ISSN: 2635-2966 (Print), ISSN: 2635-2958 (Online).
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Original Research Article

Corporate Governance Practices and External Auditors' Reporting Lag in Nigeria

[1]Kenny Adedapo Soyemi[*], [2]Wasiu Abiodun Sanyaolu &[3]Rafiu Oyesola Salawu

[1]Department of Accounting, Olabisi Onabanjo University, Ago-Iwoye, Nigeria.
[2]Department of Accounting, Crescent University, Abeokuta, Nigeria
[3]Department of Management & Accounting, Obafemi Awolowo University, Ile-Ife, Nigeria.

For correspondence, email:k.ade.soyemi@gmail.com

Received: 25/08/2019 Accepted: 21/12/2019

Abstract

In line with the notion that efficient corporate governance will improve performance and protect the interest of the shareholders, this study examined the influence of corporate governance practices on audit report lag in Nigeria non-financial firms. This study was achieved via regression analysis on secondary data obtained from the annual reports and accounts of the 21 sampled non financial firms by listed on the Nigerian stock exchange using a purposive sampling technique. From the findings, it was discovered that board size, gender diversity, board meetings and audit committee meetings have no significant negative effect on audit report lag while board and audit committee independence were found to exert negative significant influence on audit report lag of the selected firms. The study could not found evidence in support of a significant negative influence of firm size as a control variable on audit report lag. Arising from findings, the study concludes that board and audit committee independence are the significant drivers of auditreport lag in Nigerian non financial firms. Arising from the conclusion, the study recommends that board independence should be encouraged so as to reduce the efficacy of audit delay.

Keywords**:** Corporate governance, audit report lag, annual reports, Nigeria

JEL Classification Codes: G300, G390, M420, M480

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Citation**:** Soyemi, K.A., Sanyaolu., & Salawu, R.O. (2019). Corporate governance practices and external auditor' reporting lag in Nigeria. *Accounting and Taxation Review, 3*(4), 15-31.

1. Introduction

Corporate governance and audit quality have in recent time attracted researchers' attention and this has influenced lots of empirical researches. The rationale for the unending empirical investigations on these areas of study was opined by Ilaboya and Obaretin (2015) to have been justified and sustained as a result of incessant and high profile corporate failure, financial scandal, global financial meltdown leading to loss of public confidence and the need to address audit failure (Okaro, Okafor &Okoye, 2015). Global business development, as well as the emergence of joint stock companies, has created an agency relationship between business owners and managers. In practice, management of corporate entities are divorced from ownership and this warrants corporate owners to entrust management with resources and permit them to act on their behalf with the expectation of the adoption of strategies, policies and actions among others that will enhance shareholders value creation and wealth maximisation. As the overall management strategies are evaluated for their effectiveness by their ability to maximise shareholders wealth Pattanayak, 2014). The extent to which the appointed managers meet up with this expectation is measured through annual financial reports.

The financial report is the prime means through which the degree of managers stewardship shareholders who own the company can be reliably measured and communicated as the information contained therein measures the performance of managers as to the utilisation of resources at their disposal in a way and manner that is compatible with shareholders' wealth creation and maximisation. It measures and communicates vital economic information of an entity to its users over the reporting period to facilitate informed decision making. The barrier created by the separation of management from ownership further reiterated the need for assurance service to be made on the financial statements to ensure its accuracy, transparency, faithful representation of items therein; and as well as to measure the degree of accountability of the managers to the shareholders. At the thrust of the need for this assurance, service is the role of external audit as both owners (shareholders) and the professional appointed managers would want to rely on the report of the external auditor in furthering their often conflicting interest arising from agency relationship that exists (Barbadillo & Aguilar, 2008).

An audit is an independent examination and expression of opinion on the true and fair view of the financial statements prepared and presented by the management to serve the information need of its users. Audit certification by a professional audit firm is considered by Akingunola, Soyemi and Okunuga (2018) to be prerequisites for enhancing the credibility of financial reporting before final presentation and disclosure to its users. Its qualitative and enhanced attributes determine a quality financial statement. Understandability, reliability, comparability and relevance are the prime measures of the qualitative characteristics of financial reports as it must possess these attributes before it can be relied upon for making an informed economic decision by its users. Though financial reporting quality is measured by the degree of its relevance to the information needs of its users, relevancy cannot be achieved in an isolate of timeliness. Timeliness is considered by Murat and Evrim (2018) as a major qualitative characteristic of financial reports as a financial statement can only be relevant when it is presented at the time it is needed for decision making. Akhalumeh, Izevbekhai and Ohenhen (2017) opined that timely provision and presentation of information is one of the essential requirements of value-relevant information. The need for timely preparation and presentation of financial statement and by implication audited report is evidence from the fact that timeliness of relevant information has the potential to influence reliable and informed economic decision making of the users and reduce asymmetry of information to the barest minimum thereby avoiding investors from incurring the cost of sourcing information elsewhere. As observed by Kapellas and Siougle (2018), the leading cause of suboptimal investment is primarily due to asymmetric information between management and outside world.

