ISSN: 2315-5701

OSCOTECH JOURNAL OF ARTS AND SOCIAL SCIENCES (OJASS)

A BI-ANNUAL ACADEMIC JOURNAL OF THE FACULTY OF MANAGEMENT SCIENCES,

OSUN STATE COLLEGE OF TECHNOLOGY, ESA OKE

MARCH 2023 EDITION

http://ojass.oscotechesaoke.edu.n g/en/

Vol.7 No. 1

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AUDIT FIRM CHARACTERISTICS AND FINANCIAL REPORTING QUALITY OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

by

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ABSTRACT

Objective – *The purpose of this study is to examine the effects of audit firm characteristics on the financial reporting quality of listed consumer goods firms in Nigeria.*

Methodology/Technique – *This was explained using the agency theory as the underpinning theory. Audit firm characteristics were measured by auditor opinion, independence, tenure, audit quality and audit rotation while financial reporting quality was measured by discretionary accrual (Kothari, 2005). Correlational research design was employed and purposive sampling technique was used to sample 12 out of 21 consumer goods firms listed on the Nigerian Exchange Group as at December 2020. Data collected covered 15 years (2006 to 2020).*

Findings – *Multiple regression analysis results revealed that auditor opinion, audit tenure and audit rotation have positive significant effects on financial reporting quality. On the other hand, auditor independence and audit quality show insignificant effects. The study therefore, concludes that, auditors' opinion, tenure and rotation are the determinants of financial reporting quality among consumer goods firms in Nigeria.*

Novelty – *The results are useful to corporate regulators, policy makers, shareholders, lenders, etc.*

Type of Paper: *Empirical.*

Keywords: Agency Theory; Audit Firm Characteristics; Financial Reporting Quality

Introduction

Regulatory and supervisory organizations in accounting and auditing demand audited financial statements of enterprises in order to assure the quality of financial reports and defend the interests of investors. Audit firm characteristics and financial reporting quality have been studied empirically by (Umaru, 2014) on listed manufacturing firms in Nigeria, but the results were mixed. This leads to a wide range of findings on the subject area. Since audit opinion, audit firm size, and audit time are all inconsistently weighted, further research into the issue is needed, because of the inconsistency.

Recent decades have highlighted the necessity of encouraging reporting organizations to improve their financial reporting practices. Auditing and accounting firms throughout the world have been blamed for the financial crises that have rocked several corporations in both rich and developing countries. In the wake of the financial crises at Enron, WorldCom, and Cadbury Nigeria Plc., and most recently, Thomas Cook, the auditors of these companies have been questioned about their audits. These raise questions about the competency and integrity of the auditors who audited these companies that went bankrupt.

In recent times, several Nigerian scholars have investigated the link between audit firm characteristics and the quality of financial reporting in various economic sectors. These include: Adekoya and Olugbodi (2019) Ayowale (2019) Bassey et al. (2020) Kibiya et al. (2016) Mohammed and Joshua (2012) Ogbodo et al. (2018) these studies covered deposit money banks, insurance firms and selected manufacturing firms in Nigeria. The present study however, will explore the consumer goods firms which is a segment of manufacturing firms listed on the Nigerian Exchange Group. This is to fill the sectoral gap created by previous studies. In empirical terms, several researchers have examined the relationship between audit firm characteristics and financial reporting quality. Abdul-Ganiyy et al. (2021) examined the effect of auditor's independence on financial reporting quality of listed deposit money banks in Nigeria. The study employed only auditor independence as a proxy for audit firm characteristics. In addition, Daferighe and George (2021) established that, audit fees, audit delay and audit firm size influence financial reporting quality of quoted manufacturing firms in Nigeria. While audit fees showed a positive influence, audit firm size and audit delay reported an insignificant influence. Other studies by Abdulrahman et al. (2019); Oladejo et al. (2020); Qawqzeh et al. (2018) and Umaru (2014) were conducted at different time periods and country. The present study will be domesticated in Nigeria, thus filing the environmental gap created by these past studies.

In addition, previous studies Ayowale (2019), Benjamin and Mailafiya, (2016); Eyenubo et al. (2017); Kalabeke et al. (2019); Mukhlasin (2018); Ndubuisi et al. (2019); Ogbodo and Akabuogu (2018); Owolabi and Afolayan (2020) employed two, three, or few proxies for audit firm characteristics. For this reason, the present study will in addition to auditor independence, audit firm size, audit tenure, audit quality and audit rotation, the study will introduce audit opinion as the sixth proxy in measuring audit firm characteristics. Hopefully, this will extend the body of knowledge thus filling the gap created in literature. In quantitative terms, financial reporting quality has been measured using discretionary accruals. It is determined as the residuals of the Jones Model developed in 1991. The performance-based model as developed by Jones (1991). The model was later modified in 1995 by Dechow et al. (1995). Also, a performance-based model, the modified Jones Model by introducing property plant and equipment (PPE) as a third component. However, Kothari et al. (2005) developed a model used in determining discretionary accruals which is considered a measure of financial reporting quality. The model introduced return on assets (ROA) as a control variable into the Modified

Jones Model. Several researchers (Daferighe & George, 2021) and Otuya (2019) employed the Modified Jones Model in determining financial reporting quality. Bala et al. (2018) employed the Kothari Model in determining financial reporting quality. The present study will thus, employ the Kothari Model in determining financial reporting quality of listed consumer goods firms in Nigeria. This will hopefully fill the methodological gap created by previous studies resulting from the use of different models.

Theories are used to establish relationship between variables. Several theories have been used to explain the relationship between audit firm characteristics and financial reporting quality. Daferighe and George (2021) employed stakeholder theory and agency theory in explaining auditor independence and financial reporting quality. Chinedu et al. (2016) explained auditor independence, audit fee and financial reporting quality using agency theory. In addition, Oladejo et al. (2020) explained audit firm size and financial reporting quality using agency theory. In addition to agency theory which has been used more often, the present study will employ the independence theory in explaining the relationship between audit firm characteristics and financial reporting quality of listed consumer goods firms in Nigeria. The independence theory proposed was used in explaining the relationship and effect among the variables hence filling the gap created by previous studies. From the foregoing, this study examined the effect of audit firm characteristics on financial reporting quality of listed consumer goods firms in Nigeria. In view of the above, the study raised and found answers to the following questions, what is the effect of audit firm characteristics on the financial reporting quality of listed consumer goods firms in Nigeria?

