ISSN: 8670 -7142
Volume 9, Number 1, 2024
The International Journal of Accounting and Management Innovations

BOARD ATTRIBUTES AND AUDIT REPORT LAG OF QUOTED INDUSTRIAL FIRMS IN NIGERIA

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ABSTRACT

The coronavirus pandemic truncated the audit process in the developed and developing countries like Nigeria, the corporate reporting rules in Nigeria were relaxed in other to curb the spread of the virus which made it impossible for audit clients to gather the relevant data to prepare the financial report. The study investigated the board attributes and timeliness of financial reporting of quoted industrial firms on the floor of the Nigerian Stock Market. The data was gathered from the NSE factbook and published financial reports of the listed firm covering (2012-2018). The data were analyzed using the Descriptive statistics, Correlation matrix, Panel regression, and the Hausman test. Our study found that Board independence, Board ownership, and Board size has a positive relationship and statistically insignificant while the Board meeting has a negative and insignificant impact on ARL. Therefore, the proceeding recommended that the board size of industrial firms should not be large for effective communication and oversight function.

Keywords: Board Independence, Board Meeting, Board Ownership, Board Size, Timeliness of Financial Reporting.

INTRODUCTION

The coronavirus pandemic truncated the audit process in the developed and developing countries like Nigeria, the corporate reporting rules in Nigeria were relaxed in other to curb the spread of the virus which made it impossible for audit clients to gather the relevant data to prepare the financial report and the Nigerian Stock Exchange gave listed firms the timeframe to complete and submit their audited financial statements. According to NSE dated March 24, 2020, in a circular addressed to Dealing Members Firms (DMFs) in the decision to approve an impermanent suspension of Rule 7.4 on Submission of Financial and Non-Financial Reports to the Exchange) of the 2015 amended Rulebook of the Exchange. Due to the outbreak of coronavirus, the NSE granted all DMFs and added sixty (60) days to prepare and submit their end of the year report for December 31, 2019. The submission of the audited financial statement was protracted till May 29, 2020. The undue delay in the release of a financial report increases uncertainty among shareholders, although timely information available to shareholders enhances the accountability and transparency of the board in other to measure the performance of the organization within an accounting year-end. Dabor & Mohammed (2015) elucidated that the delay in the release of financial can render the value of the information irrelevant. Users of accounts are skeptical about the reliability in the publication of their financial reports.

Naboya & Iyafekhe (2014) viewed the prerequisite needed for the preparation of the financial report is imperiled to external audit can encounter with the requirement of the timely release of the financial report. Similarly, Knechel & Payne, (2001) advocated that unnecessary delay in the release of financial might be attributed to less information quality. The inclusion of the independent non-executive should not be Less than half of the NED and the non-executive directors are not less than two-third on the board are expected to be independent in ensuring that no group of individuals dominates the board decision making (Mohammad & Philip, 2018). CG can intensity the speedy release and accuracy of corporate reporting to shareholders; information not release at the stipulated period loses its relevance. Studies have proven that the board of directors with structured

governance decreases the effect of earnings manipulation by management and the possibility of creative reporting as a result of fraud (Beasley, 1996; McMullen & Raghunandan, 1996).
This paper comprises of five sections, section one; introduction and statement of the problem, section two discusses the theoretical foundation, hypotheses premise, empirical review, section three emphasis on the methodology, the section four discusses the analysis, regression result and discussion of findings, section five focus on conclusion and recommendation of the research.

Review of Literature
Conceptual Clarification
Board Attributes
Mohammed and Dauda (2019) posited that the organizational composition of boards should consist of directors with skills and experience. The board of directors should be formed with not less than five and should be constituted with non-executive with an independent director. The board is the apex control system that is responsible for the running and oversight function of the firms and providing transparent and accountability reports for the shareholders and interested investors.
Most of the corporate disasters that affected the developed and developing countries like Nigeria have been attributed to the composition of the Board and have been regarded as an integral part of governance, hence the clarion call for strong compliance can impact the governance of the board. The board of directors needs to understand the complexity of shareholder expectations and the ability to interpret the need of the stakeholders.

