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Governance Structure and Quality of Accounting Reports in Covid 19 Era

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ABSTRACT: This article investigated the impact of governance structure on the quality of accounting reports produced by firms operating in Nigeria during the pandemic. The study was carried out using the ex-post facto research design. The information was derived from the annual reports and accounts of firms listed on the Nigeria Exchange Group between 2011 and 2020. The correlation between corporate governance indicators of board structure (size-BRDSZ and independence-BRDID), audit quality (audit committee size (ADCMZ), the quality of external audit (EADTQ as measured by the presence of an auditor among the big-4), board experience (i.e. experience-BRDEX), and financial reporting quality is 93.47 percent, according to econometric analysis. The independent variables can explain 54.29 percent of the variance in the FRQDA. There is general relevance among the metrics assessing financial reporting quality, such as corporate discretionary accruals (FRQDA). The COVID-19 pandemic has a beneficial influence on board structure (BRDSZ), board experience (BRDEX), and external audit quality (EADTQ). Furthermore, as a consequence of the COVID-19 epidemic, independent directors on the board of company (independence-BRDID) and audit quality (audit committee size (ADCMZ) have a detrimental impact on financial reporting quality as evaluated by the firm's discretionary accruals (FRQDA). As a result, the research advised that a higher emphasis be placed on corporate governance indicators in order to achieve global standard financial reporting in the Nigerian growing market for investment opportunities.

KEYWORDS: Corporate, Reporting, Board size and structure, Committee, Companies, Quality, COVID-19.

1.1 INTRODUCTION

There are extraordinary health, economic, and social issues throughout the globe, as the 2019 Covid-19 Pandemic has shown. The pandemic was very disruptive in terms of mortality toll, several infected patients, and globally severe economic ramifications included considerable job losses, company bankruptcy, and a global recession of around 3 per cent. (IMF, 2020). While protracted shutdowns of enterprises' production facilities threaten their viability, the extent of the losses these businesses would suffer due to the interruption is not yet clear. There is no doubt that many organisations will be referred to as 'patients' in the aftermath of the catastrophe. It is yet unclear if the relief measures put in place by governments and businesses throughout the globe will be successful. Scholars will be spurred to action by the enormity of the implications for public health and the economy, as well as the associated uncertainty. Organisations big and small, for-profit and not-for-profit and governmental, all around the globe will have financial accounts that show indicators of a downturn. Short sales will significantly impact the net income and book value of the stock, putting further stress on the company's ability to access short-term financing. Impairment of goodwill, inventories and other assets, and premeasurement of goods valued at fair value may result in subjective non-cash charges under current accounting rules, reducing net income and equity even more. Debt-covenant breaches and bankruptcy filings may be triggered if a company's equity falls below a specific level. It is difficult for investors to predict future cash flows and company values and for auditors to keep track of the stated amounts in this climate. Economic actors are reacting to the continued uncertainty in a variety of ways. We believe the following questions are fundamental and pertinent to answer these issues empirically.

The economic and financial impact of the Covid-19 epidemic has already been felt throughout the world (Goodell, 2020). According to (Arabsalehi and Ziaee, 2010) Corporate Governance Code of Nigeria, 2003) was regarded as a standard in corporate entities. To eliminate mismanagement, fix any governance shortcomings, avoid power abuse, and adequately manage risks, they assist firms (Jouini, 2013). If these guidelines are followed, its reputation and shareholders' interests will be protected, so they are crucial for a sound governance structure. When it comes time for investors to evaluate a company's directors, quality and trustworthy information (particularly on the activities of the directors) has become a commodity that must be paid for. Corporate governance

measures (agency costs) are thus supported by both direct and indirect investments from shareholders to raise shareholders' trust in financial reporting quality. Directors can act opportunistically since shareholders (i.e. the Principal) have little rationality (i.e. agent). Because shareholders and other external stakeholders evaluate directors' performance via the same financial reports, this indicates a discrepancy between shareholders' need for information and their degree of trust in the quality financial reports provided by the company's directors.

