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



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



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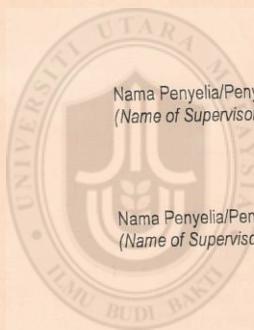
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## ABSTRACT

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 memastikan 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

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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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## **LIST OF APPENDICES**

- A. Academic Research Questionnaire
- B. Literature Matrix
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- J. UUM Letter of Introduction to Collect Data: The Nigerian Stock Exchange (NSE)
- K. ICAN Letter of Introduction to Collect Data: Nigerian Security Exchange Commission (SEC)
- L. Abstract Translation Cash Deposit Teller

## 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

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only

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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](mailto: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](mailto:aroldaot@gmail.com)  
Hand phone: 08166085888

**SURVEY ON CORPORATE MONITORING MECHANISMS BY 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 [aroldao@outlook.com](mailto:aroldao@outlook.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, involvement 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 impact of the characteristics of 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	Sam- ple Size	No of Explana- tory 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 forecasts 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	Sam- ple Size	No of Explana- tory 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

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### Directorship Monitoring Mechanism

Prior Study	Country	Objective	Sam- ple Size	No of Explana- tory 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	Sam- ple Size	No of Explana- tory 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	Sam- ple Size	No of Expla- natory Variables	No of Significant Variables
Sarens Gerrit and Abdolmohamadi	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 Significant Variables Explatory Variables
Hope Ole-Kristian		To examine considerable diversity in the types of large shareholders	29	36
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
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
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
Jusoh Abdullah and Che-Ahmad Ayoib	Malaysia	To investigate how managerial ownership relates to institutional ownership	730	17

## Combination of monitoring mechanisms

### Combination of Monitoring Mechanism

Prior Study	Country	Objective	Sample Size	No of Explanatory Variables	No of 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, structure, 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, independence, 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