Timeliness of Financial Statement
Timeliness of financial reports is the time anticipation when information is been accessible and readily available for the intended users of the financial statement. Ogoun, et al., (2020) viewed timeliness as important qualitative elements of financial statement. Information could be seen as essential and relevant when the shareholders and other investors could have access to the information for decision making and future forecasts. Ogoun, et al., (2020) defines ARL as the timely release of the end of the year external audited financial report of firms to the stakeholders. The delay in the release of financial information makes the information less relevant for decision making. Although, the increasing importance of the timely release to be presented to various Shareholders has incited the Nigerian regulatory authorities to set up guidelines and the maximum time frame that the audited report should be published.

Theoretical Foundation
The study was anchored on stewardship theory to explain the board attributes and timeliness of financial statements of listed industrial firms on the floor of the Nigerian Stock Market.

Stewardship Theory
The steward protects and ensures the maximization of shareholders' wealth; the stewards are the organization's top-level management working for the interest of shareholders in profit maximization through their performance. In Stewardship theory, the goal and objectives of the boards of directors and managers aligned to spur in the best interest of the firm and to have an insight on immaterial remuneration, the theory gives room for personal development and increases Organizational performance. Donaldson and Davis (1991) viewed Stewardship Theory as directors and managers as stewards of an organization. Stewards are seen as trustworthy individuals and they must give an account on the resources entrusted to manage.
In the work of Kota and Charumathi (2018) and Hernandez (2012), posited that stewardship is the way an individual keenly work against his interests and act in the best interest of other's long-term welfare. The theory stipulated that there is no conflict of interest and the problem arising from the

executive control among the agents (managers) and principal (owners). Despite the absence of motivation between the managers and the owner, both parties work closely on the board responsibility in emergent strategy and taking risks on the way the agents (managers) will run the affairs of their business and improve the return on investment (ROJ), this increases the trustworthiness that is absent in agency theory.

Hypothesis Premise

Olabayo, Bakare & Jumai (2018) investigated the impact of board characteristics on the timeliness of financial reporting of listed insurance companies in Nigeria using correlational research design. The data for their study was extracted from the annual reports of fifteen (15) listed insurance covering 2011-2016 and analyzed using the GLS multiple regression techniques. From the analytical output, board size has a positive and statistically significant impact on the timeliness of financial reporting. They recommended that the board should have a large number of directors has it will reduce the delay in the publishing of financial reports. Similarly, Efobi & Okougbo (2014) explored the determinant that influences the timeliness of financial reporting of thirty-three (33) financial institutions covering (2005-2008). The data gathered were analyzed using the Generalized Least Square (GLS) regression. Their result revealed that firm size, leverage, and corporate performance had a negative and significant influence on the timeliness of financial reporting, while, age of the company had a positive and significant influence. They suggested that corporate governance plays an important role in harmonizing with corporate governance variables in explaining the timeliness of financial reporting.

In the work of Odit (2015) investigated the effect of corporate governance on the timeliness of financial reporting of all firms listed on the floor of Nairobi Securities Market covering 20092014. The data was gathered from the published financial statement of firms and the Descriptive Statistics, ANOVA, and Correlation Matrix were used to analyze the data. The study found that board size had a negative relationship with the timeliness of the audited report while the audit committee and board diversity improves the timeliness of financial reporting. He recommended that the managers and policy formulators should ensure that the audited financial statement should be published on time for investor's decision making. On their part, Ilaboya & Iyafekhe (2014) explored the attributes of corporate governance and audit report lag of manufacturing firms listed on the floor of the NSE within the timeframe of (2007-2011). The data were obtained from the financial statements and analyzed using the descriptive statistics, correlation analysis, and Ordinary Least Square (OLS) regression. The result found that audit committee size and Audit firm type had a positive and significant impact on ARL, while board size and firm size had a negative and statistically significant effect on ARL. Board independence had a negative relationship and statistically insignificant on ARL. The study suggested that the government should formulate strict policies and regulations on audit report lag.

