

AUDIT QUALITY AND CORPORATE GOVERNANCE: INSIGHTS FROM NIGERIA'S BREWERY SECTOR

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Abstract

This study analyzed the effect of corporate governance on audit quality of selected brewery firms in Nigeria for a period of ten years spanning 2011-2020. The study employed ex-post facto and longitudinal research design. The secondary sources of data were collected from annual reports of the selected brewery firms quoted in their Nigeria Exchange Group and four (4) specific objectives and hypotheses were subjected to some preliminary data tests such as descriptive statistic, and Pearson correlation analysis and were analyzed using binary logistic regression analysis. Audit quality was used as the dependent variable, while board financial expertise, board size, board independence, and board meeting were used as the independent variables. Utilizing data from a sample of 40 firm year observations, we found that the proportion of non-executive directors and board size has positive and significant effect on audit quality. Based on the findings from the study, we therefore recommend that board size should be increased to a maximum number of six members for improved audit quality and quick decision making in relation to audited financial report. Also, Nigeria breweries should ensure that their board is composed of independent persons, with high level of integrity that can match words with action to improve their audit quality.

Keywords: Audit Quality, Board Independence, Board Size, Board Financial Expertise and Meeting

INTRODUCTION

The current position of audit quality in recent times has not been pleasing to the ears of investors and other stakeholders of business organizations as a result of the incessant corporate accounting scandals stunning the business world. These incessant corporate scandals engulfing the corporate world today calls for great concern. In developed climes, accounting scandals that led to high profile corporate collapse of firms and the indictment of even the Big Four firms for example Carillion (KPMG), Conviviality (KPMG), Price Water House Coopers, Deloitte, Erns and Young, and Quindell (KPMG) calls for great concern. Even in Nigeria, the accounting scandals of Cadbury Nigeria (Akintola Williams Deloitte) in 2006 and Afribank Nigeria Plc in 2009 (Miettinen, 2011) and that of Generic Electric and the collapse of Diamond bank has led to the nations loss of public confidence in doing business in the country as a result of bad reputation exhibited. The main reason for this corporate accounting scandals and corporate failures has been attributed to weak or largely unstructured governance structures and

firm's failure to obeying the provisions of the Nigerian code of corporate governance (Saidu & Aifuwa, 2020) in ensuring proper composition of the board.

Corporate board being an essential part of a robust corporate governance mechanism have been known to play vital roles in improving the quality of audit through producing the quality of financial reporting to help the users to make optimal decisions (Daryaei & Fattahi, 2020) thereby increasing public confidences (Beisland et al., 2015; Lin & Hwang, 2010; Obiora, Omaliko and Okeke, 2022). Sequel to the above, the Nigeria corporate governance code 2018 seeks to rebuild public trust and confidence in the Nigerian economy, by recommending a unitary diverse board where adequate number of Non-Executive Directors (NEDs) with financial expertise that meets regularly are expected to bring independent scrutiny to the board to ensuring that management acts in the best interest of shareholders and other stakeholders of the company to ensure a quality audit report of the firms.

Empirical evidence, however, has been quite inconsistent with regard to the effect of corporate governance on audit quality (Leif Atle Beisland, Roy Mersland & Strøm, 2013). Leaning on this exposition, the independence of the board is not fully ascertained, as very little can be said about the effectiveness of an independent board towards audit quality as the theoretical surmise is far from being displayed practically (Aifuwa & Embele, 2019). Again, one of the critical components of corporate governance recommendations in the Nigeria is that the board must have at least one experienced and financially literate member. Finally, the lack of consensus on whether a small board is better than a large board calls for great concern. Even, the Nigerian code of corporate governance 2018 did not specify the required number of directors that sit on the board. It only stated that the board should be of sufficient size to effectively undertake its functions section (see, corporate governance code 2018, 2(2.1) thus generating more confusion. Some scholars are of the stance that board size has positive effect on audit quality (Khundhair, Khundhair, Al-Zubaidi & Raj, 2019) or negative effect on audit quality (Mustafa, Che-Ahmad & Chandren, 2018; Marjène & Azhaar, 2013). These inconsistencies in the results of prior literatures engineered this study. Therefore, this current study was motivated by a combination of the gap found in the literature. First, there exist inconsistent findings on the nexus between, board independence, and board size and audit quality. Secondly, the joint effect of board expertise and board meeting on audit quality in Nigeria breweries may not have been investigated in extant literature to the best of our knowledge. This thus throws up a vista of opportunity to add to existing literature and for further research. The remnant of this paper is subdivided into five sections including this introduction. In the second section, we review some related literatures to explore the theoretical constructs and hypothesis development while third section discusses the methodology. Fourth section looks at the data presentation and analysis while in the last section we draw our conclusion and proffer recommendations for policy implication.

