International Journal of Business & Law Research 10(4):57-67, Oct.-Dec., 2022

 www.seahipaj.org ISSN: 2360-8986

Effect Of Board Structure On Audit Quality In Selected Manufacturing Firms In Nigeria

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ABSTRACT

This study analyzed the effect of board structure on audit quality in selected manufacturing firms in Nigeria. The broad objective is to evaluate the effect of board structure on audit quality in selected manufacturing firms between the periods of 2012-2021. Ordinary Least Squared (OLS) method of data analysis was used. Secondary sources of data were employed, the interested variables were culled from the statement of account the quoted firms. The following variables were used, audit quality as the dependent variables, while board financial expertise, board size, board independence, and board meeting as the independent variables. The value of R-squared which is the co-efficient of the determination stood at 55.2% which stood that 55.2% of the systematic variations in individual dependent variables were explained in the model while about 44.8% were unexplained The findings showed, all the variables are statistically significant on corporate profitability. The following recommendations were made: the researcher recommends that there should be an increase in board size, and the board committee should have people that possess adequate knowledge, and experience in auditing and financial management, so as to improve audit quality.

Keywords: board structure, audit quality, board size, board committee

INTRODUCTION

The board of directors has been recognized as an important corporate governance mechanism for aligning the interests of managers and all stakeholders to a firm. The need to adopt the right corporate governance mechanisms is driven by the agency problem and the associated free-rider problem that makes it difficult for any single investor or stakeholder to bear the cost of monitoring managers(Bhagat& Black, 2019). The central role of board of directors in this process has therefore been recognized and in recent years has gained significant attraction for at least two reasons. Transition countries and other developing countries are struggling to attract resources for investment in an increasingly competitive global environment. Events at Enron and several other large corporations suggest the need for policies to promote board independence and other aspects of corporate governance. Levine (2014) also sees a link between corporate governance and the economy, arguing that it has the capacity to foster economic growth. According to him sound corporate governance makes it more likely for owners of capital to monitor the activities of managers either directly through voting on crucial matters or indirectly through the board of directors(Brennan, 2016).

OgbuluandEmini (2018) argue that including outside directors as professional referees not only enhances the viability of the board but also reduces the probability of top management colluding to expropriate shareholder wealth. The generalization of this effective monitoring argument is that the more independent the outside directors serving on the board, the higher the firm performance.

Morck, Shleifer and Vishny (2017) suggest that outside board members are capable of becoming entrenched and inefficiencies result, in the form of unchecked deployment of corporate assets or transactions favoring management, to name two examples. Hussin and Othman (2019) point out the possibility that outside directors are appointed as a result of political rather than monitoring reasons. In the end, they document a negative relation between board composition and firm performance. Hermalin and Weisbach (2020) observe that a high proportion of independent directors does not always predict better future accounting performance.

Statement of Problem

In recent years, the wave of accounting scandals that occurred within the international financial community has raised many questions and concern about financial reporting quality (Agrawal and Chadha, 2015; Brown, Falaschetti, & Orlando, 2020). Several prominent firms were involved in accounting frauds, such as Enron, WorldCom, Marconi, Parmalat and Cadbury. These have weakened the investors' confidence in the management team and the financial reports (Biddle, Hilary & Verdi, 2019). The widespread failure in the financial information quality has created the need to improve the financial information quality and to strengthen the control of managers by setting up good firms structures. Financial information quality in Nigeria remains weak compared to many advanced jurisdictions. This resulted in hampering of the growth of efficient equity markets. A common complaint among investors in Nigeria is that financial information on company performance is either unavailable or, if provided, lacks reliability (Shehu, 2021).

Corporate financial reporting has become a global concern particularly in recent time due to the reported cases of corporate failures arising from improper, false and misleading financial reporting in firms which hitherto had enjoyed good reputation due to the track record of great success in their lines of business (Agrawal & Chadha, 2015). A financial statement is said to be misleading if it lacks the qualities of accuracy, relevancy, comparability, reliability, compatibility and it contains fundamental errors or is prepared with the intention to deceive and/or confuse the users. Such deception can be carried out in a number of ways, among which are distortions of accounting records, falsification and omission of transactions, or misapplication of accounting principles (Higgs, 2013). Many reasons can be adduced for the preparation of such misleading financial statements. As argued by the different convergence views. There is a view that misleading financial statements are prepared for the demand of high returns by shareholders on their investments.

