TITLE PAGE

IMPACT OF AUDITING ON THE INTEGRITY OF FINANCIAL STATEMENTS OF QUOTED COMPANIES IN NIGERIA.

BY

MMEGHA, OLUEBUBE LYNDA
GOU/U21/ACC/353

PROJECT SUBMITTED TO DEPARTMENT OF ACCOUNTING AND FINANCE, FACULTY OF MANAGEMENT AND SOCIAL SCIENCES GODFERY OKOYE UNIVERSITY, UGWUOMU-NIKE, ENUGU

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc.) DEGREE IN ACCOUNTING

SUPERVISOR: DR. OSMUND UGWU

JULY, 2026.

DECLARATION

I, Mmegha, Oluebube Lynda, am a bona fide student in the Department of Accounting and Finance under the Faculty of Management and Social Sciences in Godfrey Okoye University. I hereby declare that the work entitled "Impact of Auditing on the Integrity of Financial Statements of Quoted Companies in Nigeria" submitted by me in partial fulfillment of the requirements for the award of Bachelor of Science (B.Sc) degree in Accounting is my original work and has not been submitted either in part or full for any other degree or diploma either in this or any other tertiary institution.

…………………………. **……………..**

Mmegha Oluebube Lynda **Date**

CERTIFICATION

This is to certify that this research entitled “Impact of Auditing on the Integrity of Financial Statements of Quoted Companies in Nigeria”. written by Mmegha Oluebube Lynda with Registration Number GOU/U21/ACC/353 presented to the Department of Accounting and Finance of Godfrey Okoye University, Enugu has been assessed and approved for oral examination/defense by the Department of Accounting and Finance, Godfrey Okoye University, Enugu.

______________________ ______________________

DR. OSMUND UGWU **Date**

Supervisor

______________________ ______________________

PROF. JOHN ODO **Date**

Head of Department

______________________ ______________________

PROF. JOHN ODO **Date**

Dean, Faculty of MSS

______________________ ______________________

External Examiner **Date**

DEDICATION

This research work is dedicated to God Almighty for His grace, wisdom, strength, and guidance throughout the course of this study.

ACKNOWLEDGMENTS

I give all glory, honour and adoration to Almighty God for His abundant grace, mercy, wisdom and strength throughout the course of this study and my academic pursuit.

I equally appreciate the Vice Chancellor, Rev. Fr. Prof. C. Anieke, for his visionary leadership and commitment towards academic excellence in the institution.

My profound gratitude goes to my supervisor, Dr. Osmund Ugwu, whose guidance, constructive corrections, encouragement and academic support greatly contributed to the successful completion of this work.

I sincerely appreciate the Head of Department, Prof. John Odo, for his fatherly role, academic leadership and commitment towards the growth of the Department of Accounting and Finance. I also extend my heartfelt appreciation to all the lectures: Prof. S.N. Udeh, Prof. O. Inyiama, Mrs. V. I. Okoro, Prof. J. Ugwu, Prof. S. N. P. Nwankwo, Dr. E. Bassey, Dr. P. Allison, Prof. Elias I., Agbo, Prof. M. Egiyi, Dr. B. Nwachukwu, Prof. U. Onyekwelu, Prof. M. Nwafor, Miss. A Obasi, Mrs. C. Onyibo, Dr. Stephen I. Agu and Rev. Fr. W. Agu, as well as the lecturers and staff of the Department of Accounting and Finance, Godfrey Okoye University, for their academic for the knowledge, discipline and moral support they imparted during my years of study.

My special appreciation goes to my beloved mother, Mmegha chenna Anthonia, for her immeasurable love, prayers, sacrifices and encouragement which have remained my source of inspiration throughout this academic journey. I deeply appreciate my family members, especially my wonderful siblings: Mmegha Chidimma, Mmegha Amarachi, Mmegha Chinazor, Mmegha Ifeanyi and Mmegha Moses, for their unwavering support, care and motivation.

Finally, I appreciate all friends, colleagues and well-wishers who contributed in one way or another towards the success of this work. May God richly bless you all.

TABLE OF CONTENTS

LIST OF TABLES

ABSTRACT

This study examined the impact of auditing on the integrity of financial statements of quoted companies in Nigeria, using earnings quality as a proxy for financial statement integrity. Specifically, the study investigated the effects of auditor type, audit tenure, auditor rotation, and audit fees on earnings quality of quoted companies in Nigeria. The study adopted an ex-post facto research design and relied on secondary data obtained from the annual reports of selected quoted companies listed on the Nigerian Exchange Group (NGX). Panel data covering ten selected quoted companies for the period 2019–2023 were utilized for the analysis. Data were collected through documentary review and extraction of relevant accounting and auditing variables from the annual financial statements of the selected firms. Descriptive statistics, correlation analysis, Fixed Effects and Random Effects panel regression models, Hausman specification test, and normality test were employed in analysing the data and testing the hypotheses using EViews 10 statistical software. The findings revealed that auditor type has a positive but insignificant effect on earnings quality of quoted companies in Nigeria. Similarly, audit tenure and auditor rotation were found to have positive but insignificant effects on earnings quality. The study further revealed that audit fees have a significant negative effect on earnings quality during the period under review. The Hausman test indicated that the Fixed Effects Model was the most appropriate estimator for the study. The study concludes that audit fees constitute the major auditing characteristic influencing earnings quality among the sampled quoted companies, while auditor type, audit tenure, and auditor rotation do not significantly affect earnings quality. Based on the findings, the study recommends that firms should strengthen internal control systems and corporate governance mechanisms, ensure transparency in audit engagements, and adopt measures that enhance the quality and credibility of financial reporting. Regulatory authorities should also strengthen oversight and monitoring of auditing practices to promote the integrity of financial statements among quoted companies in Nigeria.

