Corporate Governance Attributes and Audit Report Lag in Nigerian Listed Commercial Bank

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ABSTRACT

This study examined the impact of corporate governance on the audit report lag of 14 listed commercial banks in Nigeria.

The study adopted a correlational research design; in addition, the corporate annual reports and websites for 2015-2019 were utilized as the primary sources of secondary data. In testing the research hypotheses and ascertaining the significant effect of the variables, the study utilized the panel estimation technique using the pooled ordinary least square, the fixed and the random effect methods of data analysis.

The findings revealed that audit committee size and ownership structures have no significant impact on the audit report lag. The study concluded that solid corporate structure attributes would positively influence corporate governance and the audit report lag. The study recommended that government should make stringent policies and regulations on the audit report lag.

Keywords: Audit report lag, corporate governance, audit committee size, ownership structure.

INTRODUCTION

Corporate governance and audit quality have in recent times attracted researchers' attention, and this has influenced lots of empirical research (Soyemi, Sanyaolu, & Salawu, 2019). The rationale for the unending empirical investigations on these areas of study was emphasized by Ilaboya and Obaretin (2015) to have been justified and sustained as a result of incessant and high- profile corporate failure, financial scandal, global financial meltdown leading to loss of public confidence and the need to address audit failure (Okaro, Okafor, & Okoye, 2015).

Global business developments, and the emergence of joint stock companies, have created an agency relationship between business owners and managers. In practice, management of corporate entities is divorced from ownership, and this warrants corporate owners to entrust management with resources, and permit them to act on their behalf with the expectation of adopting strategies, policies, and actions, among others that will enhance shareholders value creation and wealth maximization. A Financial report is a comprehensive statement that reports all essential financial information and presents them in an organized manner, and in a form easy to comprehend for the use of management to make timely decisions associated with production, and investment planning, expected returns and performance evaluation (IASB,2008). Stewardship responsibility of leadership is achieved through corporate financial reporting in the form of preparation and presentation of audited annual reports and accounts to users of financial information. The financial reporting therefore would only be relevant to the users' group when it is promptly audited by an independent auditor and the report is issued on time (Arowoshegbe, Uniamikogbo, & Adeusi, 2017). Timeliness of financial reports is the "availability of information needed by the decision makers for useful decision making before it loses its capacity to influence decision".

Timeliness of audit reports is a critical 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 investors. In addition, Owusu-Ansah (2000), argues that timely reporting is a critical device to mitigate insider trading, leaks, and rumors in emerging markets. The timeliness can be viewed as a way of reducing information asymmetry and reducing the opportunity to spread rumors about the companies' financial health and performance.

One of the most influential factors in timeliness of financial reporting is corporate governance variables. Corporate governance is viewed as a system that delineates the rights, and responsibilities of each major group of stakeholders in a company, and spells out rules, and procedures for making decisions, about corporate affairs (Needless, Turell, & Sengur, 2012). A sound corporate governance system facilitates the solution of interest conflicts between majority, and minority shareholders, managers, and shareholders, and stakeholders (Akdogan & Boyacioglu, 2014). Corporate governance becomes a frequently debated subject because the failures or abuses observed in the management of the companies play a precipitating or deepening role in the financial crisis. Concerning financial reporting timeliness, corporate governance reduces the audit business risk of the company.

However, corporate governance mechanisms (such as audit committee size, and ownership structure) of many firms worldwide have undergone several changes during the past two decades (Sultana, Singh & Zahn, 2015). Soltani (2002) emphasizes that companies that are distressed financially often receive qualified or modified opinions in the auditor's report and thus, signal weak corporate governance structures which increase audit report lag.

Several studies on the timeliness of corporate reporting and audit delay have been carried out in the developing, and the developed countries. Majority of these studies were conducted in the United States (Krishnan, 2005). Several studies have also been conducted in Australia (Davies & Whittred, 2008); and in Africa, such as Nigeria (Fagbemi & Uadiale,2011; Oladipupo,2011; Modugu, Eragbhe & Ikhatua,2012; Iyoha,2012; Ilaboya & Iyafekhe, 2014). There are several studies on corporate governance and audit report lag across the globe. However, there is still a limited study on the effect of corporate governance attributes on the audit report lag in Nigeria. Hence, a gap exists. Therefore, this study seeks to examine the impact of corporate governance on audit report lag.