Objectives of the Study

The broad objective of this study is to evaluate the effect of board structure on audit quality: evidence from selected brewery firms in Nigeria. The following sub-objectives includes:

1. To determine the extent to which board size affects audit quality in brewery firm in Nigeria
2. To evaluate the extent to which board independent affects audit quality in brewery firm in Nigeria

Research Questions

The following are the research questions

1. Does board size affects audit quality in brewery firm in Nigeria?
2. To what extent does board independent affects audit quality in brewery firm in Nigeria?

Research Hypotheses

The following research hypotheses are formulated

Ho_1: Board size has no significant effect on audit quality in brewery firm in Nigeria

Ho_2: Board independent has no significant effect on audit quality in brewery firm in Nigeria

REVIEW OF RELATED LITERATURE

Audit Quality

Audit quality is much debated but little understood. Despite more than two decades of research, there remains little consensus about how to define, let alone measure, audit quality. Many researchers define audit quality from different perspective. The widely used definition by Adams and Mehran (2015) defines audit quality as "the market assessed joint probability that a given auditor will both discover a breach in a client's accounting system, and report the breach". This definition considers the quality of an audit to be dep or ano

Auditing quality is the combined probability that the auditor will detect and report on defects in accounts (Ahmad &Tukur 2015). The technical competence is easy to conceptualize, but independence is more problematic, being “difficult to prove and easy to challenge” (Hassan, 2016). Hassan,sees independence as the auditor’s willingness to report defects in audited financial statements. This concept can be thought of as independence in fact, which in itself is not directly observable. Some researchers focus on defining “poor audit quality” by identifying adverse outcomes from an audit (Peecher&Piecey, 2017). Defining audit quality in terms of failure is appealing because it is easy to operationalize the definition. Casterella, Jensen andKnechel (2015) state “... we believe poor audit quality is observable with hindsight if an engagement results in litigation ora claim of malpractice against the auditor firm”. However, assessing audit quality from this perspective has not been too easy, because there are relatively few cases of detectable audit failures (Francis, 2014).

External audits performed in accordance with high quality auditing standards can promote the implementation of accounting standards by reporting entities and help ensure that their financial statements are reliable, transparent and useful. Sound audits can help reinforce strong corporate governance, risk management and internal control at firms, thus contributing to financial performance (Internal Audits Board, 2011).

The statutory audit can reinforce confidence because auditors are expected to provide an external, objective opinion on the preparation and presentation of financial statements. Auditors need to be independent in the opinions they express, while the work they have to do to form their opinions is highly dependent on and rooted in the real world and may become challenging in some business environments such as the cement industry. It is against this background that this research work is carried out. The purpose of this study therefore is to determine the impact of audit quality on the financial performance of quoted firms in Nigeria. There have been concerns about audit quality in the present environment, where severe failures have come to light, for example; Enron scandal of 2001; Parmalat in 2003; Cadbury Nigeria Plc in 2006 and Afribank Nigeria Plc in 2009 (Ajani, 2012; Miettinen, 2015). It has been found that the perceived reliability of audited financial information has declined. In contrast, the perceived relevance of audited financial information has increased.

Board Size

Board size of an organisation is about the number of directors both executive and non-executive directors. Board size influences the performance of an organisation; small board size is believed to improve the performance of an organisation because the benefits by larger boards of increased monitoring are outweighed by the poorer communication and decision making of larger groups. Lipton and Lorseh (2012) suggested an optimal board size between seven and nine directors. In Nigeria, Sanda, Milailu, and Tukur (2015) reported that value is positively correlated with smaller, as opposed to larger boards. The argument is that larger boards are less effective and are easier for a CEO to be control. The cost of coordination and processing problems is also high in large boards and this makes decision taking difficult. On the other hand, smaller boards reduce the possibility of free-riding and therefore have the tendency of enhancing value of the firm. Board size was measured in the study by the size of directors serving on such boards and expects this to have a negative relationship with the value of the firm.