Audit report lag is the time lag in terms of days between the fiscal year end of an entity and the day the audited report is presented to its users. Timely presentation of the financial statement, according to Akhalumeh *et al*., (2017) is capable of reducing information asymmetry that is associated with investment decision and that timely information boosts investors' confidence. The collapse of blue chip and high profile companies in the world over such as Enron and WorldCom with the attendant loss of investors' confidence about stock market has diverted the attention of investors and regulators to timeliness of accounting information thus, making it one of the prime measures of accounting quality in the recent dispensation (Sultana, Singh & Van der Zahn, 2015). Different countries have regulations mandating their public companies to present their annual reports within the specified period. The Companies and Allied Matters Act 2004 (CAMA, 2004) mandates public companies in Nigeria to present their audited financial reports to the shareholders at a date not later than 270 days (9 months) after the end of their fiscal year (Oladipupo & Ilaboya, 2013). Reporting lag must, therefore, be reduced to the barest minimum so as to ensure the timely presentation of financial reports. Timeliness and Quality audit exercise on the financial statement is consequentlydesirable and essential for several reasons among which is its ability to positively motivate investors towards a company as audited reports tend to restore and boost their confidence.

Corporate governance practices depict the way and manner in which the affairs of a company is being managed, directed and run. Effective corporate governance practices according to Ejeagbasi, Nweze, Ezeh, and Nze (2015) is designed for mitigating the risk of conflict of interest between management and stakeholders in general and between management and shareholders specifically.Corporate failure of high profile companies in the world over such as that of Enron and WorldCom in the United States of America, HIH, One-Tel and Harris Scarfe in Australia and companies like AIB Plc and AP Oil in Nigeria are indications of weak and deceitful corporate governance practices. This corporate failure significantly linked to corporate governance failure raised the concern of different stakeholders for quality financial reporting with subsequent passage of Sarbanes Oxley which principally aimed at improving the financial aspects of corporate governance. The overall gospel of elements of corporate governance focus of the act is to enhance the independence of board of directors and audit committee improved accountability by the chief executive officer (CEO) and chief financial officer(CFO) (Cong and Freedman, 2011) which are considered as the necessary tools for improving corporate governance mechanism for improved financial reporting. The investigation of the effect of corporate governance practices on audit report in developing economies like Nigeria is apt for many reasons. First, the problem of audit delay as observed by Salem (2013)is pernicious mostly in developing countries where regulations on the timeliness of audited reports are not properly enforced and adhered to and where business culture is not attuned to punctuality and financial reporting efficiency. Secondly, the collapse of big and high profile corporations in the world over such as Enron and Bernie Madoff has made discussion on effective and efficient corporate governance an issue of importance to both researchers, practitioners, regulators and investors.

Despite the importance of efficient corporate governance practices to firms' survival in the short and long run, fewer empirical outcomes have been devoted to its studies concerning audited reports timeliness in contrast to its studies concerning performance, dividend policy, firms value and capital structure. Among these fewer studies in Nigeria on the subject matter, for instance, have recorded contradictory findings (see Khaldoon, Ku and Nor, 2015; Imen and Anniss, 2015; Yenny and Yulia, 2017 and Ilaboya and Iyafekhe, 2013). Theses may be attributed to differences in the variables used to proxy corporate governance. This study, therefore, intends bridging the identified gaps in the literature by investigating corporate governance and auditors reporting lag of non-financial firms from 2012 to 2017.

2. Literature review

2.1 Corporate Governance

Divorce of ownership from the management of corporate entities has created an agency relationship between shareholders and managers. Shareholders are the owners the company as they contribute a substantial part of the capital needed in running the business of the entity while the managers are employed to utilise the resources of the shareholders in a manner that will maximise their wealth. Due to the divorce of ownership from management which may, in turn, propel the managers from adopting strategies, policies, setting goals and objectives that maximises their wealth as against that of the shareholders, the need to institute corporate governance mechanism becomes expediently essential for any corporate entity. Corporate governance can be defined as the framework set up within an organisation within the confine of the entities legal environment for the creation of value for an organisation and how these values are distributed among the shareholders in line with their contribution. It also states the way and manner through which the affairs of a company are managed, directed and controlled by its appointed officials. Corporate governance according to Ejeagbasi et al.,(2017) focused on how managers and insiders to an organisation pursue and protect the well being of all parties to an entity by ensuring that they take appropriate measures that promote accountability. They argued further that abuse of power, falsification of financial statements, abuse of internal control system and all sort of unethical practices are all indications of lack of corporate governance codes which in effect leads to the collapse of many businesses in the world over.To align the interest of the managers with that of the shareholders, there must be an institution of effective and efficient corporate governance mechanism and such must be evaluated from time to time to ensure that the purpose for which it is set up is achieved at every point in time.The corporate governance components considered in this study are board size, board independence, board meetings, gender diversity, audit committee independence and audit committee meetings.