CONCEPTUAL REVIEW

Hypothesis Development

Corporate Governance Attributes and Audit Report Lag

Divorce of ownership from the management of corporate entities has created an agency relationship between shareholders and managers. Shareholders as the owners of the company contributed a substantial part of the capital needed in running the entity's business, at the same time; the managers are employed to utilize the resources of shareholders in a manner that will maximize their wealth. Due to the divorce of ownership from management which, in turn, propel the managers from adopting strategies, policies, setting goals and objectives that maximize their wealth as against that of the shareholders, the need to institute corporate governance mechanism becomes expediently essential for any corporate entity. Corporate governance can be viewed as the framework within an organization within the confine of the entity's legal environment for the creation of value for an organization and how these values is distributed among the shareholders in line with their contributions. Corporate governance also states the way and manner through which the affairs of a company is managed, directed, and controlled by its appointed officials. Corporate governance focused on how managers and insiders to an organization pursue and protect the well- being of

all parties to an entity by ensuring that they take appropriate measures that promote accountability (Ejeagbasi,Nweze,Ezeh, & Nse,2015). The study argued further that abuse of power, falsification of financial statements, abuse of internal control system, and all sort of unethical practices are all indications of lack of corporate governance codes, which in effect leads to the collapse of many businesses in the worldwide. In order to align the interest of the managers with that of the shareholders, there must be an institution of effective, and efficient corporate governance mechanism, such must be evaluated from time to time to ensure that the purpose for which it is set up is achieved at every point in time.

Audit Committee Size

The audit committee plays essential role in assessing the board in fulfilling its responsibilities by overseeing the accounting and financial reporting processes. Karnain (2007) posited that one mechanism that has been widely used in worldwide corporate organizations to monitor the financial reporting process is the audit committee and the establishment of audit committees comprising majority of independent directors. Li, Pike & Haniffa (2008) and Persons (2009) revealed that the audit committee size improves corporate disclosures, Ilaboya and Christian (2014) found a positive relationship between audit committees and audit report lag. Potential problems in the financial reporting process are more likely to be uncovered and resolved with an extensive audit committee. These could arise if a larger committee size increases the recourses available to the audit committee, and improves the quality of oversight, Ahmad-Zaluki and Wan-Hussin (2010) showed weak evidence that the audit committee size is positively associated with the quality of financial statements disclosure, proxied by the accuracy of initial public offering management earnings forecast. Bedard and Gendron (2010) posit that audit committee size is not a crucial determinant of "audit delay", but admonished that the incremental coats of poorer communication, coordination, involvement, and decision- making associated with larger audit committee might outweigh the benefits.

Ownership Structure

Owusu-Ansa and Leventis (2006) argued that the majority of shareholders show less interest in making sure annual reports are released on time to keep the market informed since they have superior access to inside information. This implies that where the share of a firm is highly concentrated among a few shareholders, audit report lag is high. However, where the stakes are evenly spread, audit report lag is low since no single shareholder can have access to inside information. Soltani (2002) claimed that the presence of foreign investors reduces audit report lag due to the influence they wield on corporate reporting, corporate governance, and the choice of accounting methods such firms use. Habib (2015) also posits that the presence of governmental ownership reduces the demand for external auditing since governments monitor and communicate to management directly through internal channels, Yaacob & Che-Ahmad (2012) argued that block holder ownership (i.e. 5% or more shareholders) reduces agency conflict between agents and principals, thereby reducing the monitoring cost of agents, Invariably, a higher percentage of block holders have been discovered by Abdelsalam & El-Masry (2008) to have a significant negative relationship with audit report lag.

THEORETICAL REVIEW

The theory underpinning this study is the stakeholder theory. This is discussed below:

Stakeholders' Theory

This theory is an extension of the agency theory; it anticipates that the agents take care of the welfare of the principals. This theory posits that there exist many other stakeholders apart from shareholders, and management should make decisions for the benefit of all stakeholders (Freeman, 2004), a stakeholder is any group or individual who can affect or is affected by achieving the organization's objectives (Freeman,

1984), they include governmental bodies, political groups, trade associations, trade unions, associated corporations, prospective employees, prospective customers, and the public generally (Donaldson, Preston, & Preston, 1995). The stakeholder theory asserts that management has a social responsibility that requires them to consider the interest of all its stakeholders when making decision-making (Antonelli,D'Alessio,& Cuomo, 2016).

