-Ahmad.

I am conducting a study on the corporate monitoring mechanisms as part of my doctoral research. The primary purpose of this research is to examine the mediating effect of audit quality-differentiated auditors on organizational attributes and monitoring mechanisms of non-financial public listed companies in Nigeria. The findings of this study may contribute to the body of knowledge with respect to the mitigation of conflicts between the shareholders and management.

It will therefore be tremendously appreciated if you can please assign a few moments of your treasured time to complete the attached questionnaire. Your input is very imperative for the accomplishment of this academic exercise. I thank you in advance for your kind cooperation. Be rest assured that the information you provide will be treated with utmost confidence. Results will be in aggregate form. Neither you nor your company will be identified. A summary of our findings will be made available to the respondents that may desire to have them.

Kindly submit the completed questionnaire to the undersigned either by self-collection or by e-mail to aroldaot@gmail.com.

Thank you again for your cooperation, time and effort.

Yours sincerely,

Arowolo Rachael Oluyemisi (FCA)
Ph.D Candidate
Email: aroldaot@gmail.com
Hand phone: 08166085888

SURVEY ON CORPORATE MONITORING MECHANISMSBY NIGERIAN NON-FINANCIAL PUBLIC LISTED COMPANIES

(Kindly note that the information solicited in this questionnaire is based on the company's audited financial statements as at and for the years ended 2010, 2011 and 2012.

SECTION A: INTERNAL AUDIT

Kindly read the information required and tick the box or fill in the gap as appropriate for the company:

1. The company's ownership status is
   - (i) Domestic
   - (ii) Multinational – 50+% Foreign owned
   - (iii) Multinational – 50+% Domestic company
   - (iv) Others (Specify)

2. What is the staff population in this company?
   - (i) 1 – 500
   - (ii) 501 – 1,000
   - (iii) 1,001 and above

3. How does this company performs its internal audit functions?
   - (i) In-house
   - (ii) Outsourcing
   - (iii) Co-sourcing
   - (iv) Others (Specify)

4. How many staff are in the internal audit department/section/unit?
   - (i) 1 - 100
   - (ii) 101 – 500
   - (iii) 501 – 1,000

5. What is the highest professional qualification of the head of the internal audit?
   - (i) Fellow Chartered Accountants (FCA)
   - (ii) Associate Chartered Accountants (ACA)
   - (iii) Fellow member of the Institute of Internal Auditor
   - (iv) Associate member of the Institute of Internal Auditor
   - (v) Fellow member of the Association of National Accountants of Nigeria
   - (vi) Associate member of the Association of National Accountants of Nigeria
   - (vii) Qualification of other IFAC-member body

6. What is the highest academic qualification of the head of the internal audit?
   - (i) PhD
   - (ii) M.Sc/MA/M.Ed
   - (iii) B.Sc/HND
   - (iv) MBA/MBF

(v) Others (Specify)

7. The internal audit reports to:
   (i) The Chief Executive Officer(CEO)
   (ii) The Chief Financial Officer (CFO)
   (iii) The Audit Committee
   (iv) The Board of Directors
   (v) Others (Specify)

8. Are the external auditors given unlimited access to the working papers of the internal auditors?
   (i) Yes
   (ii) No
   (iii) Cannot say

9. Which one of the audit softwares does the internal audit use?
   (i) Computer Assisted Audit Technique (CAAT)
   (ii) Generalized Audit Software (GAS)
   (iii) Audit Management Software
   (iv) Others (Specify)
   (v) None

10. The internal audit personnel of this company are trained through one of the followings:
   (i) Workshops
   (ii) Seminars
   (iii) Conferences
   (iv) Online training
   (v) On-the-job training

11. How often does this company train the internal audit personnel?
   (i) Quarterly
   (ii) Half-yearly
   (iii) Annually
   (iv) Never

12. How often is the internal audit function subject to an external quality assessment?
   (i) Monthly
   (ii) Quarterly
   (iii) Half-yearly
   (iv) Annually
   (v) Never

Kindly provide information from the year 2010 to 2012 with total costs of internal audit encompassing fixed assets for the department, allocated general expenses, remuneration and training costs of audit staff.

		2010 ₦	2011 ₦	2012 ₦
13	Total internal audit costs (in-house portion only) for the year ended… (₦'m) 1 - 20 21 - 40 41 - 60 60 and above (Actual figure preferred if possible)			
14	Total internal audit costs (outsource portion only) for the year ended… (₦'m) 1 - 20 21 - 40 41 - 60 60 and above (Actual figure preferred if possible)			
15	Total internal audit costs (co-source portion only) for the year ended… (₦'m) 1 - 20 21 - 40 41 - 60 60 and above (Actual figure preferred if possible)			
16	Total internal audit costs (others portion only) for the year ended… (₦'m) 1 - 20 21 - 40 41 - 60 60 and above (Actual figure preferred if possible)			

17. Kindly indicate the internal audit type used for each of these three years

STRUCTURE	2010	2011	2012
In-house			
Outsourcing			
Co-sourcing			
Others			

SECTION B: INFORMATION SYSTEM

Please each statement in table "B" below is to reflect the extent of the information system condition of this company. Kindly indicate this by circling, ticking or highlighting the appropriate box:

Information System

		Yes	No
1	The information system design of this company is performed by the central information system department		
2	The information system planning of this company is performed by the central information system department		
3	The information system data entry of this company is performed by the central information system department		
4	The information system output production of this company is performed by the central information system department		
5	The information system capacity planning of this company is performed by the central information system department		
6	The information system decision-making policies in relation to hardware (like selection of vendors, computer purchase) of this company is performed by the central information system department		
7	The development strategy for information system of this company is performed by the central information system department		
8	The decision to recruit and allocate human resources for information system of departments/subsidiaries of this company is performed by the central information system department		
9	The development strategy for information system of this company is performed by the departments/subsidiaries		
10	The departments/subsidiaries have the responsibility to make decisions of their own		

Kindly tick the box as appropriate:

11 How does the executive/top management integrate the centralized activities in 1-10 above:

(i) Applications for investments are selected on the basis of feasibility studies ☐

(ii) Project plans are developed and progress reports are frequently made ☐

(iii) Completed projects are appraised ☐

(iv) All of the above ☐

12 How does the top management integrate the decentralized activities in 1-10 above:

(i) Applications for investments are selected on the basis of feasibility studies ☐

(ii) Project plans are developed and progress reports are frequently made ☐
(iii) Completed projects are appraised ☐
(iv) All of the above ☐

13 Please rate the following with the hint provided in the last five columns.

		Poor	**Fair**	**Good**	**Very Good**	**Excellent**
a	Strategy Alignment					
b	Delivery of business value through IT					
c	Performance Management					
d	Risk Management					
e	Control and Accountability					

14 Kindly indicate the structure used for each of these three years

Structure	2010	2011	2012
Centralized			
Decentralized			

SECTION C: Demographic Information

Kindly tick or fill in the spaces as may be appropriate:

1. Company's name (optional) ____
2. Designation ____
3. Years with the company ____
4. Years of working experience ____

5. Gender (i) Male ☐
   (ii) Female ☐
6. Nationality (i) Nigerian ☐
   (ii) Others ☐

SPECIAL REQUEST:

Kindly state the website address where to download the company's audited financial statements for years 2010 to 2012 or how to obtain the softcopies or scanned-copies of the three-years accounts, if any. Thank you.