Board size of an organisation is the number of directors on board of the organisation which includes executive and non-executive directors. Board size has highlighted in chapter one of this study influences the performance of an organisation. Lipton and Lorseh (2016) viewed it that small board size can improve the performance of an organisation because the benefits by larger boards of increased monitoring are outweighed by the poorer communication and decision making of larger groups and suggested an optimal board size between seven and nine directors.

Board Independence

Corporate board independence, emphasize on the need for board independence to ensure transparency and accountability of management. Hence, the corporate board independence recommends that independent non-executive directors make up at least one-third of the board memberships. The effective independence board remains important in corporate governance. Klein (2012), presented evidence suggesting that effective governance and firm performance increase with board independence.Jaggi (2019) has documented in his written reports that independent corporate boards of Hong Kong firms provide effective monitoring of earning management, which hints that despite differences in institutional environments, corporate board independence is important to assure high-quality financial reporting. The effective independence board remains important in corporate administration. LahlouandNavette, (2013) has documented that a majority of independent non-executive directors among the board of directors constitute to board independence. Furthermore, independent non-executive director play a major role in overseeing the financial performance of the company as well as assisting the company in terms of long-run strategy development, risk management and remuneration planning (Kumar & Singh, 2012).

Board Size and Audit Quality

The board of size assumes an important role in audit quality. Owing to the separation of corporate management and ownership, boards exist to protect the interests of shareholders (Anderson, &Reeb, 2013). The board of directors is charged with monitoring and disciplining senior management, and therefore assuring the quality of financial reporting. Several studies provide evidence regarding the importance of the role of the board of directors in monitoring financial reporting, and therefore mitigating the manipulation of accounting information.

The linkage between the board size and the quality of audit services performed may be formal or informal. In terms of formal linkage, the board of directors typically collaborates with management in selecting the external auditor, often subject to shareholder ratification (Brennan, 2016) Since the auditor is to look to the board as its client, it is reasonable to expect the board to review the overall planned audit scope and proposed audit fee (Klapper, & Love, 2014). The board also may influence audit quality through informal means.

The board's commitment to vigilant oversight may signal to management and the auditor that the expectations placed on the audit firm are very high. If the auditor understands that the client (that is, the board) is particularly of high quality and demanding, the auditor may perform a higher-quality audit so as not to disappoint the client and jeopardize the relationship. Studies of references Ponnu(2018) and Yasser (2021) found that the proportion of non-executive directors had a significant positive impact on audit quality. They suggested that non-executive directors encouraged more intensive audits as a complement to their own monitoring role while the reduction in agency costs expected through significant managerial ownership resulted in a reduced need for intensive auditing.

Board Independence and Audit Quality

The availability of audit committee is seen as a device for reducing information asymmetry between management and shareholders and also protects investors (McDaniel, 2012; McMullen, 2016; Mishiel, 2013). Possibility of earnings management may be reduced by independent audit committee’s existence, which improves transparency (Klein, 2012). It’s necessary for an audit committee be totally independent from chief executive officers, as Braiotta (2019). In an examination done by M. L Lordal, using 13 companies’ audit committees quoted on the New York Stock Exchange (NYSE), it was found that effective audit committees permit the CEO to attend committee meetings on invitation only (Braiotta, 2019). Further, the scholar notified that establishing a working relationship between audit committee and the internal auditor is not counterproductive.

Evelyn and Christine (2021) examined the governance and audit quality and indicated that audit committee is weakly significant and is negatively related with the choice of a specialist auditor comparing to a non-big six. Menon and Williams (2019) investigated audit committees’ use for the purpose of monitoring and Pincus et al. (2019) analyzed about voluntary formation of corporate audit committees among NASDAQ Firms. Both researchers were contrary to that of Evelyn and Christine (2021). Bradbury (10) examined the incentives required for a voluntary formation of audit committee and found a result consistent with Evelyn and Christine (2021). Findings from Mohamed and Mohamed (2012) suggested that existence of audit committee has a positive association with audit quality of listed companies in Egypt. Vanstraelen (2019) state that quality audit means the ability of an auditor to find and report material misstatement in an investigated sample during auditing process, furthermore he claims that public editor is not only demanded to detect but also to report occurring material misstatement. Turley and Willekens (2018) states that audit quality is normally related to the ability of the auditor to identify material misstatement in the financial statements and their willingness to issue an appropriate and unbiased audit report based on the audit result.

