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Abstract

This study seeks to examine corporate governance and financial reporting quality of construction companies quoted on the Nigerian Stock Exchange for the period 2016 to 2020. Corporate governance mechanism was proxies by board size, board composition and audit committee composition. Data were collected from annual financial statement of the companies for the study period and analyzed using descriptive statistics, Correlation analysis and Regression analysis by using E-views9 software. The result indicated that board composition and audit committee had positive and significant effect on the financial reporting quality of construction companies. While, board size has a negative and significant effect on financial reporting quality of construction companies. This shows that corporate governance has significant impact on the financial reporting quality of quoted construction companies. The study recommended that strategy need to be developed in order to ensure adherence to corporate governance codes in construction companies, so as to ensure the presentation of articulated, encompassing financial statements.

Introduction

The financial reporting quality has always been an issue of interest among regulatory bodies, shareholders, researchers and the accounting profession itself. This is due to the fact that financial reporting quality has been a principal means of communicating financial information to outside users (Eshiet et al., 2023; Klein, 2002). The publish financial statement remains the major means of communication and information for the users about financial performance, progress and position of the firms, which provide reliable information to assist users in making financial and economic decision making. Therefore, it is expected that the financial statement should disclose relevant, reliable, comparable and understandable information to the users

The integrity of financial reporting is dependent on the performance and conduct of those involved in the financial reporting ecosystem, particularly directors, management and auditors (Hassan & Ahmed, 2012). The recent successive financial crises and the resulting confidence crisis in financial reporting within information and economic framework has drawn the world's attention to the role of corporate governance in ensuring the quality of the financial reporting processes, reducing fraud and false statements. This is especially after the scandals of big companies such as Enron in the United Kingdom and the collapse of WorldCom in the United States in 2001 and 2002, respectively (Amah & Ekwe, 2021). The sustained crises have not left Nigeria out of the whole saga. It affected companies such as Intercontinental bank, Oceanic bank, Cadbury, etc., thereby contributing to the downturn of the economy. With all of these, companies' collapsing every now and then, sustainability has become an issue in determining the survival and continued growth of companies and the country (Apodore & Zainol, 2014; Temitope, 2018).

The construction companies in any economy plays a prominent role in the construction of roads, and buildings for use by the citizens residing in the country. Nigeria is not an exception, owing to the significance of roads and houses in enhancing safety and the general welfare of the citizens and economy; this is imperative to give serious attention to issues that concern the corporate governance of construction industry. The Nigeria construction sector is known to be complex as it involves numerous players (contractors, national regulators, wholesalers and retailers, government ministries, and other stakeholders). This means that there is a need for these stakeholders to put in additional effort to create an enabling environment to exploit the full potentials of the sector.

Corporate governance on financial reporting has been the subject matter to many researchers in the past two decades. Thus, in the achievement of the companies' business objectives, corporate governance is a major factor and it is concerned with the relationships that exist among firms' management, board of directors, shareholders and other stakeholders (Temitope, 2018). In line with the above, several studies had considered the relationship between corporate governance and financial reporting (Akeju & Babatunde, 2017; Alkhalidi, 2023; Amah & Ekwe, 2021; Eshiet et al., 2023; Shiyanbola et al., 2020; Temitope, 2018). However, those studies have reported mixed and inconsistent results regarding the relationship between corporate governance and financial reporting quality of companies in various industry. Hence, the current study has the motivation to investigate further the mixed effects of corporate governance and financial reporting quality relying on a sample of listed construction companies on Nigerian Stock Exchange (NSE) covering the period from 2016-2020. Moreover, fewer or none of the study have been conducted in the construction companies in Nigeria. Thus, this study will be extended to cover the gap.

Therefore, the major aim of this study is to examine the impact of corporate governance on financial reporting quality of quoted construction companies in Nigeria. The specific objectives are; To examine the impact of board composition on the financial reporting quality of quoted construction companies in Nigeria, to examine the impact of audit committee on financial reporting quality of quoted construction companies in Nigeria to examine the impact of the board size on financial reporting quality of quoted construction companies in Nigeria. The paper has many contributions, most especially in the aspect of; provides the accounting literature with empirical evidence on the effects of corporate governance on financial reporting quality, which contributes to the accounting literature for reference and further research; and the finding would be of value and use for investors, financial analysts, and regulators as it would allow them to make better-informed financial and economic decisions. The paper is made of literature review and hypothesis development as the second section, apart from the first section which is introduction. The third section talks about the methodology used in the research. The fourth section discusses the results of the study and the discussion thereof, while section five conclude the discussion on the paper.