As authorities look for ways to safeguard and enhance the accuracy of company financial reporting, this research is critical. For the International Accounting and Auditing Standard Board (IAASB) Framework for Audit Quality, this is also a response: raising awareness of audit quality's most important components, encouraging major stakeholders to look at ways of improving audit quality, and promoting a broader dialogue amongst major stakeholders on the issue. (IAASB, 2013). In addition, the IAASB framework for audit quality underlined that quality audits are best delivered in an environment where other players in the financial reporting supply chain help auditors, who were given the main responsibility for executing quality audits. Thus, this research is a step in the right direction. On the other hand, the study is noteworthy because it focuses on concerns linked to audit firm characteristics that are endangering the existence of audit companies of all sizes and the ongoing concern of corporations. Due to its relevance in ensuring that financial information is credible, this study is of critical importance in guaranteeing that accounting and auditing professions can survive and that healthy financial markets may flourish. As a result, auditors, regulators, managers, professional accounting bodies, current and future shareholders, and academics may find the study to be of tremendous value.

Accordingly, auditors may benefit from this study's conclusions regarding the aspects that are most critical to attaining high audit quality and high financial reporting quality in their tasks and responsibilities. It could also help regulators and professional accounting authorities set regulations about the kind of audit firm features, audit opinions, non-audit services and joint audits, all of which will be based on the findings of this study. There are many concerns in this field that are dependent on anecdotal information, particularly in Nigeria, where there is a lack of empirical data. As a result, the research team is hopeful that their work will not only add to the existing body of knowledge but will also give useful data for policymakers. It is hoped that the findings of this research could assist managers in optimizing investor returns, shareholders in making well-informed decisions, and management efficiency in managing a company's operations to generate money through taxation from the yearly profits. The study's findings may educate both current and future shareholders of consumer goods companies in Nigeria about the audit features that improve financial reporting accuracy (concerning audit firm characteristics). Furthermore, the study presents empirical data on the link between audit features and the quality of financial reporting from listed Nigerian consumer goods firms.

Literature Review

According to Mihai et al. (2019), the quality of financial information has a direct impact on the audit judgment. On the controlled Bucharest Stock Exchange market, the audit opinion has a significant impact on the quality of financial information disclosed by Romanian companies. Assessment of quality is based on the degree to which operational operations are manipulated (intervention in the conduct of commercial transactions and controlling the cost of the goods sold via overproduction, respectively). As part of the analysis, control variables such as firm size, indebtedness, profitability, and the reputation of the auditor are incorporated to assess the dependency linkages. The audit opinion has a significant impact on the quality of financial information, as judged by the degree of sales manipulation, according to the findings (under the aspect of value and the time when the transactions were made). The audit opinion does not have substantial effect in cases of manipulation through overproduction, highlighting probable limits of the audit effort in terms of its capacity to uncover fraudulent production activities. The influence of audit opinions on the quality of financial reporting in Nigeria is examined by Ogbeifun and Adeniran (2020). We're looking at how some Nigerian commercial banks with publicly traded stock relate to their auditors' reports on Financial Reporting Quality. As proxy measures of audit quality, the audit committee report, the size of the auditing firm, the compensation of auditors, and the audit report are employed. The dependent variable is the quality of financial reporting. This research looked at three different theories. In order to conduct the empirical study, the researchers used a sample of 10 banks and four years of data from 2015-2018. The research was descriptive in character and used correlational and ex-post facto research designs. Potential investors, auditors (internal and external), and management in the process of financial reporting improvement might benefit from the findings. Financial reporting may be improved by ensuring that auditors have high standards of competence.

Financial reporting quality of deposit money banks listed on the Nigerian Stock Exchange is examined by Ogungbade et al. (2021). Audited yearly reports for all 11 deposit money banks on the Nigerian stock exchange from 2009 to 2018 were used to get the data. Hausman's test was used to select between a random and a fixed-effect model in the research. The random effect model was selected and interpreted. Only audit fees had a statistically significant influence on the quality of financial reporting (FRQ), according to the findings of the study. According to this study, financial reporting quality was measured by the time lag between the end of the accounting year and when the financial report was signed by the external auditor (FRQ). Listed Nigerian insurance firms' financial reporting quality is examined by Jerry and Saidu (2018). Annual reports and accounts for thirteen sampled insurance businesses of thirty-three listed on the Nigerian Stock Exchange were analyzed over the course of eight years to gather information (2008 to 2015). Description statistics, Pearson correlation and multiple regressions were used in the empirical analysis. (Ordinary Least Square). The study indicated that the size of the audit firm had a favorable and significant influence on financial reporting accuracy. As a result of this research, the report proposes that non-big4 accounting firms should invest more money and resources in technology and employee training, particularly in specialized companies (Insurance). In view of these contradictory findings, we suggest that:

H1: Audit firm's opinion is not significant with financial reporting quality

The effect of auditor independence on deposit money banks' financial reporting quality in Nigeria was studied by Abdul-Ganiyy et al. (2021), who used financial reporting quality as the dependent variable, audit fee, audit firm size, and audit meeting as independent variables, and debt ratio as a control variable. From the audited annual reports of 10 chosen deposit money institutions, six (6) years of data were gathered for the study. Audit Fee, Audit Meeting, and Debt Ratio all have a favourable influence on financial reporting quality, but Audit Firm Size hurts financial reporting quality, according to the findings of this research. To ensure substantial impacts on financial reporting quality, the research suggests that audit committee members be reoriented and reorientated. According to Owolabi and Afolayan (2020), AUDINDP has a significant influence on the quality of FRQ in listed Nigerian DMB's. The audit reporting process cannot be completed without the independence of the auditors. The auditor's independence may be shown in his or her technical, investigative, and reporting methods. The auditors must be seen to be completely independent for an audit report to be publicly approved as being accurate. A total of 20 Nigerian DMBs were included in this study. The sample of ten (10) banks was selected using a purposeful non-probability sampling strategy. The sampling DMBs' corporate annual reports were used to acquire secondary data. Descriptive and correlation tests were used to examine the data, as well as panel OLS regression for panel data. DMBs had a positive correlation between AUDINDP and FQ, according to the study. AUDINDP is a critical financial reporting audit quality. The integrity of autonomy must be maintained by auditors and professional accountants to achieve the credibility and trustworthiness required by FR.

The influence of auditor independence on earnings management is examined by Isabel and Chinwuba (2020). For the period between 2006 and 2011, a sample of 57 listed Nigerian firms was analyzed. There is a negative but substantial correlation between the audit fee and the number of discretionary accruals. A study by Abdul-Malik (2016) found that audit fee have a significant influence on the quality of financial reporting in Nigeria. Eighty-nine publicly traded corporations' annual reports covering the years 2008 to 2013 provided the data for this study. As a consequence, audit costs have a negative, but considerable, impact on discretionary accrual amounts. From 2012 to 2015, Mohammed and Okpanachi (2012) investigated the effect of auditor independence on audit quality at Nigerian Stock Exchange (NSE)-listed insurance businesses. As of December 31, 2015, there were a total of twenty-six (26) listed insurance firms in Nigeria. The Yaro Yamane algorithm was used to calculate the sample size of 24 insurance firms. Secondary data from the audited yearly financial statements of the chosen insurance firms were used in this investigation. Descriptive statistics, correlation matrix, and fixed effect model regression were used to examine the panel data. Audit firm tenure has a large negative impact on audit quality, whereas audit firm rotation has a positive and statistically negligible impact on audit quality. The audit quality had a substantial positive association with the control variable, which was the size of the firm. A three-year professional audit tenure rule, as advocated by the relevant regulatory organizations, should be implemented as soon as possible to limit the number of auditor-client connections that might compromise the independence of auditors and, as a result, reduce audit quality.

