

EFFECT OF AUDIT COMMITTEE CHARACTERISTICS ON FINANCIAL REPORTING LAG OF LISTED ICT FIRMS IN NIGERIA

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Abstract

Financial information needs to be available to users as rapidly as possible to make corporate financial statement information relevant for decision making process. This study is to investigate the effect of audit committee characteristics (audit committee independence, audit committee meetings, audit committee size and audit committee gender) and financial reporting lag of listed ICT firms in Nigerian. The study was guided by the agency theory. This study employed ex-post research design in which secondary data were collected from the ICT firms in the Nigeria Stock Exchange for the periods of five years from 2010 to 2019. Panel Regression method was adopted for the data analysis. The results showed that audit committee independence has negative insignificant relationship with financial reporting lag while audit committee meeting has insignificant positive relationship and audit committee gender has a significant positive relationship with financial reporting lag. The study therefore recommends that ICT firms should maintain the number of meeting and gender in audit committee for timely release of audited financial statements to users of the financial information. This study conclusions and recommendations for effective and efficient audit committee characteristics to meet the 21st century complex corporate environment.

Therefore, the findings of this research will ensure future platforms changes regarding audit committees are adequately informed.

Keywords: Audit committee independence, audit committee meetings, audit committee size and audit committee gender, financial reporting lag and ICT firms

Introduction

The audit committee has been defined by Robinson and Owen- Jackson (2009) as selected members of companies who take an active role in overseeing the companies accounting and financial reporting policies and practices. In order to promote good management and enhance the integrity of financial reporting, audit committee as an integral part of management structure and one of the mandatory committees of the board of directors is established to provide support to the board by offering objective advice on issues concerning risk, control and management of the organization. Traditionally, the primary role of audit committee has been to monitor the integrity of the financial statements produced by management. In recent times, this major role has been expanded beyond the annual financial statements to encompass the quarterly financial reports. Owing to this, audit committees are

becoming more involved in the oversight of corporate reporting matters as contrasted with financial reporting. According to Owolabi and Dada (2011), considering the quantum of corporate collapses and failure, it is imperative that audit committee is taken more seriously in every corporate organization.

The audit committee serves as a liaison between the external auditor and the board of directors and expected to view the firm's affairs in a detached and dispassionate manner and also facilitates the monitoring process by reducing information asymmetry between the external auditor and the board. In addition, Blue Ribbon Committee (1999) noted that the audit committee is the most important governance mechanism with respect to audit firm appointments because it is responsible for hiring the external auditor and for overseeing audit quality. Therefore, a properly functioning audit committee is critical in ensuring the independence of auditors and high quality financial reporting. Improving the quality of financial statements has been widely proposed as one of the major benefits of companies establishing audit committees (Blue Ribbon Committee, 1999).

Following the agitations to review the structures of corporate governance in Nigeria and in view of the importance attached to the institution of effective corporate governance, the Federal Government of Nigeria, through regulatory agencies have come up with institutional arrangements to protect investors in Nigeria (Kajola, 2008). The first attempt to provide for audit committee effectiveness was contained in Company and Allied Matters Act (CAMA) CAP C20, Law of the Federal Republic of Nigeria (LFN) 2004 Sec. 359. The second attempt was contained in the Code of Corporate Governance best practices issued by the Securities and Exchange Commission (SEC) in November, 2011. These two provisions failed to address the issue of audit committees in terms of financial expertise and hence failed to ensure quality financial reporting period. The failure resulted in incessant reports that bordered on financial misappropriations which led to the removal of

CEOs in some Nigerian firms (Ojeka, Kanu & Owolabi, 2013).

Financial reporting quality increases with the presence of accounting experts in audit committee, which highlights the important role that expertise plays in board monitoring and governance. In addition, we further decompose audit committee with accounting experts into several other components: those with accounting experts only; those with accounting and finance experts only; those with accounting and supervisory experts only; and those with all the three expertise. The findings reveal that financial reporting lag is not affected if audit committees are made up of only accounting experts. Instead, it is only improved when the audit committees also consist of members that possess other skill-set in terms of finance or supervisory expertise. Therefore, our empirical results lend further credence to the call for diversity of expertise in audit committees and extend that of Dhaliwal et al. (2010) for the US firms, who find that financial reporting lag is positively associated with the presence of accounting and finance (but not supervisory) experts in audit committee

The evolution of the digital economy at a global level has changed in no small measure how business enterprises operates, generates, and displays financial data; and much more importantly, how they are audited (Razaei et al. 2002). Most financial reports are now generated online and in real time, and the overwhelmingly rapid adoption and implementation of e-business technology has led to new challenges for Internal Auditors, specifically in the area of internal control effectiveness.

The primary aim of the financial reports is to present to shareholders the information about the company's financial state and performance within the period in which the report covers. It is a medium of communicating to shareholders and providing information that will enable investors and creditors to make informed decisions. Salehi and Nassirzadeh (2012) states that qualitative characteristics are characteristics that make the financial information provided in financial statement useful to users. These characteristics include

relevance, reliability, comparability and understandability. However, Hassan (2012) stated that financial statement is misleading if it lacks accuracy, relevance, comparability and it contains fundamental errors or is prepared with the intention to deceive and/or confuse users. Since it provides vital information that aid investors and creditors in making informed decision, the timely release of the report is of important.

Timely financial reporting helps in efficient and timely allocation of resources and enhances the usefulness of the financial information. Financial reporting lag, which is the number of days from fiscal year end to financial report date, jeopardises financial reporting by not providing timely information. Delayed disclosure of an auditor's opinion on the true and fair view of financial information prepared by the management exacerbates the information asymmetry and increases the uncertainty in investment decisions (Mohammad-Nor et al., 2010).

