

## CORPORATE GOVERNANCE STRUCTURE AND TIMELINESS OF FINANCIAL REPORTS OF QUOTED FIRMS IN NIGERIA

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### Abstract

This paper examines the impact of corporate governance on the timeliness of financial statements of quoted firms in Nigeria. To achieve this objective, data was collected from books, financial statements and journals. The data collected were analysed using relevant diagnostics tests, granger causality and multiple regression models. The result revealed a significant relationship between board independence and timeliness of financial reports; board size and timeliness of financial reports; board expertise and knowledge and timeliness of financial reports; board experience and timeliness of financial reports; also no significant relationship between CEO duality and timeliness of financial reports and board meetings and timeliness of financial reports. On the basis of the empirical result, the paper concludes that the application of appropriate corporate governance factors will go a long way to improve the timeliness of financial reports and quality financial statements. Therefore, on the basis of the findings and conclusions of the study, we recommend that quoted companies should ensure that corporate governance codes are used in the day-to-day operations of corporation to achieve short, medium and long-term goals; government should ensure that regulatory agencies monitor the activities of corporations to ensure compliance with best practice. Also above all integrity, objectivity and fairness must be applied in the conduct of corporate business for financial statement needs to be achieved for users.

**Keywords:** Corporate governance, financial report, timeliness, Boards, Nigeria

### INTRODUCTION

Financial reports are intended to meet the needs of decision makers. Accordingly, timeliness is identified as one of the characteristics of information in financial reporting (Belkaoui, 2002). To accomplish this objective, financial reports must be available on time to inform decision making (Lewis and Pendril, 1996; Mainoma, 2002). Therefore, financial reports should be published as soon as possible after the end of the accounting period (Wild et al., 2001). The usefulness of financial statements is impaired if they are not made available to users within a reasonable period after the reporting date. A company should be in a position to issue its financial statements timely (Haskins et al., 2005). Financial statements are a structured representation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions (Jenfa, 2000; Spiceland, et al., 2008; King, et al., 2005; Wild, et al., 2001). Timeliness is one of the features of financial reports. Therefore, the timely presentation of financial statement to shareholders at the annual general meeting for approval and use for effective and efficient decision making is one of the qualitative characteristics of financial reports. Alexander and Britton (2000) reports that information should be provided to the user in time for use to be made of it. According to Turel (2010), timeliness of financial statements is one of the important determinants of financial reports. He argue that irrespective of whether one chooses to call timeliness an objective of accounting or an attribute of useful accounting information, it is clear that both the

disclosure regulations and a large part of the accounting literature adopt the premise that timeliness is a necessary condition to be satisfied if financial statements are to be useful. Timely financial reporting is an essential ingredient for a well-functioning capital market. Dogan et al (2007) suggest that financial information users should be able to reach information they need in a timely manner in the case where they are in a position to make a decision or anticipate. Within this context, timing of information is at least as important as the content of that for financial information users. Information users consider that timing of financial reporting is an important complementary factor of accounting information (Knechel and Payne, 2001; Almosa and Alabbas, 2007). Undue delay in releasing financial statements increases uncertainty associated with investment decisions (Yim, 2010; Atkas and Kargin, 2011). The increase in the delay reduces the information content and relevancy of the information. Entities should balance the relative benefits of timely reporting with the reliability of information provided in the financial statements (McLellan and Giroux, 2000; Afify, 2009; Mitra and Hossain, 2009). To provide information on a timely basis it may often be necessary to report before all aspects of a transaction or other event are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim (Lambert et al., 2008). Timeliness has long been recognised as one of the qualitative attributes of general purpose financial reports (Almosa et al., 2007; Aljifri and Khasharmeh, 2010).