The stakeholder theory can also be used to explain the effects of ARL on the share returns in the sense that managers have an interactive to prolong the publishing of audit reports because of the required statutory disclosures that prevent them from hiding bad news (Watt, 1992). The stakeholder theory suggests that the delay of audit reports send a 'silent signal' for the shareholder to divest their firms' shares before the news reaches the market. On the other hand, shorter ARLs imply that good communication is release into the market (Mahajan & Chander, 2008; Nor Izah Ku Ismail & Chandler, 2004). The stakeholder theory argues that stakeholders such as regulator can influence the ARL by implementing policies that reduce ARL so they can ensure timely financial reporting. Al-that (2015) employed the stakeholder theory to investigate the association of ARL, firm size, profitability, leverage, and auditor type. The approach observed a significant relationship between profitability, auditor type, and ARL. The approach is imperative in our audit report lag and corporate governance study.

Review of Empirical Studies

Several studies have been carried out at global and local levels to establish the relationship between corporate governance and tax compliance. Hence, this study examined the empirical studies on specific variables as discussed.

Audit Committee Size and Audit Report Lag

Ilaboya and Iyafekhe (2014) investigated corporate governance concerning audit report lag in Nigeria among 120 listed corporate organizations in the manufacturing sector on the Nigerian Stock Exchange from 2007 to 2011. Descriptive statistics and ordinary least square (OLS) regression technique revealed that AC size had a positive and significant relationship with ARL.

Also, Akogo, Mgbame, and Ogiedu (2015) investigated audit committee factors in the timeliness of financial reports in Nigeria among all commercial banks listed on the Nigeria Stock Exchange. Multi-variate regression analysis showed that AC size had a positive, and significant relationship with the timeliness of financial reports.

Furthermore, Asuquo, Imobhio, and Izedonmi (2015) examined the effect of audit committee characteristics on the timeliness of financial reports from the annual reports of all listed deposit money banks on the Nigerian Stock Exchange. OLS technique revealed that AC size had a positive and significant relationship with the timeliness of financial reports.

Ishaq-Ahmed and Che-Ahmad (2016) examined corporate governance characteristics and their effects on audit report lag among 14 Nigerian banks quoted Nigerian Stock Exchange covering a period of 5 years from 2008 to 2012. OLS technique revealed that AC size had harmful and insignificantly associated with ARL.

Ownership Structure and Audit Report Lag

Akahoho (2017) evaluated the influence of corporate governance and mandatory adoption of IFRS on the audit report lag among firms listed on the Ghana Stock Exchange from 2003 to 2014, which resulted in 168 firm-year observations. The panel-corrected standard errors regression model showed that ownership

structure had positive and insignificant relationship with ARL. Also, Ezat (2009) examined the key factors that affect the timeliness of corporate internet reporting by the listed Egyptian corporations in the Egyptian Stock Exchange. The study used firm characteristics and corporate variables to investigate the influence on the timeliness of corporate internet reporting. The study found a significant relationship between the timeliness of corporate reporting and ownership structure.

Furthermore, Ishak, Sidek, and Rashid (2010), in a study on the effect of ownership structure on the timeliness of financial reporting using emerging country data, investigated the findings of the impact of various forms of company ownership, that is, ownership concentration, institutional ownership and foreign ownership, on the timeliness of release of financial statement of a sample of 198 Malaysian listed companies for the 2007 financial year. Using multivariate analysis, the study found out that ownership concentration, institutional ownership, and foreign ownership impact on audit delay and hence, the timeliness of releasing financial statement to the public.

Afify (2009) examined the impact of corporate mechanisms on audit report lag in Egypt. The study revealed that the ARL for each of the 85 listed sample companies ranged from a minimum interval of 19 days to a maximum break of 115 days, and Egyptian- listed companies take approximately 2 months on average. Regression analysis conducted indicated that ownership structure has an insignificant effect on ARL.

Hashim (2017) examines the link between corporate governance mechanisms and audit report lag (ARL) among 288 companies listed at Bursa Malaysia for three- years of 2007-2009. It examines a part of the corporate governance mechanisms, namely ownership structure. The result of the study shows that there is significant relationship between ownership structure and ARL.