Prior studies (example, Tread way Commission, 1987 & Blue Ribbon Committee, 1999), reveal that improvement in the financial reporting lag is often proposed as one of the major reasons why companies establish audit committee. This is because audit committees are often seen as having the potentials of reducing the chances of fraud and fraudulent practices, thus enhancing the timeliness of financial reporting.

Wild (1996) reported a significant increase in market response to earnings reports released after audit committee formation. The timeliness of financial reports varies across countries. In Russian energy sector, McGee (2007) observed that it takes between 81 to 181 days (average of 148.7 days) to release their financial reports. On the average, Chinese companies require an average of 92 days, with a minimum of 24 days and a maximum of 181 days (McGee and Yuan, 2008). Karim, Ahmed & Islam (2006) noticed a longer delay time for listed Bangladesh companies, who require an average of 192 days. Hossain & Taylor (1998) pointed out that listed Pakistani companies require an interval of 30-249 days, while Iyoha (2012) observed that in Nigeria, companies in the banking sector require about 82 days,

insurance sector (153 days), food/tobacco and beverage sector (144 days), petroleum sector (137 days), health sector (145 days), agriculture (96 days) and conglomerates (119 days).

Consensus has not being reached with regards to the factors responsible for the difference observed in the delay of financial reports across countries. Some studies such as McGee and Yuan (2008) attributed the delay by Chinese companies to the extent of their corporate governance. Lai and Cheuk (2005) emphasized that the audit partner's rotation, audit firms rotation are able to explain the delays in the release of the financial reports of Australian companies. Afify (2009) noted that the corporate governance variables such as the independence of the board, CEO duality and the audit committee can significantly impact on the timeliness of financial reports of Egyptian companies. this study stands different by focusing on effect of audit committee characteristics on financial reporting lag of listed ICT firm in Nigeria

The main objective of this study is to examine the effect of audit committee characteristics on financial reporting lag. Other objectives include: examine the effect of audit committee independence, audit committee meetings, audit committee gender and audit committee size on financial reporting lag of ICT firms in Nigeria

This research study is limited to ICT firms listed on the Nigerian Stock Exchange (NSE) as at December, 2017. The study covers the period of five years (2010 to 2019). The period is considered adequate because CBN issued the corporate governance code for firms operating in Nigeria, effect from 2006. The rest of this paper is organised as follows. Section 2 reviews the literature and present theoretical framework. Section 3 discusses the methodology. Section 4 discusses the results. Finally, conclusions are drawn in Section 5.

Concept of Financial Reporting Lag

Financial reporting has been generally recognized as a very important area in accounting. Many accounting bodies and professional institution worldwide have made attempts to define the objectives of financial

statement and financial reporting which are vital to the development of financial accounting theory and practice (Kirk 2010). Financial reporting lag refers to the length of time between the fiscal year-end of a company and the date of the auditor's report (Adulla, 1996). The timeliness of financial reporting is considered a main factor in emerging and developed capital markets where the audited financial statements in the annual report are the only reliable source of information available to users of information (Azubike & Aggreh, 2014).

From the review of extant literature, a number of studies which focus on audit committee members' perceptions of their own capability or competence show that they believe that there is a lack of expertise in accounting, auditing and law in most audit committees. For example, Kalbers, (1992,) in studies targeting external auditors and internal auditors discovered that both groups had notably lower perceptions of audit committee members' proficiency than those of audit committee members. Despite the difficulty in accessing audit committee member expertise, a number of experimental studies regarding audit committee expertise were conducted (DeZoort, 1998; DeZoort & Salterio, 2001; McDaniel, Martin & Maines, 2002). In this respect, Robinson and Owens Jackson (2009) note that few studies explore the proposition that financial expertise enables members to better assess and monitor management actions relating to financial reporting.

Nevertheless, empirical proof for this belief is insignificant. One likely explanation may be the lack of benchmarks or standards for members' financial literacy, which is often mixed with member's expertise in contemporary parlance. As a result, financial literacy has attracted less attention in the auditing and accounting research and literature vis-à-vis other characteristics such as independence and expertise.

High degree of accounting sophistication such as understanding auditing issues and risks and the audit procedures proposed to address them, comprehending audit judgments and understanding the substance of disagreement

between the management and an external auditor, and evaluating judgmental accounting areas (Mohammad-Noret al., 2010; Habbash, 2010). DeZoort and Salterio (2001) document that audit committee members' with previous experience and knowledge in financial reporting and audit are more likely to make expert judgments than those without. Xie et al. (2003), Abbott et al. (2004) and Bédard et al. (2004) also report that audit committee financial expertise reduces financial restatements or constrains the propensity of managers to engage in creative accounting. DeFond et al (2005), document that appointment of accounting financial experts generates positive stock market reaction in line with market expectation that the audit committee members' financial sophistication is useful in executing their role as financial monitors.

In Nigeria, the Company and Allied Matter Act (CAMA) 2004 specifies that each company should hold its annual general meeting and presents its financial statements before the shareholders in a period not more than fifteen month after the last annual general meeting (S. 213, 214 & 218). This in other words, this means that the period of reporting lag given by the Company and Allied Matter Act in Nigeria is a maximum of six months. In the case of USA, Security and Exchange Commission has in fact reduced the filing deadline for financial statement of companies from 90 days to 60 day so as to improve the efficiency of market in USA (Lehtinen, 2013). Financial reporting lag is considered to be a critical and significant determinant on the usefulness of financial information made available to external users of accounting information (Aljifri & Khasharmeh, 2010). More importantly, Fagbemi and Uadiale (2011) considered audit report behavior among 45 listed public companies in 2007. The results showed that on the average it took about 141 days for the audited financial reports to be ready while the earliest audit report time was 31 days after the balance sheet date. Oladipupo (2011) examined the audit delay of 40 listed companies in 2008 in Nigeria. The results showed that the audit delay ranged from 16 days to 284 days while it took approximately 120 days (4 months) on the average for the

companies to get their annual reports and accounts audited after the end of their financial years.

