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The 2018 Revised Nigerian Code of Corporate Governance: An Academic Response and Lessons for Africa

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Abstract

This article points out the significant changes in the 2018 codes of corporate governance in Nigeria. This document also highlights our concern that the failure of the 2018 code to address some identified issues can have unintended consequences among firms and could harm the ease of doing business in Nigeria. In particular, the 2018 code gives the board significant powers but underestimate the board's ability to misuse their power, which may lead to complacency on the part of senior management and may affect the long-term survival and performance of Nigerian firms. Also, the Financial Reporting Council of Nigeria has not considered how companies will react to the new regulations. These observations have important implications for African countries and their codes of corporate governance.

Keywords: Corporate governance codes, Corporate Accountability, Nigeria Code of Corporate Governance, financial reporting.

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1. Introduction

The purpose of this paper is to review the revised Nigerian code of corporate governance (NCCG) in 2018, identify the significant changes made, and to draw some implications and lessons for other African countries that are in the process of revising their national codes of corporate governance.

Academia has a crucial role to play in commenting officially on proposed changes in the regulatory landscape. When well-documented, thoroughly researched and effectively communicated, academic response to regulations can influence regulatory and industry practice (Danielsson et al., 2001). Our response to the revised 2018 NCCG in this paper is purely academic and is intended to stimulate debates for improvement in the future.

The NCCG was first developed in 2003 by various agencies; however, today, the NCCG is developed and coordinated by the Financial Reporting Council (FRC) of Nigeria (Kajola, 2008). To develop the codes, the FRC solicits and receives input from various agencies after which it coordinates and consolidates the ideas into a standard regulatory document after consultation with multiple stakeholders. Many of the stakeholders are industry practitioners with limited contributions from academic scholars.

Academics can provide theoretical insights and perspectives that may be useful in developing and improving the codes of corporate governance, and their lack of representation, or under-representation in the code setting process may affect the quality of revised corporate governance codes. Therefore, we analyse the relevance of the Nigerian code of corporate governance with a focus on the implications for accountability. There is the expectation that effective corporate governance will improve firm performance in Nigeria, however, the empirical literature shows mixed evidence for the impact of corporate governance on firm performance (see Ehikioya, 2009; Ozili & Uadiale, 2017; Sanda et al., 2010; Ozili, 2023).

The discussions in this paper contribute to the corporate governance literature that examine the existing codes of corporate governance in several countries. Studies in the literature analyse how the codes affect the ethical norms of doing business (McCarthy & Puffer, 2002; Cromme, 2005; Aguilera & Cuervo-Cazurra, 2009). Our paper contributes to this literature by showing the potential impact of the revised Nigerian codes of corporate governance on corporate behavior. The discussions in the paper also contribute to the literature that criticize existing codes of corporate

governance and search for new ways to improve existing codes either through convergence of local codes with foreign codes or through a complete overhaul of local codes of corporate governance (see Koldertsova, 2011; Itami, 2005; Pass, 2006).

The rest of the paper is structured as follows. Section 2 presents an overview of the Nigerian corporate governance literature and an overview of the revised Nigerian code of corporate governance – its objective, components, and responsibility. Section 3 analyses the changes made to the principles and recommended practices, entities required to comply with the regulatory requirements, responsibilities of the committees and board members. The role of the external auditor and composition of the committees are discussed in section 3. Section 4 discusses the challenges associated with the policies and the implication for businesses, the financial reporting environment in Nigeria and the Nigerian economy. Section 5 provides policy recommendations and areas for improvement. Section 6 provides some implications, and the lessons for other African countries. Section 7 concludes.

