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Research Paper

Corporate Governance and Bank Distress: The Culpability of External Auditors in Nigeria

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ABSTRACT
The paper was set out to investigate the impacts of corporate governance and auditors' reports on bank distress and also to determine whether significant relationships exists between corporate governance and auditors' reports and banks distress given the culpability of external auditors in Nigeria. The research design adopted in this paper is the case study method. In otherto have an intensive insight of the subject matter, primary data was used. Specifically the survey technique and the statistical technique for data analysis and test of hypothetical proposition is Pearson product coefficient of correlation(r).The evidence shows that corporate governance and auditor's reportsdo not have effects on banks distress in Nigeria but had significantly improved the performance of the Nigerian banking sector. The result of the findings revealed that among other vital instruments in curbing bank distress, corporate governance and auditors' reports offer a sound financial system and stability for the economy. It was recommended that banks in Nigeria should adopt zero tolerance status against any form of unsound governance practices as well as strict compliance with all regulations of all the governing bodies in Nigeria. The study hereby concluded that good corporate governance and auditors reports' are adequate for proper functioning of the banking industry in Nigeria if adequately applied in compliance with other supervisory and regulatory bodies in Nigeria.
KEYWORDS: *corporate governance, Auditors report, Financial system, Distress*

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I. INTRODUCTION

It is great importance for the management and the board of directors to efficiently and judiciouslyutilize the entrusted organization resources and pursue the set objectives in the interest of both the organization and the owners of the company –the shareholders.This means that there should be in place a structure, policies and procedures necessary and suitable for proper governing of the affairs of the firm and ensuring that the concentration of power in the hands a power-sharing authority is avoided , creating a sound structure of checks and balances. Years of experience have shown that corporate governance serves as a monitoring mechanism for determining and assessing corporate responsibility and accountability among the governing bodies such as the management,the directors, auditors and the audit committee so as to protect and serve the interest of the investors and other shareholders (Rezaee and Riley, 2010).In other words, it is expected that good corporate governance should establish the structure through which the objectives of the organizations are set, commensurate incentives for the board and managementto pursue objectives in the interest of the company and shareholders (Ikpefan&Ojeka, 2013).

Years ago, given the crucial roles of financial sector especially the importance of banks in the development, stability and growth of the economy (Ephrem, 2015; Wanke, Barros and Faria, 2015), the establishment of regulatory agencies set up by government to monitor and ensure the proper functioning of the industry, yet ,the sector periodically experienced financial distress thereby resulting in huge loss of shareholders' funds and erosion of public confidence in the system (Lang & Schmidt, 2016).For example, the Nigerian banking industry was collapsed in early 1990's due to weak internal control system, insider-related credit abuses and poor risk appreciation among such other factors that made the financial sector to be unhealthy in which most of the banks in the economy were unable to meet their obligations due to weak corporate governance in the Nigeria banking system and consequently collapsed commercial banks from 89 to 25 and later in 2012 through acquisition and merger reduced to 19 banks (Ikpefan&Ojeka, 2013; Anginer,D. Kunt, Huizinga.&Kebin, 2015).The structural reduction in the number of banks in Nigerian economy otherwise known as post consolidation era among many factors led to the development of an extremely fragile financialsystem, leading to the establishment of bigger banks but unfortunately failed to overcome the fundamental weaknesses in corporate governance as neither the industry nor the regulators were sufficiently prepared to sustain and monitor the sector's explosive growth (Adeoye&Amupitan, 2015).

