Effect of Ownership Structure on Audit Quality of Deposit Money Banks (DMBs) in Nigeria

OJEH, Peace

Department of Accounting
Bingham University,
Karu Nasarawa State.
E – Mail: peaceojeh760@gmail.com, Phone No: +234 8023903033

Abstract

The study examines the effect of ownership structures on audit quality of Nigerian deposit Money Banks, the study primarily examines managerial ownership and institutional ownership; to be précised; on audit quality of the Nigerian Deposit Money Banks. In trying to achieve this, data were extracted from the sample of 10 banks out of the 24 population through Banks Annual Reports and Accounts for the periods 2015 to 2019. The data was empirically tested using OLS regression with the aid of SPSS technique. The study concluded that there is positive significant relationship between institutional shareholding and managerial shareholding with audit quality of the Nigerian Deposit Money Banks. It was therefore recommended that the Nigerian Deposit Money Banks should consider higher percentage of institutional shareholdings and managerial shareholdings in order to improve their monitoring and have better quality of audit.

Keywords: Ownership Structure, Audit Quality, Deposit Money Banks, Nigeria

INTRODUCTION

The financial scandals within the financial system led to the creation of various statutes and codes to save and sanitize the Nigerian banking system and promote sound banking practices. Invariably, governance failure was at the heart of processes that led to the crises which resulted into liquidity loss across the industries and diminution of value of capital of most of the financial institutions in Nigeria**.** Good governance by the board of directors is essential to improving the quality of financial reporting; which in turn; has impact on the confidence of investors. Levitt (1998 and 2002), good corporate governance reduces the negative effects of earnings management as well as the likelihood of creative financial reporting arising from fraud and errors (Beasley, 1996; Dechow, 1996 & MacMullin; 1996). Financial reporting system can equally play a pivotal role in developing the quality of corporate governance systems. One of the key tasks of financial reporting system is to limit the decisions made by top managers because top managers are motivated to protect either the interest of major shareholders (Johnson &Macling 1996; Watts 1978) or overall strategic shareholders interest (Melis 2002). Since good financial reporting is very vital, audit quality is also an important player to the development of good financial reporting. High quality auditing seems to improve the confidence of investors in financial reporting and increase fund raising possibilities (Lin & Liu, 2009). The external auditors have also played an important role in improving the credibility of financial information (Mautz & Sharafi, 1961 and Wallance, 1980).
Therefore, effective and sound corporate governance is very important must especially in developing countries like Nigeria in particular which is still trying to regain the confidence of investors both domestic and international as a result of the adverse effect global financial crises that seriously affects our Stock Exchange Market

Research has been conducted in ownership structure and audit quality, but there has been inconclusive evidence on the relationship between ownership structure and audit quality. Previous studies explain on the determinants of audit quality, relating it with the use of audit fees as matrix of audit quality, often report inconclusive results with respect to governance mechanism (Hay et al, 2006). Economists in 2004 suggested that there is question about the independence of big 4 (being a common proxy for audit quality) and pointed out that concentration is lowering the quality of audit. There are also few published studies that empirically analyzed the relationship between audit quality and ownership structure. Another impediment is the adverse effect of global financial crises which was as a result of the weakness of corporate governance. This has invariably led to the corporate failure and the collapse of the global stock exchange.

Recently in Nigeria, there have been a number of financial irregularities which seriously call the attention of investors and the regulators. Therefore, it was as a result of the aforementioned statements that this study is originated to use Nigerian Deposit Money Banks as case study to empirically investigate the likely impact of ownership structure on audit. One of the distinctive attributes of this study is the employment of audit quality index proxies by (the Big 4 auditors, Audit Tenure and Audit experience). Consequently, in testing the validity or otherwise of the research, the following null hypotheses were raised:

H_O: There is no significant relationship between institutional ownership and audit quality
H_O: There is no significant relationship between managerial ownership and audit quality

