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The Effects of 2011 Revised Code of Corporate Governance on Financial Reporting Quality in Nigeria: The Role of Board of Directors and Audit Committee Members

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Abstract: Nigeria's fight to enhance investors' confidence in the environment where pervasive corruption and weak contract enforcement has led the country into instituting general and sector-specific laws to improve business transparency, accountability and unethical earnings manipulations. The 2003 Code of Corporate Governance was amongst the first attempt to induce good governance behaviour but with little progress as the country was embroiled with unethical accounting scandals involving major international companies. The revised 2011 Code of Corporate Governance shifted the full accountability responsibility to boards of directors with an increased role for the audit committee to assist directors in scrutinising financial statements. This paper examined the enhanced roles of the board of directors and the audit committee in curbing unethical earnings manipulations and enhancing the financial reporting quality. Findings suggest that the role of the board of directors has not restrained companies from engaging in earnings management although the audit committee size has contributed towards enhancing the financial reporting quality. Nigeria has adopted a rule-based approach to implementing its corporate governance and it has not been successful to induce good corporate behaviour in the absence of good check and balance mechanisms in place. The human governance perspective envisages that the true essence of good governance could be achieved by placing importance on people instead of structures. It is timely that the Nigerian authorities consider this self-regulation perspective as a way forward to promote good governance and eventually, overcome all unethical practices by the corporate managers.

Keywords: Corporate Governance, unethical practices, Earnings Management, Financial Reporting Quality, Rule-Based, Human Governance.

INTRODUCTION

Nigeria is one of the developing countries faced with challenges to keep its corporate affairs transparent in a bid to keep investors' interest in Nigeria going, particularly foreign investors. The country is rich in resources mainly oil and is the second-largest economy in Sub-Sahara Africa. In terms of Gross Domestic Products (GDP), Nigeria is the 36th largest economy in the world. Despite its economic size and potential powerhouse, Nigeria's business sustainability is challenged by lack of infrastructure, corruption, unethical earnings practices in both private and public institutions, weak enforcement of contracts and high finance costs (Iarossi Mousley and Radwan, 2009). The extent of corruption in the country appears to be ubiquitous and have impeded the many efforts to revive investors' confidence as evidenced by Nigeria dismal performance in Corruption Index Ranking since 1996.

Nigeria addressed the issue of business transparency and good financial reporting by introducing its very own Code of Corporate Governance in 2003 for the first time after more than a decade following the British Code of Governance practices. Despite the issuance of the requirements and guidelines, accounting scandals continues to occur that the Nigerian authority was forced to revise its code of corporate governance in 2011. The revised code has largely changed the rules by shifting the onus of proving the accountability of the business affairs to the board of directors and its managing directors. The code even specified the operational meaning of being 'independent' directors and put in a special requirement for financial expertise or literacy for members of the audit committee. The expectation of the revised code was high when it was hailed as the most comprehensive and deepening corporate governance practice at the time in Nigeria (Ofo, 2011). Almost nine years after the revised code introduction, the efficacy of the changes particularly on the board attributes and the newer financial expertise requirements on audit committee has not been examined in relation to the objective of producing good financial reports by reducing the level of unethical earnings manipulations. Thus, this research fills the void by examining the shifting of the accountability onus to the board members and the refinement of audit committee characteristics on surrendering unethical activities particularly earnings management to improve the financial reporting quality.

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LITERATURE REVIEW

Nigerian Corporate Governance Challenges

Nigeria being the second-largest Sub-Saharan economy has vast potential for success but is plagued with corruption and weak enforcement challenges. The scope and complexity of corruption are described as 'immense' by one of the prominent studies sponsored by Carnegie Endowment for International Peace (Page, 2018). The country responded hard by instituting many rules and regulations to restore investors' confidence in her fight to pacify corruption. One of the many attempts is by instituting formal organisations to oversee the corporate governance development in the form of general laws and sector-specific laws. Nigeria is one of the few countries in the world that has special sectorial governing laws. Companies and Allied Matters Act (CAMA), Investments and Securities Act 2007 (ISA) and Financial Reporting Council of Nigeria Act 2011 (FRCN Act) are all tasked to oversee the general laws pertaining to business affairs and financial reporting matters; whilst the sector-specific laws include among others, Banks and Other Financial Institutions Act (BOFIA) and the Insurance Act (IA).