You are highly appreciated for creating time out of your tight schedule to complete this questionnaire.
You may wish to contact the researcher for further information or clarifications on aroldaot@gmail.com or telephone +60103958558 or +2348166085888

Appendix B: Literature Matrix.

Focus on Directorship only

Directorship Monitoring Mechanism

Prior Study	**Country**	**Objective**	**Sam-ple Size**	**No of Explana-tory Variables**	**Significant Variables**
Liu, Jinghui	Australia	To explore how board monitoring and management contracting influence the earnings management	138	11	CEO duality, Board size, Block-shareholders, Management Ownership
Appah Ebimobowei and Emeh Yadirichukwu	Nigeria	To examine how corporate governance impact on the timeliness of financial reports of listed companies in Nigeria	35	6	Board independence, size, meeting, equity, expertise and knowledge, CEO duality
Carver, Brian T.	U.S.	To investigate how the retention of individual directors on the audit committee relates to characteristics of directors and/or the influence of the CEO over the board of directors	159	27	Director ownership and gain; CEO influence, inlvolvement in nominating process and tie; board size, outside CEO
Mande Bashir, Ishak Zuaini, Idris Kamil and Ammani Sahiba	Nigeria	To investigate the relationship between the behavioural principle-based board process and board performance	154	13	Directors' skills and knowledge, availability, information flows among board members
Fodio Musa Inuwa, Ibikunle Jide and Oba Victor Chiedu	Nigeria	To examine the influence of corporate governance mechanisms on reported earnings quality	25	6	Board size, board independence, Audit Committee size and independence
Aldamen Husam, Duncan Keith, Kelly Simone, McNamara Ray and Nagel Stephan	Netherlands	To examine the impac of the characteristics c governance enhancing Audit Committee (AC on firm performance during the Global Financial Crisis (GFC	120	21	Size of audit committee (AC), AC meetings, AC independence, AC Composition

Directorship Monitoring Mechanism

Prior Study	Country	Objective	Sample Size	No of Explanatory Variables	Significant Variables
Abernathy John L., Kang Tony and Krishnan Gopal V.	Oklagina	To investigate how the audit committee expertise, security analysts and the ability of the investors to anticipate future earnings relate.	305	7	Board size, Outside directors, Audit committee composition
Ahmad-Zaluki Nurwati A. and Wan-Hussin Wan Nordin	Malaysia	To explore the impact of corporate governance mechanisms on earnings forcasts and quality of financial information	235	11	Board size, Audit Committee size,
Mohamad Muslim H.S., Rashid Hafiz M.A. and Shawtari Fekri A.M.	Malaysia	To explore how the tightening of corporate governance mechanisms impact on earnings management activities of the Government Linked Companies (GLCs).	35	11	Independent directors, Non-executive directors, CEO duality, Board size and meetings, Directorship on other boards, Audit committee meetings and expertise
Ibrahim H. and Samad F.A.	Malaysia	To examine the impact of corporate governance mechanisms on family and non-family firms	290	10	Board size, Independent directors, outside directors, Leverage, CEO Duality
Semenova Natalia and Hassel Lars G.	Sweden	To examine the impact of the differences in the stringency of environmental policy and corresponding environmental risk of the industry and company size on asymmetry of pricing Environmental Performance (EP).	300	10	Size, Industry

Directorship Monitoring Mechanism

Prior Study	Country	Objective	Sample Size	No of Explanatory Variables	Significant Variables
Chaharsoughi Marjan Tadayyon and Rahman Rashidah Abdul	Tehran	To examine the relationship among independent boards of directors, board size, managerial share ownership and earnings quality	114	5	Board independence, Board size, Managerial ownership
Amran Nor Afza and Che-Ahmad Ayoib	Malaysia	To investigate the relationship between family controlled businesses corporate governance mechanisms and firm value.	896	12	Board size, independence, experience, debt, leverage, family size
Hamdan Allam M.M., Mushtaha Sabri M.S. and Al-Sartawi Abd Almuttaleb M.	Jordan	To investigate the relationship between the characteristics of audit committee and earnings management	50	13	Audit committee independence, experience, meeting, ownership, Leverage, Management ownership
Agoglia Christopher P., Doupnik Timothy S. and Tsakumis George T.	U.S.	To examine issues relating to audit committee oversight of corporate financial reporting.	188	5	Audit committee, financial preparers, precise financial reporting standard, financial reporting judgments, regulator, economic substance, auditor,
Barua Abhijit, Rama Dasaratha V and Sharma Vineeta	U.S	To examine the association between the characteristics of audit committee and the extent of investment in internal auditing	181	19	Audit Committee size, independence, experience, Director tenure
Ikpefan Ochei Ailemen and Ojeka S.A.	Nigeria	To investigate the relationship between corporate governance and bank distress	120	3	CEO duality, corporate governance, prevention of bank distress
Latif Rohaida A., Kamardin Hasnah, Mohd Kamarun N.T. and Adam C.N.	Malaysia	To examine the extent of multiple directorship and the relationship of board characteristics with firm performance	132	11	Firm performance, Board size, Directorship in other companies, Directors' age, Executive directors, Independent directors

Directorship Monitoring Mechanism

Prior Study	**Country**	**Objective**	**Sample Size**	**No of Explanatory Variables**	**Significant Variables**
Wahab Nor Shaipah B. and Pak Nur Azliani H.C.	Malaysia	To investigate if tax planning activity is related to directors' remuneration expenses	321	7	Size, Leverage, Earnings management, Directors' remuneration
Engel Elle , Hayes Rachel M. and Wang Xue		To examine the relationship between audit committee compensation and demand for monitoring of financial reporting process	660	14	Audit Committee expertise, Non-financial director, CEO

Focus on Internal Auditing only

Internal Auditing Monitoring Mechanism

Prior Study	**Country**	**Objective**	**Sample Size**	**No of Explanatory Variables**	**Significant Variables**
Cohen Aaron and Sayag Gabriel	Israel	To examine the effectiveness of Internal Audit	108	9	Audit quality and evaluations; Internal audit contribution, Professional proficiency, Career advancement, Top management support
Abbott Lawrence J., Parker S and Peters Gary F.	Fortune	To investigate the association between the audit committee's oversight of the internal audit function (IAF) and nature of the IAF.	134	11	Internal audit budget, Audit committee oversight of internal audit, Size, Leverage, Foreign sales