Ling and Wang (2010) reported that companies that have independent audit committee are less likely to manipulate profits, disclose more information voluntarily and present high quality of financial reporting. Mohiuddin et al. (2012) opines that audit committee enhances internal control system and reduces asymmetry of information between management and shareholders while also improving high financial reporting quality. Garcia et al. (2012) posits that audit committee size would largely influence independence and reported that companies with more outsiders in the board favor independence audit committee to resolve the problem of asymmetry of information and thereby enhance financial reporting. Cohen et al. (2013) reported that audit committee with industrial and accounting expertise reports quality financial statements than those with accounting expertise. Audit committee size has association with the regulatory compliance of corporate governance code and reduces error in the financial statements Barko et al. (2006). Ghafran and O'Sullivan (2012) posit that an audit committee performs the role of examination of financial statement and related information on clarity, completeness and reliability. This study adopted financial and non-financial quoted companies in Nigeria stock exchange in examining the relationship between audit committee characteristics and its influence on financial reporting lag.

The predominant tool used by stakeholders, shareholders, investors and other creditors to assess a firm is the financial reports contained in the annual reports (Alzoubi, 2012). Thus, one of the goals of corporate governance reforms and implementation is to improve the timeliness of financial reporting and the effectiveness of audit committees (Beasley et al., 2009; Cohen et al., 2004; Krishnan & Visvanathan 2009; Turley & Zaman, 2007). The rate at which accounting scandals occurred in recent times has therefore attracted the attention of scholars, academician, researchers and the global society into how financial reporting could be improved (Babatunde & Akeju, 2016; FRCN, 2015).

Nyor (2013) examined the timeliness of financial reports and accounts of Nigerian firms from the perspective of users of accounting information. The findings showed that the timeliness of financial reports and accounts of Nigerian firms is only moderate. Hassan and Bello (2013) examined firm characteristics and financial reporting quality of quoted manufacturing companies in Nigeria and the finding revealed that there is a significant positive relationship between firm characteristics and financial reporting quality in Nigeria.

Anderson, Mansi and Reeb (2004) find that financial reporting is negatively related to audit committee characteristics. Carcello and Neal (2003) find no association between audit committee size and financial reporting disclosure by management. Previous studies that are in the same spirit as those in Boone, Field, Knyazeva, knyazeva and Raheja (2013), Linck, Netter and Yang (2008) and Lehn, Patro, and Zhao (2009). Based on this back ground that the inconsistencies in the results the study will fill the gap.

The audit committee plays a vital role in the financial monitoring of a firm (Kevin, 2009). It also acts in a manner that will provide oversight roles over accounting policies and judgments, as well as the overall financial statements (Blue Ribbon Committee (1999); Security and Exchange Commission Code (2011). The SEC (2011) maintained that, to carry out the assigned tasks of monitoring financial reporting diligently, it will require significant accounting sophistication. That is, it would involve assessing the reasonableness of complex financial matters such as the company's accounting reserves, and management's handling of proposed audit adjustments suggested by the external auditors (DeFond, Hann, & Hu, 2005). The audit committee is one mechanism available to the board of directors to limit conflicts of interest between managers and stockholders (Menon & William, 1994). The wide adoption of the formation of audit committees around the world suggests the importance of an audit committee as a governance mechanism (Saidin, 2007). According to Cadbury Report (1992), audit

committees would be important governance mechanisms that would protect the interests of the shareholders and ensure transparent reporting.

According to Okaro (2001), an effective audit committee provides the following advantages: Strengthen the external auditor's independence; added credibility of audited financial statements; supplementary assurance that corporate policies are in the best interest of shareholders and society at large; enhancement of the internal auditor position; improving performance of senior management by creating consciousness in them; advance of conflicts arising between management and auditors; and better communication between the director and external auditors and management. Bhattacharyya (2012) argues that effective audit committee role in protecting the audit independence to enable auditors to form independent judgments without management pressure. Also, Dechow (1996) provides that firms without audit committees are more likely to have financial statements and earnings overstatements (Defond and Jiambalvo, 1991).

In addition to this, Akinsulire (2010) provides that an audit committee should be established to ascertain that processes and procedures for monitoring those processes are in place. Emphatically, the audit committee is presently charged to seek assurances from the CEO and CFO, as part of the CEO/CFO certification process, that they have put in place effective disclosure controls and procedures to ensure that all reports in the corporate reporting universe are prepared properly and filed with the appropriate authorities in accordance with applicable requirements.

The formation of audit committees is anticipated on agency theory which suggests that a companies' demand for an audit committee is related with the magnitude of its agency problem. Agency problem arises as an outcome of separation between ownership and control. Habitually shareholders are circulated in Nigeria and cannot hold the professional managers accountable (Samuel, 2012).

The audit committee is usually a board committee with the main role of overseeing financial reporting (Zheng, 2008). Among the elements of corporate governance, audit committee is the major element that supports the health of financial reporting (Salehi, Zanjirdar, & Zarei, 2012). Since managers usually do not have to interact regularly with shareholders, a distance in terms of trust might exist due to this communication gap. Audit committee can act as a link in such gaps especially in terms of the integrity of the financial statements of a firm. An effective audit committee will therefore help in aligning the interests of organization with that of shareholders (Chan & Li, 2008). Thus academic literature proposes that a qualitative audit committee has important positive impact in reducing agency conflicts and protecting shareholders' interest (Karbhari & Mohiuddin, 2010). It is suggested that mere formation of audit committee on its own does not essentially translate into an effective or qualitative monitoring body. The activities and efficiency of such a committee need to be systematically examined (Al-lehaidan, 2006).

