Asian Journal of Economics, Business and Accounting

9(3): 1-14, 2018; Article no.AJEBA.46100
ISSN: 2456-639X

Audit Committee Characteristics and Corporate Governance Disclosure of Nigerian Deposit Money Banks

Godwin Israel Ebirien[1*], Gospel J. Chukwu[1] and John Ohaka[2]

[1]Department of Accountancy, Ken Saro Wiwa Polytechnic, Bori, Rivers State, Nigeria.
[2]Department of Accounting, Faculty of Management Sciences, Rivers State University, Nkpolu-Oroworukwu, Port Harcourt, Rivers State, Nigeria.

Authors' contributions

This work was carried out in collaboration between all authors. All authors read and approved the final manuscript.

Article Information

DOI: 10.9734/AJEBA/2018/46100
Editor(s):
(1) Dr. Ivan Markovic, Faculty of Economics, University of Nis, Serbia.
(2) Dr. Maria-Dolores Guillamon, Department of Financial Economics and Accounting, University of Murcia, Spain.
Reviewers:
(1) Stavroula Kourdoumpalou, University of Macedonia, Greece.
(2) R. Shenbagavalli, India.
Complete Peer review History: http://www.sdiarticle3.com/review-history/46100

Original Research Article

Received 21 October 2018
Accepted 07 January 2019
Published 15 January 2019

ABSTRACT

Aims: The paper examines the extent to which audit committee characteristics influence corporate governance disclosure level in the Nigerian deposit money banks. The characteristics examined are frequency of meetings, independence, financial literacy and gender diversity.
Study Design: The study adopts cross sectional research design.
Place of Study: The study was carried out in Nigeria.
Methodology: The paper derives data from annual reports of thirteen deposit money banks for the period 2013 to 2015 and based on the Code of Corporate Governance for Public Companies issued by the Securities and Exchange Commission of Nigeria and Code of Corporate Governance for Banks in Nigeria post consolidation constructed a corporate governance disclosure index using content analysis method. The data were analyzed using Stata 12. It formulated and tested four hypotheses employing the ordinary least square method of multiple regressions.
Results: The result shows a positive but insignificant relationship between corporate governance disclosure level and frequency of meetings. The paper documents a negative and statistically

**Corresponding author: E-mail: godebi2013@gmail.com;*

insignificant relationship between corporate governance disclosure level and financial literacy and independence of the audit committee. Gender diversity of the audit committee on the other hand is significantly and negatively associated with corporate governance disclosure level.
Conclusions: It is recommended that audit committees of deposit money banks should increase the meeting frequencies with discussions focusing more on corporate governance issues especially disclosures. It is further recommended only non-executive directors who are independent both in mental attitude and appearance are elected as representatives of board of directors. Female membership of the audit committees of deposit money banks should be reduced.

Keywords: Corporate governance disclosure; audit committee; information asymmetry; content analysis; deposit money banks.

1. INTRODUCTION

Since the past two decades corporate governance (CG) has assumed prominence following rising cases of corporate collapses across the globe. Prominent corporate collapses include Worldcom, Enron, Lehman Brothers (US), Parmalat (Italy), Oceanic Bank International Plc, Intercontinental Bank Plc, and Afribank Plc (Nigeria). The collapses have been linked to CG failures [1]. Consequently, countries, regulators embark on CG reforms.

The reforms take the form of either enactment of new law such as Sarbanes-Oxley Act, 2002 in the United States or issuance of Code of Good Corporate Governance practices as in the United Kingdom and South Africa. In Nigeria, the Securities and Exchange Commission issued the Code of Corporate Governance in 2003 with a revision in 2011. The Central Bank of Nigeria also issued Code of Corporate Governance for Banks in Nigeria post consolidation effective April 2006.

The Codes assemble CG provisions already embedded in Nigerian company laws, the best reporting practices across the globe and also corporate governance provisions and guidelines in existing international codes of good CG practices such as the Organization for Economic Co-operation and Development (OECD), Commonwealth Association for Corporate Governance and Basel Committee on Banking Supervision.

An integral part of effective CG reform encapsulated the Code of Corporate Governance is CG disclosure. Nigerian deposit money banks need to disclose their CG practices since disclosure mitigates information asymmetry between management and stakeholders [2]. One veritable committee that oversees financial reporting which includes corporate disclosures is the audit committee (AC). Even with the establishment of ACs in publicly listed firms, corporate collapses and accounting scandals continue to resonate leading accounting researchers to express doubt on the ability of the ACs to deliver on their mandate [3,4]. Prior studies of ACs show that the effectiveness of the committee is influenced by the characteristics of the committee as well as firm characteristics [5,6,7,8,9,10,11] To what extent do the characteristics of AC influence the level of CG practices disclosed by Nigerian listed deposit money banks (DMBs) is an empirical question.