Internal Auditing Monitoring Mechanism

Prior Study	Country	Objective	Sample Size	No of Explanatory Variables	Significant Variables
Sarens Gerrit and Abdolmohammadi	Belgian	To investigate the association between agency variables and relative size of the internal audit function (IAF); whether IAF is complementary to other monitoring mechanisms and the impact of control environment on the size of IAF	73	9	Industry, Total Revenues, Creation of internal audit function (IAF), Industry complexity, IAF size, Audit committee members, composition and meetings
Havelka Douglas and Merhout Jeffrey W.		To examine the internal IT audit and outsourced IT audit functions		26	Audit organization, Client organization, Enterprise environment, Audit personnel
Wright	Houston	To investigate the most influential factors affecting IS audits		8	Internal auditors' independence and competence, audit objectives, audit method
Barac K. and Coetzee GP	South Africa	To explore the impact of specific features of the internal audit function on demand for internal auditors	62	7	Demand for internal auditors, IIA membership, Composition of the internal audit functions, Employee movements in IAFs
Moorthy M. Krishna, Seetharaman A., Mohamed Zulkifflee, Gopalan Meyyappan and San Lee Har		To evaluate the impact of information technology on internal audit process		13	IT application to internal audit, Best practices, Auditing process, Audit task, Organizational risk, Roles of internal auditor
Cohen Jeffrey R., Krishnamoorthy Ganesh, Peytcheva Marietta and Wright Arnold M.	U.S	To investigate the extent to which auditors constrain aggressive financial reporting behavior by management	97	3	Accounting Standard type; Regulatory regime

Focus on External Auditing only

External Auditing Monitoring Mechanism

Prior Study	**Country**	**Objective**	**Sample Size**	**No of Explana-tory Variables**	**Significant Variables**
Hope Ole-Kristian		To examine considerable diversity in the types of large shareholders	29	36	Ownership concentration, Audit Fees, Choice of auditor type, Second-largest ownership, CEO ownership, Family relationships, Board independence
Che-Ahmad Ayoib, Houghton Keith A. and Yusof Nor Z.M.	Malaysia	To investigate the extent to which ethnic association and national issues influence the audit services	1149	21	Chinese-controlled companies, Chinese auditors, Bumiputra-controlled companies, Bumiputra auditors, Foreign-controlled companies, Quality-differentiated auditors
Francis Jere R., Khurana Iner K. and Pereira Raynolde		To examine the effect of legal system on the role of accounting and auditing in corporate governance as well as the development of national financial markets	31	16	Investor protection, High quality accounting, high quality auditing, Developed financial markets
Okaro Sunday C. and Okafor Gloria O.	Nigeria	To investigate audit failure factors	Case Study		Audit tenure, Non-auditing services
Mohamad-Nor M.N., Shafie Rohami and Wan-Hussin Wan N.	Malaysia	To examine audit report lag	628	13	Audit committee size, independence, meeting and expenses; Board size and independence, CEO duality, Audit firms' structure, Audit lag
Jusoh Mohd Abdullah and Che-Ahmad Ayoib	Malaysia	To investigate how managerial ownership relates to institutional ownership	730	17	Managerial Ownership, Performance, Audit quality, Leverage, Size

Combination of Monitoring Mechanism

Prior Study	Country	Objective	Sample Size	No of Explanatory Variables	Significant Variables
Mustapha Mazlina and Che-Ahmad Ayoib	Malaysia	To investigate how managerial ownership relates to agency theory	235	12	Total monitoring costs, Management ownership, Directors' shareholdings, Firm size and complexity, Debt structure, Firm performance
Swastika, Dwi Lusi Tyasing	Indonesia	To examine the relationship between the implementation of corporate governance regulations, firm size and earnings management.	51	10	Board size, board independence, Audit quality
Nazri Sharifah NFSM., Smith Malcolm and Ismail Zubaidah	Malaysia	To investigate the impact that ethnicity has on auditor choice	300	8	Board, MD, CEO, Audit firms' structure
Malek Mazrah and Che-Ahmad Ayoib		To examine the influence of the director-auditor link on audit opinion	759	23	Interlocking directors, Big-4, Growth, Large ownership
Husnin Azrul Ihsan, Nawawi Anuar and Salin Ahad S.A.P.	Malaysia	To find the relationship between the internal corporate governance mechanisms of corporations and audit fees	300	15	CEO duality, Block-shareholders, Ownership dominance, Audit Fee, Audit committee composition, Block Shareholders
Adeyemi Semiu Babatunde and Fagbemi Temitope Olamide	Nigeria	To examine the association of corporate governance, audit quality and firm related attributes.	58	9	Board independence, Complexity, Size, Leverage, directorship, Audit quality
Soliman Mohamed M. and Ragab Aiman A.	Egypt	To examine the association between the effectiveness of audit committee, audit quality and earnings management	50	9	Audit committee size, independence, expertise, meetings, Audit quality, Leverage, Earnings management