For starters, these economic turbulences and diet instability would further impact the trust of companions' financial performance and thus, cause different financial difficulties for organisations. This is crucial (KPMG, 2020). auditors will be unable to discover substantial errors if the audit procedure is not consistent (Lenz & Hahn, 2015). Investing in a firm is riskier, and the cost of equity capital is higher if a company does not assure that its audit procedures are of the highest quality (Gerged et al., 2020). Earnings fluctuate and decline due to a loss of investor confidence during times of economic uncertainty (Arthur et al., 2015).

Consequently, determining the impact of the Covid-19 eruption on their financial performance is an urgent priority for businesses in various countries, from rising economies to developing economies, to meet their fiscal year-end data needs for a wide range of stakeholders (Shahzad et al., 2018). Auditor and corporate organisations confront enormous practical hurdles in many sectors, and this unique position might lead some companies to either falter or begin manipulating their profits data. Accurate financial statements may help investors make better decisions about the trustworthiness of financial markets (Gerged et al., 2020; Shahzad et al., 2018; Tarek et al., 2017).

In a specific notice posted on March 22nd, the Financial Reporting Council (2020) gives auditors guidance on the effects of social distancing measures on audit quality. When the WHO initially discovered the coronavirus virus in Wuhan, China, it was determined to be a disease. However, the business determined that its total rate was high. It had expanded to over 190 countries where the United States had been labelled a pandemic, a steady increase. During this period, the virus outbreak was relocated from China to Italy, the United States, until April 2020. The alarmingly high prevalence of infection in Europe is a cause for concern (Jackson et al., 2020; McKibbin & Fernando, 2015).

Consequently, a policy of restriction was implemented to prevent the spread from lowering demand all over the globe. The auditor's function was diminished, and his or her obligations were undermined and harmed. This epidemic has a vast and severe influence on the world's second-largest economy, which is anticipated to contribute to one-third of annual global economic growth. The major European nations are making efforts to combat it. So the coronavirus epidemic in China will disrupt worldwide demand and supply (Bouey, 2020), as well as Nigeria and Angola's primary African oil exports (Bouey, 2020).

COVID-19, according to the Financial Reporting Council (2020), must be considered by auditors in this period: The auditor's risk assessment and whether it has to be revised. A new audit technique may emerge, prompting the need for new audit processes, such as in-group audit engagements, which are a particular focus of an auditor's work. It is required for the audit committee to determine whether or not an alternate way of travel limitation is possible to disclose or suggest changes in auditors' opinions. The auditor's appraisal of the present company prospects is complex because of the uncertainty in the global economy and the auditor's worry about the future of firms.

Covid-19's influence on business and management disclosure adequacy is based on the possibility of how firms affected by it stay represented, and the high degree of insecurity acknowledged, such that users are directed on the quality of financial reporting. As a result, auditors need to re-evaluate their audits before the auditor's report is signed because of the fast-changing environment. It is expected that management would offer different papers and data. Consider marking this as a potential audit problem and explaining it in the report if the present situation has had a significant influence on the audit is performed. For example, The Council of Financial Reporting has suggested (2020) that we analyse the effect of COVID-19 on audit quality using a desk research technique. As a result, our study intends to fill this vacuum in auditing research and enhance the existing body of prior studies by examining how the COVID-19 outbreaks may affect corporate governance and financial reporting quality in Nigeria. This pandemic's potential impact on the following five aspects of audit quality is specifically examined: Audit costs, human resource audits, and this pandemic might all impact the quality of audits. Audit fees, audit staff salaries, and audit procedures are all included. Thus, our research gives a complete picture of the likely effect of social distance on the quality of financial reporting for future scholars, investors, and auditors. As a result, the following are the study's goals:

1. To determine the relationship between board size and quality of accounting reports in Covid 19 era in Nigeria?
2. To evaluate the relationship between audit quality and quality of accounting reports in Covid 19 era in Nigeria?