The objective of this study therefore is to investigate the relationship between AC characteristics and CG disclosures made by the DMBs in the annual reports.

This study is motivated by several reasons:

Firstly, most of the prior studies on corporate disclosure exclude DMBs (for examples, [12,13,14] on the ground that the banking industry has unique reporting requirements and the operations of the banks are so dissimilar to non-financial firms such that the inclusion of data from the banks might lead to spurious results. Thus there is scanty literature on how the AC influences CG disclosures in the Nigerian banking industry.

Secondly, the banking industry plays vital role in the economic development of Nigeria by providing the platform for payments and deposit mobilization from the surplus units for onward lending to the deficit units.

Thirdly, the banking sector drives the activities on the Nigerian Stock Exchange and so the market should be interested in the disclosure of the CG practices, more so as banks exhibit high degree of opaqueness in their operations [15].

The study will enhance our understanding of the literature on CG mechanism in the banking industry in a developing economy plagued by institutional weaknesses. It will provide systematic evidence on the relationship between AC characteristics and CG disclosure. The findings should be of interest to the regulators and other researchers.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Corporate Governance (CG)

Corporate governance is a complex and multifaceted concept with no universal consensus on its definition [16]. Shleifer and Vishny [16] define CG as "…the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment". This definition is criticized for being narrow since its focus is primarily on the maximization of the wealth of the owners.

The Organization for Economic Co-operation and Development (OECD) [17] offers a widely accepted definition thus:

Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation … and spells out the rules and procedures for making decisions on corporate affairs. By doing this it provides the structure through which the company objectives are set, and the means of attaining these objectives and monitoring performance.

The Central Bank of Nigeria [18] defines CG as 'a system by which corporations are governed and controlled with a view to increasing shareholder value and meeting the expectations of the other stakeholders'. The extension of the definition to cover stakeholders is consistent with the stakeholder theory [19] which amongst other propositions contends that a firm is a social entity that affects and is affected by the stakeholders.

Underlying all the definitions of CG is the issue of accountability. Some hold the view that accountability is to the shareholders which is usually considered to be a narrow view [20]. The alternate view – usually termed the broad view - is that accountability is to stakeholders. The stakeholders include shareholders, depositors, suppliers, creditors, employees, regulators and the public.

For the purpose of this study, we adopt the definitions of OECD and the Central Bank of Nigeria. In these definitions, CG is for the benefits of all the stakeholders.

2.1.2 Audit Committee (AC)

Section 359 (5) of the Companies and Allied Matters Act, 2004 (CAMA) requires each firm listed on the Nigerian Stock Exchange to establish an AC. It further provides that the AC should be composed of not more than six members spread equally between the directors and shareholders. The minimum membership of the AC is 4. The composition of the AC is novel compared to developed markets where audit ACs are composed of directors. The inclusion of shareholders is designed to strengthen the independence of the committee and give the shareholders direct role in monitoring the financial reporting process. The members of the committee are elected in annual general meetings.

The duties of the AC as spelt out by CAMA are:

- Ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices.
- Review the scope and planning of audit requirements.
- Review the findings of management matters in conjunction with external auditors and departmental responses thereon.
- Keep under review the effectiveness of the company's system of accounting and internal control.
- Make recommendations to the board in regard to the appointment, removal and remuneration of the external auditors of the company.
- Authorize the internal auditors to carry out investigations into any activities of interest or concern to the committee.

Even with the establishment of ACs in publicly listed firms, corporate collapses and accounting scandals continue to resonate leading accounting researchers to express doubt on the ability of the ACs to deliver on their mandate [3,4]. Prior studies of audit ACs show that the effectiveness of the committee is influenced by the characteristics of the committee as well as firm characteristics [5,6,7,8,9,10,11]. The characteristics usually cited are AC size, independence, financial literacy, frequency of meetings, gender diversity, firm size, board size, profitability, growth opportunities and leverage.

2.1.3 Corporate disclosure

Disclosure has been defined as the action of releasing relevant, new or secret, information pertaining to a company, thus making them known and able to influence investment decisions [21]. Similarly, Subramanian and Reddy [22] state that disclosure occurs when information is released for the public pertaining to companies' activities and performance evaluation. It entails communicating information concerning a firm's activities to the public.