In Kolawole's study (2019), he sought to determine the impact of audit fees, audit firm independence, and auditor tenure on the quality of financial reporting of Nigerian deposit money banks. Specifically, he sought to determine the impact of audit fees, audit firm independence, and auditor tenure on the quality of financial reporting. The selected banks' audited financial statements from 2009-2017 were used to supplement the primary data source. With the help of STATA 13, a GLS panel regression was used to assess the three hypotheses generated based on the findings of the Hausman test. Inferential statistics used in this study led to the rejection of the three null hypotheses, leading to the acceptance of the alternatives. This means that the audit fee with a p-value of 0.000, audit firm independence with a p-value of 0.004, and auditor tenure all have p-values that are jointly significant at 1%. For Nigerian DMBs to improve their financial reporting quality, the research recommends that the audit firm's independence should be emphasized in all its actions by management and regulatory bodies. Because the quality of financial reporting might be harmed if audit firms are not independent. Yahaya and Awen (2021) investigated auditors' type and quality of audit resources companies in Nigeria. The study covered a ten-year period 2010-2019 and data were collected from sixteen (16) sampled resources firms in Nigeria. Employing correlational research design, data collected were analysed using descriptive and inferential statistics. The result of the multiple regression technique of analysis employed revealed that independent auditors significantly affect the quality of audit resources. The study thus, recommended that, audit independence and audit report timeliness should be encouraged. This study focused on sample companies from different sectors. The present study will explore more audit firm attributes in addition to auditor independence and its effect on financial reporting quality, specifically among listed consumer goods firms in Nigeria. This is to fill the sectoral gap created.

When an audit business has been around for a long period, an auditor's independence might be eroded. If the auditor and the client have a long-term connection, their interests may become aligned, making the auditor's capacity to act independently less likely. Nigerian audit firm rotation does not guarantee audit independence, according to the authors of the study. Some of this might be explained by auditors sharing the same professional mindset, as well as cultural prejudice and orientation. As the auditor-client relationship grows, there is a risk that auditors may have "learned confidence" in the client, causing them to neglect to do the needed examination of financial reports. This is why they believe this. When an auditor develops a sense of security in their work, they tend to make assumptions about the findings of their audits and rely on less stringent audit techniques or static audit programs. The quality of financial reporting may have suffered as a result of the opening. This study examines the influence of audit firm characteristics on financial reporting quality experimentally. Financial reporting quality is proxied by utilizing discretionary accrual model developed by Kothari et al. (2005). The financial statements of 12 Nigerian consumer goods firms that were listed on the Nigerian Exchange Group (NGX) provided the data for this research (2006-2020). With a focus on multiple regression approaches, to analyze their data.

H2: Audit firm's independence is not significant with financial reporting quality

It has become more important to guarantee that financial reporting is accurate and dependable in light of recent business scandals in both developed and developing nations, according to Daferighe and George (2021). There is still a growth in corporate financial scandals in Nigeria and throughout the globe despite the efforts of authorities to ensure that financial reporting is accurate. This research looked at the influence of audit firm qualities on the quality of financial reporting in Nigerian listed manufacturing businesses from 2011 to 2015. The study used an ex-post facto research design. A sample of sixteen companies' annual reports and accounts, as well as notes to their financial statements, were used to gather the data for this research. The data were analyzed and the hypotheses tested using multiple regression analysis. Auditor fees have a considerable impact on the financial reporting quality of listed industrial companies in

Nigeria, according to the research. Even if audit company size and auditor delay had a negligible influence on Nigerian manufacturing business financial reporting quality, it was found. As a result, it was advised that manufacturing companies develop an atmosphere conducive to auditors conducting effective audits and releasing their results to users promptly, hence boosting quality decision-making.

Quality of financial reporting is very important since, for the most part, public financial reports are the sole way by which shareholders and investors can keep themselves informed about a company's performance, Olowokure et al. (2016) noted. Financial reporting accuracy has never been more crucial than it is now since emerging market countries and mono economies like Nigeria are grappling with historic drops in oil prices. This is in addition to Stanbic IBTC bank's CEO, Chairman, and two other directors being suspended by Nigeria's Financial Reporting Council for filing a fraudulent financial statement for the years 2013 and 2014. According to the conclusions of this research, which used data from the published reports of thirteen listed deposit money banks in Nigeria between 2005 and 2014, structural parameters including age, size, and leverage have a significant influence on financial reporting quality. Deposit money banks listed on the Nigerian stock exchange were evaluated by Ogungbade et al. (2021) for the impact of audit quality on the quality of their financial reporting. Methodology: Audited yearly reports for all 11 deposit money banks on the Nigerian stock market from 2009 to 2018 were used to get the data. Hausman's test was used to choose between a random and a fixed-effect model in the research. When analyzing data, a random-effects model was used. We discovered that audit fee had a statistically significant impact on Financial reporting quality (FRQ), although audit firm size, audit tenure, and audit fees all had an impact. Originality/Value: According to this research, financial reporting quality was measured by the time lag between the end of the accounting year and when the financial report was signed by the external auditor (FRQ)

Ogbeifun and Adeniran (2020) research examined the influence of audit quality factors on Nigerian financial reporting quality. Audit firm characteristics and Financial Reporting Quality of a few Nigerian listed commercial banks are the focus of this inquiry. While auditors' compensation and firm size may be considered independent factors, financial reporting quality can be considered a dependent variable when evaluating audit quality attributive measures. This research investigated three hypotheses. A sample of ten banks was used, and data were collected during four years between 2015 and 2018. Using correlational and ex-post-facto designs, the study was conducted descriptively. Financial reporting quality, auditors' reports, audit quality, and auditors' remuneration all play a role in the investment decision-making process of current and potential investors, as well as investors and other stakeholders interested in the financial report. Potential investors, auditors (internal and external), and management involved in the process of improving financial reporting will be interested in the results. Finally, the research provided suggestions on how to improve the quality of financial reporting by using sound audit practices. Nigerian Food and Beverage companies were studied by Abdulrahman et al. (2019) to determine the association between audit firm characteristics and financial reporting quality (FRQ). As an audit's qualities were evaluated, we looked at things including its size, scope, and compensation (ARE). For a period of seven years, the research investigated fourteen (14) Nigerian-listed food and beverage enterprises (2012-2018). E-views statistical tool was used to perform descriptive and inferential statistics (correlation analysis and panel data regression) on the audited annual reports of each chosen business. At a 5% level of significance (p-value0.05), the fixed effect results demonstrate that there is a positive significant link between AFS and the Framing Response Question (p-value0.05) and a negative insignificant association between ARE and the Framing Response Question (p-value>0.05). Accordingly, the research found a positive correlation between the size of the audit committee and the quality of financial reporting, whereas a negative correlation was found between the size of the audit firm and audit compensation. As a result, the study's findings urge that food and beverage companies enhance the size of their audit committees, as this has a major influence on the quality of the company's financial reporting. Financial reporting quality may be positively and negatively affected by the factors, according to empirical evidence.