(a) Board size

Board size is the total number of directors that make up the board**.** Some pieces of literature have associated quality audit report with the size of the board of directors. Firms with big size are likely to have more experienced directors than firms with small size. Board of directors contributes to the success and development of a company and by implication to the maximisation of shareholders wealth through the provision of direction, supervision and monitoring of senior management (Nasir, Najeeb and Saqlain, 2014).The experienced directors, therefore, use their experience to ensure that quality financial statements are prepared. This to some extent, affects the auditors reporting lag. However, lack of proper communication and coordination has been identified by Ibadin, Izedonmi and Ibadin (2012) as one of the greatest disadvantages of larger board size. Arising from this, there is a problem relating to monitoring compare to small board because a large board creates less participation, is less organized, and is less able to reach an agreement Mak and Li (2001).

(b) Board Independence

Board independence is a measure of the proportion of non-executive director to total director. The non executive directors are those with expertise and skills from different fields of knowledge and they are expected to use these attributes to contribute towards the success of the company. The non- executive directors do not have a business which could negatively influence their independent judgment on the company. Therefore, because of their high degree of impartiality, they are believed to be willing to stand up to the CEO to protect the interests of all shareholders (Zaitul, 2010). They, therefore, stand a better chance to facilitate timely and presentation of value relevant financial statements.

(c) Board Meetings

Board with a regular meeting can perform its role and responsibility effectively and efficiently. They are also able to deliberate on issues that are likely to promote the company. According to Greco(2011) board meeting is directly associated with board effectiveness. Board diligence in terms of frequency of meeting is believed to facilitate timely of the audited report and thus reduce reporting lag as frequent board meetings increase the tendency of external auditors reliance on internal control which will, in turn, reduce their work by making them rely on internal control within the organisation.

(d) Gender Diversity

Board with females' director is expected to enhance performance. In the same vein, gender diversity may be associated with the integrity of financial statements.

(e) Audit Committee Independence.

The audit committee is an important component of the financial aspect of corporate governance. An effective audit committee according to Lin, Xiao and Tang, 2008; and Karamanou and Vafeas (2005) is referred to as the one that is independent, large in size and diligent. Agency theory holds that independent and expert audit committee is significantly related to quality financial reporting and monitoring quality as they represent the shareholders in general and minority shareholders in particular (Watts & Zimmerman, 1978; Fama & Jensen, 1983). A board with a reasonable proportion of its members that is non-executive directors is, therefore, able to reduce audit report lag due to the independent judgment which the non-executive directors exercise. Opportunistic beahviour and fraudulent practices are reduced to barest minimum through the independence of audit committee which therefore protect the interest of the shareholders and ensure the timely presentation of financial reports (see Watts & Zimmerman, 1978; Baatwah et al., 2015a; Al-Rassas & Kamardin, 2016; Sharma & Kuang, 2014).

(f) Audit Committee Meetings

Audit committee diligence in terms of frequency of meetings can also contribute significantly towards a reduction in the auditor's reporting lag. This is so as they can deliberate through regular meetings on how to move the company forward and protect the interest of the shareholders who they represent. Audit committee diligence (proxied by meetings) may take many protective and corrective procedures on time regarding the weaknesses of internal control (Khlif & Samaha, 2016), hence, able to detect and hinder the opportunistic behaviour of management and ensuring the integrity of earnings and quality of information reported (Bedard et al., 2004).

(g) Firm Size

Size has been regarded as obvious determinants of audit report timeliness. Firms with larger size may possess some level of sophistications in terms of resources like expert personnel, reputation, financial capability employ big four audit firms as well as ability to afford better technologies and this, in turn, may prompt early preparation and audit of financial statements.

2.2 External Auditors' Reporting Lag

Companies stakeholders like shareholders, creditors, lenders and government are interested in timely and credible financial statements **(**Leventis et al., 2005) et al cited in Akinguonla et al., (2018). To meet the information need of these diverse shareholders, directors who act on behalf of the principals on agency capacity and prepare a financial statement and report to the stakeholders particularly shareholders as to the use of resources of which they are stewards (Akingunola et al., 2018). As vital as financial statements are in meeting the information need of different stakeholders, it must be certified by an independent auditor. Then the audit is conducted on the annual financial statements so to make it credible and reliable for the information need of its users. The audit report is the outcome of the overall audit exercise conducted on the financial statement of a client. The main objective of an audit is therefore to boost users' confidence as to the reliability of the financial statements' items. This objective is then achieved through expression of opinion as to the true and fair view of the financial statement audited by the auditor. The auditor based the opinion on some fundamentals such as the level of compliance with the appropriate reporting and ethical standards which are considered a *sine qua none* for reliable and relevant financial information. The report of the auditor on a financial statement is usually expressed through opinions such as qualified audit opinion or unqualified audit opinion. Though in some rare cases, auditors may express subject to, the emphasis of the matter and except for audit opinions. The time lag between the fiscal year of the client and when the audited report is ready is termed "auditor's reporting lag".The auditor report must be prepared to time so that the financial statements can be presented to the final users at the end of the fiscal year of the company. Timeliness of financial statement which is also affected by auditor's report timeliness has implication on the company and its various stakeholders. As the financial statements serve as useful in making investment decision by investors, companies that report quality financial information on a timely basis may, therefore, attract more investments and thus improves its capital strength. Also, lenders need the financial statement to ascertain the liquidity and profitability and as well as the power of the entity in terms of its physical assets as this information gives them confidence about the ability of the company to fulfill the payment of the debt. The government also needstimely financial information to charge appropriate tax on companies.