Theoretical framework

Agency Theory

In its simplest form, agency theory explains the agency problems arising from the separation of ownership and control. It "provides a useful way of explaining relationships where the parties' interests are at odds and can be brought more into alignment through proper monitoring and a well-planned compensation system" (Daviset al., 1997:24). In her assessment and review of agency theory, Eisenhardt (1989) outlines two streams of agency theory that have developed over time: Principal-agent and positivist. Principal-agent research is concerned with a general theory of the principal-agent relationship, a theory that can be applied to any agency relationship e.g. employer employee or lawyer-client. Eisenhardt describes such research as abstract and mathematical and therefore less accessible to organisational scholars. This stream has greater interest in general theoretical implications than the positivist stream. On the other side positivist researchers have tended to focus on identifying circumstances in which the principal and agent are likely to have conflicting goals and then describe the governance mechanisms that limit the agent's self-serving behaviour (Eisenhardt, 1989). This stream has focused almost exclusively on the principal-agent relationship existing at the level of the firm between shareholders and managers. For example, Jensen and Meckling (1976), who fall under the positivist stream, propose agency theory to explain, inter alia, how a public corporation can exist given the assumption that managers are self-seeking individuals and a setting where those managers do not bear the full effects of their actions and decisions. The agency relationship explains the association between providers of corporate finances and those entrusted to manage the affairs of the firm. Jensen and Meckling (1976) define the agency relationship in Bebeji(1993) termsof "a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent". Agency theory supports the delegation and the concentration of control in the board of directors and use of compensation incentives.

Empirical Review

Ikpor, Awa, Felix, Ozor (2016)Using a multivariate regression analysis, to explored the effect of board structure on the disclosure level of accounting information in the Nigerian Banking sector while controlling for Board Composition, audit quality and profitability. Significant finding of the study is that size of firms significantly affects level of voluntary information disclosed in the annual reports and accounts of banks in Nigeria. Moreover, audit quality, Board Composition and profitability also affect the level of voluntary information disclosed by the banking sector in Nigeria. The variables were on firm size, reputation of the auditor, Board Composition and profitability. The implication of the findings is that Banks with high assets based disclosed more discretionary information than banks with small assets base. Also banks that have Big 4 Auditor tend to disclose more discretionary information than do those without the Big 4 Auditors. Even though, banks are most highly regulated in Nigeria and play significant roles in the development of Nigeria's economy, regulatory agencies in Nigeria appear not to have been taking cognizance of these special attributes in the regulation of banks.

Odudu, Okpeh, & Okpe (2016) investigated the influence of Board size on the audit quality of listed deposit money banks in Nigeria for the period of 2005-2014. The total number of listed deposit money banks as at 31st December, 2014 are seventeen (17) out of which a sample of fifteen (15) were used for the study. The study categorically seeks to examine whether board characteristics (proxy by executive director, independent director, grey director, women director and foreign director) has any influence on the Performance of listed Deposit Money Banks in Nigeria. The study adopted multiple regression technique as a tool of analysis and data were collected from secondary source through the annual reports and accounts of the sampled banks. The study reveals that board size has a significant impact on audit qual

METHODOLOGY
In the course of this study, ex-post facto to design was adopted. According to Devin, ex-post fact to research design is a quasi experimental study examining how an independent variable, present prior to the study affects a dependent variable. Ex-post facto research design was used in the course of this study because; the collected data used in this study cannot be controlled or manipulated. The population of the study consists of the four (4) brewery firms listed on the floor of the Nigerian Exchange limited from 2012 to 31st December 2021. They include; Heineken Breweries Plc, Nigerian Breweries Plc, `Guinness Nigeria Plc, International Breweries Plc.