The intermediate functions of commercial banks or deposit money banks have to achieve the monetary and macroeconomic goals in the economy so as to increase the confidence of the customers, members of the public and the other users of the financial system. The strategic nature of banks to the economy made it so significant to almost everybody in the economy and Nigeria is not exempted. For example, banks with high capital base perform their traditional role of banking by financing capital projects that is in the oil and gas sector (Olukotun, Ademola, Olusegun&Olorunfemi, 2013).Whenever there is disruptions which preclude or restrain banks to perform its financial intermediation functions effectively, such need to be checked and monitored so as to reduce and minimize the effects of the economic activities of the country activity (Betz, Oprica, Peltonen&Sarlin, 2013; Zamorski& Lee, 2015,Akani&Uzah, 2018).Hence, among others the activities of banks (financial sector) and non banks (other financial sectors) are being regulated by a number of bodies such as, Central Bank of Nigeria Act (as contained inthe Banks and other Financial Institutions Act, 1999 as amended to date)and Nigeria Deposit Insurance Corporation.The investments and Securities Act 1999.The Securities andExchange Commission Act (SECA) 1988 (andits accompanying Rules and Regulations, theCode of Conduct for Directors of licensedBanks and Financial Institutions (approvedby the Bankers' Committee in 2003) andCode of Corporate Governance for Banks inNigeria Post Consolidation issued by CBNin 2006. Compliance with the provisions of these codes is compulsory.

Central Bank of Nigeria Act of 1959 as amended gives CBN power as regulatory institution to other financial system to achieve set monetary and macroeconomic goals. Section 9 (1) BOFIA states that the bank shall from time to time, determine the minimum paid-up share capital requirement of each category of banks licensed under this Act (Akani and Lucky, 2015).However, it has to be pointed out that the internal and external environment affect the proper free flow operation of banks and or otherwise. In other words, corporate governance, poor asset quality, credit growth and management among others can affect bank's soundness (Akani&Uzah, 2018). When banks are unhealthy, whether distressed or insolvent, the role is compromised and is one of the reasons why governments engaged in costly bailouts with tax payers' money in an effort to resume the health of financial institutions and reduce the adverse effect of distress and failure on economy (Daumont, *et al*., 2004; Zamorski and Lee, 2015; Betz, et al., 2013). While bad corporate governance is one of the causes of bank distress on one hand, banking distress and failure, on the other hand, uncover the shortcomings of existing monitoring system of the financial sector.

The roles of Accountants, as auditors in corporate governance and in bank distress had been questioned on various occasions based of its fiduciary, ethical and legal involvement placed on them.High level of confidence placed on auditors on the basis of their independent expression of opinion as well as their privileges and expertise have enable them to mediate uncertainty and construct independent, objective, true and fair accounts of corporate affairs (Sikka, 2009).Yet, It has been argued that such claims are not good indicators of corporate performance, because capitalist economies are inherently prone to crises (O'Connor, 1987; (Otusanya&Lauwo, 2010). The spate of corporate failures experienced in the Nigerian banking sector in early 1990s brought auditors into sharp focus and caused the Nigerian public to question the role of accountants and auditors (Okike, 2004; Bakre, 2007; Ajibolade, 2008). Furthermore, the investigations launched by the regulators and other stakeholders into the cases of distress and disclosure revealed that accountants and auditors were implicated (NDIC, 1995;Otusanya&Lauwo, 2010). The results of the audit conducted by CBN during the period showed that there was a financial difficulty in the operations of the banks despite the regular presentation of audited accounts. This consequently made the apex bank to inject N420 billion ($2.8 billion) into the system in order to stabilize the activities of the bank and to ensure the banks remain a going concern (*Nigerian Tribune*, 8 December 2009; *This Day*, 12 December 2009;Otusanya&Lauwo, 2010).

Auditors are expected to perform audit and sign audit reports, his work and opinion are relied upon based on the responsibility bestowed on him to do his work honestly,skillfully, carefully and diligently (Oyetunji, 2003). This does not free auditors from liability to the clients eitherunder the common law or under the statutory law. Literature is replete with the facts and findings on the role of culpability of auditors in bank distress. Given series of financial scandals witnessed by banks despite audited financial statements prepared by the appointed auditors, questions were frequently asked as to whether the auditors carried out statutory duties and obligations with due care and diligence (Otusanya&Lauwo, 2010) ;For instance, if a company fails shortly after being audited, the concerned auditors may be blamed for conducting an inferior audit (Dopuch,1988 cited in Oyetunji, 2016).