According to Habbash (2010), in today's corporate environment, good governance structures include an adequately functioning audit committee, a thoughtfully composed board of directors, a balanced ownership structure, and an independent and vigilant external auditor. Cohen, et al (2002) recognises that "...one of the most important functions that corporate governance can play is in ensuring the quality of the financial reporting process". Thus, effective oversight of the financial reporting process by the aforementioned monitoring mechanisms is thought to improve the accuracy of reports to shareholders and act as a deterrent against possible opportunistic behaviour by managers. According to Owusu-Ansah (2000), Leventis and Caramanis (2005) and Behn et al (2006), there are limited studies using corporate governance variables to determine the timeliness of financial reports. However, studies conducted by Beekes et al (2004), Abdullah (2006) provided evidence on the effect of corporate governance variables on the timeliness of financial reports. Therefore, this present study attempts to examine the impact of corporate governance variables on the timeliness of financial reports of firms quoted in the Nigerian Stock Exchange for the period 2007-2011. To achieve, this objective the paper is divided into five interconnected parts. The next section presents the literature review. Section three presents the materials and methods; section four the results and discussions and the final section presents the conclusion and recommendations.

## LITERATURE REVIEW

### Theoretical Framework

The relationship between corporate governance and timeliness of financial reporting are examined by two theories; the agency theory and resource dependence. **Agency theory** is based on the relationship between the principal and the agent. The separation of ownership from management in modern corporations provides the context for the functioning of the agency theory. The theory of agency relationship mirror the basic structure of a principal and

an agent who are engaged in cooperative behaviour, but have differing goals and attitudes towards risk. The theory further assumes that principals because of information asymmetry cannot adequately observe actions that agents are taking in their benefit (Barac and Klepo, 2006). According to Stolowy and Breton (2003), if the theory of creative accounting can be constructed, it will not refer to the techniques used to manipulate, but rather to the needs, opportunities and relationships existing between categories of market participants. Davidson et al. (2004) argues that when management provides inaccurate financial reporting information, it introduces creative accounting as a type of agency cost. The agency theory provides a basis for the governance of firms through various internal and external frameworks (Weir et al., 2002; Roberts et al., 2005). The most important basis of agency theory is that the managers are usually motivated by their own personal gains and work to exploit their own personal interests rather than considering shareholders interests and maximizing shareholder value. Resource dependence theory views organisations as being dependent on their external environment and suggests that organizational effectiveness results not only from the firm ability to manage resources but more importantly from its capacity to secure basic resources from the environment. Ruigrok et al (2007) document that board member networks and contracts are fundamental for their ability to perform the role boundary spanners securing contract for their companies. This theory is used to underpin the relationship between the boards of directors as provider of resources and financial reporting quality.

### **Corporate Governance**

According to Oyejide and Soyibo (2001), the concept of corporate governance can be viewed from two perspectives: a narrow view in which it is viewed merely as being concerned with the structures within which a corporate organization receives its basic orientation and direction; and a broad view in which it is regarded as being the heart of both market economy and democratic society. The narrow perspective views corporate governance in terms of issues relating to shareholder protection, management control and the popular principal- agent relationship (Li et al., 2008; Ojo, 2009). While proponents of the broader view uses the resultant problems of the privatization crusade, the transition economies, the issues of institutional, legal and capacity building as well as rule of law.

Ayininuola (2009) says “corporate governance is about ensuring that a mechanism is in place to guarantee that goals pursued by managers do not diverge from those of owners”. It deals with the ways in which suppliers of funds to corporations assure themselves of getting a fair return on their investment. O’Donovan (2003) defines corporate governance as “an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity”. Its reliance on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes. While there is no single model of good corporate governance, there are some fundamental principles that are recognized internationally as capable of producing sound corporate governance which include the rights of shareholders, the equitable treatment of shareholders, the role of shareholders, disclosure and transparency, and the responsibility of the Board of Directors (Ige, 2008; Ayininuola, 2009; Appah and Appiah, 2011).

**Rights and equitable treatment of shareholders:** Organizations should respect the rights of shareholders to exercise those rights. They should help shareholders exercise their rights

by effectively communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings.

**Interests of other stakeholders:** Organisations should recognize that they have legal and other obligations to all legitimate stakeholders.

**Disclosure and transparency:** Organizations should timely and accurately disclose information on all matters relating to the organization.

**Role and responsibility of the board:** The board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance (Appah and Appiah, 2010).