Data Analysis Techniques
This study employs ordinary least square using panel data between 2012 and 2021 covering period of 10 years for 4 brewery firms, to estimate and provide evidence on the nature of relationship between board characteristics and audit quality Inferential statistics of the hypotheses were carried out with the aid of E-view 8.0 statistical software, using coefficient of correlation which is a good measure of relationship between two variables, tells us about the strength of relationship and the direction of relationship as well. Ordinary least Square Regression analysis was used for the study. Regression analysis predicts the value of a variable based on the value of the other variables and explains the impact or effect of changes in the values of the variables.

Model Specification
The model of accounting analysis in this study will therefore follow the conventional method, and this, is in reference to the variables of interest in the model above. Algebraically, therefore

AQ = F (BSIZE, BIND)

Where

AQ = Audit quality
BSIZE= Board size
BIND= Board Independent
F = Functional Notation

Variables and their Measurement

Variables (code)	*Proxies (operational definitions)*
Dependent variable ***Audit Quality***	*1 if the external auditor is Big 4 and 0 if otherwise*
Independent variables **Board Size (BSIZE)*	*Board size. i.e Total number of board members*
**Board Independence (BIND)*	*Number of non-executive directors in the board*

DATA PRESENTATION, ANALYSIS AND INTEPRETATION
This study investigates the effect of board structure on audit quality trying to find out reasons why Brewery firms in Nigeria choose to be audited and the effect its board structure have on this decision. The variable for this study include a dummy dependent variable which takes the value of “1” for Brewery firms that are being audited (AQLTY) and “0” otherwise. This is a dichotomous way of measuring audit quality used in this study. The independent variables were- board size (BSIZE) and board independence (BIND). This study analyzed and interpreted the data collected from four (4) selectedbreweries in Nigeria for a period of ten years. In analyzing the data, the study adopted the ordinary least square (OLS) analysis to identify the possible effects of board structure on audit quality. The study conducted some preliminary

analysis such as descriptive statistics and correlation matrix. The below is the descriptive statistics from four sampled breweries in Nigeria.

Descriptive Analysis

The descriptive statistics for the dependent and independent variables used in this study were presented in the table below:

Summary of descriptive statistics for the variables employed in this study:

	AQLTY	BSIZE	BIND
Mean	0.750000	5.750000	2.375000
Median	1.000000	6.000000	2.000000
Maximum	1.000000	6.000000	3.000000
Minimum	0.000000	5.000000	2.000000
Std. Dev.	0.438529	0.438529	0.490290
Skewness	-1.154701	-1.154701	0.516398
Kurtosis	2.333333	2.333333	1.266667
Jarque-Bera	9.629630	9.629630	6.785185
Probability	0.008109*	0.008109*	0.033621**
Sum	30.00000	230.0000	95.00000
Sum Sq. Dev.	7.500000	7.500000	9.375000
Observations	40	40	40

Source: Researchers' computation (2022) from E-view 9

*Note: *1% level of significance **5% level of significance ***10% level of significance*

The table shows the descriptive of mean, standard deviation, Jarque-Bera (JB) Statistics normality test, minimum, median and maximum values of the variables used. The study used data from 40 firm year observations of annual reports from the Nigerian stock exchange for a period of ten years spanning 2012 to 2021. From the table above, the dependent variable is audit quality while board size (BSIZE) and board independence (BIND) are independent variables. As shown in the table above, the average or mean value of audit quality stood at 75% while the median value was 1 and the standard deviation was 43.9% approximately. The maximum and minimum values stood at 1 and 0% respectively because it's a binary number that assumes zero and one. This is to say that the mean and average audit quality is 75% respectively. The result provided some insight into the nature of the selected breweries under study. Firstly, the great difference between the mean and median values of audit quality shows that the sampled firms differ greatly; this was also reaffirmed by the standard deviation value which indicates that the sampledbreweries are not dominated by firms whose audit quality is below average. It shows that half of the breweries or 75% of the breweries sampled have audit firm as there auditor and are concurrently being audited by audit firms. The variation in the maximum and minimum values of audit quality of selected breweries revealed that our sampled firms are homogeneous and the selected estimation techniques must not take into consideration hetero-scedasticity problem.