As with other countries around the world, Nigeria follows the usual path towards developing corporate governance codes to assist companies in preparing a transparent financial report that would assist investors in decision-making. Much of the earlier efforts to develop corporate governance ruling was by following the British footstep including referring to the Cadbury Report in the 1990s. Nigeria adopted the rule of governing the company's practices for the Code of Corporate Governance by the UK in 1992. As the country progresses into its economic development, the 2003 Corporate Governance Code was the first code ever introduced to encourage public companies to be responsible for discharging their statutory duties. The 2003 Code had its fair bit of challenges when there were many cases of governance malpractices that threaten the survival of a number of firms in different sectors of the economy. Among the most popular and remains as a reference point for fraudulent financial reporting is the case of Cadbury (Nig) PLC with a monumental overstatement of the company's profit to about NGN13 billion within three-year period from 2003 to 2006 with the help of failed corporate governance system and watch dog institutions. The company's board among others failed to disclose the offshore account from which the managing director, finance and executive directors drew their offshore remunerations (Okaro, Okafor and Ofoegbu, 2013). The audit committee was found to be guilty of not discharging their duties among others when the members of the audit committee failed/neglected to examine auditor's report, make proper recommendations to shareholders and review the effectiveness of the company's internal control mechanisms.

The shortcomings of the 2003 Code of Corporate Governance were obvious that the Nigerian authority decided to revise the code to become the 2011 Code of Corporate Governance with an emphasis on shifting the burden of proof of good management practices to companies' board of directors including the managing directors. Improvements over the precise meaning of independent directors and also additional requirements of having financial literacy amongst the audit committee members were also made. The revised code requires that members of the audit committee should have basic financial literacy and at least one member of the audit committee should have knowledge of accounting or financial management. Given the changes, it is of paramount importance to see if the new requirements have resulted in better financial reporting quality.

Earnings Management as Unethical Act

Earnings management refers to a manager 's behavior that serve to increase (decrease) the reported earnings of the unit for which the manager is liable without achieving a corresponding increase (decrease) in the unit's long-term economic profitability (Mustapha, Rashid, Ado, and Ademola, 2019). It is possible to divide such actions into two types: those involving adjusting accounting procedures and those involving operational decisions. Adjusting the sums of reserves, thus adjusting recorded net profits, is an example of adjusting accounting methods. An example of earnings management by means of an operating decision is to give special terms to consumers at year-end to advance revenue from next year to this year (Lai, Srinidhi, & Tsui, 2017).

Mustapha, Rashid, Ado, and Ademola, (2020) explained that managers assumed unethical earning activities as legitimate management instruments that are useful for performing their obligations in order to optimize shareholder returns. However, consider earnings management as requiring manipulation in ways that confuse financial statement users. There are legal grounds to be suspicious of the methods of earnings management. Stakeholders depend on financial statements that presume that long-term profitability is representative of current recorded earnings. In making investment decisions, for instance, stockholders and prospective investors use these statements. It can be used by suppliers as well to determine which businesses to do, in making lending decisions, banks depend on them. In long-term community planning, communities use them, such as decisions about the types of enterprises to try to attract to the city, construction of infrastructure, and so on. In making employment decisions, prospective workers may refer to them. Managers use lower-level units' statements to measure their success and make decisions on the tools to be apportioned to them (Mustapha, Rashid, Ado, and Ademola, 2020)

The confidence of stakeholders is breached if earnings are handled so that financial statements do not adequately represent the company's economic health. Stakeholders could, if they had undistorted statistics, make decisions contrary to their own best interest, which they would not have made. The control of earnings, understood in this sense, is contrary to the "Ethical Conduct Requirements for Management Accountants," which says, "Management accountants are responsible for... thoroughly revealing all relevant details that might reasonably be expected to

impact the interpretation of the reports, statements, and suggestions presented by the intended consumer" (Institute, 1983).

