



INDEPENDENCE AND FINANCIAL EXPERTISE OF AUDIT COMMITTEE ON VOLUNTARY DISCLOSURE OF DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

The recurrent collapse of financial institutions has engendered a lack of public confidence in the quality of financial and non-financial information disclosed by the management of listed Deposit Money Banks (DMB's) in Nigeria. Voluntary disclosure practice especially in the Nigerian banking industry has been adjudged unsatisfactory and contributes to the lack of public confidence in financial information in Nigeria. Hence, this study investigates empirically the factors that influence the voluntary disclosure practices of listed Deposit Money Banks in Nigeria. The specific objectives of the study are to: investigate the magnitude to which audit committee composition affect voluntary disclosure practices of listed DMBs in Nigeri; and examine the extent to which audit committee independence influences voluntary disclosure practices of listed DMB's in Nigeria using the Ex-post facto research design. Secondary data was employed to extract information from the annual reports of the twelve listed deposit money banks for eleven years, from 2008 to 2018., 2008 marked two years after the Central Bank of Nigeria CBN's ₦25bn recapitalisation policy which made Nigerian banks more financially sound through mergers and acquisition. 2018 was also the latest year to which the annual reports of these banks were made available for public access. The information derived from the eleven years was statistically analysed using the Generalized Linear Regression. The result shows that audit committee composition does not significantly influence disclosure practices of listed DMBs in Nigeria ($z=0.372$, $p>0.05$) and audit committee independence constitutes a significant influence on the voluntary disclosure practice of listed DBMs in Nigeria ($z=3.069$, $p\text{-value} < 0.01$). The study therefore concludes that the presence of members with accounting and finance background on the audit committee does not influence the disclosure practice of listed DMBs as the inclusion of non-executive directors proved otherwise. The study therefore recommends that government and regulatory agencies should mandate the addition of accounting experts on the board of audit committees rather than the openness of financial expertise covering all fields of management stated in the Nigerian code of Corporate Governance (2016).

Keywords: Audit committee composition, Audit committee independence, and Voluntary disclosure.



INTRODUCTION

Globally, the high rate of corporate failure and the continued lack of public confidence in financial reporting is no doubt a product of poor corporate disclosure practices (Branco and Rodrigues, (2008), Chen and Roberts, (2010)). Despite the importance of corporate disclosure to the growing number of investors, the quantum of information disclosed by corporate organisations has not been impressive and this has aggravated many failures experienced in the corporate world both in the developed and developing economies such as China Forestry, Enron and WorldCom (Bozec and Bozec, 2007). These corporate failures can therefore be attributed to poor accountability, corporate governance, disclosure and transparency practices (Branco and Rodrigues, 2008, Chen and Roberts, 2010). Not surprising, there has been increasing interest in the issue of corporate governance, accountability, disclosure and transparency in recent years. Monitoring agents such as audit committees, Boards of Directors, external auditors etc. seem ineffectual in ensuring efficient and effective Corporate Disclosure Practice. This is evident in some directives given by external regulatory bodies such as the Nigeria Code of Corporate Governance reviewed in 2016, Securities and Exchange Commission Act of 2011, and Financial Reporting Council of Nigeria gave the directive of 2012 for all banks to comply with International Financial Reporting Standard (IFRS) disclosure standards, which is expected to compel a management to disclose relevant publicly needed information. Evidently, World Bank report on the state of corporate governance in Nigeria opined that audit committees in Nigeria are weak (Okere, Mustafa, Linde, & Rahman, 2004). This is followed by the recent collapse of major banks in the country.

Perhaps, the most damning indictment of audit committees in Nigeria is the assertion of Jimoh and Metu (2013) that audit committees give false reports. The implication of all these is that the investing public is presented with misleading information causing them pecuniary loss. Similarly, substantial members of the audit committees in Nigerian companies seem not to be independent and have become biased on issues bordering on the strategic direction of the organisation. Most of the finance experts on the board often use their experience and professionalism to influence management because of their own selfish interest.

The implication of the above is the failures experienced in the corporate environment of the country, particularly in the financial sector. Evidence relates to the collapse of Intercontinental Bank, Oceanic Bank, Bank PHB, Afribank, Skye bank etc. Aside from subjecting individual investors to pecuniary loss, it also affects the economy of the country. This growing menace has been attributed to accountability problem, corporate governance malpractice, financial reporting and corporate disclosure problem (Branco & Rodrigues, 2008; Chen & Roberts, 2010). The prominent factors amongst these however, are financial reporting and corporate disclosure given the role played by financial information in assisting users to make decisions.