The global financial and banking crises have undoubtedly attracted the attention of policy makers and scholars (Njanike, 2009;Sikka, 2009), with some attention on the role of auditing firms in facilitating the mismanagement of bank assets, liabilities and depositors' funds in developing countries(Otusanya&Lauwo, 2010). The involvement and the culpability of auditors in unethical practices and conflicts of interest have long been documented by accounting scholars (Njanike, 2009;Sikka, 2009;Guenin- Paracini&Gendon 2010). Auditors are however, being expected to reportany financial irregularities in company accounts by enhancing transparency and accountability and by developing techniques for frauds detection.

Research Questions

What is the effect of good corporate governance and auditors' report on banks' distress in Nigeria?

What is the relationship between good corporate governance, auditors' report and banks' distress in Nigeria?

The broad objective of this study is to determine the impact of corporate governance and audit report on banks' distress in Nigeria; while the specific objectives include: determination of the effects of good corporate governance and auditors' report on banks' distress in Nigeria and the relationship between good corporate governance, auditors' report and banks' distress in Nigeria.

In pursuit of these objectives, the study stated the following hypotheses that:

H_O: Good corporate governance and auditors reports do not have effects on banks distress in Nigeria and

H_O: There is no relationship between good corporate governance, auditors' report and banks' distress in Nigeria.

The motivation for the study is that majority of the available studies in Nigeria focused on corporate governance and bank distress and a few theoretically attended to auditors' report. This obviously suggests a research gap as such this paper seeks to examine the components of corporate governance mechanisms –audit report and the culpability of auditors as well as the scope of the study being extended to 2020 taken into consideration the latest collapsed banks in Nigeria on September 21, 2018 whereby a newly constituted bank was raised to offer commercial banking services to the Nigerian public. The bank (Polaris Bank) commenced services on the same day, having purchased the assets, and assumed certain part of the liabilities, of the defunct Skye Bank

The results obtained from this study hopes to resolve the problem arising from distressed banks just after the banks have been audited, andthe case of fraud incidences in the banks. The study also provide contributions to Nigerian Security and Exchange Commission, Central bank of Nigeria, and Nigerian Insurance Commission (NAICOM) views on the need to increase the duties of board of directors, and internal audit functions and also to advise the external auditors to strengthen their duties on corporate governance in banking industry.The rest of the paper is organized as follows: Section two focuses on literature review. Section three deals with methodology; section four shows data presentation and analysis; section five and six takes on the discussion of findings as well as the conclusion and recommendation respectively.

II. LITERATURE REVIEW

Conceptual and Theoretical Review

Corporate governance

Corporate governance is a concept that can be defined in various manners as it relate to different cultural contexts and intellectual background (Idam, 2015). Cadbury (1992) defines corporate governance as the mechanisms that are used to protect the interests of different stakeholders. Though studies have attempted to develop corporate governance indices that aggregate a number of mechanisms to investigate how corporate governance relates to performance, the literature indicates that there is no single, standard corporate governance index that can be considered as "one size fits all" (Munisi and Randoy, 2013; Rygh, 2016).

Sani (2010) as cited in Ikpefan&Ojeka (2013) defines corporategovernance functionally as the managerialor directional control of an incorporatedorganization, which, when well-practiced canreduce the risk of fraud, improve companyperformance and leadership and demonstratesocial responsibility.Dozie (2003) stated that corporate governance is characterized by transparency, accountability, probity and the protection of stakeholders' rights. He also noted that corporate governance refers to the manner in which the power of a corporation is exercised in the management of its total portfolio of economic and social resources with the aim of increasing shareholders' value and safeguarding the interest of other stakeholders in the context of its corporate mission. Adedipe (2004), viewed corporate governance as thus requires that all things done in organizations must be aimed at achieving the organizational objective. Naturally the test of every action or decision rests on its contribution to organizational objective, or otherwise. Where a decision or action vitiates or compromises the corporate objective, especially when it is done deliberately, a return of poor corporate governance is given.