Literature Review

Corporate Governance

Securities and Exchange Board of India (SEBI) (2003) defines corporate governance as "the acceptance by management, of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. Wilson (2006) defined corporate governance as the manner in which corporations are directed, controlled and held to account with special concern for effective leadership of the corporations to ensure that they deliver on their promise as the wealth creating organ of the society in a sustainable manner.

It is also about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company. It is also the framework within which rules, relationships, systems and processes are controlled (Osundina et al, 2016). Ammar et al. (2013) see corporate governance as a means through which management takes necessary steps to safeguard the interest of stakeholders. In view of the above meaning, one may tend to ask what governance is all about. In response of the question, governance could be considered to be a mechanism used in motoring the actions, policies and decisions of corporations. These may involve the alignment of interests among stakeholders. Thus, Oyejide and Soyibo (2001) considered corporate governance as the manner in which corporations are directed, controlled and held accountable.

The study by Shleifer and Vishny (2017), was based on the opinion that corporate governance deals with the ways, suppliers of finance assured them of getting their returns on the investment. Thus, corporate governance can be said to encompasses the effective administrative role of the management towards achieving sound and growing financial performance in companies. Norwani et al. (2011) examined corporate governance failure and its impact on financial reporting of selected firms in Malaysia. The evidence of the findings revealed that failure in corporate governance leads to failure in financial reporting in Malaysia. Al-sufy et al. (2013) investigated corporate governance and its impact on the quality of accounting information in Amman Financial Market, Jordan. The findings of the study showed that there is a significant positive relationship between corporate governance and quality of financial reporting in Amman.

Kantudu and Samaila (2015) investigated board characteristics, independent audit committee and financial reporting quality of oil marketing firms in Nigeria using multiple regression analysis. The evidence of the study revealed that power separation, independent directors, managerial shareholdings and independent audit committee influence the financial reporting qualities of oil marketing firms in Nigeria. The composition of corporate governance in this study are:

1. **Board Composition**

   Board composition refers to executive and non-executive directors' representation on the board (Amah & Ekwe, 2021). While, Temitope (2018) view board composition as the ratio of executive directors on the board compared to the number of nonexecutives directors. The board is responsible to the shareholders and is supposed to govern a company's management. The debate had been for either a greater number of executives on the board or lesser. Gois (2014) investigated the financial reporting quality and corporate governance of Portuguese firms using multivariate regression model. The research evidence shows that board composition changes and its degree of independence does not produce any influence on the quality of the accounting information. Effiok et al. (2012) discovered an insignificant result which can be interpreted to mean that the number of executives or non-executives was irrelevant. In a similar vein, Temitope (2018) revealed that board composition had a significant positive correlation with corporate performance, audit committee size had an insignificant correlation with corporate performance and board size, board composition and audit committee size had a significant joint effect on corporate performance. The study concluded that the board composition should consist more of the non-executive directors. Amah and Ekwe (2021) discovered board compositions to have a positive and significant effect on financial reporting quality,

   Bako (2017) also concluded that the presence of non-executive directors in the audit committee of firms in the Nigerian Chemical and paint Industry have an insignificant effect on financial reporting quality. The non-executive directors should possess the technical skills and experience necessary to ensure that the high-quality reporting system exist in the Nigerian Chemical and paint Industry.

   Some studies advocate for the participation of women in the board of directors (Burke & Mattis, 2013; Damagun et al., 2014). The agitators of gender diversity want and increase in women participation in the board of companies, and results has shown that boards perform better when there is increase and greater gender diversity (Williams, 2003). In Nigeria, Damagum et al. (2014) examine the impact of women in the board on financial reporting quality. They use a sample of 20 listed firms from 2006 to 2011. They find that the presence of a female director does not improve the quality of financial reporting, however, financial reporting quality improves as the number of women in the board increases. Taken together, the above studies show that the composition and structure of the board had a significant impact for firm performance, and the effect of board composition for company performance in Nigeria depends on the independence of the board, gender diversity on the board and board size, although there are mixed findings from empirical research.

Thus, the study hypothesizes that there is a positive and significant relationship between board composition and financial reporting quality in building and construction industry.