2. Theoretical Constructs and Hypotheses Development Audit Quality

There is no universally accepted definition of the concept of audit quality despite the fact that it has been widely debated on. It could be referred to as the services performed by the auditor engaged by the clients' firm (Khudhair, Khudhair, Al-Zubaidia & Raja, 2019). Many researchers define audit quality from different perspective. DeAngelo (2001) defined audit quality as the market-assessed joint probability that the auditor discovers an anomaly in the financial statements, and reveals it. The user of financial reports may believe that high audit quality means the absence of material misstatements. The auditor conducting the audit may define high audit quality as satisfactorily completing all tasks required by the firm's audit methodology. The widely used definition by Adams and Mehran (2015) defines audit quality as the market assessed joint probability that a given auditor will both discover a breach in a client's accounting system, and report the breach. This definition considers the quality of an audit to be dependent on two factors which are the auditor's ability to examine the accounts and identify errors or anomalies, i.e. their technical competence and their objectivity, i.e. their independence.

Board Size and Audit Quality

Board size is simply the total number of directors sitting in an organization's board at a particular time. The size of the board assumes an important role in maintaining audit quality. The linkage between the board size and the quality of audit services performed may be formal or informal. In terms of formal linkage, the board of directors typically collaborates with management in selecting the external auditor, often subject to shareholder ratification. Since the auditor is to look to the board as its client, it is reasonable to expect the board to review the overall planned audit scope and proposed audit fee (Klapper, & Love, 2014). The board also may influence audit quality through informal means. The board's commitment to vigilant oversight may signal to management and the auditor that the expectations placed on the audit firm are very high. In a Nigeria study, Sanda, Mikalu and Garba (2010) reported that value is positively correlated with small, as opposed to large boards. Even at that some scholars are of the stance that board size does not affect audit quality (Mustafa, Chen-Ahmad & Chandren, 2017; Ahmed & Che-Ahmad, 2016) and others believed that board size either positively (Khundhair, Khundhair, Al-Zubaidi & Raj, 2019; Ejeabasi, Nweze, Eze & Nez, 2015; Al-Najjar, 2018) or negatively (Mustafa, CheAhmad & Chandren, 2018; Marjène & Azhaar, 2013) affect audit quality. Therefore, there is a need for more empirical work to be done, *hence this study hypothesized that board size has no significant effect on audit quality of brewery firms in Nigeria.*

Board Independence and Audit Quality

According to Aifuwa and Embele (2019), an independent director is a non-executive, nonsubstantial shareholder of an organization whose interest or shareholding directly or indirectly does not exceed 0.1% of the organization's paid-up capital. Ong (2016) asserts that an independent director must not be previously employed or has no business or professional relationship with the organization. Akhidime (2015) asserts that a higher proportion of

independent and non-executive directors on the board have the likelihood of inducing a more effective monitoring function which will lead to more reliable financial statements or reports. Studies like Ponnu, (2008) and Yasser, (2011) found that the proportion of non-executive directors had a significant positive impact on audit quality. They suggested that non-executive directors encouraged more intensive audits as a complement to their own monitoring role while the reduction in agency costs expected through significant managerial ownership resulted in a reduced need for intensive auditing. Non-executive directors are usually chosen because they have appropriate caliber, skills and personal qualities, and breadth of experience. More so, nonexecutive directors may have some specialist knowledge that will help in provide the board with valuable insights. Dehaene, Naccache, Cohen, Bihan and Margin (2001), found a significant positive association between the number of external directors and audit quality. However, the empirical results of the previous studies regarding the relationship between non-executive directors and audit quality are still inconclusive, this study does not wish to predict any sign for board independence rather we hypothesized that ***there is a significant relationship between board independence and audit quality (Hypothesis 2)***

