

The Impact of Corporate Governance on Auditors' Independence of Some Selected Quoted Companies in Nigeria

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ABSTRACT

This study examines the impact of corporate governance on auditors' independence of some selected multi-national companies in Nigeria. The objectives of the study are to establish the type of relationship that exists between the audit committee as a tool of corporate governance and auditors' independence, to ascertain the impact of non-executive director on auditors' independence, to ascertain the impact of executive director on auditors' independence, to examine the effect of board size and audit committee on auditors' independence.

This study employed ex-post facto research design using panel data analyses of financial information extracted from Financial Statements for years 2011-2015 of 18 companies listed on the floor of Nigeria Stock Exchange. To achieve the study objective, stratified and purposive random sampling techniques were adopted and all the eleven (11) sectors present on the Nigeria Stock Exchange were represented. The study used the static panel ordinary least square (OLS) to model the relationship between corporate governance and auditors' independence among listed multi-national firms on the Nigerian Security Exchange (NSE). The recommends that more powers should be given to the external auditor in order to free him from influence or intimidation by the client and the auditor should avoid being in the audit of the client for longer than three (3) years.

(Keywords: *corporate governance, auditors' independence, audit committee, board size, non-executive and executive directors*).

INTRODUCTION

Generally, internal and external auditors may carry out an audit exercise on the operation of a company. The internal auditors are the employees of a company who are appointed by the management to carry out audit of the day-to-day affair of the company as part of the internal control system while the external auditor is an independent person or firm of auditors appointed according to statutory requirement to investigate the financial statements of an entity and express his opinion in form of report on the true and fair view of such financial statements. The external auditor is highly regarded in the corporate governance framework because he is appointed by the shareholders unlike the internal auditor who is appointed by the management.

An auditor in this research paper refers to the external auditors and they serves as one of the primary protectors of corporate governance in an organization. Good corporate governance by boards of directors is recognized to influence the quality of financial reporting, which in turn has an important impact on investor confidence (Levitt, 1998 and 2000). The result of some researchers shows that good governance reduces the adverse effects of earnings management as well as the likelihood of creative financial reporting arising from fraud or errors (Beasley, 1996; Dechow, et al., 1996; McMullen, 1996).

According to Milton Friedman, 1962 as cited by Mahdi Salehi (2008), corporate governance is to carry out the business in agreement with owners (promoters) and shareholder's aspiration, which is to make enough money as possible and still comply with the fundamental rules of the society embodied in law and local customs. In the same manner, International Standard on Auditing (ISA)

260 defines corporate governance as the communications of audit matters with those charged with governance.

Over the years, regulators have expressed concerns about auditor independence and taken action to mitigate those concerns, which leads to the passage of Sarbanes-Oxley Act, 2002 in the United States. This US (Sarbanes-Oxley Act) has the backing of the law and its implementation is compulsory. Nigeria as well makes use of this act but in addition, the Nigerian regulatory and legislative authorities also implemented a number of reforms which include: regular updates on By-Laws or a code of ethics for professional accountants, the implementation of a practice review and a financial statement review by the Institute of Chartered Accountants of Nigeria (ICAN) and Association of National Accountants of Nigeria (ANAN).

Objective of the Study

The main objective of this study is to ascertain empirically the impact of corporate governance on auditor's independence in Nigeria quoted firms. In order to achieve this main objective, the following are the specific objectives of the study are to:

- i. establish the type of relationship that exists between the Audit committee as a tool of corporate governance and Auditors Independence.
- ii. ascertain the impact of non-executive director on Auditors Independence.
- iii. verify the impact of executive director on Auditors Independence.
- iv. examine the effect of Board size and Audit committee on Auditors Independence.

Research Hypotheses

The hypotheses were presented in null form as stated below:

H₀₁: There is no relationship between the Audit committee as a tool of corporate governance and Auditors Independence.

H₀₂: There is no relationship between non-executive director and Auditors Independence.

H₀₃: There is no relationship between executive director and Auditors Independence.

H₀₄: There is no significant effect of Board size and Audit committee on Auditors Independence.

LITERATURE REVIEW

Auditor's Role in Corporate Governance

Corporate governance involves decision making, accountability, and monitoring. However, decisions require relevant and reliable information with accountability involving measuring, reporting, and transparency.

There must be open and frank dialogue between the auditors and the board. Auditor must be candid in communicating with the board and its audit committee. He may have to say things the client does not want to hear and even stand up to the client.