2. Related literature and contextual framework

2.1. Related literature

2.1.1. Evidence on the impact of corporate governance on firm performance

Existing studies analyse the relationship between corporate governance and firm performance in Nigeria. For instance, Dabor et al. (2015) investigate the impact of corporate governance on firm performance in 248 listed firms in the Nigerian stock exchange. Return on equity and return on assets were the proxies used to measure firm performance while board size, board independence, board gender diversity and ownership structure were the proxies used to measure corporate governance. They find a significant negative relationship between board size and firm financial performance. However, board independence, ownership structure and board gender diversity do not have a significant impact on firm performance. Babatunde and Olaniran (2009) investigate the relationship between the internal and external governance mechanisms and firm performance from 2002 to 2006 for 62 listed firms in Nigeria. They find a negative relationship between board size and the performance of listed firms, which suggests that a large board size is detrimental to the performance of listed firms. Sanda et al. (2010) examine the efficacy of corporate governance

mechanisms in increasing the financial performance of 93 listed firms in Nigeria from 1996 to 1999. They find that the separation of the posts of Chief Executive Officer (CEO) and Chairman lead to improved financial performance for the listed firms. The findings also show that listed firms run by expatriate CEOs perform better than listed firms run by indigenous CEOs in Nigeria. Ehikioya (2009) investigates the association between corporate governance structure and firm performance among 107 listed firms from 1998 to 2002. The findings show that CEO-Chair duality and having more than one family member on the board negatively affects the performance of listed firms while ownership concentration had a positive impact on the performance of listed firms.

Patrick et al. (2015) investigate the influence of corporate governance and earnings management practices in Nigerian listed companies from 2011 to 2014. Using the Jones model, they find that corporate governance practices such as the board size, firm size, board independence, and strength of the audit committee have a significant influence on earnings management practices among the Nigerian listed companies examined. Foyeke et al. (2015) examine the effect of corporate governance disclosures on firm performance at a period when corporate governance disclosure was a voluntary requirement for companies in Nigeria. They analyze 137 firms and compare financial companies with non-financial companies. They find a significant and positive relationship between firm size and corporate governance voluntary disclosure. Also, there was a significant and positive relationship between the financial performance and the size of corporate governance disclosure, which suggests that larger firms that have greater corporate disclosure tend to perform better. Uadiale (2012) investigates the role of the board of directors and audit committee in constraining earnings management practices by Nigerian firms. The findings reveal that boards that are dominated by outside directors were more effective in constraining earnings management because boards dominated by outside directors bring a greater breadth of experience to the firm and are in a better position to monitor and control the financial reporting process and to discourage managers from engaging in earnings management practices. Ojeka et al. (2014), in their study, investigate whether there was a significant association between board audit committee effectiveness and firm performance. They measure the effectiveness of the board audit committee using four characteristics of the board audit committee, namely, independence, financial expertise, size, and meetings of the audit committee. The findings show a positive association between profitability and audit committee independence and knowledge, which implies that Nigerian firms

that have an independent and knowledgeable board audit committee experience higher profitability.

Other studies examine the effect of corporate governance on the performance of financial firms in Nigeria. Isaac and Nkemdilim (2016) investigate the correlation between corporate governance mechanisms and bank performance from 2006 to 2014 using Pearson Correlation analysis. They observe that a significant negative correlation exists between board size, board composition and the financial performance of banks, while a significant positive correlation was observed between directors' equity holding and bank performance. Onakoya et al. (2012) investigate the impact of corporate governance on bank performance from 2005 to 2009 using six listed banks and find that corporate governance negatively affects bank performance during the period. Akpan and Riman (2012) investigate the relationship between corporate governance and bank profitability in Nigeria and find that good corporate governance improves the profitability of banks in Nigeria. Oyerinde (2014) investigates the effect of corporate governance on bank performance during the 2000 and 2010 period. Return on equity and net interest income were the measures of bank performance, while board size and the number of insider-related loans were the measures of corporate governance. The findings reveal that board size has a significant positive effect on bank performance while insider-related loan was negatively related to bank performance. Ozili and Uadiale (2017) investigate the impact of ownership concentration on bank profitability in Nigeria. Ownership concentration was measured by shareholders' direct equity holding while they use multiple measures of bank profitability such as return on asset, return on equity, net interest margin and earnings recurring power. They find that banks with high ownership concentration perform better because they have higher return on assets, higher net interest margin and higher recurring earning power, while banks with dispersed ownership have higher return on equity.