2. Board Size

Board sizes: Board size is the total number of headcounts of directors seated on the company's board. It comprises the number of individuals serving on the board of a firm (Amah & Ekwe, 2021). Board Size is the number of directors that exist on the board which includes the executive and the non-executive directors. The number of directors may vary from country to country and culture to culture (Zabri et al., 2016). Board Size can also be regarded as the number of directors sitting on a board of a particular company. There is a notion that board size affects corporate governance in most studies. This is because the board of directors is responsible for ensuring the reliability of financial statements. Limiting board size to a particular level is widely believed to improve the performance of the firm at all levels (Ayodeji & Festus, 2020).

Thus, there is no standard board size. Some companies adopt the larger board size with the argument that larger board size will enhance qualitative decisions. Alternatively, some companies prefer a small board size with the belief that monitoring would be efficient, better and fasten decision making (Temitope, 2018). The code of governance states that the number of non-executive directors should be more than that of executive directors' subject to a maximum board size of 20 directors (CBN, 2006) and 15 directors (SEC, 2003). This shows that both the CBN AND SEC codes recognize large board sizes (Amah & Ekwe, 2021). On the contrary, other authors claimed that small board size normally promotes and give room for better and efficient monitoring, as well as improve and fasten decision making (Temitope, 2018).

The nature of relationship between board size and financial reporting quality is not confirmed throughout the literature review. Many authors argued that there is a positive association between board size and financial reporting quality. For instance, Yassin (2021) investigate the effects of various board and firm features on firm performance. Based on an agency theory perspective the study used a sample of 384 observations from the Egyptian Stock Market (EGX) from 2016-2018. The results of this study show that board size have a significant positive effect on firm performance. The results of the study support that large companies which have large boards of directors have better financial performance than other firms. Alternatively, some authors discovered a negative relationship between board size and financial reporting. Pari et al. (2015) found a negative association between financial reporting quality and the size of board of directors within European companies. Also, Ogbaisi and Ezuen (2021) examined the impact of board size, board independence and frequency of audit committee meetings on financial reporting quality board size had a positive insignificant impact on financial reporting quality in Nigeria, the study recommends that there should be an optimum board size. While, Eshiet et al. (2023) discovered board size to have significant positive effects on timeliness of financial reporting.

This indicates that the result of the above studies is inconclusive.

In light of the above discussion and the theoretical framework, the research hypothesized that there is a positive and significant relationship between board size and financial reporting quality.

3. **Audit committee**

The audit committee works within the auditors to make sure that the books are correct and that they are no conflict of interest between the auditors and the other consulting firms employed by the company. Audit committee is a committee that oversee the financial reporting process (DeZoort et al., 2002). Ideally, the chair of the audit committee is a satisfied public accountant (CPA). Often, a CPA is not on the audit committee, let alone on the board. The New York Stock Exchange (NYSE) requires that the audit committee include a financial expert, but this qualification is typically met by a retired banker, even though that person's ability to catch fraud may be questionable. It is expected that the audit committee should meet at least four times a year in other to review the most recent audit. An additional meeting should be held if other issues need to be addressed.

Nonetheless, Uwuigbe (2013) discovered that firms that have an audit committee have higher share price, at the same time, Duke and Kankpang (2011) show that Nigerian firms that have an audit committee perform better than those who don't. The above studies revealed that companies with large audit committee board assist to discourage the manipulation of financial statements in Nigeria. Miko and Kamardin (2015) concludes that an effective audit committee in a company can assist in decreasing the manipulation of financial reports and accounts. However, Owolabi and Dada (2011) suggested that audit committee can change and enhance corporate governance in companies and can make financial reports become more reliable and dependable for policy formulation, financial and investment decision making. Therefore, Fodio et al. (2013) test the influence of corporate governance mechanisms on reported earnings quality of listed insurance companies in Nigeria using 25 listed insurance firms from 2007 to 2010. The study discovered that the size of the audit committee to be negative but had a significant association with earnings management. similarly, Okafor (2009) test the effect of corporate governance on environmental disclosure for listed non-financial firms, the findings discovered audit committee independence, having a Big-4 auditor have an insignificant effect on environmental disclosure. Contrarily, Shittu et al. (2018) examine the influence of audit committee independence, abnormal directors' compensation and information disclosure on firm performance measured as price to earnings ratio. They analyze 100 listed firms and find that audit committee independence has a significant positive impact on firm performance, measured as price to earnings ratio. Similarly, Temitope (2018) investigated the influence of corporate governance (CG) on the performance of companies, with the objective of determining, the influence of audit committee size on corporate performance (CP). The study used exploratory research design. Ten (10) firms listed on the stock exchange were chosen through a purposive sampling technique. Data were extracted from the annual accounts and reports for year 2010 to 2016. A panel data regression was used to analyzed the data. Findings revealed that audit committee size had an insignificant correlation with corporate performance and board size, board composition and audit committee size had a significant joint effect on corporate performance. The study concluded that audit committee also should be reviewed from time to time.