### **Timeliness of Financial Reports**

The substantial body of literature regarding timeliness of financial reports or the period between the end of the fiscal year and the date of the audit report that has been developed. Timely corporate financial reporting is an important qualitative attribute and a necessary component of financial accounting (Dezort and Salterio, 2001). Financial information needs to be available to its users as rapidly as possible to make corporate financial statement information relevant decision making process. Timely reporting on financial statements is necessary for healthy financial markets. Timely financial reporting helps in efficient and timely allocation of resources by reducing dissemination of asymmetric information, by improving pricing of securities, and by mitigating insider trading, leaks and rumors in the market (Kamran, 2003). Timeliness in financial reporting enhances the usefulness of the financial information. The timeliness of audited financial reports is considered to be critical and significant determinant impacting the usefulness of financial information made available to external users (Almosa et al., 2007; Aljifri and Khasharmeh, 2010). Audit report lag, which is the number of days from fiscal year end to audit report date, or inordinate audit lag, jeopardises the quality of financial reporting by not providing timely information to investors. Delayed disclosure of an auditor's opinion on the true and fair view of financial information prepared by the management exacerbates the information asymmetry and increases the uncertainty in investment decisions (Mohamad-Nor et al., 2010). Timeliness can be argued from three perspectives. Preliminary lag which is the interval between balance sheet closing date and the date of the notice of the annual general meeting; audit report lag which is interval between the balance sheet closing date and the signed date of the auditor's report; and total lag which is the interval of days between the balance sheet closing date of the annual general meeting (Ettredge et al., 2006; Zaitul, 2010).

### **Empirical Studies:**

Simnett (1995) in an Australian study reports a steady increase in mean audit delay in Australia over the study period of 1981 – 1989 and find that prior year's audit delay is the major explanatory variable explaining audit delay. They also find that audit delay is inversely related to profit (six of the eight years) and audit complexity but directly related to qualified opinion (three latest years) and busy season year-ends (four of the eight years). They don't find firm size, leverage (except for just one year), extraordinary items, and audit structure in explaining audit delay. Carslaw and Kaplan (1991) study of New Zealand, examine the effect of nine variables on audit delay using data from 245 and 246 listed firms for 1987 and 1988 respectively. The results show that total assets and net profit sign were significant in both years while client industry, extraordinary items, company ownership, and

leverage were significant for a single year. In a Canadian study, Ashton et al. (1989) use eight auditor and client specific variables to explain audit delay. They find that companies from non-financial services industry, reporting extraordinary items and losses and those receiving qualified audit opinions had significantly longer delays. On the other hand, company size, busy season (December-January) year-ends, and auditor size – all inversely related to audit delays. Bonson-Ponte et al. (2008) analyzed the factors that determine delays in the signing of audit reports on the Spanish continuous market for the period from the year 2002 to the year 2005. They found that classification to sectors that are subject to regulatory pressure (financial and energy sector) and the size of company affect the audit delay. Variables such as audit firm, qualifications or regulatory change show no significant relationship with audit delay in Spain. The results show that the companies of larger relative size sign the audit report in fewer days. Also the companies classified to sectors that are regulated internally and are subject to regulatory pressures also sign the audit report before those companies belonging to sectors that are not regulated. Haw and Wu (2000) examine the relation between firm performance and the timing of annual report releases by listed Chinese firms for the period from the year 1994 to the year 1997. They find that good news firms release their annual reports earlier than bad news firms, and loss firms release their annual reports the latest. McGee and Yuan (2011) compare the timeliness of financial reporting in Republic of China, United States and European Union (EU). Their study also compares timeliness data on the basis of audit firm to determine whether companies audited by one of the Big-4 firms are more timely in their financial reporting. Results indicate that Chinese companies took significantly longer time to report financial results than either the EU or US companies. EU companies took significantly longer time to report financial results than US companies. Companies that are not timely in their financial reporting practices find it more difficult to attract capital. Their corporate governance practices are also seen less than ideal, which has a negative effect on a company's reputation within the financial community. Thus, Chinese companies that are slow in reporting their financial results may suffer negative consequences in terms of reputation and ability to raise capital. Jaggi and Tsui (1999) examine the impact of company specific characteristics on audit delay in Hong Kong by incorporating firm's financial condition, ownership control and audit firm technology. They obtain data from 393 firms listed on the Hong Kong Stock Exchange over a period of three years from 1991 to 1993. Their results show that firm size, firm's financial condition, audit approach (degree of structure), degree of diversification, and audit opinion are significant explanatory variables for audit delay in Hong Kong. Abdulla (1996) finds a significant relationship between timeliness and firm size, profitability, and distributed dividends. Owusu-Ansah (2000) employs a two-stage least square regression model and finds size, profitability and company age as significant determinants of reporting lags of Zimbabwean listed companies. Imam et al. (2001) focus on possible association between audit delay and audit firms' international links – a proxy for auditor quality. They find that auditors with international links take longer to complete than their unaffiliated peers. Ahmed (2003) reports long delays in reporting to shareholders in three South Asian countries namely India, Pakistan and Bangladesh. Using a large sample of 558 company annual reports for the year 1997-1998 comprising 115 reports from Bangladesh, 226 reports from India and 217 reports from Pakistan, Ahmed finds that the total lag between the financial year end and holding the annual general meeting is, on average, 220 days, 164 days and 179 days in Bangladesh, India and Pakistan, respectively. In Bangladesh, Ahmed