To achieve the main objective of analysing the impact of audit committee on voluntary disclosure practice, the following are the specific objectives of this study:

- i. To investigate the extent to which audit committee composition impacts voluntary disclosure practices of listed DMBs in Nigeria



- ii. To examine the extent to which audit committee independence influences disclosure practices of listed DMB's in Nigeria

The following hypotheses have been formulated to serve as basis for this research

H₀₁: Audit committee composition has no significant impact on the level of voluntary disclosure practices of listed DMBs in Nigeria.

H₀₂: Audit committee independence does not significantly influence voluntary disclosure practice of listed DMBs in Nigeria.

LITERATURE REVIEW

Conceptual Review

Voluntary Disclosure

This is a branch of corporate disclosure that has attracted the attention of numerous accounting scholars. Scholars such as Gray (1987) viewed voluntary disclosure as the process of communicating the social and environmental effects of organisations (particularly companies) beyond the traditional role of providing financial account to the owners of capital, shareholders in particular. This is with an assumption that companies do have wider responsibilities than simply to make money for their shareholders. Similarly, Meek, Roberts & Gray (1995) opined that voluntary disclosure is the free choice on the part of management to provide accounting and other information deemed relevant to the decision needs of various financial statement users.

Kumar, Wilder and Stocks, (2008) also considered voluntary disclosure as disclosing information that is beyond the mandatory content in financial statements. It is the disclosure that is primarily outside the financial statements which is not explicitly required by Generally Accepted Accounting Principles (GAAP) or specific country rules (García-Meca & Sánchez- Ballesta, 2010). While the regulated mandatory disclosure is important, management should deliver additional information with a view to reducing the information asymmetry between insiders and outsiders (Hassan, 2013).

It is evident in the literatures that the decision to make public certain voluntary information are not regulated but may be influenced by cultural, socio-economic, financial and other specific motivations which idiosyncratically differ from firm to firm. Huang (2008) developed and encouraged a set of disclosure items to capture indicators not included in the mandatory core set but which may provide additional and important information to facilitate investors' and regulators' monitoring of banks. This checklist of encouraged set of disclosure items is divided into three: credit risk disclosure, market risk disclosure and market discipline disclosure.

Bank of International Settlements (2010) viewed credit risk as the potential loss that a bank faces when a borrower or counterparty fails to meet their obligations in accordance with agreed terms and conditions. This view is similar to the perspective of Carbedo and Tirado (2014) who describe credit risk as the possibility that the payment of contractual obligations may not be fulfilled by the



counterparty. The encouraged set of disclosure item captures the qualitative and quantitative nature of credit risk exposure, collateral and credit quality information disclosures needed to assist internal risk management processes, and stakeholders' demands for information.

Market risk according to the Basel Committee (2010) is described as the risk that the value of an investment will decrease due to movement in market factors, such as changes in interest rates, foreign exchange rates and commodity prices. International Accounting Standard Board (IASB) in their International Financial Reporting Standard (IFRS 7) classified market risk into three; interest rate risks, currency risks and price risks, the later includes equity price risks, commodity price risks, prepayment risks and residual value risks. In the views of Servaes and Tufano (2006), market risk comprehensively relates to price movements in financial markets. This follows that market risk is the risk in changes in financial market prices and rates including interest rate exposures, foreign exchange exposures, commodity price-sensitive revenues or expenses, stock option plans and pension liabilities which will reduce the value of a portfolio security.

Disclosure on market discipline represents a detailed disclosure of risk information, risk profile, risk assessment processes, capital adequacy, and more bank disclosures (Nahar & Jubb 2016). Items of market discipline in the encouraged set of disclosure item developed by World Bank captures information like the bank's corporate governance issues, frequency of reporting, market signals, accounting policies etc. Market discipline in banking is commonly understood as a situation in which private sector agents face costs that are positively related to the risks undertaken by banks and react on the basis of these costs (Berger, 2001).