This shows that there are mixed discoveries and hence, the study hypothesized that there is a positive and significant relationship between audit committee and financial reporting quality.

Concept of Financial Reporting Quality

Financial report is referred to financial statement or annual account. The report shows the state of affairs of the company, or financial position of a person or organization, it contains the total assets and liabilities, it gives accounts of income statement at a particular date and the operators during the period under review (Eshiet et al., 2023). According to Wikipedia (2009), financial reporting is a process of preparing and distributing financial information to users of such information in various forms. The most common form of financial reporting is financial statement. The relevant financial information is represented in a structured manner and in a form easy to understand.

Zabri et al. (2016) opined that companies or business enterprise prepare financial statements on an annual basis as a means of showing stewardship to the owners of the resources (shareholders and other interested parties). The statement of assets and liabilities or statement of affairs, income statement and statement of cash flow are the basic financial requirement. A note to the account is also provided as an integral part of the financial statement to provide detail explanation on the accounting items in the financial statement. A financial reporting contains not only financial statement it also includes financial and non-financial information such as management forecast and stock exchange document. In a nutshell, Financial reporting is the predominant occupation of the accounting profession and is the process through which information about organization's performance and financial position is presented to the users. International Financial Reporting Standard (IFRS) observed that the major aim of financial reporting is to give information about the financial position, performance, and changes in the financial position of an enterprise that is, useful to all categories of users in making financial and economic decisions.

Empirical Review

Many authors argued that corporate governance positively enhances financial reporting quality. They claimed that the high level of monitoring and checks exercised as a result of the establishment and exercising corporate governance codes improves financial reporting quality. The effect of corporate governance on firm performance remains a very tropical issue in the whole world. Notable studies that recorded positive results are; Bako (2017) examine the impact of corporate governance on the quality of financial reporting in the Nigerian Chemical and paint Industry. The total number of quoted companies on the Nigeria Stock Exchange as at December 2013 is taken as population, while sample of four (4) companies were selected for a period of five (5) years (i.e. 2009-2013). The data used were obtained through secondary source, that is from the annual reports and accounts of the selected companies and the data were analyzed using correlation and regression. The study concluded that Board size as well as Board Independence have insignificant effect on the quality of financial reporting in the Nigerian Chemical and paint Industry. Similarly, Al-sufy et al (2013) investigated corporate governance and its impact on the quality of accounting information in Amman Financial Market, Jordan using arithmetical mean, standard deviation and T-Test. The findings of the study showed that there is a significant positive relationship between corporate governance and quality of financial reporting in Amman.

Amah and Ekwe (2021) investigated the Effect of Corporate Governance Structure on Financial reporting quality of quoted pharmaceutical companies in Nigeria. A total of ten pharmaceutical companies were used from 2006-2019. Data were extracted from the annual report and accounts of the pharmaceutical companies in Nigeria. The Housman test of multiple regression analysis was employed to test the hypotheses. The result found that Board independence has a positive effect on the financial reporting quality, Board compositions have a positive and significant effect on financial reporting quality, Board meeting has negative association on the financial reporting quality of pharmaceutical companies in Nigeria. The ownership structure also reflects the positive and significant financial reporting quality of the selected companies. The number of times the risk management committee meets yearly as an indicator of corporate governance structure yield a positive influence on the financial reporting quality of selected pharmaceutical companies. The result for a ratio of female members in the board, i.e. gender composition and numerical strength of Audit committee members each, is yielding positive and significant effect on financial reporting quality.

