UNIVERSITY OF PORT HARCOURT JOURNAL OF ACCOUNTING AND BUSINESS
DEPARTMENT OF ACCOUNTING
UNIVERSITY OF PORT HARCOURT, CHOBA
PORT HARCOURT, RIVERS STATE
NIGERIA
VOL. 8 NO. 2 JUNE 2021

INTERNAL CORPORATE GOVERNANCE MECHANISMS AND AUDITOR CHOICE OF QUOTED NIGERIAN MANUFACTURING FIRMS

P.A. EGBUNIKE
Accountancy Department,
Nnamdi Azikiwe University,
Awka, Nigeria

And

I.V. OWAMAH
Accountancy Department,
Nnamdi Azikiwe University,
Awka, Nigeria

Abstract

The study examined the relationship between internal corporate governance mechanisms and auditor choice of quoted manufacturing firms in Nigeria. The study specifically examined the relationship between board size, board independence, board diligence, CEO duality, audit committee diligence, ownership concentration and auditor choice of quoted consumer goods manufacturing firms. The population comprised all quoted manufacturing firms on the Nigerian Stock Exchange as at December, 2019. The study was based on secondary data sources from individual financial statements of selected companies and employed econometric methods such as the use of multiple regression technique in data analysis. It specifically used Probit regression procedure due to the nature of the dependent variable; which is binary. The study found a significant relationship between board-size; board diligence; ownership concentration and auditor choice of quoted manufacturing firms. Board independence, audit committee diligence and CEO duality were not significant. Consequent on the findings, the study recommends among others, that companies be encouraged to have large board size as it paves way for variety of idea submissions and increases the likelihood of choosing a Big 4 audit firm, which could be an index for high audit quality.

Keywords: Corporate governance mechanism, Auditor choice, Big-4 auditors; Audit committee diligence

Introduction

In recent times, the increased concern over the integrity of securities markets has generated considerable debate on the need for strong corporate governance in the accountancy literature (Soyemi, 2020, McConomy & Bujaki, 2000). Corporate governance mechanisms are directed to improve corporate behaviour and the reliability of accounting information provided to stakeholders (Abdeljawad, Ghassan, Oweidat & Saleh, 2020; Ianniello, Mainardi, & Rossi, 2013). According to Karaibrahimoglu (2013), corporate governance mechanisms might be a determinant of external auditor choice. Engaging an external auditor is a significant corporate governance mechanism which alleviates several disorders or conflicts created in a company's internal environment (Evangelia, 2013).

The benefits of engaging an external auditor includes: a decrease in information risk which is as a result of more reliable reporting; improved operational efficiency and effectiveness owing from auditor appraisal of the firm internal processes; prevention of management malfeasance; improved compliance with both legal and regulatory constraints, and market consent to undertake certain activities such as participating in public capital markets activities (Wallace, 1981). The law requires external auditors to conduct statutory audits (Quick, 2012). Statutory audits are only beneficial if the appropriate audit quality is both provided and perceived by the users of audited financial statements (Quick, Schenk, Schmidt, & Towara, 2017). Nigerian laws make it mandatory for companies to have their financial statements audited by external auditors.

A firm's choice for a specific auditing firm is complex and varies across organizations (Knechel, 2002). The choice of an audit firm can be explained from the supply and demand perspectives (Kusters, 2016). From a demand point of view, the characteristics of the firm play a role in the choice of an auditing firm. For example, the complexity of the firm (Knechel, Niemi, & Sundgren, 2008; Hay & Davis, 2004; AbelKhalik, 1993), the need for external financing, external equity financing and the cost of disclosure of proprietary information (Knechel, Niemi, & Sundgren, 2008). From the supply viewpoint, characteristics of an audit firm, influences auditor choice. For example, industry specialization (Knechel, Niemi, & Sundgren, 2008; Abbott & Parker, 2000), technical expertise (Hermanson, Strawser, & Strawser, 1993) and partner attributes (Behn, Carcello, Hermanson, & Hermanson, 1997).

One significant factor of a firm which determines choice of an auditor is the internal corporate governance mechanism (Ianniello, Mainardi, & Rossi, 2013). Internal corporate governance mechanisms refer to the mechanisms in place within the company to regulate the activities of the managers. Proper internal corporate governance mechanisms improve transparency of financial statements and thus help auditors in their monitoring role (Khalil & Ozkan, 2016). The present study therefore seeks to examine the association between internal corporate governance mechanisms and auditor choice of quoted manufacturing firms in Nigeria. Recent corporate financial scandals have highlighted the role of internal corporate governance mechanisms and specifically, that of external auditors as guarantors' of financial statement reliability (Makni, Kolsi, & Affes, 2012).

In Nigeria, the audit landscape is divided between the Big 4 and non-Big 4 (national firms). However, the market share gap between the Big 4 and non-Big 4 is such that, about 90 per cent of listed companies are audited by the Big 4 (Olowookere & Inneh, 2016). The pertinent question therefore is 'what drives firms in choosing either the Big 4 or non-Big 4 firms?' this question requires investigation, which this study attempts to satisfy. The remaining part of this paper is sectioned as follows: literature review and theoretical framework, methodology, results and discussion, conclusion and recommendations.

Literature Review and Theoretical Framework

Conceptual Review

Board size

Board size refers to the total number of directors on the board of any corporate organization (Ogbechie & Koufopoulos, 2010). The board is responsible for monitoring corporate strategy decisions and controlling management activities on behalf of shareholders, ensuring that managers pursue strategies that are in the best interests of stockholders. In addition, the board is legally accountable for the company's actions and is authorized to hire, fire, and compensate corporate executives, including most importantly the CEO. The board is also responsible for the verification of financial reliability, the verification of compliance with laws and regulations and the reduction of information asymmetry between shareholders and managers (Hill & Jones, 2009). Proponents of large boards argue that they are capable of reducing the dominance of an overbearing CEO (Forbes & Milliken, 1999), which improves the Board's monitoring and supervisory capacity as more and more directors join the board (Jensen, 1993)

According to Carcello, Hermanson, Neal, and Riley (2002), external auditors are more likely to indicate a lower risk for firms with large boards. Larmous and Vafeas (2010) reported a positive association between board size and firm value, i.e., large boards provide better monitoring, thus, in turn, demand a higher quality audit. Firms with large boards are more likely to put more pressure on a sound audit reporting system (Al-Najjar, 2018). Similarly, Makni, Kolsi, and Affes (2012) reported that board size is positively associated with higher quality audits. Hashim, Nawawi, and Salin (2014), for example, found that number of directors in the board significantly impacted the strategic information disclosed by the company.