.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Financial reporting remains one of the primary mechanisms through which listed companies communicate their financial performance, position and stewardship to investors and other stakeholders who do not have access to internal information. For this information to support investment and governance decisions, it must be credible, transparent and free from distortion in line with international reporting requirements (IFRS, 2023). However, global and local evidence shows that the integrity of financial statements is frequently threatened by opportunistic reporting practices such as earnings manipulation, biased estimates, and selective disclosure, especially in environments where monitoring mechanisms are weak or enforcement is inconsistent (Palea & Scagnelli, 2022; Okafor & Osei, 2023).

Auditing is designed to mitigate these risks by providing independent assurance that the financial statements present a true and fair view of a firm's financial activities. The effectiveness of auditing, however, depends on measurable characteristics of the audit process. Contemporary research consistently highlights audit quality, auditor independence, audit tenure, auditor rotation and audit fees as key determinants of audit effectiveness (DeFond & Zhang, 2024; Krishnan & Yu, 2021; Al-Rassas & Kamardin, 2022). These characteristics are widely used as proxy variables because they can be observed, measured and subjected to statistical analysis.

Audit quality is commonly represented through auditor type, with firms audited by Big-4 audit firms generally expected to receive more rigorous audit procedures because of stronger quality control systems and international oversight. Other measurable proxies such as audit tenure, auditor rotation and audit fees capture additional dimensions of auditor behaviour and susceptibility to familiarity or economic bonding effects.

The integrity of financial statements, which is the outcome auditing seeks to enhance, is also operationalised through measurable indicators. The most widely accepted measure in contemporary research is earnings quality, often evaluated using discretionary accruals. High discretionary accruals suggest a higher likelihood that reported earnings have been influenced by managerial discretion rather than underlying economic performance, signalling weaker integrity (Ball & Shivakumar, 2022; Francis, 2021).

In Nigeria, reforms have been introduced to strengthen financial reporting and auditing practices. These include mandatory adoption of IFRS, establishment of the Financial Reporting Council of Nigeria, introduction of stricter corporate governance codes and enhanced requirements for audit committee oversight (FRCN, 2018; CAMA, 2020). Even with these reforms, recurring financial reporting irregularities among quoted firms continue to raise concerns about whether auditing is achieving its intended purpose.

Recent cases provide evidence of these concerns. Investigations into several firms between 2020 and 2023 revealed material misstatements, weak internal controls and misleading disclosures despite the presence of external auditors (SEC Nigeria, 2020; CBN, 2023). Empirical studies have linked such outcomes to long auditor tenure, low auditor independence, fee pressures and weak oversight mechanisms (Adeyemi & Fagbemi, 2021; Eyenubo et al., 2023). These indicators suggest that key audit proxies are not consistently producing improvements in earnings quality, and therefore in the integrity of financial reporting.

Given the importance of trustworthy financial information for market efficiency and investor confidence, it becomes critical to empirically assess whether auditing measured through observable audit characteristics significantly enhances the integrity of financial statements among Nigerian quoted companies.

1.2 Statement of the Problem

Financial statements remain the primary source of information for investors, regulators, and other stakeholders who rely on them to make informed economic decisions. In Nigeria, however, persistent concerns about the credibility and accuracy of these statements continue to undermine confidence in the reports issued by quoted companies. Cases of earnings smoothing, overstated assets, understated liabilities, and other forms of aggressive accounting have raised doubts about whether the financial reports truly reflect firms' underlying economic realities. These concerns highlight a deeper issue regarding the integrity of financial statements, which is expected to be safeguarded through independent and effective auditing.

Although statutory audits are designed to enhance transparency and discourage financial misrepresentation, the extent to which auditing actually strengthens the integrity of financial statements in Nigeria remains uncertain. Differences in audit quality, auditor independence, workload pressure, and the influence of firm-level financial conditions often raise questions about the auditor's ability to detect or deter reporting irregularities. In addition, profitability pressures, liquidity challenges, and high leverage may create incentives for management to manipulate reported figures, potentially impairing the auditor's effectiveness in promoting honest disclosure. Despite the practical and regulatory importance of this issue, there is limited empirical evidence on whether auditing, as currently practised in Nigeria's listed companies, significantly improves the credibility of financial reports. This unresolved concern highlights the need for a systematic investigation into the impact of auditing on the integrity of financial statements of quoted companies in Nigeria.