did not find any association between corporate characteristics and timely reporting. Karim et al (2006) Using more than 1200 firm-year observations over a period of 10 years, we find that regulatory changes have not improved timeliness in reporting, as measured by audit lag, issue lag and total lag. Although we find that large firms take shorter time to publish their annual reports compared with small firms, the lags, on average, have deteriorated significantly following the passage of legislation in Bangladesh. Ku Ismail and Chandler (2004) study of 117 quarterly reports of Kuala Lumpur Stock Exchange suggests that size, profitability, growth and capital structure are significantly related to timeliness. Modugu et al (2012) study of determinants of audit delay in Nigeria for a sample of 20 quoted companies for a period of 2009 to 2011. The audit delay for each of the companies revealed that it takes a minimum of 30 days and a maximum of 276 days for Nigerian companies to publish their annual reports. Nigeria listed companies take approximately two months on the average beyond their balance sheet date before they are finally ready for the presentation of the audited accounts to the shareholders at the annual general meetings. The results from the panel data which was estimated using Ordinary Least Square regression showed that the major determinants of audit delay in Nigeria include multinationality connections of companies, company size and audit fees paid to auditors.

A review of the related literature on the effectiveness of the audit committee in strengthening the financial reporting system by Bédard and Gendron (2010) indicates that the associations between audit committee size, independence, competency and meetings with the quality of financial reporting are stronger in the US than other countries. Based on their review, they show that the characteristics of the audit committee that have the greatest impact (with the figures in parentheses indicating the proportion of studies/analyses reviewed that show positive association between the characteristic and audit committee effectiveness) are existence (69%), followed by independence (57%), competence (51%), number of meetings (30%) and size (22%). They conclude that the effectiveness of audit committee practices may vary with "environmental factors such as concentration of ownership, enforcement level and exposure to lawsuits" (Ibid), and mimicking the best US practices regarding audit committees may not deliver the desired effect. Borrowing from the insights generated by some of the studies reviewed in Bédard and Gendron (2010) and other studies, especially in Asia, that are not covered in Bédard and Gendron (2010), we present the hypothesised association between audit committee characteristics and audit report lag below. We also borrow insights from other studies on the relationship between board characteristics and accruals quality to develop hypotheses linking board characteristics with another aspect of financial reporting quality; namely, the timeliness of audited financial statements.