Board independence

Independent directors are more effective monitors of management and are important elements of corporate governance (Daily & Dalton, 1994; McAvoy & Millstein, 1999; Bhagat & Black, 1999). Directors that do not get involved in daily management operations are more objective and able to uphold the public interest from their point of view (Husnin, Nawawi, & Puteh Salin, 2016). The SEC Code recommends that there be at least five members of the board with a mix of both executive and non-executive directors. The CBN Code and the SEC Code provide that the number of non-executive directors on the board should exceed the number of executive directors.

Non-executive directors who are independent from management could limit the opportunity of the board to become 'an instrument of top management' by serving to limit top management's discretionary decisions (Beasley & Petroni, 2001).Independent directors have a clearer and more neutral vision of the company and this will make it possible to preserve the shareholders' interests (Adjaoud, Mamoghli, & Siala, 2008). Thus, the larger the proportion of independent non-executive directors on the board, the more effective will be the monitoring of managerial opportunism (Fama & Jensen, 1983).

Board diligence

Board diligence can be defined as the number of board meetings being held during a year (Al-Najjar, 2018). Vafeas (1999) argues that effectiveness of board can be indexed by a high number of board meetings, since the higher the frequency of board meetings will indicate more monitoring of the board on the financial reporting process. Therefore, the effective board requires more audit services and hence more audit fees (Al-Najjar, 2018).

CEO duality

The non-separation of the two functions of chief executive officer (CEO) and the chairman of the board may present an obstacle and consequently lead to a principal-agent conflict (Adjaoud, Mamoghli, & Siala, 2008). The CEO/Chairman may then benefit from informational asymmetry to support their own interests to the detriment of those of the shareholders. In Nigeria, the study by Ehikioya (2009) found evidence to support the fact that CEO duality adversely impact firm performance.

Audit committee diligence

Audit committee can be defined as selected members of companies who take an active role in overseeing the companies accounting and financial reporting policies and practices (Hayes, Dassen, Schilder, & Wallage, 2005). Audit committee diligence can be defined as the number of audit meetings held in a year (Al-Najjar, 2018). Frequent audit meetings result in better auditing processes (Raghunandan, Read, & Rama, 2001). Hence, for an audit committee to be more effective and functioning properly, it has to meet more frequently (Al-Najjar, 2018). For example, Abbott, Parker, Peters, and Raghunandan (2003) demonstrate that audit committees with frequent meetings (meet four times in a year) result in proper financial accounts. Audit committees infer three main roles toward external auditors: pressurize management to appoint reputed external auditors; demand greater audit assurance from external auditors (Abbott, Parker, Peters, & Raghunandan, 2003). McMullen (1996) found an inverse link between firms that engage in fraudulent practices and the presence of audit committee. This implies that the existence of an audit committee helps in improving better audit quality and financial reporting practices (Al-Najjar, 2018).

Ownership concentration

Ownership structure is defined as the sharing of voting rights among all shareholders. The existing literature shows three main variables: the presence of majority shareholders, the manager ownership, and the presence of institutional investors in the firm equity capital (Makni, Kolsi, & Affes, 2012). There are opposing views on the issue of ownership concentration and auditor choice. On one hand, some scholars argue that with high ownership concentration, the firms' financial reporting is likely to be opaque due to the incentives for the controlling shareholders' rent-seeking and expropriation (Copley & Douthett, 2002), and because large shareholder would try to maximize their private benefits through tunneling or expropriation of other shareholders (LaPorta, Lopez-De-Silanes, Shleifer, & Vishny, 2002; Anderson, Kadous,& Koonce, 2004).

On the other hand, high ownership concentration may introduce effective monitoring mechanisms that restrict management expropriation and therefore mitigate agency conflict (Ang, Cole & Lin, 2000). Leung and Cheng (2013) find that the higher the degree of ownership concentration among other large shareholders, the higher the firm value because the alignment of those large shareholders can challenge the acts of the largest (controlling) shareholders. The study by Ehikioya (2009), found evidence to support the fact that ownership concentration has a positive impact on performance. Studies by Fan and Wong (2005); O'Sullivan and Diacon (2002) also found that demand for a high quality auditor is positively associated with the presence of majority shareholders.

Auditor choice

Auditor choice can simply be defined as the choice of a Big 4 vs. a non-Big 4 audit firm. Auditor choice decisions are complex and likely to differ across organizations (Knechel, 2002). Auditor choice, i.e., client–auditor alignment, can be viewed as the minimum cost match between client needs (the demand side) and auditor services (the supply side) in a certain auditing environment (Datar, Feltham & Hughes, 1991). In a company's environment, DeFond (1992) identified two features of the agency problem namely; (1) the divergence in preferences of the manager and owner with respect to the manager's actions, and (2), the imperfect observability of the managers' actions by the owner. These often lead to three types of conflict: The first involves the conflict between the company's owners and its managers as indicated above. The second encompasses the conflict between the shareholders who own the majority or controlling interest in the company and the minority or non-controlling shareholders. The third includes the conflict between the company and the other parties, who have interests in or impact on the company, such as creditors, employees, customers and other stakeholders (Rachagan & Satkunasingam, 2009).

Theoretical Framework

The study is anchored on the '*agency theory*'. The justification for this theory is premised on the fact that the board has two functions: the monitoring and service function. The monitoring function is mainly analysed from the agency perspective (Fama & Jensen, 1983; Jensen & Meckling, 1976), given the potential for conflict of interest arising from the separation of ownership and control (Berle & Means, 1932). On the other hand, the focus on the service role of boards is the perspective adopted in the resource dependence (Hillman, Cannella, & Paetzold, 2000; Pfeffer & Salancik, 1978; Pfeffer, 1972).

Agency Theory

The origin of '*Agency theory*' can be traced to early work of Berle and Means (1932); who observed that separation of ownership and control in modern corporations result in potential conflicts between shareholders and management. It was originally associated to agency costs by Jensen and Meckling (1976). According to Jensen and Meckling (1976) an "agency relationship refers to 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". According to Namazi (2012, p. 40), agency theory relates to a "situation in which one individual (called the agent) is engaged by another individual (called the principal) to act on his/her behalf, based upon a designated fee schedule".

According to Ruangviset, Jiraporn, and Kim (2014), agency relationship exists when shareholders (principals) hire managers (agents) as decision makers in corporations. Fig. 2.1 is the Schematic representation of the relationship between shareholders and the board.