It is desirable for them to have expertise and ethical awareness regarding earnings management activities, considering the independence and judgment that accounting professionals and managers must exercise. There may be significant pressure on managers or accountants to engage in earnings management. Employers will push accountants and managers, with an eye on the stock market, to manipulate quarterly results to make them appear more favorable. Also, accountants and managers may worry that their own performance evaluations will be linked less to the accuracy of their prepared statements than to how favorable those statements appear.' These practitioners need the knowledge, good judgment and moral courage to resist such pressures. If the educational program of accountants and managers can inculcate ethical sensitivity to earnings management, then perhaps it can help reduce their tendency to engage in these practices (Lai, Srinidhi, & Tsui, 2017).

Hypotheses Development

In a modern economy, the separation of owners and managers has brought about a set of agency problems, which impede the objectives of the firm from being met. Managers are honoured with a position that gives them the latitude to make decisions that could either converge with or entrench the economic objective of the firm (Al-Rassas & Kamardin, 2015). With the discretion afforded to them (in terms of controlling tax expenses, communicating firms' performance and embracing corporate governance), managers' roles could easily affect the financial reporting quality of the company. Shaw (2003) noted that firms' management could influence reported earnings by making accounting choices or operating decisions discretionally. One such discretionary decision is to manage reported earnings, leeway imbedded in the accrual-based accounting.

Board Size

Board size is an important proxy for governance mechanisms quality as many studies have indicated the support for board size in mitigating earnings management and other improper practice of financial reporting (Dimitropoulos, 2011). Although smaller board size is said to be relatively more efficient in discharging its duty (Dimitropoulos, 2011 and Epps and Ismail, 2009), there are other instances where the bigger board size is said to be more effective (see Alzoubi, 2014; Beasley, 1996). Board size exerts influence on the management through its competencies and also communication efficiency that results in quality decision-making.

Given the corporate governance challenges and wide spread corruption issues in Nigeria, it is generally believing that Nigerian companies would appoint more members to their boards even if their presence are not going to improve the companies' performance or worst still, facilitating earnings management. The revised 2011 Code is not expected to improve much of the situation in Nigeria as the approach in setting those codes of conduct are still largely rule-based. The forms of the requirement may be changing but the crux of the matter remains essentially the same. Thus, the following hypothesis is proposed:

H1: Board size is positively related to earnings management level

Gender Diversity

Gender diversity has become an increasingly relevant issue in corporate governance where traditionally the structure of board is male dominated without due attention to the distribution of gender in the board. Recent development has seen the presence of men and women in the board as complementing each other's strengths in improving quality of decision-making. Women in general have different sensibilities and perspectives than men and these differences could lead to richer debates, better ideas and eventually more quality decisions (Valsan, 2015). Women are often perceived to be more task-oriented, more risk averse towards investment and exhibit more others-oriented than men. A board that has diverse perspectives discussed in its meeting would improve monitoring, strategic direction and also relational function (Valsan, 2015). Likewise, the incidences of earnings management could also be curbed due to the presence of functioning gender diversity board.

H2: Board gender is negatively related to earnings management level

Audit committee size

Audit committee function is important as it ensures the independence and effectiveness of the annual reports prepared by the external auditors. The importance of this committee is further enhanced when the committee is required to review the annual financial statements before its submission to the board of directors and to the shareholders before the annual general meeting takes place. Such a responsibility requires not just dedication but also competencies to undertake such a review. Having more members in the committee would help expedite the scrutiny process and also increase the likelihood of an error free report. However, this depends on the efficiency of work and also financial expertise that each member may have.