Audit Committee (AC) Attributes

Collier (1993) opined that the main board of directors should have a subcommittee comprised mostly of non-executive or independent directors with the responsibility of carrying out oversight functions on the company's auditing activities. Eyenubo, Mohammed and Ali (2017) described the audit committee as an integral part of corporate governance that enhances the integrity of the financial reporting as well as provides support to the board by offering objective advice on the issues that relate to governance, risk and control of the organisation. The committee consists of selected members of a company's board of directors whose responsibilities include helping auditors remain independent of management.

Rezaee (2009) also viewed audit committees as composed of independent, non-executive directors charged with oversight functions of ensuring responsible corporate governance, a reliable financial reporting process, an effective internal control structure, a credible audit function, an informed whistle-blower complaint process and an appropriate code of business ethics with the purpose of creating long-term shareholder value while protecting the interests of other stakeholders.

By effectively carrying out its functions and responsibilities, the audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls; that procedures are in place to objectively assess management's practices and internal controls; and, that the external auditors, through their own review, objectively assess the company's financial reporting practices.



Several attributes have been used in previous literature to measure audit committee. Some of which are committee independence, composition, frequency of meeting, size, as well as multiple directorship. However, Chaka, (2013) opined that the main attribute of audit committee lies in its independence and number of members with financial expertise. Therefore, only the committee composition and independence will be considered in the study as both are sufficient enough to strengthen investor's confidence in accounting information (Gopinath,2010).

Audit Committee Composition

Ferreira (2007) analysed audit committee composition as the composite of the requisite skills, expertise and qualities which ensures the objectivity and collective independence of committee members. These members according to Krishnan and Visvanathan (2007) should include those with qualifications in accounting or finance and the others able to read and understand financial statements to enable them deliver maximum oversight function to the practice of a company's financial disclosure. Summarily, an increase in the numbers of AC members with knowledge of financial expertise is expected to strengthen the company's disclosure level. Therefore, in order to effectively monitor corporate reporting process, audit committee members should be financially literate to identify and ask knowledgeable questions that challenge management and external audit to a greater extent of financial reporting quality (Bedard & Gendron, 2010). This in turn will enhance transparency of corporate reporting and hence mitigate agency problem associated with flow of information.

Audit Committee Independence

Based on agency theory, Fama and Jensen (1983) argued that the effective monitoring of management's behaviour is more likely to be influenced by the presence of independent directors. This is because the independent directors on audit committee have no economic or personal relationship with management and hence they are more likely to work independently and objectively from management influence (Bedard & Gendron, 2010). Based on this argument, Allegrini and Greco (2013) described audit committee independence as the domination of independent directors on the committee which affords them more privilege to control and reduce management's opportunities to withhold information for their own benefits.

Theoretical Framework

The theoretical basis for this study is the agency theory.

Agency Theory

This theory was first propounded by Mitnick in 1973. It studies the agency relationship and issues that arise particularly between the principal and the agent. Jensen and Meckling (1976) further buttressed this to be a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent leading to the principal incurring certain cost called the



agency costs.

To reduce and eradicate the problem of moral hazards, the agency theory suggests that the shareholders should establish monitoring devices to perform oversight functions; ensure the relevance, completeness and accuracy of information disclosed by management as well as aligning the interests of management to that of the owners. Such monitoring device put forward by this study is the appointment of an independent audit committee. The audit committee can be used to resolve agency problems by monitoring management's opportunistic behaviours and ensuring good voluntary disclosure practice in the organisation. Consequently, Yusuf (2018) observed that the presence of accounting experts on the audit committee will improve the quality of financial report due to their knowledge of accounting and auditing. Similarly, when there are more independent directors on the audit committee, the committee will work independently of management influence and will thoroughly ensure management discloses faithful representation. When the owners of the business have accounting and finance knowledge and relevant experience, especially institutional investors, they become an effective monitoring device to safeguard their investment.

Empirical Review

The importance attached to the control of management in the area of financial reporting practice necessitates the establishment of audit committees to oversee the affairs of management. To ensure effectiveness of audit committees, the inclusion of accounting and finance experts as members of the committee and the committee's independence is vital. This is justified by the findings of Zhang, Taylor and Oliver (2011) who investigated the association between corporate risk disclosure and institutional investors and audit committee. The study used a sample of sixty-six (66) Australian listed companies and analysed the risk disclosures made in their 2009 annual reports. Using the Poisson and Pearson correlation analysis, they found that there is no significant relationship between dedicated-type institutional investors and risk disclosure which is consistent with a proprietary information perspective. However, a positive relationship was found between transient-type institutional shareholders and risk disclosures. Similarly, they found a positive relationship between audit committee independence and risk disclosures.