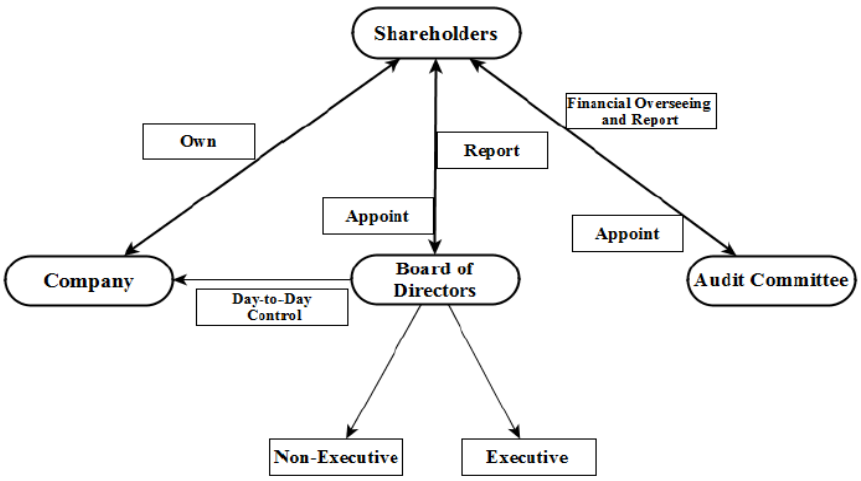

Fig. 2.1: Schematic representation of the relationship between shareholders and the board. Source:(HosseinniaKani, 2014)

According to agency theory, the basic function of the board of directors is to monitor management (Fama & Jensen, 1983). The Institute of Chartered Accountants in England and Wales [ICAEW] (2006) (cited in Millichamp & Taylor, 2008, p.1) put it this way:

> *"In principle the agency model assumes that no agents are trustworthy and if they can make themselves richer at the expense of their principals they will. The poor principal, so the argument goes, has no alternative but to compensate the agent well for their endeavors so that they will not be tempted to go into business for them using the principal's assets to do so".*

In agency relationship, "both individuals (principals and agents) are assumed to be utility-maximizes, motivated by pecuniary and non-pecuniary items, which may give rise to incentive problems, particularly under conditions of uncertainty and information asymmetry" (Namazi, 2012, p. 40). Two forms of conflict usually arise when one party (the principal) delegates work to another (agent): firstly, is the conflict of goals between the principal and agent and the costs associated with the minimization of such discrepancy; and, secondly, the problem of risk sharing when the risk preference of parties differ (Eisenhardt, 1989). Eisenhardt further outlined two streams of the theory which developed over time: "the *principal-agent* where both act in concert and the *positivist* perspective where they are likely to have conflicting goals" (Eisenhardt, 1989).

Methodology

The study made use of ex-post *facto* research design. The study population comprised of manufacturing companies quoted on the Nigerian Stock Exchange (NSE) as at 1st January, 2019. The companies are classified under 11 sectors, such as: Agriculture; Conglomerates; Construction/Real Estate; Consumer Goods; Financial Services; Healthcare; Information & Communications Technology(ICT); Industrial Goods; Natural Resources; Oil & Gas; and, Services. The scope of the study was restricted to companies classified under the consumer goods sector, of the NSE.

Consequently, the study sample comprised 21 manufacturing companies, classified under the consumer goods sector on the NSE. The study relied upon secondary sources of data. The data was retrieved from the annual financial statements of the sampled companies. The study used data that were extracted from the annual reports of the selected manufacturing companies. The reliability of such data is in line with the requirement that all quoted companies conduct independent external audit on published financial statements.

The study employed the binary logistic regression model, shown in Equations 1-6 to analyze the relationship between the independent and dependent variables.

$$AUDCHO_{(i,t)} = \alpha + BOSIZ_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} + \mu \quad (1)$$

$$AUDCHO_{(i,t)} = \alpha + BODIND_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} \quad (2)$$

$$AUDCHO_{(i,t)} = \alpha + BODIL_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} + \mu \quad (3)$$

$$AUDCHO_{(i,t)} = \alpha + CEODU_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} + \mu \quad (4)$$

$$AUDCHO_{(i,t)} = \alpha + AUDIL_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} + \mu \quad (5)$$

$$AUDCHO_{(i,t)} = \alpha + OWNCO_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} + \mu \quad (6)$$

Where:

AUDCHO= Auditors choice; *BOSIZ*= Board size; *INSOW*= Institutional ownership, *Size*= Firm size; *Leverage*= Financial leverage; *ROA*= Return on asset; *FRQ*= Financial reporting quality. The models are useful when examining the correlation between probabilities of employing a Big 4 audit firm. The elements of internal corporate governance mechanisms are shown in Eq. 7:

$$Pr(x_{it}) = (1 + e^{-\beta j x itj})^{-1} \qquad (7)$$

Where:

$Pr(x_{it})$ is the probability that the observation firm *i* will fail at time *t*; x_{itj} is a $j \times 1$ vector of predictor observations for the *i*th observation at time *t*; β'_j is a $1 \times j$ vector of coefficient estimates (Shan, 2014). Table 1 shows the description of variables.

Table 1: Description and Measurement of Variables

$AUDCHO_{it}$	=	Auditor choice is a dummy variable which takes the value of 1 when the firm is audited by Big 4 ("BIG 4" are: Price Waterhouse Coopers, Deloitte &Touche, KPMG, and Ernst & Young). This proxy is consistent with prior researchers to represent audit quality, as size of audit firm (DeFond & Lennox, 2011; Guy, Ahmed, & Randal, 2010; Sundgren and Svanström, 2013; Kim et al., 2013)
$BOSIZ_{it}$	=	Measured as the number of directors in the board of directors in the period (t)
$BOIND_{it}$	=	Proportion of the number of independent non-executive directors on the board to the number of all board members in the period (t)
$BODIL_{it}$	=	Measured as the number of board meetings being held during a year
$CEODU_{it}$	=	Takes the value of 1 if CEO and the chairperson positions are held by the same individual, 0 otherwise in the period (t)
$ACDIL_{it}$	=	Measured as the number of audit committee meetings being held during a year
$INSOW_{it}$	=	Takes the value of 1 if the largest shareholder is an institutional or incorporated body, 0 otherwise in the period (t)
$OWNCO_{it}$	=	measured by the percentage of equity shares owned by the largest shareholder in the period (t)
$Size_{it}$	=	Measured as the natural logarithm of total assets in the period (t)
$Leverage_{it}$	=	Measured as the proportion of debt to equity in the period (t)
ROA_{it}	=	Measured as the proportion of net income to total assets in the period(t)
FRQ_{it}	=	is a dummy variable taking value of 1 if a firm has an unqualified opinion, 0, otherwise; in the period (t) Audit firms categorise companies' financial statements as unqualified (no misstatements) and qualified (where audit assessment is required because of the existence of financial misstatements).

Source: Authors' Compilation, 2021.