2.0 LITERATURE REVIEW

2.1 CONCEPTUAL FRAMEWORK

2.2 Corporate Governance: Despite Zain-aldini and Maymand's (2011) thorough definition of corporate governance as an organisational system for managing the company's operations and producing value for shareholders, there is still much confusion about corporate governance is. However, the concept of corporate governance that we will use for this research will include a broader view (i.e., the viewpoint of the shareholders). The term "corporate governance" is used to describe the collection of rules and regulations that regulate how a company's resources are managed and controlled to safeguard its shareholders' interests. The way a business is controlled is determined by these structures, conventions, rules, laws, and processes. Keeping these frameworks in place necessitates expenditures (agency costs) to lead directors away from self-serving and opportunistic behaviour while simultaneously safeguarding the interests of shareholders (Mehrani and Safarzade, 2011). Investing in the corporate governance system allows shareholders to ensure that the board reasonably pursues their interests (i.e., maximising profits). The variety of the board's backgrounds and experience and the high quality of the audits are all evidence of this commitment. Investment in these areas is expected to help shareholders raise performance and improve the quality of financial reporting, which is a requirement of regulators (Mehrani and Safarzade, 2011). When financial reports provide high-quality information, investors are more likely to place their faith in them.

Financial reporting quality will define the amount of shareholder trust in the COVID-19 age, and this study attempts to understand how the corporate governance structure impacts that level. This research examines the composition of the board (focusing on its size and independence), the board's flexibility (focusing on the credentials and experience of its directors), and the audit's overall quality (with emphasis on the presence of an internal audit committee and the use of an external auditor among the big four).

2.3 Quality of Financial Reports: For evaluating the quality of financial reporting, prior research has proposed many ways. The accrual models, the earnings relevance model and other models used qualitative data (Jouini, 2013). Managers' use of discretionary accruals to transfer reported revenue across fiscal periods was previously studied as an essential part of financial reporting quality. Discretionary accruals are calculated by subtracting non-discretionary accruals from total accruals. According to Dechow, Ge, and Schrand (2010), "Non-discretionary accruals may reveal adjustments that reflect underlying performance, whereas discretionary accruals capture distortions generated by the application of earnings management or the accounting rules". As a result, we will utilise the modified Jones model of accrual presented in the study of Dechow and Dichev (2002).

2.4 Quality of Financial Reporting and the Board's Structure

Board structure examines issues such as the number of directors, their independence, and the size of the board. Conflicting evidence exists on the relationship between the size of the board, level of independence and the level of quality in the financial reporting provided by public companies.

When a company just has a small number of directors, it is easier for them to coordinate their efforts with management, according to Jensen (2013) and other pioneering studies. According to Bradbury, Mark, and Tan, a large board might lead to managerial entrenchment (2006). As coordination and communication problems deepen, directors cannot keep an eye on management. According to Adams, larger boards have increased profits management while diminishing income transparency (2006). However, according to Byard, Li, and Weintrop (2006), having a large board size assures the value of financial statements.

Prior studies have shown that independent boards are less likely to engage in profit management (Klein, 2002 and Peasnell et al., 2000). The quality of information increases as the number of independent directors increases (Vafeas, 2005; Vafeas & Karamanou, 2005 and Bushman, Chen and Engel and Smith (2004). According to Dimitropoulos and Asteriou (2010), having an independent board of directors has increased the profitability of Chinese enterprises. Nesrine and Abdelwahid (2011) concluded that board independence improves profits quality, but the low number of independent directors and high frequency of CEO duality in Tunisian firms may make this unfeasible. In contrast, studies conducted by Petra (2007), Bradbury et al. (2006), and Ahmed, Hosain and Adams (2006), concluded that independent directors do not have the skills necessary to supervise the managers, and their position on the board does not strive to assure the quality of financial reporting on the company. According to studies by Cornett, McNutt, and Tehranian, board independence has a negative link with financial reporting quality.

2.4.1 Quality of Financial Reporting and Board Experience

Including the "board flexibility" measure of extra corporate governance is one of the study's distinguishing aspects. There are only professional and experienced directors on the board for the interest of the shareholders. This study will look at the director's credentials and expertise concerning the quality of financial reporting as a measure of board adaptability.