Regulatory Framework for Accounting and Financial Reporting in Nigeria: The responsibility for regulating accounting and financial reporting quality in Nigeria is shared by three main statutory bodies. The Corporate Affairs Commission (CAC), which is responsible for the supervision of company formation, registration, management, incorporation and winding up. The Securities and Exchange Commission (SEC) for regulating the capital market, and the Nigerian Stock Exchange (NSE), for ensuring compliance with the listing rules and reporting requirement for companies listed on the exchange in addition to providing a trading platform for listed equity and debt. The Nigerian Accounting Standard Board (NASB) is responsible for the introduction, review and removal of local accounting standard (Okike, 2007; ROSC, 2011).

General legal requirements for the preparation of financial statements by limited companies in Nigeria are contained in the provisions of the Companies and Allied Matters Act of 2004

(CAMA, 1990) section 334 subsections 2(a)-(i). This is in addition to specific legal requirements such as the Banks and Other Financial Institutions Act (1991) for firms operating in the banking sector, the Nigerian Insurance Act (2003) for firms operating the insurance sub sector among others (Nmehielle and Nwauche, 2004).

Section 335(1) of CAMA Act stipulates that accounts should be prepared in accordance with the accounting regulatory standards principles laid down in the statement of accounting standards by the Nigerian Accounting Standard Board. In Nigeria account are prepared with both the local accounting standards and the international standards i.e. IAS/IFRS. In Nigeria there are some standards used in preparation of account and some of the local standards are not fully covered by the international standards.

Directors' Report

Section 342 of the CAMA (2004) stipulates that the directors should present a report of their activities to the shareholders. The annual report should states the list of the directors. There are no prerequisites that the list should provide whether the directors are independent or not. The Act also provides for a maximum of 20 and minimum of 5 directors on the board and t provide no guidance on the structure of the board,; however, information on members' attendance at meetings should be promptly available for inspection in the general annual meeting by shareholders.

Audit Committee Report

Section 359(3)-(6) a-f of CAMA, stipulates that every limited company listed on the NSE to constitute an audit committee with membership equally shared between management and the shareholders. The law requires from the board a maximum membership of 6 and maximum of 1 executive director. The structure of independence, the characteristics of audit committee and remuneration or nomination committee are not specific of the mandatory disclosure ethics.. The Act also stipulates the expected duties of the audit committees.

Thus, the mandatory level of disclosure of most listed companies in Nigeria comply the minimum level with strict monitoring and compliance of the Nigeria Stock Exchange in Nigeria as developing country. There is need for audit committee and the auditors to maintain the independent relationship that will enhance the credibility of financial reporting quality for the advantage of the key stakeholders. The companies rely on the information and the transparency of the auditors and the role of audit committee in their managerial responsibilities (Cohen et al., 2004).

Independence of Audit Committee

The main purpose of SOX is to ensure auditor independence. The papers examined the relationship between the quality of the Audit Committee, management and the audit committee's decision to change auditors allowed provided tax services. The paper finds that firms with more independent boards committees more financial accounting audit, more experience is the property of the actions of leaders and institutions that separate the positions of chairman and CEO, and a higher tax rate ratios (Albring, Robinson, & Robinson, 2014).

Diligence of Audit Committee

It has been suggested that the criteria of expertise and independence will not necessarily lead to effectiveness unless the audit committee is diligent or active. According to the Tread way Commission (1987) an active audit committee enhances the committee's role to execute its duties and responsibilities. As noted by Robinson and Owens-Jackson (2009) diligent audit committees that meet often demonstrate "greater commitment and interest and are more likely to be effective monitors. In other words, the frequency of audit committee meetings indicates whether the entity is active or not. In essence, audit committee diligence, generally refers to the eagerness of audit committee members to pursue their terms of reference and goals. Since actual audit committee activity is difficult to measure directly, extant literature is dominated by the use of the number of audit committee meetings per annum as a substitute for such activity or diligence (DeZoort, Hermanson,

Archambeault & Reed, 2002). Nonetheless, a number of other studies have used alternative proxies for diligence of the audit committee such as its mandatory disclosures, the duties it has to perform and its size. However, the most common substitute used in many studies has been the number of audit committee meetings for each year.

Theoretical Framework

The relationship between audit committee and timeliness of financial reporting is explained by the related theories on which the study is based. There are a number of theoretical perspectives which are used in explaining the relationship audit committee characteristics and financial reporting lag. This study embraces the agency theory, stakeholders' theory disclosure theory, and resource dependency theory.

Agency Theory: is based on the relationship between the principal and the agent. The separation of ownership from management in modern corporations provides the context for the functioning of the agency theory. The theory of agency relationship mirror the basic structure of a principal and an agent who are engaged in cooperative behaviour, but have differing goals and attitudes towards risk. The theory further assumes that principals because of information asymmetry cannot adequately observe actions that agents are taking in their benefit (Barac and Klepo, 2006). According to Stolowy and Breton (2003), if the theory of creative accounting can be constructed, it will not refer to the techniques used to manipulate, but rather to the needs, opportunities and relationships existing between categories of market participants. Davidson *et al.* (2005) argues that when management provides inaccurate financial reporting information, it introduces creative accounting as a type of agency cost. The agency theory provides a basis for the governance of firms through various internal and external frameworks (Weir *et al.*, 2002; Roberts *et al.*, 2005). The most important basis of agency theory is that the managers are usually motivated by their own personal gains and work to exploit their own personal interests rather than considering shareholders' interests and maximizing shareholder value.

Resource Dependence Theory: views organizations as being dependent on their external environment and suggests that organizational effectiveness results not only from the firm ability to manage resources but more importantly from its capacity to secure basic resources from the environment. Ruigrok *et al.* (2007) document that board member networks and contracts are fundamental for their ability to perform the role boundary spanners securing contract for their companies. This theory is used to undermine the relationship between the boards of directors as provider of resources and financial reporting quality.

