

CORPORATE BOARD DIVERSITY AND AUDIT QUALITY

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ABSTRACT

The aim of this study was to empirically evaluate corporate board diversity and audit quality in Nigeria. The study covered a period of six (6) years (2012 – 2017). The objectives of this study were to ascertain the relationship between board gender diversity (female representation on board), ethnic diversity of the board, foreign directorship of the board, male audit committee membership and audit quality. Fifty (50) quoted companies on the Nigerian Stock Exchange were conveniently selected as the sample size of this study. Ordinary Least Square (OLS) regression technique was employed in testing the hypotheses. Based on the analysis, we find that there is a significant relationship between board gender diversity (female representation on board) and audit quality; that there is a significant relationship between ethnic diversity of the board and audit quality; that there is a significant relationship between foreign directorship of the board and audit quality; and that there is no significant relationship between male audit committee membership and audit quality. In line with the findings, it is therefore recommended that corporate organization should consider the increase of the proportion of board gender (i.e. female representation) in order to sustain and maintain the significant relationship between gender diversity and audit quality.

Keyword: *Board gender diversity, ethnic diversity of the board, foreign directorship of the board, male audit committee membership and audit quality*

Introduction

Audit includes performing systems to acquire proof about sums and exposures in the fiscal reports in order to assess the suitability of bookkeeping evaluations made by the board (Mgbame, Eragbhe and Osazuwa, 2012). Audit quality in this manner, is an essential fixing in upgrading the believability of budget reports to clients of audit report. Audit quality is characterized by Chalaki, Didar and Riahinezhad (2012) as the accuracy with which monetary detailing passes on data about the company's tasks, specifically its normal money streams that advise value speculators. Audit report quality as indicated by Aliyu and Ishaq (2015) can be affected by three factors in particular, standard setters' choice; bookkeeping technique utilized by the board; and the executives judgment and gauges in applying the chose substitutes. In this way, implementation is a significant component of improving audit report quality whose nonattendance will make the best bookkeeping gauges unequipped for giving sound and dependable audit report to different clients (Barde, 2009).

In writing, corporate board attributes have been connected to audit quality (Okafor and Ibadin, 2011) these incorporate the factors of board size, CEO duality, audit committee autonomy, board structure. In any case, it is recommended that when audit reports are convenient and auspicious, such data is

said to be of top notch (Ibadan & Dabor, 2015). Be that as it may, what job do the corporate board diversity factors play in improving audit report quality.

A few examinations on corporate board diversity and audit quality have been carried out by different analysts in Nigeria and the world over. The conclusion drawn from their observational discoveries were not without irregularities. For look at, in an exploration carried out by Monks and Minow (1995) and Lipton and Lorsch (1992) recommend that bigger boards can submit additional time and exertion to inspect the administration. Beasley (1996) reports that board size has positive association with the probability of financial report misrepresentation. Additionally, Camfferman and Cooke (2002) and Naser, Al-Khatib and Karbhari, (2002) found a positive and huge connection between the size of the audit firm and audit quality.

In a similar vein, Uzun, Szewczyk and Varma, (2004), Carcello and Nagy (2004) and Farber (2005) discovered negative connection between audit quality and board size. Jensen (1993) and Lipton and Lorsch (1992) report that large board of executives are less manageable to viable checking and simpler to be constrained by the CEO. Xie, Davidson and Dalt (2003) archive a backwards connection between the size of the board and the quality of audit report. Eisenberg, Sundgren and Wells (1998) and Yermack (1996) likewise found a negative connection between the size of the board and the estimation of the organization.

Progressively troubling is that, the writing on how corporate board diversity shape the degree of audit quality is, apparently, rare in Nigeria notwithstanding the developing examinations for the most part in developed nations. This significantly restrains our comprehension of how corporate board diversity may advance or obstruct the instructive properties of audit quality. Thus, the irregularities and mix discoveries in earlier examinations and the shortage of exact investigations on corporate board diversity and audit quality in Nigeria has educated this examination. Henceforth this examination is gone for filling the learning hole and boosting exact proof from Nigeria regarding the previously mentioned. In the light of these, the following research questions that will be asked:

1. What is the connection between board gender diversity and audit quality?
2. What is the connection between ethnic diversity of the board and audit quality?
3. What is the connection between foreign directorship of the board and audit quality?
4. What is the connection between male audit committee membership and audit quality?