2.5 Accounting and Financial Reporting Quality

An influential internal audit committee and an external auditor from one of the Big Four is essential in assessing the quality of accounting report. It is the audit committee's job to make sure that the reporting process and the financial statements are audited

to the highest standards. When it comes to practical corporate governance, the role played by the internal audit committee is pivotal, particularly in ensuring that the accounting process is accurate (Rezaee & Riley, 2010). Prior studies found that audit committees and the frequency of their meetings helped reduce the incidence of financial reporting difficulties (Erena & Tehulu 2012; Kent & Stewart, 2008 and Farber, 2005). Also, Greco (2012) and Parwit, Smith, and Wood (2009) found that organisations with vital internal audit quality functions do not support income manipulations, resulting in lower accrual values. Having an external auditor from the big 4 is a way for the company's owners (shareholders) to ensure that financial statements are presented accurately and fairly, which boosts their confidence in the financial reports they receive. There is a strong correlation between having an external auditor in the top four and the quality of the financial disclosures made by directors (Leung, Morris & Gray, 2005).

2.5:1 Audit Fees and COVID-19

For an audit of an organisation's finances, auditors charge a fee (Walid, 2012). Because of this, Chen et al. (2019) postulated that audit companies and their clients should change the ground in light of economic difficulties brought on by the pandemic since audit fees would be affected by the firm's risk, liquidity, and efficiency. Specifically, there is a danger that the company may breach the contract agreement terms, resulting in the bankruptcy of individual businesses. For example, auditors would be compelled to employ more extensive audit methodologies and spend more time assessing the assumptions of the corporation's continuing concern due to rising risk levels and creditor difficulties (Noh et al., 2017; Chen et al., 2019).

Auditor working hours will increase as audit litigation rises because of the increased agitation during this outbreak (Karim & Zijl., 2013; Yuen et al., 2013). Reduced fees and lower incumbency fees at the beginning of future expenses have destroyed the independence and quality of the auditor, so lowballing is not an option to compromise audit efficiency. Meanwhile, a reasonable proposal and competitive answer are made to anticipate these technical advantages. However, in most cases, this is likely to be incorrect. According to Xu et al. (2013), audit fees in Australia rose throughout the financial crisis, studied by the researchers. According to the authors, consumers' growing concern about corporate risk is to blame for the rise in audit activity. As a result of the global financial crisis, several earlier research has shown that corporations may negotiate lower audit fees (Alexeyeva & Svanström 2015; Bozec & Dia 2017, Chenec et al. 2018, Chen et al. 2019, Karim & Zijl, 2013; Krishnan & Zhang 2014; Krishnan et al. 2015). Home-based work has become the 'new normal,' increasing hours worked and commitment of auditors due to the COVID19 epidemic. Companies (Clients) are more likely to seek lower audit fee balances due to this trend (Chen et al., 2019). Because of this external COVID-19 shock, auditors may lower their efforts to ameliorate the loss of commitment; hence, clients may demand auditors to reduce audit fees during the crisis. Consequently, This pandemic epidemic seems to have had a significant influence on the competence of auditors.