Stakeholder Theory: Stakeholder theory is a further development on the concept of stakeholder and its relationship to any business corporation. Freeman, Ohlson and Penman (1984) offer a traditional definition of a stakeholder as any group or individual who can affect or is affected by the achievement of the organization's objectives. Therefore, the general idea of stakeholder's theory is a redefinition of the organization. That is, what the organization should be and how it should be conceptualized. Adeyemi and Fagbemi (2010) observe that stakeholder's theory takes account of a wider group of constituents rather than focusing on shareholders. Where there is an emphasis on stakeholders, the governance structure of the company may provide for some direct representation of the stakeholders groups.

The model of this project is premised on the agency theory where an agency relationship occurs when one or more principals engage another person as their agent to do a service at their behest. Notably, such an arrangement may result in the delegation of accountability by the principal which necessitates the placement of trust in an agent to act in the principal's best interest Jensen and Meckling (1993). This lead to conflict of interest between the managers and the shareholders that, the need for an auditor. It is supported by the stakeholder theory. The stakeholder theory, originally defined by Freeman (1984) is a theory of organizational management and business ethics that addresses morals and values in managing an organization. In this theory, the concept "stakeholders" refers

to managers, shareholders or other users of financial reports which are influenced, either directly or indirectly by the actions of the auditor. A fundamental characteristic of stakeholder theory is therefore to attempt to identify individuals and groups that states, organizations and companies are accountable to. This has also been part of the theory's challenge (Anheier, 2005). The agency and stakeholder theory perspective of financial reporting lag suggest that no single element should be assured as having the dominant influence on financial reporting lag explained in the study as audit tenure. This requires that different stakeholder should carefully analyzed their actions so as to determine the effects of their action and their impact on the perspective of financial reporting lag; reason be that audit provide assurance to investors, creditors, managers, shareholders and other stakeholder thus providing confidence on financial reporting.

Empirical Review

Modugu, Eragbhe and Ikhatua (2012) investigated the determinants of audit delay in Nigeria quoted companies. They made use of longitudinal research design and employed simple random sampling technique in selecting twenty (20) quoted companies for a period of 2009 to 2011. The ordinary least square regression showed that multinationality connections of companies, company size and audit fees were major determinants of audit delay in Nigeria. This means that multinationality connections of companies, company size and audit fees were significantly related with financial report lag. In a similar manner, Gabriel (2012) investigated the impact of audit committee characteristics on financial reporting quality and timeliness of Banks in Nigeria. The study employed judgmental sampling technique to reduce the sample of twenty-two (22) banks to eleven (11) banks as at 31st December, 2010 for the empirical analysis. The results revealed that audit committee meeting has a positive relationship between financial reporting quality and timeliness. This implies that the frequency of audit committee meeting would significantly lead to timely release of audited financial statement by the quoted banks.

Apadore and Mohd Noor (2013) examined the determinants of audit report lag and corporate governance. The study made use of regression analysis to analyse its data using 843 companies that were randomly selected. Their findings revealed that audit committee size is significantly related to audit report lag while audit committee independence, audit committee meetings and audit committee expertise are insignificantly related to audit report lag. Also YadiriChukwu and Ebimobowei (2013) examined the effect of audit committee and timelines of financial reports for thirty five firms quoted in the Nigeria Stock Exchange (NSE) for the period 2007-2011. The data for the study were collected from the annual reports and accounts. The collected data were analysed using relevant diagnostic tests, pooled least square and granger causality test. The result suggests that audit committee independence and audit committee expertise are significantly related to the timeliness of financial reports while audit committee meeting and audit committee size are not significantly related to timeliness of financial reports.

Sharinah, Mohd and Azlina (2014) conducted a study on audit committee and timeliness of financial reporting. The study compared the timeliness of financial reporting for pre and post Malaysian code of corporate governance 2007 (MCCG, 2007) period by sampling 669 firms for each period and the study adopted the panel least square analysis to analyze the data. The study revealed that that audit committee independence and audit committee meetings are significantly associated with financial reporting timeliness before the release of MCCG 2007, while audit committee size and audit committee expertise are significantly related to financial reporting timeliness after the release of MCCG 2007. Similarly, Akle (2011) carried out an empirical study on the relationship between financial reporting timeliness and characteristics of companies listed on Egyptian stock exchange. The empirical evidence showed that company size and financial reporting timeliness were significantly related. This therefore implies that the larger firms tend to take less timeliness than smaller firms to publish their annual financial reporting. This

also showed that larger firms have a longer audit delay company small firms.

Simnett (1995) in an Australian study reports a steady increase in mean audit delay in Australia over the study period of 1981 – 1989 and find that prior year's audit delay is the major explanatory variable explaining audit delay. They also find that audit delay is inversely related to profit (six of the eight years) and audit complexity but directly related to qualified opinion (three latest years) and busy season year-ends (four of the eight years). They don't find firm size, leverage (except for just one year), extraordinary items, and audit structure in explaining audit delay. Carslaw and Kaplan (1991) study of New Zealand, examine the effect of nine variables on audit delay using data from 245 and 246 listed firms for 1987 and 1988 respectively. The results show that total assets and net profit sign were significant in both years while client industry, extraordinary items, company ownership, and leverage were significant for a single year. In a Canadian study, Ashton et al. (1989) use eight auditor and client specific variables to explain audit delay. They find that companies from non-financial services industry, reporting extraordinary items and losses and those receiving qualified audit opinions had significantly longer delays. On the other hand, company size, busy season (December-January) year-ends, and auditor size – all inversely related to audit delays. Bonson-Ponte et al. (2008) analyzed the factors that determine delays in the signing of audit reports on the Spanish continuous market for the period from the year 2002 to the year 2005. They found that classification to sectors that are subject to regulatory pressure (financial and energy sector) and the size of company affect the audit delay. Variables such as audit firm, qualifications or regulatory change show no significant relationship with audit delay in Spain. The results show that the companies of larger relative size sign the audit report in fewer days. Also the companies classified to sectors that are regulated internally and are subject to regulatory pressures also sign the audit report before those companies belonging to sectors that are not regulated. Haw and Wu (2000) examine the relation between firm performance and the timing of annual report releases by

listed Chinese firms for the period from the year 1994 to the year 1997. They find that good news firms release their annual reports earlier than bad news firms, and loss firms release their annual reports the latest. McGee and Yuan (2011) compare the timeliness of financial reporting in Republic of China, United States and European Union (EU). Their study also compares timeliness data on the basis of audit firm to determine whether companies audited by one of the Big-4 firms are timelier in their financial reporting. Results indicate that Chinese companies took significantly longer time to report financial results than either the EU or US companies. EU companies took significantly longer time to report financial results than US companies.