Results and Discussions

Table 2: Abridged Internal Corporate Governance Dataset

Sample Companies	Aveg. of Board size	Aveg. of Audit Choice	Aveg. of BOIND	Aveg. of CEO Duality	Aveg. of FRQ	Aveg. of BODIL	Aveg. of ACDIL	Aveg. of OWNco
7-UP Bottling Co. Plc.	10	1	0.7750	1	1	4	3	0.00472

Cadbury Nigeria Plc	7	1	0.7679	1	0.875	5	4	0.00575
Champion Breweries	9	1	0.0000	1	1	5	4	0.00384
Dangote Flour Mills Plc.	10	1	0.6750	1	1	5	4	0.05559
Dangote Sugar	9	1	0.3056	1	1	8	3	0.05218
DN Tyre & Rubber	9	0	0.0000	1	1	4	3	0.00000
Flour Mill of Nigeria Plc.	14.25	1	0.0000	1	1	5	5	0.00044
Guiness Nigeria Plc.	13.25	1	0.5268	1	1	4	5	0.00071
Honeywell Flour Mills	8	1	0.6406	1	1	5	4	0.22932
International Brew. Plc.	8	1	0.5938	1	1	5	4	0.04107
Mcnichols Plc.	6	0	0.0000	0	1	5	4	0.00000
Multi-Trex intgrt. Product.	7	1	0.3929	1	1	5	2	0.13353
NASCO Plc.	10	1	0.6750	1	1	7	3	0.00337
Nestle Nigeria Plc.	9	1	0.1944	1	1	5	4	0.00975
Nig. Enamelware Plc.	6	0	0.6250	1	1	5	4	0.00954
Nigerian Breweries	16	1	0.3636	1	1	5	4	0.00022
NNFM	11	1	0.5227	1	1	5	4	0.00044
PZ CUSSONS	12	1	0.3125	1	1	5	4	0.01363
Unilever Nig. Plc.	8	1	0.4688	1	1	4	4	0.00153
Union Dicon Salt	8	0	0.5938	1	1	5	4	15.49361
Vita Foam plc.	11	1	0.5227	0	1	5	4	0.16880
Grand Total	**9.59524**	**0.80952**	**0.42647**	**0.90476**	**0.99405**	**5.04762**	**3.80952**	**0.77276**

Source: Annual reports and accounts of various firms (computation done via MS Excel)

Table 3: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Board size	168	6	17	9.60	2.593
Audit Choice	168	0	1	.82	.384
CEO Duality	168	0	1	.90	.294
BOIND	168	.00	.86	.43	.2681
BODIL	168	4	8	5.05	.901
ACDIL	168	2	5	3.81	.665
OWNco	168	.00	15.66	.77	3.303
ROA	168	-3.24	3.04	.095	.474
Size	168	7.84	11.68	10.40	.949
INSOLV	168	0	1	.71	.456
FRQ	168	0	1	.99	.077
Valid N (listwise)	168				

Source: SPSS Version. 23.

Table 4: Correlation Matrix

	Audit Choice	Board size	CEO Duality	BOIND	BODIL	ACDIL	OWNco	FRQ	INSOLV	Leverage	ROA	Size

Audit Choice	Pearson Correlation	1	.432**	.272**	.235**	.163*	.054	-.334**	-.036	.248**	-.277**	-.087	.757**
	Sig. (2-tailed)		.000	.000	.002	.035	.490	.000	.642	.001	.000	.260	.000
	N	168	168	168	168	168	168	168	168	168	168	168	168
Board size	Pearson Correlation	.432**	1	.137	-.142	-.058	.386**	-.141	.078	.239**	-.161*	-.096	.595**
	Sig. (2-tailed)	.000		.076	.067	.453	.000	.067	.317	.002	.037	.217	.000
	N	168	168	168	168	168	168	168	168	168	168	168	168
CEO Duality	Pearson Correlation	.272**	.137	1	.200**	.017	-.093	.068	-.025	.506**	.083	.024	.315**
	Sig. (2-tailed)	.000	.076		.009	.825	.230	.382	.747	.000	.286	.757	.000
	N	168	168	168	168	168	168	168	168	168	168	168	168
BOIND	Pearson Correlation	.235**	-.142	.200**	1	.014	-.083	.145	-.083	.199**	.118	.063	.092
	Sig. (2-tailed)	.002	.067	.009		.859	.285	.060	.283	.010	.128	.416	.235
	N	168	168	168	168	168	168	168	168	168	168	168	168
BODIL	Pearson Correlation	.163*	-.058	.017	.014	1	-.304**	-.010	.004	-.083	-.002	.067	.054
	Sig. (2-tailed)	.035	.453	.825	.859		.000	.898	.958	.287	.984	.389	.489
	N	168	168	168	168	168	168	168	168	168	168	168	168
ACDIL	Pearson Correlation	.054	.386**	-.093	-.083	-.304**	1	.060	-.022	.605**	-.103	-.066	.236**
	Sig. (2-tailed)	.490	.000	.230	.285	.000		.438	.775	.000	.184	.396	.002
	N	168	168	168	168	168	168	168	168	168	168	168	168
OWNco	Pearson Correlation	-.334**	-.141	.068	.145	-.010	.060	1	.018	.139	.544**	-.377**	-.581**
	Sig. (2-tailed)	.000	.067	.382	.060	.898	.438		.817	.072	.000	.000	.000
	N	168	168	168	168	168	168	168	168	168	168	168	168
FRQ	Pearson Correlation	-.036	.078	-.025	-.083	.004	-.022	.018	1	-.050	.017	.019	-.007
	Sig. (2-tailed)	.642	.317	.747	.283	.958	.775	.817		.523	.827	.805	.929
	N	168	168	168	168	168	168	168	168	168	168	168	168
INSOLV	Pearson Correlation	.248**	.239**	.506**	.199**	-.083	.605**	.139	-.050	1	.034	-.010	.269**
	Sig. (2-tailed)	.001	.002	.000	.010	.287	.000	.072	.523		.666	.897	.000
	N	168	168	168	168	168	168	168	168	168	168	168	168
Leverage	Pearson Correlation	-.277**	-.161*	.083	.118	-.002	-.103	.544**	.017	.034	1	-.019	-.397**
	Sig. (2-tailed)	.000	.037	.286	.128	.984	.184	.000	.827	.666		.806	.000
	N	168	168	168	168	168	168	168	168	168	168	168	168

ROA	Pearson Correlation	-.087	-.096	.024	.063	.067	-.066	-.377**	.019	-.010	-.019	1	.031
	Sig. (2-tailed)	.260	.217	.757	.416	.389	.396	.000	.805	.897	.806		.694
	N	168	168	168	168	168	168	168	168	168	168	168	168
Size	Pearson Correlation	.757**	.595**	.315**	.092	.054	.236**	-.581**	-.007	.269**	-.397**	.031	1
	Sig. (2-tailed)	.000	.000	.000	.235	.489	.002	.000	.929	.000	.000	.694	
	N	168	168	168	168	168	168	168	168	168	168	168	168

**. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis is used to check for multicolinearity and explore the association between each explanatory variable and the dependent variables. Table 4 presents the correlation between the auditors' choice variable and each of the internal corporate governance mechanism variables – Board size, Board independence, Board diligence, Audit diligence, Ownership concentration, CEO duality, Size (Log Total assets), Leverage, Financial reporting quality and insolvency. The findings showed that auditors' choice variables are positively associated with each of the internal corporate governance mechanism variables.