2.1.2. Causes of corporate governance failure

Other studies identify the cause of corporate governance failures in Nigeria. These studies show that corporate governance failure in Nigeria is caused by the different interpretations of the codes of corporate governance in Nigeria (Adegbite et al., 2013), the multiplicity of regulations that hinder the workings of existing corporate governance codes (Osemeke & Adegbite, 2016), the country's culture of institutionalized corruption, political patronage and the refusal of government agencies to enforce and monitor compliance (Adekoya, 2011); conflicting regulatory laws, the

ineffectiveness of board of directors and lack of auditor independence arising from the nature of firm ownership structure in Nigeria (Abdulmalik & Ahmad, 2016). Finally, the conflicting evidence in the Nigerian corporate governance literature and the causes of corporate governance failure makes it necessary to introduce reforms in the Nigerian codes of corporate governance. The next section discusses the reforms.

2.2. The 2018 Nigerian codes of corporate governance: an overview

The objective of the 2018 revised code is to institutionalize corporate governance best practices in Nigerian companies. The 2018 code seeks to achieve this by promoting public awareness of the essential corporate values and ethical practices that will improve the integrity of the business environment in Nigeria. The authority to issue the Nigerian code of corporate governance is embedded in Sections 11(c) and 41(c) of the Financial Reporting Council of Nigeria Act, 2011.

Prior to the 2018 code, there was an earlier attempt to issue the code in 2016 which was short-lived due to multiple criticisms leveled against it. The 2016 Nigerian code of corporate governance (the "NCCG") was suspended by the federal government of Nigeria due to controversies relating to its legality and impact on the ease of doing business in Nigeria. Subsequently, the code was revised and the Financial Reporting Council (FRC) of Nigeria issued the final code in 2018, known as the Nigerian code of corporate governance (the NCCG) in 2018.

The 2018 code contains twenty-eight (28) principles divided into seven (7) parts. It covers the 'board of directors,' 'Audit, Relationship with shareholders,' 'Business conduct with ethics,' 'Sustainability,' 'Transparency' and 'Definitions'. The FRC will monitor the implementation of the 2018 NCCG, in collaboration with other industry regulators and registered exchanges, and will conduct periodic reviews on the implementation of the corporate governance principles.

3. What's New in the 2018 Revised Nigerian Code of Corporate Governance

3.1. A 'Principle-based' Philosophy

The 2018 code adopts a principle-based approach which is equivalent to the 'apply-or-explain' approach in specifying the minimum standards of practice that Nigerian companies should adopt (see principle 2.2 of the 2018 code). This is different from the previous 2016 code which emphasized the 'comply only' approach. The 'principle-based' or 'apply-or-explain' approach assumes that all the corporate governance principles in the 2018 code have been applied by companies. Companies may be required from time to time to demonstrate how specific activities they have undertaken align with the specified 2018 code of corporate governance.

3.2. Which companies should apply the code?

The 2018 NCCG states that the code applies only to public listed entities. The code also applies to other significant public interest entities. Public interest entities are companies that file statutory returns to other regulatory bodies in addition to the Corporate Affairs Commission (CAC) and the Federal Inland Revenue Service (FIRS) in Nigeria. Many of the public interest entities are public companies. Only few of them are private companies. Private companies are not mandated to adopt the code, rather the 2018 NCCG encourages private companies to adopt the code and to use the code as a reference guide to implement corporate governance best practices in private companies. However, if a private company file return to regulators, the code shall apply to such private company because the private company will be regarded as a significant public interest entity under the FRC Act and the 2018 NCCG.