2.3 Theoretical Framework.

This study is anchored on agency theory, signaling theory and lending credibility theory.

(a) Agency theory

In agency theory, conflict of interest between the principal (shareholders) and agents (managers) is reduced through corporate governance mechanism (Yunos, et al., 2011; Habbash; 2010). Managers are therefore obliged to act in the best interest of the shareholders rather their interest.

Studies conducted by Al-Ajimi, 2008; Shukeri & Islam (2012) have demonstrated a significant influence of corporate governance mechanisms on timely presentation of financial reporting. The theory emphasises conflict of interest which may arise from the opportunistic tendency of the managers to pursue their interest as against that of the shareholders. Jensen and Meckling (1976) argue that agency conflicts arising from the divorce of ownership from management and low participation of owners in the affairs of the business. Thus, a financial statement audited by an independent and professional external auditor serves as a tool for mitigating agency problems. Prior research indicates that agency costs comprise of costs associated with monitoring and controlling agent behavior. Therefore, external audits are a mechanism for regulating opportunistic managerial expression and provide credibility to the financial reporting framework (Shukeri & Nelson, 2010). The pervasiveness of agency problems, therefore, unnecessary delays auditor's report as this problem requires them to spend ample time on auditing (Leventis *et al.,* 2005). This theory is therefore relevant to this as arising from auditor's reporting delay which agency problem may cause.

(b) Signaling theory

This theory explains how information asymmetry affects the extent of information that is presented by management. This signaling theory hypothesises that good firms are separated from bad ones based on the information disclosed by managers. For instance, companies that report good news in terms of profitability is preferred by investors as this depicts the ability of the firm to maximise their wealth. Thus, financial statement manipulation with the subsequent asymmetry of information is reduced to the barest minimum through the duo process of financial reporting and auditing and this will, in turn, reduce the extent to which opportunistic managers can influence outsiders to act irrationally based on information they release through asymmetric information. Therefore, the audited report must be ready and presented as the appropriate time so that the users can make use of it for relevant decision making. Thus, delay in the audit may send wrongd signal to the different stakeholders.

(c) Lending credibility theory

The lending creditability hypothesised that the primary purpose of auditing is to make the financial statement credible. This theory perceives the whole process of audit exercise as a means of lending credence to the financial statement. The audited financial statement, therefore, boosts investors confidence or otherwise in the financial report based on the attributes of the audit firm. Arising from this confidence that the audit imposes on the users of financial statement, the investors' confidence is boosted and this reflects in their investment decision by investing in a company with the ability to make their investment fruitful. It also assists the company in raising sufficient capital from its users due to the inspired confidence arising from the faith which the audit has imposed on the financial statement. This theory is therefore relevant to this study in the sense that timeliness is one of the critical attributes of quality of financial statement, its ability to, therefore, inspired confidence to suggest that it should be ready at the appropriate time of its use for decision making involving investment decision.

(d) Stakeholders theory

The stakeholder theory evolved from the deficiency observed in agency theory. Freeman propounded this theory in 1984. The theory holds that there is more than one stakeholder to business unlike the agency theory that only identifies the relationship between the principals and the agents. Other stakeholders who affect and are likely to be affected by the company's operations like government, external environment, employees, shareholders, creditors are captured in this theory. Freeman argued further that arising from the array of stakeholders to a business, the accountability scope of the business becomes wider than what the agency theory can capture. Therefore, the audited report must be prepared with due care and on a timely basis to meet the information need of all these numerous stakeholders. This theory is therefore relevant as it recognizes the interest of different stakeholders to business while preparing the financial reports.

2.4 Empirical Review

Chalaki, Didar and Riahinezhad **(**2012)conducted an investigation on the influence which corporate governance may have on accounting quality. The result of the regression reveals the existence of no significant effect of corporate governance proxies like board size, board independence, ownership concentration, institutional ownership and financial reporting quality on financial reporting qualities. Further result reveals the absence of a significant effect of control variables like audit size, firm size and firm age on financial reporting quality. Contrarily Fathi (2013) in France focused on corporate governance and accounting information quality by obtaining data for four years from 2004 to 2008 for a total sample of 250 listed on the French stock exchange. The result of the study shows that board quality and ownership structure significantly influence the reporting quality of the sampled companies.