Eze & Nkak (2020) investigated corporate governance attributes and timeliness of audited reports of quoted companies in Nigeria covering the 2018 calendar year. The data were gathered from the published financial statements. Descriptive statistics and STATA models were used in analyzing the data and the result found that board independent non-executive had a positive and significant impact on the timeliness of audited reports. Also, the Board size and Non-executive director had a negative relationship with ARL. However, their study recommended that firms should enhance their proficiency in the timely release of financial statements. Although, Dabor & Mohammed (2015) explored the corporate governance variables on audit delay in the bank in Nigeria. The data were extracted from the financial statement of the banks and the ordinary least square technique was used to analyze the data. From the analytical output, the result showed that board size had a negative relationship with audit delay, while firm age and profitability had a positive relationship with audit delay. Their study recommended that regulatory agencies should enact stiffer law to minimize institution ownership. Similarly, Iyoha (2012) investigated the extent company attributes impact on the timeliness of financial reports in Nigeria covering 19992008. The data collected were analyzed using the Ordinary Least Square (OLS) Regression and the panel data estimation technique. The result obtained showed that the age of the company is a major factor that influences the timeliness of financial reports. The study recommended that the law regulating the timely releases of information is in existence and strict compliance.

The above-mentioned scholars did not consider board attributes in their studies. Therefore, this study examined the effect of board attributes on the timeliness of financial statements of quoted industrial firms in Nigeria. The study developed the hypothesis premise between Board Attributes and Timeliness of financial statements. The hypothesis is stated in the null form;

Ho_1: There is no significant relationship between board size and timeliness of financial statements in Nigeria.

Ho_2: There is no significant relationship between board independence and timeliness of financial statements in Nigeria.

Ho_3: There is no significant relationship between board ownership and timeliness of financial statements in Nigeria.

Ho_4: There is no significant relationship between board meetings and timeliness of financial statements in Nigeria.

METHODOLOGY

Our study espoused the ex-post facto design. The data was obtained from the financial report quoted firms. The study population encompasses seven (7) industrial firms quoted on the Nigerian Stock Market covering (2012 – 2018). The study explored the Descriptive Statistics, Correlation Analysis, and Ordinary Least Square (OLS) regression to analyze the data.

Table 1: Population of the Study

S/N	Company	Year of Incorporation	Date Listed
1.	Beta Glass	1974	1986
2.	Austin Laz and Company	1982	2012
3.	Berger	1959	1974
4.	Grief	1940	1986
5.	Lafarge Africa Plc	1959	1979
6.	Portland	1985	2009
7.	Premier	1982	1995

Source: Researcher's Computation, 2023

Empirical Model Specification

AUDLAG = C(1) + C(2)*BIND + C(3)*BMEET + C(4)*BSIZE + C(5)*BOWNERSHIP + C(6)*FIRMSIZE

Where:
AUDLAG = Audit Report Lag
BIND = Board Independence
BMEET = Board Meeting
BSIZE = Board Size
BOWNERSHIP = Board Ownership

AUDLAG = -16.3146714298 + 0.571595486193*BIND – 2.94210781928*BMEET + 3.11914666335*BSIZE + 0.544565261122*BOWNERSHIP + 1.37191221349*FIRMSIZE

ISSN: 8670 -7142
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Measurement of Variables

Dependent Variables
Audit Report lag = It is measured by the number of days the company submit its report to the Nigerian Stoke market

Independent Variables
Board Size = it is the total numbers of all directors
Board Meeting = is the number of the board meeting held by the board directors in a year
Board Independence = it the percentage of non-executive directors on the board
Board Ownership = it is computed as the director's direct and indirect shares divided by outstanding shares.

Control Variable
Firm Size = it is computed as the natural logarithm of total assets.

RESULT AND DISCUSSION
Table 2: Descriptive Statistics

Variables	Mean	Min.	Max.	Std. Dev.
Audlag	55.87755	0.00000	165.0000	45.42514
Bind	72.88251	28.57140	94.44440	12.07998
Bmeet	4.653061	3.000000	10.00000	1.407584
Bsize	8.918367	4.000000	19.00000	3.790540
Bownership	13.38963	0.010400	65.07970	21.13883
Log of Tot Asset	6.642914	5.401100	8.761700	0.984995