Companies that are not timely in their financial reporting practices find it more difficult to attract capital. Their corporate governance practices are also seen less than ideal, which has a negative effect on a company's reputation within the financial community. Thus, Chinese companies that are slow in reporting their financial results may suffer negative consequences in terms of reputation and ability to raise capital.

Jaggi and Tsui (1999) examine the impact of company specific characteristics on audit delay in Hong Kong by incorporating firm's financial condition, ownership control and audit firm technology. They obtain data from 393 firms listed on the Hong Kong Stock Exchange over a period of three years from 1991 to 1993. Their results show that firm size, firm's financial condition, audit approach (degree of structure), degree of diversification, and audit opinion are significant explanatory variables for audit delay in Hong Kong. Abdulla (1996) finds a significant relationship between timeliness and firm size, profitability, and distributed dividends. Owusu-Ansah (2000) employs a two-stage least square regression model and finds size, profitability and company age a significant determinants of reporting lags of Zimbabwean listed companies. Imam et al. (2001) focus on possible association between audit delay and audit firms' international links – a proxy for auditor quality. They find that auditors with international links take longer to complete than

their unaffiliated peers. Ahmed (2003) reports long delays in reporting to shareholders in three South Asian countries namely India, Pakistan and Bangladesh. Using a large sample of 558 company annual reports for the year 1997-1998 comprising 115 reports from Bangladesh, 226 reports from India and 217 reports from Pakistan, Ahmed finds that the total lag between the financial yearend and holding the annual general meeting is, on average, 220 days, 164 days and 179 days in Bangladesh, India and Pakistan, respectively. In Bangladesh, Ahmed did not find any association between corporate characteristics and timely reporting. Karim et al (2006) Using more than 1200 firm-year observations over period of 10 years, we find that regulatory changes have not improved timeliness in reporting, as measured by audit lag, issue lag and total lag. Although we find that large firms take shorter time to publish their annual reports compared with small firms, the lags, on average, have deteriorated significantly following the passage of legislation in Bangladesh. Ku Ismail and Chandler (2004) study of 117 quarterly reports of Kuala Lumpur Stock Exchange suggests that size, profitability, growth and capital structure are significantly related to timeliness.

Modugu et al (2012) examined determinants of audit delay in Nigeria for a sample of 20 quoted companies for a period of 2009 to 2011. The audit delay for each of the companies revealed that it takes a minimum of 30 days and a maximum of 276 days for Nigerian companies to publish their annual reports. Nigeria listed companies take approximately two months on the average beyond their balance sheet date before they are finally ready for the presentation of the audited accounts to the shareholders at the annual general meetings. The results from the panel data which was estimated using Ordinary Least Square regression showed that the major determinants of audit delay in Nigeria include multi nationality connections of companies, company size and audit fees paid to auditors.

Methodology

This study adopts ex-post facto and causal research design. The population of this study is

made up of 8 ICT companies listed on the floor of the Nigerian Stock Exchange from the year 2013 to 2017. This period is considered important due to the fact that the industry witnessed capitalization during this period. As at 2017, 8 ICT Companies were listed on the exchange. In this study statistical sampling is not used due to the small size of the population, all the population elements are census.

The data that are employed for this study is secondary in nature. This study utilized panel regression to analyse the effect of AC size, ACIND, ACGD, ACMT on Financial reporting Lag of listed ICT companies in Nigeria. Hausman specification test was utilized to test whether the fixed or random effect model is appropriate. Thus, the technique is consistent with the research design employed in the study and the objective of this study.

Model Specification

The model used to examine the hypotheses of this study is presented below. The first model is the functional model from which the second model-the OLS is derived.

$$FRL_{it} = \alpha_i + \beta_1 ACS_{it} + \beta_2 ACIN_{sit} + \beta_3 ACG_{it} + \beta_4 ACM_{zit} + \mu_{it}$$

Where:

α = is the intercept

β_{1-4} = are the various slope coefficients.

i = represents the firm (which is the cross-section)

t = represents the time/year (which is the time series)

μ_1 = is the error term.

FRL_{it} = Financial Reporting Lag

ACS = Audit Committee Size

ACIN = Audit Committee Independence

ACG = Audit Committee Gender

ACM = Audit Committee Meeting

Data Presentation and Result

Descriptive Statistics

The minimum, maximum, mean and standard deviation values of each of the variables used to test hypothesis I are discussed below.