CG disclosure is one important CG mechanism recommended to reduce agency problems [2,23,24,25,26]. CG disclosure relates to disclosure of CG practices and seeks to reassure the stakeholders that the reporting firm's CG practices are in alignment with international and domestic best practices. It aims to extenuate information asymmetry between the firm and its stakeholders.

Based on the above discussion, the study develops the Conceptual Framework as presented in Fig. 1.

2.3 Theoretical Frame Work

This paper adopts the agency theory to explain the relationship between audit committee characteristics and corporate governance disclosure.

Agency theory is built on agency relationship. According to Jensen and Meckling [26], agency relationship is a contract under which one or (principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent.

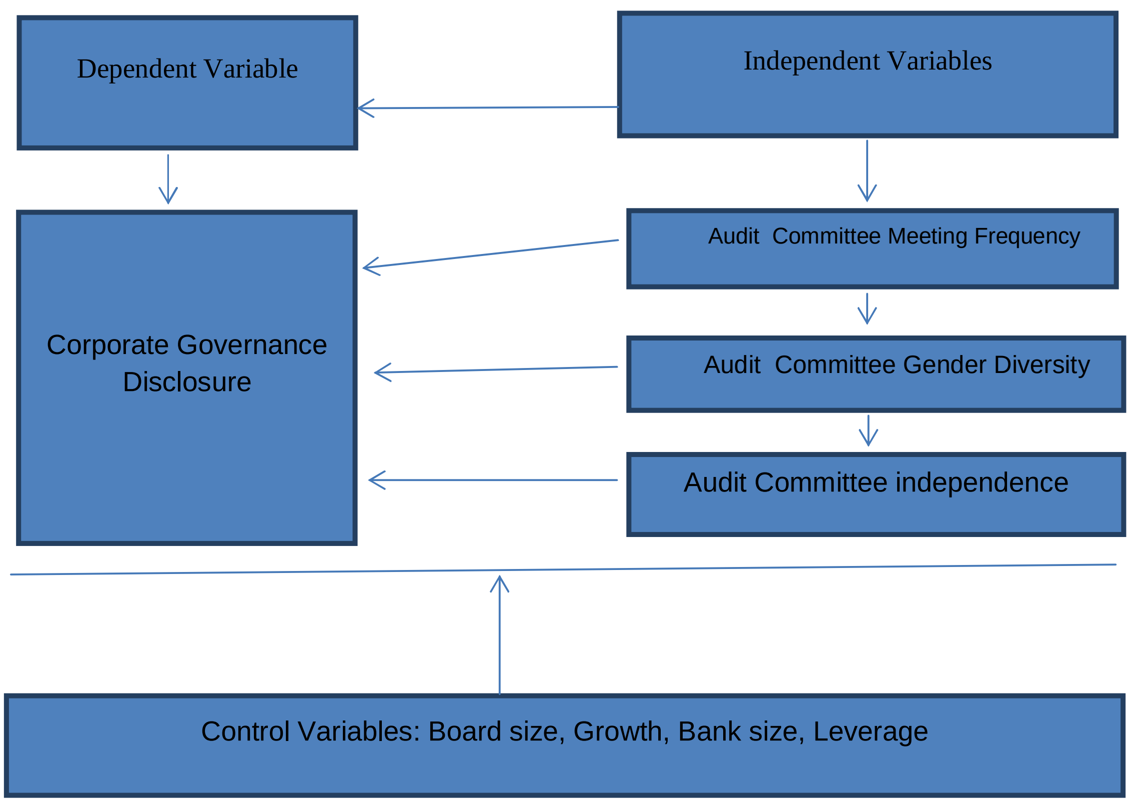

Fig. 1. Framework for studying the relationship between corporate governance disclosure and audit committee characteristics

Under the agency relationship, the managers (agents) perform day to day management of the firm on behalf of the shareholders thereby having information advantage relative to the shareholders (principal). Manager exploit this information advantage which Healy and Palepu, [2,27] termed information asymmetry, opportunistically. Agency theory contends that the manager is a rational economic being and utility maximizer and would therefore pursue his self-interest at the expense of the shareholders [28]. It therefore recommends corporate disclosure to alleviate agency costs [22]. Since audit committee and corporate disclosure are corporate governance mechanisms [23,24,25,26, 27], designed to alleviate information asymmetry and lower agency costs [29], Agency theory is considered germane for this study.