Hussey (1999) as cited in Ivior (2008) defines corporate governance more formally as themanner in which organizations, particularly limited companies, are managed and the nature of accountability of the managers to the owners. In other words, corporate governance is not just a set of rules but also a structure of relationships geared towards establishing good corporate practice and culture. While, Wise and Mahboob Ali (2009) opinedthat corporate governance indicates thepolicies and procedures applied by firms toattain certain sets of objectives, corporatemissions and visions with regard to stockholders,employees, customers, suppliers anddifferent regulatory agencies and the community at large

Bank Distress

Distress in simple ordinary parlance connotes being in danger or difficulty and in need of help. It shows a situation of a state of inability, impossibility or weakness which prevents the achievement of set objectives and aspirations. Distress can also be related with a cessation of independent operations or continuance only by virtue of financial assistance from the banking system's safety net such as the supervisory regulatory agency or a deposit insurer. In the banking business, distress occurs when a fairly reasonable proportion of banks in the bankingsector are unable to meet their obligationto customers, owners and the economy, as aresult of weakness in the financial, operationaland managerial capabilities which renders them either illiquid or insolvent (Elebuta, 1999).

The CBN/NDIC (1995/2010) also describes the entire banking system distress as a situation in which a sizeable proportion of financial institutions have liabilities in excess of the market value of their assets which may lead to runs and other portfolio shifts and eventual collapse of some financial firms. Ologun(1994) described a financial institution as unhealthy, if it is unable to meet its obligation to owners and the economy occasioned by severe financial, operational and

managerial weaknesses.

Ogubunka (2003) claims that bank distress has become a common lexicon in Nigeria, given many bank failures of 1994 through 2003. He further states that bank distress is the forerunner of bank failure. Whereas a bank in distress could have chances of regaining health, a failed bank loses every chance of life; its final destination is the mortuary of Nigeria Deposit Insurance Corporation (NDIC) from where it will proceed to its final resting place – liquidation

Relevant theories such as the agency theory, stewardship theory, resource dependency theory, and the theoretical institutional perspective are taken into consideration in the study (Xu, 2017). The agency theory is the most prominent and rooted in the idea of separation of business ownership and control between shareholders and managers. The agency problem arises out of the possibility of opportunistic behavior on the part of the agents against the welfare of their principals (Duhnfort, Klein, and Lampenius, 2008; Idam, 2015). However, agency theory is limited because it does not explain the multidimensional complexity and character of corporate governance phenomenon (Adegbite, 2015; Briano-Turrent and Rodriguez-Ariza, 2016). The stewardship theory sees managers as good stewards of the business organization who work diligently to attain high level of corporate profit and shareholders' returns. The stakeholder theory on the other hand sees the organization as a system of stakeholders operating under a wider societal system, which provides the input, market, legal and other operational infrastructure for the organization. The theory advocates that stakeholders, including employees, customers, suppliers, communities and other groups, are directly or indirectly affected by the organization's operations, and should have a representation on the board of directors. The resource-dependency theory categorizes corporate governance mechanisms as firm's resources and suggests that the resources possessed by a firm are the primary determinants of its performance (Bernadette and Corina, 2015). From the theories listed above, this study will beanchored on the agency theory to achieve the general andspecific objectives of this study.

Empirical Review

Ayoola&Obokoh (2018) investigate the effect of corporate governance on financial distress and discriminatory power of corporate governance mechanism of the board, audit committee, executive management and auditor in the Nigerian banking industry between 2005 and 2015using descriptive statistics and generalized quartile regression model. The empirical evidence suggests that financially distressed banks are characterized by large board size with members who may not be well versed in banking complexities and that distressed banks suffer major decline in customer deposits despite increase in size. The study concludes that financial distress can be caused by poor corporate governance mechanism.