H3: Audit firm size is not significant with financial reporting quality

Company management is responsible for running the company's activities and presenting the outcomes through financial statements, as stated by Sari and Diyanti (2019). The auditor's job is to serve as a bridge between the interests of the company's management and those of its shareholders. As part of its audit quality, an auditor provides an impartial opinion on the information included in the financial statements. If the auditor is no longer independent, the quality of the audit may suffer. The study examined the impact on financial reporting quality of audit tenure, audit rotation, audit fee, accounting firm size, and auditor specialty. The study's participants are manufacturing firms that were listed on the Indonesia Stock Exchange between 2015 and 2017. Purposive sampling was used to collect the sample, which consisted of 50 different firms. A logistic regression test was used to analyze the data. Audit tenure has been found to have a significant impact on financial reporting quality, according to the study. Management's opportunistic attitudes and information asymmetry must be reduced by competent independent parties to counter investor mistrust, Mukhlasin (2018) found. For a government, the ownership of an audit firm displays its independence, which indicates whether or not the government's finances are being misrepresented. As a result, auditors with an industrial speciality are more equipped to spot major misstatements in financial reporting that are the outcome of fraudulent practices. An important goal of this research is to determine whether or not auditor tenure and industry specialty may be used as a warning indicator to identify false financial statements. During the years 2012-2015, the study focused on Indonesian-listed firms. To demonstrate the study's aims, we employed logistic regression and paired sampling methodologies. There were 46 fraudulent and 46 non-fraudulent people in the sample. That the extended audit period can lead to a loss of independence and hence a greater likelihood of reporting financial reporting fraud was not proven by the test findings. In the meantime, this study has effectively demonstrated the audit of the specialized industry. Fraudulent financial reporting can be detected by auditors who specialize in a particular industry.

Auditor tenure (the length of an auditor–firm relationship) is linked to reporting quality, according to Chu et al. (2016) in informational content of reported earnings; evidence from this study shows that the correlation is reversed when clients offer more legal risks to their auditors. An auditor's expertise with their customers is an important factor in determining the degree of the negative bias in reported results (tenure improves reporting quality). Longer auditor tenure is also predicted to be related with a stronger negative bias for companies that face increasing audit risks (tenure impairs reporting quality). When we use non-operating accruals as a proxy for reporting errors, we find strong empirical evidence in support of our hypothesis. It has been shown that the longer an audit firm has been in business, the better its financial reporting is. A specific focus of the research was to see if Pakistani companies with longer audit firm tenures were more likely to engage in accrual-based earnings management. The audit firm's tenure was calculated in terms of the number of consecutive years the customer has used the company. A total of 2,800 firm-year observations were culled from 280 non-financial Pakistan Stock Exchange (PSE) listed enterprises between 2008 and 2017, for this study. Accrual-based profits management actions are connected with longer audit firm tenures and improved financial reporting quality, according to the findings.

Also found that non-mandatory audit firm rotation is linked to accrual-based earnings management activities and poor financial reporting quality. As a result of the study, regulators should keep the non-mandatory audit rotation element in mind while implementing regulatory reforms. A major contribution to corporate governance was made by this study, which combined auditor firm tenures with financial reporting quality. As a result of this research, policymakers that want to improve corporate governance in multinational economies will get a wealth of knowledge from this study. Oyewo (2016) found that auditing firms and their clients have had a long-standing professional connection for many years, which raises concerns about probable conflicts of interest. Long-term relationships between auditors and clients are viewed as a potential risk factor for audit failure, which has led to this hesitation. Because of their closeness to their customers, auditors have the potential to develop a lack of professional skepticism and objectivity over time. Stakeholders want to know if a company's long-term connection with its auditors results in a lack of independence for the auditors and lower audit quality. With this in mind, researchers used Nigerian data to look at the relationship between audit tenure, rotation, and conservatism in accounting. Observations from public financial statements of 100 organizations in the financial and non-financial sectors were used to generate secondary data. Data was analyzed using quantitative approaches such descriptive statistics, correlation, and multiple regression. Accounting conservatism is positively influenced by auditor tenure and the rotation of audit firms, according to the study's conclusions. For publicly listed corporations, the report advised that audit firms' lead engagement and review partners be rotated on an engagement, as well as a rigorous restriction on auditors offering non-audit services for their customers.

A company's tenure with an audit firm, as defined by Eyenubo et al. (2017), is the number of years the company being audited has retained the firm. In the debate over auditor tenure, two separate hypotheses have been used. There is a potential danger to auditor independence if they have a longer term as auditors. According to Vanstraelen (2000), "honest neutrality" (Vanstraelen, 2000) might be threatened by a long-term relationship between the client and auditor (Eyenubo et al., 2017). For the second time, the expertise hypothesis claims that long-term working relationships between the auditors and the firm lead to greater knowledge and learning on the job because of the improved working ties between them. According to Bolaji (2021), an auditing expert's expertise hypothesis is based on the auditor-client relationship's knowledge asymmetry. Asymmetry in information lessens when the auditor gains greater knowledge of the company's business and operational environment over time (Odia, 2015). When it comes to financial reporting quality, empirical evidence is mixed. Ghosh and Moon (2005) found that the quality of an audit increases when the auditor and audit client have a long-term connection. An link between auditor tenure and the quality of financial reporting is also reported by Chinedu et al. (2016). Financial reporting quality is not linked with auditor tenure for large customers, but it is for small clients, according to Manry, Mock, and Turner (2008). By offering services to safeguard the interests of investors, external auditors play a significant role in the capital markets. Accounting firms must work independently of their audit clients and on behalf of shareholders in order to fulfill their duties as public watchdogs. Auditor independence is threatened by the fact that the client's management has complete control over who is hired and who is fired, as well as a strong desire to meet or exceed stated goals and objectives. Some managers utilize auditor-switching to avoid qualified reports, while others threaten to use it in the hopes of securing a more positive report from an existing auditor already on board. Audit quality (the term of the audit partners) does not restrict earnings management techniques in Industrial Products and Consumer Products firms, according to Chinga et al. (2015).