3.3. Board composition

The 2018 code encourages the board of all companies to assume greater responsibility for internal corporate governance and oversight. The code requires the board to have an appropriate balance of knowledge, skills, experience, diversity, and independence to objectively and effectively discharge its governance role and responsibilities (see principle 2.2 of the 2018 code). The 2018 code also requires the board to have an appropriate number of executive members, non-executive and independent members of the board, and to ensure that majority of the board members are non-

executive directors to promote board independence. Thirdly, the 2018 code further states that each board committee should have sufficient board committee members that qualify to serve on several committees, and the number of board committee members should be sufficient to secure a quorum at meetings. Compared to the 2016 code, the 2018 code gives the board more flexibility to make decisions regarding the structure and composition of the board.

3.4. CEO-Chairperson duality and cool-off period

The 2018 code states that a person who is appointed as a Managing Director (MD), Chief Executive Officer (CEO) or Executive Director (ED) of a company is prohibited from being appointed as the Chairman[1] of the same company. However, the 2018 code provides an exception which is that a person who had previously served as a CEO can become the board chairman of the same company only after serving a cool off period. The cool-off period is three years (see principle 3.3 of the 2018 code). In the 2016 code, the cool-off period was seven years.

3.5. CEO and managing directors in remuneration committees

The 2018 code states that the chief executive officer (CEO) or managing director (MD) cannot be appointed as a member of the committees responsible for remuneration, audit, nomination, and governance (see Principle 4.7 of the 2018 code). This is to avoid conflict of interest and to prevent CEOs or MDs from influencing decisions regarding their own compensation. However, the 2018 code further states that the CEO or MD of a company can be appointed as a non-executive director (NED) on the board of another company, provided that his/her role in the position is not detrimental to the company where he/she is serving as CEO/MD or against the company's policy (see principle 4.8 of the 2018 code).

3.6. Selection and duties of non-executive directors

The 2018 code states that the non-executive directors (NEDs) of companies should be chosen based on their wide experience, knowledge, and personal qualities. Also, the non-executive directors (NEDs) should not be involved in the day-to-day operations of the company.

[1] The Chairman of a company is a Non-Executive Director of the companies that provides leadership advice to a board of directors in Nigerian (see principle 3 of the Nigerian Code of Corporate Governance)

3.7. Meetings of the board members

The 2018 code requires the board of directors to hold meetings at least once every quarter. The 2018 code also recommends that the minutes of the meetings of the board and the minutes of the meetings of the board committees should be prepared and sent to directors on a timely basis and should be formally reviewed and approved by the members of the board or a relevant board committee at its next meeting (see principle 10.3 of the 2018 code).

3.8. Board risk committee responsible for risk management

The 2018 code provides that the risk management committee of the board should meet at least twice every financial year. Also, the risk management committee is required to review, at least annually, the company's information technology (IT) data governance framework and recommend for approval of the board. The 2018 code further requires the risk management committee of the board to establish a sound framework for managing risks and ensuring effective internal control (see principle 17 of the 2018 code). The risk management framework is to be developed and formally approved by the board. The code also states that all risk policies should be communicated in simple and clear language to all employees, and risk policies should be integrated into the day-to-day operations of the business.

3.9. Board evaluation

The 2018 code recommends that the board of directors should establish a system to formally evaluate its own performance on an annual basis, and such performance evaluation should be extended to all board committee members and the Chairman. The new code states that performance evaluation should also be extended to individual directors that are not members of a board committee. The code also states that the evaluation process should be facilitated by an independent external consultant at least once in three years, and that the result of board performance evaluations should be communicated to the board. The result of the performance evaluation of individual directors should be communicated to them individually by the board chairman. Furthermore, if the performance of a director is considered unsatisfactory, the board should provide appropriate training to address the performance expectation gaps (see principle 14 of the 2018 code).

3.10. Evaluation of the corporate governance framework

The 2018 code recommends that the board should ensure that there is a review and evaluation of the company's corporate governance framework, and that such evaluation should be conducted by an independent external consultant at least once in three years. The 2018 code further recommends that the findings of the report of the evaluation should be published in the company's annual report and on the investors' portal of the company's website if the company has a website (see principle 15 of the 2018 code).