RESEARCH METHODOLOGY

Research Design

The study employed a correlational research design and panel data using panel regression analysis. The correlational research design were utilized to analyze the statistical association between dependent and independent variables. The method was adopted because of its ability to test the expected relationship between and among variables, thus, making predictions concerning these relationships (Creswell, 2008).

Furthermore, panel data utilized to account for the individual heterogeneity of sampled commercial banks. The applications of panel regression analysis were used to examine the model of the study as its measures the strength of the relationship in terms of its significance (Mbir,Agyemang,Tackie,and Abeka, 2020). The choice was due to the similar studies conducted by Ilaboya and Christian (2014); Ilaboya and Obaretin (2015), where panel OLS regression were utilized to examine the relationship between corporate governance and audit report lag.

Population and Sampling Techniques

The population of this study consisted of all (14) listed deposit money banks on the Nigerian Stock Exchange (NSE) as of 31st December, 2019. The banks were considered appropriate for the purpose of this study because they are required by law to submit their published audited financial statement annually to the Security and Exchange Commission (SEC). Censor sampling technique were used because of the small size of the population. The whole population of this study will be taken as a sample size.

Model Specifications

The study employed a multi-linear regression model to determine the relationship between the explained

variables and the predictors based on the use of the panel data method, which employs panel regression analysis using the comprehensive least square technique. The study ensured the variables produced the expected results and established the relationship between the variables (Korkmaz, 2016). This study captured two (2) variables dependent and independent variables: Audit report lag, Audit committee size, and Ownership structure.

The model is expressed explicitly as:

$ARL_{it} = \beta0 + \beta1ACSIZEit + \beta2OWNERit + \mu it$ ..... (1)

Where:

β1, β2 = coefficient of the independent variables

β0 = intercept of the regressors line, regarded as constant

ARL = Audit Report Lag

ACSIZE = Audit Committee Size

OWNER = Ownership Structure

μ = Error term

DATA ANALYSIS

This section deals with the presentation, analysis, and interpretation of the data collected for empirically testing the model of the study. Panel least square regression analysis is used to estimate the relationship between the independent variables (Audit committee Size and ownership structure) and the dependent variable (Audit Report Lag) for listed deposit money banks.

Descriptive Statistics

Table 1: Descriptive Statistics of Variables

	ARL	ACSIZ	OWNER
Mean	77.25714	6.085714	28.60429
Median	74.50000	6.000000	11.76500
Maximum	343.0000	8.000000	82.46000
Minimum	0.000000	6.000000	0.000000
Std. Dev.	39.39789	0.370775	30.07663
Skewness	0.369465	0.443696	0.335782
Kurtosis	3.091741	2.983671	1.313954
Jarque-Bera	2495.940	1281.483	9.606776
Probability	0.000000	0.000000	0.008202
Sum	5408.000	426.0000	2002.300
Sum Sq. Dev.	107101.4	9.485714	62417.65
Observations	70	70	70

Source: Author's computation from E-Views 10

Table1 reveals the descriptive statistics of the ARL and board attributes of the selected firms between 2015 and 2019. The mean scores of the data displayed the level of consistency as they fall between the minimum (0.000) and maximum (343.) scores. Thus, the audit report lag (ARL) for the periods examined stood at a mean value of 77.25714. The standard deviation measuring the distribution spread stood at a discount of 39.39789, while the Jarque-Bera statistics stood at 2495.940 with a p-value of 0.000. The skewness and kurtosis statistics of the variables were normally distributed as skewness is close to zero and kurtosis of ±3. The variables exhibited normality.

Table 2: Pearson Correlation Matrix Analysis

	ARL	**ACSIZ**	**OWNER**
ARL	1.000000		
ACSIZ	-0.184082	1.000000	
OWNER	-0.044935	0.230361	1.000000

Source: Author's computation from E-Views 10

Table 2 shows the Pearson correlation matrix for the variables as included in the investigation. The correlation coefficients show a relationship between ARL and (ACSIZ, and OWNER) as contained in the analysis. Correlation coefficients also showed a negative relationship between audit report lag (ARL) and Audit committee size (ACSIZ) as well as Ownership structure (OWNER). There is no problem with correlation as the correlation coefficients were less than 0.8 (Gujarati, 2004).