LITERATURE REVIEW

Conceptual and Empirical Discussion

Concept of Audit Quality
Audit quality adds a significant value to investors in capital markets because they often use audited financial statements by auditors as the main basis for investment decisions (Sudsomboon and Vssahawanitchakit, 2009). The use of audited financial statements by investors has been proved by many researches (Loudder, et. al., 1992; Chen, et. al., 2000; Zureigat, 2010; Kathleen, et. al., 2007) who found a market reaction to the different types of audit reports. Because the purpose of an audit is to provide an assurance as regards to the financial statements, this role can be successful only; if an audit opinion reflects the true findings of the audit engagement (Al-Ajmi, 2009). DeAngelo (1981) argued that audit quality depends on the joint probability of an auditor discovering and disclosing a problem in an accounting system. Bradshaw et. al. (2001) defined audit quality as the willingness to report any material manipulation or misstatements that will increase the material uncertainties and/or going concern problems; Baotham and Ussahawanitchakit (2009) addressed another definition as the probability that an auditor will not issue an unqualified report for statements containing material errors. Palmrose (1988) asserted that high audit quality is associated with the absence of material omissions or misstatements in the financial statements. Audit quality and the measurement of audit quality have been studied widely, Kilgore (2007) indicated that no single generally accepted definition of audit quality has emerged, nor has any single generally accepted measure been introduced. Reisch (2000) attributed the absence of a single measure of audit quality to the fact that it is a multidimensional latent construct and is therefore, somewhat difficult to measure. This was a reason that many researchers study this area and have used different proxies for measuring the level of audit quality. Manry, et. al. (2008) used estimated discretionary accruals to measure audit quality, Knechel&Vanstraelan (2007) used the likelihood of an auditor issuing a going concern opinion as an indicator of audit quality, Li and Lin (2005) examined audit quality using non-audit fees, Chen et. al. (2010) used the propensity to issue modified audit opinion as a proxy for audit quality.

Kilgore (2007) indicated that the most commonly used surrogate for audit quality is the size of the audit firm, Chang et. al. (2008) agreed because of the wide range of theoretical and empirical evidence that large audit firms may provide higher quality audits. DeAngelo (1981) proposed that the larger audit firms receive fee premiums because they have a greater reputation at stake and that reputation, together with their more substantial clients base, provides them with the incentive to be more independent, leading to a higher level of audit quality. Gearemynck, et. al. (2008) indicated that audit quality is affected by expected future losses of audit firms, which trigger increased audit quality as they get larger. Furthermore, many studies found an evidence that clients audited by larger audit firms disclose more information voluntarily (Depoers, 2000; Chau and Gray, 2002). Simunic and Stein (1987) asserted that larger audit firms are better than smaller audit firms at detecting errors because they have greater resources at their disposal and can attract employees with superior skills and experience.

An audit can be seen as an independent opinion on the truth and fairness of financial reporting of an organization at a particular period of time usually one accounting period. Thus, audit quality has been defined as the joint probability that an auditor will detect and report a material misstatement (De Angelo 1981). The above definition consists of two components; the ability to detect misstatement and the willingness to report the misstatements that are uncovered during the course of an audit. A lot of extensive empirical evidences show that the various proxy variables for audit quality are corrected with the increased trustworthiness of financial reports (Mai Joor&Vanstraelen, 2006; Defond&Jiambalvo, 1993; Lin & Hwang, 2010; Francis et al, 1999). This indicates that high quality audits are associated with fewer errors and irregularities (C. F. Defond&Jiambalvo, 1991). However, Lin and Hwang (2010) pointed out that a high audit quality is expected to both constraint opportunistic, earnings management and reduce the risk material misstatement or omissions will be present in financial reports. One of the objectives of auditing is the production of assurance and the development of confidence for investors. Audited financial statements are more reliable by the investors. To be more precise, the role of auditing is to reduce information asymmetry on accounting numbers and to minimize the residual loss resulting from managers' opportunism in financial reporting (Adeyemi and Fagbemi 2010). However, in addition to the direct effects of audit quality on accounting trustworthiness, the indirect effects are also observed. These efforts are mediated by the associations between audit quality and other mechanism of corporate governance (Sullivan, 2000; Carcello et al, 2002; Abbot et al, 2003; Knechel and Willekens, 2006). Therefore, effective auditing will be adopted only when benefits of imposing the monetary device (reducing agency, costs or lowering the capital raising costs) outweigh the costs of using the device (forfeited benefits stemmed from governance constraints) (Lin and Liu 2009). This means that agency theory recognizes auditing as one of the major monetary mechanisms to regulate (conflict of interest and reduce agency cost)