The investigation of investors' behavior concerning financial statement delay was conducted by Mouna and Anis (2013).The regression result shows that reporting lag in Tunisia is significantly influenced by Ownership concentration, CEO duality and good news (profitability).

Similarly, Kogilavani and Marjan (2013) investigatedthe determinants of auditor's reporting lag in Malaysia. The study sampled 180 firms via random sampling technique and obtained relevant data from 2009 to 2010. The obtained data were subjected to regression analysis and the result indicates that audit committee, ownership structure, firm size and profitability are the significant drivers of auditor's reporting lag while the study could not establish significant influence of audit committee independence, audit committee meetings, audit committee expertise and audit quality on auditors reporting lag. In Nigeria, Ilaboya and Iyafekhe (2013) extended their search light into the investigation of corporate governance and audit report lag. Relevant data for the study were extracted from the annual reports and accounts of the 120 sampled firms from 2007 to 2011 were used. The findings from the ordinary least square regression suggest that board size, audit quality and firm size are the significant drivers of audit reporting lag while the study could not establish significant effect of e board independence and auditcommittee size on audit report lag.

The examination of corporate governance attributes and timeliness of financial reports of 112 firms in Jordan from 2011 to 2012 was conducted by Khaldoon, Ku and Nor (2015). The result of the regression result indicates that board independence has a significant negative effect on reporting lag while board size, board meeting, CEO duality and audit committee were found to have a significant positive influence on auditor reporting lag. The implication of this finding is that board independence significantly reduces auditor's reporting lag of Jordanian firms. Rina, Asmara and Rini (2018) could not found evidence in support of the existence of the significant effect of audit tenure and firm size on auditor's reporting lag of sampled 30 listed companies in Indonesia.

Contrarily, the dynamics of corporate governance and audit timeliness was conducted by Baatwah, Salleh and Ahmad (2015). It was empirically established that corporate governance proxies such as board independence, board size, board meeting and audit firm size do not significantly relate to audit timeliness. In contrast, Imen and Anniss (2015) conducted investigation into external auditor's attributes, corporate governance and audit reporting quality of 28 Tunis listed companies from 2006-2013. The result of the regression analysis reveals that board size, outside directors, audit committee, and size have significant negative influence on auditors reporting lag while CEO duality, and leverage have no significant positive effect on auditors reporting lag. On the other hand, ownership concentration was found to positively influence auditors reporting lag of the sampled firms. Ejeagbasi, Nweze, Ezeh and Nze (2015) investigated the effect of corporate governance and audit quality in Nigeria: Evidence from the banking industry. The study revealed that board composition is negatively and insignificantly related to audit quality. Further findings revealed that distinction of the role of CEO from that the board chairman, bard size and audit committee composition are positively and significantly related to audit quality. On the other hand, ownership concentration was found to be positively but insignificantly related to audit quality.

Similarly, Mohammed and Ayoib (2016) found from the result of regression analysis conducted on the sampled 14 banks in Nigeria from 2008 to 2012 that corporate governance proxies like audit quality, board meeting, board size, firm size and gender diversity to be significant determinants of auditors reporting lag while it could not establish significant influence of board expertise, risk committee size and audit committee size on reporting lag of banks in Nigeria. The interaction of corporate governance and changes in auditor decision was the direction of an empirical investigation by Shamharir, Ishaku and Mohamad (2016). The result of the regression analysis revealed that efficient corporate governance has a significant influence on decision on audit firm rotation board size, board independence was found to significant influence on auditor decision.

Yenny and Yulia (2017) found from the examination of the influence of corporate governance proxies on auditors reporting lag of Indonesian Industrial Sector that board independence has no significant influence on auditors reporting lag while audit committee expertise was found to exert significant influence on auditors reporting lag. Hamza (2018) examined the effect of corporate governance on audit independence and fees of 12 sampled insurance companies in Jordan and 3 audit firms. Data for the study were sourced by administering a questionnaire to the selected insurance companies and audit firms. The result obtained from the regression result shows that corporate governance exerts a significant positive influence on audit independence and audit fees. Farhana, Rahmawaty and Basri (2019) conducted an investigation into the determinants of going concern audit report of non- financial firms listed in Indonesian stock exchange. Data for the 11 purposively selected companies from 2008-2014 were obtained from annual reports and financial statements. The result of the logistic regression revealed among others that corporate governance indicators like ownership structure, board meeting, and institutional ownership do not significantly influence going concern audit opinion.

3. Methodology

The study adopted an ex post facto research design which is informed by the nature of data. The data relates to events that have taken place in the past. Necessary data for the study were sourced from the annual reports and accounts of the sampled company which was obtained from their websites. The population for the study comprised of all the listed non financial firms out of which a sample of 21 was drawn via purposive sampling technique.

