ROLES OF CORPORATE GOVERNANCE ATTRIBUTE IN THE NIGERIAN POST PANDEMIC ERA

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ABSTRACT

Extensively, the roles of the various stakeholders to corporate Governance have been discussed, and from literatures reviewed on the roles of internal auditors, external auditors, shareholders and the audit committee. Some of the roles which includes but not limited to: to ascertain whether the accounting and reporting policies of the firms are in agreement with agreed laws and ethical parties, ensure compliance with legal and regulatory requirements, they are responsible for the appointment of directors, determination of the terms of employment or contract of directors as well as the removal of the director, the shareholders are responsible for the appointment of the external auditors of a company the remuneration of the external auditors (where applicable) and removal of the external auditor, determine the entities compliance with the relevance code on corporate governance, audit the unaudited parts of the company's annual report, Monitor compliance with the entities internal policies and legal requirements, carry-out investigation to detect and prevent fraud, they are responsible for the performance of system based audit respectively. The divergent view of the OECD and the UK principle of corporate governance was also explained. Finally, the parties to corporate governance was also elucidated to see if their responsibilities is same in the post pandemic era considering the Nigerian environment, and it was concluded that the roles played by this major parties greatly influences corporate governance.

Key words: *Auditors; Audit committee; Corporate governance; Internal audit; Stakeholders.*

1. Introduction

According to FRC (UK) drawing from the Peter Adrian Cadbury definition defined corporate Governance as a system by which companies are directed and controlled.Direct means deploying material tools by putting resources together in the other to achieve objectives. While controls means establishing objectives, determining performance & making sure that the objectives are achieved.

Auditors are supposed to be aware of Corporate Governance in their jurisdiction. Corporate government is a framework established by the entity for the proper management of an entity in the interest of its stakeholders, particular the shareholders.

The major emphasis here is focused on the roles that directors must play and their responsibility to shareholders and other numerous stakeholders in post pandemic era.

As a feature of every entity, separation of management from ownership is a major key decision, one group is responsible for the management and decision making while the other group is responsible for the financing of the business. The directors are the agents of the shareholders, and as agents, they are to take decisions to the best interest of their principal and are also accountable to their principal.

Company law regulates some corporate governance. However, the basic legal requirements have proven to be inadequate in the protection of shareholders from losses, some corporate scandals can attest to these. As a result of this, more guidelines and regulations have been introduced to mitigate the occurrences of failure and improve corporate governance.These guidelines and regulations vary from country to country. While some countries uses detailed rules, some do not.

The Financial Reporting Council of Nigeria has set up a committee to harmonize the various codes that is currently is existence. The code of corporate governance for Banks in Nigeria is issued by the Central Bank of Nigeria (CBN). The Code for public companies is issued by the Security and Exchange Commission and the code is applicable to all public companies whose shares are listed on the recognize security exchange in Nigeria; all companies seeking to raise fund from the capital market through the issuance of securities or seeking listing; all other

public companies. However, other companies are encouraged to comply with the provision of the code but not required to comply.

In all aspect of Corporate Reporting, there are basic distinction between the roles of the auditors and the roles of the directors. The directors are responsible for the preparation of financial statements; internal control; provide the auditor with additional information relevant to the audit, and allow him access to information relevant to the preparation of financial statements; unrestricted access to persons; written representations. While the auditor is responsible for reviewing the information and report on the extent to which the directors have complied with there responsibility.

2. Literature Review

Why Corporate Governance

The primary objectives of corporate governance is to ensure that the interest of those who has a stake in an organization is protected; Corporate Governance also enhances accountability by those instructed with the resources of the organization; it enhances risk management as well as the effectiveness of internal control within an entity; Corporate governance enhances transparency (clarity) in the way an entity is ruin; Corporate governance ensures openness in the way a company is managed.