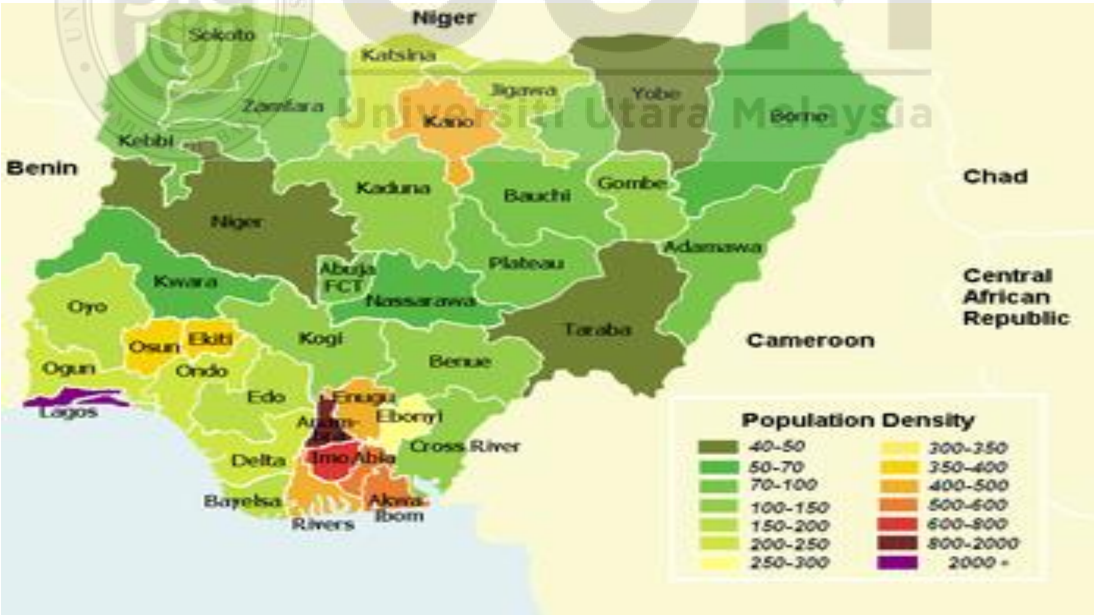
Combination of Monitoring Mechanism

Prior Study	Country	Objective	Sample Size	No of Explanatory Variables	Significant Variables
Madawaki Abdulkadir and Amran Noor Afza	Nigeria	To examine the association between audit committees and financial reporting quality	70	11	Cash flows, Size, Leverage, Auditor, Audit committee independence, meeting, size, experience
Iwasaki	Russia	To examine the corporate audit structure and its determinants	822	19	Board of auditors, Inside auditors, Outside auditors, Industry, outside director, Size investors, bank credits
Barua Abhijit, Rama Dasaratha V and Sharma Vineeta	U.S	To examine the association between the characteristics of audit committee and the extent of investment in internal auditing	181	19	Internal audit function, debt, Audit committee budget, size, independence, meetings and expenses; Director tenure, Outsource,
Husnin Azrul Ihsan, Nawawi Anuar and Salin Ahad S.A.P.	Malaysia	To find the relationship between the internal corporate governance mechanisms of corporations and audit fees	300	15	Auditor fee, Audit committee composition, Block-shareholder, CEO duality, Political influence
Ho Sandra and Hutchinson Marion	Hong Kong	To examine the impact of internal audit function on the external audit effort and fees.	53	22	Internal audit function, characteristics and size; Total assets, Leverage, Big-4, Performance, Industry
Mansor N., Che-Ahmad A., Ahmad-Zaluki N.A. and Osman A. H.	Malaysia	To investigate the impact of corporate governance mechanisms on earnings management during recent financial crisis	264	18	Board structure, size and meetings; Audit committee size, independence and meetings; Outsourced internal audit function, audit firms' structure, Debt
Zeghal Daniel, Chtourou Sonda and Sellami Yosra Mnif	France	To examine whether mandatory adoption of IAS/IFRSis associated with lower earnings management	353	11	Mandatory adoption of IFRS, Earnings management, Independent external directors, Board size, CEO Duality, Independent audit committee, Block-shareholders, Audit firms' structure, Foreign market listing

Combination of Monitoring Mechanism

Prior Study	Country	Objective	Sample Size	No of Explana-tory Variables	Significant Variables
Fodio Musa Inuwa, Ibikunle Jide and Oba Victor Chiedu	Nigeria	To examine the influence of corporate governance mechanisms on reported earnings quality	25	6	Board size and independence; Audit committee size and independence, External audit
Mansor N., Che-Ahmad A., Ahmad-Zaluki N.A. and Osman A.H.	Malaysia	To examine the relationship between corporate governance and earnings management	264	18	Board independence multiple directors and meetings; Audit committee independence and size; Earnings management, Qualified differentiated auditors, Outsource internal audit function

Appendix C: Nigeria Population



Source:
http://web.archive.org/web/20110519235026/http://www.population.gov.ng/files/nationafinal.pdf

#	Country (or dependency)	Population (2016)	Yearly Change	Net Change	Density (P/Km²)	Area (Km²)	Migrants (net)	Fert. Rate	Med. Age	Urban Pop %	World Share
7	**Nigeria**	**186,987,563**	2.63 %	4,785,601	205	910,802	-60,000	5.74	18	49 %	2.5 %

Source: **Worldometers** (www.Worldometers.info)
Elaboration of data by United Nations, Department of Economic and Social Affairs, Population Division. World Population Prospects: The 2015 Revision. (Medium-fertility variant).

Population of Nigeria (2016 and historical)

Year	Population	Yearly % Change	Yearly Change	Migrants (net)	Median Age	Fertility Rate	Density (P/Km²)	Urban Pop %	Urban Population	Country's Share of World Pop	World Population	Nigeria Global Rank
2016	**186,987,563**	2.63 %	4,785,601	-60,000	18	5.67	205	49 %	91,668,667	2.52 %	7,432,663,275	7
2015	**182,201,962**	2.71 %	4,555,444	-60,000	18	5.74	200	48.1 %	87,680,500	2.63 %	7,349,472,099	7
2010	**159,424,742**	2.69 %	3,962,688	-60,000	18	5.91	175	43.6 %	69,440,943	2.45 %	6,929,725,043	7
2005	**139,611,303**	2.59 %	3,346,916	-34,000	18	6.05	153	39.1 %	54,541,496	2.28 %	6,519,635,850	9
2000	**122,876,723**	2.53 %	2,890,380	-19,000	18	6.17	135	34.8 %	42,810,252	2.14 %	6,126,622,121	10
1995	**108,424,822**	2.55 %	2,561,495	-19,200	18	6.37	119	32.2 %	34,918,670	2.04 %	5,735,123,084	10
1990	**95,617,345**	2.65 %	2,343,155	-18,300	18	6.6	105	29.7 %	28,379,229	1.97 %	5,309,667,699	10
1985	**83,901,570**	2.63 %	2,040,695	-134,300	18	6.76	92	25.6 %	21,508,164	1.89 %	4,852,540,569	10
1980	**73,698,096**	3 %	2,026,500	170,900	18	6.76	81	22 %	16,191,472	1.81 %	4,439,632,465	11
1975	**63,565,598**	2.52 %	1,486,751	-7,700	18	6.61	70	19.8 %	12,573,568	1.73 %	4,061,399,228	11
1970	**56,131,844**	2.24 %	1,178,655	-8,700	19	6.35	62	17.8 %	9,969,016	1.69 %	3,682,487,691	11
1965	**50,238,569**	2.13 %	1,005,391	700	19	6.35	45	9 %	4,541,081	1.66 %	3,322,495,121	13
1960	**45,211,614**	1.91 %	817,856	500	19	6.35	50	15.4 %	6,967,110	1.64 %	3,018,343,828	13
1955	**41,122,333**	1.67 %	652,518	700	19	6.35	45	11 %	4,541,081	1.63 %	2,758,314,525	13

Source: **Worldometers** (www.Worldometers.info)
Elaboration of data by United Nations, Department of Economic and Social Affairs, Population Division. World Population Prospects: The 2015 Revision. (Medium-fertility variant).

Appendix D: Multivariate Analysis using Ordinary Least-square (OLS), Fixed Effect, Random Effect and Panel-corrected Standard Errors (PCSEs) Regression Methods

Variable	Ordinary Least-Square (OLS)	Fixed Effect	Random Effect	PCSEs
Managerial Ownership	-0.635	-0.244	-0.635	-0.761***
	(0.823)	(2.674)	(0.823)	(0.207)
Government Ownership	-3.046**	-4.238*	-3.046**	-2.324***
	(1.691)	(3.247)	(1.691)	(0.375)
Individual Block-holders	0.540	0.632	0.540	0.426***
	(0.441)	(1.082)	(0.441)	(0.147)
Principal-principal Conflicts	0.400	0.446	0.400	1.197
	(1.624)	(1.657)	(1.624)	(1.838)
Board Size	1.624	1.747	1.624	1.100**
	(2.020)	(2.808)	(2.020)	(0.485)
Board Meetings	3.017*	1.872	3.017*	11.156***
	(1.905)	(1.985)	(1.905)	(4.579)
CEO Tenure	-0.579	-1.522*	-0.579	0.047
	(0.774)	((1.021)	(0.774)	(0.185)
Risk Management Committee	12.726**	15.867**	12.726**	3.734
	(6.757)	(7.997)	(6.757)	(3.082)
Board Independence	24.286*	11.340	24.286*	39.568***
	(17.137)	(24.861)	(17.137)	(9.072)
Board Gender	18.376	-3.714	18.376	55.751***
	(41.389)	(56.589)	(41.389)	(19.400)
Compensation Structure	-19.768**	-38.335**	-19.768**	-11.386***
	(10.677)	(18.769)	(10.677)	(4.558)
Company Size	19.149***	21.549***	19.149***	14.447***
	(3.372)	(6.724)	(3.372)	(1.821)
Inherent Risks	-2.292	1.237	-2.292	-15.828***
	(5.556)	(5.950)	(5.556)	(3.679)
Industry	11.377	(omitted)	11.377	16.037***
	(17.434)		(17.434)	(3.649)
Growth	-0.775	0.544	-0.775	-2.557***
	(1.599)	(1.979)	(1.599)	(0.386)
Complexity	16.375*	2.687	16.375*	25.241***
	(5.377)	(7.901)	(5.377)	(3.296)
_cons	-428.775	-435.618	-428.775	375.1416***
	(72.973)	(155.796)	(72.973)	(40.031)
R^2	0.3756	0.2605	0.3756	0.4179