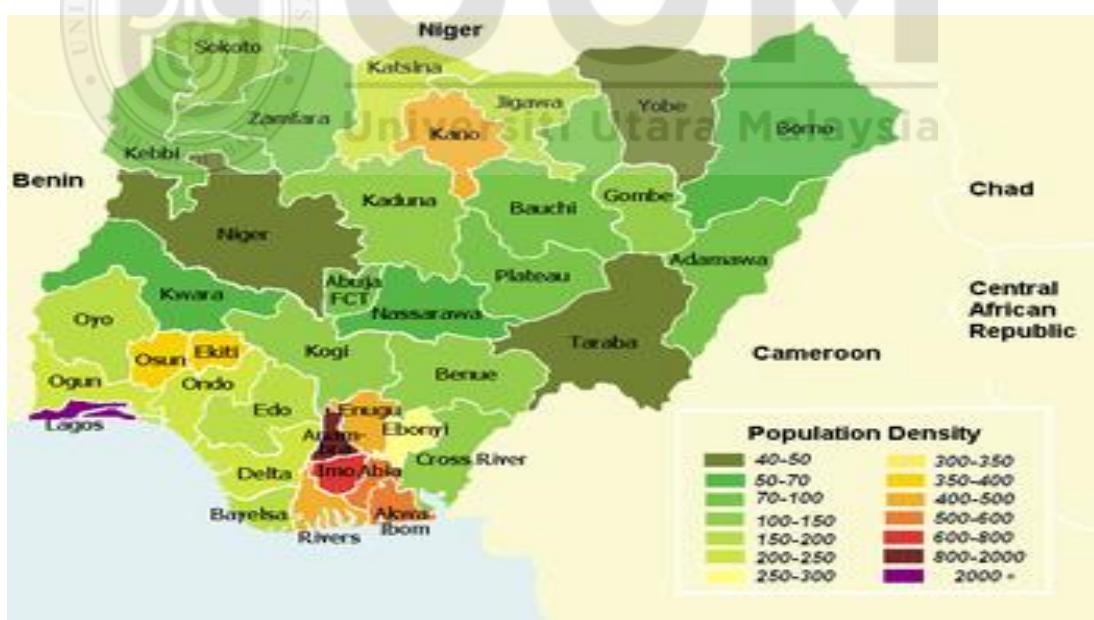
### Combination of Monitoring Mechanism

Prior Study	Country	Objective	Sample Size	No of Significant Variables Explanatory 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 Marion Hong Kong Hutchinson	Malaysia	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/IFRS is 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 Significant Variables	Explanatory Variables
Fodio Musa Inuwa, Ibikunle Jide and 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/Km <sup>2</sup> )	Area (Km <sup>2</sup> )	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 \(www.Worldometers.info\)](http://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/Km <sup>2</sup> )	Urban Pop %	Urban Population	Country's Share of World Pop	World Population	Nigeria Global Rank
2016	<b>186,987,563</b>	2.63 %	4,785,601	-60,000	18	5.67	205	49 %	91,668,667	2.52 %	7,432,663,275	7
2015	<b>182,201,962</b>	2.71 %	4,555,444	-60,000	18	5.74	200	48.1 %	87,680,500	2.63 %	7,349,472,099	7
2010	<b>159,424,742</b>	2.69 %	3,962,688	-60,000	18	5.91	175	43.6 %	69,440,943	2.45 %	6,929,725,043	7
2005	<b>139,611,303</b>	2.59 %	3,346,916	-34,000	18	6.05	153	39.1 %	54,541,496	2.28 %	6,519,635,850	9
2000	<b>122,876,723</b>	2.53 %	2,890,380	-19,000	18	6.17	135	34.8 %	42,810,252	2.14 %	6,126,622,121	10
1995	<b>108,424,822</b>	2.55 %	2,561,495	-19,200	18	6.37	119	32.2 %	34,918,670	2.04 %	5,735,123,084	10
1990	<b>95,617,345</b>	2.65 %	2,343,155	-18,300	18	6.6	105	29.7 %	28,379,229	1.97 %	5,309,667,699	10
1985	<b>83,901,570</b>	2.63 %	2,040,695	-134,300	18	6.76	92	25.6 %	21,508,164	1.89 %	4,852,540,569	10
1980	<b>73,698,096</b>	3 %	2,026,500	170,900	18	6.76	81	22 %	16,191,472	1.81 %	4,439,632,465	11
1975	<b>63,565,598</b>	2.52 %	1,486,751	-7,700	18	6.61	70	19.8 %	12,573,568	1.73 %	4,061,399,228	11
1970	<b>56,131,844</b>	2.24 %	1,178,655	-8,700	19	6.35	62	17.8 %	9,969,016	1.69 %	3,682,487,691	11
1965	<b>50,238,569</b>	2.13 %	1,005,391	700	19	6.35	45	9 %	4,541,081	1.66 %	3,322,495,121	13
1960	<b>45,211,614</b>	1.91 %	817,856	500	19	6.35	50	15.4 %	6,967,110	1.64 %	3,018,343,828	13
1955	<b>41,122,333</b>	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](http://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**