Auditors must express, to the board, their view on the appropriateness – not just the acceptability of the accounting principles used or proposed to be used, and on the transparency and completeness of the disclosures.

Corporate audit by external auditor is made compulsory by laws to address agency problem arising from the separation of ownership from corporate management (Coyle, 2010; Solomon, 2010). External auditors are required by Generally Accepted Auditing Standards to form a judgment as to the level of professional skepticism to be exercised in a particular client setting and to assess the level of control risk as a facet of the audit-planning process (Wallace and Kreutzfeldt, 1991).

The Statements on Auditing Standard No. 99 (SAS 99) assigns the external auditors with final responsibility for the audit to determine whether there has been appropriate communication among team members throughout the engagement about the risks of material misstatement due to fraud (Ramos, 2003). International Standard on Auditing (ISA) 240 also requires external auditors to exercise their professional judgment and assess whether the risk of material misstatement of financial statement due to fraud exists (Moyes et al. 2009).

In Nigeria, the Companies and Allied Matters Act (CAMA) 1990, Security and Exchange Commission (SEC Code 2003) and the Central Bank of Nigeria's code of corporate governance

(CBN Code 2006) provide for the establishment of audit committee by public companies.

A valuable audit committee plays an important role in strengthening the financial controls of a business entity. Previous findings by researchers depict that companies with an active and independent audit committee are less likely to experience fraud and other reporting irregularities.

The Sarbanes-Oxley Act was established to improve the accountability of corporations and to strengthen the role of "corporate governance", while the Act's new rules govern companies that are publicly traded, therefore non-public companies should also attempt to comply with the provisions of the Sarbanes-Oxley Act to help establish best practices for their organizations.

The Audit Committee of the Board of Directors provides one very significant aspect of corporate governance. An audit committee can be very effective not only in providing objective oversight of the accounting of an organization, but also in helping to set an ethical "tone at the top".

Theoretical Framework

Agency Theory: An agency relationship arises when one or more principals engage another person as their agent to perform their service on their behalf. In order to perform this service, there must be delegation of some decision-making authority to the agent. Such delegation would require the agent placing trust in the principal. But as a result of the breach in trust placed in management, there is the need for an internal auditor who would checkmate and report to the board, the activities of management. This therefore introduces the concept of auditors as agents of principals. The auditor reports to the board of directors or its audit committee and is charged with monitoring the activities of the organization to ensure compliance with procedures and to likewise ensure that management is indeed acting in accordance with the laid down policies established by the board of directors.

Adam Smith (1776), as cited by Mahdi Salehi (2008), predicts that if an economic firm is controlled by someone other than the owners, the objectives of the owners are more likely to be diluted than fulfilled. Berle and Means (1932), as also cited by Mahdi Salehi (2008), considers

Smith position to specifically examine the organizational and public policy ramifications of ownership and control separation in large firms.

Investing in control systems, owners and agents have incentives to invest in various information systems to reduce agency costs associated with information asymmetry. Two agency problems exist in an information asymmetry situation: adverse selection where the principal cannot determine if the agent is performing the work for which he/she is paid and moral hazard where the principal is unsure as to whether the agent has performed their work to their ability (Arnold & Lange, 2004). All in all, agency theory places economic self-interest at the center of theoretical expectations. Certain contractual relationships combined with information asymmetry indicate a corresponding demand for investment in control and monitoring mechanisms including independent Boards, effective audit committees and external audit (Kalbers and Fogarty, 1998).

Stakeholders Theory: Freeman defined stakeholders' theory as those groups who are vital to the survival and success of the organization. Stakeholders' theory assists organizations to achieve one transparency which is one of the corporate governance mechanisms. It also helps an organization to achieve the organizational goals which include increasing profitability. Roberts also believed that stakeholder related activities are useful in developing and maintaining satisfactory relationships with stockholders, creditors and other related parties. Proper disclosure and reporting activities foster stakeholders' relationship and also reduces agency problem.

Stewardship Theory: Stewardship theory has its origin in psychology and sociology. Davis, Schoorman and Donaldson defined stewardship theory as a steward protects and maximized. This is a model where the senior executive acts as stewards for the organization and in the best interest of the principals. Stewards are motivated when they make right decisions which are in the best interest of the organization and the principal also benefitted from the performance of the organization.