3.11. Remuneration control and governance

The 2018 code recommends that the remuneration for non-executive directors (NEDs) should be fixed by the board and approved by shareholders in a general meeting. It also recommends that companies should implement a recovery policy or mechanism to recover excess or undeserved rewards – such as bonuses, incentives, share of profits, stock options, or any performance-based reward – from directors and senior employees who did not deserve the rewards they received (see principle 16 of the 2018 code).

3.12. Internal audit function and evaluation

The 2018 code recommends that companies should set up an internal audit function to be headed by a member of senior management. It also recommends that the member of senior management to head the internal audit function should be a professional with relevant qualifications, competence, and experience and is registered with a recognised professional body. The 2018 code further recommends that there should be an external assessment of the effectiveness of the internal audit function at least once every three years by a qualified independent reviewer appointed by the board of directors (see principle 18 of the 2018 code).

3.13. External auditors – function and engagement

The 2018 code states that an external auditor may provide other services to the company it audits, provided that such services are approved by the board audit committee, and provided that such services do not create a self-review threat in line with the provisions of international auditing standards (see principle 20 of the 2018 code). The 2018 code also recommends that the external auditor should be retained for no longer than ten years continuously and may not be considered for

reappointment until seven years after their disengagement. The code further recommends that there should be a rotation of external audit firms for audit engagement every five years.

3.14. Board members in general meetings

The 2018 code recommends that the chairmen of all the board committees and of the statutory audit committee should be present at the annual general meetings to respond to shareholders' inquiries on how they have governed the company (see principle 21 of the 2018 code).

3.15. Protecting shareholders' rights

The 2018 code requires the directors to act honestly at all times in their management of the company and ensure that they protect the interest of shareholders (see principle 23 of the 2018 code).

4. Challenges and Weakness

The revised NCCG has some benefits[2]. However, some issues in the revised code require policy reassessment to eliminate unintended consequences associated with the current code of conduct. These include the independence of corporate governance committee, the independence of the external auditor, the role of company's directors in audit committee meetings, incentive for and protection of whistle-blowers, enforcement mechanism and other issues.

4.1. Chairman as a board committee member

The 2018 code is silent on whether the chairman may sit on a board committee. The silence is surprising because the 2016 code prohibited the chairman from being a member of a board committee specifically in principle 6.1.9 of the 2016 code. This omission in the 2018 code means that the chairman of a company may now be appointed to sit on a board committee, and the chairman may even chair one or more committee of the board. This may affect the independence of the members of the board committee particularly if the board chairman also chairs one or more committees within the corporate governance structure (Coles & Hesterly, 2000).

[2] Corporate accountability in Nigeria is expected to improve following the changes to the code of corporate governance in 2018. The positive implications discussed in this study is an indication that the Nigerian corporate transparency is in a spectrum similar to other developing countries.

4.2. Unspecified 'non-audit services' of external auditors to companies

The 2018 code does not list specific matters on which external auditors cannot provide services to companies. The 2018 code did not prohibit external auditors from performing non-audit services to the companies they audit. Allowing external auditors to perform non-audit services to the companies they audit could threaten their independence. Moreover, international best practices require that external auditors should not provide non-audit services such as management consultancy, tax advice, and human resources consultancy, to the companies they audit in order to promote their independence (Knechel & Sharma, 2012; Zaman et al., 2011). In our opinion, it would have been adequate if the 2018 code added a statement or a clause stating that 'auditors should not provide non-audit services to audit clients if that would present a threat to their independence for which no adequate safeguards are available, and in such circumstances, the audit firm must either resign as auditor or refuse to supply the non-audit services'. The absence of statements like this suggests that the 2018 code disregards the independence of the external auditor.