Board Meeting and Audit Quality

The board meeting is a medium set up for deliberations on key issues and matters amongst board members in order to make certain important decisions for the progress and growth of any organization. The diligence of board members is often measured on the board meeting attendance frequency by each of the board members (Ghosh, 2007; Johl et al., 2015; Ilaboya & Obaretin, 2015). For board to effectively perform its oversight function and monitor management audit, the board must hold regular meetings. It is worthy to note that the studies conducted to investigate board meetings and audit quality have been low-key, thus their claims cannot be generalized. Therefore, further investigation is needed in order to determine whether this element is effective or not. Nevertheless, considering the contradicting theoretical argument, this paper does not predict any sign for the effect of board meeting on audit quality but propose that ***there is a significant relation between board meeting and audit quality (Hypothesis 3)***

Board Financial Expertise and Audit Quality

Accounting or financial expertise are attributes/qualifications or experience acquired by a person before becoming a board member of a company. Previous studies support the existence of relationships between accounting expertise and the quality financial reporting. Carcello et al., (2006) document that a reduction in the use of discretionary accruals and income-increasing accruals occurs when an accounting expert is on the corporate board. Hence, a greater number of members with financial expertise on the board reduces the level of fraudulent practices and strengthens internal control processes and audit quality. Previous studies support the existence of relationships between accounting expertise and the quality financial reporting. Further, Krishnan and Visvanathan (2007) argue that a positive association exists between accounting expertise and the quality of audit report. Hence,

a greater number of members with financial expertise on the board reduces the level of fraudulent practices and strengthens internal control processes. Also, Zhang et al., (2007) and Hoitash et al., (2009) document that firms with a high proportion of financial experts, though not necessarily accounting experts, are unlikely to report weaknesses in the internal control over financial reporting. Similarly, constraining irregularities is a significant challenge for corporate boards due to a manager's behavior of hiding fraudulent practices from monitors to avoid penalties for deliberate GAAP violations (Larcker et al., 2007; Schrand & Zechman, 2012). Therefore, the deliberate mix-up makes reports incomprehensible and thus difficult to draw conclusion, *hence we hypothesize a positive association between board financial expertise and audit quality (Hypothesis 4).*

The above scholars attempted to study effect of corporate governance on audit quality but none of them created a study in Nigeria using brewery firms. The prior scholars also used Board size, Board independence, CEO duality, to proxy corporate governance but this study used meetings and board financial expertise in addition to the previously used ones by prior studies and extended the study for a long period of time (10years) spanning from 2011 to 2020. This is the knowledge gap this study intends to address therefore contributing to the existing literature. These are the rationale behind this study. Hence this diagram;



Source: Researchers conceptual Framework (2022)

Theoretical Framework

This study is anchored on agency theory developed by Jensen and Meckling in 1976. The agency relationship explains the association between providers of corporate finances and those entrusted to manage the affairs of the firm. Jensen and Meckling (1976) define the agency relationship as a contract under which one or more persons

(the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent. In its simplest form, agency theory explains the agency problems arising from the separation of ownership and control. It provides a useful way of explaining relationships where the parties' interests are at odds and can be brought more into alignment through proper monitoring and a well-planned compensation system. Agency theory supports the delegation and the concentration of control in the board of directors and use of compensation incentives. It is worthy to note that corporate governance has been an issue of global concern as a result of the economic crisis and various financial frauds which lead to the failure of many companies in 2008. Corporate governance is seen as the tactic a company is being directed and controlled. This therefore led to the agency problem due to the difference that exists amid ownership and control of companies.

Empirical Studies

Saidu and Aifuwa (2020) investigated the impact of board characteristics on audit quality of listed manufacturing firms in Nigeria. The study was driven by the positivist research philosophy and a deductive research approach using a multi-method quantitative research design. Descriptive and inferential statistics were employed to summarize the data and to draw inference on the population studied. We employed the Binary Probit Regression in testing the hypotheses stated. Findings revealed that board size had a positive and significant relationship on audit quality. The study found no evidence on the relationship between board independence, female gender on audit quality. The study also found no evidence on the moderating effect of the presence of a female on the board on the nexus between board independence and audit quality. The study concluded that board characteristics do not affect audit quality.