Ramli, Surbaini and Ramli (2013) investigated the effects of corporate governance mechanisms towards the quality of directors-related information disclosure in Malaysian top 100 companies. Consistent with expectations, the Spearman correlation showed there are statistically proven positive associations between board independence, board diversity, managerial ownership and DRI disclosure at 5 per cent level of significance, with the exception of CEO duality. The result appears to suggest that there were positive impacts of the CG mechanisms on the quality of DRI disclosure among Malaysian Top 100 largest companies which were ranked by the Minority Shareholders Watchdog Group (MSWG) based on their market capitalisation. However, the regression model reported R^2 of 38.1 per cent which means that almost 62 per cent of those factors influencing the DI disclosure have not been captured by the model. These other factors may perhaps be identified through future research involving larger sample or other research method



such as by questionnaire surveys or interviews

Madi, Ishak and Manaf (2014) investigated the influence of audit committee attributes on corporate voluntary disclosure of 146 Malaysian listed firms identified as the top market capitalisations for the year 2009. Employing a content analysis of disclosure and using the 86 voluntary disclosure item checklist developed by Akhtaruddin and Haron (2010) and Mohd Ghazali and Weetman (2006) with a multiple regression analysis found that audit committee independence, size and multiple directorships of audit committee members are positively associated with corporate voluntary disclosure. On the contrary, the frequency of meetings and financial expertise of audit committee members are not significantly associated with corporate voluntary disclosure. The limitation of this research is that it only examined the effect of audit committee attribute on voluntary disclosure which is just a sub division of corporate disclosure.

Othman, Ishak, Arif and Abdul (2014) examined the influence of audit committee characteristics on voluntary ethics disclosures of the top ninety- four (94) companies listed on Bursa Malaysia. The study employed content analysis of company's annual report and multiple linear regressions to look at the relationships between voluntary ethics disclosure and audit committee characteristics. The result from the study revealed that only two audit committee characteristics (tenure and multiple directorships) are associated with the voluntary ethics disclosure, whilst independence, expertise, meeting frequency and size were inconsistent.

Gunes and Atilgan (2016) studied the effectiveness of audit committees (ACs) on bank performance via using some of the main bank performance in the Turkish and the UK banks during 2006-2010. The study used a sample size of 20 banks; 10 banks for each of Turkey and UK. Their results revealed that for Turkish banks, both return on assets (ROA) and return on equity (ROE) had negative association with age of members and independent members of the directorate. Net interest margin (NIM) had negative association with independent members of the directorate as well as their years of experience in the audit committee; while it had positive association with education level of members (at least one member had a Master's degree). As for UK banks, number of meetings (from 2 to 6 meetings in a year) in the audit committees had negative association with ROA and ROE. NIM has insignificant impacts on ROA and ROE. NIM's regression for Turkish sample result indicates relationship between audit characteristics and NIM. This paradoxical result may stem from the colinearity problem, as all these variables are heavily correlated with each other. Hence, all the variables are combined into the regression to capture the effect on value.

Kibiya, Ahmad and Amran (2016) investigated the characteristics of audit committee (AC) and its effect on the quality of financial reporting of Nigerian non-financial listed firms. The study employed multivariate regression to analyse sampled data gathered from 101 non – financial listed companies for the period of 2010 – 2014. This gave rise to 505 observations of non-financial listed companies on the Nigerian Stock Exchange and employing the McNichols (2002) measure of earnings quality to examine the monitoring mechanisms on the quality of financial reporting revealed that control variables of company age and company size significantly affect the quality of financial reporting. The audit committee, share ownership, and financial expertise were also



significant, indicating that audit committees' monitoring mechanisms influence the quality of financial reporting of listed non-financial firms in Nigeria. Share ownership proved to be a good motivator for audit committee members making them to be more vigilant, enthusiastic and active in their monitoring responsibilities.

Al-Maghzom, Hussainey and Aly (2016) empirically explored corporate governance and the demographic traits of top management teams as the determinants of voluntary risk disclosure practices in an emerging market. The study employed the use of content analysis to measure the levels of risk disclosures in all Saudi listed banks from 2009 to 2013. It also used ordinary least square regressions analysis to examine the joint effect of corporate governance and demographic traits on risk disclosure. Their empirical findings showed that external ownership, audit committee, gender, size, profitability and board size are primary determinants of voluntary risk disclosure practices in Saudi listed banks.