4.3. Poor meeting attendance by board of directors

The 2018 code omits the requirement for directors to attend at least two-third of all board meetings which was required in the 2016 code. The 2018 code simply provides that every director shall endeavour to attend all board meetings. This requirement appears insufficient for corporate governance because if directors are not strictly mandated to attend meetings, they will attend only the meetings they wish to attend or they will not attend most board meetings due to 'being busy' which would affect their ability to have a good understanding of the operations of the company they govern.

4.4. No robust whistle-blowing provisions

The 2018 code did not provide a comprehensive whistle-blowing policy. The 2018 code merely states that every company is required to have a whistle-blowing policy and should have a dedicated telephone "hot-line", e-mail address, and other electronic communication methods that could be used for the purpose of whistle-blowing (see principle 18 of the 2016 code). The 2018 code also did not include the specific functions to be carried out by the head of the internal audit committee as regards whistle-blowing and did not provide sanctions for violating the whistle-blowing provisions, among others. The existing literature argues that a robust whistle-blowing policy should be enforced (Yusuf, 2019; Zheng et al., 2019). Therefore, it is argued that by not providing

a more robust and comprehensive procedure for addressing whistle-blowing, the intent of the 2018 code is to give companies more room to construct their own whistle-blowing policies as they see fit. However, the danger of allowing companies to design their own whistle-blowing policy is that the whistle-blowing policy in companies may not protect the anonymity of the whistle-blower, and moreover, there is the risk that the top management of a company may control and influence the whistle-blowing process, making it difficult to blow-the-whistle against a very influential member of top (senior) management.

4.5. No guideline for dealing with conflicting codes

Prior to the 2018 code, the different sectors and industries in Nigeria had their own sectoral codes of corporate governance. Some examples of sectoral codes in Nigeria include: the code of corporate governance for public companies 2011 issued by the securities and exchange commission (EUROBATS Secretariat); the code of corporate governance for the telecommunication industry 2016 issued by the Nigerian Communications Commission; code of corporate governance for banks and discount houses in Nigeria 2014 issued by the central bank of Nigeria; code of good corporate governance for the insurance industry in Nigeria 2009 issued by the National Insurance Commission; and code of corporate governance for licensed pension fund operators 2008 issued by the National Pension Commission.

Although the 2018 code specifically recognized the existence of different codes of corporate governance, the 2018 code did not make any provision or offer guidance on how to address any such conflict that may arise when national corporate governance codes conflict with sectoral corporate governance codes. Such omission is a major weakness in the revised code and could give rise to significant non-compliance issues with the 2018 code when sectoral regulators compel regulated entities to comply with their own sectoral codes.

4.6. Code superiority: national code versus sectoral code

The 2018 code did not make any provision or statement on whether the national corporate governance code should be considered to be superior to the sectoral code whenever there is a conflict between the two codes. Given the voluntary nature of the 2018 code, it appears that such clarity is needed to avoid misinterpretation by companies.

4.7. Actual conflict: board determining its own compensation

There is a special case in the 2018 code where the board appears to determine its own compensation. The 2018 code provides that the remuneration for non-executive directors (who are also board members) should be fixed by the board and approved by the shareholders in a general meeting. This means that the 2018 code allows the board to determine the compensation of the board (the NEDs), and this is contrary to the CAMA which gives the shareholders in a general meeting the sole power to determine the remuneration of the directors of the board (see section 265 and 266 of CAMA). This observed conflict in the 2018 code is contrary to ethics in corporate governance in that the members of the board (the non-executive directors) would be in a position to recommend their own remuneration, which further contradicts another provision of the 2018 code which state that "a director shall not be present during the time any matter in which he has an interest is being discussed or decided" (see principle 25.2.2 of the 2018 code).

4.8. Another conflict: meetings of the board

Another case relates to meetings of the board. The 2018 code requires the board to meet a minimum of once in every quarter, that is, at least four (4) times in a year while the CAMA requires the board to convene meetings at their own discretion. For clarity, the CAMA provides that the board is at liberty to *"…meet together…and regulate their meetings as they think fit*" (see section 261 subsection (1)). This is another case of conflict between existing corporate governance regulations.