Internal audits evaluate a company's internal controls, including its corporate governance and accountingprocesses.Theyensure
compliance with laws and regulations and help to maintain accurate and timely financ ial reporting and data collection. Internal audits also provide management with the tools necessary to attain operational efficiency by identifying problems and correcting lapses before they are discovered in an external audit. It means carrying the business as per the stakeholders' desires. It is actually conducted by the board of Directors and the concerned committees for the company's stakeholder's benefit. It is all about balancing individual and societal goals, as well as, economic and social goals.

It identifies who has power and accountability, and who makes decisions. Corporate Governance ensures transparency which ensures strong and balanced economic development. This also ensures that the interests of all shareholders (majority as well as minority

shareholders) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organization fully recognizes their rights.

Internal auditors are very important for healthy operations of companies. This function increases in significance with the size of the corporation. However, the functions that internal auditors perform are significant enough for every company, no matter how small, to have an expression of internal audit.
There is debate on the best governance structure to use to derive the best value from an internal audit unit. Corporate governance structures include all stakeholders such as the shareholders, company staff and management, board of directors and regulators.

The two options are having the internal auditors report to senior management or directly to the organizations board. Boards have the role of ensuring that internal controls work, which makes it very important for them to have the services of the internal audit team. “An effective internal audit function plays a key role in assisting the board to discharge its governance responsibilities”.

Principles of Corporate Governance (OECD Principles)
Ensuring the basis for an effective corporate governance framework; Rights of shareholders and key ownership interest; Equitable treatment of shareholders; Interest of other stakeholders; Roles and Responsibilities of the board; Disclosed and Transparency. OECD codes was established in 1999 but was revised in 2004.

An effective corporate governance system should ensure and promote transparent and efficient market (the stock market), be consistent with the rule of law and clearly articulate division of responsibilities among the various regulatory, supervisory and enforcement authority. The rights of shareholder and key Ownership Interest: A corporate governance should protect the right of shareholders and the shareholders should be allowed to exercise their rights.

Right of Shareholders: Right to participate in the profit of the company or organization; Right to appoint the directors, determine the terms of their contract, and remove the directors were need be; Right to obtain information about the corporation; Right to influence the corporation through participation in meeting; Right to secure means of ownership of investment in the company; Right to be fully inform on a timely basis regarding isues to be decided in the

meeting.Equitable Treatment of the shareholders: Equitable treatment here means fair treatment of the various shareholders, were all shareholders are not equal but they should be treated fairly in the distribution of information both the minority & majority shareholders. The minority shareholder can seek redress in the violation of their right and should not prevent activism of shareholders.Interest of other stakeholders: Every corporate governance should ensure that the interest of the other shareholders should be protected, it interest can be protected in the way that the company is runed. Rolesand Responsibilities of the Board: In line with the OECD principles, the boards of directors are charged with the governance of a company. And their rules & responsibilities includes as follows:

- Provision of strategy guidance for the company
- Development of operational plans and budget for the company
- Prepare & ensure the integrity of financial report of the entity
- Identification and assessment of risk and also establish and maintain control
- Oversee major capital expenditure.
- Select and remove senior executive of management team.

Disclose & Transparency: A Corporate Governance system should ensure a proper disclosure of information about the performance of an organization as well as transparency in the dissimilation of such information. An entity should disclose information through its financial statement and ensure that such financial statement are not ambiguous in other to avoid misleading of users and the information to be disclosed should include information about risk, ownership, related party transaction, issues regarding employees and stakeholders and the information made available to stakeholders should be prepared using high financial reporting standard and such financial statement should be audited.

Principles of Corporate Governance (UK Principles)

Leadership: The principles under leadership includes: A company should be headed by a board of directors which is responsible for developing strategy and overall success of the company; the chairman of the board should take responsibility for the day to day running of the Board; there should be a clear separation of the responsibility for the leadership of the Board and for the day to-day running of the organization, that means that there should be a distribution between the roles of the chairman of the Board and CEO; there should be a balance between

the number of Ed & NED; NED should constructively challenge and help develop proposal on strategies.