This therefore justifies the use of ordinary least square (OLS) least squared regression techniques. In the same vein, board independence (BIND) stood at mean value of 2.38% approximately suggesting that half of the or 2.38% of board members of firm under study are non executive directors that is independent directors while 30% are executive directors.

Lastly, in the table, the Jarque–Bera (JB.) which test for normality or existence of outliers or extreme value among the variables shows that audit quality and board size are normally distributed at 1% level of significance while board independence is normally distributed at 5% level. This means that no variables with outlier, even if there are, they are not likely to distort the conclusion and are therefore reliable for drawing generalization. The descriptive statistics in general revealed that there is no sample selection bias or outlier in the data that would impair the generalization from this study. This also justify the use of ordinary least square estimation techniques. Hence, any recommendations made to a very large extent would represent the characteristics of the true population of study.

Correlation Analysis

The aim of using correlation matrix is to see if there are any multi-collinearity problems among the variables used and to determine the degree of association that existed among the variables.Therefore, Pearson's correlation matrix was applied to check the degree of association between audit quality and board structure variables among quoted firms in Nigeria so as to determine the nature or degree of association i.e. positive or negative correlation and the significance of the relationship between dependent variable and independent variables. Therefore, in examining the association among the variables, we employed the Pearson correlation coefficient (correlation matrix) and the results are presented in the table below.

Result of Pearson Correlation Matrix

	AQLTY	BSIZE	BIND
AQLTY	1.000000	0.333333	-0.268328
BSIZE		1.000000	-0.029814
BIND			1.000000

Source: Researcher's summary of correlation analysis (2022). E-view 9

From the correlation matrix table, the result shows that audit quality are positively correlated with board size (BSIZE) but negatively correlated with board independence (BIND). The above results show that there exist a positive and strong association between audit quality and board size (AQLTY/BSIZE=0.33). In the case of audit quality and board independence, there exists a negative and strong association (AQLTY and BIND=0.26 & 20).

There exists a negative and weak association between board independence and board size ((BIND/BSIZE=0.029). A close look at the value of the Pearson correlation coefficient results revealed that all the variables are strongly associated with audit quality.

Therefore, in checking for multi-collinearity problem, the study noticed from the correlation table above that no two explanatory variables were perfectly correlated and thereby ruled out the case of having an outlier. This indicates the absence of multi-collinearity problem in the model used for the analysis. This also justifies the use of the ordinary least square.

Test of Hypotheses and Discussion of findings

In order to examine the relationship between the dependent variable (audit quality) and the independent variables (BSIZE and BIND) and to test the formulated hypothesis, we employed an ordinary regression analysis since the data had both time series (2012-2022) and longitudinal properties (4 quoted companies) our analysis is presented in the table below

$AQLTY_{it} = \beta_0 + \beta_1 BSIZE_{1t} + \beta_2 BIND_{1t} + \mathcal{E}$……………1

Summary of regression result

Dependent Variable: AQLTY
Method: Least Squares
Date: 10/28/22 Time: 14:48
Sample: 1 40
Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.077781	1.063725	-1.953308	0.0588
BSIZE	0.135292	0.122608	2.103451	0.0044
BIND	0.150311	0.141497	2.062286	0.0954

R-squared	0.552336	Mean dependent var	0.750000
Adjusted R-squared	0.501174	S.D. dependent var	0.438529
S.E. of regression	0.309723	Akaike info criterion	0.610189
Sum squared resid	3.357483	Schwarz criterion	0.821299
Log likelihood	-7.203785	Hannan-Quinn criter.	0.686520
F-statistic	10.79589	Durbin-Watson stat	1.738938
Prob(F-statistic)	0.000008		