It is argued that different audit firms have different levels of audit quality (De Angelo, 1981; Simunic and Stein, 1987).Studies of IPOS show less under-pricing in the presence of a big 6 audits or big 4 (Jang and Lin 1993). The auditor change literature indicates that the market is unfavourable to a switch form a big 6 to a non-big auditor (Eichenster et al 1995), and unfavourably when the change is in the opposite direction. External governance controls are in the auditor choice literature as proxy for the extent of agency conflicts (Francis and Wilson 1988; Defound 1992). The study also used one or two governance proxies in addition to measure such leverage, to proxy for the extent of agency conflict. The studies found that, when agency conflicts increase, monetary increases at a higher standard of audit quality demanded.
Yeoh and Jubb (2001) study the auditor choice literature thereby establishing evidences which shows the association between audit quality and a complete range of internal governance devices which theoretically affects the1extent of agency conflict and demand for additional monetary via higher degree of audit quality. One company in UK Cadbury once reports that "the annual audit is one of the bedrock of corporate governance" (Cadbury report 1992). Still mentions that the governance literature excluding research on audit committees has generally recently began to consider the relationship between external audit quality and as governance device, and internal corporate governance mechanisms (e.g. Anderson et al (1993); Malolcsy et al (1999); Jubb (2000). Anderson et al (1993) argue that the corporate governance determines the internal and, external audit quality (or quantity), and the board of directors, are substitutable dependent on the nature of company, its greater assets in place versus growth. They generally found that companies with greater stability use more monetary via audit than via directorships, and that more is spent on internal auditing than on external audit. This findings also are supported by Matolcsy et al (1999) where they found that governance from directors is greater compared to governance from external audit in firms with high growth options.

Ownership Structure and Audit Quality

Institutional ownership is an investment from certain institutions which is usually higher than the investments of individual. It represents the percentage of the firms which are held by main investing

institutions (own more than 5% of firm stock) Hoseinbeglou et al (2013). Abdullahi (2008), argues that institutional shareholders have more influenced than individual investors. Warfield et al (1995) showed that the higher the holding of institutions and block holders the smaller the discretionary accruals and the greater the informativeness of earnings. Kane and Velury (2004) found that the greater level of institutional ownership, the more likely that a firm will provide audits that are conducted by large firm. (Han et al, 2007) found that an increase in institutional shares leads to a general increase in the demand for higher quality audit in China. However, the management ownership is represented by the ratio of directors' shareholding to the total outstanding shares of a particular firm. This relationship of ownership structure can best be described by agency theory which reduces agency cost. Dong and Zhang (2008) suggested that ownership structure is one of the most important corporate governance mechanisms that directly influences the board of directors,