Akani&Uzah (2018) studied internal and external factors that determine banks distress in Nigeria. Annual time series data was sourced from Central Bank of Nigeria Statistical Bulletin, financial stability reports and annual reports of the deposit money banks. Three multiple regression models were formulated to determine the effect of the variables in determining bank distress. Ordinary least square method of co-integration, unit root test, Granger causality test and Vector error correction estimate was adopted to examine the effect of the variables in determining bank distress in Nigeria. The study concludes that there is significant relationship between the monetary policy, macroeconomic and internal variables and deposit money banks and banking distress. The study therefore recommended that management of deposit money banks should formulate polices and device measures of managing the internal and external factors that can cause bank distress

Augustine, Okoye&Chinwe (2017) examined the effects of audit report and corporate governance on firm performance with particular reference to listed firms in Nigeria between 2012 to 2016 using t-test technique. The study revealed that auditor’s reportand corporate governance have significant effect on the performance of a firm and was therefore recommended among others that a cost effective corporate governance system should be put in place and special audit procedures adopted to test the efficacy of the system adopted and its effect on corporate performance.

Eferakeya, Enaibre&Offor(2016) studied the relationship between corporate governance and fraud prevention in Nigeria. The study focused on the relationship between internal audit, audit committee, external audit, board of director's governance mechanisms and fraud prevention.The questionnaire instrument employed was subjected to reliability test using the Cronbach's alpha.Descriptive statistics was also employed to show the dispersion of the distribution. While multiple regression estimation technique was used for the analysis. The findings show that internal audit, audit committee, external audit and board of directors have significant negative relationship with fraud prevention. It was recommended that more emphasis should be shown to encourage entrenchment of an effective internal audit function; effective audit committee; an independent and effective external audit; and an ethically sound and effective board of directors in an organization.

Adeoye&Amupitan (2015) examined the issues and challenges around Corporate Governance in the Nigerian Banking Industry using survey questionnaire. It was found that lack of presentation of information is common to banks in pre-consolidation than post-consolidation era, frauds, override of internal control and non-adherence to limit of authority in a bid to meet set targets and recapitalization of bank play a vital role in promoting effective corporate governance. Also that lack of effective corporate governance results to the failure of banks in Nigeria. The study recommends that promoting the culture of whistle blowing, promoting business ethics through moral education; strengthen the financial system to encourage compliance with the code of corporate governance as well as establishing strong anti-fraud controls that would serve as deterrents to fraudsters at every level within the deposit money banks.

Anginer,Kunt, Huizinga &Kebin(2015) examined corporate governance of banks and financial stability in United States over 2004-2008 period.The study employed regression and component data analysis in the study and find that shareholder friendly corporate governance is positively associated with bank insolvency risk and a bank’s contribution to financial-sector systemic risk for an international sample.The study concluded that the results underline the importance of the financial safety net and too-big-to-fail policies in encouraging excessive risk-taking by banks.

Wan, &Roshayani, (2014) depicted that the effectiveness of audit committee has negative significant influence to the likelihood of fraudulent financial reporting, which indicated that audit committee’s effectiveness has decreased the likelihood of fraudulent financial reporting in organizations.

Olukotun,*et al*, (2013) examined the relationship between bank distress in Nigeria and the Nigeria deposit insurance corporation intervention to see how the NDIC through its various activities have beenable to restore confidence in the banking system. Secondarydata were primarily used for this work because of the peculiarnature of the research work. Correlation coefficient and r-testwere used to test the relationship between the variables. It wasdiscovered that due to the increase in deposit guarantee, there is an increase in deposit mobilization. It was also discoveredthat the NDIC has transmitted from the flat rate premium assessment system to a differential premium assessment system. It is therefore recommended that from time to time, the deposit cover should be reviewed in conformity with the happenings in the economy.

Ikpefan&Ojeka (2013) studied the relationship between corporate governance and bankdistress in deposit money banks. The study used primary data specifically the survey technique; while, correlation analysis which measures the degree of relationship between variables was used to analyze the result generated from the questionnaire so as to test the hypothesis.The study shows that corporate governancehas no significant improvement on the prevention of bank distress but has significantly improved the performanceof the Nigerian banking sector. It was therefore recommended that banks should demonstrate stronginternal policies to identify and manage conflict of interest and zero tolerance posture against cases of unsoundcorporate governance practices.