In addition, Ntim and Elamer (2017) examined Libyan companies' annual reports from 2006 - 2010 in terms of the association between corporate governance characteristics, ownership structure and the extent of disclosure. They developed a disclosure index to measure the level of disclosure. In order to provide a comprehensive picture of corporate reporting in the Libyan context, annual reports of 22 companies were obtained covering three sectors; banks, manufacturing and services. Generally, their results suggested that the corporate governance variables are significant in explaining the extent of corporate disclosure in an annual report and that frequency of meetings and audit committee have a positive and statistically significant association with the overall disclosure level while the ownership structure variables is found to have no relationship with the overall level of disclosure. Also, board size and board composition are found to be negatively related to the overall disclosure level.

Furthermore, Setiany, Hartoko, Suhardjanto and Honggowati (2017) determined the audit committee's characteristics that will affect voluntary financial disclosure in Indonesia. Using a purposive sampling of 100 companies listed in Kompas 100 index which is a stock price index created by Indonesia Stock Exchange (IDX) within the years of 2009 and 2012. The regression analysis was used to analyse their data. Their result showed that the size of audit committees, the independence of audit committee members, and the average of tenure have significant impacts on voluntary financial disclosure. This implies that the level of voluntary financial disclosure depends on the size of audit committee, the independence of the committee members, and their average tenure. While the education background of audit committee members, time commitment of the members, number of meetings are insignificant factors in determining voluntary financial disclosure in Indonesia.

Alnabsha, Abdou, Ntim and Elamer (2018) investigated the effect of corporate board attributes, ownership structure and firm-level characteristics on corporate mandatory and voluntary disclosures made in the annual reports of twenty-eight (28) firms selected from across the banks, manufacturing and service industry in Libya between the years 2006-2010. They developed a disclosure index to provide a comprehensive picture of corporate reporting in the Libyan context



and applied the multivariate regression techniques to estimate the effect of corporate board and ownership structures on the disclosure index. They found that to a larger extent, board size, board composition, frequency of board meetings and presence of audit committee influence the level of corporate disclosure. However, the type of ownership structure adopted by the company, institutional shareholding inclusive does not have a non-linear effect on the level of corporate disclosure but firm age, liquidity, listing status, industry type and auditor type are other variables that are also positively associated with the level of corporate disclosure.

Omar, Rahman and Hamid (2018) examined the association between corporate governance and disclosure of audit committee characteristics for the Saudi listed companies. Although no data was analysed in the study, it found qualitatively that audit committee size, independence, compensation and frequency of meetings influence the disclosure practices of listed companies in Saudi Arabia.

METHODOLOGY

Method of Data Analysis

This study employed ex-post facto design. The data was gathered from the annual reports and accounts prepared by the listed Deposit Money Banks. These annual reports were retrieved from the websites of the listed DMBs while the method of data collection used was an adapted bank disclosure checklist developed by Huang (2008) on encouraged set of voluntary disclosure items. The checklist contained three (3) sections to include the credit risk items, the market risk items and market discipline items. The study focused on twelve listed DMBs for eleven years spanning from 2008 to 2018 giving a total number of observation to be one hundred and thirty-two (132). These twelve DMBs were selected owing to the fact that their shares are traded on the floor of the Nigeria Stock Exchange (NSE) which subjects them to additional regulations both from the Central Bank of Nigeria (CBN), the Securities and Exchange Commission (SEC) as well as the Nigeria Stock Exchange (NSE). The focus on 2008-2018 stem from the fact that 2008 was two years after CBN's ₦25bn recapitalisation policy which made Nigerian banks more financially sound through mergers and acquisition, (Bello, 2011) while 2018 is the latest year to which the annual reports of this banks were made available for public access. Coincidentally, this same period covers the pre and post IFRS adoption era in Nigeria which made it more possible to compare the disclosure levels of DMBs in both periods. The descriptive statistics of the variables as well as Generalized Linear Regression was carried out to assess the relative predictive power of the independent variables that is foreign listing and institutional shareholding on the dependent variable that is disclosure practice. The GLM being an inferential statistics permits non-normal stochastic and non-linear systematic components (MacCullagh & Nelder, 1989; Hardin & Hilbe, 2007).