Research Objectives

The principle target of this investigation is to look at corporate board diversity and audit quality in Nigeria. The particular goals are:

1. To determine the connection between board gender diversity and audit quality.
2. To decide the connection between ethnic diversity of the board and audit quality.
3. To look at the connection between foreign directorship of the board and audit quality.
4. To determine the connection between male audit committee membership and audit quality.

Research Hypothesis

The following hypotheses stated in null form were tested in the course of the study;

H₀₁: There is no noteworthy connection between board gender diversity and audit quality.

H₀₂: There is no noteworthy connection between ethnic diversity of the board and audit quality.

H₀₃: There is no noteworthy connection between foreign directorship of the board and audit quality.

H₀₄: There is no noteworthy connection between male audit committee membership and audit quality.

Literature Review

Concept of Corporate Board Diversity

Diversity means having a scope of numerous individuals that are not quite the same as one another. There is, in any case, no uniform meaning of board diversity. Customarily, one can consider components like age, race, gender, educational foundation and expert capabilities of the directors to make the board less homogenous (Isa and Farouk, 2018). Van der Walt and Ingley (2003) characterize diversity in the arrangement of the Board as the changed mix of properties, qualities and aptitudes that their individuals have.

Corporate Board Diversity and Audit Quality

Board Gender Diversity (female representation on board) and Audit Quality

Women (ladies) inclusion on board has turned into an on-going discussion and a rising region of research in different parts the world over. This is for the most part clear in nations where the portion of ladies on board and top positions are low (Agyapong and Appiah, 2015).

Oyeleke, Erin and Emeni, (2016) demonstrate that the executives can impact a company's reporting position; the inclusion of female executives makes a road to ponder the degree of audit quality. In this manner, female executives are administration component that shows ladies included on the board. In this way, there have been contentions that diversity could improve the adequacy of the board and explicitly suggests that organizations can profit by the presence of expert ladies in their boards. Likewise Abu, Okpeh and Okpe (2016) opine that ladies are worked in various undertakings because of the prerequisites of nature. Thus, there have been contentions and counter contentions about ladies showing significant attributes fundamental for good administration. In particular, it has been contended that ladies are fastidious, chance unwilling, talented in bookkeeping and money related issues, and great decision-makers.

Experimentally, Damagum, Oba, Chima and Ibikunle (2014) exactly look at the effect of ladies in corporate board on audit quality. Utilizing an example of 20 firms speaking to the different areas of the Nigerian Stock Exchange, they conducted panel regression of optional accumulations on a lot of logical factors comprising gender mix. Results give vigorous proof to recommend that the inclusion of a female executive does not especially improve the nature of inspected corporate report anyway audit report quality believability improves as the extent of ladies in the board increments.

Oba (2014) explore the capacity of certain board elements to impact the executive frame of mind in connection to audit quality in Nigerian recorded firms. Collections, an intermediary for audit quality is evaluated utilizing the Dechow and Dichev model. Utilizing a board information got from yearly reports of 69 recorded Nigerian firms from 2008 to 2012, the investigation archives that board autonomy, board tenure, gender diversity and executives' shareholding are critical indicators of Audit quality in Nigeria. The board size was found to neutrally affect audit quality.

Oyewale, Oloko and Olweny (2016) examine the effect board gender diversity on the audit quality of recorded assembling organizations in Nigeria. The assembling segment in Nigeria comprises of 74 organizations from where 34 organizations were purposively chosen. For the examination, auxiliary information was extricated from the distributed budget report of the chose organizations while essential information was gathered with the utilization of poll from the 170 respondents drawn from the chose 34 organizations. The outcome affirms that there is a huge positive direct connection between board gender diversity and audit quality of recorded assembling organizations in Nigeria.