2.4 Empirical Review

2.4.1 Audit committee Meeting Frequency

It is contended that an AC that meets frequently is effective. Frequency of committee meetings affords the AC more time to have more oversight over the financial reporting process which includes voluntary and mandatory disclosures [30]. Owolabi and Ogbechi [31] argue that most ACs in Nigeria do not devote enough time to watch for details in financial reporting. Generally, prior studies use the number of committee meetings held annually as a proxy for committee diligence [8,32,33]. Karamanou and Vafeas, [33] finds frequency of AC meetings to be associated with more management earnings forecasts. In contrast, Sultana, Singh, and Van der Zahn [34] find no evidence of a relation between audit report lag and AC meeting frequency. Consequently the following hypothesis is formulated:

H1: Frequency of audit committee meetings will not affect the level of corporate governance disclosure

2.4.2 Audit committee independence

The membership of the AC comprises directors and representatives of shareholders. The inclusion of shareholders is designed to strengthen the independence of the committee. CAMA as well as the Codes of Corporate Governance of both the Securities and Exchange Commission and the Central Bank of Nigeria do not specify the type of director to sit on the AC even when it is known that there are executive directors, non-executive directors and independent non-executive directors. It is generally believed that executive directors are poor monitors while the non-executive directors are good monitors because of the imperative of protecting their reputational capital. However, empirical evidence on AC independence is inconclusive. While Abbot, Parker and Peters [35] find a significant negative association between AC independence and financial restatement, Agrawal and Chadha [36] document no significant positive relationship between AC independence and financial reporting quality. The AC is considered independent if majority of the members are independent directors and non-executive directors. Consistent with the above discussions, the following hypothesis is put forward:

H2: The level of corporate governance disclosure will not be affected by the independence of the audit committee

2.4.3 Audit committee financial literacy

The Code of Corporate Governance for Public Companies issued by the Securities and Exchange Commission requires members of the AC to possess financial literacy with at least one member possessing knowledge of accounting or financial management. Financially literate members are likely to ask management probing questions, understand complex accounting and reporting issues which include CG disclosures and better understand external auditor's judgment. Several studies have examined the effect of financial literacy on the effectiveness of AC [1,37]. Mangena, and Pik [11] report a positive relationship between AC financial literacy and corporate disclosure. In light of the foregoing, the next hypothesis is stated thus:

H3: Financial literacy of audit committee will positively affect corporate governance disclosure

2.4.4 Audit committee diversity

Gender advocates argue that female membership of committee such as the AC will afford the committee a broader spectrum of financial reporting issues and prevent a 'groupthink' mentality'. Groupthink' mentality can lead to major flaws in assessing and dealing with the committee's tasks. They equally argue that women are good managers and monitors. Adams and Ferreira [38] provide evidence that female directors are effective oversight on board monitoring committees. The above leads to the final hypothesis of this paper:

H4: Gender diversity of audit committee will positively affect corporate governance disclosure level.

2.4.5 Control variables

Following the literature, we control for board size, firm size, leverage and growth opportunities. Large board size affords the board diverse view points for robust discussions and deploying members to the AC. Large DMBs face greater political cost and would engage in greater CG disclosure to avoid political intervention. Firms with a high level of leverage would disclose less of their CG practices to hide the extent of their indebtedness since the market views highly levered firms as risky. Fast growing firms would engage in greater CG disclosure to assure the market that they follow ethical practices.

3. METHODOLOGY

3.1 Research Design

The study adopts cross sectional research design.

3.2 Data

This paper derives the CG and financial data used to test our hypothesis from the annual reports of DMBs listed on the Nigerian Stock Exchange for the period 2013 to 2015. We obtain the annual reports from the Nigerian Stock Exchange Library in Port Harcourt.

3.3 Population and Sample

The population of this study comprises all the DMBs listed on the Nigerian Stock Exchange between 2013 and 2015. The Fact Book of the Nigerian Stock showed that fifteen DMBs were listed on the Nigerian Stock Exchange at 31st December, 2015. Of the fifteen banks, two DMBs have incomplete data and were consequently deleted thereby giving a sample of thirteen DMBs.