Model Specification

The model of this research work is an adapted model from Alnabsha *et al.*, (2018) and it showed the functional relationship between the dependent variable of voluntary disclosure practice and the independent variables. The model of Alnabsha *et al.*, (2018) was written as follows:



$$\begin{aligned}
ODL_{it} = & \beta_0 + \beta_1 Board_{it} + \beta_2 DualP_{it} + \beta_3 BoCo_{it} + \beta_4 FreMee_{it} + \beta_5 AuCo_{it} + \\
& \beta_6 ForOwn_{it} + \beta_7 InstOwn_{it} + \beta_8 GovOwn_{it} + \beta_9 DirOwn_{it} + \beta_{10} FS_{it} + \beta_{11} FA_{it} + \\
& \beta_{12} Gaering_{it} + \beta_{13} Prof_{it} + \beta_{14} Liq_{it} + \beta_{15} Lis_{it} + \beta_{16} IndTyp_{it} + \beta_{17} AudTyp_{it} + \\
& \beta_{18} YD_{it} + e_{it}
\end{aligned}$$

Where;

ODL is the overall disclosure level; β_0 is the constant term; Boards is the board size; DualP is the role duality; BoCo is the board composition; FreMee is the frequency of meetings; AuCo is the auditor committee; ForOwn is foreign ownership; InstOwn is institutional ownership; GovOwn is government ownership; DirOwn is director ownership; FS is firm size; FA is firm age; Prof is profitability; Liq is liquidity; Lis is listing status; IndTyp is industry type; AudTyp is auditor type, YD is the year; and e is the error term. The model of this study is a modification of Alnabsha, Abdou, Ntim, Elamer (2018) model. The reason is that their model includes only the two variables of corporate governance determinants and nine control variables. The present model makes use of both the corporate governance determinants and financial determinants and three other control variables.

However, to reflect the independent variables of audit committee composition and audit committee independence, the model for this study is expressed as:

$$OVDL_{it} = \beta_0 + \beta_1 AUComp_{it} + \beta_2 AUIN_{it} + \epsilon_{it}$$

Where;

OVDL = Overall

voluntary disclosure

AUDCOMP = Audit

committee composition

AUIN = Audit committee

independence

i= Crossetional (Banks)

t=Time Series

ϵ = Error term

β_1 - β_2 = Parameters of the regression.



Table 1: Measurement of Variables

Type of Variable	Variable's Name	Measurement	Sources	A-priori expectation
<u>Dependent</u> OVDL	Voluntary disclosure Practice	This is measured using the Credit risk, Market risk and Market discipline elements of disclosure in the encouraged set of Bank's disclosure index developed by World Bank (2006).	Annual report of banks from 2008 – 2018	+
<u>Independent</u> AUDCOMP	Audit committee composition (Audcomp)	Proportion of audit committee members with accounting and finance/professional knowledge to the total number of audit committee members	Alnabsha <i>et al.</i> , (2018), Setiany, <i>et al.</i> , (2017)	+
AUIN	Audit committee independence (Auin)	Proportion of non-executive directors on the board to the total number on the A.C board members	Betah (2013), Setiany <i>et al.</i> , (2017)	+

Source: Authors' compilation, (2019)

RESULTS AND DISCUSSION OF FINDINGS

This section covers the result of the diagnostic test and the Generalized Linear Regression Model.

Descriptive Statistics of Variables

This section shows the descriptive analysis and summary of the data collected which give a snapshot of the data analysed through mean, standard deviation, as well as minimum and maximum values.



Table 2: Descriptive Statistics

Statistics	Mean	Standard deviation	Minimum value	Maximum value
OVDL	15.601	4.261	0.000	23.000
AUDCOMP	0.667	1.068	0.000	6.000
AUDINDP	2.265	1.424	0.000	6.000
OBS	132	132	132	132

Source: Authors’ Computation, (2019)