Theoretical Review

Agency Theory

For the purpose of this research, agency theory will be adopted as underpinning theoretical framework. This is due to the fact that governance mechanisms, internal governance, to be precise are generally regarded as agent of the shareholders while the external auditors who are responsible and answerable to shareholders are considered to act as the principals since they are liable to report to the organization's shareholders their opinion on the truth and fair view of the statement of the affairs of the enterprises financial statement. Agency theory assumes that the most of the principals and agents may not be aligned and that monetary of managers is a method of reducing agency costs (Jensen and Meckling, 1976).The external audit being a monetary device (Watts and Zimmern 1983). Both managers and shareholders have incentives to engage such monetary (Fama and Jensen 1993), review in agency labour. The substitution effect presumes that corporate governance measures are interchangeable among each other. This has been shown to hold for takeover market (John and Senbert 1998), Morck et al (1989) Generally, when internal governance practices are weak, the external governance mechanisms of takeover market dominate (Yeoh and Jubb, 2011). Moreover, when management outstanding increases, there is less likelihood of hostile turnover and more friendly acquisition. Morck et al (1989).

The general literature suggesting that governance mechanisms maintains are substitutable shows that the substitutions hypothesis may be a significant predictor of audit quality choice whereby monetary via high external audit quality is placed with internal governance device so that an audit of lesser quality becomes acceptable (Yeoh and Jubb, 2011). The insurance and hypothesis postulates that the auditor is for any investment losses for investors, creditors (Menon and Williams 1994); Schwartz and Menon (1985). As such the need for insurance ill drive companies to demand large auditors (De Angelo 1981); Francis and Wilson (1988), since they are considered to be more responsible in paying damages awarded or setting the case for large sum (Schwartz and Menon 1985). They also indicate that larger auditors have a comprehensive advantage in provision of insurance as they are able to spread the risk of litigation over a large of clients. In general insurance hypothesis assumes that there may be a positive relationship between some corporate attributes that are jointly governance mechanisms relating to owners of the company (e.g. block holders) or to directors and if quality choice, rather than negative relationship proposed by the substitution hypothesis.

Signaling theory

Signaling theory via auditor choice is related to agency theory, and it is in manner by which managers and/or directors may communicate to the market auditors' information about their company and their own behaviour. As the type of financial statements produced have become standardized, potential information asymmetry which a company use to send a signal to the market via its financial statements is reduced. Companies are therefore provided an incentive to signal, other than via transparency as their notes to the accounts and other voluntary, discloses, via their choice of auditor. However, even in the presence of a

quality auditor, a company that is audited by a higher quality auditors sends a signal to the market that its financial statements are more credible and reliable than those audited by lower quality auditors. The market perceives big 6 (now the big 4) and specialist or experienced auditors to be of a higher quality than other reward (punishes) companies with higher improvements or falls in share prices accordingly (TeohawWohg, 1993). Signaling theory does not actually indicate higher audit quality, it merely needs the market to believed that top tier firms are associated with higher audit quality because of the fees premium they are able to command (Moizer 1997).

METHODOLOGY

The research was empirically analyzed using multiple regressions owing to the fact that it is co- relational in nature. Audit quality and ownership structure are the variables of the study. Audit quality is represented by audit quality index (big 4 auditors, audit tenure and audit experience), institutional shareholdings and managerial shareholdings. The data was extracted from Zenith Bank Annual Reports from 2015 to 2019. The population consists of 21 banks out of which Zenith bank were randomly selected, the remaining were filtered out due to the fact that some banks were merged within that period.

Model specification

$AQ= \beta 0+\beta 1MOS+\beta 2IOS4 +e$

Where:

AQ = Audit Quality

β0= Constant

MOS=Managerial Ownership

ISO = Institutional Shareholding

e = other variables that were not captured in the study

Variable Measurements and Definition

Variables	Definition and measurement
Audit Quality	Measured by audit quality index, proxied by the big 4 audit firms, audit tenure, and audit experience. For big 4 audit; any firm that is audited by the big 4 is coded as 1 and when otherwise 0. For audit tenure; if there is no change of auditors during the year, it is coded as 1 and otherwise 0. As for the audit experience; any firm that is audited by the audit firm whose experience is above 10 years is coded as 1 and otherwise 0.
Managerial Ownership	Percentage of directors' ownership to total equity of the firm
Institutional shareholding	Percentage of stock which are held by main investing institutions (having more than 5% of firm stock)