Companies executives and managers are aimed to protect and make profits for the principals while in agency theory, the principal espouses

stewardship theory which empowers managers and executives with the information, the equipment and the power having it in mind that they will make decisions in the best interest of the organization and for the principals, but placing control structure or monitoring executives and managers discourages them and will result in unproductive outcomes for the organization.

Also, unlike agency theory, stewardship theory does not make emphasis on the perspective of self-interest and individualism but rather on the role of top management team being as steward and integrating their goal as part of the organization (Donaldson and Davis 1991). (Agyris, 1973) posited that agency theory consider individuals as economic being but suppresses its own aspirations while stewardship theory recognizes the importance of structures that empower the stewards and officers to maximum autonomy built on trust.

Previous Empirical Studies

Okaro, Okafor and Okoye (2015), researched on corporate governance and audit quality. This study evaluates the practice of auditing in Nigeria in order to determine empirically corporate governance factors that affect audit quality. The research specifically investigates whether audit committee effectiveness and board effectiveness have any significant effect on audit quality. The study made use of secondary data from the annual reports of a sample of 104 companies randomly selected from a population of 134 non – bank companies listed in the Nigeria Stock Exchange. The study found that small board size and greater board diligence impact positively on audit quality.

In'airat (2011) investigated into the role of corporate governance in Fraud reduction. The researcher examines three major components of corporate governance which is internal audit, internal control and external audit. The findings of the regression analysis used indicate that among the three corporate governance components, internal audit is perceived as the most significant in reducing fraud level.

The objective of the research of Mgbame and Onoyase (2015) was to determine the effect of corporate governance on the extent of environmental reporting in the Nigerian oil industry. The study makes use of board size,

board independence, and audit committee independence to proxy for corporate governance. The study used secondary data of 14 selected listed firms for the time period of 2010-2013. The findings of the study show that board size, board independence, audit committee independence and managerial ownership concentration have positive and significant relationship with environmental reporting.

Ilaboya and Iyafekhe (2014), researched on the Corporate Governance and audit report lag in Nigeria. The motive of the study was to examine the effect of board size, board independence, audit firm type, audit committee size and audit committee independence and firm size on audit report lag. The study employed time series and cross-sectional survey data covering five year's period (2007-2011). A total of one hundred and twenty (120) listed corporate organizations in the manufacturing sector of the Nigerian Stock Exchange constituted the population, from where a sample of 40 firms was drawn. Data were analyzed using descriptive statistics correlation and Ordinary Least Square, (OLS) regression. The result revealed that board size, audit firm type, firm size had a significant effect while board independence and audit committee size had no significant effect on audit report lag.

Alabede (2012) also research on the role, compromise and problems of the external auditor in corporate governance. The study identifies the various instruments used by government and accountancy bodies to regulate the role of the auditor and the finding shows that some auditors are compromising their professional integrity, objectivity and independence for economic gains which has affected public confidence in the credibility of auditor's report. The result also depicts that important evidence to indicate that the problems of auditor's independence, morality, public expectation and audit market cartel are frustrating the role of the auditor.

Olatunde (2015), researched on the effect of regulatory framework on Auditors' independence in Nigeria. The researcher makes use of both primary and secondary data. The primary data was obtained through questionnaire purposively administered to 300 respondents and secondary data obtained through the annual financial records of 33 selected companies. The study examined whether auditors' comply with the provision of Companies and Allied Matters Act (CAMA, 2004) and other relevant regulatory

framework, and also assessed whether quoted companies in Nigeria disclose separately non audit service (NAS) in their financial statement with a view to determine whether the auditors comply with the provision of the law. The result shows that non- disclosure of non-audit services provided by auditors to their audit client could impair auditor independence likewise the auditor's tenure.

In the work of Adelopo (2010) on the impact of corporate governance on auditor's independence studying the relationship between audit committees and external auditors, fee in UK listed companies of a sample of FTSE 350 companies for the period of 2005 -2006. The study found evidence consistent with the views that a higher proportion of independent non-executive directors on the boards enhance audit committee's activity. The study also documented evidence that shows that audit committee activity is inversely related to managerial ownership of shares in companies.

Also in Nasution (2013) dissertation examined situations that can threaten auditor independence. He investigated four of the five threats – self-interest, advocacy, familiarity and intimidation and also the impact of social pressures within an audit firm on auditor independence. The dissertation provides empirical evidence that certain independence threats and social pressure could impair auditor independence.