3.4 Empirical Model

The empirical model for this paper is stipulated thus:

CORPORATE GOVERNANCE DISCLOSURE = f(ACMEET, ACMIND, ACMFL, ACMGD, BODSZ, BANKSZ, LEV, GROWTH)

Explicitly the model is stated thus:

$$CGDISC_{i,t} = \beta_0 + \beta_1 ACMEET_{i,t} + \beta_2 ACMIND_{i,t} + \beta_3 ACMFL_{i,t} + \beta_4 ACMGD_{i,t} + \beta_5 BODSZ_{i,t} + \beta_6 BANKSZ_{i,t} + \beta_7 LEV_{i,t} + \beta_8 GROWTH_{i,t} + \varepsilon_i$$

Where:

CGDISC =	Corporate governance disclosure index
ACMEET =	Frequency of audit committee meeting, measured as the number of meetings held annually by the audit committee
ACMIND =	Audit committee independence, measured by the number of independent non-executive directors on the audit committee.
ACMFL =	Financial literacy, proxied by the number of audit committee members with educational qualifications in accounting, banking and/or finance and/or recognized professional qualifications in accounting and/or banking/finance.
ACMGD =	Audit committee gender diversity, measured by the number of female directors on the audit committee
BODSZ =	Board size proxied by number of directors on the board of directors.
BANKSZ =	Firm size proxied by natural logarithm of total assets at year end.
LEV =	Leverage computed as total liabilities divided by total assets
GROWTH =	Growth opportunities computed as gross earnings at t minus gross earnings at t-1,all divided by gross earnings at t-1
ε_i =	Error term.
β_0 =	Intercept.
β_1 β_8 =	Regression coefficients.

The subscripts i, t, in the model refers to firm i at time t.

The study measures CG disclosure using the content analysis method. Content analysis method is the dominant method employed in the disclosure literature [12,14,39,40,41,42]. Based on the Codes of Corporate Governance of Securities and Exchange Commission, 2011 [43] and the Central Bank of Nigeria 2006, we draw up a checklist of CG disclosure (See the checklist in the Appendix).

In constructing the disclosure index, we use a binary scoring scheme whereby we assign 1 if the item in the checklist is disclosed in the annual report and 0 if it is not disclosed. By this scheme, a DMB's total CG disclosure score is derived by summing up the actual scores and dividing by the total maximum score in a particular firm year. The higher the disclosure score, the higher the level of disclosure, suggesting more transparency in disclosure.

3.5 Method of Analysis

The study employs univariate and multivariate analyses to explore the secondary data. We describe the pattern of the data using univariate statistics of frequencies, percentages, mean, standard deviation, minimum, maximum. Data are presented in tables. The multivariate analysis involves the use of OLS regressions estimated with the aid of Stata 12.

4. RESULT

4.1 Descriptive Statistics

Table 1 presents the descriptive statistics of dependent and independent variables. It shows the mean corporate governance disclosure made by the sampled deposit money banks is 0.84364. This indicates high level of disclosure given a maximum score as 1. On the average the ACs held three meetings annually but some ACs did not hold meeting in some years implying inactivity. The average number of women on the ACs in the sample is 0.7948718 and some firms had no women on the committee. The mean of 0.3846154 suggests low score on audit committee independence. Some committees had no independent non-executive directors.

The correlation analysis of the dependent and independent variables is displayed in Table 2. It indicates no relationship in between the dependent variable and AC gender diversity. All the other AC characteristics also exhibit no strength in relationship with CG disclosure. With respect to the control variables - board size, bank size, leverage and growth opportunities, the correlation matrix reveals no strength. Statistically significant correlation could imply multicollinearity concern but a check of the values of variance inflation factor (VIF) presented in Table 4 indicates that multicollinearity does not pose any serious threat. Multicollinearity poses a serious concern if the values of VIF exceed 10 [44].

4.2 Multivariate Analysis

The study displays the result of the test of hypotheses in Table 4.

The F statistics reveals that the model has an excellent fit (*P* = 0.000). The coefficient of Determination (R^2) shows that approximately 37% of the variation in corporate governance disclosure level is explained by the independent variables while the balance is accounted for by other variables subsumed in the error term.

Table 1. Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
cgdisc	39	.84364	. 0819005	.6470588	1
acmeet	39	3.435897	1.447227	0	5
acmind|	39	.3846154	. 4928641	0	1
acmfl	39	1.205128	1.128098	0	4
acmgd	39	0.7948718	0.731958	1	2
bodsze	39	14.41026	2.52063	10	19
banksze	39	20.47056	2.07505	13.75115	22.19175
lev	39	22.68401	136.1286	.7670046	851.0086
growth	39	. 1255256	.3087847	-.6458411	1.60078