Source: Researchers' summary of pooled regression result (2022) from E-view 9

The table above shows the ordinary least square regression analysis of selected breweries in Nigeria. From the results above the McFadden R-squared value from the binary logistic regression results shows that about less than one percent of the outcome of the dependent variable can be jointly predicted by all the independent variables. The result also revealed that the R-squared value of 0.552 which is equivalent to 55.2%, indicates that the independent variables explained about 55.2% of the systematic variation in the audit quality policy of selected breweries over the ten (10) years period observed while the remaining 44.8% is explained outside the unspecified variables thereby captured by the error term, thus, exogenously explained. The value of R- squared which is the coefficient of determination stood at 55.2% which implies that 55.2% of the systematic variations in individual dependent variables were explained in the model while about 44.8% were unexplained. We also observed that adjusted R-squared value was 0.501. This indicates that all the independent variables jointly explain about 50.1% of the system variation in audit quality policy of our sampled firms over the 10 years period while about 49.9% of the total variations were unaccounted for, hence captured by the stochastic error term. The good performance of the McFadden R-squared shows that audit quality practices of the selected firms in Nigerian can be predicted by board specific characteristics used in the model. This means that most Nigerian breweries that choose to be audited by auditing firms might do so and they consider most of their board specific characteristics. As shown in the table above, the F-statistics of 10.79 and their P-value of 0.000 showed that all our regression models are generally significant and well specified. F-statistic for the model revealed that the overall model is statistically significant and valid in explaining the outcome of the dependent variable. Moreover, the Durbin Watson statistic of 1.74 approximately showed the absence of auto correlation in the least squared model used in the study and that the model is well spread and that there have not been self or auto correlation problem and that error are independent of each other.

H_1: Board size has no significant effect on audit quality of Nigerian Breweries

The result of the analysis on the table above shows that board size (BSIZE) is positively and significantly related to audit quality at 1% level of significance having recorded a positive coefficient value of 0.135. This is evidenced in their t -value of 2.103 and probability value of 0.0044. This indicates that 1%

increase in the size of the board bring about 13.5% increases in audit quality. This implies that an increase in board size or the number of board members increases audit quality to the tune of 13.5%. The result indicates that on average addition of one member to the board sizewill improve audit quality. It indicates that an increase in the board size of Nigeria Breweries leads to an increase in the audit quality of selectedfirms to the tune of 13.5% approximately. The t-value of 2.103 reveals that board sizehas a strong effect on audit quality of selected firms. The probability value of 0.0044 reveals that the effect of board size on audit quality is statistically significant at 1% level of significance. The p-value result re-affirms the t-test statistics result. As a result of this significant effect obtained, the study rejectsour first null hypothesis (H_{01}), which states that board size has no significant effect on audit quality and therefore accept our alternate hypothesis and conclude that board size has significant effect on audit quality of brewery firms quoted on Nigeria Stock Exchange which was statistical significant at 1% level of significance.

$H0_2$: Board independence has no significant effect on audit quality of quoted firms in Nigeria.

The regression result in the table above revealed that board independence has positive and significant effect on audit quality of quoted firms in Nigeria having recorded a positive coefficient value of 0.150% which was statistically significant at 5% level of significant. This implies that a 1% increase in the proportion of board members that are independent of management is associated with an increase in their audit quality by 15%.This entails that a firm with more percentage of non executive directors tends to have a sound audit quality.

Summary of Findings

1. Board size was positively and significantly related to audit quality having reported a positive coefficient value of 1.35 and t-value of 2.103 which was statistically significant at 1% level of significance.
2. Board independence was also found to have a positive and significant effect on audit quality of quoted breweries in Nigeria which was statistically significant at 5% level of significance.

CONCLUSION

This paper examines the effect of board structure on audit quality in the brewery industry quoted on Nigeria Stock Exchange for a period of ten years using two variables on measuring boards structure. Utilizing data from a sample of 40firm year observations from 4 quoted companies, we found that the proportion of non-executive directors has a significant positive impact on audit quality. We also find that audit quality is negatively related to the proportion of non executive directors in the board (board independence). Overall, the findings suggest that non-executive directors encourage more intensive audits as a complement to their own monitoring role.

RECOMMENDATION

On the basis of the findings and conclusions of the study the paper recommends among others that:

1. Board size should be increased to up to 6 members for improved audit quality and quick decision making in relation to audited financial report.
2. Nigeria breweries should ensure that the board is composed of independent persons, with high level of integrity that can match words with action to improve their audit quality.

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