METHODOLOGY

The entire (180) equities –main board companies listed on Nigerian Stock Exchange (NSE) Exchange as at 31st December, 2015 forms the population of the study.

Industrial goods has a total of eighteen (18) companies, Financial services has fifty six (56) companies, Healthcare sector comprises of eleven (11) companies, Oil & Gas sector comprises of fourteen (14) companies, Consumer goods has twenty five (25) companies, Agriculture sector has five (5) companies, Conglomerates has six (6) companies, Services sector has twenty four (24) companies, Natural resources sector has four (4) companies, Construction/real estate comprises of eight (8) companies and lastly ICT sector consisting of nine (9) companies. The companies considered for this research study cut across these entire eleven sectors in proportionate to the sample size which is 10% of the total population

forming a total number of 90 observations. (i.e. $n = 1/10N$; $1/10 \times 180 = 18$ companies multiplied by 5 years' time series which equals 90 observations).

This sample size is of 10% of the focused population and according to Yomere and Agbonifoh (1999), Ilo (2015), Oyedokun (2015), the sample of 10% was considered statistically adequate and representative of the population for any research. The financial reports for five (5) years – 2011 to 2015 of these eighteen (18) quoted companies are considered valid and reliable for this study as they are all audited financial statements.

Model Specification and Estimation Techniques

The study adopted the static panel ordinary least square (OLS) to model the relationship between corporate governance and auditors independence among listed multi-national firms on the Nigerian Security Exchange (NSE). The general form of the panel OLS model in respects to this study, where i indicates firms and t represents time. The model is stated as:

$$y_{it} = \beta' x_{it} + \varphi' c_{it} + e_{it}$$

Where y = auditors independence; x = corporate governance; c = control variables; e_{it} = stochastic term which is uncorrelated with the independent variables indicating that x_{it} is a strictly exogenous vector of variables; β is a vector of coefficients of the vectors of independent variables x_{it} ; and φ is a vector of control variables.

Following the first objective of the study that is to establish the type of relationship that exists between the audit committee as a tool of corporate governance and auditors' independence, the model is stated as:

Auditors Fees (afs) – Panel OLS Model

$$afs_{it} = \alpha_i + \beta_1 (acom_{it}) + e_{it}$$

Auditors Independence Index (aii) – Panel OLS Model

$$aii_{it} = \alpha_i + \beta_1(acom_{it}) + e_{it}$$

The model of the second objective addressing the impact of non-executive director on auditors' independence is stated as:

Auditors Fees (afs) – Panel OLS Model

$$afs_{it} = \alpha_i + \beta_1(ned_{it}) + e_{it}$$

Auditors Independence Index (aii) – Panel OLS Model

$$aii_{it} = \alpha_i + \beta_1(ned_{it}) + e_{it}$$

In respect to the third objective that is to determine the impact of executive director on Auditors Independence, the model is stated as:

Auditors Fees (afs) – Panel OLS Model

$$afs_{it} = \alpha_i + \beta_1(ed_{it}) + e_{it}$$

Auditors Independence Index (aii) – Panel OLS Model

$$aii_{it} = \alpha_i + \beta_1(ed_{it}) + e_{it}$$

The model of last objective addressing the effect of board size and audit committee on auditors' independence is stated as:

Auditors Fees (afs) – Panel OLS Model

$$afs_{it} = \alpha_i + \beta_1(acom_{it}) + \beta_2(bs_{it}) + e_{it}$$

Auditors Independence Index (aii) – Panel OLS Model

$$aii_{it} = \alpha_i + \beta_1(acom_{it}) + \beta_2(bs_{it}) + e_{it}$$

Where:

acom = total number of audit committee
ned = numbers of non-executive directors;
ed = numbers of executive directors;
bs = total numbers of board size;
afs_{it} = auditors fees (that is the total amount paid to auditors for service rendered);
aii_{it} = auditors' independence index.
 All the indicators are estimated in natural log.

The audit independence index indicates the independence level of the audit committee in a company in performing strict and transparent check and balances over time. Following earlier empirical studies, the index involves distinguishing between the Big-Four and Non-Big Four audit firms. The coding is as follows: 1 to Non Big 4; 2 to Non Big 4; 3 to 1 Big 4; 4 to 1 Big 4 and non- Big 4; and 5 to 2 Big 4. The Big-Four auditors comprises of KPMG, Akintola Williams Deloitte, Ernst & Young, and PriceWaterhouse Coopers.