Note: *** significant at 1% level; ** significant at 5% level; * significant at 10% level
n=333; SN=111

Appendix E: Sensitivity Analysis Result for Managerial Ownership, Government Ownership, Board Size, Meetings and Gender (Panels A and B)

Variables	As in Panel A	Managerial Ownership (MO) segmented to companies with and without MO	Managerial Ownership (MO) segmented to companies with ≥ and ≤ 5%MO	Government Ownership (GO) segmented to companies with GO and with no GO	Board Size (BS) segmented to larger BS and smaller BS	Board Meetings (BM) segmented to more BM and lesser BM	Board Gender (BG) segmented to companies with and without female directors	As in Panel B	Managerial Ownership (MO) segmented to companies with and without MO
Managerial Ownership	-0.761***			-0.758***	-0.763***	-0.810***	-0.778***	0.035**	
	(0.207)			(0.206)	(0.204)	(0.205)	(0.219)	(0.021)	
Companies with MO		-0.757***							0.036**
		(0.213)							(0.021)
Companies with no MO		18.982*							-3.608**
		(10.064)							(1.683)
Companies with MO≥5%			-0.768***						
			(0.182)						
Companies with MO≤5%			-0.174**						
			(1.255)						
Government Ownership	-2.324***	-2.545***	-2.328***		-2.322***	-2.430***	-2.276***	0.002	0.027
	(0.375)	(0.473)	(0.380)		(0.374)	(0.314)	(0.319)	(0.048)	(0.052)
Companies with GO				-1.602***					
				(0.335)					

Variables	As in Panel A	Managerial Ownership (MO) segmented to companies with and without MO	Managerial Ownership (MO) segmented to companies with ≥ and ≤ 5%MO	Government Ownership (GO) segmented to companies with GO and with no GO	Board Size (BS) segmented to larger BS and smaller BS	Board Meetings (BM) segmented to more BM and lesser BM	Board Gender (BG) segmented to companies with and without female directors	As in Panel B	Managerial Ownership (MO) segmented to companies with and without MO
Companies with no GO				-8.724*					
				(5.639)					
Individual Block-holders	0.426***	0.383***	0.420***	0.412***	0.428***	0.446***	0.428***	-0.029**	-0.025**
	(0.147)	(0.137)	(0.134)	(0.139)	(0.159)	(0.146)	(0.151)	(0.013)	(0.013)
Principal-principal Conflicts	1.197	1.146	1.186	0.990	1.197	1.109	0.832	0.579**	0.661**
	(1.838)	(1.855)	(1.829)	(1.926)	(1.835)	(1.828)	(1.681)	(0.290)	(0.347)
Board Size	1.100*	1.170**	1.114**	1.259**		1.143**	1.532***	-0.211***	-0.238***
	(0.485)	(0.498)	(0.506)	(0.541)		(0.488)	(0.386)	(0.079)	(0.082)
Companies with larger BS					1.083***				
					(0.396)				
Companies with smaller BS					0.805				
					(1.100)				
Board Meetings	11.156***	11.566***	11.182***	11.272***	11.152***		11.450***	0.057	0.007
	(4.579)	(4.756)	(4.590)	(4.587)	(4.581)		(4.751)	(0.137)	(0.141)
Companies with more board meetings						12.589***			
						(4.806)			
Companies with lesser board meetings						15.411***			
						(6.130)			

Variables	As in Panel A	Managerial Ownership (MO) segmented to companies with and without MO	Managerial Ownership (MO) segmented to companies with ≥ and ≤ 5%MO	Government Ownership (GO) segmented to companies with GO and with no GO	Board Size (BS) segmented to larger BS and smaller BS	Board Meetings (BM) segmented to more BM and lesser BM	Board Gender (BG) segmented to companies with and without female directors	As in Panel B	Managerial Ownership (MO) segmented to companies with and without MO
CEO Tenure	0.047	0.009	0.031	0.011	0.047	0.108	0.072	-0.072***	-0.075***
	(0.185)	(0.189)	(0.199)	(0.201)	(0.194)	(0.205)	(0.201)	(0.029)	(0.031)
Risk Management Committee	3.734	2.900	3.872*	4.003*	3.742	3.101	2.049	0.659**	0.736**
	(3.082)	(3.527)	(2.965)	(3.054)	(3.133)	(3.236)	(3.346)	(0.308)	(0.315)
Board Independence	39.568***	41.524***	40.050***	39.018***	39.534***	39.225***	36.867***	0.874*	0.679
	(9.072)	(10.087)	(9.620)	(8.922)	(9.243)	(8.787)	(8.980)	(0.617)	(0.650)
Board Gender	55.751***	56.301***	55.722***	55.988***	55.770***	55.804***		-1.324	-1.391
	(19.400)	(19.387)	(19.302)	(19.342)	(19.408)	(19.166)		(1.600)	(1.624)
Companies with Female Directors							128.919***		
							(23.079)		
Companies with no Female Directors							-17.415***		
							(5.269)		
Compensation Structure	-11.386*	-28.524***	-11.782***	-12.067***	-11.399***	-11.253***	-10.559**	1.156***	4.548***
	(4.558)	(8.434)	(4.675)	(4.686)	(4.786)	(4.678)	(4.592)	(0.350)	(1.686)
Company Size	14.447***	13.876***	14.455***	14.271***	14.449***	14.400***	14.300***	0.699***	0.779***
	(1.821)	(1.873)	(1.816)	(1.859)	(1.822)	(1.719)	(1.832)	-0.129	(0.139)
Loss	-15.828***	-17.140***	-15.864***	-16.174***	-15.842***	-16.209***	-16.339***	-0.533*	-0.400
	(3.679)	(4.370)	(3.695)	(3.794)	(3.690)	(3.674)	(3.886)	(0.329)	(0.335)