Ogoun and Owota (2020) examines specifically the role of corporate governance in determining the audit quality of firms. The study utilized 71 non-financial firms for the periods 2008 to 2015. Audit quality was measured using a dummy variable of "1" and "0", with 1 representing the use of a big four auditor by the firm and 0 otherwise. Corporate governance was proxy with board independence measured using the ratio of non-executive directors to total directors. The data collected was analysed using the binary regression analysis. The findings reveal that board independence is negatively related to audit quality. The study highlights the importance of having proper mix of competences on the board. The study recommends that the composition of non-executive directors as members of the board should be sustained and improved upon Khudhaira, Al-Zubaidia and Rajia (2018) explored the impact of internal and external governance mechanisms such as board size, audit committee independence, audit committee expertise, and audit committee meetings on the quality of audit in selected firms. The study is carried out on a sample of Iraqi non-financial firms. The dependent variable is the audit quality measured as a dummy variable and it receives 1 if a firm receives audit services of big five auditing firms and zero, otherwise. To achieve the research objectives the study uses logit regression technique. The results indicate that there was a

positive relationship between audit quality and the percentage of non-executive directors in the audit committee. The findings of the current study will be helpful for policymakers, researchers, accountants, financial experts, and audit practitioners in understanding the importance of the concept of audit quality and the key factors which affect the audit quality of any non-financial firms in Iraq. Akhidime (2016) in his study examined the impact of board meetings and corporate characteristics of Nigeria banks have on their audit quality. The study is based on the published audited accounts of 19 banks that were selected by simple random sampling technique from the population of the 25 Nigerian banks over the banks' post consolidation/reform five- year period. The variables of the study were analyzed using binary logistic regression analysis. The variables were on audit committee, board size, number of outside directors, board meeting , board directors, leverage return on asset, and board independent. The hypotheses of the study were tested using F-ratios from the results of the pooled binary regression of the pooled data at 5% level of significance. Results of the study confirm that non-executive, independent directors and number of board meetings positively impact on the banks' audit quality. The study recommends for an upward review of the proportion of non-executive directors as well as the optimum size of the boards of the banks.

In a study by Odudu, Okpeh and Okpe (2016), they investigated the influence of Board size on the audit quality of listed deposit money banks in Nigeria for the period of 2005-2014. The total number of listed deposit money banks as at 31st December, 2014 are seventeen (17) out of which a sample of fifteen (15) were used for the study. The study categorically seeks to examine whether board characteristics (proxy by executive director, independent director, grey director, women director and foreign director) has any influence on the Performance of listed Deposit Money Banks in Nigeria. The study adopted multiple regression technique as a tool of analysis and data were collected from secondary source through the annual reports and accounts of the sampled banks. The study revealed that board size has a significant impact on audit quality.

3 Methodology

Ex-post facto research design was used to describe the effect of corporate governance on audit quality of all quoted brewery firms in Nigeria by using existing secondary data on the selected proxies from financial statement of the quoted firms which cannot be manipulated or altered by the researcher. The population of the study consists of the four (4) brewery firms listed on the floor of the Nigerian Exchange Group from 2011 to 31st December 2020. They include; Heineken Breweries Plc, Nigerian Breweries Plc, 'Guinness Nigeria Plc, International Breweries Plc. The data collected for the study was later analyzed using panel multiple regression technique with the help of Eview software. The study variables and their measurement are presented in table 1 below:

Operationalization of Variables and their Measurements

Variables	Acronyms	Measurement
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Dependent Variable <i>Audit Quality captured using Audit Firm Size</i>	ADQUAL	<i>Measured as a dichotomous variable 1 if a firm is audited by Big4 audit firm and 0 if otherwise. Inspiration drawn from prior studies like; Ekwueme, Anichebe and Orjinta, 2020).</i>
Independent Variables <i>Board Size</i>	BDSIZE	<i>Measured as the total number of board members</i>
<i>Board Independence</i>	BDIND	<i>Measured as the ratio of independent directors to the total number of directors</i>
<i>Board Meeting</i>	BDMEET	<i>Total number of meetings held during the financial year</i>
<i>Board Financial Expertise</i>	BDFEXP	<i>Number of board member with finance or accounting experience or membership in any professional accounting bodies.</i>

Source: Researchers' Ideology (2022)

The linear relationship between the dependent and independent variables is represented in the panel multiple regression model below:

$$ADQUAL_{it} = \beta_0 + \beta_1 BDSIZE_{it} + \beta_2 BDIND_{it} + \beta_3 BDMEET_{it} + \beta_4 BDFEXP_{it} + \epsilon_{it} \dots \dots \dots (1) \text{ Where,}$$

$ADQUAL_{it}$ stands for Audit Quality for firm i in time t ,

$BDSIZE_{it}$ stands for Board Size for firm i in time t ,

$BDIND_{it}$ means Board Independence for firm i in time t ,

$BDMEET_{it}$ connotes Board Meeting for firm i in time t ,

$BDFEXP_{it}$ stands for Board Financial Expertise for firm i in time t ,

Subscripts i denote number of firms, t denotes years or time-series dimensions ranging from 2011-2020, ϵ is the error term of the model capturing other unexplanatory variable and $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$ stands for regression model coefficients.