4.9. The 'one size fits all' applicability

The code applies to all companies as there is no distinction between private companies and public companies or public interest entities as is the case under the FRC Act.

4.10. No effective implementation date

The 2018 code does not state an effective date for implementation, although there are expectations that the code will be effective from January 1, 2020.

4.11. The role of the executive director

The power of the director or managing director as commonly known in Nigeria is open-ended. This means the managing director has the power to lead many other special-purpose committees with no clear limitations on what role the director is prohibited from leading or participating as a

member except those stated in principle 5 (5.5) which includes remuneration, audit or nomination and governance.

4.12. No extensive gender balance in corporate governance

The code of corporate governance has not sufficiently included gender balance in board representation and committees. The contents and prescriptions in the code suggest masculinity with specific reference to male as members of the committee. For example, principle 18.7 clearly uses the notation "he" which indicates the extent of masculinity in the recommended practices. However, principle 12.1 recommended the disclosure of gender diversity but the statement does not assign any board roles to women. Extant studies have identified the significance of women representation on the board and the high susceptibility of companies to corporate failures when they exclude women from corporate governance (Nadeem et al., 2019).

5. Areas for Improvement

The issues discussed in section 4 are not uncommon in developing public policies at the initial stage. However, the regulatory authority's timely improvement in the code and the adoption of the recommended improvements could have a significant positive impact on businesses and the Nigerian economy. In this section, we propose some areas for improvement to overcome the challenges in the 2018 code of corporate governance:

- **Independence of directors during board meeting**

The board chairman should not chair a board committee for any reason. The board chairman may be a member of a board committee if he/she possesses the relevant skills, competence and experience but the board Chairman should NOT chair the board committees of the board in order to ensure the independence of the board committee members to carry out their duties. Future corporate governance codes in Nigeria should have a provision that prohibits the board chairman from chairing committees of the board.

- **Independence of External Auditor**

Since it is difficult to determine whether the non-audit services provided by external auditors to clients will threaten their independence, it is better to prohibit external auditors from performing non-audit services to the companies they audit. Although this position of ours may be considered to be quite extreme, we also think that allowing external auditors to decide whether the non-audit services they provide to their clients will threaten their independence, is also extreme simply because you cannot allow audit firms to evaluate their own decisions by themselves and for themselves since they already have a profit-making motive for engaging in the audit business in the first place.

- **Mandatory attendance of board meetings by directors**

There should be some sort of mandatory requirement for directors to attend at least a sizeable number of board meetings in each quarter or year. This is a quality of good corporate governance.

- **Protection of whistle-blowers**

There should be a robust whistle-blowing policy and specific policy provisions to protect whistle-blowers in future corporate governance codes. This is because whistle-blowers need protection: they need to be protected by the law and protected by the State. Whistle-blowers should also be able to report corporate malpractices to dedicated external agencies if a firm's whistle-blowing policies does not protect the anonymity of the whistle-blower or when it is difficult to blow-the-whistle against a very influential member of top (senior) management because he/she can influence the outcomes of whistle-blowing reporting in the firm.

- **Enforcement of the revised NCCG**

Enforcement requires a clearer and pragmatic approach other than what is specified in section D of the revised code. We recommend three dimensions of enforcement. The first focuses on mandatory disclosure of compliance and relevant evidence-based indicators. The second dimension will focus on compliance by significant companies. The information submitted to the companies' registrar or published for stakeholders should be checked for compliance. The third dimension should focus on voluntary adoption of the principles by unlisted companies and Small and Medium-scale Enterprises.

- **Board Independence Associated with Internal Control System**

This study recommends the prohibition of an executive director from heading certain board committees such as a committee associated with an internal control system. This is expected to enhance the recommended practice in 2.8 including recommended practice 2.8.1. to 2.8.3.