Variables	**As in Panel A**	**Managerial Ownership (MO) segmented to companies with and without MO**	**Managerial Ownership (MO) segmented to companies with ≥ and ≤ 5%MO**	**Government Ownership (GO) segmented to companies with GO and with no GO**	**Board Size (BS) segmented to larger BS and smaller BS**	**Board Meetings (BM) segmented to more BM and lesser BM**	**Board Gender (BG) segmented to companies with and without female directors**	**As in Panel B**	**Managerial Ownership (MO) segmented to companies with and without MO**
Industry	16.037***	17.024***	16.111***	15.301***	16.066***	16.168***	15.980***	0.087	-0.066
	(3.649)	(4.133)	(3.793)	(3.368)	(3.780)	(4.052)	(3.630)	(0.432)	(0.436)
Growth	-2.557***	-3.044***	-2.572***	-2.548***	-2.556***	-2.394***	-2.283***	0.055	0.227*
	(0.386)	(0.675)	(0.401)	(0.382)	(0.390)	(0.430)	(0.315)	(0.127)	(0.158)
Complexity	25.241***	25.822***	25.252***	25.297***	25.243***	24.877***	24.642***	0.242	0.133
	(3.296)	(3.546)	(3.307)	(3.347)	(3.300)	(3.503)	(3.387)	(0.198)	(0.205)
Constant	-375.142***	-365.736***	-374.977***	-370.838***	-375.014***	-380.121***	-370.913***	-14.940***	-16.112***
	(40.031)	(38.463)	(39.853)	(40.130)	(39.911)	(37.907)	(39.919)	(2.780)	(2.943)
Observations	333	333	333	333	333	333	333	333	333
R-squared	0.418	0.420	0.418	0.418	0.420	0.420	0.422		
Number of SN	111	111	111	111	111	111	111	111	111

Note: *** significant at 1% level; ** significant at 5% level; * significant at 10% level; n=333; SN=111

Appendix F: Summary Results of TTests for Managerial Ownership and Board Meetings

Variable	Mean	Std. Err.	Std. Dev.
Companies with Managerial Ownership	3.030	0.485	8.859
Companies without Managerial Ownership	0.648	0.026	0.478
diff	2.381	0.480	8.750
companies with 5% and above Managerial Ownership	2.650	0.489	8.928
companies with less than 5% Managerial Ownership	0.485	0.049	0.901
diff	2.164	0.483	8.819
Companies with more board meetings	4.252	0.068	1.242
Companies with lesser board meetings	0.084	0.022	0.402
diff	4.168	0.082	1.502

Appendix G: Summary Results of Hypotheses Tests for Directorship, Internal, and External Auditing

Directorship

Hypotheses		Proposed Direction	Result Direction	Remark
Direct effect on directorship				
H_{1ai}	Managerial ownership is negatively associated with the demand for directorship as a monitoring mechanism	-	-	Supported
H_{1bi}	Government ownership is positively associated with demand for directorship as a monitoring mechanism	+	-	Not Support
H_{1ci}	Individual block ownership is positively associated with demand for directorship as a monitoring mechanism	+	+	Supported
H_{1di}	Block-holders are positively associated with the demand for directorship as a monitoring mechanism with an increase in the ownership of second-largest shareholders.	+	-	Not Significant
H_{2ai}	Board size is significantly associated with the demand for directorship as a monitoring mechanism	±	+	Supported
H_{2bi}	Board meetings is positively associated with the demand for directorship as a monitoring mechanism	+	+	Supported
H_{2ci}	CEO tenure relates positively to the demand for directorship as a monitoring mechanism	+	+	Supported
H_{2di}	Risk Management Committee is positively associated with the demand for directorship as a monitoring mechanism	+	+	Not Significant

Directorship

Hypotheses		**Proposed Direction**	**Result Direction**	**Remark**
H_{2ei}	Independent directors are positively associated with the demand for directorship as a monitoring mechanism	+	+	Supported
H_{2fi}	Female directors are positively associated with the demand for directorship as a monitoring mechanism	+	+	Supported
H_{3i}	Compensation structure is negatively associated with the demand for directorship as a monitoring mechanism	-	-	Supported

Mediating effect of quality-differentiated auditors

H_{51ai}	QDA positively mediates the relationship between Managerial ownership and the demand for directorship as a monitoring mechanism	+	-	Not Supported
H_{51bi}	QDA positively mediates the relationship between Government ownership and the demand for directorship as a monitoring mechanism	+	+	Supported
H_{51ci}	QDA positively mediates the relationship between Individual block ownership and the demand for directorship as a monitoring mechanism	+	-	Not Supported
H_{51di}	QDA positively mediates the relationship between Block-holders with an increase in the ownership of second-largest shareholders and the demand for directorship as a monitoring mechanism	+	+	Supported
H_{52ai}	QDA positively mediates the relationship between Board size and the demand for directorship as a monitoring mechanism	+	-	Not Supported
H_{52bi}	QDA positively mediates the relationship between Board meetings and the demand for directorship as a monitoring mechanism	+	+	Supported
H_{52ci}	QDA positively mediates the relationship between CEO tenure and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	-	Not Supported
H_{52di}	QDA positively mediates the relationship between Risk Management Committee and the demand for directorship as a monitoring mechanism.	+	+	Supported
H_{52ei}	QDA positively mediates the relationship between Independent directors and the demand for directorship as a monitoring mechanism	+	+	Supported
H_{52fi}	QDA positively mediates the relationship between Female directors and the demand for directorship as a monitoring mechanism	+	+	Supported
H_{53i}	QDA positively mediates the relationship between Compensation structure and the demand for directorship as a monitoring mechanism	+	+	Supported
H_{6i}	Nigerian Code of Corporate Governance relates positively with the demand for directorship as a monitoring mechanism	+	+	Supported

Internal Auditing

Hypotheses		Proposed Direction	Result Direction	Remark
Direct effect on internal auditing				
H_{1aii}	Managerial ownership is negatively associated with the demand for internal auditing as a monitoring mechanism.	-	+	Not Supported
H_{1bii}	Government ownership is positively associated with demand for internal auditing as a monitoring mechanism.	+	-	Not Supported
H_{1cii}	Individual block ownership is positively associated with demand for internal auditing as a monitoring mechanism.	+	-	Not Supported
H_{1dii}	Block-holders are positively associated with the demand for internal auditing as a monitoring mechanism with an increase in the ownership of second-largest shareholders.	+	+	Supported
H_{2aii}	Board size is significantly associated with the demand for internal auditing as a monitoring mechanism.	±	-	Not Significant
H_{2bii}	Board meetings are positively associated with the demand for internal auditing as a monitoring mechanism.	+	+	Not Significant
H_{2cii}	CEO tenure is positively associated with the demand for internal auditing as a monitoring mechanism.	+	+	Supported
H_{2dii}	Risk Management Committee is positively associated with the demand for internal auditing as a monitoring mechanism.	+	+	Supported
H_{2eii}	Independent directors are positively associated with the demand for internal auditing as a monitoring mechanism.	+	+	Supported
H_{2fii}	Female directors are positively associated with the demand for internal auditing as a monitoring mechanism.	+	+	Supported
H_{3ii}	Compensation structure is negatively associated with the demand for internal auditing as a monitoring mechanism.	-	-	Supported
Mediating effect of quality-differentiated auditors				
H_{51ai}	QDA significantly mediates the relationship between Managerial ownership and the demand for internal auditing as a monitoring mechanism.	+	-	Not Supported
H_{51bi}	QDA significantly mediates the relationship between Government ownership and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
H_{51ci}	QDA significantly mediates the relationship between Individual block ownership and the demand for internal auditing as a monitoring mechanism.	+	-	Not Supported
H_{51di}	QDA significantly mediates the relationship between Block-holders with an increase in the ownership of second-largest shareholders and the demand internal auditing as a monitoring mechanism.	+	+	Supported
H_{52ai}	QDA significantly mediates the relationship between Board size and the demand for internal auditing as a monitoring mechanism.	+	+	Supported