Similarly, Shiyanbola et al. (2020) investigated a combined effect of corporate governance components on financial reporting quality of quoted financial and non-financial firms in Nigeria. The study adopted ex-post facto research design. Purposive sampling technique was used to select 30 quoted financial and 30 quoted non-financial firms in Nigeria of 161 listed companies on the Nigerian Stock Exchange for the period 2003-2017. The multiple regressions were employed to test the inferential statistics. Findings revealed that corporate governance (CG) has joint significant effect on financial reporting quality (FRQ) of quoted financial and non-financial firms in Nigeria. The study concluded that corporate governance has significance effect on financial reporting quality of quoted financial and non-financial firms in Nigeria. The study recommended that management should ensure they comply with code of corporate governance to give credibility to the financial report. Akeju and Babatunde (2017) investigate corporate governance and financial reporting quality in Nigeria. This research has been performed using a sample of 40 companies listed on the Nigeria Stock Exchange (NSE) from 2006 to 2015. The relationship between corporate governance mechanism (board characteristics, audit committees, board independence, board size and growth) and financial reporting quality was observed. The results of the multiple regression analysis were statistically significant at 0.05 level. The F statistics of 3.641 shows that the results typically explained the model. The findings of the study revealed that corporate governance improves the financial reporting quality in Nigeria. Ayodeji and Festus (2021) examined the effect of corporate governance on financial reporting quality in quoted deposit money banks in Lagos State, Nigeria. The study adopted survey and ex post facto research design. The target population for this study was staff from 10 deposit money banks in Lagos State, Nigeria and 450 participants were purposively sampled for the study. The data for the study was analysed using multiple regression analysis. The findings showed that corporate governance has significant effect on financial reporting quality in selected deposit money banks in Lagos State, Nigeria. The finding also revealed that shareholder assembly, board of directors, supervision and control; and transparency and publicity have significant effect on faithful representation

Other studies that recorded negative results on the relationship between corporate governance and financial reporting quality includes; Temitope (2018) who investigated the influence of corporate governance on the performance of companies. The objectives of this study were to respectively analyze and determine, individually and jointly, the influence of board size, board composition and audit committee size on corporate performance (CP). The study employed exploratory research design. Ten (10) listed firms were chosen through a purposive sampling technique and data extracted from the annual reports of these firms from year 2010 to 2016. A panel data regression was used to analyzed the data. CG was proxied with board size (BS), board composition (BC) and audit committee size (ACS) while performance was proxied with net profit margin (NPM). Findings revealed that board size had a significant negative correlation with NPM, board composition had a significant positive correlation with NPM, audit committee size had an insignificant correlation with NPM and board size, board composition and audit committee size had a significant joint effect on NPM. Thus, it was concluded in the study that smaller board size will increase performance and the board composition should consist more of the non-executive directors while the audit committee also should be reviewed from time to time. Shiyanbola et al. (2020) investigated a combined effect of corporate governance components on financial reporting quality of quoted financial and non-financial firms in Nigeria. The study adopted ex-post facto research design. Purposive sampling technique was used to select 30 quoted financial and 30 quoted non-financial firms in Nigeria of 161 listed companies on the Nigerian Stock Exchange for the period 2003-2017. The multiple regression was employed to test the inferential statistics. Findings revealed that corporate governance (CG) has joint significant effect on financial reporting quality (FRQ) of quoted financial and non-financial firms in Nigeria. The study concluded that corporate governance has significance effect on financial reporting quality of quoted financial and non-financial firms in Nigeria. The study recommended that management should ensure they comply with code of corporate governance to give credibility to the financial report.

Eshiet et al. (2023) evaluated the effect of corporate governance attributes on financial reporting quality of listed manufacturing firms in Nigeria. The research design adopted for this study was the ex-post facto research design. The source of the data was therefore secondary sources taken from audited annual reports and accounts of the related listed manufacturing firms as listed on the Nigerian Stock Exchange Fact Book (2021). Using the non-probability sampling filtering technique, the study used a sample of forty-two (42) manufacturing firms listed on the NSE fact Book 2021. These listed manufacturing firms included selections from: four (4) - agriculture; sixteen (16) - consumer goods; seven (7) - industrial goods; six – (6) - healthcare; four (4) - natural resources and five (5) - conglomerates. Data were extracted from the annual reports and accounts of these companies and were analyzed with the aid of Panel Regression using Stata version 14 and Microsoft Excel. From the Hierarchical Regression results, the variables of board size and ownership concentration have significant positive effects on timeliness of financial reporting. These results of board gender diversity and board diligence have no significant effects on timeliness of financial reporting of listed manufacturing firms in Nigeria. These results are not in line with prior expectations but are consistent with the stated null hypotheses, hence the null hypotheses which states that board gender diversity and board diligence have no significant effects on timeliness of financial reporting of listed manufacturing firms in Nigeria during the period under study are retained. It also implies that an increase in the number of female members on the board and an increase in the number of board meetings will have no effect on the financial reporting timeliness of listed manufacturing firms in Nigeria during the period under study. The manufacturing sector is extremely crucial for a developing country such as Nigeria since they promote the enlargement and expansion of Nigeria's economic growth. It is therefore recommended that the number of directors on the board should be between seven (7) or eight (8) board members in order to foster faster communication, coordination and ultimately timeliness of financial reporting among listed manufacturing firms in Nigerian. Gardi (2023) investigates how corporate governance affects the financial reporting quality of selected banks in Iraq, focusing on the role of IFRS adoption. The research collected data from 298 questionnaires distributed among diverse private banks, including IS Bank, Vakif Bank, RT Bank, Cihan Bank, Bank of Iraq, and TD Bank. Sobel analysis was used to analyze the mediation between variables. The results demonstrate that IFRS adoption plays a positive mediating role in the relationship between corporate governance and financial reporting quality in private banks. The study highlights the practical benefits of implementing strong corporate governance practices and adopting IFRS, such as improved reporting quality, regulatory compliance, better decision-making, and enhanced reputation.

