Available online at www.sciencedirect.com

ScienceDirect

Procedia - Social and Behavioral Sciences 164 (2014) 161 – 171

Procedia
Social and Behavioral Sciences

International Conference on Accounting Studies 2014, ICAS 2014, 18-19 August 2014, Kuala Lumpur, Malaysia

# Corporate governance and disclosure in Nigeria: An empirical study

Abubakar M. Dembo*, Syamarlah Rasaratnam

*University of Bedfordshire, Luton, Bedfordshire, UK*

**Abstract**

This paper outlines a sample case study of 'best practice' as per the Nigerian 2011 code which can be adapted as role 'model'. Oando PLC, one of the top 30 companies, is identified as the company which had complied with the Nigerian corporate governance code, in reference to transparency and internal control with "Excellent" performance. Similar to European codes, the Nigerian corporate governance codes are voluntary and listed companies are expected to comply with. This study explores the standard and quality of CG practices disclosed by Oando PLC, over the period 2010-2012, using the Nigerian 2011 Code as a benchmark.

© 2014 The Authors. Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/3.0/).
Peer-review under responsibility of the School of Accountancy, College of Business, Universiti Utara Malaysia.

*Keywords*: Corporate governance; disclosure; section 34 of the 2011 sec code; Oando PLC; Nigeria

## 1. Introduction

Corporate scandals that happened in the USA and elsewhere around the globe in the 1990s are of high-profile that signal new thinking on the regulatory role of government in protecting the interests of shareholders. According to Bhasin (2010)the growing number of scandals, and the subsequent widespread public and media outcry, a number of governance 'norms,' 'codes,' 'best practices,' and 'standards' have sprouted all over the world. The pioneering step in addressing this outcry was addressed by the Cadbury committee in the UK. This was followed

* Corresponding author. Tel.:+01582 517681
*E-mail address:* abubakar.dembo@beds.ac.uk

1877-0428 © 2014 The Authors. Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/3.0/).
Peer-review under responsibility of the School of Accountancy, College of Business, Universiti Utara Malaysia.
doi:10.1016/j.sbspro.2014.11.064

by Sarbanes-Oxley legislation in the USA, and the OECD principles of corporate governance. The Cadbury (1992) explains disclosure as "a mechanism for accountability, emphasizing the need to raise reporting standards in order to ward-off the threat of regulation. Improved disclosure results in improved transparency, which is one of the most essential elements of healthy corporate governance practices." Similarly, information disclosure enables equity holders to evaluate management performance by observing how efficient the management of the firm is on utilising the resources of the firm in the interest of the principal (Chahine & Filatotchev, 2008).

According to Ho et al. (2008) managers have recognised that there are economic benefits to be derived when investors understand, obtain accurate and reliable information about the company in order to make an inform decision. Still, Baek et al. (2009)argues that "all the relevant information should be made available to the users in a cost-effective and timely way". Finally,Co-Operation and Development (2004) emphasised that a clear distinction should be made between 'audited' and 'non-audited' financial information and matters of validation of other non-financial information.

There are numerous definitions of corporate governance provided in the literature at hand. For instance, Shleifer and Vishny (1997) define corporate governance as the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. On a broader perspective, corporate governance is all about running an organization in a way that guarantees that its owners or stockholders receive a fair return on their investment, while the expectations of other stakeholders are also met (Magdi & Nedareh, 2002) as cited in Duke and Kankpang (2011). Gillan and Starks (2000) defines corporate governance as the system of laws, rules, and factors that control operations at a company. Irrespective of which definition is used, corporate governance mechanisms are often viewed by researchers as falling into one of two categories: the internal governance and the external governance.

The basics of internal governance are; the Board of Directors, who in the words of Jensen (1993) are at the apex of internal control systems, charged with advising and monitoring management and has also the responsibility to hire, fire, and compensate the senior management team. Management, as shareholders' agents, takes decisions on which assets to invest, and how to finance those investments (Gillan, 2006). The external governance elements are shareholders and debt holders because of the firms' need to raise capital. This according to Gillan (2006) in "publicly traded firm, a separation exists between capital providers and those who manage the capital. This separation creates the demand for corporate governance structures".

Nigeria as a developing country has implemented a voluntary corporate governance code rather than taking a regulatory approach by encouraging companies on how to improve their governance and information disclosure. The 2011 SEC Code stated that the "code is not intended as a rigid set of rules. It is expected to be viewed and understood as a guide to facilitate sound corporate practices and behaviour". The disclosure of corporate financial reports in Nigeria has been a statue in the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria 2004 (CAMA). Section 34 of the Sec (2011) Code highlighted the disclosure requirements are intended to, and actually do, extend "beyond the statutory requirements in the CAMA.

This paper examines corporate governance practices and disclosure in Nigeria and will focuses on oil and gas companies with specific reference to Oando Plc. The rest of the paper is structured as follows; in section two is disclosure in CAMA. Section 34 of the 2011 SEC Code is discussed in section three. The fourth section is on the significance of the study. Section five talks about the research methodology employed in the study. The analysis and discussions on finding is in section six. Seventh section is on the evaluation of CG standards at Oando Plc. And section eight draws the conclusion of the study.

## 2. Reporting and disclosure framework

The basic requirements relating to corporate financial reporting is as contained in Part XI- Financial Statements and Audit. Sections 331- 356 relates to financial statements while sections 357 to 369 relates to Audit. Section 331 directs companies operating in Nigeria to keep accounting records. These accounting records should include all matters in respect of all receipts and expenditure. The accounting records should be sufficient to show and disclose with reasonable accuracy, at any time, the true financial position of the company. In section 332 it is stated that the accounting records should be kept in a registered office or such other places deemed fit by the directors, subject to

Download English Version:

https://daneshyari.com/en/article/1111410

Download Persian Version:

https://daneshyari.com/article/1111410

Daneshyari.com