Table 1: Descriptive Statistics

	ARL	ACND	ACM	ACGD	ACSIZE	FSIZE
Mean	84.78947	36.43298	3.526316	5.556140	5.122807	15.47596
Median	88.00000	40.00000	3.000000	0.000000	6.000000	15.37000
Maximum	93.00000	60.00000	9.000000	25.00000	6.000000	17.83000
Minimum	50.00000	16.67000	2.000000	0.000000	4.000000	14.17000
Std. Dev.	8.853443	13.43438	1.070802	8.731367	0.946236	0.878300
Skewness	-2.460132	-0.111679	2.352201	0.991542	-0.246208	0.592919
Kurtosis	8.676494	1.441101	13.15332	2.170889	1.182089	2.963517
Jarque-Bera	134.0250	5.890130	297.4005	10.97261	8.424779	3.342912
Probability	0.000000	0.052599	0.000000	0.004143	0.014811	0.187973
Sum	4833.000	2076.680	201.0000	316.7000	292.0000	882.1300
Sum Sq. Dev.	4389.474	10107.02	64.21053	4269.259	50.14035	43.19897
Observations	57	57	57	57	57	57

Source: Eviews 9.0 Output

The mean score of audit committee size is 5.122807. This indicates that on the average the size of audit committee of the sampled ICT firms is 5. The minimum is 4 while the maximum is 6. A standard deviation of 0.946236 confirms variability in the size of the audit committee. The minimum level of independence of the Audit committee is 40 while the maximum is 60. The minimum number of times audit committee of sampled firms held meeting in a year is 2 and the maximum is 9. The mean score for Audit

committee Gender is 5.556140, the minimum is 0.0000 while the Maximum is 25.00000

This study uses the analysis of Jarque-Bera Probability for normality test. FRL, ACSIZE AND ACM are not normally distributed because their P-value are less than 0.05, while ACIND are normally distributed because their P-value are more than 0.05. However, the Guasian theorem (1929) and Shao (2003) suggest that normality of data does not in any way affect the inferential statistics estimate to the BLUE.

Diagnostics Tests

Serial Correlation Test

The Breusch-Godfrey LM Test for serial correlation is presented below:

Table 2

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.116878	Prob. F(2,45)	0.3362
Obs*R-squared	2.506451	Prob. Chi-Square(2)	0.2856

Source: Eviews 7.0 Output

From table 4.2, the p-value of the Breusch-Godfrey Serial Correlation LM Test is 0.2856. This value is greater than 0.05 hence we accept

the null hypothesis that there is no serial correlation of residuals.

Multicollinearity Test

Table 3

Variance Inflation Factors

Date: 09/16/18 Time: 21:57

Sample: 1 57

Included observations: 53

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
ACND	0.002103	12.03537	1.379593
ACM	0.252160	12.28872	1.096197
ACGD	0.006343	2.628654	1.803535
ACSIZE	0.349360	35.58817	1.073816
FSIZE	0.622855	551.6646	1.560447
C	197.0871	717.9897	NA

Source: E-view 9

Table 4.3 above indicates that there is no multicollinearity problem with the predictors (independent variables) of the study. This is because the tolerance values are consistently less than 1 and the VIF values are consistently less than 10.

Heteroscedasticity Test

The results of the White Heteroscedasticity Test in respect of hypothesis II is presented below.

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.160791	Prob. F(5,47)	0.9756
Obs*R-squared	0.891339	Prob. Chi-Square(5)	0.9708
Scaled explained SS	4.558240	Prob. Chi-Square(5)	0.4721

Source: Eviews 9.0 Output

Table 4.4 indicates that the prob. chi-square of the White Test is 0.9708. This is higher than 0.05 hence we accept the null hypothesis that the residuals are homoscedastic. This indicates that the variance of the error term is constant, implying that there is no heteroscedasticity.

Correlation of Matrix

The correlation values between financial reporting lag, audit committee characteristics and control variables in respect of hypothesis II are contained in table 5.

Table 5. Correlation of Matrix

Covariance Analysis: Ordinary

Date: 09/16/18 Time: 21:51

Sample: 2008 2008

Included observations: 57

Balanced sample (listwise missing value deletion)

Correlation Probability	ARL	ACND	ACM	ACGD	ACSIZE	FSIZE
ARL	1.000000					

ACND	0.255807	1.000000				
	0.0548	-----				
ACM	-0.118073	-0.061644	1.000000			
	0.3817	0.6487	-----			
ACGD	-0.055812	-0.312248	-0.085956	1.000000		
	0.6801	0.0180	0.5249	-----		
ACSIZE	0.348456	0.227074	0.005565	0.168170	1.000000	
	0.0079	0.0894	0.9672	0.2111	-----	
FSIZE	0.513674	0.025241	-0.210927	-0.365989	0.021449	1.000000
	0.0000	0.8521	0.1153	0.0051	0.8742	-----

Source: E-view Output

From table 4.2.2.1, the correlation between financial reporting lag and audit committee size is positive significant (5. %) and statistically positively significant (p-value, 0.000). This signifies that the audit committee size positively associated with financial reporting lag of the sampled companies. On the other hand, the correlation between audit committee independent and financial reporting lag is positively but statistically insignificant. The correlation coefficient is -0.06%. The correlation between audit committee gender diversity and financial reporting lag is negatively and statistically insignificant. The coefficient is -0.55%. This implies a negative

association between the size of the audit committee and financial reporting lag. Audit committee meeting has negative coefficient of -0.11 on financial reporting lag and a p value of 0.38 this implies that there is no relationship between the audit committee gender and financial reporting lag.

Regression Results

The results of the Hausman Specification test in respect of hypothesis II is presented below. Again, the test is necessary in deciding which of the two models (FEM or REM) is appropriate.

Table 6. Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	23.488216	5	0.0003

Source: Eviews 9.0 Output

The p-value of the Hausman Test in table 4.2.3.1 is 0.0003. This is statistically significant hence we accept the alternative hypothesis that fixed effect is appropriate. Thus random effect model is adopted.

Variance Inflation Factors
Date: 09/16/18 Time: 21:57
Sample: 1 57

Included observations: 53

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
ACND	0.002103	12.03537	1.379593
ACM	0.252160	12.28872	1.096197
ACGD	0.006343	2.628654	1.803535
ACSIZE	0.349360	35.58817	1.073816
FSIZE	0.622855	551.6646	1.560447
C	197.0871	717.9897	NA

The table above indicates that there is no multicollinearity problem with the predictors (independent variables) of the study. This is because the tolerance values are consistently less than 1 and the VIF values are consistently less than 10.