With regards to the control variables, the surrogate for Firm Size (Log Total assets), Leverage, Financial reporting quality and insolvency are positively associated with auditor choice. The highest observation was recorded for the correlation coefficient between auditors choice and financial reporting quality (FRQ) (p = 0.642).

$$AUDCHO_{(i,t)} = \alpha + BOSIZ_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} + \mu \quad (1)$$

$$AUDCHO_{(i,t)} = \alpha + BODIND_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} \quad (2)$$

$$AUDCHO_{(i,t)} = \alpha + BODIL_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} + \mu \quad (3)$$

$$AUDCHO_{(i,t)} = \alpha + CEODU_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} + \mu \quad (4)$$

$$AUDCHO_{(i,t)} = \alpha + AUDIL_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} + \mu \quad (5)$$

$$AUDCHO_{(i,t)} = \alpha + OWNCO_{(i,t)} + INSOW_{(i,t)} + Size_{(i,t)} + Leverage_{(i,t)} + ROA_{(i,t)} + FRQ_{(i,t)} + \mu \quad (6)$$

The core of the study is the relationship between internal corporate governance mechanisms and auditor choice of quoted manufacturing firms in Nigeria. The study found a positive statistically significant relationship between board size; board diligence; ownership concentration and audit choice. This is in line with Dwekat, Mardawi, and Abdeljawad (2018) in Palestine. They examined the impact of corporate governance mechanisms on auditor quality choice. Their findings were that companies with a high ownership concentration, larger board size and the existence of audit committee tend to choose a high quality auditor. The current study also found that board independence; audit committee diligence; CEO duality has no significant relationship with auditor's choice.

This is in line with Leung and Cheng (2014), which agreed with the findings of this study, when they examined the association between corporate governance mechanisms and auditor choice in China and found that ownership of the largest shareholders, aggregate ownership of other large shareholders, percentage of independent directors in the board have a significant positive influence on auditor choice. However, Al-Qadasi and Abidin (2018) opposed our findings when they studied the effect of internal corporate governance on audit quality in Malaysia. They found out that companies with higher ownership concentration were less likely to demand high quality auditing.

Conclusion and Recommendations

The focused on the relationship between internal corporate governance mechanisms and auditor choice of quoted manufacturing firms in Nigeria. Corporate governance provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Hence, Proper internal corporate governance mechanisms improve transparency of financial statements and thus help auditors in their monitoring role (Khalil &Ozkan, 2016). The result indicates a significant relationship between internal corporate governance mechanisms and auditor choice of quoted manufacturing firms in Nigeria which is consistent with several literatures reviewed.

The study adopts the agency theory as its anchor theory which is concerned with resolving problems that can exist in agency relationships; that is, between principals (such as shareholders) and agents of the principals (for example, company executives). There are quite a good number of literatures on internal corporate governance mechanism however, not much had been done using content analysis data. This therefore became the focus point of the present study. The study makes the following recommendations based on its findings.

1. Companies are encouraged to have large board size as it paves way for variety of idea submission and finally increases the likelihood of choosing a Big 4 audit firm which could be an index for high audit quality.
2. Independent director are more effective monitors of management and are important elements of corporate governance. Considering that they do not get involved in daily management operations and are more objective and able to uphold the public interest from their point of. It is therefore, highly recommended that companies create more space for independent directors to join the board as it makes a clear ground to handle other internal corporate governance issues.

References

Abbott, L. J. & Parker, S. (2000). Auditor selection and audit committee characteristics. *Auditing: A Journal of Practice and Theory*, *19*, 47-66.

Abbott, L. J., Parker, S., Peters, G. F. & Raghunandan, K. (2003). The association between audit committee characteristics and audit fees. *Auditing: A Journal of Practice and Theory*, *22*(2), 17-32.

Abdel-Khalik, A. R. (1993). Why do private companies demand auditing? A case for organizational loss of control. *Journal of Accounting, Auditing and Finance*, *8*, 31-52.

Abdeljawad, I., Oweidat, G. A. & Saleh, N. M. (2020). Audit committee versus other governance mechanisms and the effect of investment opportunities: evidence from Palestine. *Corporate Governance: The International Journal of Business in Society* (In press).

Abidina, S., Ishaya, I. V. & M-Nor, M. N. (2016). The impact of corporate governance on auditor change decision. The European Proceedings of Social and Behavioural Sciences. Retrieved from http://repo.uum.edu.my/id/eprint/20343 on (11th July, 2020).

Adeyemi, S. B., Okpala, O. & Dabor, E. L. (2012). Factors affecting audit quality in Nigeria. *International Journal of Business and Social Science*, *3*(20).

Adeyemi, S. B. & Fagbemi, T. O. (2010). Audit quality, corporate governance and firm characteristics in Nigeria. Retrieved from http://196.45.48.59/handle/123456789/2311 on (10th July, 2020).

Adjaoud, F., Mamoghli, C. & Siala, F. (2008). Auditor reputation and internal corporate governance mechanisms: complementary or substitutable? *Review of Business Research*, *8*(1).

Aksu, M., Onder, T. & Saatcioglu, K. (2007). Auditor selection, client firm characteristics, and corporate governance: Evidence from an emerging market. *Sabancy University*. Orhanlı, Tuzla, Istanbul, Turkey. Retrieved from https://www.researchgate.net/profile/Mine-Aksu/publication/238542139_Auditor_Selection_Client_Firm_Characteristics_and_Corporate_Governance_Evidence_from_an_Emerging_Market/links/560292c008ae3b544e350017/Auditor-Selection-Client-Firm-Characteristics-and-Corporate-Governance-Evidence-from-an-Emerging-Market.pdf on (8th June, 2019).

Alfraih, M. M. (2017). Choosing an external auditor: does the composition of boards of directors matter?. *International Journal of Law and Management*, *59*(3), 394-412.

Aljabr, Y. (2010). The role of nonexecutive members of the board of directors in the auditor choice: evidence from Saudi Arabia. *Journal of King Saud University*, *22*(1), 35-44.