Variance Inflation Factors

Table 3 Variance Inflation Factors

Variance Inflation Factors			
Date: 03/28/23 Time: 01:21			
Sample: 1 70			
Included observations: 70			
	Coefficient	Centered	Tolerance
Variable	Variance	VIF	1/VIF
ACSIZ	178.4809	1.143552	0.874468
OWNER	0.041976	1.769707	0.565065
C	9016.074	NA	NA

Source: Author's computation from E-Views 10

The variance inflation factors were utilized to check for multicollinearity in this study. Rule of thumb indicates that the centered VIFs must be below the benchmark of ten. Therefore all the centered VIFs are below ten. Gujarati (2004) argues that VIF is normal if it is lesser than 10 and tolerance coefficient is higher than 0.10. Researcher now concludes that there is never an issue of multicollinearity in the model.

Test of Hypotheses

A Pooled Ordinary least square regression method was utilized to test the research hypothesis one. Objective one to two of this study is to investigate the effect of corporate governance on audit reporting lag.

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Null hypothesis tested here is that corporate governance structures do not have a significant relationship with audit reporting lag. Regression analysis was engaged to examine the relationship. In addition, the cross- sectional data regression method uses the pooled ordinary least square method with more statistically significant parameters. Table 4. present the results of the panel least square regression method with 70 observations to analyze the relationship between the variables.

The pooled OLS, being a restrictive technique, assumes that the regression coefficients and regular estimates are uniform for the entire cross- sectional observations over time. It does not distinguish the possibility of heterogeneity in cross- sectional data, and time series.

Estimation of Panel Least Square Results

Table 4: Estimation of Panel Least Square Results

Dependent Variable: ARL				
Method: Panel Least Squares				
Date: 03/27/23 Time: 11:51				
Sample: 2015 2019				
Periods included: 5				
Cross-sections included: 14				
Total panel (balanced) observations: 70				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACSIZ	-14.37873	13.35967	-1.076279	0.2859
OWNER	0.271559	0.204880	1.325454	0.1898
C	118.1391	94.95301	1.244184	0.2180
R-squared	0.629134	Mean dependent var		77.25714
Adjusted R-squared	0.546194	S.D. dependent var		39.39789
S.E. of regression	38.47715	Akaike info criterion		10.23265
Sum squared resid	93270.94	Schwarz criterion		10.45750
Log likelihood	-351.1426	Hannan-Quinn criter.		10.32196
F-statistic	1.556964	Durbin-Watson stat		1.901560
Prob(F-statistic)	0.004630			

Source: Author's computation from E-Views 10

The results in Table 5 show that the Durbin- Watson statistics of 1.90 shows the absence of autocorrelation or serial correlation between the variables as the coefficient is approximately 2. It is clear from the estimated model that Ownership structure (OWNER) variables in the model depict positive relationships with the dependent variable ARL, while Audit committee size (ACSIZ) variables show a negative relationship. Estimated parameters of Ownership structure (OWNER) and Audit committee size (ACSIZ) variables conform with the *a- priori* inverse relationship between (but insignificant) with Audit Reporting Lag (ARL), this is in line with the work of Ilaboya and Christian (2014); Akahoho (2017); Afify (2009); Yenny and Yulia (2017); Apadore and Mohd Noor (2013); Hashim and Rahman (2010); Ishaq-Ahmed and Che-Ahmad (2016).

From the analysis, an additional increase in Audit committee size (ACSIZ) variables reduces ARL by 27% respectively but has an insignificant relationship. Based on the probabilities of the explanatory variables,

that is, ACSIZ with a P-value of 0.28 has a negative relationship which is statistically insignificant at a 5% level of significance. The R^2 value of 0.629134 connotes 63% of the degree of variation in the audit reporting lag explained by the model while the remaining 37% is captured by the stochastic error term. The estimated model is statistically significant in its overall evaluation considering the significance of the Prob (F-statistic) value (0.004).

As earlier pointed out, the associated shortcoming with the model is that it does not recognize the difference between diverse firms that were conducted it admitted that the entire fourteen firms are the same in every feature, which ordinarily is not so. Pooling the fourteen firms, the study forfeited heterogeneity or individuality that may be feasible among the fourteen firms chosen for analysis in the study. It was significant to run the fixed effect analysis or Least Square Dummy Variable (LSDV) and random effects analysis.