Persistence: It is the number of years the company employs the service of an auditor within the considered time-frame of this study that is Year: 1, 2, 3 ... 5.

Score = Dummy X Persistence

Audit Independence Index (All) = Score for each period divided by total sum of score.

RESULT OF THE FINDINGS

Table 1: Descriptive Statistics

| | AFS | ACOM | BS | NED | ED | All |
|-------------|----------|-----------|----------|----------|----------|----------|
| Mean | 63269.08 | 5.800000 | 11.37778 | 5.166667 | 6.322222 | 0.200000 |
| Median | 23056.00 | 6.000000 | 11.00000 | 5.000000 | 5.000000 | 0.200000 |
| Maximum | 447000.0 | 7.000000 | 22.00000 | 12.00000 | 15.00000 | 0.400000 |
| Minimum | 1000.000 | 3.000000 | 6.000000 | 1.000000 | 2.000000 | 0.032258 |
| Std. Dev. | 97786.38 | 0.706312 | 3.802949 | 2.446047 | 3.287114 | 0.097609 |
| Skewness | 2.198776 | -2.008624 | 0.789769 | 0.315251 | 0.600099 | 0.160077 |
| Kurtosis | 6.961210 | 7.080351 | 2.840349 | 3.292667 | 2.402605 | 1.936751 |
| Jarque-Bera | 131.3611 | 122.9533 | 9.451605 | 1.811951 | 6.740089 | 4.623738 |
| Probability | 0.000000 | 0.000000 | 0.008864 | 0.404147 | 0.034388 | 0.099076 |
| Observ. | 90 | 90 | 90 | 90 | 90 | 90 |

Source: Author's computation (2017).

From the above table, the average values of auditors' independence measured by auditors' fees (AFS) and auditors' independence index (All) were ₦63, 269.08 and 0.200 respectively. Both auditor independence indicators have their minimum values at ₦1, 000 and N0.032 respectively. On the part of corporate governance, the average value of the number of auditors committee, number of non-executive, number of executive directors and board size were 5.80, 5.17, 6.32, and 11.37 respectively. Their minimum values are relatively lower to their mean values. In addition, the standard deviation reports the rate at which these variables deviate from their individual mean values. Auditors fees has high deviation rate greater than its mean value whereas the standard deviation of other indicators were lower than their average values. Of all the variables, auditors committee was found to be negatively skewed with values of -2.01. All other variables reported rightward skewness.

From the table, two of the variables, board size and non-executive directors were close to normal distribution with a value of 2.8 and 3.2 respectively and the Jarque-Bera statistics revealed that auditors' fees, auditors committee, executive director, and board size are significant at 0.05 critical values denoting that they were normally distributed.

Table 2: Correlation Matrix

| | AFS | ACOM | BS | NED | ED | All |
|------|----------|-----------|----------|-----------|-----------|----------|
| AFS | 1.000000 | | | | | |
| ACOM | 0.177208 | 1.000000 | | | | |
| BS | 0.502590 | 0.392370 | 1.000000 | | | |
| NED | 0.347127 | 0.130070 | 0.554821 | 1.000000 | | |
| ED | 0.311370 | 0.361993 | 0.729885 | -0.160472 | 1.000000 | |
| All | 0.113561 | -1.13E-18 | 0.032974 | 0.070826 | -0.014556 | 1.000000 |

Source: Author's computation (2017).

The above table revealed the partial correlation between the indicators of corporate governance and auditors' independence. From the two auditors independence indicators (AFS and All) and corporate governance indicators (ACOM, NED, ED, BS), the magnitudes of their various relationships are low, where none of them (independent variables) are up to 0.9, although, positive and negative signs vary among them. All corporate governance indicators reported a positive correlation with auditors' fees. In respect to auditors' independence index as a measure of auditor independence, auditors committee and

executive director reported negative correlation while others reported positive correlation. The moderate to low degree of association among the variables make them suitable for the analysis.