Effectiveness: The ability to achieve result. Here the Board must be effective and the principles under effectiveness include: The Board should have a balance in terms of skills, experiences, understanding and knowledge of the company in order to discharge its roles effectively; members of the Board should undergo induction on appointment and should regularly update their skills in order to be effective; members of the Board should allocate sufficient time to the company, there should be a rigorous, formal & transparent process for the nomination and appointment of Board members; every member of the Board should be submitted for re-election annually subject to satisfactory performance; there should be a formal and annual regorous evaluation of the Board members, as well as its committees.

Accountability: The principle here includes: TheBoard should take responsibility for determining the nature and extent of the risk it is willing to accepts or take; the Board should take responsibilities for the establishment and maintenance of internal control; the Board should present a balance and understandable assessment of the company's position, prospect and performance.

Remuneration: The principles here include: The remuneration package for the directors should be sufficient that it attracts, retains, and motivate directors of the quality required to run the company successfully, but the company should avoid paying more than necessary for this purpose; no director should be involved in determining his/her remuneration; the remuneration of directors should be determined by the remuneration committee; the NED should determine & decide the remuneration of the directors and the director should determine that of NED and verse versa; a significant proportion of the executive director's remuneration should be structured as to link reward to individual and corporate performance; there should be a clear policy, formal and transparent procedures for developing policies on executive remunerations.

Relation with Shareholders: The principle includes: The Board should take responsibilities for ensuring that a satisfactory dialogue takes place with the shareholders; the Board should use the AGM to communicate information about the company to the shareholders; the Board should ensure that the majority of shareholders attend the AGM.

Major parties to corporate governance are Board of directors, Audit committee, External auditors, Internal Auditors, Shareholders, Management.

Board of Directors: This are those primarily charged with the governance of a company. The Board is an arm of a company responsible for the development of strategies for the success of the company and provision of overall leadership of the company.The board is made up of 2 categories of persons, Executive Directors andNon-Executive directors. ED are those who have employment contract with the companies (employee of the company), NED are those that do not have employment contract with the company, rather they are experts engaged to enhance the governance of the company.

The principle of corporate governance that relates to the Board includes: to enhance the independence of the board, where appropriate the chairman of the board should be a NED, the member of NED in the Board that is independent should be more than the ones that are dependent, there should be a balance between the number of ED & NED, the Board should meet regularly at least once in a quarter of the year, the number of members of the board should not be so small neither should it be so large in other not to be clustered, there should be diversity in respect of gender in the consideration of the board.

Audit Committee

In many countries of the world, listed entities are expected to have an audit committee. In Nigeria, CAMA 1990(section 359) requires every public entity to establish an audit committee.

The audit committee is a sub-committee of the board of directors, which reports back to the main board, and they are set up by the shareholders, the audit committee is made up of three (3) shareholders and two (2)Non Executive Directors (NED). The major purpose of the audit committee is to establish a "BUFFER" between the auditors and the executive directors, in order to minimize the risk that the auditors might come under undue pressure from the executive members of the board.

CAMA 1990(As Amended) stipulates that:

- The audit committee shall consist of an equal number of directors and representative of the shareholders of the company(subject to a maximum number of six members), and

shall examine the auditors report and make recommendations thereon to the annual general meeting.

- The audit committee members presenting to the members shall not be entitled to remuneration and shall be subject to re-election annually.
- Any member may nominate a shareholder as a member of the audit committee by giving notice in writing of such nomination to the secretary of the company at least 21 days before the annual general meeting.

The corporate government principles relating to audit committee includes but not limited to: The committee should be headed by a NED; All members of the committee should be financially literate and at least one member should be a financial expert (Chartered Accountant) and with recent financial experience; Where the committee is made up of Executive (ED's) and NED's, a majority of the directors should be NED; The committee should meet regularly, atleast once in a quarter; Members of the committee should be submitted for re-appointment annually subject to satisfactory performance

Roles of Audit Committee in Corporate Governance

Both the Code of Corporate Governance for Public Companies in Nigeria issued by the SEC and the Companies and Allied Matters Act provide guidelines as to the duties and responsibilities of the audit committee.