Akpotu (2013) investigated external auditor’s unethical behavior and corporate business failure in Nigeria public owned firms using a structured questionnaire to generate data from subjects drawn from the organizations. The study employed correlational analysis and the result of the study indicates that external auditor’s unethical behaviour strongly correlates with corporate business failures. It was recommended that in addition to government regulations and penalties for unethical practices, management commitment towards evolving ethical culture must be emphasized.

More recently, using international data, Laeven and Levine (2009) examine the relationship between bank ownership and bank risk taking for an international sample of banks. They find that stronger cash flow rights of large owners are associated with greater bank risk, consistent with the hypothesis that bank shareholders favor risk-taking as compared to managers and creditors. These authors also consider the interaction between bank regulation and ownership, finding that deposit insurance is associated with an increase in risk only when the bank has a large equity holder.

III. RESEARCH METHODOLOGY

The population for this study comprised all the banks officially classified as distressed by CBNin Nigeria since independence in 1960 and after consolidation exercise (CBN, 2005) to date. The sampling method used to select twelve banks out of the total population was simple random sampling technique. This method gives every bankequal chance of being selected out of the total twenty three banks of the study .The statistical technique for dataanalysis and test of hypothetical proposition is the Pearson product coefficient of correlation (r) , used inanalysing and interpreting responses connected with the main variables of the hypothesis. A survey approachwas adopted in generating data for the study. This was achieved through the distribution of 150 copies ofquestionnaires and personal interviews, unfortunately only 140 were returned.

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{(n\sum x2 - (\sum x)2)(n\sum y2 - (\sum y)2}}$$

Where:

r is the coefficient of correlation, n is the number of options, x is the points allocated to the options; y is the number of responses from respondents; while X and Y are the variables being considered. The dependent variable is denoted as Y while the independent variable is denoted as X

IV. HYPOTHESIS TESTING

Hypothesis 1:

Ho: Good corporate governance and auditors' report do not have effects on banks distress in Nigeria

To test this hypothesis, the responses to the statement "there is involvement and culpability of external auditors and bank management in unethical practices and conflict of interest that often result to banking distress in Nigeria' contained in the questionnaire was used as set out in the table 1 below.

Table 1

VARIABLES	**RANKINGS (x)**	**RESPONSES (y)**	**(xy)**	(X^2)	(Y^2)
SA	5	12	60	25	144
A	4	10	40	16	100
UD	3	47	141	9	2209
D	2	52	104	2	2704
SD	1	19	19	1	361
TOTAL	**15**	140	364	55	5518

Source: Author, 20202

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{(n\sum x2 - (\sum x)2)(n\sum y2 - (\sum y)2}}$$

$$r = \frac{5(364) - (15)(140)}{\sqrt{5(55) - 15)^2} 5(5518) - 140^2}$$

$$r = 0.5429$$

Test of Significance: $\frac{r\sqrt{n-2}}{1 - (r)^2}$

$$= \frac{r\sqrt{5-2}}{1 - (0.7084)^2}$$

$$= 3.27$$

The result of r is based on the assumption that when r=0, relationships does not exist between the variables tested; When0<r<0.4, there is weak correlation between the variables and when r≥0.5 then there is a strong correlationbetween the variables. When r is negative the (-) variables are inversely related and if positive (+) thevariables are directly related. Further reliability test was carried out on the result of the data analysis by means of a test of significance in order to determine the reliability of the findings and further justify the result of the correlation test done.

The test of significance was used to justify the results. The decision rule here is that once the t calculated (t-cal)is greater than the t tabulated (t-tab) value at a chosen significance level and at a given degree of freedom. We would then reject the null and accept alternate otherwise we accept null and reject alternate. The chosen significance level is 95% (P value=0.05) and the degree of freedom (d.f) is given as d.f=n-2= (5-2)=3, therefore the degree of freedom is 3.