The above study disclosed an inconsistent result in the relationship between corporate governance and financial reporting quality. This shows that more studies are required in this field. Moreover, the best of the researcher knowledge, fewer or no study have been carryout on corporate governance specifically on constructions industry in Nigeria.

Stewardship Theory

The theory is based on the assumption that the interest of the shareholders and management are aligned therefore management is motivated to take decisions that would maximize performance and the total value of the company. The theory believes that there is greater utility in corporative than individualistic behavior and hence whilst the actions of management would be maximizing shareholder wealth, it would at the same time be meeting their personal needs. The managers protect and maximize shareholders' wealth through firm performance, because by so doing, their utility functions are maximized (Davis & Donaldson, 1997). To realize this goal congruent, the shareholders must provide a well fitted empowering governance structures and mechanisms, information and authority to facilitate the autonomy of management to take decision that would maximize their utility as they achieve organizational rather than self-serving objectives. For CEOs who are stewards, their pro-organizational actions are best facilitated when the corporate governance structures give them high authority and discretion. Davis and Donaldson (1997) provide five part of the management philosophy of stewardship as trust, long-term orientation, improve performance and open communication, empowerment.

Research Methods

This study adopts the ex-post factor research design. An Ex-post facto research design relies on secondary data because the event and facts have already occurred and not subject to manipulation. Therefore, this design is used because of the availability of audited financial statement of the sampled listed construction companies on the Nigerian Stock Exchange (NSE). The population of the research is made up of 2 construction companies listed on the Nigerian Stock Exchange, Julius Berger Nigeria Plc, Arbico Plc, as the sample of the study. The unit of analysis is the construction companies. Purposive sampling technique was used to select the sample. For the purpose of this study, the secondary sources of data were used. The secondary data were obtained from the annual financial statement of the sampled listed construction companies for the study period 2016-2020.

The data obtained was analyze and regressed using the E-views 9. The descriptive statistics, correlation analysis and multiple regression analysis were used to analyze the data. The chosen statistical tools are employed to forecast the relationship between the dependent variable and the independent variables.

Model specification

The research adopts the model used by Bako (2017) and Shiyanbola et al. (2020) with little modification to suit the researcher's need. Using the descriptive statistics, correlation analysis and multi regression analysis, the model is as follows:

FRQ= F (RUC)
Thus FRQ F (CG)
BCOM = Board Composition
AUDCOM = Audit Committee
BSIZE = Board Size
FRQ=α+ β1 BCOM + β2 AUDCOM +β3 BSIZE +β4 +β5 + E
Where:
FRQ= Financial Reporting Quality
α =Intercept
BCOM = Impact of Board composition
AUDCOM = Impact of Audit Committees
BSIZE = Impact of Board Size
B1-β5 = Coefficient of BCOM, AUDCOM, BSIZE respectively
E = Error Term.

Results and Discussion

This chapter presents analyses and interprets the data generated for the study. The data relating to each of the statistical analysis were presented and analyzed together to enable test of the hypotheses and inferences to be drawn.

Descriptive statistic

The table below shows the descriptive statistic of all the variables used in the study.

Table 1. Descriptive Statistics

	FRQ	BSIZE	BCOM	AUDCOM
Mean	0.35	10.64	0.51	0.49
Median	0.39	11.00	0.50	0.50
Maximum	0.57	15.00	0.82	0.60
Minimum	0.06	7.00	0.27	0.38
Std. Dev.	0.17	2.08	0.18	0.05
Skewness	-0.24	-0.30	0.58	-0.34
Kurtosis	1.74	2.41	2.31	3.56
Jarque-Bera	1.90	0.74	1.92	0.80
Probability	0.39	0.69	0.38	0.67
Sum	8.76	266.00	12.77	12.34
Sum Sq. Dev.	0.65	103.76	0.80	0.08
Observations	25	25	25	25

Source: Researcher compilation, (2021).