2:5.2. Audit Procedures

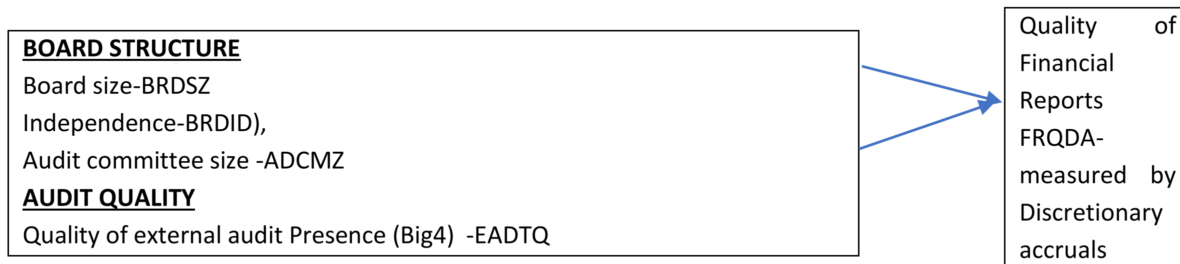
The efficiency of systematic techniques, forming an essential component of the auditing process, is another problem impacting the current pandemic (Messier et al., 2013). Because audit preparation, information gathering, appraisal, reporting phases, and analytical techniques are used (Messier et al., 2013; Noh et al., 2017; Trompeter &Wright, 2010). As many businesses will go bankrupt or fudge their stated profits during the COVID-19 outbreak during this time, analytical techniques must be used more frequently by auditors since they are the least expensive and easy to measure (Rose et al., 2019). When it comes to costs, analytical audit techniques are desirable, and they can be applied to direct and equip auditors with delicate bits of submission backing their findings. Usually, these procedures require a diagnostic method that identifies the origin of account balance fluctuations or the possibility of serious misrepresentation discovered throughout the audit plan (Rose et al., 2017; Rose et al., 2019). The issue of fraud is a possible challenge to auditors is associated with producing multiple explanations (Rose et al., 2019). They considered that many alternative theories' development does not trigger a critical idea and may straighten work in the other direction (Hirt et al., 2004; Kadous et al., 2006). Meanwhile, auditor engagement should allow a complete awareness of the financial statement, thus involving several comprehensive checks that are more costly and attract a more extended period to take into consideration since the majority of communications are by email in this epidemic era of covid-19 (KPMG, 2020). To ensure the auditor's findings are accurate, the critical issue of an auditor is the signal of accuracy. If the information reported lacks merit or insufficient consistency, then a higher risk of audit job is observed, forming an incorrect audit opinion (Rose et al., 2017). Therefore, the work-from-home strategy will affect audit evidence's adequacy and reliability and, consequently, impact audit quality (KPMG, 2020).

2.5.3 Audit Staff Remuneration

A report on audit staff remuneration and covid-19 say that because of many changes in the public accounting business, there is much uncertainty and more work for auditors, making their pay important (Persellin et al., 2018). Since the start of covid-19, many new steps have been taken to help staff and businesses in this time. Some businesses have talked about cutting wages or giving employees unpaid leave (Deloitte, 2020). When it comes to how the audit staff is paid, it is unclear how that relates to how well the audits are done. The theories of efficiency wages say that higher salaries can help audit workers be more productive by working harder or attracting better-quality audit workers (Hoopes et al., 2018). As a result, the epidemic could affect the audit staff's

wages, making them less motivated to do their jobs well and efficiently. So, we think that if the wages of audit staff were to go down, it could affect the quality of audits.

2.5.4 Governance Structure Variables



2.6 Theoretical Framework

Throughout the ages, theories on corporate governance theory have been tested and refined. Theories such as Stewardship and stewardship theory are also included in this list of theories: The Agency Theory was chosen to best describe this work for this investigation.

2.6.1 Agency Theory

This theory is used as a theoretical framework in this study. In the context of an agency relationship, one person, known as the principle, assigns responsibilities to another, known as the agent. It is possible that the agent may not act in their best interest or that they will only act partially in their best interest while operating on behalf of their client due to the agency relationship's inherent opportunism or self-interest.

Concerning corporate control and governance, the board of directors is seen as a crucial monitoring instrument under agency theory to ensure that any issues arising from the principal-agent relationship are minimised. According to Blair (1996), management is meant to be the "agent" of a company's "owners," but managers must be overseen, and institutional structures must provide certain checks and balances to guarantee that they do not abuse their position. Agency is a concept heavily influenced by the division of ownership in organisations. In the context of corporate governance, this link is sometimes referred to as an agent-principal relationship.

2.7Empirical Literature

Prior studies into the relationship between governance structure and the quality of financial reporting have produced mixed results. Abdulkadir and Noor (2013) analyse the connection between audit committees and higher financial reporting quality using the Dechew and Dichev (2002) model. They found that the audit committee's presence improves the quality of financial reporting. Also, the study revealed that a committee with a chairman that is independent and has expertise influences the quality of financial reports positively.