It was revealed in a similar study by Nawaiseh (2016) that audit tenure had a considerable impact on earnings management. It was observed that the reported earnings of listed manufacturing businesses on the Amman Stock Exchange are of high quality, and that there is a linear link between industry specialization and reported earnings. We found that there is no correlation between auditor tenure and the quality of information provided. According to Niri et al. (2014), audit quality (duration of the audit) and earnings management have a substantial and inverse link. Kalabeke et al. (2019) investigated the association between audit partner tenure and audit quality and concluded that auditor tenure had a negative impact on audit quality. Sari and Diyanti (2019) discovered that mandated auditor rotation has a substantial impact on audit quality. These contradictory findings necessitate additional empirical research into the factors that influence the quality of external audits performed by Nigerian banks and the relationship between that quality and the level of trust that customers place in their financial statements during the period from 2008 to 2017, which is considered to be the period of consolidation for the Nigerian financial sector. A closer look is needed at how external audit quality might enhance financial information quality in Nigerian DMBs. In order to assess the link between external audit quality and users' confidence in chosen Nigerian DMBs' financial statements, all of these and more serve as a starting point. As a result of this research, business organizations, particularly the banking industry, in both developed and developing countries, will have a greater capacity to design procedures to promote consumer confidence through external audit quality. According to Vanstraelen (2000), long-term connections with audit clients have an impact on audit quality. The quality of the audit report was determined by the perception of the audit report's external user. Logistic regression was used to find a link between more frequent unqualified audit opinions and long-term ties between auditors and their clients. In the first two years of the audit requirement, the auditor's reporting conduct was significantly different from the reporting behavior in the final year. According to Vanstraelen (2000), auditors are more ready to give an unqualified audit report in the first two years of their official mandate than in the last year of their mandate, therefore supporting mandated auditor rotation to preserve the value of an audit for the external consumers.

H4: Audit firm tenure is not significant with financial reporting quality

Major global audit firms have been shown to charge far more than their smaller counterparts (Palmrose, 1986; Ireland & Lennox, 2002). There are a variety of explanations for the greater premium, including increased billing rates, an increase in audit hours, or just a negative impact on reputation. Audit quality has been demonstrated to be associated with higher prices for Big 4 audits in the past. Small positive earnings movements, matching or exceeding analyst forecasts, and smaller absolute amounts of discretionary accruals are all signs that Big 4 customers have better accrual quality and are less inclined to manipulate earnings (Becker et al., 1998; Francis et al., 1999). For further information on this topic, see (Becker et al., 1998; Nelson et al., 2002). As indicated by the stock market's larger reaction to earnings surprises (Teoh & Wong, 1993) and the average accuracy of analyst forecasts for customers of Big 4 companies, higher audit quality is related with more informative earnings disclosures and better-informed analysts (Behn et al., 2008). As Tate (2001) points out, Big 5 auditors are more likely to detect violations of federal rules than non-Big 5 auditors. According to a new research from the University of California, Berkeley, larger auditors are less likely than smaller auditors to qualify their judgment of an organization's compliance with federal regulations. Also, Big 5 auditors are less likely than smaller auditors to disclose serious internal control issues. According to Becker et al. (1998), audit quality has an influence on earnings management, with Big 6 audit customers having fewer discretionary accruals than non-Big 6 audit customers. Instead of looking at discretionary accruals, they focused on income-increasing earnings management.

One is Tate (2001); the other is Lam and Chang (1994). Following DeAngelo's (1981) argument that audit firm size is positively related with audit quality, several research adopt size (Big 8/6/5 vs. non-Big 8/6/5) as a proxy for audit quality (Krishnan, 2003; Zhou & Elder, 2001; Bauwhede et al., 2000; Becker et al., 1998; Hogan, 1997; Clarkson and Simunic, 1994; Firth & Smith, 1992a; Nichols & Smith, 1983). There is a strong correlation between reduced information asymmetry and increased information quality in the context of audit quality when accounting firm size is taken into consideration. It has been discovered that audit quality is connected to income-increasing discretionary accruals, which illustrates the relationship between high audit quality and reduced information asymmetry when utilizing discretionary accruals as the criterion for earnings management. To put it another way, Teoh and Wong (1993) found that Big 8 consumers have bigger ERCs, the coefficient on earnings generated from regressing the stock returns on reported profits. This indicator measures how the market reacts to profits. Smaller accounting businesses have a lower ERC than larger accounting firms, according to Teoh and Wong's research findings (1993). Consequently, the ERC assesses audit quality as it is viewed by financial statement users. Audits conducted by big accounting firms were shown to have higher perceived quality than those performed by small businesses in a research. This suggests that the perceived quality of audits performed by small businesses may be quantified. Financial reporting quality is directly linked to audit quality since it provides the framework for a thorough and accurate audit capable of detecting financial reporting mistakes.

H5: Audit firm quality is not significant with financial reporting quality

One of the options recommended by Qawqzeh et al. (2018) is to make financial reports more informative. Both the length of time that an auditor has been with a business and the frequency with which firms change are important determinants of audit quality. Academics, investors, auditors, and government regulators have all been interested in the subject for quite some time. As a resource for individuals curious about the audit's general quality. Research on audit firm rotation, audit tenure, and audit quality were some of the topics we examined. According to a review of the existing evidence, the rotation of audit firms has been associated to lower audit quality. Two schools of thought diverged on the question of the influence of auditor tenure on audit quality. By working with the same client for several years, an auditor's independence is compromised, which has an adverse effect on the audit's quality. Due to a lack of specific knowledge of the client's industry, switching auditors might result in worse quality auditing and higher costs for switching auditors. Long-term contracts with the same auditor erode audit quality and independence. Auditors' rotation and audit quality were examined using data from Nigerian listed deposit money banks between 2008 and 2017. Using an ex-post-facto research design was the final decision of the team. As of December 31, 2017, there were fifteen deposit money banks operating in Nigeria, and eleven of them were selected for inclusion in the list. These findings were gleaned from bank factbooks, annual reports, and financial statements. In order to investigate the panel data, we employed the Pearson coefficient of correlation and a basic regression analysis. Researchers discovered that audit tenure had a significant influence on a company's audit firm size, audit committee membership, and audit fees. An audit relationship should not continue longer than three years, according to study, as a tight relationship between an audit firm and its clients can lead to a loss of objectivity and a lower level of audit quality.