Audit committee requirement was first introduced in 1990 as an additional layer of control to increase reliability and quality of financial reports. Nigerian law through CAMA (2004) put a maximum number of audit committee members not exceeding six. Though the revised 2011 Code of Corporate Governance did not specifically mention additional requirements with regard to audit committee size, the Code emphasised the importance of audit committee's role in ensuring effective internal control, remunerations, pension and review of the financial

statements. Similar to the arguments of board size, it is envisaged that the smaller audit committee size would discharge its duties more efficiently in ensuring the independence of the annual reports and effectiveness of external auditors in discharging their duties; thereby restraining earnings management.

H3: Audit Committee size is negatively related to earnings management level

Audit Committee Financial Expertise

Many of the earlier studies have reported that the presence of audit committee members with financial expertise enhances the financial reporting quality (Levitan, Dubofsky, & Sussman, 2016) and also improves the timeliness of reporting (Abernathy, Beyer, Masli, & Stefaniak, 2014). More so if they have a legal background, they serve the monitoring function well (Krishnan, Wen, & Zhao, 2011), although members with both expertise (accounting and law) will improve further the reporting quality. Similarly, audit committee members with financial expertise especially former auditors are apt at reducing the occurences of earnings management (Ittonen, Tronnes, Vähämaa, 2016, Marra, Mazzola & Prencipe, 2011) and earnings restatement (Agrawal and Chadha, 2005). From the perspective of retail investors, the presence of more qualified public accountants on an audit committee in general, increases the confidence in companies' earnings (Levitan, Dubofsky, & Sussman, 2016).

The audit committee function ceases to be effective when members with financial expertise have multiple sittings in other audit committees (Carrera, Sohail & Carmona, 2017), suggesting a limit to the number of audit committee one could serve to remain effective. Many of these studies utilised the US data with the less developed countries such as Portugal reporting that there is no association between the presence of audit committee and the level of earnings management (Geraldes Alves, 2011). In Nigeria the 2011 revised Corporate Governance for the first time introduced the financial literacy requirements on audit committee and largely lauded as a positive move. Thus, it is anticipated that the presence of financial experts in the audit committee would improves the financial reporting quality or decreases the likelihood of companies engaging in earnings management.

H4: Audit Committee with financial expertise is negatively related to earnings management level

RESEARCH DESIGN

There were 113 non-financial public listed firms on the main board of the Nigerian Security and Exchange Commission (SEC) as of 31 December 2017. Since the impact of the revised 2011 Code of Corporate Governance can only be seen a year after its implementation, the study period covers from 2012 until 2017 to allow for sufficient and complete data to be collected from various sources including *Datastream*, annual reports and accounts of the designated sample firms. Companies with incomplete data or delisted from the SEC within the selected period were removed. The final sample consists of 63 companies with 378 firm-year observations. Panel data analysis is employed to conduct multiple regression tests together with the necessary diagnostic to fulfil all statistical assumptions

Model Specification and Variable Measurement

The main focus of this study is to see improvements made by the revised 2011 Code of Corporate Governance in regards to the new requirements involving shifting of the responsibility to the directors and requirement refinement in terms of audit committee financial expertise. The following model is constructed to see if such an improvement holds in the context of Nigeria.

$$FRQ_{it} = \beta 0 + \beta_1 BODSIZE_{it} + \beta_2 BODGEND_{it} + \beta_3 ACSIZE_{it} + \beta_4 ACAEXPT_{it} + \beta_5 LEV_{it} + \beta_6 FAGEit + \beta_7 FSIZEit + \beta_8 FGROW_{it} + \beta_9 ROA_{it} + \varepsilon it \quad \text{……………... (1)}$$

Where: FRQ = financial reporting quality, BODSIZE = board size, BODGEND = Board Gender Diversity, ACSIZE = audit committee size, ACAEXPT = Audit Committee Accounting Expertise, LEV = leverage, FAGE = firm age, FSIZ = firm size, FGROW = firm's growth, ROA = return on assets, εit = error term.