Shehu (2013) also looked at monitoring, and the quality of financial reporting in Nigerian publicly listed manufacturers. Having independent directors and an audit committee are essential variables in determining the capacity of a corporation to be checked for them by using a modified Dechow-Dichev (2002) model, which includes 32 firm-years longitudinal data of 160 observations. According to the research findings, monitoring elements are favourably connected with financial reporting quality. Investors in Nigerian manufacturing companies should guarantee that the board of directors is structured to ensure that the board can oversee management's manipulative accounting while putting up financial statements, according to the authors of the study.

Kajola (2008) focuses on four governance measures (the size of the board, composition, the status of the CEO and the audit committee). Board composition does not seem to have a statistically significant association with Return on Equity or Profit Margin. As a result, it can be deduced that there is no correlation between the financial success of the tested companies and the presence of an outside director on the board.

According to Yau and Emmanuel (2013), a sample of 35 publicly traded Nigerian companies' annual reports spanning 1999-2009 provided data on the influence of governance structure on publicly traded firms' voluntary disclosure of information. There were significant discrepancies in information disclosures in Nigeria before and after the introduction of corporate governance standards, and Nigeria's publicly listed firms have seen a meaningful increase in the level of voluntary disclosure, they explained.

Nigeria's Consumer Goods Industry was the focus of Garba's (2013) research on the influence governance structure has on financial reporting quality. In December 2012, a random sample of five publicly listed Nigerian companies was selected and monitored for five years (i.e. 2008-2012). Correlation and regression were used to analyse data from annual reports and financial statements. According to the results, financial reporting in Nigeria's consumer products business is improved by the size and

makeup of the company's board. As a result of this company's size, an audit committee of five to six members is recommended. Increase the number of non-executive directors to have a more diverse range of perspectives. It would increase the accuracy of financial reports prepared by the firm.

The financial reporting quality and governance structure of Foods and Beverages company in Nigerian was examined by Dalhatu (2012). Primary and secondary methods were used to get the data. The Chi-square method of data analysis was used to examine the results. According to a study, food and Beverage companies' information disclosures may be influenced by a Code of Corporate Governance. To ensure that investors and other stakeholders are provided with enough information, this research found that frequent reviews of the Nigerian Stock Exchange's Code of Corporate Governance practice were essential. Considering the effect of corporate governance on the quality of financial reporting by Nigerian publicly traded manufacturing firms,

Baba (2011) conducted research. More than half of Nigerian manufacturing organisations were represented in this study by the data acquired from 12 representative sample firms. Multiple regressions were used to analyse the data in this study. The results demonstrate a strong connection between effective corporate governance and accurate financial reporting in Nigerian publicly traded industrial companies. It is suggested that the authorities should, among other things, step up their enforcement of the disclosure and transparency of financial statements for NSE-listed companies.

When examining the effect that governance has on financial reporting quality on a global scale, a study of industrial businesses listed in Amman Financial Market was conducted by Jamil, Mohamad, Mamdouh, and Hassan (2013). Data were collected from both primary and secondary sources using a questionnaire sent to all participants in the study. Some of the findings were as follows: a thorough understanding of corporate governance by designers and consumers of financial statements, together with a framework for its implementation in assisting Jordanian industrial enterprises listed on the Amman Financial Market. In community research, it was discovered that the successful adoption of corporate governance principles improves the quality of financial reporting. In addition, it was discovered that financial statement creators and consumers should be thoroughly conversant with the corporate governance concept and the underlying principles of its implementation in industrial businesses listed on the highly regarded Amman Financial Market. According to the research, that is not all, which found that sound corporate governance principles had a positive impact on financial reporting quality.

Heirany, Sadrabadi, and Mehrjordi (2013) looked at the relationship between a company's operating ratio and the quality of its accounting income to see how corporate governance systems affect financial reporting quality. Corporate governance methods like power concentration, institutional shareholder ownership percentages, and board independence have all been considered in this research. Sixty businesses from the Tehran Stock Exchange were chosen as a representative sample between 2006 and 2010. The study ideas were put to the test using multiple regressions. According to the study's findings, robust corporate governance systems are linked to higher reported profitability.