Ethnic Diversity of the Board and Audit Quality

Ethnic diversity from multiple points of view makes a road for the gather of different thoughts, viewpoints and encounters which could fill in as included bit of leeway or could be hindering. Milliken and Martins, (1996) contended, in accordance with the hindering impact of few ethnic diversity, reasons coming about because of the conceivable disappointment of minority gatherings. They went on with the contention that the bigger the diversity the more invaluable and could bring about increasingly imaginative capacity.

Observationally, Enofe, Iyafekhe, and Eniola (2017) research board ethnicity, gender diversity in connection to audit quality in non-money related firms. It explicitly analysed the effect of foreign directorship, female gender, board size, board autonomy and firm size on audit quality. The examination utilized quantitative and a cross sectional study information of non-money related foundation listed in the Nigeria Stock Exchange as at 2014. Information were investigated utilizing enlightening insights, connection and various Least Square (MLS) relapse. This investigation found that foreign board individuals, female gender in the board and board autonomy were adversely identified with audit quality.

Zainal, Zulkifli, and Saleh (2013) look at the pattern of gender and nationality diversity of corporate board in top 300 Malaysian open recorded firms over a five-year time span from year 2005 to 2009. It likewise recognizes any critical contrast in qualities of firms with ladies and foreign executives and those without ladies and foreign executives. In light of the optional information got from firms' yearly report, a longitudinal elucidating investigation on the pattern of board diversity is introduced. Mann-Whitney U test is led to distinguish a few qualities that separate between firms with ladies and foreign executives and those without ladies and foreign executives. This investigation discovered little change within the sight of ladies executives and foreign executives over the five-year time frame, which mirrors a moderate advancement in load up assorted variety in Malaysia. Other than that, few attributes that separate between firms with ladies and foreign executives and those without ladies and foreign executives were featured. By and large, this examination shows the requirement for more endeavours to support board diversity in Malaysia.

Omoye, Alade and Eriki, (2013) utilized 96 arbitrarily chose from the Nigerian Stock Trade, utilizing conventional least square regression utilizing the individual ethnic gatherings for independent examination. Results demonstrated that the individual ethnic gathering (Hausa, Igbo, and Yoruba) each had a negative relationship with audit quality. While Garba and Abubakar, (2014) researched

sex, ethnic diversity and board estimate. Chosen 12 recorded protection firms, utilizing information time of 2004-2009 which were broke down utilizing attainable summed up least square regression and arbitrary impacts estimators. Results demonstrated a positive connection between the foreign executives and firms' performance, however ethnic diversity had no critical effect on firms' performance, of which this is in concurrence with this examination. The above were the couple of Nigerian based investigations that were checked on by this examination dependent on their technique, information gathering, time of investigation and discoveries.

Foreign Directorship of the Board and Audit Quality

Foreign board individuals comprise of people who are not natives of the nation in which the parent venture is found (Oxelheim and Randoy, 2003). Chiu, Teoh and Tian (2013) expressed that the consideration of at any rate one foreign executive in board of firms is related with a developing inclination of executives to accentuate receptiveness and forthrightness in playing out their checking undertakings, instead of offering need to amiability and cordiality among board individuals. Foreign executives may carry various perspectives to the meeting room given their various foundations and encounters. That is, as these executives originate from outside the (neighbourhood or national) inward hover of executives, they are bound to display free deduction and to feel less hesitant to raise dubious issues. The inclusion of foreign executives can profit discourses inside the meeting room and conceivably add to expanded checking viability (Srinidhi, Gul, and Tsu, 2011).

Reggy, Niels, Oxelheim and Rand (2015) analysed the impacts of the inclusion of a foreign board members on profit the executives by utilizing an example of 3,249 firm-year perceptions speaking to 586 non-money related recorded Nordic firms during 2001–2008. The examination uncovered that the inclusion of a non-Nordic, foreign executives is related with fundamentally larger amounts of income the executives and prescribed that it may not really be helpful to designate a foreign executive to the board. Nonetheless, Forbes and Milliken (1999) uncovered that the inclusion of foreign executives may help forestall too elevated amounts of cohesiveness of the board.