### **Hypothesis Development**

**Board Independence:** The linkage between the board of directors and timeliness of financial reporting is to exist due to the fact that board of directors have the authority to release company's financial statements to the public (Zailut, 2010). Prior studies find that board members who are independent from management can have a positive effect on the governance of a company, particularly in relation to fraud and discretionary accounting accruals (Peasnell et al., 2000a; Peasnell et al., 2005; Chtourou et al., 2001; Klein, 2002b; Xie et al., 2003; Bradbury, 2006; Jaggi et al., 2009 and Dimitropoulos and Asteriou 2010). Abdullah (2006) study in Malaysia documents a significant relationship between board of directors and timeliness of financial reports of quoted firms. Therefore, we posit:

**H01: There is no significant relationship between board independence and timeliness of financial reports.**

**Board Size:** The timeliness of financial reporting depends on the monitoring, communication, participation and coordination and decision of the board of directors in the firm. Zailut (2010) state that, if one or more of these parts becomes a problem as a result of the large number of members of the board it can affect the timeliness of financial reporting. Therefore, board size has been shown to be a significant part of the ability of boards to effectively monitor management and to work efficiently together to oversee the running of the business (Persons, 2006). Board size is an indicator of both its monitoring and advisory roles, both of which may contribute to its insight into management behaviour (Anderson et al. 2004; Coles et al. 2008). Larger boards are likely to provide more expertise and diversity and to increase the boards monitoring capacity. In addition, larger boards are more likely to include more independent directors with valuable experience and, hence, they are able to delegate more responsibilities to board committees than smaller boards; this also can prevent or limit managerial opportunistic behaviour (Xie et al., 2003). To examine this effect, various studies measure board size by the total number of the firm's directors (Vafeas, 2000; Abbot et al., 2004 and Coles et al., 2008). Consequently, this study proposes the following hypothesis:

**H02: There is no significant relationship between board size and timeliness of financial reports.**

**Board Expertise and Knowledge:** The board of directors may be the best to monitor the production of financial reports by the management. However, they must have sufficient incentives and expertise (Beekes et al., 2004). Zailut (2010) document that the level of knowledge expertise that boards of directors has affects the quality of financial reports. Hu (2007), states that the better quality of directors with its expertise and education can credibly transmit information and reduce information asymmetry between insiders and outsiders. Park and Shin (2004) found a positive association between board expertise and knowledge and financial reporting quality. However, Abdul and Mohammed (2006) study show a negative impact between board expertise and knowledge on financial reporting quality. Therefore, this study hypothesizes that:

**H03: There is no significant relationship between board expertise and knowledge and the timeliness of financial reports.**

**Board Experience:** The linkage between board experience and financial reporting quality would increase effective monitoring of the activities of management. According to Abdelsalam and Street (2007), experienced directors use their expertise associated with more and advanced age to effectively monitor management and serve as better board members by ensuring timely information. Sengupta (2004) reported that length of service by executive directors may reap personal benefits by delaying disclosure. However, Abdelsalam and Street (2007) document that there is a significant relationship between board experience, age and length of service by executive directors on financial reporting timeliness. Therefore, this study hypothesizes that:

**H04a: There is a significant relationship between age of directors and the timeliness of financial report. H04b: There is a significant relationship between length of service and the timeliness of financial reports.**

**CEO DUALITY:** When the CEO also serves the dual position of chairperson of the board (i.e., CEO duality exists), this signifies the concentration of decision making power and hampers board independence and reduce the ability of the board to execute its oversight roles. Jensen (1993) advocates the separation of the positions of the CEO and chairperson to avoid conflicts of interests. A number of studies document that non-CEO duality contributes to disclosure quality such as Ho and Wong (2001), Gul and Leung (2004), Abdelsalam and Street (2007), Cerbioni and Parbonetti (2007), Huafang and Jinguo (2007) and Sarkar et al (2008). However, there are also studies that do not find that CEO duality impair financial reporting timeliness (Courtenay, 2006; Petra, (2007). Additionally, the vast majority of the literature finds no association between CEO duality and financial report mis-statement (Dechow et al., 1996; Peasnell et al., 2000a; Chen and Kao, 2004; Lee et al., 2006; Chtourou et al., 2008 and Chang and Sun, 2009). Chang and Sun (2009) state that they did not find evidence indicating that CEO duality is associated with increased earnings management in either the pre- or post-SOX periods. Based on the above reasoning, it is predicted that the separation of roles between the CEO and chairperson will improve the quality of financial reporting and reduce the audit lag. The hypothesis is thus:

**H05: There is no significant relationship between CEO Duality and timeliness of financial report.**

**Board Meeting:** One essential measure of the effectiveness of a board is how often the board members meet to discuss the various issues facing a firm (Carcello, et al. 2002 and Latendre, 2004). Diligent boards enhance the level of oversight, resulting in improved financial reporting quality. Carcello, et al. (2002), find that quality of audit work is associated with the number of board meetings. Xie et al. (2003) find that EM is significantly negatively related to the number of board meetings. However, Uzun, et al. (2004) do not find any significant differences in board meeting frequency between firms involved in fraud and other firms. Overall, board meetings are considered as a resource that leads to board diligence. Various prior studies examine the impact of board meetings by considering the frequency or number of meetings (Beasley et al., 2000; Carcello et al., 2002). This discussion leads to the following hypothesis:

**H06: There is no significant relationship between board meeting and timely financial reports**

## **MATERIALS AND METHODS**

**Research Design:** The study used ex post facto research design. Two attributes of time element (2007-2011) and cross sectional element (thirty firms) qualify this as a panel study or cross sectional time series study.

**Sources of Data:** The data used in this study were sourced from the Annual Reports and Accounts of the various firms from 2007-2011. Historical details concerning the sampled firms were derived from the Nigerian Stock Exchange Fact Book from 2007-2011.

**Population and Sample Selection:** A total of one hundred and eighteen (118) companies quoted on the Nigerian Stock Exchange (NSE) represent the population of this study. The firms included in the sample were selected using simple random sampling technique to arrive at the thirty-five (35) firms selected for the study. Therefore, the observation for this study is one hundred and seventy five (175).



**Research Variables:**

**Endogenous variable: Timeliness of Financial Reports (TFR)** Consistent with prior literature the ARL is defined as the period between a company’s fiscal year end and the date of the auditor’s report, measured in days. The audit report lag model used in this study is adapted from prior studies (Leventis et al., 2005; Lee et al., 2009, Krishnan & Yang, 2009; Johnson et al., 2002).

**Exogenous variable:**

**Board Independence (BIND).** Therefore, consistent with most of the prior studies, board independence (BIND) is operationalised in this study as the proportion of independent Non-Executive Directors to the total number of board members.

**Board Size (BOSZ).** The present study uses the number of members on the board as a measure of board size. **Board Expertise and Knowledge (BEAK).** Board expertise and knowledge is operationalised by using Hsu(2007) measure. It is based on the expertise and education of its members. The measurement includes the ratio of directors who have business or management academic backgrounds relative to the total number of directors.

**Board Experience (BOE):** Age is operationalised by the average age of directors and length of service is the average length of service of directors (Abdelsalam and Street, 2007).

**CEO Duality (CEOD):** A dummy variable is introduced that takes the value of one if the chairman is independent and zero otherwise.

**Board Meeting (BOM):** This study measures board meetings (BOM) by the number of board meetings held annually by the board of directors.

**Model Specification:** Koutsoyiannis (2003) Greene, (2002), Wooldridge, (2006); Asterious and Hall, (2007); Brooks (2008); Gujarati and Porter, (2009); Kozhan, (2010) report that model specification is the determination of the endogenous and exogenous variables to be included in the model as well as the a priori expectation about the sign and the size of the parameters of the function. Excel software helped us to transform the variables into format suitable for analysis, after which the econometric view (E-view) and Micro fit was used for data analysis. The ordinary least square was adopted for the purpose of hypothesis testing. The ordinary least square was guided by the following linear model:

$$Y = f(X_1, X_2, X_3, X_4, X_5, X_6) \dots\dots\dots (1)$$

$$TFR = f(BIND, BOSZ, BEAK, BOE, CEOD, BOM) \dots\dots\dots (2)$$

$$TFR = \beta_0 + \beta_1 BIND_1 + \beta_2 BOSZ_2 + \beta_3 BEAK_3 + \beta_4 BOE_4 + \beta_5 CEOD_5 + \beta_6 BOM_6 + \varepsilon \quad (3)$$

A priori expectation:  $\beta_1 > 0$ ;  $\beta_2 > 0$ ;  $\beta_3 > 0$ ;  $\beta_4 > 0$ ;  $\beta_5 < 0$ ;  $\beta_6 < 0$