Another study found that corporate governance traits have influenced financial reporting quality in Tehran Stock Exchange (TSE) listed businesses from 2003 to 2011 (Challaki, Didar, and Riahinezhad 2012). For financial reporting quality assessment purposes, the study used McNicols (2002) and Collins and Kothari (1989), which included consideration of corporate governance factors. According to the conclusions of this study, corporate governance characteristics such as board size, independence, the concentration of ownership, and institutional ownership have little impact on the quality of financial reports. No association seems to exist between audit size, company size, age and financial reporting quality (such as financial reporting).

However, Gonçalves (2010) investigated the relationship between the composition and aspects of corporate governance and the financial reporting quality of Portuguese firms. All publicly listed companies in Portugal are included in the study's population. Over six years, there were 234 observations each year based on evidence from 39 firms and linked to the sample period. The data from the sample may be analysed using descriptive statistics. According to the research, changing board composition and independence did not affect the quality of financial reporting in publicly traded Portuguese companies. There was a positive correlation between board size and the degree of accounting discretion, with a giant board producing better financial reporting.

Also, in 2010, the effect of corporate governance on financial reporting disclosures in Bangladesh corporations was examined by Hasan, Hossain, and Swieringa (2010). There were 40 people in all, with a sample size of 20, or half of the total. The data was analysed using Descriptive Statistics. There was a substantial correlation between the degree of financial disclosures made by companies and the presence of an external auditor, a factor in corporate governance that was examined. The amount of financial transparency is not significantly influenced by other factors such as board independence, the board size, dominating personality, institutional ownership, or the general public. As a result, Bangladesh's corporate governance system is not up to snuff.

3.0 RESEARCH METHOD

The descriptive research approach will be employed for this study, spanning ten (10) years between 2011 and 2020. Throughout the research, all of the companies listed on the Nigerian Stock Exchange comprise the study's population. For this study, a purposive

selection approach was used to choose a sample of five enterprises from each of the three major economic sectors (manufacturing, service and banking). Granger causality econometric tests were used to analyse the variables.

3.1 Specification of the model

The Jones Model has been used in a large number of prior researches. Non-discretionary accruals in the event year are often referred to as the Jones Concept for non-discretionary accruals in the event year by Jones (1991), who developed the model. In contrast, this research model is based on the following formula:

$FRQ = \beta_0 + \beta_1 BRDSZ + \beta_2 BRDID + \beta_3 BRDEX + \beta_4 ADCMZ + \beta_5 EADTQ + \mu_t$ ……. (3.1)

Where: FRQ = financial reporting quality as defined by company discretionary accruals

BRDSZ = the number of directors on the firm's board of directors

BRDIDi = is the percentage of independent directors on the firm's board.

ADCMZ = denotes the size of the audit committee in the business.

EADT = the existence of an internal audit committee and the employment of an external auditor among the main four.

BRDEX = the presence of competent and experienced directors on the firm's board of directors.

Previous portions of this research dealt with all of the dependent variables, including the structure of the board (BRDSZ and BRDID), quality of audit (audit committee size (ADCMZ), and external audit quality (EADTQ as evaluated by the inclusion of an auditor among the big-4) and board experience (BRDEX). Many researchers have used discretionary accruals as a proxy for "financial reporting quality".

4.0 RESULTS AND DISCUSSION

The three most critical dependent factors are board structure (BRDSZ and BRDID), audit quality (ADCMZ and BRDID), and board experience. The model's predictions are heavily influenced by these factors, which have been described in detail in the model's specification. In this study, many researchers have used "financial reporting quality" as a proxy for discretionary accruals. The model estimate has a feeling of direction because of the diagnostic tests.

Table 1: Diagnostic Check for Residual

Residuals	Test	Value	P-value	Conclusion
Normality	JB-test	0.6200	0.7334	Not Normal
Serial	LM-test	1.5084	0.3986	Not Serially Correlated
Heteroskedastic	ARCH	0.3236	0.5871	Presence of homoskedasticity
Stability	Ramsey Ret	8.6587	0.0099	Stable

Source: Authors own Computation using E view 10

Corporate governance model variables are not regularly distributed when tested in a diagnostic test. Homoscedasticity is present in the series, but there is no link between them. Because the OLS's assumptions are not met, Granger Causality should be used as the suitable model estimate for this investigation.