Going by the panel nature of the data, regression analysis involving fixed effect was used in testing the hypotheses. The choice of this method is informed by Hasumen test specification which is significant at 5% level. The variable used in this study comprises of one dependent and six independent variables. The dependent variable is auditor’s reporting lag while the independent variables are corporate governance proxies like board size, board independence, board meetings, audit committee independent and audit committee meeting. To avoid spurious result, a control variable, firms' size which is likely to influence auditor's reporting lag was introduced into the model.

Table 3.1: Measurement of the Study Variables

Variable	*Acronym*	*Measure*	
Dependent variables			
Auditor's Reporting Lag	AURLAG	Difference between the Client Fiscal year and the Audited Report Date.	
Independent variables			
Variable	Acronym	Measure	Expected effect
Board Size	LBS	Natural Logarithms of the total number of directors on the board	+
Board Independence	BI	<u>Non- Executive Directors</u> TotalnumberofDirectorsontheboard	-
Board Meetings	BM	Natural logarithms of the number of meetings held by directors during the year	-
Gender Diversity	GD	<u>Total Female Directors</u> TotalnumberofDirectorsontheboard	-
		Total number of non-executive directors on audit committee	
Audit Committee Independence	ACI	Total non-executive directors on the board	-
Audit Committee Meetings	ACM	Natural logarithm of meetings held in the year	-
Firm Size	LSize	Natural Logarithm of firms' total assets	-

Source: Authors' compilation, 2019

3.1 Model Specification

The model is specified to as to examine the link between corporate governance practices and audit report lag. This model is similar to that of Ilaboya and Lyafekhe (2014). The model is presented below:

$$AUDRP_{it} = \beta 0 + \beta 1LBS_{it} + \beta 2BI_{it} + \beta 3LBM_{it} + \beta 4GD_{it} + \beta 5ACI_{it} + \beta 6ACM_{it} + \beta 7LSIZE_{it} + \mu_{it}$$

Where:

$AUDRLAG_{it}$ =Auditor's Reporting Lag of firm i in period t

LBS_{it} = Natural Logarithm of board size of firm i in period t

BI_{it}= Board Independence of firm i in period t

LBM_{it}= natural logarithm of the board meeting of firm i in period t

GD_{it}= Gender Diversity of firm i in period t

ACI_{it}=Audit Committee Independence of firm i in period t

$LACM_{it}$= Natural logarithm of Audit Committee Meetings of firm i in period t.

$LSIZE_{it}$= Natural logarithm of total asset of firm i in period t.

μ = error term.

4. Results and Discussions

4.1 Descriptive Statistics

Descriptive statistics results are shown in Table 4.1. It depicts that the log of time lag between the fiscal year end of a firm and the date of the audited reporting is 4.44 and this ranges between 3.434 to 5.690. The average log of board size is 2.267 and this ranges from 1.609 to 2.833. Average board independence stood at 0.722 and ranges from 0.111 to 1.100. The log of board meeting has a mean of 1.678 and ranges from .386 to 2.303. Gender diversity has a mean value of 0.147 and varies from 0.000 to 0.455. Audit committee independence is averaged 0.521and ranges from 0.231 to 3.000. Log of audit committee is averaged 1.254 and varies from 0.000 to 1.609. Finally, firm size as a control variable has an average log value of 17.399 and ranges from 12.475 to 22.396. The variable with the highest variability from the mean is FSIZE with a standard deviation of 2.054 and the one with the least variability is GD with a standard deviation of 0.133.

Table 4.1: Descriptive statistics

Variable	**Mean**	**Minimum**	**Maximum**	**Std. Deviation**	**Skewness**	**Kurtosis**
LARL	4.446	3.434	5.690	0.364	0.010	4.844
LBS	2.267	1.609	2.833	0.281	-0.189	2.443
BI	0.722	0.111	1.100	0.169	-1.474	6.068
LBM	1.678	1.386	2.303	0.240	0.719	2.947
GD	0.147	0.000	0.455	0.133	0.467	2.147
ACI	0.521	0.231	3.000	0.423	4.763	27.987
LACM	1.254	0.000	1.609	0.275	-2.026	8.608
LSIZE	17.399	12.475	22.396	2.054	-0.335	2.555

Source: Authors computation, 2019 using E-views 9.

4.2 Correlation

The correlation coefficients of the dependent and independent variables are shown in table 4.2 below. Board independence and firm size are negatively associated with auditors reporting lag while board size, board meeting, gender diversity, audit committee independence, audit committee meeting are positively correlated with auditors reporting lag. There is no problem of muticolinearity as none of the variables has a coefficient that is above 0.8 (Gujarati, 2003).