All terms are as defined earlier

Table 2. Correlation matrix

	disc	acmeet	acmind	Acmfl	acmgd	bodsze	banksze	lev	growth
disc	1.0000								
acmeet	0.0852	1.0000							
acmind	0.0590	0.0539	1.0000						
acmfl	0.0626	-0.2980	0.2330	1.0000					
acmgd	-0.3942*	0.1363	-0.1403	-0.1708	1.0000				
bodsze	-0.3010	-0.2956	0.0391	0.3676*	-0.0846	1.0000			
banksze	0.1728	-0.2301	0.3554*	0.1807	0.1259	0.4035*	1.0000		
lev	-0.2371	0.0640	-0.1283	-0.0300	-0.1782	-0.0268	-0.5106*	1.0000	
growth	0.0420	0.0067	0.0050	0.0534	0.0785	-0.0123	0.2586	-0.4109*	1.0000

All terms are as defined earlier

4.2.1 Frequency of meetings of AC and CG disclosure level

H1 tested the relationship between the frequency of meetings of AC and CG disclosure level. The regression result in Table 4 indicates a positive relationship between CG disclosure level and the frequency of AC meetings (β_1 =0.0070666). This impies that for each additional meeting of the AC, the model predicts an increase of approximately 0.0071 in the level of CG disclosure, all other independent variables held constant. However, the relationship is not statistically significant (*P* = 0.466). Consequently we accept hypothesis 1 which states that the frequency of audit committee meeting will not affect the level of corporate governance disclosure. The result suggests that the frequency of AC meeting does not impact on CG disclosure.

Table 3. Viariance inflation factor

Variable	VIF	1/VIF
acmeet	1.96	0.509514
acmind	2.14	0.466888
acmfl	2.50	0.400109
acmgd	2.56	0.389879
bodsze	1.51	0.662453
banksze	2.17	0.459956
lev	1.65	0.605518
growth	1.27	0.789564
Mean VIF	1.97	

Al terms are as defined earlier.

4.2.2 AC independence and CG disclosure level

The second hypothesis examined relationship between AC independence and CG disclosure level. A further examination of Table 4 reveals AC independence has negative effect on CG disclosure level (β_2 = -0.0185352). The result implies that with an addition of one independent non-executive director on the audit committee, corporate disclosure level. Is predicted to decline by approximately 0.019 holding all other independent variables constant. The result is not statistically significant (*P* = 0.453). Thus the second hypothesis which states that the level of corporate governance disclosure will not be affected by the independence of the audit committee is supported.

4.2.3 AC financial literacy and CG disclosure level

The relationship between AC financial literacy and CG disclosure level is tested by hypothesis 3. Table 4 shows a negative (β_2 = -0.0005063) and statistically insignificant relationship between AC financial literacy and CG disclosure (*P* = 0.971). Hence hypothesis three which states that financial literacy of audit committee will positively affect corporate governance disclosure is not supported. The negative relationship suggests that with an increase in the membership of AC by one financially literate member, CG disclosure level decreases by 0.0005, all other explanatory variables held constant.

4.2.4 AC gender diversity and CG disclosure level

H3 tested the relationship between AC gender diversity and CG disclosure level. The result as displayed in Table 4 indicates that the relationship between AC gender diversity and CG disclosure level is negative (β_4 = -0.0479411). The effect of gender diversity on CG disclosure is statistically significant at 5% (*P* = 0.014). Considering the result, hypothesis 3 which states that gender diversity of audit committee will positively affect corporate governance disclosure is not sustained and is therefore rejected. The implication of the negative coefficient (β_4) is that for each addition of one female member to the AC, CG disclosure level is estimated to decline by approximately 0.048 holding all other independent variables constant.

Table 4. Regression result

				No of obs	=	39
				F(8, 30)	=	32.80
				Prob > F	=	0.0000
				R-squared		0.3648
				Root MSE		.07346
		Robust				
cgdisc	**Coef.**	**Std. Err.**	**t**	**P>|t|**	**[95% Conf. Interval]**	
acmeet	0.0070666	0.0095749	0.74	0.466	-0.012488	0.0266212
acmind	-0.0185352	0.0243847	-0.76	0.453	-0.0683355	0.0312651
acmfl	-0.0005063	0.0139648	-0.04	0.971	-0.0290263	0.0280137
acmgd	-0.0479411	0.0184663	-2.60	0.014	-0.0856544	-0.0102279
bodsz	-0.0104266	0.00627	-1.66	0.107	-0.0232318	0.0023785
banksze	0.0100274	0.004282	2.34	0.026	0.0012823	0.0187725
lev	-0.0001293	0.0000408	-3.17	0.004	-0.0002126	-0.0000459
growth	0.0001138	0.0169782	0.01	0.995	-0.0345603	0.0347879
cons	0.8131082	0.0982807	8.27	0.000	0.6123923	1.013824