<b>Variable</b>	<b>Ordinary Least-Square (OLS)</b>	<b>Fixed Effect</b>	<b>Random Effect</b>	<b>PCSEs</b>
Managerial Ownership	-0.635 (0.823)	-0.244 (2.674)	-0.635 (0.823)	-0.761*** (0.207)
Government Ownership	-3.046** (1.691)	-4.238* (3.247)	-3.046** (1.691)	-2.324*** (0.375)
Individual Block-holders	0.540 (0.441)	0.632 (1.082)	0.540 (0.441)	0.426*** (0.147)
Principal-principal Conflicts	0.400 (1.624)	0.446 (1.657)	0.400 (1.624)	1.197 (1.838)
Board Size	1.624 (2.020)	1.747 (2.808)	1.624 (2.020)	1.100** (0.485)
Board Meetings	3.017* (1.905)	1.872 (1.985)	3.017* (1.905)	11.156*** (4.579)
CEO Tenure	-0.579 (0.774)	-1.522* (1.021)	-0.579 (0.774)	0.047 (0.185)
Risk Management Committee	12.726** (6.757)	15.867** (7.997)	12.726** (6.757)	3.734 (3.082)
Board Independence	24.286* (17.137)	11.340 (24.861)	24.286* (17.137)	39.568*** (9.072)
Board Gender	18.376 (41.389)	-3.714 (56.589)	18.376 (41.389)	55.751*** (19.400)
Compensation Structure	-19.768** (10.677)	-38.335** (18.769)	-19.768** (10.677)	-11.386*** (4.558)
Company Size	19.149*** (3.372)	21.549*** (6.724)	19.149*** (3.372)	14.447*** (1.821)
Inherent Risks	-2.292 (5.556)	1.237 (5.950)	-2.292 (5.556)	-15.828*** (3.679)
Industry	11.377 (17.434)	(omitted)	11.377 (17.434)	16.037*** (3.649)
Growth	-0.775 (1.599)	0.544 (1.979)	-0.775 (1.599)	-2.557*** (0.386)
Complexity	16.375* (5.377)	2.687 (7.901)	16.375* (5.377)	25.241*** (3.296)
_cons	-428.775 (72.973)	-435.618 (155.796)	-428.775 (72.973)	375.1416*** (40.031)
<i>R</i> <sup>2</sup>	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 $\geq$ and $\leq 5\%$ 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*** (0.207)			-0.758*** (0.206)	-0.763*** (0.204)	-0.810*** (0.205)	-0.778*** (0.219)	0.035** (0.021)	
Companies with MO		-0.757*** (0.213)							0.036** (0.021)
Companies with no MO			18.982* (10.064)						-3.608** (1.683)
Companies with $MO \geq 5\%$				-0.768*** (0.182)					
Companies with $MO \leq 5\%$				-0.174** (1.255)					
Government Ownership	-2.324*** (0.375)	-2.545*** (0.473)	-2.328*** (0.380)		-2.322*** (0.374)	-2.430*** (0.314)	-2.276*** (0.319)	0.002 (0.048)	0.027 (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 $\geq$ and $\leq 5\%$ 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*** (0.147)	0.383*** (0.137)	0.420*** (0.134)	0.412*** (0.139)	0.428*** (0.159)	0.446*** (0.146)	0.428*** (0.151)	-0.029** (0.013)	-0.025** (0.013)
Principal-principal Conflicts	1.197 (1.838)	1.146 (1.855)	1.186 (1.829)	0.990 (1.926)	1.197 (1.835)	1.109 (1.828)	0.832 (1.681)	0.579** (0.290)	0.661** (0.347)
Board Size	1.100* (0.485)	1.170** (0.498)	1.114** (0.506)	1.259** (0.541)		1.143** (0.488)	1.532*** (0.386)	-0.211*** (0.079)	-0.238*** (0.082)
Companies with larger BS					1.083*** (0.396)				
Companies with smaller BS					0.805 (1.100)				
Board Meetings	11.156*** (4.579)	11.566*** (4.756)	11.182*** (4.590)	11.272*** (4.587)	11.152*** (4.581)		11.450*** (4.751)	0.057 (0.137)	0.007 (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 $\geq$ and $\leq 5\%$ 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 (0.185)	0.009 (0.189)	0.031 (0.199)	0.011 (0.201)	0.047 (0.194)	0.108 (0.205)	0.072 (0.201)	-0.072*** (0.029)	-0.075*** (0.031)
Risk Management Committee	3.734 (3.082)	2.900 (3.527)	3.872* (2.965)	4.003* (3.054)	3.742 (3.133)	3.101 (3.236)	2.049 (3.346)	0.659** (0.308)	0.736** (0.315)
Board Independence	39.568*** (9.072)	41.524*** (10.087)	40.050*** (9.620)	39.018*** (8.922)	39.534*** (9.243)	39.225*** (8.787)	36.867*** (8.980)	0.874* (0.617)	0.679 (0.650)
Board Gender	55.751*** (19.400)	56.301*** (19.387)	55.722*** (19.302)	55.988*** (19.342)	55.770*** (19.408)	55.804*** (19.166)		-1.324 (1.600)	-1.391 (1.624)
Companies with Female Directors							128.919*** (23.079)		
Companies with no Female Directors							-17.415*** (5.269)		
Compensation Structure	-11.386* (4.558)	-28.524*** (8.434)	-11.782*** (4.675)	-12.067*** (4.686)	-11.399*** (4.786)	-11.253*** (4.678)	-10.559** (4.592)	1.156*** (0.350)	4.548*** (1.686)
Company Size	14.447*** (1.821)	13.876*** (1.873)	14.455*** (1.816)	14.271*** (1.859)	14.449*** (1.822)	14.400*** (1.719)	14.300*** (1.832)	0.699*** (-0.129)	0.779*** (0.139)
Loss	-15.828*** (3.679)	-17.140*** (4.370)	-15.864*** (3.695)	-16.174*** (3.794)	-15.842*** (3.690)	-16.209*** (3.674)	-16.339*** (3.886)	-0.533* (0.329)	-0.400 (0.335)