Table 1 shows the descriptive statistics of the variables for the study. The table revealed that the mean for the Financial Reporting Quality (FRQ) of the firms is 35%, with a minimum of 6%, and maximum of 57%, while the standard deviation at which FRQ varies from the mean is at 17%. Going further to the explanatory variables, the mean for the board size of the firms is 11%, which ranges from the maximum of 15 to the minimum of 7 members, on the average, the membership of directors on the board is approximately 11 and the standard deviation at which the membership varies is approximately 2. The average membership on board composition of non-executive directors to total directors on the board of the two firms used in this study is 51%, the minimum is 27% and the maximum is 82% with standard deviation of 18%. Finally, with regard to audit committee composition, the average is 49% and the variation ranges from the minimum of 38% and the maximum of 60% and the standard deviation of 5%.

Regression Analysis

The multi linear regression analysis is used as a statistical tool to investigate the effect that emerged between the three explanatory variables and the predictive variable of the study. The predictive variable is financial reporting quality, and the explanatory variable is corporate governance proxied by board size, board composition and audit committee. The tables below revealed the analysis of the results for the multi linear regression model. The regression analysis for financial reporting quality model is show in Table 2.

Table 2. Model Summary

Model	R-Square	Adjusted R-Square	F-Statistic
1	0.57	0.51	0.01

Source: Author compilation (2021).

The coefficient of determination explains the ratio or the percentage of variation in the dependent variable financial reporting quality that is explained by all the three independent variables (board size, board composition, and audit committee). The independent variable that were studied, explains 57 percent of the effect of board size, board composition, and audit committee or financial reporting quality in construction companies in Nigeria, as shown by the value of the coefficient of determination of R-square that gives 0.57. The corresponding F-statistics is highly significant at 1 percent level of significance. This implies that 57 percent of the changes in financial reporting quality is explained by the variation of board size, board composition, and audit committee in the construction companies in Nigeria. Finally, the value of the adjusted R-square coefficient of determination (Adjusted R-square) gave a value of 0.51, which means that the model for the study (with 95% degree of confidence) was good and fit for use in predicting the dependent variable. The result shows that 51% of the variation in financial reporting quality is accounted for by the explanatory variables in the model meaning that 49% is unaccounted for, and so it is contributed by other variables not included in this model. This shows that there is the need to include more variables in the model with financial reporting quality as an explanatory variable to cover the remaining 49 percent gap in the model.

Table 3. Ordinary Least Square Estimates of Corporate Governance on Financial Reporting

FRQ	Coefficient	Std. Error	t-value	P-value.
BSIZE	-0.028	0.01	-2.47	0.05
BCOM	0.59	0.16	3.78	0.01
AUDCOM	1.62	0.48	3.37	0.01

Source: Author compilation (2021).

The results discovered in Table 3 stated that out of the three independent variables (board size, board composition and audit committee) studied in connection with financial reporting as a predictor variable opined that board size is negative but statistically significant in its relationship with financial reporting quality. This is shown in table 3, with a regression coefficient and p-value of B>-0.028 and 0.05. This indicated that board size is statistically significant and negatively affect financial reporting quality. This shows that board size in an organization is important but they do not have any impact on the preparation and production of quality financial reports of construction companies in Nigeria. This result exposes that there is negative and statistically significant effect of board size on financial reporting quality. The negative figure indicated that 1unit increase in board size will lead to 0.028 decreases in financial reporting quality. This shows that increase in the size of board of directors does not have an influence or improve the quality of financial reporting of companies. The implication of this result is that companies should not border about increasing the size of the board of directors as it has no direct effect on the improvement of the quality of the financial reports to be produced. The outcome of this results is similar to Temitope (2018) who found a negative relationship between firm performance and board size in Indian. Pari, Hamzeh and Mohadesh (2015) who also discovered a negative association between financial reporting quality and the size of board of directors within European companies. While, Ogbaisi and Ezuen (2021) discovered board size to have positive insignificant impact on financial reporting quality in Nigeria. However, Yassin (2021) had a contrary result and discovered board size to have a significant positive effect on firm performance and concluded that large companies which have large boards of directors have better financial performance than other firms.