Cross-sectional data from 15 Nigerian banks between 2005 and 2011 is used in Omoye and Aronwwan (2016) to examine audit quality and audit firm rotation. Using a binary logit regression model, the hypothesis was tested. Rotation of audit firms was shown to have a significant influence on audit quality, however this impact was found to be negative. Thus, regulatory authorities should look for alternatives to required audit rotation if they are worried about audit quality, according to the report. According to the phrase "mandated firm rotation" (Okaro et al., 2013; Sayyar et al., 2014), audit firms should be forced to rotate out of a client's account after a specific number of years. After a given amount of time, audit firms must undergo mandatory or voluntary modifications in order to keep an objective set of eyes on the company's financial records (Siregar et al., 2012). Every ten years, as mandated by the 2018 National Code of Corporate Governance, all sectors must rotate their audit company. Any firm in place for more than ten years must be rotated as soon as after that. The first ten-year rotation of banks' external auditors and the five-year rotation of insurance companies' external auditors were adopted in 2006, respectively (Okaro et al., 2013). Shareholders, according to the Imeokparia (2014) study, feel that an auditor's objectivity is jeopardized by a lengthy audit tenure. In order to keep audit quality high, it is vital to switch out audit companies periodically. An investigation was conducted by Omoye and Aronwan (2016) into the relationship between the necessity for auditor rotation and audit quality in Nigerian firms that were all publicly listed banks on the NSE by December 31, 2016. They drew their conclusions from the annual reports and financial statements of the Nigerian Stock Exchange (NSE). According to the researchers, OLS econometrics found that required rotation of auditors had a significant influence on audit quality. It was shown that investors' trust in financial statements is linked to a variety of auditing quality features.

H6: Audit firm rotation is not significant with financial reporting quality

Methodology

The population is 21 listed consumer goods and the sample is 12. The model of the study is stated as:

$$FRQ_{it} = \beta_0 + \beta_1 AO_{it} + \beta_2 AI_{it} + \beta_3 AFS_{it} + \beta_4 AT_{it} + \beta_5 AQ_{it} + \beta_6 AR_{it} + \beta_7 FS_{it} + \beta_8 LEV_{it} + \mu_{it}$$

Whereas:

FRQ = Financial reporting quality, proxied by discretionary accruals as used by Kothari et al. (2005).

AO = Audit Opinion is a dummy variable, equals 1 if the firm has received a qualified opinion in the last year, 0 otherwise (Moazedi & Khansalar, 2016).

AI = Auditor Independence, measured by the ratio of non-audit services fee to total fees paid to the audit firm in each fiscal year (Mohammed & Joshua, 2012;Oladejo et al., 2020).

AFS Audit Firm Size. This was measured as 1 if the company audit firm is one of the big 4, and as 0 if otherwise (Abdulrahman et al., 2019).

AT = Audit Tenure. Length of auditor-client relationship. ‘1’ if 3 yrs.+ and ‘0’ if otherwise (Abdulrahman et al., 2019; Bassey et al., 2020; Olanisebe et al., 2018).

AQ = Audit Quality, measured by dichotomy (assign “1” for firms audited by BIG4. Otherwise, assign “0” (Oraka et al., 2019; Otuya, 2019; Umaru, 2014).

AR = Audit Rotation is ‘1’ if there is audit firm rotation and ‘0’ otherwise (Bassey et al., 2020; Olanisebe et al., 2018; Oyewo, 2016).

FS = Firm Size is Natural logarithm of total assets (Benjamin & Mailafiya, 2016; Tanko & Siyanbola, 2019). LEV = Leverage is measured by Total liabilities divided by Total Assets (Abdul-Ganiyy et al., 2021; Benjamin & Mailafiya, 2016).

= Cross-section t = time series μit = Error term

β1 – β6 = Unknown coefficients of the variables.

Secondary data sources were used to develop a statistical association between audit firms' characteristics and financial reporting quality in listed consumers goods enterprises in Nigeria. This is because the data for the research would be gathered from the sampled manufacturing enterprises' public annual reports and financial statements. This includes information on the independence of the auditor, the audit fee, the size of the audit company, the audit tenure, the audit quality, and the audit rotation. The researcher collected data for fifteen years (2006-2020). The independent variable and dependent variable of the study are defined and measured in this section of the study. In addition, the model of the study is specified according to the choice of variables. The dependent variable (FRQ) was measured using the (Kothari et al., 2005) Model. The model is measured by the parts while the discretionary accruals (DA) is measured by the error term. The estimated discretionary accruals were presented in absolute term to illustrate FRQ of listed consumer goods firms in Nigeria.

Given the quantitative nature of this study and a large number of variables analysed, multiple regression techniques was used to demonstrate a relationship between audit characteristics and the financial reporting quality of Nigerian listed manufacturing enterprises. The initial study will focus on pool regression, ignoring the heterogeneity of the individual enterprises. Panel analysis was used because the data was cross-sectional time series. Fixed and random effect models were compared, and the Hausman specification test used to determine which models to report. When a fixed effect model is chosen, a test for group heteroskedasticity is done; when a random effect model is chosen, the Lagrangian multiplier test for random effect is reported.

Results Table 1

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FRQ	180	.067	.061	.001	.434
AO	180	.033	.1800062	0	1
AI	180	.579	.0356643	.4342139	.6966588
AFS	180	4.335	.4481424	2.683	5.7955
AT	180	.694	.4619273	0	1
AQ	180	.878	.3284559	0	1
AR	180	.117	.3219181	0	1
FS	180	7.482	.724	5.39	8.68
LEV	180	.654	.279	.043	3.058

STATA 14 Outputs

Table 1 contains the descriptive statistics of the study data. The results show that the number of observations is 180, which means that the panel data were balanced for all the variables. It shows that FRQ has a mean of .067, with a standard deviation of .061 and minimum and maximum means 0f .001 and .434, respectively. Also, AO which is used to represents audit opinion has a mean of .033, with a standard deviation of .180 and minimum and maximum means of 0 and 1. Generally, the descriptive statistics shows the nature of the variables, with regards to the maximum, minimum, standard deviation and mean. These values are based on the measurements described in previous chapter of the study. The results of correlation analysis are presented here. Note that correlation matrix is used to test for relationship between variable.