Variables	As in Panel A	Managerial Ownership (MO) segmented to companies with and without MO	Managerial Ownership (MO) segmented to companies with $\geq$ and $\leq 5\%$ 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*** (3.649)	17.024*** (4.133)	16.111*** (3.793)	15.301*** (3.368)	16.066*** (3.780)	16.168*** (4.052)	15.980*** (3.630)	0.087 (0.432)	-0.066 (0.436)
Growth	-2.557*** (0.386)	-3.044*** (0.675)	-2.572*** (0.401)	-2.548*** (0.382)	-2.556*** (0.390)	-2.394*** (0.430)	-2.283*** (0.315)	0.055 (0.127)	0.227* (0.158)
Complexity	25.241*** (3.296)	25.822*** (3.546)	25.252*** (3.307)	25.297*** (3.347)	25.243*** (3.300)	24.877*** (3.503)	24.642*** (3.387)	0.242 (0.198)	0.133 (0.205)
Constant	-375.142*** (40.031)	-365.736*** (38.463)	-374.977*** (39.853)	-370.838*** (40.130)	-375.014*** (39.911)	-380.121*** (37.907)	-370.913*** (39.919)	-14.940*** (2.780)	-16.112*** (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		Proposed Direction	Result Direction	Remark
Hypotheses				
<b>Direct effect on directorship</b>				
<b>H<sub>1ai</sub></b>	Managerial ownership is negatively associated with the demand for directorship as a monitoring mechanism	-	-	Supported
<b>H<sub>1bi</sub></b>	Government ownership is positively associated with demand for directorship as a monitoring mechanism	+	-	Not Support
<b>H<sub>1ci</sub></b>	Individual block ownership is positively associated with demand for directorship as a monitoring mechanism	+	+	Supported
<b>H<sub>1di</sub></b>	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
<b>H<sub>2ai</sub></b>	Board size is significantly associated with the demand for directorship as a monitoring mechanism	±	+	Supported
<b>H<sub>2bi</sub></b>	Board meetings is positively associated with the demand for directorship as a monitoring mechanism	+	+	Supported
<b>H<sub>2ci</sub></b>	CEO tenure relates positively to the demand for directorship as a monitoring mechanism	+	+	Supported
<b>H<sub>2di</sub></b>	Risk Management Committee is positively associated with the demand for directorship as a monitoring mechanism	+	+	Not Significant

### **Directorship**

<b>Hypotheses</b>		<b>Proposed Direction</b>	<b>Result Direction</b>	<b>Remark</b>
<b>H<sub>2ei</sub></b>	Independent directors are positively associated with the demand for directorship as a monitoring mechanism	+	+	Supported
<b>H<sub>2fi</sub></b>	Female directors are positively associated with the demand for directorship as a monitoring mechanism	+	+	Supported
<b>H<sub>3i</sub></b>	Compensation structure is negatively associated with the demand for directorship as a monitoring mechanism	-	-	Supported