Table 4.2 Correlation Matrix

Variables	LARL	LBS	BI	LBM	GD	ACI	LACM	LISZE
LARL	1.000							
LBS	0.037	1.000						
BI	-0.051	0.030	1.000					
LBM	0.246	0.202	0.139	1.000				
GD	0.000	-0.173	-0.010	0.266	1.000			
ACI	0.023	-0.319	-0.738	-0.214	-0.078	1.000		
LACM	0.051	-0.029	-0.029	0.051	0.118	-0.084	1.000	
LSIZE	-0.050	0.581	-0.045	0.122	0.138	-0.170	0.262	1.000

Source: Authors computation, 2019 using E-views 9.

Table 4.3: Model Estimation Results Summary

Dependent variable (LARL)												
Independent variables	Pooled				Fixed				Random			
	Coef.	Std. Err	T-stat	Prob.	Coef.	Std. Err	T-stat	Prob.	Coef.	Std. Err	T-stat	Prob.
C	1.53953	0.5691	2.705074	0.012	6.7477	1.2516	5.391	0.00	1.539	0.4615	3.335	0.001
LARL(-1)	0.58772	0.0762	7.706850	0.000	-0.051	0.1019	-0.50	0.61	0.587	0.0618	9.503	0.000
LBS	0.01310	0.1432	0.091532	0.927	-0.185	0.286	-0.64	0.51	0.013	0.1161	0.113	0.910
BI	-0.0987	0.2636	-0.37468	0.708	-1.049	0.4502	-2.331	0.022	-0.09	0.2138	-0.46	0.645
LBM	0.22085	0.1305	1.692088	0.093	-0.134	0.1862	-0.719	0.473	0.220	0.1059	2.086	0.039
GD	-0.1236	0.2426	-0.50962	0.611	-0.170	0.4463	-0.381	0.704	-0.12	0.1967	-0.62	0.531
ACI	0.03186	0.1205	0.264310	0.792	-0.376	0.1871	-2.009	0.048	0.032	0.0978	0.326	0.745
LACM	0.09623	0.1156	0.832382	0.407	-0.267	0.2159	-1.240	0.218	0.096	0.0938	1.026	0.307
LSIZE	-0.0099	0.0179	-0.55452	0.580	-0.007	0.0268	-0.289	0.773	-0.01	0.0146	-0.69	0.496
R-Square	0.44636				0.7126				0.446			
Adj. R-Squared	0.39974				0.605				0.399			
F – Stat	9.574				6.6394				9.574			
Prob. (F –Stat)	0.000				0.000							
Durbin – Watson	2.55010				2.108				2.550			
Hausman Test (Prob.)								0.000				

Source: Authors computation, 2019 using E-views 9.

The result of the regression shows that the F-statistic for the models is significant at 1% level (prob value = 0.000). It shows the fitness of the explanatory variables in the model. Also, with Durbin-Watson values of 2.550, 2.108 and 2.550 for the OLS, fixed effect and random effect respectively are within the acceptable threshold of 1 to 3 (Gujarati, 2003, Asaeed, 2005, and Gujarati and Porter, 2009) and this means that the models do not suffer from problem of serial autocorrelation. Adjusted R^2 is 60.5%. F-stat value is 6.6394 and Durbin-Watson value of 2.108 indicates the fitness of the model and absence of autocorrelation.

4.4 Robustness check

Fixed Effect least squares and Random Effects GLS regressions were conducted after the ordinary least square so as to validate the result of the pooled OLS technique shown in table 4.4 above. From the table, the summary of Hausman (1978) specification test indicates that the Fixed Effect is the appropriate model for testing of hypotheses. This is in conformity with this study based on the Chi square value of a prob. value of 0.000 ($p < 0.05$). Therefore, the inference was made using fixed effect results.

4.5 Discussions

From the analysis in table 4.4 above, the OLS regression result shows that a period lag of auditors reporting lag has a positive and significant effect on current year auditors reporting lag at 5% level. The implication of the finding is that for auditor's report to be delayed in the current year, last year delay is important. This outcome is in line with that. Board size was found to exert positive but no significant effect on auditors reporting lag. This means that larger board size thus not translate to a reduction in auditors reporting lag. The positive coefficient means that a higher board size contributes to delay in auditor's report but was however found to be insignificant. The findings as to the effect of board independence on auditors reporting lag show negative and insignificant effect. This means that the higher the proportion of non-executive director, the lesser the delay in the report of the auditors. Also, gender diversity has no significant negative effect on auditors reporting lag. This implies that board with more females tends to be associated with lesser reporting lag, it was however found not to be significant. Contrarily, audit committee independence has no significant positive effect on auditors reporting lag. Finding as to the effect of audit committee meeting on auditors reporting lag was found to be positive but insignificant. The audit committee meeting was also found to positively but insignificantly influence auditors reporting lag of Nigerian non-financial companies. Size has a negative but insignificant influence on auditors reporting lag, this implies that larger size is able to reduce their auditors reporting lag. This may be due to access to sophisticated technology and availability of experts.