FRQ, the dependent variable, is measured as the level of earnings manipulation practices based on accrual earnings management (AEM). The remaining independent variables; board size, board gender diversity, audit committee size and audit committee financial expertise are defined and measured as shown in Table 1. The remaining variables such as Leverage, Firm Age, Firm Size, Firm's Growth and Return on Assets are included to control for firms' specific characteristics that often influence the results.

Table 1: Operational Definition for Independent Variables

Variable	Acronyms	Measurement
Board Size	BODSIZE	A total number of directors serving on the board of directors (Ahmed & Che-ahmad, 2016).
Board Gender	BODGEND	Percentage of women directors on board (Lai, Srinidhi, & Tsui, 2017).
Audit Committee Size	ACSIZE	Total number of audit committee members on the board [4]
Audit Committee Accounting Experts	ACAEXPT	Percentage of audit committee members who qualified as professional accountants with (ANAN or ICAN) (Abernathy, Beyer, Masli, & Stefaniak, 2014).

Accounting Earnings Management (AEM) is estimated using Equation (2). This measurement follows the performance–matched model as originally proposed by Kothari, Leone & Wasley (2005), following the study of Bala (2018). The estimated residual values found from the regression analyses for the model was used in the form of substitute for accrual earnings management amongst the chosen companies. Equation (2) displays the accrual earnings management that streamlines the estimation process used in this study.

$$AEM= [(TACCit = a0 + a1(1/TAit\text{-}1) + a2(\Delta Sales/TAit\text{-}1) + a3(PPEit/TAit\text{-}1) + a4ROAit \text{ (or it-1) } + \varepsilon it)] \quad \ldots\ldots (2)$$

Where AEM = Accrual earnings management, TACC = Total accruals measured as Net Income-Cash flow from the operation, TAi, t-1 = Lag of total assets of a firm, ΔSALES = Changes in sales from current year to last year, PPE = Gross property plant and equipment at the end of the year, and ROA = Return on asset.

RESULTS AND DISCUSSION

Descriptive Statistics and Multivariate Analysis

Descriptive statistics from Table 2 indicates that Nigerian public listed companies in general, have big board size with members ranging from a minimum of four to a maximum of 20, although the average is about nine. It is not surprising to note such a big board size in Nigeria possibly due to 'pressure' to appoint more members to satisfy the social and also business demand.

Table 2: Descriptive Statistics

Variable	Median	Mean	Min	Max	Std Dev
FRQ	0.397	0.823	0.000	10.646	1.354
BDS	9.000	9.019	4.000	20.000	2.497
BGEND	0.111	0.115	0.000	0.400	0.103
ACS	6.000	5.622	4.000	7.000	0.881
ACEXP	0.167	0.230	0.000	0.750	0.152
LEV	0.343	0.373	0.007	1.000	0.226
FAGE	21.500	23.534	2.000	69.000	14.321
FSIZ	16.927	16.774	12.557	21.215	1.799
FGORW	0.057	0.711	-1.000	35.211	3.751
ROA	0.041	0.018	-1.196	0.641	0.183

Note: FRQ = financial reporting quality, BODSIZE = board size, BODGEND = board gender, ACSIZE = audit committee size, ACAEXPT = audit committee financial expertise, LEV = leverage, FAGE = firm age, FSIZ = firm size, FGROW = firm growth, ROA = return on asset**.**

Many Nigerian companies observed the requirement by CAMA that the maximum number of audit committee members shall be six. However, there are companies with seven members in audit committee. For accounting expertise, the average percentage of members with financial expertise (professionally qualified) is rather good with 23% and 75% being the highest percentage. It is interesting to note that there are companies that do not even have any financial expert sitting in their audit committees even though the revised Code requires at least one financial expert to be in.