### **Mediating effect of quality-differentiated auditors**

<b>H<sub>51ai</sub></b>	QDA positively mediates the relationship between Managerial ownership and the demand for directorship as a monitoring mechanism	+	-	Not Supported
<b>H<sub>51bi</sub></b>	QDA positively mediates the relationship between Government ownership and the demand for directorship as a monitoring mechanism	+	+	Supported
<b>H<sub>51ci</sub></b>	QDA positively mediates the relationship between Individual block ownership and the demand for directorship as a monitoring mechanism	+	-	Not Supported
<b>H<sub>51di</sub></b>	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
<b>H<sub>52ai</sub></b>	QDA positively mediates the relationship between Board size and the demand for directorship as a monitoring mechanism	+	-	Not Supported
<b>H<sub>52bi</sub></b>	QDA positively mediates the relationship between Board meetings and the demand for directorship as a monitoring mechanism	+	+	Supported
<b>H<sub>52ci</sub></b>	QDA positively mediates the relationship between CEO tenure and the demand for monitoring mechanisms (directorship, internal, and external auditing).	+	-	Not Supported
<b>H<sub>52di</sub></b>	QDA positively mediates the relationship between Risk Management Committee and the demand for directorship as a monitoring mechanism.	+	+	Supported
<b>H<sub>52ei</sub></b>	QDA positively mediates the relationship between Independent directors and the demand for directorship as a monitoring mechanism	+	+	Supported
<b>H<sub>52fi</sub></b>	QDA positively mediates the relationship between Female directors and the demand for directorship as a monitoring mechanism	+	+	Supported
<b>H<sub>53i</sub></b>	QDA positively mediates the relationship between Compensation structure and the demand for directorship as a monitoring mechanism	+	+	Supported
<b>H<sub>6i</sub></b>	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
<b>Direct effect on internal auditing</b>			
<b>H<sub>1aii</sub></b> Managerial ownership is negatively associated with the demand for internal auditing as a monitoring mechanism.	-	+	Not Supported
<b>H<sub>1bii</sub></b> Government ownership is positively associated with demand for internal auditing as a monitoring mechanism.	+	-	Not Supported
<b>H<sub>1cii</sub></b> Individual block ownership is positively associated with demand for internal auditing as a monitoring mechanism.	+	-	Not Supported
<b>H<sub>1dii</sub></b> 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
<b>H<sub>2aaii</sub></b> Board size is significantly associated with the demand for internal auditing as a monitoring mechanism.	±	-	Not Significant
<b>H<sub>2bii</sub></b> Board meetings are positively associated with the demand for internal auditing as a monitoring mechanism.	+	+	Not Significant
<b>H<sub>2cii</sub></b> CEO tenure is positively associated with the demand for internal auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>2dii</sub></b> Risk Management Committee is positively associated with the demand for internal auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>2eii</sub></b> Independent directors are positively associated with the demand for internal auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>2fii</sub></b> Female directors are positively associated with the demand for internal auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>3ii</sub></b> Compensation structure is negatively associated with the demand for internal auditing as a monitoring mechanism.	-	-	Supported

## Mediating effect of quality-differentiated auditors

<b>H<sub>51ai</sub></b> QDA significantly mediates the relationship between Managerial ownership and the demand for internal auditing as a monitoring mechanism.	+	-	Not Supported
<b>H<sub>51bi</sub></b> QDA significantly mediates the relationship between Government ownership and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>51ci</sub></b> QDA significantly mediates the relationship between Individual block ownership and the demand for internal auditing as a monitoring mechanism.	+	-	Not Supported
<b>H<sub>51di</sub></b> 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
<b>H<sub>52ai</sub></b> QDA significantly mediates the relationship between Board size and the demand for internal auditing as a monitoring mechanism.	+	+	Supported

### **Internal Auditing**

<b>Hypotheses</b>	<b>Proposed Direction</b>	<b>Result Direction</b>	<b>Remark</b>
<b>H<sub>52bi</sub></b> QDA significantly mediates the relationship between Board meetings and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>52ci</sub></b> QDA significantly mediates the relationship between CEO tenure and the demand for internal auditing as a monitoring mechanism.	+	-	Supported
<b>H<sub>52di</sub></b> QDA significantly mediates the relationship between Risk Management Committee and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>52ei</sub></b> QDA significantly mediates the relationship between Independent directors and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>52fi</sub></b> QDA significantly mediates the relationship between Female directors and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>53i</sub></b> QDA significantly mediates the relationship between Compensation structure and the demand for internal auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>6i</sub></b> Nigerian Code of Corporate Governance relates positively with the demand for internal auditing as a monitoring mechanism.	+	+	Supported