Fixed Effect or Least Square Dummy Variable (LSDV) and Random Effects

The fixed effect or least square dummy variable (LSDV) model is suitable for heterogeneity or individuality among the fourteen firms by permitting each firm to have intercept value. Fixed effect is because although the intercept may differ across the firms, the intercept does not change over time. This implies it is time- invariant. The inclusion of the fixed effect is to notice the impact of some variables that are not included in the original pooled OLS model. On the other hand, the random effect model, the fourteen firms employed for the analysis in the study are assumed to have a uniform mean value for the intercept. The random effect explains that the heterogeneity is the random rather than fixed also that the random effect is inbuilt into the error term. Therefore, it forms a composite error term. The outcomes of the fixed effects model and the random effects model are presented in Table 5 and 6, respectively

Table 5: Fixed Effects Model

Dependent Variable: ARL				
Method: Panel Least Squares				
Date: 03/27/23 Time: 12:28				
Sample: 2015 2019				
Periods included: 5				
Cross-sections included: 14				
Total panel (balanced) observations: 70				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACSIZ	-9.694448	17.37432	-0.557976	0.5794
OWNER	0.484738	1.869624	0.259270	0.7965
C	145.4095	355.6862	0.408814	0.6844
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.732835	Mean dependent var		77.25714
Adjusted R-squared	0.658688	SD. dependent var		39.39789
SE. of regression	40.53751	Akaike info criterion		10.47729
Sum squared resid	82164.47	Schwarz criterion		11.11972
Log- likelihood	-346.7051	Hannan-Quinn criter.		10.73247
F-statistic	0.798684	Durbin-Watson stat		1.587640
Prob(F-statistic)	0.007634			

Source: Author's computation from E-Views 10

Table 6: Random Effects Model

Dependent Variable: ARL				
Method: Panel EGLS (Cross-section random effects)				
Date: 03/27/23 Time: 12:31				
Sample: 2015 2019				
Periods included: 5				
Cross-sections included: 14				
Total panel (balanced) observations: 70				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACSIZ	-14.37873	14.07505	-1.021576	0.3109
OWNER	-0.271559	0.215851	-1.258087	0.2130
C	118.1391	100.0375	1.180948	0.2421
	Effects Specification			
			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			40.53751	1.0000
	Weighted Statistics			
R-squared	0.729134	Mean dependent var		77.25714
Adjusted R-squared	0.646194	SD. dependent var		39.39789
SE. of regression	38.47715	Sum squared resid		93270.94
F-statistic	1.556964	Durbin-Watson stat		1.901560
Prob(F-statistic)	0.004630			
	Unweighted Statistics			
R-squared	0.729134	Mean dependent var		77.25714
Sum squared resid	93270.94	Durbin-Watson stat		1.901560

Source: Author's computation from E-Views 10

Table 5 and Table 6 are the fixed effects and the random effects regression estimates, respectively. It was revealed that the explanatory variables ACSIZ and OWNER variables have negative relationships with ARL. Specific impact of each of the explanatory variables on the dependent variable is revealed in the coefficient column of Table 6.2 and 6.3. The R^2 values for both fixed effects and random effects model indicate the total variation in ARL as explained by the explanatory variables. In overall, the models are statistically significant, as shown by the statistical significance of their *F*-statistic.

However, to ascertain the appropriate choice of either of these estimated models, the study employed the use of the Hausman Test.

The Hausman Test

The Hausman Test was conducted to verify if there is a significant discrepancy between the estimates of the fixed effect estimator and that of the random effect estimator. Null hypothesis underlying the test is that the fixed effect estimates do not distinguish significantly from the random effect estimates. Test statisti

formulated by Hausman has an asymptotic chi-square distribution. Having estimated the Hausman Test Hypothesis:

H_0: Fixed effect model is appropriate

H_1: Random effect model is appropriate

The rule is that if the probability value of the Chi-Square Statistics is statistically significant, we accept the fixed effects model; otherwise, the random effects model is appropriate.

Table 7: Extract from the Hausman Test Result

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	3.262853	6	0.7752

Source: Author's computation from E-Views 10

Examining the Chi-square values of the cross- sectional random in Table5.4, the probability value of the Chi-square statistics is 0.77 (77%). This probability is greater than 5%, and this implies that, we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1). Consequently, we conclude that the random effects model is appropriate to accept for analytical reason.