Going by the result of Hausman specification which is significant at 0.05 significant levels, we, therefore, test the hypotheses of the study using the fixed effect model. A period lag of auditors reporting lag has no significant negative effect on current year auditors reporting lag.Board size shows a negative but no significant effect on auditors reporting lag. This finding implies that larger board can reduce auditors reporting lag even though it is not substantial This finding validates the *a priori* expectation of the study also in line with that that of Imen and Anniss 2015; but contradict that of Ayoib (2016) and Azubike and Aggreh (2014)which found among others the existence of significant influence of board size on auditors reporting lag of Nigerian banks and manufacturing companies respectively Arising from this, the study fails to reject the null hypothesis H_{01} that board size has no significant negative effect on auditor's reporting lag of listed non-financial firms in Nigeria.Board independence as one of the surrogates for corporate governance has a significant negative influence on auditors reporting lag. This finding confirms that the more non-execute directors in the board, the higher the timeliness of auditor's report. In other words, a board with more non-executive directors is able to reduce auditor's report delay. This finding conforms with the *a priori* expectation and is in line with that of Khaldoon, Ku and Nor (2015), Mohamad-Nor, Shafie & Wan-Hussin, (2010); Hashim & Rahman (2010)which found the existence of significant influence of board independence on auditor's reporting lag but contradicts that of Yenny and Yulia (2017) and Ilaboya and Iyafekhe (2013) which found that board independence does not significantly influence auditor's reporting lag of Indonesian Industrial Sector and Nigeria respectively. We, therefore, accept the null hypothesis H_{02} that board independence has no significant negative effect on auditor's reporting lag of Nigerian listed non-financial firms

Board meeting exerts negative but no significant influence on auditors reporting lag of the selected listed companies. The implication of this finding is that frequent board meetings translate to the timeliness of auditor's report. This may be due to the fact that as the board meets regularly, they are able to discuss the issue relating to financial statement and auditors reports. Even though, it was found to be insignificant. This outcome validates the *a priori* expectation of the study and confirms the result of earlier studies of Baatwah, Salleh and Ahmad (2015) but contradicts that of Ayoib (2016) which discovered that board meetings havea significant influence on auditor's reporting lag of Nigerian banks. We, therefore, fail to reject the null hypothesis H03 that board meeting has no significant effect on auditor's reporting lag of Nigerian listed non-financial firms. Gender diversity also has negative but no significant influence on auditors reporting lag of the sampled companies. This means that the existence of female directors in the board assists in the timeliness of audited financial report. This finding is in conformity with the *a priori* expectation as to its coefficient but disagrees with the findings by Ayoib (2016). Due to this result, the study fails to reject the null hypothesis H_{04} that gender diversity has no significant negative effect on auditor's reporting lag of listed non-financial firms in Nigeria.

Audit committee independence is however found to negatively and significantly influence auditor reporting lag of the sampled non-financial firms. This implies that the existence of more non-executive directors in the audit committee assists in the timeliness of audited financial reports. This is also in tandem with the study *a priori* expectation but contradicts the finding of Kogilavani and Marjan (2013) which found the existence of no significant influence of audit committee independence on auditor's reporting lag in Malaysia. The study, therefore, rejects the null hypothesis H_{05} of no significant negative effect of audit independence on auditor's reporting lag of listed non-financial firms of Nigeria.Audit committee meeting was however found to negatively and insignificantly influence auditors reporting lag. This finding confirms the result of prior studies by Kogilavani and Marjan (2013) which found that audit committee meeting has no significant influence of auditors reporting lag in Malaysia but agrees with *a priori* expectation. The study, therefore, fails to reject the null hypothesis H_{06} of no significant negative effect of audit committee independence on auditor's reporting lag of listed non-financial firms in Nigeria.

Lastly, board size as a control variable exerts negative but insignificant influence on auditors reporting lag. This implies that board with large size in the form of asset is able to reduce the delay of auditor's report, although not significantly. This finding is in line with that of Rina, Asmara and Rini (2018).

5 Conclusions and Recommendations

The study focused on the investigation of the effect of corporate governance practices and auditors reporting lag of 21 purposively selected non-financial firms between the periods 2012 to 2017. The findings revealed that board independence and audit committee independence are the critical drivers of timely audited reports of the sampled companies. The study could not, however, establish the significant influence of other explanatory variables (Board size, board meeting, gender diversity, and audit committee meeting) on auditors reporting lag. Hence, owing to these findings, companies in the non financial sector must take advantage of the board and audit committee independence to ensure the timelines of audited reports. In the same vein, the board should ensure that there are sufficient members with financial literacy, have more independent directors in the board and audit committee and also consider the issue of timeliness and quality of audited reports in their meetings. For future studies, the time frame and size in terms of year and sample should be increased. Future researches should also look at financial sectors like insurance companies and banks.

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