Regression result

From the above, Hausman Test recommend for Random Effect

Table 4.7

Random effect results

Dependent Variable: ARL

Method: Panel Least Squares

Date: 09/16/18 Time: 21:41

Sample: 2008 2017

Periods included: 10

Cross-sections included: 7

Total panel (unbalanced) observations: 57

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACND	0.112701	0.068493	1.645424	0.1069
ACM	-0.091595	0.682435	-0.134218	0.8938
ACGD	0.501273	0.116415	4.305911	0.0001
ACSIZE	1.417084	0.809839	1.749835	0.0870
FSIZE	2.400502	1.072846	2.237508	0.0302
C	33.81176	17.72392	1.907691	0.0628

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.779934	Mean dependent var	84.78947
Adjusted R-squared	0.726140	S.D. dependent var	8.853443
S.E. of regression	4.633153	Akaike info criterion	6.089016
Sum squared resid	965.9748	Schwarz criterion	6.519132
Log likelihood	-161.5370	Hannan-Quinn criter.	6.256174
F-statistic	14.49854	Durbin-Watson stat	1.250642
Prob(F-statistic)	0.000000		

Source: Eviews 9.0 Output

The results in table 4.2.3.1 indicate that about 77% percent of the variability in financial reporting lag of listed ICT firms in Nigeria is explained by the audit committee characteristics of the companies while the remaining 38% is explained by other variables not captured. The effect is statistically significant. The probability of F-statistics is 0.0000, this is less than 0.05 indicating that the model is fit and appropriate.

From the coefficients of the regression as shown in table 2.30 Audit committee Size has a negative effect on financial reporting lag and is not statistically insignificant. The coefficient is -0.029058 and the p-value is 0.6855 which is more than 0.05. A positive insignificant effect indicates that Audit committee Size increases financial reporting lag even though the result is not significant.

On the other hand, Table 4.7 indicates that, Audit committee independence has a positive insignificant effect on financial reporting lag. The coefficient is 0.112701 and the p-value is 0.1049 which is more than 0.05. This indicates that there is a positive association between Audit committee Independence financial reporting lags. Although this is not significant.

The effect of Audit committee Gender Diversity on financial reporting lag is positive and statistically significant. The coefficient of audit gender diversity is 0.501273 and the respective P-value is 0.0001. The P-value is less than 0.05. A positive coefficient implies that Audit committee gender diversity improves financial reporting lag.

The result on the effect of Audit committee meetings on financial reporting lag is negative and statistically insignificant. The coefficient is -0.091595 and the respective p-value is 0.8938 A positive relationship indicates that presence of female on the audit committee increases financial reporting lag of listed ICT firms in Nigeria.

Discussion of Findings

Audit Committee Characteristics and Financial Reporting Lag

The results of this study indicate that audit committee characteristics statistically influence financial reporting lag of listed ICT firms in Nigeria. Specifically, the study found that the relationship between components of audit committee characteristics used in the study and financial reporting lag is positive and statistically significant at 5% level of significance.

Audit Committee Size and Financial Reporting Lag

The finding from this study indicates that the relationship between the size of the Audit committee and financial reporting lag is positively and statistically not significant. A positive relationship implies that as the size of the audit committee increases, financial reporting lag increases. Although not. This is inconsistent with the findings in Fama and Jensen (1983), Yermack (1996). On the contrary, the findings in this study is inconsistent with the findings in Modugu, Frabhe&Ikhatua (2012), Apador and Noor (2013), Yadiri Chukwu and Ebimobowei (2013).

Audit Committee Independence and Financial Reporting Lag

Finding in this study indicates that audit committee independence have positive and statistically insignificant effect on financial reporting lag. A negative relationship means that independence of the audit committee has not improved financial reporting lag. This conform to the findings of Apador and Noor (2013) However, Yadiri Chukwu and Ebimobowei (2013), Sharinah, Mohd and Azlina (2014) found a positive relationship between Audit committee Independence and financial reporting lag.

Audit Committee Gender and Financial Reporting Lag

The findings of this study indicated that there is a positive relationship between financial reporting lag and audit committee gender diversity, this is to say that, the presence of female members on the audit committee of

listed ICT firms in Nigeria, has a significantly effects on financial reporting lag of the same firms. This in line with the findings of Shrader, Blackburn and Lies (1997), Zahra and Stanton (1988). But not in line with the findings in Agrawal and Knoeber (1996), Krishnan and Park (2005) and Conger et al. (1998), Yadiri Chukwu and Ebimobowei (2013)

Audit Committee Meetings and Financial Reporting Lag

In this study, the results show that the relationship between audit committee meetings and financial reporting lag is negative but not statistically significant. a positive relationship means that more meetings are likely to improve financial reporting lag. These findings is in line with Apador and Noor (2013) However, this inconsistent with the findings in Gariel (2012), Sharinah, Mohd and Azlina (2014).

Conclusions and Recommendations

Based on the findings of this study, the following conclusions are reached: Audit committee characteristics has a significant positive effect on financial reporting lag of listed ICT in Nigeria

This is based on the finding that audit committee characteristics have significant positive effect on financial reporting lag of listed ICT. The A positive relationship between audit committee gender diversity on financial reporting lag implies that ICT with higher committee gender mix are likely to have improved financial reporting lag Similarly, insignificant relationship between audit committee number of meeting and financial reporting lag. A positive relationship indicates that firms with higher audit attributes are likely to have high financial reporting lag in Nigeria although not significant. The findings from this study are limited to the listed deposit money banks in Nigeria. Moreover, there are many proxies of for measuring performance, but this study is restricted to FRL. Therefore, the findings cannot be generalized to other measures of financial reporting lag.

Following the above, it is recommended that audit committee characteristics and financial reporting lag should be sustained and encouraged by companies.

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