Table 3: Correlation Matrix

Variable	FRQ	BDS	BGEN	ACS	ACEXP	LEV	FAGE	FSIZ	FGRW	ROA
FRQ	1.000									
BDS	0.097	1.000								
BGEN	0.148**	0.112*	1.000							
ACS	-0.125*	0.212***	-0.017	1.000						
ACEXP	-0.061	-0.014	0.039	-0.030	1.000					
LEV	0.136**	0.083	0.123*	-0.074	-0.016	1.000				
FAGE	0.002	-0.132**	0.048	0.039	0.110*	0.045	1.000			
FSIZ	-0.348***	0.254***	0.066	-0.048	0.334***	-0.141**	0.095	1.000		
FGRO	0.453**	0.012	0.085	0.064	0.057	0.088	-	-0.086	1.000	

W	*						0.060			
ROA	-0.298***	-0.261***	-0.086	0.177**	-0.047	-0.095	0.036	0.226***	-0.086	1.000

Note: FRQ = financial reporting quality, BDS = board size, BGEN = board gender, ACS = audit committee size, ACEXP = audit committee financial expertise, LEV = leverage, FAGE = firm age, FSIZ = firm size, FGROW = firm growth, ROA = return on asset, * p<0.01, ** p<0.05, *** p<0.010.

This study has carried out correlation analysis for the suitability in labelling the strength and direction of the linear relationship between the study variables. Pearson Correlation analysis was carried out to assess and clarify the strengths of the relationship. The correlation matrix result is provided in Table 3 above. Looking at the table audit committee size is correlated at 1% but is at a significant negative level. Consequently, board gender is also positively correlated with accrual earnings management at 5% significant level. However, for the board size, audit committee financial expert, there is no correlation relationship recognised between the variable for the listed firms in Nigeria.

Table 4: Relationship between Corporate Governance Attributes and Accruals Earnings Management (a proxy for Financial Reporting Quality)

FRQ	Predicted Sign	Coeff.	Std. Error	t-val	P-val
BDS	+	0.679	0.026	2.660***	0.008
BGEN	-	0.735	0.565	1.300	0.195
ACS	-	-0.179	0.055	-2.560**	0.011
ACEXP	-	-0.566	0.373	-1.520	0.130
LEV		0.088	0.257	0.340	0.732
FAGE		0.007	0.004	1.860*	0.064
FSIZ		-0.171	0.037	-4.590***	0.000
FGROW		0.148	0.015	9.570***	0.000
ROA		-1.442	0.341	-4.230***	0.000
Cons		3.839	0.612	6.280	0.000

R^2	0.364	Hettest (Chi^2)	204.260***
F-Stat	25.630***	HM Test (Chi^2)	23.730**
Link Test(Hatsq)	0.136		

Note: FRQ = financial reporting quality, BDS = board size, BGEN = board gender, ACS = audit committee size, ACEXP = audit committee financial expertise, LEV = leverage, FAGE = firm age, FSIZ = firm size, FGROW = firm growth, ROA = return on asset, Indicate p value significant at ***1%, **5% and *10% respectively.

Results of the multivariate test shown in Table 4, confirms the presence of overcrowded board of directors, who facilitate the engagement in earnings management instead of enhancing the financial reporting quality. Gender diversity has not exhibited any role in the displayed results suggesting that at present, either the number is too limited or the level of maturity required to engage in business discussion leading to good decision is still low. On the other hand, the audit committee size among Nigerian public listed companies is effectively discharging its duties as it helps to reduce the firms' engagement in discretionary accruals. The result is in conformance with the descriptive statistics, where majority of the Nigerian public listed companies engaged between 5 to 6 audit committee members. The newest requirement of having at least one member of the audit committee to be financial expert is not making any impact in reducing the accruals earnings management level.