DISCUSSIONS OF FINDINGS

Therefore, examining the estimated random effects models accepted as the appropriate models as shown in Table5.2, it is evident that ACSIZ and OWNER has a negative, but insignificant impact on the ARL of the selected firms.

Hypothesis 1: There is no significant effect of audit committee size on audit report lag.

The audit committee plays essential role in assessing the board in fulfilling its responsibilities by overseeing the accounting, and financial reporting processes. Mechanism that has been widely used in worldwide corporate organizations to monitor the financial reporting process, and corporate governance is the establishment of an audit committee comprising a majority of independent directors. It has been approved theoretically that audit committee size might not be a crucial determinant of audit delay, because the incremental cost of poorer communication, coordination, involvement, and decision- making associated with a larger Audit committee might outweigh the benefits. From appropriate random effects model, it is evident that an increase in audit committee variable will bring about the reduction of 14.37% in the quality of audit reporting lag, but insignificant. Based on this outcome, the null hypothesis that there is no significant effect of audit committee size on audit report lag is accepted, and the alternative hypothesis rejected. The finding is consistent with the work of Ishaq-Ahmed and Che-Ahmad (2016).

Hypothesis 2: There is no significant impact of ownership structure on audit report lag.

The ownership structure is all about the internal organization of a firm, rights, and duties of the individual holding the equitable or legal interest in that firm. Theoretically, it has been established that where the shares of a firm is highly concentrated among a few shareholders, audit report lag is high. Where the stakes is evenly spread, audit report lag is low since no single shareholder can have access to inside

information. Negative but insignificant effect of the ownership structure variable is explainable by the fact audit report lag is low since no single shareholder has access to inside information. Unit increase in the ownership structure will lead to an insignificant decrease of 27.15% in the quality of audit reporting lag. Null hypothesis that there is no significant impact of the ownership structure on audit report lag is accepted. The finding is consistent with the work of Afify (2009).

The R^2 value of 0.729134 means that about 73% of the degree of variation in the dependent variable is defined by the explanatory variables. This means that about 27% of the degree of variation in audit reporting lag (ARL) is explained by other characteristics not included in the model of this study. Estimated model is statistically significant in looking at the significance of the F-statistics from a probability value of 0.004630. These results and analyses adequately addressed one to five objectives and their hypotheses of this study.

CONCLUSION

The study carefully looked at the effect of corporate governance on audit report lag in Nigeria. Achieving the objectives of this study, data were sourced from the annual report and corporate websites of fourteen (14) listed commercial banks in Nigeria. In addition, data were also sourced from the Nigerian Stock Exchange fact book (2015-2019). There were two hypotheses formulated and tested using panel regression technique. Basis on the research findings, the following conclusions were reached:

1. The extent of Audit Report Lag by the Nigerian listed commercial banks was low. This shows that listed commercial banks in Nigeria disclose very low audit report lag in the annual reports and corporate websites.
2. The audit committee size demonstrated an insignificant negative relationship with the extent of audit report lag of listed commercial banks in Nigeria. This implies that banks' audit committee size has an insignificant influence on the audit report lag.
3. The ownership structure exhibited an insignificantly negative relationship with the extent of audit report lag of listed commercial banks in Nigeria. This implies that banks' ownership structure has an insignificant influence on the audit report lag.

To this end, the significant relationship between corporate governance and audit report lag indicates an appropriate use of the information supporting audit report lag. The insignificance relationship of the corporate determinants suggests the need for full compliance with the international best practices ensure that audit report lag in the annual reports are maintained. In this respect, full compliance with the international best procedure would strengthen these determinants and result in more adequate information disclosure to the needs of stakeholders, thereby reducing reporting gap. This stakeholder adopted by this study is strengthened by the findings of this study.

RECOMMENDATIONS

Based on the findings of this research, the following recommendations, which are of immense benefit to stakeholders, are provided:

1. The study, therefore, recommended that government should make stringent policies and regulations on audit report lag.
2. The Audit committee size should be approximately five (5) members at least three (3) members having enough knowledge in auditing and financial disclosures and the relevant penalties for delaying.
3. Also, the ownership structure should ensure that the stakes of a firm are not highly concentrated on the hand of a few shareholders to ensure the desire level of audit report lag.

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