Al-Najjar, B. (2018). Corporate governance and audit features: SMEs evidence. *Journal of Small Business and Enterprise Development*. Retrieved from https://www.emerald.com/insight/content/doi/10.1108/JSBED-08-2017-0243/full/html on (8th May, 2020).

AlQadasi, A. & Abidin, S. (2018). The effectiveness of internal corporate governance and audit quality: the role of ownership concentration–Malaysian evidence. *Corporate Governance: The International Journal of Business in Society, 18*(2), 233-253.

Amahalu, N. N. & Beatrice, E. (2017). Determinants of audit quality: Evidence from deposit money banks listed on Nigeria Stock Exchange. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, *7*(2), 117–130.

Anderson, U., Kadous, K. & Koonce, L. (2004). The role of incentives to manage earnings and quantification in auditor’s evaluations of management-provided information. *Auditing: A Journal of Practice and Theory*, *23*(1), 11–27. http://dx.doi.org/10.2308/aud.2004.23.1.11.

Ang, J., Cole, R. & Lin, J. (2000). Agency costs and ownership structure. *Journal of Finance*, *55*(1), 81–106. http://dx.doi.org/10.1111/0022-1082.00201.

Asthana, S. C., Raman, K. K. & Xu, H. (2015). US-listed foreign companies' choice of a US-based versus home country-based big n principal auditor and the effect on audit fees and earnings quality. *Accounting Horizons*, *29*(3), 631–666.

Beasley, M. S. & Petroni, K. R. (2001). Board independence and audit-firm type. *Auditing: A Journal of Practice and Theory*, *20*(1), 97-114.

Beattie, V. & Fearnley, S. (1995). The importance of Audit firm characteristics and the drivers of auditor change in UK listed companies. *Accounting and Business Research*, *25*(100), 227-239.

Beatty, R. P. (1989). Auditor reputation and the pricing of initial public offerings. *Accounting Review*, 693-709.

Behn, B. K., Carcello, J. V., Hermanson, D. R. & Hermanson, R. H. (1997). The determinants of audit client satisfaction among clients of big 6 firms. *Accounting horizons*, *11*(1), 7.

Bhagat, S. & Black, B. (1999). The uncertain relationship between board composition and firm performance. *The Business Lawyer*, 921-963. Retrieved from https://www.jstor.org/stable/40687871 on (6th April, 2020).

Bushman, R. M. & Smith, A. J. (2001). Financial accounting information and corporate governance. *Journal of accounting and Economics*, *32*(1-3), 237-333.

Cadbury Report (1992). *Report of the Committee on the Financial Aspects of Corporate Governance: The Code of Best Practice*. London: Gee Professional Publishing.

Carcello, J., Hermanson, D. R., Neal, T. & Riley, R. (2002). Board characteristics and audit fees. *Contemporary Accounting Research*, *19*, 365-385.

Chaney, P. K., Jeter, D. C. & Shivakumar, L. (2004). Self-selection of auditors and audit pricing in private firms. *The Accounting Review*, *79*(1), 51-72.

Chow, C. W. & Rice, S. J. (1982). Qualified audit opinions and auditor switching. *Accounting Review*, 326-335. Retrieved from https://www.jstor.org/stable/247018 on (16th June, 2020).

Chukwunedu, O. S. & Ogochukwu, O. G. (2014). Board effectiveness and Audit quality in Nigeria: A perspective study. *International Journal of Management Sciences*, *2*(9), 406-17.

Companies & Allied Matters Act [CAMA], (2004). Cap C20 Laws of the Federation (LFN) of Nigeria

Copley, P. A. & Douthett, E. B. (2002). The association between auditor choice, ownership retained, and earnings disclosure by firms making initial public offerings. *Contemporary accounting research*, *19*(1), 49-76.

Copley, P. A., Gaver, J. J. & Gaver, K. M. (1995). Simultaneous estimation of the supply and demand of differentiated audits: Evidence from the municipal audit market. *Journal of Accounting Research*, 137-155.

Corporate Governance Code of Nigeria. (2005). Lagos: SEC.

Craswell, A. T. (1988). The association between qualified opinions and auditor switches. *Accounting and Business Research*, *19*(73), 23-31.

Cremers, K. J. & Nair, V. B. (2005). Governance mechanisms and equity prices. *The Journal of Finance*, *60*(6), 2859-2894.

Daily, C. M. & Dalton, D. R. (1994). Bankruptcy and corporate governance: The impact of board composition and structure. *Academy of Management journal*, *37*(6), 1603-1617.

Dalwai, T. A. R., Basiruddin, R. & Abdul Rasid, S. Z. (2015). A critical review of relationship between corporate governance and firm performance: GCC banking sector perspective. *Corporate Governance*, *15*(1), 18-30.

Darmadi, S. (2016). Ownership concentration, family control, and auditor choice: Evidence from an emerging market. *Asian Review of Accounting*, *24*(1), 19-42.

Datar, S. M., Feltham, G. A. & Hughes, J. S. (1991). The role of audits and audit quality in valuing new issues. *Journal of Accounting and Economics*, *14*(1), 3-49.

DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of accounting and economics*, *3*(3), 183-199.

DeAngelo, L. E. (1982). Mandated successful efforts and auditor choice. *Journal of Accounting and Economics*, *4*(3), 171-203.

DeFond, M. L. (1992). The association between changes in client firm agency costs and auditor switching. *A Journal of Practice and Theory*, *11*(1), 16-31.

DeFond, M.L. & Lennox, C. S. (2011). The effect of SOX on small auditor exits and audit quality. *Journal of Accounting and Economics*, *52*(1), 21-40.

Denis, D. K. & McConnell, J. J. (2003). International corporate governance. *Journal of Financial and Quantitative Analysis*, *38*(1), 1-36.

Du Plessis, J. J., Hargovan, A. & Bagaric, M. (2010). *Principles of contemporary corporate governance*. Cambridge University Press.

Dwekat, A., Mardawi, Z. & Abdeljawad, I. (2018). Corporate Governance and Auditor Quality Choice: Evidence from Palestinian Corporations. *International Journal of Economics and Financial Issues*, *8*(2), 47-53.

Edirin, J. & Edesiri, O. G. (2015). Corporate governance, financial performance and audit quality of listed firms in Nigeria. *Journal of Academic Research in Economics*, *7*(2).

Egbunike, C. F. & Odum, A. N. (2018). Board leadership structure and earnings quality: Evidence from quoted manufacturing firms in Nigeria. *Asian Journal of Accounting Research*. Retrieved from https://www.emerald.com/insight/content/doi/10.1108/AJAR-05-2018-0002/full/html on (10th May, 2020).