Internal Auditing

Hypotheses		Proposed Direction	Result Direction	Remark
H_{52bi}	QDA significantly mediates the relationship between Board meetings and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
H_{52ci}	QDA significantly mediates the relationship between CEO tenure and the demand for internal auditing as a monitoring mechanism.	+	-	Supported
H_{52di}	QDA significantly mediates the relationship between Risk Management Committee and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
H_{52ei}	QDA significantly mediates the relationship between Independent directors and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
H_{52fi}	QDA significantly mediates the relationship between Female directors and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
H_{53i}	QDA significantly mediates the relationship between Compensation structure and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
H_{6i}	Nigerian Code of Corporate Governance relates positively with the demand for internal auditing as a monitoring mechanism.	+	+	Supported

External Auditing

Hypotheses		Proposed Direction	Result Direction	Remark
Direct effect on external auditing				
H_{1aiii}	Managerial ownership is negatively associated with the demand for external auditing as a monitoring mechanism.	-	-	Supported
H_{1biii}	Government ownership is positively associated with demand for external auditing as a monitoring mechanism.	+	-	Not Supported
H_{1ciii}	Individual block ownership is positively associated with demand for external auditing as a monitoring mechanism.	+	+	Supported
H_{1diii}	Block-holders are positively associated with the demand for external auditing as a monitoring mechanism with an increase in the ownership of second-largest shareholders.	+	+	Supported
H_{2aiii}	Board size is significantly associated with the demand for external auditing as a monitoring mechanism.	±	+	Not Significant
H_{2biii}	Board meetings are positively associated with the demand for monitoring external auditing as a monitoring mechanism.	+	+	Supported
H_{2ciii}	CEO tenure is positively associated with the demand for external auditing as a monitoring mechanism.	+	-	Not Supported
H_{2diii}	Risk Management Committee is positively associated with the demand for external auditing as a monitoring mechanism.	+	-	Not Significant

External Auditing

Hypotheses		**Proposed Direction**	**Result Direction**	**Remark**
H_{2eiii}	Independent directors are positively associated with the demand for external auditing as a monitoring mechanism.	+	+	Not Significant
H_{2fiii}	Female directors are positively associated with the demand for external auditing as a monitoring mechanism.	+	-	Not Supported
H_{3iii}	Compensation structure is negatively associated with the demand for external auditing as a monitoring mechanism.	-	-	Supported

Mediating effect of quality-differentiated auditors

H_{51aiii}	QDA significantly mediates the relationship between Managerial ownership and the demand for external auditing as a monitoring mechanism.	+	-	Not Supported
H_{51biii}	QDA significantly mediates the relationship between Government ownership and the demand for external auditing as a monitoring mechanism.	+	+	Supported
H_{51ciii}	QDA significantly mediates the relationship between Individual block ownership and the demand for external auditing as a monitoring mechanism.	+	-	Not Supported
H_{51diii}	QDA significantly mediates the relationship between Block-holders with an increase in the ownership of second-largest shareholders and the demand for external auditing as a monitoring mechanism.	+	+	Supported
H_{52aiii}	QDA significantly mediates the relationship between Board size and the demand for external auditing as a monitoring mechanism.	+	+	Supported
H_{52biii}	QDA significantly mediates the relationship between Board meetings and the demand for external auditing as a monitoring mechanism.	+	+	Supported
H_{52ciii}	QDA significantly mediates the relationship between CEO tenure and the demand for external auditing as a monitoring mechanism.	+	-	Not Supported
H_{52diii}	QDA significantly mediates the relationship between Risk Management Committee and the demand for external auditing as a monitoring mechanism.	+	+	Supported
H_{52eiii}	QDA significantly mediates the relationship between Independent directors and the demand for external auditing as a monitoring mechanism.	+	+	Supported
H_{52fiii}	QDA significantly mediates the relationship between Female directors and the demand for external auditing as a monitoring mechanism.	+	+	Supported
H_{53iii}	QDA significantly mediates the relationship between Compensation structure and the demand for external auditing as a monitoring mechanism.	+	+	Supported
H_{6iii}	Nigerian Code of Corporate Governance relates positively with the demand for external auditing as a monitoring mechanism.	+	+	Supported

APPENDIX H

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Date : 14 January 2015

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PROGRAMME : DOCTOR OF PHILOSOPHY (PhD)

PROJECT TITLE : "THE MEDIATING EFFECT OF THE QUALITY-DIFFERENTIATED AUDITORS ON THE RELATIONSHIP BETWEEN ORGANIZATIONAL ATTRIBUTES AND MONITORING MECHANISMS"

This is to certify that the bearer, Arowolo Rachael Oluyemisi with matric number 95363 is a postgraduate student from the School of Accountancy (SOA), College of Business, University Utara Malaysia. She is pursuing the above mentioned course which requires her to undertake an academic study and a thesis.

In this regard, I hope that you could kindly provide assistance and cooperation to enable her successfully complete the assignment given. All the information gathered will be treated as confidential and strictly used for academic purposes only.

Your cooperation and assistance is very much appreciated.

Thank you

Yours sincerely

PROF. DR. AYOIB CHE AHMAD
PhD Supervisor
School of Accountancy
College of Business
University Utara Malaysia

Cc - Student's file (95363)

The Eminent Management University

APPENDIX I

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DATA COLLECTION

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Ref : UUM/COB/SOA/M-8
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TO WHOM IT MAY CONCERN

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VICTORIA ISLAND,
P. O. BOX 1580, MARINA,
LAGOS, NIGERIA.

Registrar/Chief Executive
ROTIMI A. OMOTOSO MBA, FCIB, FCA

March 13, 2015

The Director General,
Securities and Exchange Commission (SEC)
3, Idejo Street, Opp. ICON House
Off Adeola Odeku Street,
Victoria Island
Lagos

SECURITIES & EXCHANGE COMMISSION
RECEIVED
23 MAR 2015
DIRECTOR GENERAL'S OFFICE LAGOS.

Dear Sir,

REQUEST TO UNDERTAKE ACADEMIC STUDY AND THESIS

This is to inform you that the bearer Arowolo Racheal Oluyemi was is former staff.

She is a postgraduate student of the College of Business, University Utara Malaysia.

We wish to request for your assistance and cooperation on her behalf to successfully undertake an academic study and thesis on the topic "**the mediating effect of the quality-differentiated auditors on the relationship between organizational attributes and monitoring mechanisms**" with your Organisation.