Source; Researchers Compilation, 2020

RESULT AND DISCUSSION

Multiple regression is used to determine the relationship between ownership structure as independent variables proxied by (managerial shareholdings and institutional shareholdings) and audit quality being the dependent variable proxied by (the big 4 audit firm, audit tenure and audit experience). The ordinary least square technique has been used to test the regression coefficient with the following model

AQ= β0+β1MOS + β2IOS4

The results are presented, analyzed and interpreted in the following pattern: First is the presentation of correlation of all the variables of the study, followed by the presentation of the regression results thereby discussing individual impact of each independent variable on the dependent variable and finally, the discussion of the overall impact ownership structure on audit quality.

Table 2: Correlation Matrix

AQ	1	.288 (0.043)	0.698 (0.000)
IOS		1	0.288 (0.043)
MOS		-.019 (0.898)	1

Source: SPSS Output, 2020

The correlation matrix is used to determine the degree of the association between the dependent and independent variables of the study as well as independent variables themselves. Table 2, shows a significant positive association between institutional ownership and managerial ownership with audit quality. This implies that the proxies as components of ownership structure have positively impacted on audit quality; this means that institutional ownership and managerial ownership play a positive significant role on improving the quality of audit of Nigerian deposit money banks. This indicates that audit quality is positively related to institutional shareholding and managerial ownership. The multi-co linearity problem between the independent variables of the study can be clearly observed from these two indicators (i.e. tolerance value and variance inflation factor VIF) which are within less than 1 and less than 10 respectively. This shows the fitness of the model of study taking the two independent variables.

Table 3 shows institutional shareholding and managerial ownership of listed Deposit Money banks relate to audit quality. The relationship from equation (model) shows the following values.

Table 3: Summary of Regression Result

Variables	**Audit Quality**
Intercept	.177 (0.000)
MOS	0.578 (0.000)
ISO	.0.72 (0.003)
R	0.76
R^2	0.578
Adj. R^2	0.560
F-Stats	32.147
F-significant	0.000
Durbin Watson	1.41

Source: SPSS Output, 2020

AQ=.177+0538+0.72IO

The model shows that all the variables of the ownership structure (MOS and IOS) have positive significant impact on audit quality of Nigerian Deposit Money Deposit Banks. This implies that managerial ownership and institutional ownership determine quality of audit in Nigerian banks. This is in line with the work of Chan *et al.* (2007) who found that an increase in institutional ownership brings about a general increase in the demand for higher audit quality in china and Abdulla (2008) found that institutional ownership is an important factor that could assist companies to perform effectively. He also found that the companies tend to be audited by the Big 4 if the level of institutional ownership increases and also Mitra*, et al.* (2007) found that institutional ownership was significantly and positively related to audit quality. Invariably, the combine and overall impact of the proxies ownership structure on audit quality of Nigerian Deposit Money Banks is shown in the model summary of the regression results at 1% level of significance (0.000). The overall relationship between the dependent and independent variables of the study is represented by R76% which shows a strong positive correlation. While the coefficient of determination represented by R^2 is 57.80%, this implies that ownership structures in the Nigerian Deposit Money Banks have 57.8% predictive power on improving the quality of audit in the Nigerian Deposit Money Bank and the remaining 42.2% remains to be explained by other factors. Therefore, ownership structure proxied by institutional ownership and managerial ownership play significant role in improving the quality of audit in the Nigerian Deposit Money Banks.

CONCLUSION AND RECOMMENDATIONS

The findings show that both managerial ownership and institutional ownership are important factors for Nigerian deposit money banks in selecting auditors, the results give evidence that companies tend to hire high quality auditors (Big4) when the percentage of managerial and institutional ownership increased, such results can be explained through tending managerial and institutional investors to use one of the Big-4 audit companies as high quality auditors in order to keep them having high quality financial statements which they can use to support their decisions.