Code of Corporate Governance for Public Companies in Nigeria requires as follows:

- Assist in the oversight of the integrity of the financial statement
- Establish an internal audit function and ensures that regular review of the system of internal control in the company
- Ensure the development of a comprehensive internal control framework for the company
- Ensure that adequate prevention, detection and reporting mechanism is in place
- At least on an annual basis, obtain and review a report by the internal auditor
- Discuss both the audited and unaudited financial statement with the management
- Preserving auditors independence
- Report regularly to the board

The Companies and Allied Matters Act states that subject to such other additional function, the audit committee perform the following functions:

- Authorize the internal auditor to carry out investigation into the activities of the company which may be of interest to the committee.
- Review the scope and planning of audit requirements
- Make recommendations to the Board in regards to the appointment, removal and remuneration of the external auditor
- Review the findings on management matters
- Ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices

Roles of Shareholders in Corporate Governance

Just like the audit committee, the shareholders also perform significant roles in corporate governance which includes:

- They are responsible for the appointment of directors, determination of the terms of employment or contract of directors as well as the removal of the director
- The shareholders are responsible for the appointment of the external auditors of a company the remuneration of the external auditors (where applicable) and removal of the external auditor
- Attend meetings of the company and ensure that they make contribution on all matters affecting the company
- The shareholders should challenge the decisions made by the directors constructively and ensure that decisions reached at the annual general meeting (AGM) are implemented by the directors

Roles of External Auditors in Corporate Governance

- Obtain reasonable assurance that the financial statements are free from material misstatement, thereby enabling the auditors to express an opinion on the financial statement
- They evaluate the operational effectiveness of an entities internal control (carryout test of control).
- Determine the entities compliance with the relevance code on corporate governance

- Audit the unaudited parts of the company's annual report

Roles of Internal Auditors in Corporate Governance

- Review the reliability of the accounting record and financial report of an entity
- Carry out operational, value for money and best value audit, the best valueaudits involves 3'c, compare, challenge, and compete
- Monitor the effectiveness of an entities internal control system
- Review and monitor entities risk identifications, assessment and management procedure
- To carry out special investigation on any aspect of the entity's operation
- Monitor compliance with the entities internal policies and legal requirements
- Carry-out investigation to detect and prevent fraud
- They are responsible for the performance of system based audit
- It is worthy of note that the roles of management flows from the roles of the directors, and theyincludes;
- Implementations and execution of strategies developed by the board of directors
- Ensuring compliance with the companies external policies and legal requirements of the company
- Preparation and ensuring the integrity (reliability) of the entities financial statement
- To identify, evaluate and manage the business risk that on entity is exposed to
- To appoint (recruit and select) determine the remuneration packaged and where appropriate dismiss other employees of the company

3. Conclusion

Thestakeholdersespeciallytheinternal audit provides assurance by assessing and reporting on t he effectiveness of governance, risk management, and controlprocessesdesigned to help the organization achieve strategic, operational, financial and compliance objectives. It is best positionedto provideassurance when its resource level, competence, and structure are aligned with organizationalstrategies. It can do this best when it is free from undue influence. By maintaining its independence, internal audit can perform its assessments objectively, providing management and the board an informed and unbiased critique of governance processes, risk management, and internal control. Functioning independently within the organization, the roles performed by stakeholders who have a deep appreciation of the importance of strong

governance, an in-depth understanding of business systems and processes, and a fundamental drive to help their organizations succeed.

Internal audit provides insight by acting as a catalyst for management and the board to have a deeper understanding of governance processes and structures to inspires organizational confidence and enables competent and informed decision making. What's more, successful internal auditing can mature to provide foresight to the organization by identifying trends and bringing attention to emerging challenges before they become crises. The Stakeholders can add value by providing advisory and consultingservices, intended to improve corporatego vernance, risk management, and control processes, so long as they don't assumes management responsibility. This is vital to maintaining the objectivity and avoiding conflicts of interest.

Even in the post pandemic era, the duties of the various stakeholders towards Corporate Governance remain the same, but the emphasis is on the closeness and time expected of the stakeholders to adequately carry out their duties, this have been truncated by the policy of social distancing.

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