The essence of the significance test is to prove the relationship of two variables as it has been argued that acorrelation coefficient does suggest a relationship between two variablesreason for this type of data collectionwas to enable easy clarification of data.

Interpretation of the above analysis connotes that r is 0.5429 which is greater than 0.4, and this made it possible to reject the stated null hypothesis and the study hence stated that good corporate governance and auditors reports are adequate in preventing banks distress in Nigeria most importantly if well and strictly adhered to both in principle and practice.

Hypothesis 2:

There is no relationship between good corporate governance, auditors' report and banks' distress in Nigeria.

To test this hypothesis, the responses to the statement 'external auditors and accountants are in collaboration with management and directors of banks to falsify and deliberately overstate bank accounts' contained in the questionnaire was used as set out in the table 2 below.

Table 2

VARIABLES	**RANKINGS (x)**	**RESPONSES (y)**	**(x y)**	(X^2)	(Y^2)
SA	5	40	200	25	1600
A	4	52	208	16	2704
UD	3	5	15	9	25
D	2	8	16	4	64
SD	1	35	35	1	1225
TOTAL	15	140	474	55	5618

Source: Author, 2020

$$q = \frac{n\sum xy - \sum x \sum y}{\sqrt{(n\sum x2 - (\sum x)2)(n\sum y2 - (\sum y)2}}$$

$q = \dfrac{5(474) - (15)(140)}{\sqrt{5(55) - 15)^2} 5(5618) - 140^2}$

q = 0.5150

Test of Significance: $\dfrac{\sqrt[q]{n-2}}{1-(q)^2}$

$= \dfrac{\sqrt[q]{5-2}}{1-(0.5150)^2}$

= 2.17

The results show that q is 0.5150 which is greater than 0.4. We therefore reject the stated null hypothesis.There exists good relationship between good corporate governance and auditors' reportwhich aid effective and efficient operations that made it difficult for distress occurring in Nigeria banks. Also, the t calculated of 2.17 is greater than 1.10 at 95% significance level when degree of freedom is 3.Therefore, it is sufficient to reject the stated null hypothesis andgood corporate governance and auditors' report aid effective and efficient operations that made it difficult for distress occurring in Nigeria banks.

V. CONCLUSIONS AND RECOMMENDATIONS

The findings of this study are consistent with the findings of most other researchers such that effective corporate governance and auditors reports are of high significance to the existence and going concern of a bank.

It was found that among other vital instruments in curbing bank distress, corporate governance and auditors' reports offer a sound financial system and stability for the economy and that the current code of corporate governance for Banks is adequate to curtail Bank distress and that improper risk management, corruption of Bank officials and over expansion of Banks are the key issues why Banks fail

Respondents stated that professionalisms should be given upper arm in the banking industry and that the issues of ownership of banks being dominated by the members of the family should be discouraged so as to further prevent corruptions among the bank officials.

Internal control measures by management as well as proper risk management were strongly agreed to by the respondents to reduce the problems of the fraudsters among others.

It is important to address the roles of corporate governance and auditors' report in view of distress in the banking industry given proper attention to the caliber of people and professionalismin key functionsalso clear divisionbetween the chief executive officer and

the managing directors is encouraged so as to reduce or prevent reoccurrence of distress in future.

The study therefore recommends stringent rules and proper monitoring of the banking industry by the apex bank in the country (Central Bank of Nigeria). Central Bank is encouraged to perform her regulatory and supervisory functions effectively and efficiently without prejudice such as ensuring strictcompliance to the 10 years term limit forbanks chiefs among othersso as to strengthen its on-site and off- site supervisionfunctions in recognition of the need for an effectivesupervision of the banking sector.

The adoption of zero tolerance status against any form of unsound governance practice should be given high priority in order to achieve proper running and improved administration and discourage conflict of interest in the Nigerian banking industry.

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