The banking system is an integral sector that uplifts and promotes all other sectors of the economy, and therefore care needs to be taken in sanitizing, projecting and promoting the sector. Based on these findings, the research concluded that institutional ownership and managerial ownership play a positive significant role in improving the quality of audit of Nigerian deposit money banks, and on the overall, it can conclusively say thatownership structure has significant impact on audit quality of the Nigerian Deposit Money Banks. It is therefore recommend that the Nigerian Deposit Money Banks should consider higher percentage of institutional ownership as well as managerial ownership, in order to improve their monitoring and have better quality of audit.

References

Abbott, L. J., Park, Y., & Parker, S. (2000). The effects of audit committee activity and independence on corporate fraud. *Managerial Finance*, 26, 55–67

Abbott, L. J., Parker, S., Peters, G. F., &Raghunandan, K. (2003). An Empirical Investigation of Audit Fees, Nonaudit Fees, and Audit Committees. *Contemporary Accounting Research,* Quality: The Malaysian Evidence", *Malaysian Accounting Review*, 7, (2), 17-28

Abdullah, W.Z.W. (2008), "The Impact of Board Composition, Ownership and CEO Duality on Audit Quality: The Malaysian Evidence", *Malaysian Accounting Review*, 7, (2), 17-28

AdeyemiS.B,&Fegbemi T.O. (2010). Audit Quality, Corporate Governance and Firm Characteristics in Nigeria International Journal of Business and Management, 5, (5).

Beasley, M. S. (1996). An empirical analysis of the relation between the board of director composition and financial statement fraud.*Accounting Review,* 71(10), 443-465

Bradbury, M. E. (1990), 'Voluntary Audit Committee Formation', Business School, University of Adelaide, Adelaide

Cadbury Committee. (1992). *Report of the Committee on the Financial Aspects of Corporate Governance*. London: Gee and Company Ltd.

Chan, K.H., Lin, K.Z. and Zhang, F.(2007), "On the Association between Changes in Corporate Ownership and Changes in Auditor Quality in a Transitional Economy", *Journal of International Accounting Research*, 6, (1), 19-36

Carcello, J. V., Hermanson, D. R., Neal, T. L., & Riley, R. A. Jr. (2002). Board characteristics and audit fees. *Contemporary Accounting Research*, 19(3), 365–384

DeAngelo, L. E. (1981). Auditor's size and audit quality. *Journal of Accounting and Economics,* 3, 183199

Dechow, P.M., Sloan, R.G., & Sweeney, A.P. (1996). Causes and consequences of earnings manipulation: An analysis of firms subject to enforcement actions by the SEC. *Contemporary Accounting Research,* 13(1), 1-36

DeFond, M. L.(1992), "The Association Between Changes in Client Firm Agency Cost and Auditor Switching", Auditing: A Journal of Practice & Theory, 11, (1), 16-31.

Earnings Management: UK Evidence, Durham theses, Durham University. Available at Durham EThesesOnline: http://etheses.dur.ac.uk/1382/

Economist. (2004). *Special Report: The Future of Auditing,* November 20, 71 - 73

Fama, E. K., & Jensen, M. C. (1983).Separation of ownership and control.*Journal of Law & Economics* 26(6), 301-325

Francis, J. R., Maydew, E. L., & Sparks, H. C. (1999).The Role of Big 6 Auditors in the Credible Reporting of Accruals.*Auditing, 18*, 17-34.

Francis, J.R., and E.R. Wilson. 1988. Auditor changes: A join test of theories relating to agency costs and auditor differentiation. *The Accounting Review.*Vol. 63, No. 4, pp. 663-682.

Hay, D. C., Knechel, W. R., & Wong, N. (2006). Audit Fees: A Meta-analysis of the Effect ofSupply and Demand Attributes.*Contemporary Accounting Research, 23*, 141-191.