All terms are as defined earlier

4.2.5 Control variables

The study controls for other factors one of which is board size. The regression result shows that the coefficient on board size (BODSZ) is negative and significant, implying inverse relationship between board size and CG disclosure level. Table 4 shows that another control valuable, bank size is positively and significantly related to the level of CG disclosure (P = 0.026). Leverage (LEV) which is another control variable exhibits a negative and significant association with CG disclosure level. The final control variable is Growth which Table 4 shows is positively but insignificantly related to the CG disclosure level (P = 0.995).

5. DISCUSSION OF RESULTS

As shown in Table 4, the relationship between frequency of audit committee meetings and corporate governance disclosure is negative but insignificant. This finding is not consistent with prior studies [8,33,34] which suggest that audit committee meetings can proxy the level of committee diligence. A possible reason for this lack of association between audit committee meeting frequency and corporate governance is that the committee members do not pay attention to details during their meetings. This is the view raised by Owolabi and Ogbechi [31]. Since audit committees do not give time to examine financial reporting details [31], it must be that the meetings probably provide members with opportunity to collect their entitlements and book their names in the attendance register. Some re-orientation may help to refocus audit committees to corporate interests and make their meetings more purposeful and economical.

The relationship between audit committee independence and corporate governance disclosure is negative but insignificant as shown in Table 4. The evidence from prior studies on the relationship between the two variables is mixed [45,46]. The findings of the current study may be explained by the managerial discretion on the constitution of audit committees. The corporate governance laws in Nigeria do not prescribe the inclusion of independent non-executive directors in the audit committee. Accordingly, some firms do not really consider the usefulness of independence while constituting the audit committee. Thus some boards fail to consider the need for independence of the audit committee as a corporate governance vehicle, a situation that leads (among other things) to an insignificant relationship between committee independence and corporate governance disclosure. Another possible explanation is that the independent non-executive directors might not necessarily be appointed as effective monitors but as solution to potential political problems. This argument is premised on the profile of the independent non-executive directors, majority of who are retired bureaucrats and senior military officers. This is not surprising because political affiliation plays a major role in the business environment in Nigeria [31].

The results in Table 4 also show that financial literacy is insignificantly associated with corporate governance disclosure level. This is surprising as financially literate committee members should have a positive effect on the level of corporate governance disclosure, and prior studies support this assertion [11]. It is possible that even the financially versed committee members may not have given any serious attention to financial reporting in the firms they serve, supporting the finding of Owolabi and Ogbechi [31] that audit committee members hardly give time to examine details of financial reports and other corporate reports.

The results in Table 4 further shows a significant and negative relationship between gender diversity of the audit committee and corporate governance disclosure, implying that the introduction of more females in the committee decreases the level of corporate governance disclosure. The result of the study is not consistent with Adams and Ferreira [38] who reported that female directors enhanced the level of corporate governance. It is possible that the appointment of some females into audit committees in Nigeria may be motivated by some affinity (such as ethnocentric, political or business relationships), rather than a desire to constrain greater oversight function.

The regression result shows that the coefficient on board size (BODSZ) is negative and significant. This result suggests that board size has adverse effect on level of CG disclosure and this is consistent with the mixed evidence in the literature [45,46] and the propositions of the agency theorists [26,28]. Board negative relationship could arise from difficulty in coordinating board activities as result of large board size and free rider problem. It could also stem from inadequacy of diverse expertise on the board because of smallness of the board size.

Table 4 shows that another control valuable, bank size is positively and significantly related to the level of CG disclosure (P = 0.026). The result is in line with [11]. Large firms have large followings and therefore under pressure to disclose more CG information to alleviate information asymmetry [47]. Since the conclusion of the bank consolidation exercise in 2005, Nigerian listed deposit money banks have emerged as large firms.

Leverage (LEV) which is another control variable exhibits a negative and significant association with CG disclosure level. This is not surprising since highly levered DMBs tend to decrease CG disclosure to hide the extent their indebtedness from stakeholders. The market considers firms with high leverage as risky [48].

The final control variable is Growth which Table 4 shows has positive coefficient but lacked statistical significance. The result is consistent with prior studies [49,50,51] which found that the existence of growth opportunities was associated with information asymmetry and higher agency cost.