Ehikioya, B. I. (2009). Corporate governance structure and firm performance in developing economies: evidence from Nigeria. *Corporate Governance: The international journal of business in society*, *9*(3), 231-243.

Enofe, A. O., Mgbame, C., Aderin, A. & Ehi-Oshio, O. U. (2013). Determinants of audit quality in the Nigerian business environment. *Research journal of finance and Accounting*, *4*(4), 36-43.

Eshleman, J. D. & Guo, P. (2014). Do Big 4 auditors provide higher audit quality after controlling for the endogenous choice of auditor?. *Auditing: A Journal of Practice and Theory*, *33*(4), 197–219.

Evangelia, S. (2013). *Determinants of Auditor Choice in the European Market* (Unpublished Master Thesis). School of Economics and Business Administration, International Hellenic University.

Fama, E. F. & Jensen, M. C. (1983). Agency problems and residual claims. *The Journal of Law and Economics*, *26*(2), 327-349.

Fan, J. P. & Wong, T. J. (2002). Corporate ownership structure and the informativeness of accounting earnings in East Asia. *Journal of accounting and economics*, *33*(3), 401-425.

Field, A. (2009). *Discovering Statistics Using SPSS*, 3rd Ed. London: SAGE Publication Ltd.

Firth, M. (1999). Company takeovers and the auditor choice decision. *Journal of International Accounting, Auditing and Taxation*, *8*(2), 197-214.

Firth, M. & Smith, A. (1992). Selection of auditor firms by companies in new issue market. *Applied Economics*, *24*, 247-255.

Forbes, D. P. & Milliken, F. J. (1999). Cognition and corporate governance: Understanding boards of directors as strategic decision-making groups. *Academy of management review*, *24*(3), 489-505.

Francis, J.R. (2004). What do we know about audit quality? *The British Accounting Review*, *36*(4), 345-368.

Gebba, T. R. (2015). Corporate governance mechanisms adopted by UAE national commercial banks. *Journal of Applied Finance and Banking*, *5*(5), 23-61.

Geiger, M. A., Raghunandan, K. & Rama, D. V. (1998). Costs associated with going-concern modified audit opinions: An analysis of auditor changes, subsequent opinions, and client failures. *Advances in Accounting*, *16*(1), 117-139.

Geraily, M. S., & Amoonejad, M. (2018). Ownership concentration, family control, and auditor choice: Evidence from Iranian companies. *International Journal of Asian Business and Information Management (IJABIM)*, *9*(2), 40-48.

Guy, D.F., Ahmed, M.A.M. & Randal, J.E. (2010). Audit quality attributes, client size and cost of equity capital. *Review of Accounting and Finance*, *9*(4), 363-381.

Habbash, M. & Alghamdi, S. (2017). Audit quality and earnings management in less developed economies: the case of Saudi Arabia. *Journal of Management and Governance*, *21*(2), 351–373.

Hassan, S. U. & Ahmed, A. (2012). Corporate governance, earnings management and financial performance: A case of Nigerian manufacturing firms. *American International Journal of Contemporary Research*, *2*(7), 214-226.

Hashim, M. H., Nawawi, A., & Salin, A. S. A. P. (2014). Determinants of strategic information disclosure – Malaysian evidence. *International Journal of Business and Society*, *13*(3), 547-572.

Hay, D. C. & Davis, D. (2004). The voluntary choice of an audit of any level of quality. *Auditing: A Journal of Practise and Theory*, *23*, 37-53.

Hayes, R., Dassen, R., Schilder, A., & Wallage, P. (2005). *Principles of Auditing: An Introduction to International Standards on Auditing*. Harlow: Prentice-Hall.

Hermanson, R. H., Strawser, J. R. & Strawser, R. H. (1993). *Auditing theory and practice*. Homewood, IL: Irwin.

Hill, C. & Jones, G. (2009). *Strategic Management Essentials*, 2nd Edition. China: South-Western Cengage Learning.

Hogan, C. E. (1997). Costs and benefits of audit quality in the IPO market: A self-selection analysis. *Accounting Review*, 67-86.

Hudaib, M., & Cooke, T. E. (2005). Qualified Audit Opinion and Auditor Switching. *Department of Accounting and Finance School of Business and Economics University of Exeter*.

Husnin, A. I., Nawawi, A. & Puteh Salin, A. S. A. (2016). Corporate governance and auditor quality–Malaysian evidence. *Asian Review of Accounting*, *24*(2), 202-230.

Ianniello, G., Mainardi, M. & Rossi, F. (2013). Corporate governance and auditor choice. Bicentenary Conference – Lecce, Italy, September 19-21.

International Federation of Accountants – IFAC. (2010). IFAC Comment Letter: Transparency of Firms that Audit Public Companies: Consultation Report. Retrieved from https://www.iosco.org/library/pubdocs/pdf/IOSCOPD339.pdf on (March 20, 2019).

Jensen, M. C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *The Journal of Finance*, *48*(3), 831-880.

Johnson, W. B. & Lys, T. (1990). The market for audit services: Evidence from voluntary auditor changes. *Journal of Accounting and Economics*, *12*(1-3), 281-308.

Karaibrahimoglu, Y. Z. (2013). Is corporate governance a determinant of auditor choice?-Evidence from Turkey. *Ege Akademik Bakis*, *13*(2), 273.

Khalil, M. & Ozkan, A. (2016). Board independence, audit quality and earnings management: Evidence from Egypt. *Journal of Emerging Market Finance*, *15*(1), 84-118.

Kim, J.B., Song, B.Y. & Tsui, J.S. (2013). Auditor size, tenure, and bank loan pricing. *Review of Quantitative Finance and Accounting*, *40*(1), 75-99.

Knechel, W. R. (2016). Audit quality and regulation. *International Journal of Auditing*, *20*(3), 215–223.

Knechel, W. R. (2002). The role of the independent accountant in effective risk management. *Review of Business and Economic Literature*, *47*(1), 65-86.

Knechel, W. R., Krishnan, G. V., Pevzner, M., Shefchik, L. B. & Velury, U. K. (2012). Audit quality: Insights from the academic literature. *Auditing: A Journal of Practice and Theory*, *32*(sp1), 385-421.

Knechel, W. R., Niemi, L. & Sundgren, S. (2008). Determinants of Auditor Choice: Evidence from a Small Client Market. *International Journal of Auditing*, *12*(1), 65-88.

Krishnan, J. (1994). Auditor switching and conservatism. *Accounting Review*, 200-215.

Kusters, R. (2016). The Impact of Board interlocks on Auditor Choice in the Netherlands (Unpublished Masters Thesis). Nijmegen School of Management, Radboud University Nijmegen.

La Porta, R., Lopez-De-Silanes, F., Shleifer, A. & Vishny, R. W. (2002). Investor protection and corporate valuation. *Journal of Finance*, *57*(3), 1147–1170.