Hoseinbeglou1, S., Masrori2, R.,& Asadzadeh, A (2013). The Effect of Corporate Governance Mechanisms on Audit Quality. Journal *of Basic and Applied Scientific Research*. 2090-4304

Jensen, M.C. 1993. The modern industrial revolution, exit, and the failure of internal control systems.*The Journal of Finance*. Vol. 48, No. 3, pp. 831-880.

Jensen, M.C. and W.H. Meckling. 1976. Theory of the firm: managerial behavior, agency costs and ownership structure. *Journal of Financial Economics.*Vol. 3, No. 4, pp. 305-360

Knechel, W. R., &Willekens, M. (2006).The Role of Risk Management and Governance in Determining Audit Demand.*Journal of Business Finance & Accounting, 33*, 1344- 1367.

Levitt, A. (2000). *Speech by SEC Chairman: Remarks Before the Conference on the Rise and Effectiveness of New Corporate Governance Standards*, Federal Reserve Bank, New York, [Online] Available:

Lin, Z. J., & Liu, M. (2009). The impact of corporate governance on auditor choice: Evidence from China. *Journal of International Accounting, Auditing & Taxation, 18*, 44-59

McMullen D.A. (1996). Audit committee performance: an investigation of the consequences associated with audit committees. *Auditing: A Journal of Practice & Theory*, 15(1), 87–

Menon, K., and J. Williams. 1994. The use of audit committees for monitoring. *Journal of Accounting and Public Policy*. 13, (2), 121-139.

Mitra, S., Hossain, M. and Deis, D.(2007), "The Empirical Relationship between Ownership Characteristics and Audit Fees", *Review of Quantitative Finance Accounting*, 28, (3), 257-285 .

Moizer, P. 1997. Auditor reputation: The international empirical evidence. *International Journal of Auditing*. 1, (1), 61-74.

O'Sullivan, N. (2000). The impact of board composition and ownership on audit quality: evidence from large UK companies. *The British Accounting Review*, 32(4), 397- 414

Rotenstein.A. (2011). Corporate Governance Changes Following Earnings Restatements: The Journal of Applied Business Research – January/February 2011 Volume 27, Number 1

Saudagaran, S. M. (2003). The Accounting World Post-Enron, Tyco, Vivendi, Worldcom, Xerox...: Reflections on Being Part of the Solution. *Malaysian Accounting Review,* 2(1), 2-12

Schwartz, K., and K. Menon. 1985. Auditor switches by failing firms. *The Accounting Review.*Vol. 60, No.2, pp.248-61

Securities and Exchange Commission (2011), Code of Corporate Governance for Public Companies in Nigeria. 4th April 2011. Abuja

Simunic, D.A. and Stein, M.T. (1987), "Product Differentiation in Auditing: Auditor Choice in the Market for Unseasoned New Issues", *Canadian Certified General Accountants' Research Foundation Monograph*

Vafeas, N. 2005.Audit committees, boards, and the quality of reported earnings.*Contemporary Accounting Research*. Vol. 22, No. 4, pp. 1093-1122.

Wallace, W.A., (1980). *The Economic role of the audit in free and regulated markets*, Touche Ross & Co. Aid to Education Program

Watts, R.L. and J.L. Zimmerman. 1978. Towards a positive theory of the determination of accounting standards. *The Accounting Review.* 53, pp. 112-134

Watts, R.L., and J.L. Zimmerman. 1983. Agency problems, auditing, and the theory 297 of the firm: Some Evidence. *Journal of Law and Economics*. Vol. XXVI, pp. 613-633

Yeoh, E., and C.A. Jubb. 2001. Governance and audit quality: Is there an association? Working paper, The University of Melbourne.

Yermack, D. (1996). Higher Market Valuation of Companies with Small Boards of Directors .*Journal of Financial Economics*, 40(2), 185-212