Male Audit Committee Membership and Audit Quality

Ilaboya and Iyafekhe (2014) attest that the audit committee assumes essential job in helping the board in satisfying its duties by administering the bookkeeping and money related revealing procedures. Ilaboya and Iyafekhe, (2014) support that one instrument that has been generally utilized in worldwide corporate associations to screen the monetary revealing procedure and corporate administration is the foundation of an audit committee containing a greater part of free executives.

Jerubet, Chepng'eno and Tenai (2017) set up the impacts of audit committee attributes on audit quality among firms recorded in Nairobi Securities Exchange, Kenya. The examination was guided by the organization hypothesis. Logical research configuration was utilized. A survey of all organizations was done and just 46 firms were extricated in light of the fact that they were working in NSE at the year 2014. This investigation used auxiliary information which was gathered by utilization of an archive examination control. Information gathered was dissected by utilizing both expressive and inferential factual techniques. The discoveries demonstrated that audit committee size has a positive and huge impact on the audit quality. In any case, discoveries demonstrated that audit committee freedom had a negative and critical impact on audit quality. The discoveries showed that expansion in audit board size builds audit quality.

Methodology

The research design adopted and utilized for the purpose of this study is the cross-sectional survey. This study embraced this method for the reason that our sample size is relatively small. It involves examining the present state of a group or unit at a specific point in time.

The population of this study consist of the entire one hundred and eighty-six (186) companies quoted on the Nigerian Stock Exchange as at 31st December 2017 as evidenced in the Nigerian Stock Exchange Fact-Book (2017).

The sample size for this study is fifty (50) companies listed on the Nigeria Stock Exchange market as at December, 2017. The technique of sampling used is the convenience sampling technique. The convenience sampling technique is applied because of the need to select a sample based on the availability of the required information to achieve the objective of the study. Therefore, only companies with financial statements covering the time period of 2012 to 2017 were selected based on access to their annual reports and accounts.

Model Specification

The econometric model that employed in this study is a multiple regression model. A multiple regression model is that which seeks to express relationships between dependent variable and the independent variables. In the light of the methodological knowledge gathered and empirical literature for far studied, we specify a multiple regression model. The study attempted to examine corporate board diversity and audit quality.

Consequently, our model is shown thus:

$$\text{AUDQUA} = f(\text{BGDER}, \text{ETHDER}, \text{FORDIR}, \text{MAUDC})$$

Expressing equation in econometric form, we have

$$\text{AUDQUA}_{it} = \alpha_0 + \alpha_1\text{BGDER}_{it} + \alpha_2\text{ETHDER}_{it} + \alpha_3\text{FORDIR}_{it} + \alpha_4\text{MAUDC}_{it} + U_{it}$$

Where:

AUDQUA = Audit Quality

BGDER = Board Gender Diversity

ETHDER = Ethnic Diversity of the board

FORDIR = Foreign Directorship of the Board

MAUDC = Male Audit Committee Membership

Table 1: Operationalization of Variables

Variable Labels in the OLS	CEO's Attributes	Measurement	Source
AUDQUA	Audit Quality	This was measured as dummy variables, by assigning "1" if audited by Big 4 or "0" – for Non-Big 4.	
BGDER	Board Gender Diversity	This is measured as the percentage of female directors on the board	Kibiya, Ahmad and Amran (2016)
THDER	Ethnic Diversity of the board	Ethnic diversity, measured as a dummy variable taking the value of 1 if the board consists of both northerners and southerners, and 0 otherwise	Enofe, Iyafekhe, and Eniola (2017); Omoye, Alade and Eriki, (2013)
FORDIR	Foreign Directorship of the Board	This is measured as a dummy variable taking the value of 1 if the director is a foreigner, and 0 otherwise	Reggy, Niels, Oxelheim and Rand (2015)
MAUDC	Male Audit Committee Membership	This is measured as the percentage of male directors on the audit committee	Kibiya, Ahmad and Amran (2016)

Data Presentation and Analyses

The presentation of the results is as follows; firstly, the descriptive statistics result is presented. Secondly, the correlation result and analysis is also presented. Next, the ordinary least squares regression result is presented and analysed. The results of the descriptive statistics are analysed in the table below:

Table 2: Descriptive Statistics

	AUDQUA	BGDER	ETHDER	FORDIR	MAUDC
Mean	0.570000	0.906667	0.620000	0.580000	4.690000
Median	1.000000	0.000000	1.000000	1.000000	5.000000
Maximum	1.000000	5.000000	1.000000	1.000000	7.000000
Minimum	0.000000	0.000000	0.000000	0.000000	3.000000
Std. Dev.	0.495903	1.396827	0.486197	0.494383	0.954079
Skewness	-0.282785	1.538469	-0.494451	-0.324176	0.189229
Kurtosis	1.079967	4.370994	1.244482	1.105090	2.956909
Jarque-Bera	50.07993	141.8396	50.74714	50.13805	1.813586
Probability	0.000000	0.000000	0.000000	0.000000	0.403817
Sum	171.0000	272.0000	186.0000	174.0000	1407.000
Sum Sq. Dev.	73.53000	583.3867	70.68000	73.08000	272.1700
Observations	300	300	300	300	300

Source: E-views, 9.0.

Table 2 above presents the results for the descriptive statistics for all the variables. As observed, the dependent variable Audit Quality (AUDQUA) has a mean value of 0.570000 and a median value of 1.000000 with a maximum and minimum value of 1.000000 and 0.000000 respectively. The median and the mean values are not far apart. The standard deviation 0.495903 is low and suggests that Audit Quality (AUDQUA) over the years did not exhibit deviation from the mean.

For the independent variables, the results indicate that the mean value of Board Gender Diversity (BGDER) is 0.906667 with a median value of 0.000000 and a maximum and minimum value of 5.000000 and 0.000000 respectively. The median and the mean values are apart. The standard deviation 1.396827 is high and suggests that Board Gender Diversity (BGDER) over the years exhibits high deviation from the mean.

The mean value of Ethnic Diversity of the board (ETHDER) is 0.620000 with a median value of 1.000000 and a maximum and minimum value of 1.000000 and 0.000000 respectively. The median and the mean values are not far apart. The standard deviation 0.486197 is not high and suggests that Ethnic Diversity of the board (ETHDER) over the years did not exhibits high deviation from the mean.

For the other independent variables, the results indicate that the mean values for Foreign Directorship of the Board (FORDIR) and Male Audit Committee Membership (MAUDC) are 0.580000 and 1.000000 respectively. The standard deviation for Foreign Directorship of the Board (FORDIR) and Male Audit Committee Membership (MAUDC) are 0.494383 and 0.954079 respectively.

Table 3: Correlations Analysis

	AUDQUA	BGDER	ETHDER	FORDIR	MAUDC
AUDQUA	1.000000				
BGDER	0.163967	1.000000			
ETHDER	0.152308	-0.288780	1.000000		
FORDIR	0.052111	0.098024	-0.499235	1.000000	
MAUDC	-0.035273	-0.204983	-0.211540	0.113024	1.000000

Source: E-views, 9.0.

The initial patterns of relationship among the variables can be observed based on the correlation among the variables.

Table 3 shows the co-efficient of correlation of all the variables examined. However, of particular interest is the correlation between the dependent variable – Audit Quality (AUDQUA) and the explanatory variables.

As observed from the correlation analysis, a positive association is observed between Audit Quality (AUDQUA) and Board Gender Diversity (BGDER) ($r = 0.163967$). The coefficient is low and the direction of correlation suggests that an increase in Board Gender Diversity (BGDER) may be associated with an increase in Audit Quality (AUDQUA).

A positive association is also observed between Audit Quality (AUDQUA) and Ethnic Diversity of the board (ETHDER) ($r = 0.152308$), the coefficient is low but the direction of correlation suggests

that an increase in Ethnic Diversity of the board (ETHDER) may lead to upward movement in Audit Quality (AUDQUA).

Foreign Directorship of the Board (FORDIR) is positively correlated with Audit Quality (AUDQUA) ($r = 0.052111$). The low coefficient implies that an increase in Foreign Directorship of the Board (FORDIR) may be associated with an increase in Audit Quality (AUDQUA).