6. CONCLUSION

The paper examines the extent to which AC characteristics influence CG disclosure level. The characteristics examined are frequency of meetings, independence, financial literacy and gender diversity. The result shows a positive but insignificant relationship between CG disclosure and frequency of meetings. The paper documents a negative but statistically insignificant relationship between corporate governance disclosure level and AC independence as well as financial literacy. Gender diversity of the AC is significantly and negatively associated with CG disclosure level.

The paper controls for board size, bank size, leverage and growth potentials and documents negative and significant association between corporate governance disclosure level and board size and leverage. It also reports a positive and significant relationship between CG disclosure level and bank size. Growth shows no significant relationship with corporate governance disclosure level.

It is recommended that ACs of DMBs should increase the meeting frequencies and focus more on corporate governance issues especially disclosures. The educational qualifications of all the members of all the members of the AC should be disclosed. The type and quality of financial literacy should be taken into account in selecting the financial literate members. The audit committee should ensure only non-executive directors who are independent both in mental attitude and appearance is elected as representatives of directors. The number of female members of the AC should be reduced.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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Appendix: Corporate governance checklist

S/N	Items
1	Whether the roles of chairperson and CEO/MD are split.
2	Whether the chairperson of the board is a non-executive director.
3	Whether the board is composed by a majority of non- executive directors (NEDs).
4	Whether the board meets at least four times in a year.
5	Whether individual directors' meetings record is disclosed.
6	Whether directors are clearly classified into executive, NED, and independent.
7	Whether the board evaluation report is disclosed.
8	Whether directors' biography and experience are disclosed.
9	The existence of the office of company secretary.
10	Whether a nomination committee has been established.
11	Whether the nomination committee consists of a majority of NEDs.
12	Whether the chairperson of the nomination committee is an NED.
13	Whether the membership of the nomination committee is disclosed.
14	Whether the nomination committee's members' meetings attendance record is disclosed.
15	Whether a remuneration committee has been established.
16	Whether the remuneration committee is constituted entirely by independent NEDs.
17	Whether the chairperson of the remuneration committee is an independent NED.
18	Whether the membership of the remuneration committee is disclosed.
19	Whether the committee's members' meetings attendance record is disclosed.
20	Whether share ownership by all insiders is disclosed
21	Whether an audit committee has been established.
22	Whether the audit committee is constituted by NEDs and shareholders representative.
23	Whether the chairperson of the audit committee is a shareholder representative.
24	Whether the membership of the audit committee is disclosed.
25	Whether the membership of the audit committee is split equally between shareholders and directors.
26	Whether the audit committee's members' meetings attendance record is disclosed.
27	Whether a risk management committee has been established.
28	Whether the risk committee's members' meetings attendance record is disclosed.
29	Whether a narrative on both actual and potential future systematic and non-systematic risks is disclosed.
30	Whether a narrative of the risk framework is disclosed.
31	Whether a narrative on how current and future assessed company risks will be managed is disclosed.
32	Whether a narrative on how a firm is contributing towards the development of financial inclusion is disclosed.
33	Whether a narrative on what a firm is doing to encourage shareholder activism, such as having an investor relations department and proxy voting is disclosed.
34	Whether a narrative on how a firm is actually complying with and implementing the CSR is disclosed.
35	Whether a narrative on how a firm is actually complying with and implementing employment equity laws in terms of gender, age, ethnicity, and disabilities is disclosed.
36	Whether a narrative on the actual measures taken by a firm to address occupational health and safety of its employees is disclosed.
37	Whether a narrative on how a firm is actually complying with and implementing rules and regulations on the environment is disclosed.
38	Whether a narrative on the existence of a code of ethics is disclosed.
39	Whether a firm's board is formed by at least one male and one female (board diversity on the basis of gender) person.

S/N	Items
40	Whether a narrative on the actual community support and other corporate social investments or responsibilities is disclosed.
41	Whether the bank's handling of consumer complaints is disclosed.
42	Whether the bank whistle blowing policy is disclosed.
43	Whether bank succession plan for their top executives is disclosed
44	Whether a credit committee has been established.
45	Whether the chairperson of the credit committee is a NED.
46	Whether the membership of the credit committee is disclosed.
47	Whether the credit committee's members' meetings attendance record is disclosed.
48	Whether corporate governance compliance status is disclosed
49	Whether the board of directors has at least two independent NED.
50	Whether the educational qualifications of member of the audit committee is disclosed
51	Whether the chairman of the audit committee is a chartered accountant

Peer-review history:
The peer review history for this paper can be accessed here:
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