We would appreciate if our request is granted as all the information gathered in your Organisation during the course of her thesis would be strictly treated as confidential.

Thank you for your anticipated cooperation.

Yours faithfully,
For: Registrar/Chief Executive

O. O. F. ABE
Director, Human Resources & Admin

APPENDIX L1

BANK ISLAM

Bank Islam Malaysia Berhad

(GST Registration No.:001409662976)

DEPOSIT TUNAI / DEPOSIT CEK / PEMBAYARAN BIL

CASH DEPOSIT / CHEQUE DEPOSIT / BILL PAYMENT

SALINAN BANK 2
BANK'S COPY 2

C9936449

NOTA / *NOTES*: 1. Sila baca "Peringatan kepada Pelanggan" di belakang salinan pelanggan. / *Please read the "Notice to Customer" on the reverse side of customer's copy.*
2. Sila semak butir-butir yang dicetak sebelum meninggalkan kaunter. / *Please check details validated before leaving the counter.*

NAMA / *NAME*: AROWOLO RACHAEL OLUYEMISI (895363)

NO. AKAUN / *ACCOUNT NO.*: 0209301000010

NO. TEL / *TEL NO.*: 0163267252 / 0174229834

	Bank Pembayar / *Drawee Bank*	Tempat / *Place*	No. Cek / *Cheque No.*	JUMLAH / *TOTAL* RINGGIT MALAYSIA (RM)	SEN / *CENT*
CEK-CEK CAWANGAN INI / *HOUSE CHEQUES*					
CEK-CEK BANK TEMPATAN / *LOCAL CHEQUES*					
LAIN-LAIN / *OTHERS*					
WANG TUNAI RINGGIT / *CASH* :					
			JUMLAH BERSIH / *NET TOTAL*	47	40

Ruangan ini untuk tujuan pembayaran bil sahaja / *This column applicable for bill payment purpose only*

Bayar Kepada / *Pay To*	Universiti Utara Malaysia
Jenis Pembayaran / *Payment Type*	Abstract Translation to Malay Language
No. Rujukan Bil / *Bill Reference No.*	No. Kad Pengenalan / *NRIC No.* A04822366
Debit Akaun / *Account Debited*	Jumlah Didebit / *Debited Amount*

UNIVERSITI UTARA MAL
bi089aha 2717 0071 02-093-01-000001-0 1100 MYR************47.40 13/06/2016 12:38:11 CSD CA 02093

CETAKAN KOMPUTER / *COMPUTER VALIDATION* | Tandatangan Pemegang Akaun / *Signature of Account Holder* | *Signature Verified* | UNTUK KEGUNAAN BANK SAHAJA / *FOR BANK USE ONLY* | *Posted by*: B | *Checked by*:

APPENDIX L2

BANK ISLAM

Bank Islam Malaysia Berhad

(GST Registration No.:001409662976)

DEPOSIT TUNAI / DEPOSIT CEK / PEMBAYARAN BIL

CASH DEPOSIT / CHEQUE DEPOSIT / BILL PAYMENT

SALINAN BANK 2
BANK'S COPY 2

D3444780

NOTA / *NOTES*: 1. Sila baca "Peringatan kepada Pelanggan" di belakang salinan pelanggan. / *Please read the "Notice to Customer" on the reverse side of customer's copy.*
2. Sila semak butir-butir yang dicetak sebelum meninggalkan kaunter. / *Please check details validated before leaving the counter.*

NAMA / *NAME*: AROWOLO RACHAEL OLUYEMISI

NO. AKAUN / *ACCOUNT NO.*: 0209301000010

NO. TEL / *TEL NO.*: 0163267252

	Bank Pembayar / *Drawee Bank*	Tempat / *Place*	No. Cek / *Cheque No.*	JUMLAH / *TOTAL* RINGGIT MALAYSIA (RM)	SEN / *CENT*
CEK-CEK CAWANGAN INI / *HOUSE CHEQUES*					
CEK-CEK BANK TEMPATAN / *LOCAL CHEQUES*					
LAIN-LAIN / *OTHERS*					
WANG TUNAI RINGGIT / *CASH* :					
			JUMLAH BERSIH / *NET TOTAL*	32	45

Ruangan ini untuk tujuan pembayaran bil sahaja / *This column applicable for bill payment purpose only*

Bayar Kepada / *Pay To*	
Jenis Pembayaran / *Payment Type*	
No. Rujukan Bil / *Bill Reference No.*	No. Kad Pengenalan / *NRIC No.*
Debit Akaun / *Account Debited*	Jumlah Didebit / *Debited Amount*

UNIVERSITI UTARA MAL
bi089aha 2717 0025 02-093-01-000001-0 1100 MYR***********32.45 19/12/2016 11:11:27 CSD CA 02093

CETAKAN KOMPUTER / *COMPUTER VALIDATION* | Tandatangan Pemegang Akaun / *Signature of Account Holder* | *Signature Verified* | UNTUK KEGUNAAN BANK SAHAJA / *FOR BANK USE ONLY* | *Posted by*: A | *Checked by*:

APPENDIX L3

PUSAT PENGAJIAN BAHASA, TAMADUN DAN FALSAFAH
SCHOOL OF LANGUAGES, CIVILISATION AND PHILOSOPHY
Bangunan Komunikasi dan Bahasa Moden
Universiti Utara Malaysia
06010 UUM SINTOK
KEDAH DARUL AMAN
MALAYSIA

UUM Universiti Utara Malaysia

Tel: 604-928 5691/5701/5707/5581
Faks (Fax): 604-928 5709
Laman Web (Web): www.slcp.uum.edu.my

'MUAFAKAT KEDAH'

Ref. : UUM/PUSAT BAHASA/T-9/2
Date : 15th December 2016

Arowolo Rachael Oluyemisi (95363)
TISSA
Universiti Utara Malaysia

Dear Ms. Arowolo Rachael Oluyemisi

PAYMENT FOR EDITING SERVICE

With reference to the above matter, the payment for editing service is RM0.05 per word and the payment for translation service is RM0.15 perword based on the original text. The abstract was edited and translated by **Dr. Sharifah Fazliyaton Binti Shaik Ismail (Bahasa Melayu).**

The details of payment are as below:

Title	**The Mediating Effect Of Quality-differentiated Auditors On The Relationship Between Organizational Attributes And Monitoring Mechanisms.**		
Type of Document	**Abstract**		
Services	**Editing**		
			RM
Details of Payment	English – Bahasa Melayu	309 words x RM0.15	15.45
	Bahasa Melayu	303 words x RM0.05	15.15
	GST	6%	1.87
	Rounding		-0.02
	TOTAL		**32.45**

Thank you for using our service and we hope to offer you such services in the future.

"SCHOLARSHIP, VIRTUE AND SERVICE"

Yours sincerely

Lydia

LYDIAWANI CHE ISMAIL
Editing Coordinator

Pn. Rohaida Hashim
Financial Clerk

Universiti Pengurusan Terkemuka
The Eminent Management University