The results in the Table 4.1 above shows that audit committee composition (AUDCOMP) depict an average value of 0.667 with minimum and maximum values of 0 and 6 as well as standard deviation of 1.068. The mean value of 0.667 implies that about 67% of audit committee members are experts in the field of accounting and finance across periods investigated to exhibits considerable clustering around the mean. This is in line with the assumption of agency theory depicting that appointment of control mechanism such as audit committee members with knowledge and certification in the field of accounting should lead to a higher disclosure made by the banks but with data variability of about 107% (1.068) which is high and above the mean. In contrast, the mean of Audit Committee Independence (AUDINDP) stood at 2.265 with minimum and maximum values of 0 and 6 respectively which the periods investigated do exhibits considerable clustering around the mean and the standard deviation of 1.424 which is low and below the mean, suggesting that while the investigation revealed that there are sufficient non – executive members up to 227%, the extent to which they may deviate from been independent is as high as 142%. The minimum value of 0 in both variables implies that some DMBs do not have members with financial competence on the board as well as do not have non- executive directors amongst the audit committee members.

Test for Normality

The Skewness and Kurtosis in table 4.2 below shows the extent of departure from normality in the series. The recommended skewness and kurtosis value for a normal distribution in a series is 0 and 3 respectively (Wooldridge, 2000).

Table 3 Normality Table

Statistics	Skewness	Kurtosis	Jaque-Bera	Probability	Observations
OVDL	-2.123	8.756	281.317	0.000	132



AUDCOMP	2.620	11.115	513.251	0.000	132
AUDINDP	-0.061	3.130	0.174	0.917	132

Source: Authors’ Computation, (2019)

The series skewness and kurtosis shown in Table 4.3.2 below sharply deviated from the recommended range as the series of data was negatively skewed (skewed to the left) showing a value of -1.073960, and the kurtosis was leptokurtic in nature showing value of 4.818743 which is above the value of 3 recommended by Woodridge (2000). Attempt to further confirm the extent of deviation led to the use of Jarque-Bera test which also gave a higher value 43.5676 indicating a significant departure from normality in the series at 5% level of significance. The output of the normality test necessitated the use of generalized linear model regression as it is a more suitable inferential statistic which permits non-normal stochastic and non-linear systematic components (MacCullagh, &Nelder, 1989; Hardin &Hilbe, 2007).

Table 4: Normality table

Series: Standardized Residuals Sample	
2008	2018
Observations 132	
Mean	-3.03e-16
Median	0.182932
Maximum	2.010768
Minimum	-2.911244
Std. Dev.	0.980730
Skewness	-1.073960
Kurtosis	4.818743
Jarque-Bera	43.56762
Probability	0.000000

Source: Authors’ Computation, (2019)

Generalized Linear Regression Analysis

This section deals with the result of the Generalized Linear Model Regression (GLM) to show the



model employed in the study which was subsequently used to test hypotheses stated earlier in the study.

The Table 4.4 revealed the linear relationship between the two independent variables and voluntary disclosure practices of listed deposit money banks in Nigeria for the periods 2008 – 2018. The result of the disclosure practice in the table below indicates that the model is fitted as evidenced by (LR Statistic = 70.24, p-value < 0.001). The model show fit less than 1% and 5% level of significance. Following the fitness of the model, testing of hypotheses was carried out and the z statistics were utilised.

Table 5: Generalized Linear Model Regression Summary

S/N	Regressors	Disclosure practice Z statistics (p value)	LR Statistics	70.235
1	Intercept	13.430 (0.000)** *	Prob (LR Statistics)	0.000
2	AUDCM P	0.372 (0.710)	***	Significant at both 1% and 5%;
3	AUIN	3.069 (0.002)** *	**	significant at 5%

Number of Observation –
 132 Source: Authors’
 Computation, 2019

Discussion of Findings

The empirical result shows that audit committee composition has an insignificant positive effect on the level of voluntary disclosure practices of listed DMBs in Nigeria (z=0.372, p-value> 0.05).



This confirmed the prediction of the agency theory that only independent mechanisms can exterminate the problem of information asymmetry and not necessarily competent or qualified mechanisms. The implication of this is that the presence of accounting and finance experts on the board of audit committee does not significantly influence the quality of voluntary disclosure made by the listed DMBs. This finding disagrees with the *a-priori* expectation of the study. This perhaps could be that these finance experts on the board have created a form of friendly alliance with the management or have other personal interest in the bank constraining them from judiciously utilising their financial skills and technical expertise to detect anomalies, inaccuracy and incomplete information in the annual report prepared by the management. This evidence confirms the statement of problem earlier stated in section one of this study that audit committee members no longer exercise their professionalism into influencing the disclosure practice of listed DMBs. This unexpected result however corroborates the findings of Setiany *et al.* (2017) and Alnabsha *et al.* (2018).