6. Implications and lessons for Africa

6.1. Implication

The recent corporate governance reform in Nigeria is neither one of convergence to a "global standard" nor one of inertia. Rather, it reflects the convergence to the British style of corporate governance code. Nigeria is increasingly adopting corporate governance practices that are similar to British corporate governance: large boards and non-Executive directors. The board has become outsider-dominated, and the authority of board of directors vis a vis the CEO is changing.

Finally, the success of Nigeria's revised NCCG will depend on one's faith that the British style of corporate governance actually improves the performance of firms and economies. However, despite the divergence in opinion on the advantages of British-style corporate governance, there is considerable agreement that strong and developed economies have effective and coherent systems of corporate governance which protect the interests of investors.

6.2. Lessons for Africa

6.2.1 Willingness to Converge

Learning from Nigeria, other African countries should consider a corporate governance reform that either converge to a "global standard" or to the U.S. or British style of corporate governance. The U.S style of corporate governance is dominated by small board size, independent directors, and stock options - the board of directors are insider-dominated, and the authority of board of directors and CEO is the same while the British style of corporate governance is dominated by large board size, the introduction of the corporate executive officer system and non-executive directors – the board of directors are outsider-dominated, and the board of directors has more authority than the CEO.

6.2.2. Resistance to change

African countries seeking to converge to global codes of corporate governance may face resistance by corporate management and other special interest groups. Corporate management may resist change that increases board independence and threaten the power and autonomy of incumbent managers. This was the case in Nigeria. Resistance to change was partly responsible for the rejection of the changes introduced in the 2016 codes of corporate governance. The 2016 code was strongly resisted by corporate management and other stakeholders in Nigeria. Therefore, other African countries can expect some resistance to change in corporate governance reforms, but the success of such reforms depends on how the code setters are able to meet the demands of multiple stakeholders in the code setting process.

6.2.3. Foreign ownership will influence corporate governance reforms

The future of corporate governance reform in Africa will also depend on foreign ownership. The large foreign direct investment (FDI) inflows that have been recorded in many African countries in recent times have led to increase in the number of African companies that are fully or partly owned by foreigners. The growing ownership of shares by foreigners in African public companies may add to stronger pressure for change in corporate governance practices in African countries to protect the interest of foreign investors, therefore, foreign influence in the corporate governance of firms should be anticipated and not be overlooked.

7. Conclusion

The Nigerian code of corporate governance (NCCG) of 2018 takes a softer approach to corporate governance in firms possibly to give companies significant discretion in establishing internal corporate governance policies which are suitable for their own operations provided that they align with the various recommendations in the 2018 revised NCCG. In fact, the 2018 code expressly states that "*flexibility – the ability to apply the code in a wide range of circumstances, and scalability – the ability to apply to companies of differing sizes, are of utmost importance for successful implementation*". On the positive side, the 2018 code has the benefit of giving companies the opportunity to tailor the 2018 code's principles to fit the peculiarities of their businesses in order to reduce the frequency of non-compliance with the code. Secondly, the 2018

code has some provisions that can strengthen governance and improve risk management in companies. On the negative side, the changes are minor, and the code does not impose any severe consequences for deliberate violations of the 2018 code. Another major drawback of the 2018 code is that some of its provisions conflict with other existing corporate laws such as the CAMA. Ideally, corporate governance codes should not conflict with existing company laws because corporate governance codes across various jurisdictions are generally supplementary and do not conflict with extant company law. It is yet to be seen whether or not the conflicting codes and the softness of the 2018 revised NCCG will have a major effect on companies. Also, the success of the 2018 NCCG will depend on the willingness of companies to adopt the 2018 code and the ability of the FRC to drive and monitor compliance.

Finally, although the revised 2018 code made some significant positive changes, it is premature to conclude that the revised NCCG one year after its implementation has substantially affected corporate governance behavior in Nigeria. Obviously, a long-term perspective is needed to assess the actual impact of the Nigerian code of corporate governance on company behavior. Therefore, future research should examine the relationship between corporate governance and firm performance. Such studies should examine whether firm performance significantly improved after the introduction of the revised 2018 NCCG.

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