And lastly, a negative correlation exist between Male Audit Committee Membership (MAUDC) and Audit Quality (AUDQUA) ($r = -0.035273$), the coefficient is very low indicating that an increase in Male Audit Committee Membership (MAUDC) may be associated with a decrease in Audit Quality (AUDQUA).

On the association among the independent variables, we can observe that both positive and negative correlation exist between all the variables. Three out of the four explanatory variables (Board Gender Diversity (BGDER), Ethnic Diversity of the board (ETHDER), Foreign Directorship of the Board (FORDIR)) are positively correlated with audit quality, while, Male Audit Committee Membership (MAUDC) exhibits a negative and low coefficient ($r = -0.035273$) respectively.

However, correlation analysis does not necessarily imply the existence of functional relationship but a mere association.

Estimation and Hypothesis Test

Table 4: OLS Regression Analysis

Dependent Variable	Independent	Coefficient	Standard Error	T-Stat.	Prob.
	BGDER	0.090720	0.021398	4.239753	0.0000
	ETHDER	0.339549	0.070047	4.847466	0.0000
	FORDIR	0.186311	0.064046	2.909017	0.0039
	MAUDC	0.034584	0.030641	1.128683	0.2599
AUDQUA	C	0.006969	0.179160	0.038897	0.9690
R-Squared = 0.69			F-Stat. = 8.18		
R-Bar Squared = 0.68			DW-Statistic = 1.76		

Source: E-views, 9.0.

From 4.3 above, it can be seen that the R^2 statistic is 0.69, while the adjusted R^2 statistic is 0.68%. This is an indication that about 68% of systematic variations in Audit Quality (AUDQUA) are explained by changes in the explanatory variables of the model. Similarly, the F-statistic, 8.18 is statistically significant at the 5% level (probability value of 0.000003). These statistics indicate that our model satisfies the overall goodness of fit statistical test.

The Durbin-Watson statistic of 1.76 shows the absence of autocorrelation. Thus, our econometric model meets both statistical and diagnostic criteria and represents a good and consistent estimator that can be useful for policy direction.

In addition to the above, the specific finding from each explanatory variable from the OLS regression model is provided as followings:

Board Gender Diversity (BGDER), based on the coefficient 0.090720 and p-value of 0.00, appears to have a positive influence on Audit Quality (AUDQUA) and was statistically significant. This result, therefore, suggests that we should reject the null hypothesis one (H_0) and accept the alternative hypothesis, which means that there is a significant relationship between board gender diversity (female representation on board) and audit quality.

Ethnic Diversity of the board (ETHDER), based on the coefficient of 0.339549 and p-value of 0.0000 was found to have a positive impact on Audit Quality (AUDQUA) and this was statistically significant. This result, therefore, suggests that we should also reject the null hypothesis and accept the alternative hypothesis, which suggests that there is a significant relationship between ethnic diversity of the board and audit quality.

Foreign Directorship of the Board (FORDIR), based on the coefficient 0.186311 and p-value of 0.0039, appears to have a positive influence on our sampled quoted companies' Audit Quality (AUDQUA) and was statistically significant. This result, therefore, suggests that we should reject the null hypothesis and accept the alternative hypothesis, which means that there is a significant relationship between foreign directorship of the board and audit quality.

Male Audit Committee Membership (MAUDC), based on coefficient of 0.034584 and p-value of 0.2599 appears to have a positive influence on our sampled quoted companies' Audit Quality (AUDQUA) and was statistically insignificant. This result therefore suggests that we should accept the null hypothesis, which means there is no significant relationship between male audit committee membership and audit quality.

Conclusion and Recommendations

This study examined corporate board diversity and audit quality in Nigeria. The model was regressed to analyse the existence of significant relationships between the dependent (Audit Quality (AUDQUA)), and independent variables (Board Gender Diversity (BGDER), Ethnic Diversity of the board (ETHDER), Foreign Directorship of the Board (FORDIR) and Male Audit Committee Membership (MAUDC). The selected fifty (50) companies in this study were drawn from agricultural sector, manufacturing sector, financial service, industrial goods and consumer goods sector quoted Nigerian companies that have maintained 2012 to 2016 annual financial reports. In identifying the possible corporate board diversity that would influence audit quality; we conducted descriptive statistics, correlation and firm observable estimation of the regression result. Specifically, we studied the relationship between Board Gender Diversity (BGDER), Ethnic Diversity of the board (ETHDER), Foreign Directorship of the Board (FORDIR), Male Audit Committee Membership (MAUDC) and Audit Quality (AUDQUA).