Larmous, S. & Vafeas, N. (2010). The relation between board size and firm performance in firms with a history of poor operating performance. *Journal of Management and Governance*, *14*, 61-85.

Lee, H. Y., Mande, V. & Ortman, R. (2004). The effect of audit committee and board of director independence on auditor resignation. *Auditing: A Journal of Practice and Theory*, *23*(2), 131-146.

Leung, N. W. & Cheng, M. A. (2014). Corporate governance mechanisms and auditor choice: evidence from China. *International Journal of Business and Management*, *9*(9), 41-56.

Leung, N. W. & Cheng, M. (2013). Corporate governance and firm value: Evidence from Chinese state-controlled listed firms. *China Journal of Accounting Research*, *6*(2), 89–112. http://dx.doi.org/10.1016/j.cjar.2013.03.002.

Lin, Z. J. & Liu, M. (2009a). The determinants of auditor switching from the perspective of corporate governance in China. *Corporate Governance: An International Review*, *17*(4), 476–491.

Lin, Z. J. & Liu, M. (2009b). The impact of corporate governance on auditor choice: Evidence from China. *Journal of International Accounting, Auditing and Taxation*, *18*, 44-59.

MacAvoy, P. W. & Millstein, I. M. (1999). The active board of directors and its effect on the performance of the large publicly traded corporation. *Journal of Applied Corporate Finance*, *11*(4), 8-20.

Mahdavi, G., Monfared Maharlouie, M., Ebrahimi, F. & Sarikhani, M. (2011). The impact of corporate governance on auditor choice. *International Research Journal of Finance and Economics*, *68*, 129-139.

Makni, I., Kolsi, M. C. & Affes, H. (2012). The impact of corporate governance mechanisms on audit quality: evidence from Tunisia. *IUP Journal of Corporate Governance*, *11*(3), 48-70.

Matonti, G., Tucker, J. & Tommasetti, A. (2016). Auditor choice in Italian non-listed firms. *Managerial Auditing Journal*, *31*(4/5), 458-491.

Mcconomy, B. & Bujaki, M. (2000). Corporate governance. *CMA Magazine*, *74*(8), 10-10.

McFadden, D. (1977). Quantitative methods for analysing travel behaviour of individuals: Some recent developments. California: Institute of Transportation Studies, University of California.

McMullen, D. A. (1996). Audit committee performance: an investigation of the consequences associated with audit committees. *Auditing: A Journal of Practice and Theory*, *15*, 87–103.

Mohamed, M. D. & Habib, H. M. (2013). Auditor independence, audit quality and the mandatory auditor rotation in Egypt. *Education, Business and Society: Contemporary Middle Eastern Issues*, *6*(2), 116-144.

Ogbechie, C. & Koufopoulos, D. N. (2010). Corporate governance and board Practices in the Nigerian banking industry. Available at lbs.edu.ng

Olowookere, J. K. & Inneh, G. E. (2016). Determinants of external auditors' choice in Nigerian quoted manufacturing companies. *Kuwait Chapter of the Arabian Journal of Business and Management Review*, *5*(9), 10-22.

Organisation for Economic Co-Operation & Development [OECD], (2004). *Principles of Corporate Governance*. OECD Publications Service. Retrieved from https://www.oecd.org/corporate/ca/corporategovernanceprinciples/31557724.pdf on (10th March, 2019).

O'Sullivan, N. & Diacon, S. R. (2002). The impact of ownership, governance and non-audit services on audit fees: Evidence from the insurance industry. *International Journal of Auditing*, *6*(1), 93-107.

Pittman, J. A. & Fortin, S. (2004). Auditor choice and the cost of debt capital for newly public firms. *Journal of Accounting and Economics*, *37*(1), 113-136.

Pizetta, K. C. & da Costa, F. M. (2013). The role of the board of directors in hiring the audit firm: Empirical evidence from Brazil. *Revista de Educação e Pesquisa em Contabilidade*, *7*(3), 279-292.

Rachagan, S. & Satkunasingam, E. (2009). Improving corporate governance of SMEs in emerging economies: a Malaysian experience. *Journal of Enterprise Information Management*, *22*(4), 468-484.

Raghunandan, K., Read, W. J. & Rama, D. V. (2001). Audit committee composition, gray directors, and interaction with internal auditing. *Accounting Horizons*, 105-118.

Rezaee, Z. (2009). Corporate governance and ethics. John Wiley & Sons. *Danvers. MA*.

Salau Abdulmalik, O. & Ahmad, A. C. (2016). Audit fees, corporate governance mechanisms, and financial reporting quality in Nigeria. *DLSU Business and Economics Review*, *26*(1), 122-135.

Shan, Y. G. (2014). The impact of internal governance mechanisms on audit quality: a study of large listed companies in China. *International Journal of Accounting, Auditing and Performance Evaluation*, *10*(1), 68-90.

Soliman, M. & Elsalam, M. A. (2012). Corporate governance practices and audit quality: An empirical study of the listed companies in Egypt. *International Journal of Social, Behavioral, Educational, Economic, Business and Industrial Engineering*, *6*(11), 3101-3106

Solomon, J. & Solomon, A. (2004). *Corporate Governance and Accountability*. Chichester: John Wiley and Sons.

Soyemi, K. A. (2020). Internal corporate governance practices and choice of external auditor in Nigeria: A logistic regression analysis. *Binus Business Review*, *11*(1), 9-16.

Sundgren, S. & Svanström, T. (2013). Audit office size, audit quality and audit pricing: evidence from small-and medium-sized enterprises. *Accounting and Business Research*, *43*(1), 31-55.

Quick, R. (2012). EC green paper proposals and audit quality. *Accounting in Europe*, *9*(1), 17-38.

Quick, R., Schenk, N., Schmidt, F. & Towara, T. (2017). The impact of corporate governance on auditor choice: evidence from Germany. *Journal of Management and Governance*, 1-33.

Uadiale, O. M. (2010). The impact of board structure on corporate financial performance in Nigeria.

Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of Financial Economics*, *53*, 113-142.

Wallace, W. (1981). The economic role of the audit in free and regulated markets. Available at http://raw.rutgers.edu/raw/wallace/homepage.html

Waresul Karim, A. K. M., van Zijl, T. & Mollah, S. (2013). Impact of board ownership, CEO-Chair duality and foreign equity participation on auditor quality choice of IPO companies: evidence from an emerging market. *International Journal of Accounting and Information Management*, *21*(2), 148-169.

Yusoff, W. F. W. & Alhaji, I. A. (2012). Insight of corporate governance theories. *Journal of Business and management*, *1*(1), 52-63.