4. ESTIMATION RESULTS AND DISCUSSION OF FINDINGS

The study investigated the effect that exists between corporate governance and audit quality of listed brewery firms for a period of 10 years spanning 2011 to 2020. In identifying the possible corporate governance and exogenous factors that would influence firm's decision to be audited by Big 4 or otherwise. The variable for this study includes a dummy dependent variable which takes the value of "1" for Brewery firms that are being audited by big 4 auditing firm (ADQUAL) and "0" otherwise. The study carried out some preliminary data tests like descriptive statistics, correlations and variance inflation factor (VIF) analysis while the hypothesis testing was done using binary regression analysis. The table below shows the descriptive statistics of the selected brewery firms that make up our sample.

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4.1 Descriptive Statistics Analysis

	ADQUAL	BDSIZE	BDIND	BDMEET	BDFEXP
Mean	0.750000	5.750000	2.375000	7.625000	1.800000
Median	1.000000	6.000000	2.000000	8.000000	2.000000
Maximum	1.000000	6.000000	3.000000	10.00000	2.000000
Minimum	0.000000	5.000000	2.000000	4.000000	1.000000
Std. Dev.	0.438529	0.438529	0.490290	1.612253	0.405096
Skewness	-1.154701	-1.154701	0.516398	-0.785964	-1.500000
Kurtosis	2.333333	2.333333	1.266667	2.609381	3.250000
Jarque-Bera	9.629630	9.629630	6.785185	4.372570	15.10417
Probability	0.008109*	0.008109*	0.033621**	0.112333	0.000525*
Observations	40	40 40		40	40

Source: Researchers' computation (2022) from E-view 10

*Note: *1% level of significance **5% level of significance ***10% level of significance*

The table shows the descriptive of mean, standard deviation, Jarque-Bera (JB) Statistics normality test, minimum, median and maximum values of the variables used. As shown in the table 4.1 above, the average or mean value of audit quality stood at 75% while the median value was 1 and the standard deviation was 43.9% approximately. The maximum and minimum values stood at 1 and 0% respectively because it's a binary number that assumes zero and one. This is to say that the mean and average audit quality is 75% respectively. It shows that half of the breweries or 75% of the breweries sampled have Big4 audit firm as their auditor and are concurrently being audited by Big 4 audit firms. Firstly, the great difference between the mean and median values of audit quality shows that the sampled firms differ greatly; this was also reaffirmed by the standard deviation value which indicates that the sampled breweries are not dominated by firms whose audit quality is below average. The variation in the maximum and minimum values of audit quality of selected breweries revealed that our sampled firms are homogeneous and the selected estimation techniques must not take into consideration heteroscedasticity problem.

In the same vein, board independence stood at mean value of 2.38% approximately suggesting that half of the board members of firm under study are non-executive directors. Furthermore, we observed on the average that board committee members in our sampled firms are comprised of

1.8% accounting financial experts while the maximum and minimum values stood at 3 (75%) and 2 (50%) respectively. Again, board meeting expressed in the frequency of meetings indicates that on average additional one sitting of the board improves audit quality by approximately 7-8 days. Similarly, the mean value of board size is 5.7 (ie 5 members) with minimum of 5 members and maximum of 6 members respectively.

Lastly, in table 4.1, the Jarque–Bera (JB.) which test for normality or existence of outliers or extreme value among the variables shows that audit quality, board size and board financial expertise are normally distributed at 1% level of significance while board independence is normally distributed at 5% level with exception of board meeting that are normally distributed at above 10% level of significance. This means that no variables with outlier, even if there are, they are not likely to distort the conclusion and are therefore reliable for drawing generalization. The descriptive statistics in general revealed that there is no sample selection bias or outlier in the data that would impair the generalization from this study. Hence, any recommendations made to a very large extent would represent the characteristics of the true population of study.