Table 2

Correlation Matrix

Variable	FRQ	AO	AI	AT	AQ	AR	FS	LEV
FRQ	1.000							
AO	.125	1.000						
	.094							
AI	.058	.162*	1.000					
	.438	.029						
AT	.013	-.213*	.453	1.000				
	.864	.004	.546					
AQ	-.166*	-.309*	-.080	.047	1.000			
	.026	.000	.284	.531				
AR	.064	-.068	.017	-.473*	.030	1.000		
	.391	.368	.806	.000	.690			
FS	-.190*	-.285*	-.187*	.069	.370*	.075	1.000	
	.011	.001	.022	.356	.000	.315		
LEV	.079	.624*	.168*	-.267*	-.365*	.673	-.316*	1.000
	.290	.000	.024	.0004	.000	.369	.000	

STATA 14 Outputs

Significant at 5% level of significance

In Table 2, the first figures represent the percentage of relationship between the variables. The second set figures represent whether the relationship is significant or not. For example, it shows that the link between FRQ and AO is 12.5 percent but that the link is however not significant because probability greater than chi^2 is .094, which is greater than the threshold of .05, selected for the study. Diagnostic and post estimation tests conducted to enhance the reliability and validity of the regression results are presented as follows. The results of normal distribution check are presented using the Skewness and Kurtosis test. It should be noted that this test is a diagnostic check.

Table 3

Normality Test Results

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	Adj $chi^2(2)$	Prob>chi2
e	180	0.000	.0215	18.34	0.0001

STATA 14 Outputs

Table 3 shows the results of skewness and kurtosis tests of the residual. However, given the fact that its probability value is less than 0.05, that is, it is significant, that suggests that the result is not normally distributed. The implication is that the dataset requires transformation. The results of the kind of transformation that would make the residual normally distributed can be seen in Table 4.

Table 4

Results of Test of Transformation

Transformation	Formula	$Chi^2(2)$	$P(chi^2)$
Cubic	e^3		.000
Square	e^2e	50.12	.000
Identity	e	18.34	.000
Square root	Sqrt (e)	7.09	.029
Log	Log (e)	.91	.634
1/square root	1/sqrt(e)	5.28	.071
Inverse	1/e	18.62	.000
1/square	1/e^2	61.92	.000
1/cubic	1/e^3		.000

STATA 14 Outputs

As indicated in Table 4**, option** log (e) is the only way to transform the residual and therefore Table 5 shows the result of the transformation refers as ee.

Table 5

Results ee [log (e)]

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	Adj $chi^2(2)$	Prob>chi2
Ee	180	0.6396	.4092	.91	0.6342

STATA 14 Outputs

The results of test for multicollinearity are presented here. It should be noted that this test is a post estimation test.

Table 6. *Results of Multicollinearity*

Variable	VIF	1/VIF
LEV	1.84	0.545
AO	1.75	0.571
AT	1.44	0.693
AR	1.37	0.732
AQ	1.27	0.786
FS	1.26	0.795
AI	1.07	0.931
Mean VIF	1.43	

STATA 14 Outputs

Table 6 shows that there is no multicollinearity in the data set. This because the results are less than the threshold required of 3.33 as suggested by Gujarati (2003) and Shrestha (2020). It is however, important to note that variable AFS, which is used to represent audit firm size, was dropped due to the fact that its variance inflation inflator is higher than the minimum threshold to maintain a best linear unbiased estimator model. The results of test for heteroskedasticity are presented here. Note that the study used White Noise Test because the data are not normally distributed as advised by Rani Das and Imon, (2016). It is also important to note this check is a post estimation check.

Table 7

Cameron and Trivedi's decomposition of IM-test

Source	chi^2	df	P
Heteroskedasticity	48.31	30	0.018
Skewness	12.36	7	0.090
Kurtosis	1.54	1	0.215
Total	62.21	38	0.008

STATA 14 Outputs

Table 7 indicates there is heteroskedasticity problem inherent in the data set (.018), which required robustness test in the regression analysis. The results of panel data effect check are presented here. There is need to prove that though it is a panel data, that there is a panel effect before determining, which effect.

Table 8

Panel Effects Test Results

	Var	Sd = sqrt (Var)
FRQ	.0036932	.0607719
e	.0031632	.0562423
U	.0000951	.0097524
$Chibar^2(01)$	5.87	
Prob > $chibar^2$	.0077	

STATA 14 Outputs

The Breusch and Pagan Lagrangian multiplier test for random effects shows that the result of the panel effect check is significant (prob>$chibar^2$ is .0077) meaning that there is panel effect in the data set, which required further test to determine which model is fit. This requires a Hausman Specification Test. The results are presented in Table 9.

Table 9

Hausman Specification Check Results

Variable	Fixed	Random	Difference
AO	.123	.057	.066
AI	-.227	-.020	-.207
AT	.017	.015	.002
AQ	.006	-.016	.021
AR	.036	.029	.006
FS	.009	-.012	.021
LEV	-.045	-.022	-.023
Prob>chi2 =	0.0002		

STATA 14 Outputs

Table 9 indicates that the appropriate model for the study is Fixed Effect Model (FEM) since the probability greater chi2 is significant (0.0002). Therefore, moving forward, the regression analysis that is carried out in this study is based on FEM-cum robustness model. The results of regression analysis are presented here. Note that the regressions are based on FEM and robustness model.

Table 10

Regression Results

FRQ	Coef.	Robust Std. Err.	t	P>t	[95% Conf.	Interval]
AO	.123	.067	1.82	0.096	-.026	.271
AI	-.227	.147	-1.54	0.152	-.551	.098
AT	.017	.008	2.06	0.064	-.001	.035
AQ	.006	.016	0.36	0.726	-.029	.040
AR	.036	.012	2.98	0.013	.009	.062
FS	.009	.019	0.46	0.652	-.033	.050
LEV	-.045	.028	-1.60	0.137	-.107	.017
_cons	.138	.153	0.90	0.386	-.199	.475

STATA 14 Outputs

Table 10 indicates that for every unit of positive audit opinion, there is 12.3 percent improvement in financial reporting quality. However, audit opinion is only significant at 10 percent level of significance. Similarly, for effort to ensure that the auditors are independent, financial reporting quality is seen as negative. This may be as result of the fact that the constitution of the board of directors; audit committee, which has the mandate to select the firm of external auditor is already established beforehand and there is nothing the board can do about its constitution. Based on the results, auditors' independence is not even significant (.152). Similarly, audit tenure measured as the Length of auditor-client relationship with a positive coefficient of 0.017 and p-value of 0.064 is statistically significant at 10% level of significance as the p-value is greater than 5%. This means that, the longer the auditor client relationship the better the quality of financial reporting. Thus, an increase in auditor tenure by one year will result in about 1.7% increase in financial reporting quality of consumer goods firms listed in Nigeria. The implication of this finding suggest that, audit firm with high audit turnover would improve the reporting quality of audit clients. This is not surprising as higher turnover will provide the firm a better understanding of the client business operations and environment, leading to improved audit engagements in the future.