**RESULTS AND DISCUSSIONS**

**Table 1: Diagnostic Tests**

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*****
* Test Statistics *   LM Version   *   F Version   *
*****
*   *               *             *
* A:Serial Correlation*CHSQ( 1)= 1.1838[.258]*F( 1, 12)= .95880[.417]*
*   *               *             *
* B:Functional Form *CHSQ( 1)= 1.7555[.143]*F( 1, 12)= 1.4788[.246]*
*   *               *             *
* C:Normality      *CHSQ( 2)= 3.5927[.182]*   Not applicable   *
*   *               *             *
* D:Heteroscedasticity*CHSQ( 1)= .27716[.654]*F( 1, 14)= .24679[.526]*
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- A: Lagrange multiplier test of residual serial correlation
- B: Ramsey's RESET test using the square of the fitted values
- C: Based on a test of skewness and kurtosis of residuals
- D: Based on the regression of squared residuals on squared fitted values

Table 1 above shows the diagnostic test for serial correlation, functional form, normality and heteroskedasticity. The Lagrange multiplier test of residual serial correlation shows that the LM version provided 1.1838 (.258) and F-version showed .95880 (.417). The result shows that the p-value given for both LM version (.258) and F- version (.417) are all greater than the critical value of 0.05, hence there is no serial correlation. The Ramsey RESET test for functional form also shows for both F (.143) and LM (.246) versions of the test statistics are greater than the critical value of 0.05. hence, the model is appropriate. The test for skewness and kurtosis shows the normal distribution of the residuals. The LM version gives a probability value of .184, which is greater than the critical value of 0.05, hence the residuals are normally distributed. The Heteroskedasticity f-version (0.654) and LM version (0.526) shows that the p-value are greater than the critical value of 0.05, hence there is no evidence of heteroskedasticity.

Table 2: Multiple Regression  
Dependent Variable: TFR Method: Least Squares  
Date: 08/10/12 Time: 17:41 Sample: 1 175  
Included observations: 174  
Excluded observations: 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.850244	2.200079	3.113636	0.0022
BIND	0.241530	0.093012	2.596773	0.0102
BOSZ	0.123279	0.054741	2.252041	0.0162
BEAK	0.306596	0.100289	3.057123	0.0026
BOE	0.287637	0.044333	2.976792	0.0497
CEOD	0.018779	0.063281	0.296761	0.7670
BOM	0.042470	0.060525	0.701699	0.4838

R-squared	0.321231	Mean dependent var	13.02874
Adjusted R-squared	0.260377	S.D. dependent var	3.233546
S.E. of regression	3.049875	Akaike info criterion	5.107477
Sum squared resid	1553.390	Schwarz criterion	5.234565
Log likelihood	-437.3505	F-statistic	24.77386
Durbin-Watson stat	2.165788	Prob(F-statistic)	0.000103

**Source: e-view output**

Table two above shows the multiple regression analysis for timeliness of financial reports and corporate governance structure of quoted companies in Nigeria. The result suggests that Board Independence (BIND) with a t-statistics of 2.596773 and a p-value of 0.0102 is greater than the rule of thumb of 2.0000 for t-stat and critical value of 0.05. That is  $0.0102 < 0.05$ . Hence, we deduce that there is a significant relationship between board independence and timeliness of financial reports of quoted firms in Nigeria. This result is consistent with the findings of Abdullah (2006) and Beekes et al. (2004). Abdullah (2006) found that there is a significant relationship between board composition and audit report lag. Also, Beekes et al. (2004) documented that board composition is significant to timely financial reporting in UK. The result for Board size (BOSZ) shows that there is a significant relationship between board size and the timeliness of financial reports of quoted