Conversely, empirical results from the same hypothesis tested found that audit committee independence yields a significant positive effect on the voluntary disclosure practices of listed DMBs in Nigeria ($z = 3.069$, $p\text{-value} < 0.01$). This confirmed the prediction of the agency theory that the presence of independent mechanisms will reduce information asymmetry and moral hazards in the entity. This finding therefore suggests that the presence of audit committee members who operate independently and without undue influence from the management would improve the quality of voluntary disclosure practice of the listed DMBs. The result further implies that when there are more non-executive directors on the board of audit committee, the non-executive directors will act in the best interest of the shareholders and other stakeholders by pressurising management to disclose relevant information needed by the stakeholders and subsequently lead to a better corporate reporting practice. This result support the *a-priori* expectation as the researcher expects that audit committee independence would lead to improvement in the level voluntary disclosure been practiced by the listed deposit money banks in Nigeria. This finding supports the result of Zhang *et al.* (2013); Ramli *et al.* (2013); Madi *et al.* (2014); Khilf *et al.* (2014); Setiany *et al.* (2017); Ntim and Elamer (2017); Alnabsha *et al.* (2018) and Omar *et al.* (2018) who found that audit committee independence led to higher increase in voluntary disclosure.

CONCLUSION AND RECOMMENDATIONS

Based on the discussion of findings above, the study concludes that audit committee composition does not have a significant impact on voluntary disclosure practice, confirming the statement of problem earlier stated in section one of this study that audit committee members no longer exercise their professionalism into influencing the disclosure practice of listed DMBs whereas, audit committee independence shows a significant impact at both 1% and 5% level of significance. This assures the stakeholders that the financial statements reported by the listed DMBs in Nigeria during the years under review can be relied upon as showing complete and accurate corporate information of the business.

The following recommendations are made based on the empirical findings from this study in order to improve the voluntary disclosure practices of listed DMBs in Nigeria:

The finding reveals that the presence of accounting and finance experts on the board of audit committees does not have a significant effect on market discipline and risk disclosure practice of



listed DMBs. This study therefore recommends that regulators such as NSE and SEC should mandate all Deposit Money Banks in the country to have at least one member with accounting qualification on the board of audit committee rather than the openness of financial expertise covering all fields of management stated in the Nigerian Code of Corporate Governance 2016. Similarly, further findings reveal that independence of audit committee members has a significant positive influence on market discipline and risk disclosure practice of listed DMBs. Hence, it is recommended that individual DMBs should strengthen the level of compliance with requirement on attainment of audit committee independence to enhance voluntary disclosure practice. Similarly, regulators should monitor the appointment of non-executive directors to constitute the audit committee by imposing on the DMBs to submit the names of the committee members' assessment and confirmation before they are appointed.

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APPENDIX I

S/NO	ITEMS OF DISCLOSURE	CHECK BOX
	INFORMATION ON CREDIT RISK	
1.	Loan analysis breakdown by industry	
2	Loan analysis breakdown by region	
3	Loan analysis breakdown by business	



4	Impaired loan by industry/region disclosed	
5	Loan by current level classification	
6	Loan by overdue level classification	
7	Loan by bad level classification	
8	Loan by dead level classification	
9	Lending to real estate sector	
10	Lending to residential real estate	
11	Lending to commercial real estate	
12	Loan concentration - Disclosure of top ten largest borrower	
13	Loan concentration - Disclosure of related entities	
	MARKET RISK	
14	Interest rate sensitivity	
15	Currency mix of asset – FX exposure	
16	Currency mix of liability – FX exposure	
17	Net FX open position (before and after hedging)	
18	Net open trading position – Market exposure	
	MARKET DISCIPLINE	
19	Yearly reporting frequency	
20	Quarterly reporting frequency	
21	Semi-annually reporting frequency	
22	Income recognition – Accounting policies	
23	Provisioning plan – Accounting policies	
24	Valuation policy – Accounting policies	
25	Board structure transparency – Corporate governance	
26	Ownership structure transparency - Corporate governance	



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27	Remuneration policy for directors and senior management	
28	Breakdown of audit fees - Corporate governance	
29	Disclosure on interbank borrowing cost	
30	Insured liability	