According to the findings of Granger causality tests

The R^2, t-test, and F-test are significant in the decision-making process about the direction of causation in causality connections. It has been observed that even when fundamental mistakes are uncorrelated and share common variance, the OLS residuals used in all diagnostic tests are correlated and heteroscedastic. Table 6.3 shows the results of Granger causality testing.

Table 2: Granger Causality Test Result

Null Hypothesis:	Obs	F-Statistic	Probability
BRDSZ does not Granger Cause FRQDA	8	0.39041	0.70681
FRQDA does not Granger Cause BRDSZ		22.1538	0.01597
BRDID does not Granger Cause FRQDA	8	4.06461	0.13995
FRQDA does not Granger Cause BRDID		13.1674	0.03270
BRDEX does not Granger Cause FRQDA	8	1.35617	0.38059
FRQDA does not Granger Cause BRDEX		1.03383	0.45548
ADCMZ does not Granger Cause FRQDA	8	0.46649	0.66619
FRQDA does not Granger Cause ADCMZ		26.4637	0.01242
EADTQ does not Granger Cause FRQDA	8	0.18718	0.83829
FRQDA does not Granger Cause EADTQ		0.42388	0.68845

Source: Authors own Computation using E view 10

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According to the causality test findings provided in table 2, board structure measurements of board size (BRDSZ) and independence (BRDID) do not granger cause financial reporting quality as discretionary accruals for COVID-19 era enterprises. Financial reporting quality (FRQDA) and firm discretionary accruals (FRQDA) are examples of corporate governance metrics. FRQDA has not been exacerbated in the near term by audit quality (as evaluated by the existence of an auditor among the big-4) or board experience (i.e. experience-BRDEX). External auditing standards and audit committee size (measured by the presence of an auditor among the big-4). As far as audit quality and board experience go, FRQDA grange is not to blame for either (the size of the audit committee, ADCMZ) (i.e. experience-BRDEX). In the short run, financial reporting quality in Nigeria is impacted by corporate governance metrics and audit quality. – The quality of a financial report will be defined by the level of confidence that shareholders have in the financial reports. According to Dabor and Adeyemi (2009), this is less probable if people have less faith in corporate governance structures, norms, and institutions. "Insider trading" may occur due to shareholders who are unsatisfied with the financial report of the directors and are willing to pay to learn more about their internal operations. If other shareholders are obliged to pay more for the company's knowledge, which has become a commodity, they may transfer their equity.

5.0 CONCLUSION AND RECOMMENDATIONS

The global financial crisis is a strong indicator that this health crisis will intensify and that the impact of the COVID-19 pandemic will be the most difficult for auditors and their clusters since many people believe that this epidemic is an issue that affects companies' money. This paper examines how the COVID-19 outbreak has influenced audit efficiency, providing advice for future auditors and researchers after this external shock.

According to Abbas (2011), Alzoubi (2012), and Hassan (2013), the corporate governance system of Nigerian firms serves as a means of encouraging directors to act in the best interests of shareholders by influencing the quality of financial reporting. This study has thus established empirical links between the corporate governance system and shareholder confidence in financial reporting quality, which is consistent with these studies. According to this study, the financial reporting of Nigerian companies may be affected by the level of corporate governance indicators and audit quality. Nigeria's Guarantee Trust Bank Plc's financial reporting performance (size-BRDSZ) and audit committee size are better than those of the other four companies in the study (ADCMZ).

The research has harmed an audit report by the epidemic, which has resulted in low-quality financial reporting by companies throughout the nation.

According to the findings, Nigerian companies should take corporate governance indicators seriously to enhance the quality of financial reporting under COVID-19. A company's financial reporting quality is directly impacted by the number of members on the audit committee (ADCMZ) and the number of independent directors (BRDID). Efforts must be made to improve corporate governance procedures in Nigeria's rapidly expanding market in order for the country to meet international accounting standards.

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