Of all the variables examined, Board Gender Diversity (BGDER), Ethnic Diversity of the board (ETHDER) and Foreign Directorship of the Board (FORDIR) were found to be statistically significant hence influencing audit quality for the period under Audit, while Male Audit Committee Membership (MAUDC) exhibited insignificant relationship with audit quality. The study therefore concluded that there is a significant relationship between corporate board diversity and audit quality in Nigeria for the period under Audit.

In light of the foregoing discussions, it is our opinion and recommendation that the following should be put in place.

1. Corporate organization should consider the increase of the proportion of board gender (i.e. female representation) in order to sustain and maintain the significant relationship between gender diversity and audit quality as observed in this study.
2. Since we observed a positive and insignificant relationship between board independence and audit quality. It is therefore recommended that the appointment of independent directors on the companies' board should be based on the previous records of those directors in term of performance rather than emphasizing on the proportion to total number of directors on the board.
3. The study recommends that the mergers of the asset structure of non-Big-Four audit firms should be considered in order to increase the size of the Big Four and non-Big-Four audit firms.
4. Since auditee complexity exhibited significant relationship with audit quality. It is recommended that corporate organization in Nigeria should pay adequate attention on its complexity so as to sustain the significant relationship with auditee complexity and audit quality.

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APPENDIX

Dependent Variable: AUDQUA
 Method: Panel Least Squares
 Date: 11/07/19 Time: 03:03
 Sample: 2012 2017
 Periods included: 6
 Cross-sections included: 50
 Total panel (balanced) observations: 300

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BGDER	0.090720	0.021398	4.239753	0.0000
ETHDER	0.339549	0.070047	4.847466	0.0000
FORDIR	0.186311	0.064046	2.909017	0.0039
MAUDC	0.034584	0.030641	1.128683	0.2599
C	0.006969	0.179160	0.038897	0.9690

R-squared	0.699935	Mean dependent var	0.570000
Adjusted R-squared	0.687731	S.D. dependent var	0.495903
S.E. of regression	0.473651	Akaike info criterion	1.359833
Sum squared resid	66.18175	Schwarz criterion	1.421562
Log likelihood	-198.9749	Hannan-Quinn criter.	1.384537
F-statistic	8.188564	Durbin-Watson stat	1.762692
Prob(F-statistic)	0.000003		

	AUDQUA	BGDER	ETHDER	FORDIR	MAUDC
Mean	0.570000	0.906667	0.620000	0.580000	4.690000
Median	1.000000	0.000000	1.000000	1.000000	5.000000
Maximum	1.000000	5.000000	1.000000	1.000000	7.000000
Minimum	0.000000	0.000000	0.000000	0.000000	3.000000
Std. Dev.	0.495903	1.396827	0.486197	0.494383	0.954079
Skewness	-0.282785	1.538469	-0.494451	-0.324176	0.189229
Kurtosis	1.079967	4.370994	1.244482	1.105090	2.956909
Jarque-Bera	50.07993	141.8396	50.74714	50.13805	1.813586
Probability	0.000000	0.000000	0.000000	0.000000	0.403817
Sum	171.0000	272.0000	186.0000	174.0000	1407.0000
Sum Sq. Dev.	73.53000	583.3867	70.68000	73.08000	272.1700
Observations	300	300	300	300	300

	AUDQUA	BGDER	ETHDER	FORDIR	MAUDC
AUDQUA	1.000000	0.163967	0.152308	0.052111	-0.035273
BGDER	0.163967	1.000000	-0.288780	0.098024	-0.204983
ETHDER	0.152308	-0.288780	1.000000	-0.499235	-0.211540
FORDIR	0.052111	0.098024	-0.499235	1.000000	0.113024
MAUDC	-0.035273	-0.204983	-0.211540	0.113024	1.000000