DISCUSSION AND CONCLUSION

Nigeria is a resource-rich country poised for success but is challenged by corruption and weak enforcement challenges. The scope and complexity of corruption in Nigeria is immense as it cascades down to every layer of the economy including businesses (Page, 2018). Nigerian authorities responded to the challenges by instituting rules and regulations governing affairs including corporate governance mechanisms to enhance investors' confidence by improving transparency, accountability, reliability, integrity, and objectivity of financial disclosures. The 2003 Code of Corporate Governance was the first code to guide the governance conducts of all public listed companies but with limited success. The period ensuing the 2003 Code was very challenging with many reported accounting scandals involving notably Cadbury (Nig) Plc, Afribank Plc and Lever Brothers (Nig) Plc to name a few. The blame was initially lamented to external auditors for failing to warn of the impending frauds but later shifted to management as they have full control of the preparation of the financial statements. The shift in responsibility is the essence of the revised 2011 Code of Corporate Governance apart from the enhanced audit committee role as a buffer between the external auditors and the board of directors. Although the audit committee presence was introduced way in 1990, Nigerian companies set up such committees merely to comply

with the law rather than seeing it as a necessary value-adding unit in the management of the companies (Atu, 2014). Recognising the shortcoming, the revised 2011 Code of Corporate Governance place an extra requirement of at least one member to have financial expertise of being professionally qualified accountant.

Results from the analysis indicate that the effects of those changes are not as significant in reducing the unethical act of earnings management (or enhancing the financial reporting quality). It is evident that despite the shifting of responsibility to the management, the board characteristics are still not showing any sign of improvements, suggesting that the struggle against corruption or efforts to counter with good governance still has a very long way to go in Nigeria. For audit committee size as a proxy for the overall role of audit committee function in companies, there is evidence to indicate the effectiveness of smaller size audit committee in reducing accruals earnings management although the presence of financial expertise does not really offer any improvement in enhancing the financial reporting quality.

To overcome the negative perception of corruption and unethical earnings manipulations practice in the country, Nigeria has adopted a rule-based approach to implementing its corporate governance by introducing both the general laws as well as sector-specific laws. Findings from this study and many of the earlier studies have indicated that the effort to institute good company governance has not been very successful. Rule-based governance gives much focus on the structure of the mechanisms without necessarily fulfilling the principles that underlie all of the structures. Nigerian public companies complied with those structures with ease (e.g. board independence, size and diversity) but without the desired outcomes. The financial reporting quality has not improved much even when the desired mechanisms (structures) are met. This brings to light what changes should be made further in order to bring the good governance? Many of the earlier discussion (Sonnenfeld, 2002 and Salleh & Ahmad, 2015, for example) have placed the importance of achieving good governance through discouraging the unethical earnings on people not structure. For it is human (people) that brings about the essence of the ethics and good governance rather than merely fulfilling the forms. According to Sonnenfeld (2002), exemplary boards are robust and effective social systems that bring about a virtuous cycle of respect, trust, ethics and candor. As a result, members could debate strategic decisions more openly and constructively that help the company to deliver what it aspires to achieve with much ease than otherwise would have been had no respect and trust among the board members. Salleh and Ahmad (2015) contend that the solution to instil ethics, integrity and good governance culture begins with governing people that effectively "make the company". Their human governance solution preaches that it is the human internal mechanism or self-regulation through ethical guide that direct human behaviour in a company. Finally, it is assumed that ethical guide places the onus of good corporate governance compliance on the individuals that would drive the spirit of the law rather than merely fulfilling the forms of the law.

Thus, the time is right for the Nigerian authorities to take a step back and deeply reviews the outcomes of so many Codes of Corporate Governance (general and sectorial-based) and see if human governance and effective social systems approaches could be used to first educate the business leaders on the self-regulations and later internalise the concept before fully embracing the concept into practice. Continuous training for the board members is key towards building a great board.

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