4.2: Correlation Analysis

The aim of using correlation matrix is to see if there is any multi-collinearity problems among the variables used and to determine the degree of association that existed among the variables. The problem of multi-collinearity exists if independent variables are highly or perfectly correlated with each other with correlation values exceeding 0.90% according. Therefore, Pearson's correlation matrix was applied to check the degree of association between audit quality and corporate governance variables among quoted firms in Nigeria so as to determine the nature or degree of association i.e. positive or negative correlation. Therefore, in examining the association among the variables, we employed the Pearson correlation coefficient (correlation matrix) and the results are presented in the table 4.2 below:

Table 4.2 Result of Pearson Correlation Matrix

	ADQUAL	BDSIZE	BDIND	BDMEET	BDFEXP
ADQUAL	1.000000	0.333333	-0.268328	-0.208532	0.521688
BDSIZE		1.000000	-0.029814	-0.317331	0.288675
BDIND			1.000000	-0.336540	-0.516398
BDMEET				1.000000	-0.235557
BDFEXP					1.000000

Source: Researcher's summary of correlation analysis (2022).

From the correlation matrix table, the result shows that audit quality are positively correlated with two variables board size and board financial expertise but negatively correlated with board independence and board meeting. The above results show that there exists a positive and strong association between audit quality and board size. However, none of the variables were found to be more than 0.90. i.e. no two exploratory variables were perfectly correlated. The highest correlation is between two variables which are board financial expertise that are highly correlated with audit quality (BDFEXP/ADQUAL=52) which indicate that multi co linearity is not a serious problem that would distort the regression result in the model used for analysis. A close look at the value of the Pearson correlation coefficient results revealed that all the variables are strongly associated with audit quality. Therefore, in checking for multicollinearity problem, no two explanatory variables were perfectly correlated and thereby ruled out the case of having an outlier.

4.3: Test of Hypotheses and Discussion of findings

In order to examine the relationship between the dependent variable (audit quality) and the independent variables (BDSIZE, BDIND, BDMEET and BDFEXP) and to test the formulated hypothesis, we employed a binary logistic regression analysis since the data had both time series (2011-2020) and longitudinal properties (4 quoted companies) our analysis is presented in table

4.3 below: $ADQUAL_{it} = \beta_0 + \beta_1 BDSIZE_{1t} + \beta_2 BDIND_{1t} + \beta_3 BDMEET_{1t} + \beta_4 BDFEXP_{1t} + \epsilon \dots 1$

Summary of regression result.

Dependent Variable: ADQUAL

Method: Least Squares

Date: 3/20/22 Time: 14:48

Sample: 1 40

Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C				
	-2.077781	1.063725	-1.953308	0.0588
BDSIZE	0.135292	0.122608	2.103451	0.0044
BDIND	0.150311	0.141497	2.062286	0.0954
BDMEET	0.020791	0.038936	0.533987	0.5967
BDFEXP	0.852407	0.168586	5.056204	0.0000

Source:

Researchers' summary of regression result (2022)

The table 4.3 above shows the least square regression analysis of selected breweries in Nigeria. From the results above the McFadden R-squared value from the binary logistic regression results shows that about less than one percent of the outcome of the dependent variable can be jointly predicted by all the independent variables. The result also revealed that the R-squared value of 0.552 which is equivalent to 55.2%, indicates that the independent variables explained about

55.2% of the systematic variation in the audit quality policy of selected breweries over the ten (10) year's period observed while the remaining 44.8% is explained outside the unspecified variables thereby captured by the error term, thus, exogenously explained. The good performance of the McFadden R-squared shows that audit quality practices of the selected firms in Nigeria can be predicted by corporate governance specific characteristics used in the model. As shown in table 4.3 above, the F-statistics of 10.79 and their P-value of 0.000 showed that all our regression models are generally significant and well specified. F-statistic for the model revealed that the overall model is statistically significant and valid in explaining the outcome of the dependent variable. Moreover, the Durbin Watson statistic of 1.74 approximately showed the absence of auto correlation in the least squared model used in the study and that the model is well spread and that there have not

been self or auto correlation problem and that error are independent of each other. In addition to the above, the observable firm's binary logistic regression results as presented in table 4.3 and their specific findings from each explanatory variable are provided and interpreted as follows:

Board size has no significant effect on audit quality of Nigerian Breweries

The result of the analysis on table 4.3 above shows that board size is positively and significantly related to audit quality at 1% level of significance having recorded a positive coefficient value of 0.135. This is evidenced in their t-value of 2.103 and probability value of 0.0044. This indicates that 1% increase in the size of the board bring about 13.5% increases in audit quality. This implies that an increase in board size or the number of board members increases audit quality to the tune of 13.5%. It indicates that an increase in the board size of Nigeria Breweries leads to an increase in the audit quality of selected firms to the tune of 13.5% approximately. The t-value of 2.103 reveals that board size has a strong effect on audit quality of selected firms. The probability value of 0.0044 reveals that the effect of board size on audit quality is statistically significant at 1% level of significance. As a result of this significant effect obtained, the study rejects our first null hypothesis (H_{01}), which states that board size has no significant effect on audit quality and therefore accept our alternate hypothesis and conclude that board size has significant effect on audit quality of brewery firms quoted on Nigeria Exchange Group which was statistically significant at 1% level of significance.

Board independence has no significant effect on audit quality of quoted firms in Nigeria.

The regression result in table 4.3 above revealed that board independence has positive and significant effect on audit quality of quoted firms in Nigeria having recorded a positive coefficient value of 0.150% which was statistically significant at 5% level of significant. This implies that a 1% increase in the proportion of board members that are independent of management is associated with an increase in their audit quality by 15%. This entails that a firm with more percentage of non-executive directors tends to have a sound audit quality. This result is in compliance with the findings of Yaacob and Che-Ahmad (2012). This result also supports agency theory in which independent directors would minimize information asymmetry and reduce agency problem. This finding also supports our apriori expectation that there is a positive and significant effect of board independence on audit quality. Based on the significant result obtained, we therefore reject the second null Hypothesis (H_{02}), which states that board independence has no significant effect on audit quality of brewery companies in Nigeria and therefore accept our alternate hypothesis and conclude that board independence has significant effect on audit quality of brewery companies in Nigeria which was statistically significant at 5% level of significance.

Board meeting has no significant effect on audit quality of quoted Breweries in Nigeria.

From the regression table 4.3 above, we also found board meeting to have a positive but insignificant relationship with audit quality. By implication, this means that a 1% increase in the number of meetings held by board members in a year is associated with an increase in their audit quality by 2% even though it was insignificant.

The result means that though board meeting have positive influence on audit quality, the influence is not effective in driving the level of audit quality. This result indicates that the more meetings held by the board members in a year, the better their audit quality. This finding is in line with the works of Eslami et al (2015) who found no significant relationship between board meeting and audit quality but negates the findings of Sharinah et al (2014), Shukeri and Islam (2012), and Sri and Sylvia (2016) that observed that board meeting positively influences audit quality. As a result of this insignificant effect found, we therefore accept our null hypothesis and conclude that board meeting has no significant effect on audit quality.

Board financial expertise has no significant effect on audit quality in Nigeria Breweries.

It was observed from table 4.3 that board financial expertise (BDFEXP) was also positively and significantly related to audit quality at 1% level of significance. This entails that a firm with more proportion of board members who are professionals in any accounting body with financial expertise tends to have a clear audit quality. This means that having at least one financial expert in the board can enhance board effectiveness in performing oversight functions that will lead the board in identifying and asking questions that challenge management and external auditors and consequently improve audit quality. Based on the significant result obtained, we therefore reject the fourth null Hypothesis (H_{04}) and conclude that board financial expertise has significant effect on audit quality of brewery companies in Nigeria which was statistically significant at 1% level of significance.

5: Conclusion and Recommendations

This paper examines the effect of corporate governance on audit quality of brewery industry quoted on Nigeria Exchange Group for a period of ten years using four variables corporate governance. In this study we used Big 4 auditing firm as a proxy for audit quality and seek to investigate whether board size, the proportion of non-executives' directors in the board meeting and board financial expertise influences the extent of auditing. Utilizing data from a sample of 40 firm year observations, we found that the proportion of non-executive directors has a significant positive impact on audit quality. Overall, the findings suggest that non-executive directors encourage more intensive audits as a complement to their own monitoring role while the reduction in agency costs expected through significant board size and board financial expertise results in a improved need for intensive auditing. Based on the findings of the study, we concluded that corporate governance has an impact on audit quality in Nigeria. We therefore recommend that board size should be increased to up to 6 members for improved audit quality and quick decision making in relation to audited financial report. Also, Nigeria breweries should ensure that the board is composed of independent persons, with high level of integrity that can match words with action to improve their audit quality.

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