### **External Auditing**

<b>Hypotheses</b>	<b>Proposed Direction</b>	<b>Result Direction</b>	<b>Remark</b>
<b>Direct effect on external auditing</b>			
<b>H<sub>1aiii</sub></b> Managerial ownership is negatively associated with the demand for external auditing as a monitoring mechanism.	-	-	Supported
<b>H<sub>1biii</sub></b> Government ownership is positively associated with demand for external auditing as a monitoring mechanism.	+	-	Not Supported
<b>H<sub>1ciii</sub></b> Individual block ownership is positively associated with demand for external auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>1diii</sub></b> 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
<b>H<sub>2aiii</sub></b> Board size is significantly associated with the demand for external auditing as a monitoring mechanism.	±	+	Not Significant
<b>H<sub>2biii</sub></b> Board meetings are positively associated with the demand for monitoring external auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>2ciii</sub></b> CEO tenure is positively associated with the demand for external auditing as a monitoring mechanism.	+	-	Not Supported
<b>H<sub>2diii</sub></b> Risk Management Committee is positively associated with the demand for external auditing as a monitoring mechanism.	+	-	Not Significant

### **External Auditing**

<b>Hypotheses</b>	<b>Proposed Direction</b>	<b>Result Direction</b>	<b>Remark</b>
<b>H<sub>2eiii</sub></b> Independent directors are positively associated with the demand for external auditing as a monitoring mechanism.	+	+	Not Significant
<b>H<sub>2fiii</sub></b> Female directors are positively associated with the demand for external auditing as a monitoring mechanism.	+	-	Not Supported
<b>H<sub>3iii</sub></b> Compensation structure is negatively associated with the demand for external auditing as a monitoring mechanism.	-	-	Supported

### **Mediating effect of quality-differentiated auditors**

<b>H<sub>51aiii</sub></b> QDA significantly mediates the relationship between Managerial ownership and the demand for external auditing as a monitoring mechanism.	+	-	Not Supported
<b>H<sub>51biii</sub></b> QDA significantly mediates the relationship between Government ownership and the demand for external auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>51ciii</sub></b> QDA significantly mediates the relationship between Individual block ownership and the demand for external auditing as a monitoring mechanism.	+	-	Not Supported
<b>H<sub>51diii</sub></b> 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
<b>H<sub>52aiii</sub></b> QDA significantly mediates the relationship between Board size and the demand for external auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>52biii</sub></b> QDA significantly mediates the relationship between Board meetings and the demand for external auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>52ciii</sub></b> QDA significantly mediates the relationship between CEO tenure and the demand for external auditing as a monitoring mechanism.	+	-	Not Supported
<b>H<sub>52diii</sub></b> QDA significantly mediates the relationship between Risk Management Committee and the demand for external auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>52eiii</sub></b> QDA significantly mediates the relationship between Independent directors and the demand for external auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>52fiii</sub></b> QDA significantly mediates the relationship between Female directors and the demand for external auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>53iii</sub></b> QDA significantly mediates the relationship between Compensation structure and the demand for external auditing as a monitoring mechanism.	+	+	Supported
<b>H<sub>6iii</sub></b> Nigerian Code of Corporate Governance relates positively with the demand for external auditing as a monitoring mechanism.	+	+	Supported



**"KEDAH AMAN MAKMUR • BERSAMA MEMACU TRANSFORMASI"**

Ref : UUM/COB/SOA/M-8  
Date : 14 January 2015

**TO WHOM IT MAY CONCERN**

Dear Sir/Madam

**DATA COLLECTION**

**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 Oluwemisi 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



**UUM**  
Universiti Utara Malaysia

## APPENDIX I

School of Accountancy (SOA)  
UUM College of Business  
Accounting Building  
Universiti Utara Malaysia  
06010 UUM Sintok  
Kedah Darul Aman, Malaysia  
Tel: 604 928 6395/6396  
Fax: 604 928 5762

"KEDAH AMAN MAKMUR • BERSAMA MEMACU TRANSFORMASI"

Ref : UUM/COB/SOA/M-8  
Date : 14 January 2015

**F R C**

**RECEIVED**  
28 JAN 2015

TO WHOM IT MAY CONCERN

Dear Sir/Madam

DATA COLLECTION

PROGRAMME : DOCTOR OF PHILOSOPHY (PhD)

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

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Thank you

Yours sincerely

**Universiti Utara Malaysia**

**PROF. DR. AYOIB CHE AHMAD**

PhD Supervisor  
School of Accountancy  
College of Business  
University Utara Malaysia

Cc - Student's file (95363)



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**"KEDAH AMAN MAKMUR • BERSAMA MEMACU TRANSFORMASI"**

Ref : UUM/COB/SOA/M-8  
Date : 14 January 2015

**TO WHOM IT MAY CONCERN**

Dear Sir/Madam

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**PROGRAMME : DOCTOR OF PHILOSOPHY (PhD)**

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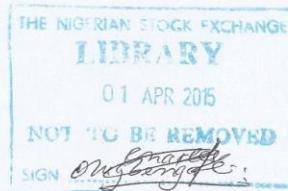
Your cooperation and assistance is very much appreciated.