Alternatively, board composition is statistically significant as well as positive in affecting financial reporting quality, with a regression coefficient and p-value of B>0.59 and 0.01 respectively. This clearly shows that board composition and audit committee are statistically significant and affect financial reporting quality positively. This discovery is in accordance with Amah and Ekwe (2021) and Temitope (2018) which stated that board compositions has a positive and significant effect on financial reporting quality. Effiok et al. (2012) discovered an insignificant result which can be interpreted to mean that the number of executives or non-executives was irrelevant. Bako (2017) also concluded that the presence of non-executive directors in the audit committee of firms in the Nigerian Chemical and paint Industry have an insignificant effect on financial reporting quality. And concluded that non-executive directors should possess the technical skills and experience necessary to ensure that the high quality reporting system exist in the Nigerian Chemical and paint Industry.

Similarly, audit committee also is statistically significant as well as positive in affecting financial reporting quality as shown in table 3 above. These findings also disclosed a regression coefficient and p-value of B>1.62 and 0.01 respectively. This clearly shows that board composition and audit committee are statistically significant and affect financial reporting quality positively. This finding is in line with Ogbaisi and Ezuen (2021) and Shiyanbola et al. (2020) were they concluded that audit committee has significance effect on financial reporting quality in Nigeria. Contrary findings Temitope (2018) revealed that audit committee size had an insignificant correlation with corporate performance. The study recommended that management should ensure they comply with code of corporate governance to give credibility to the financial report. The implication of this findings is that companies with strong, large and effective audit committee assist to discourage, and decrease the manipulation of financial reports and accounts, and hence, contribute in the attainment of corporate governance objective of companies. In addition, audit committee can change or enhance corporate governance in companies and can make financial reports become more reliable and dependable for formulating policies, financial and investment decision making. Moreover, boards of firms that had functional and effective audit committees will seem to be better informed about the financial reporting of the firm, and whether managers are complying with board of director directives more closely. While, as for the board composition, companies with appropriate combination of both executive and non-executive members will have better ideas to be used in the achieving its goals.

Conclusion

The main objective was to examine the impact of corporate governance on financial reporting quality of construction companies quoted on the Nigerian stock exchange for the period 2016 to 2020. The specific objectives of the study were to determine the effect of Board Composition, Board size, and Audit committee on the corporate financial reporting quality of construction companies. Where the introduction of the study was presented, issues and the scope were outlined. A literature review covering the concept and empirical review were discussed in the second section, while issues concerning the research design, data source and collection and method of analysis was outlined in section three. The results of data analysis and interpretation of findings was also captured. The study found out that, there is negative and statistical significance of the impact of board size on financial reporting quality. Similarly, the result also discovered a significant and positive impact of board composition and audit committee on financial reporting quality of construction companies in Nigeria. The discovery of the two corporate governance variables (board composition and audit committee composition) to have a positive effect on the financial reporting quality of the construction companies, means that the burden of ensuring transparency in financial reporting rests with organizational managers, who have better information and knowledge about the firm's operations. Moreover, strong audit committees will have a great impact on attainment of corporate governance objectives of firms. As such, boards of firms that had functional and effective audit committees will be better informed about the major financial reporting of the firm, and hence, managers will be forced to comply with board directives more closely. Similarly, companies should not border about increasing the size of the board of directors as it has no direct effect on the improvement of the quality of the financial reports to be produced.

The study recommends that Since companies are not the same in size, type and what they produce in all ramifications, it is essential and vital that an appropriate board size be understood to be a function of each firm's circumstances. Setting arbitrary board benchmarks or increasing the size may therefore be counterproductive. The regulatory agency for companies should develop a checklist with which firms can scores themselves on the aspect of compliance with corporate governance codes. This score should become an inherent component part of every organizations annual financial report. To ensure strick compliance to the rules of scoring, there should be routine and sentinel auditing of the scoring by the regulatory agency concerned.

Finally, the researcher suggestion for further study; on extension of the scope to other construction companies that are not listed in the stock exchange market. Also, for the result to be more reliable and accurate, other corporate governance variables should be added, particularly the inclusion of ownership concentration/characteristics and CEO duality. More important, the empirical literature indicates a sample selection bias in favor of very big firms who are quoted in the stock exchange market. It is hereby suggested that attention should be devoted to the study of small and medium scale construction companies not quoted on the floor of the stock exchange market in Nigeria.

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