Source: Authors Computation, 2023

From table 2, Audit Report Lag (Audlag) had a mean value of 55.87755, with minimum and maximum values of 0 and 165days singly. The result implies that the ARL of companies explored stood at an average of S6days. Board Independence (BIND) had a mean value of 72.8851, with Min. and Max. of 28.57 and 94.4. The result indicates that 72°o of the directors should be Independent Non-Executive. The Board Meeting (BMEET) had a mean value of 4.653061, with Min. and Max. of 3 and 10. The result revealed that boards of directors should ensure to meet four times within an accounting year. The Board Size (BSIZE) had a mean value of 8.918367, with Min. and Max. of 4 and 19. The result showed that a smaller board increases organizational change and it reduces the running cost of the firm. Meanwhile, Board Ownership (BOWN) had a mean value of 13.38963, with Min. and Max. of 0 and 65. The result revealed that the board of directors holds a 13°%o stake in the firm, while 87% of the firm is possessed by the shareholders. Furthermore, (Firm Size) measured by the Log of Total Asset had a mean of 6.642914, with Min. and Max. of 5.4 and 8.761.

Table 3: Pearson Correlation Analysis

Correlation Probability	AUDLAG	BIND	BMEET	BSIZE	CEO-OWNERSHIP
AUDLAG	1.000000				
BIND	0.210673	1.000000			
	0.1462	………..			
BMEET	0.037769	0.192070	1.000000		
	0.7967	0.1861	………..		
BSIZE	0.221721	0.414188	0.541234	1.000000	
	0.1257	0.0031	0.0001	…………	

Bownership	0.157669	-0.171240	-0.202087	-0.294812	1.000000
	0.2793	0.2394	0.1638	0.0397	………..
FIRM SIZE	0.158981	0.395599	0.338859	0.757532	-0.383473
	0.2752	0.0049	0.0172	0.0000	0.0065

Source: E-view output, 2023

Interpretation Pearson correlation matrix was used to crisscross for the relationship amongst each explanatory variable and the dependent variable. The correlation analysis revealed that there exists a positive relationship between the board attributes and audit report lag.

Table 4: Regression Result

Dependent Variable	Independent Variable	Coefficient	STD.ERROR	E-Statistic	Prob.
Audlag	C	-16,31467	68.57146	-0.237922	0.8131
	BND	0.571595	0.593333	0.963364	0.3408
	BMEET	-2,942108	5.526758	-0.532339	0.5972
	BSIZF	3,119147	2.996509	1.040927	0.3037
	BOWNERSHIP	0.544565	0.332231	1.639117	0.1085
	FIRM SIZE	1.371912	10.58736	0.129580	0.8975
R-SQUARED	0.130975	Adjusted R-squared	0.029926	Durbin-Watson stat	0.945665
F-statistic	1.296151	Prob(f-statistic)	0.283392		

Source: Author's Computation, 2023

From Table 4, the result investigated the coefficients of the explanatory variables, the respective t-ratios reported, and the probability. The value of R that is the correlation coefficient stood at 0.130 (13°0). Also, the coefficient of determination (R'), which stood at 0.130, indicates that over 13% of the total variations in the dependent variable (Audlag) were elucidated by the independent variables, while about 87% of the contributory variables were inexplicable by this model. The F-statistics prediction stood at a value of 1.296, Meanwhile, the Durbin Watson statistic stood at 0.945, indicate the positive autocorrelation.

Table 5: hausman Test
Correlated random effects- Hausman Test
Equation Untitled
Test cross-section and period random effects

Test summary	Chi-Sq statistic	chi-Sq.d.f.	prob
Cross-section random	0.000000	5	1.0000
Period random	0.000000	5	1.0000
Cross-section and period random	0.000000	5	1.0000

* Cross-section test variance is invalid. Hausman statistic set to zero.
* Period test variance is invalid. Hausman statistic set zero.
* * WARNING: estimated period random effects variance is zero.