Thank you

Yours sincerely

**PROF. DR. AYOIB CHE AHMAD**  
PhD Supervisor  
School of Accountancy  
College of Business  
University Utara Malaysia

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Coordinator, Library Services  
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## APPENDIX 1A

# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

(Established by Act of Parliament No. 15 of 1965)

TEL: (01) 7642294, 7642295  
FAX: (01) 4627048  
E-mail: info.ican@ican.org.ng  
Website: www.ican-ngr.org

PLOT 16, IDOWU TAYLOR STREET,  
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



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

Universiti Utara Malaysia

**APPENDIX L<sub>1</sub>**

**BANK ISLAM**  
Bank Islam Malaysia Berhad (No. 001409662976)  
(GST Registration No.: 001409662976)

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	ARWOWOLO RACHEL OLUYOMI (95363)	NO. AKAUN / ACCOUNT NO.	020930100000010	NO. TEL / TEL NO.	0163267252 0174229834
<input type="checkbox"/> CEK-CEK CAWANGANINI / HOUSE CHEQUES	Bank Pembayar / Drawee Bank	Tempat / Place	No. Cek / Cheque No.	JUMLAH / TOTAL RINGGIT MALAYSIA (RM)	SEN / CENT
<input type="checkbox"/> CEK-CEK BANK TEMPATAN / LOCAL CHEQUES					
<input type="checkbox"/> LAIN-LAIN / OTHERS					
<input type="checkbox"/> WANG TUNAI RINGGIT / CASH					

Ruangani 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 in English Language
No. Rujukan Bil / Bill Reference No.	
Debit Akaun / Account Debited	No. Kad Pengenal / NRIC No. A04822366 Jumlah Didebit / Debited Amount

UNIVERSITI UTARA MALAYSIA  
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:

**SALINAN BANK 2  
BANK'S COPY 2**

**C9936449**

**APPENDIX L<sub>2</sub>**

**BANK ISLAM**  
Bank Islam Malaysia Berhad (No. 001409662976)  
(GST Registration No.: 001409662976)

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	ARWOWOLO RACHEL OLUYOMI	NO. AKAUN / ACCOUNT NO.	020930100000010	NO. TEL / TEL NO.	0163267252
<input type="checkbox"/> CEK-CEK CAWANGANINI / HOUSE CHEQUES	Bank Pembayar / Drawee Bank	Tempat / Place	No. Cek / Cheque No.	JUMLAH / TOTAL RINGGIT MALAYSIA (RM)	SEN / CENT
<input type="checkbox"/> CEK-CEK BANK TEMPATAN / LOCAL CHEQUES					
<input type="checkbox"/> LAIN-LAIN / OTHERS					
<input type="checkbox"/> WANG TUNAI RINGGIT / CASH					

Ruangani 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 in English Language
No. Rujukan Bil / Bill Reference No.	
Debit Akaun / Account Debited	No. Kad Pengenal / NRIC No. A04822366 Jumlah Didebit / Debited Amount

UNIVERSITI UTARA MALAYSIA  
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: R / Checked by:

**SALINAN BANK 2  
BANK'S COPY 2**

**D3444780**

APPENDIX L2



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



Tel: 604-928 5691/5701/5707/5581  
Faks (Fax): 604-928 5709  
Laman Web (Web): [www.slc.p.uum.edu.my](http://www.slc.p.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 per word based on the original text. The abstract was edited and translated by **Dr. Sharifah Fazliyatun 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	<b>Abstract</b>		
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
	<b>TOTAL</b>		<b>32.45</b>

Thank you for using our service and we hope to offer you such services in the future.

**"SCHOLARSHIP, VIRTUE AND SERVICE"**

Yours sincerely

LYDIAWANI CHE ISMAIL  
Editing Coordinator

Pn. Rohaida Hashim  
Financial Clerk

Universiti Pengurusan Terkemuka  
The Eminent Management University