On the contrary, audit quality showed a positive coefficient of 0.006 and p-value of 0.726. This indicate that an increase in audit quality will result in increase in financial reporting quality. However, this is not statistically significant as the p-value is greater than 5%. The implication of this findings suggest that, the quality of audit work carried out by the Big4 audit firms does not in any way determine a firm's financial reporting quality. However, the quality of work done by audit firms should by frequently examined to strengthen and maintain trust between shareholders and management who are the preparers of the financial statements. In addition, audit rotation measured as '1' if there is audit firm rotation and '0' otherwise is statistically significant at 5%. With a positive coefficient of 0.037 and p-value of 0.013 it indicates that an increase in audit rotation will result in increased financial reporting quality. Hence, an increase in the number of times consumer goods firms rotate auditor say annually will result in increase in financial reporting quality by about 3.6%. The implication of this findings suggest that, regulatory agencies like SEC and FRCN should establish a benchmark controlling rotation of auditors in audit firms. This would ensure that independence and objective are not compromised during audit engagement of clients business. Firm size and leverage were used as control variables with a view to avoiding misspecification in the model. Firm size and leverage showed a positive and negative coefficient of 0.009 and -0.045 respectively. However, both control variables were not statistically significant in controlling the independent variables of the study. This means that, the size or level of debt to total asset of the firm does not affect the relationship between audit firm characteristics and financial reporting quality in listed consumer goods firms in Nigeria.

Discussion of Findings

The section below discusses the findings of the study in relation to the specific objectives of the study as stated in earlier chapter. The analysis of the data and interpretation of the regression results revealed varying levels of impact of audit firm characteristics and financial reporting quality of listed consumer goods firms in Nigeria. From the foregoing, the study established that, auditor opinion is significant in predicting financial reporting quality. Implying that, auditor opinion significantly impacts on financial reporting quality positively. This is not surprising as investors relay on the opinion of the auditors in deciding whether to withdraw are maintain their investments. Hence, auditors' opinion lends credence to the financial reporting quality of firms. The study thus found that, auditor opinion has significant effect on financial reporting quality. This finding is consistent with that of (Ogbeifun & Adeniran, 2020) but contradict those of (Jerry & Saidu, 2018; Moazedi & Khansalar, 2016). The study also established that, auditor independence is negatively insignificant in predicting financial reporting quality. The means, that auditor independence has a negative and insignificant impact on financial reporting quality of listed consumer goods firms in Nigeria. Although this is contrary to prior expectations as evidence from empirical literature suggest that, auditor independence has significant effect on financial reporting quality. This could however be attributed to other attributes of auditors that may compromise their independence. In view of this, consumer goods firms in Nigeria needs to encourage the presence and participation of independent auditors in the examination of its financial statements. The study thus found that, auditor independence has no effect on financial reporting quality This finding is in line with those of (Abdul-Ganiyy et al., 2021; Bassey et al., 2020; Oladejo et al., 2020; Salman, 2019).

It however contradicts the findings of (Ayowale, 2019; Herath & Pradier, 2018; Nwanyanwu, 2017; Owolabi & Afolayan, 2020).

Similarly, the study established that, audit tenure is significant in predicting financial reporting quality. Implying that, audit tenure significantly impacts on financial reporting quality positively. This is not surprising as it is expected that, the tenure of auditors will compromise independence and hence quality of financial reporting quality of firms. The study thus found that, audit tenure has significant effect on financial reporting quality This finding is consistent with that of (Chu, Dai, & Zhang, 2016; Daferighe & George, 2021; Eyenubo, Mohamed, & Ali, 2017; Kalabeke, Sadiq, & Keong, 2019; Otuya, 2019; Salman, 2019) but contradict those of (Gugong & Mailafiya, 2016; Ogungbade, Adekoya, & Olugbodi, 2021; Olanisebe et al., 2018). On the contrary, the study established that, audit quality is positive but insignificant in predicting financial reporting quality. The means, that audit quality has a positive but insignificant impact on financial reporting quality of listed consumer goods firms in Nigeria. The study thus found that, audit quality has no effect on financial reporting quality This finding is in line with those of (Abdulrahman et al., 2019; Nwanyanwu, 2017). It however contradicts the findings of (Mukhlasin, 2018; Oladejo et al., 2020). In addition, the study established that, audit rotation is significant in predicting financial reporting quality. Implying that, audit rotation significantly impacts on financial reporting quality positively. Evidence from empirical review supports that, audit rotation has significant effect on financial reporting quality. This is expected as allowing same audit members or partners to continually audit a firm for years could compromise their independence which cumulatively affects financial reporting quality negatively. The study thus found that, audit rotation has significant effect on financial reporting quality This finding is consistent with that of (Isabel & Chinwuba, 2020; Ndubuisi, Uche, & Chinyere, 2019; Ogungbade et al., 2021) but contradict those of (Olanisebe et al., 2018; Omoye & Aronmwan, 2016; Sari & Diyanti, 2019).

Conclusion

Based on the analysis and findings discussed in chapter four of the study, the following conclusion on the effect of audit firm characteristics and financial reporting quality of listed consumer goods firms in Nigeria are drawn. Audit opinion was only significant at 10 percent level of significance. Similarly, for effort to ensure that the auditors are independent, financial reporting quality is seen as negative. This may be as result of the fact that the constitution of the board of directors; audit committee, which has the mandate to select the firm of external auditor is already established beforehand and there is nothing the board can do about its constitution. Based on the results, auditors' independence is not even significant (.152). Audit opinion is a key factor in determining the financial reporting quality of firms in Nigeria. Hence audit report of listed consumer goods firms when stated objectively will improve quality of financial statements. Audit tenure revealed a positive coefficient of 0.017 and p-value of 0.064 is statistically significant at 10% level of significance as the p-value is greater than 5%. This means that, the longer the auditor client relationship the better the quality of financial reporting. Thus, an increase in auditor tenure by one year will result in about 1.7% increase in financial reporting quality of consumer goods firms listed in Nigeria. As the tenure of audit firm increases, the quality of financial statements will improve. Hence, consumer goods firms must ensure that audit firms are retained for reasonable number of years to allow for improve reporting quality.

Audit rotation measured as ‘1’ if there is audit firm rotation and ‘0’ otherwise was statistically significant at 5%. With a positive coefficient of 0.037 and p-value of 0.013 it indicates that an increase in audit rotation will result in increased financial reporting quality. Hence, an increase in the number of times consumer goods firms rotate auditor say annually will result in increase in financial reporting quality by about 3.6%. The rotation of auditors in a firm has also shown a significant impact on financial reporting quality. Hence, the rotation of auditors must be monitored to maintain the expected quality of financial statements. Auditor independence was not statistically significant as the p-value of 0.152 is greater than 5%. This implied that, a change in the independence of the auditor will have no impact on the financial reporting quality of listed consumer goods firms in Nigeria. On auditor independence and audit quality which are not significant in determining financial reporting quality independently. Its combined effect with audit opinion, audit tenure and rotation of auditors will improve financial reporting quality of listed consumer goods firms in Nigeria.

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