Table 3: Pooled OLS Result of Auditor Committee, Board Size and Auditors Independence.

| Variables | Auditors Fees (AFS) | | Auditors Independence Index (All) | |
|------------------------|----------------------|----------------------|-----------------------------------|-----------------------|
| | 1 | 2 | 1 | 2 |
| Constant | 3.4433 (2.4921)** | 0.7099 (0.5169) | 1.9558 (0.6377)** | 1.6463 (0.6402)** |
| Acom | 1.4805 (1.6851)* | 1.5962 (1.8362) | 0.2531 (0.1289)** | 0.7203 (0.3727)** |
| Ned | 0.8495 (4.5560)** | | 0.0815 (0.1479) | |
| Ed | 1.6373 (6.8275)** | | 0.1218 (0.0996) | |
| Bs | | 2.7669 (7.1544)** | | 0.8814 (0.25336)** |
| R-square | 0.4978 | 0.4923 | 0.5112 | 0.5017 |
| Adj. R-square | 0.4803 | 0.4806 | 0.4605 | 0.4861 |
| F-stat | 28.4179 | 42.1806 | 20.691 | 33.607 |
| Prob. | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| Durbin-Watson stat | 0.4326 | 1.5326 | 1.4533 | 1.6113 |
| Wald Test (Chi-square) | 85.2539** | 84.3611** | 40.8073 | 60.115 |

Note: Standard errors in parenthesis; Statistical significant coefficients at 10%, 5% and 1% respectively are denoted by ***, ** and *.

Source: Author's computation (2017).

The table also indicated that the number of auditors' committees and board size has positive and significant impact on both auditors fees (AFS) and auditor independence index (All). It revealed that auditor fees increase by 1.59% and 2.77% due to a 1% increase in the number of auditors' committees and board size. Also, a 1% increase in the number of auditors' committees and board size enhance auditors' independence index by 0.72% and 0.88% correspondingly. The coefficient of determination indicated that the number of auditors' committees and board size were able to explain 48% and 48.1% changes in auditors' fees and auditors' independence index respectively. The Normality test indicates that the error term is normally distributed.

In addition, integrating all the corporate governance indicators together revealed that they all have positive impact on both auditors' fees (AFS) and auditors' independence index (All). It indicated that a 1% increase in the numbers of audit committees, non-executive directors and

executive directors enhance auditors' independence index by 0.25%, 0.082% and 0.12%, respectively. Besides, the result showed that auditor fees increase by 2.72%, 0.83% and 1.02% due to a 1% increase in the numbers of audit committees, non-executive directors and executive directors correspondingly. Furthermore, the adjusted R-square showed that the numbers of audit committees, non-executive directors and executive directors were able to explain 58.5% and 46.1% changes in auditors' fees and auditors' independence index respectively. The Durbin-Watson statistic value is higher than the R-square value indicating that the models are not spurious. The Wald test result presented in the table revealed that we do reject the null hypotheses for the considered models at 5% significance levels based on the calculated Wald test values.

DISCUSSION AND CONCLUSION

The study examined the impact of corporate governance on auditors' independence through the proxies of corporate governance and auditor independence. The importance of independence in board activity cannot be overemphasized; it is the key to an effective and efficient board and indeed to corporate governance in organizations. An independent board will be able to discharge its oversight functions without undue dependence and pressure from a single dominant directorial position.

From this study, integrating all the corporate governance indicators (AC, BS, ED, NED) together revealed that they all have positive impact on both auditors' fees (AFS) and auditors' independence index. But the magnitude of the various relationships is low. This may indicate that the relationship between these variables and external auditors' fees is not as straightforward as it seems. This is an important message that could be used by the academics whose researches make use of some of these variables to consider alternative measures. The researcher documents a positive relationship between the corporate governance indicators and audit independence indicators.

In light of the various findings of this study, the following measures are hereby recommended:

1. More powers should be given to the external auditor in order to free him from influence or intimidation by the client.

2. The auditor should avoid being in the audit of the client for longer than three (3) years.
3. The board independence should be constituted by persons of integrity that can match words with action and foster prompt financial disclosures for the interest of the shareholders whom they represented.
4. The board Size should not be too large, specifically, maximum of nine (9) members. This would assist in facilitating quick decision.
5. The provisions of Companies and Allied Matters Act, 2004 on auditors' independence seem to be too general. Therefore the Act needs to be reviewed to enhance the auditor's independence. There should therefore be specific pronouncement on the services that auditors can render or cannot render.
6. The general public and investors need to have a better understanding of the roles of auditors in providing certification of the truth and fairness of the Financial Statements prepared by the management.
7. Audit committee size should not more than six (6) members with three members having adequate knowledge in auditing and financial disclosures and there should be relevant penalties whenever there is a delay in constituting audit committee.

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