Cross-section random effect test comperisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
BIND	1.197031	0.633087	-0.186549	NA
BMEEL	-0.185604	-2.949294	-10.305175	NA
BSIZE	12.427412	4.802528	10.532229	0.0188
CEO OWERSHIP	0.145027	0.491152	0.046469	0.1084
FIRM SIZE	69.361648	-3.60820	2148.117458	0.1176

Source: E-view output, 2023

The result from Table 5 shows the Hausman test that was used to test the Fixed/Random Effects and to ascertain the appropriate model. The null hypothesis represents the Random Effects Model at (p>0.05), while the alternate hypothesis represents the Fixed Effect Model at (p<0.05). From the Hausman test, the result revealed that the p-value of (1.0000) which is greater than 0.05°o. The result shows that the Random Effects Model is a better model for the above relationship than the Fixed Effect Model. From the OLS statistical analytical outputs in Table 4, the following inferences are deduced from the board attributes:

1. Board Independence (BIND) has a positive and insignificant impact on Audit report lag (ARL) with a coefficient of 0.571595 and a p-value of 0.3408. This result is consistent with the work of (Eze & Nkak, 2020), While, it is inconsistent with the findings of (Ilaboya & Iyafekhe, 2014).
2. Similarly, Board Ownership (BOWN) has a positive and insignificant relationship with ARL; the result is consistent with the findings of (Dabor & Mohammed, 2015) and negates the findings of (Ahnaf, 2018).
3. Also, The Board Meeting (BMEET) has a negative and insignificant impact on ARL with a coefficient of -2.942108 and a p-value of 0.5972. The result is in agreement with (Eze & Nkak, 2020) and disagreement with (Rotich, 2017). This means that the frequency of meetings does not translate to a reduction in the timely release of financial reports.
4. The Board Size (BSIZE) has a positive relationship and insignificant with ARL and the findings are in with (Olabayo, et al., 2018) and negate the findings of (Ilaboya & Iyafekhe, 2014; Odit, 2015; Dabor & Mohammed, 2015; Eze & Nkak, 2020). In essence, the size of the board influences the release of the financial report.

Also, the control variable introduced; firm size (FSIZE) also reveal that positive effect and insignificant relationship with audit report lag. The result advocates that the control variable partially increases the possibility of ARL of listed industrial goods companies in Nigeria. The finding is in line with Suleiman, Jamilu & Jamilu (2020). In the interpretation of the outcome, Carslaw & Kaplan (1991) postulate that bigger firms are likely to exercise much pressure on the external audit to deliver their report in time.

CONCLUSION AND RECOMMENDATIONS

The study explored board attributes and audit report lag in the industrial sector of companies trading on the floor of the Nigerian Stock Market. From the statistical output, the study observed that the board attributes (Board Independence, Board Ownership, Board Size, Firm Size) facilitate to ensure the timely release of financial statements of quoted industrial firms. However, the Board meeting does not necessarily influence the release of the annual audited report. The size of the board can influence the timely release of financial reports; it is believed that a smaller "board can increase the timely release and the quality of the financial statement than the larger board. Furthermore, a larger board size increases the running cost and dormant directors that may likely be non-participating at the management level. Therefore, the proceeding recommended that the board size of industrial firms should not be large for effective communication and oversight function.

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Appendix
Dependent Variable: AUDLAG
Method Panel Least Squares
Date O6/30/2018 Time: 23:11
Sample 2012/ 2018
Period Included: 7
Cross- Sections Included: 7
Total Panel (Balanced) Observations:49

Variable	coefficient	std.error	t-statistic	prob.

C	-16.31467	68.57146	-0.237922	0.8131
BIND	0.571595	0.593333	0.963364	0.3408
BMEET	-2.942108	5.526758	-0.532339	0.5972
BSIZE	3.119147	2.996509	1.040927	0.3037
CEO-OWERSHIP	0.544565	0.332231	1.639117	0.1085
LOG-TOT-ASSET	1.371912	10.58736	0.129580	0.8975

R-Squared	0.130975	Mean Dependent Var	55.87755
Adjusted R-Squared	0.029926	S. D. Dependent Var	45.42514
S.E. Of Regression	44.74028	Akaike Info Criterion	10.55390
Sum Squared Resid	86072.79	Schwarz Ceterion	10.78555
Log Likeihood	-252.5706	Hannan-Quinn Criter.	10.64179
F-Statistic	1.296151	Durbin- Wastson Stat	0.945665
Prob(F-Statistic)	0.283392		