firms in Nigeria. This result is consistent with Abdul-Rahman and Mohammed-Ali (2006) and Zaitul (2010) that shows that board size and timeliness of financial reports. Board Expertise and Knowledge (BEAK) also shows that the p-value of 0.0026 is less than the critical value of 0.05, hence there is a significant relationship between board expertise and knowledge and timeliness of financial reports of quoted firms in Nigeria. This finding conforms with Felton and Fritz (2005). The multiple regression result above also shows that board experience (BOE) is significantly related to timeliness of financial reports. This finding is in line with Nasser (2008) which reports that expertise and knowledge is achieved through years of practical application. CEO duality is not significantly related with timeliness of financial reports of quoted firms in Nigeria. This result is consistent with Peasnell et al (2000), Xie et al (2003) and Bedard et al (2004) find no association between CEO duality and earning management. Finally, board meeting is not significantly related with timeliness of financial reports of quoted firms in Nigeria because the p-value (0.4383) is greater than the critical value (0.05). The adjusted  $R^2$  of 0.260377 shows that the variables combined determines about 26% of changes in timeliness of financial reports. The F-statistics and its probability shows that the regression equation is well formulated explaining that the relationship between the variables combined to timeliness of financial reports in Nigeria are statistically significant (F-stat = 24.77386; F-pro. = 0.000103).

Date: 08/10/12

Time: 17:44

Sample: 1 175

Lags: 1

Null Hypothesis:	Obs	F-Statistic	Probability
BIND does not Granger Cause TFR	175	1.28722	0.04879
TFR does not Granger Cause BIND		2.24802	0.10883
BOSZ does not Granger Cause TFR	175	0.05619	0.04538
TFR does not Granger Cause BOSZ		2.35619	0.09796
BEAK does not Granger Cause TFR	175	0.31461	0.03051
TFR does not Granger Cause BEAK		2.47846	0.08699
BOE does not Granger Cause TFR	175	0.36664	0.03362
TFR does not Granger Cause BOE		0.68720	0.50442
CEOD does not Granger Cause TFR	175	0.76273	0.46803
TFR does not Granger Cause CEOD		0.79254	0.45441
BOM does not Granger Cause TFR	175	0.21686	0.80528
TFR does not Granger Cause BOM		0.32698	0.72156

**Source:** e-view output

The Granger Causality test above shows the causality between board independence (BIND) and timeliness of financial reports (TFR). BIND granger cause TFR because p-value of 0.04879 is less than 0.05 while TFR does not granger cause BIND because 0.10883 is greater than 0.05. Board size (BOSZ) granger cause TRF because 0.04538 is less than 0.05 while TFR does not granger cause BOSZ (0.09796>0.05). Board expertise and knowledge (BEAK) does granger cause TFR because 0.03051<0.05 while TFR does not granger cause BEAK because 0.08699>0.05. Board experience (BOE) does granger cause TFR because 0.03362<0.05 while TFR does not granger cause BOE because 0.50442>0.05. CEO duality does not granger cause TFR because 0.46803 >0.05 and TFR does not granger cause CEOD because 0.45441>0.05. Finally, Board meeting (BOM) does not granger cause TFR because 0.80528>0.05 and TFR does not granger cause BOM because 0.72156>0.05.

## CONCLUSION AND RECOMMENDATIONS

The study examined the impact of corporate governance structures on the timeliness of financial reports of quoted firms in Nigeria. The paper reviewed literatures that provide strong evidence of the relationship between corporate governance and timeliness of financial reports. Our research empirically substantiated the results of prior studies of the relationship between corporate governance and timeliness of financial reports. The study highlights the various variables in the corporate governance structure and timeliness of financial reports. The econometric analysis provided a significant relationship between board independence and timeliness of financial reports; board size and timeliness of financial reports; board expertise and knowledge and timeliness of financial reports; board experience and timeliness of financial reports; also no significant relationship between CEO duality and timeliness of financial reports and board meetings and timeliness of financial reports. On the basis of the empirical result, the paper concludes that the application of appropriate corporate governance factors will go a long way to improve the timeliness of financial reports and quality financial statements. Therefore, on the basis of the findings and conclusions of the study, we recommend that quoted companies should ensure that corporate governance codes are used in the day-to-day operations of corporation to achieve short, medium and long-term goals; government should ensure that regulatory agencies monitor the activities of corporations to ensure compliance with best practice. Also above all integrity, objectivity and fairness must be applied in the conduct of corporate business for financial statement needs be achieved for users.

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