1.3 Research Objectives

The main objective of this study is to examine the impact of auditing on the integrity of financial statements of quoted companies in Nigeria.

The specific objectives are to:

1. Find out the extent auditor type influence earnings quality in Nigeria quoted firms
2. Determine the extent audit tenure affect earnings quality in Nigeria quoted firms
3. Examine the effect of auditor rotation on earnings quality among Nigeria quoted firms
4. Assess the extent audit fees influence earnings quality in Nigeria quoted firms

1.4 Research Questions

The following research questions guided the study;

1. To what extent does auditor type influence earnings quality in Nigeria quoted firms?
2. To what extent does audit tenure affect earnings quality in Nigeria quoted firms?
3. What is the effect of auditor rotation on earnings quality among Nigeria quoted firms?
4. To what extent do audit fees influence earnings quality in Nigeria quoted firms?

1.5 Research Hypotheses

Based on the objectives and research questions of the study, the following hypotheses were formulated to guide this study;

H_{01}: Auditor type has no significant influence on earnings quality in Nigeria's quoted firms.
H_{02}: Audit tenure has no significant effect on earnings quality in Nigeria's quoted firms.
H_{03}: Auditor rotation has no significant effect on earnings quality among Nigeria's quoted firms.
H_{04}: Audit fees do not significantly influence earnings quality in Nigeria's quoted firms.

1.6 Significance of the Study

This study will be important because the credibility of financial statements is central to how companies are evaluated, regulated, and trusted in the Nigerian business environment. When financial reports are reliable, investors can make informed decisions, regulators can enforce compliance effectively, and the public can trust the stability of the corporate sector. However, recurring cases of misstatements, weak internal controls, and audit failures have continued to raise concerns about the true level of transparency in the financial reporting process among quoted companies in Nigeria.

The findings from this research will be useful to several groups.

First, regulators such as the Financial Reporting Council of Nigeria (FRCN), SEC, and NSE can use the outcomes to improve monitoring and enforcement practices.

Second, auditors and internal control units can benefit from evidence on how their work influences financial reporting integrity, helping them to strengthen audit quality and professional skepticism.

Third, investors and financial analysts will gain insights into how much confidence they can reasonably place in audited financial statements.

Finally, the study will add to academic knowledge on corporate reporting, offering a Nigerian perspective that contributes to global discussions about audit quality and transparency in emerging markets.

1.7 Scope of the Study

This study focused on quoted companies listed on the Nigerian Exchange Group (NGX). The study examined how both internal and external auditing practices influence the integrity of their financial statements. The emphasis was on financial reporting processes, audit quality, internal control systems, and governance conditions that support or undermine credible reporting. The study does not examine private companies or public sector organisations, as their audit environments and reporting regulations differ significantly.

Geographically, the study was limited to Nigeria. The participants include auditors, internal control personnel, financial accountants, and other relevant reporting officers within selected quoted companies. The study covered five-year span from 2019-2023 reporting periods to ensure relevance to current financial reporting and regulatory challenges.

1.8 Operational Definition of Terms

Auditing: A structured process of examining and evaluating financial records and reporting systems to determine whether they are accurate, complete, and compliant with established standards and regulations.

Financial Statement Integrity: The degree to which financial statements are free from bias, misrepresentation, manipulation, and material error, such that they present a true and fair view of the firm's financial position.

External Audit: An independent examination of a company's financial statements carried out by a registered audit firm that is not part of the organisation.

Internal Audit: An internal organisational function responsible for evaluating the effectiveness of internal control, risk management, and governance procedures.

Corporate Governance: The structures, systems, and processes used to direct and control a company, particularly regarding accountability, fairness, and transparency.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Auditing

Auditing is one of the foundational pillars of modern financial reporting and corporate accountability. It represents a structured, systematic, and independent process through which the records, transactions, and financial statements of an organization are examined to determine whether they present a true and fair view of the entity's financial position, financial performance and cash flows (Adeniyi, 2020). Although the concept of auditing has evolved significantly over the centuries, its central purpose has remained constant: to provide assurance to stakeholders that financial statements are free from material misstatements, whether arising from error, fraud, or deliberate manipulation. According to the International Federation of Accountants (IFAC), an audit refers to a "systematic process of objectively obtaining and evaluating evidence regarding management assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria" (IFAC, 2018). This definition captures two critical elements that define auditing: the systematic nature of the process and its independent evaluation of management assertions. Auditors do not merely review figures mechanically; rather, they follow well-defined procedures, guided by professional standards, to obtain reasonable assurance that the information provided by management is reliable and credible.

The historical roots of auditing can be traced to ancient civilizations such as Egypt, Greece, and Rome, where officials were appointed to examine accounts for accuracy (Okafor & Ede, 2019). In those societies, audit functions primarily involved detecting fraud and misappropriation of public funds. However, the modern auditing framework emerged during the Industrial Revolution, when the growth of joint-stock companies created a separation between ownership and management. As investors became increasingly detached from day-to-day operations, there arose a need for independent experts to verify the financial accounts prepared by managers (Lee, 2015). This laid the foundation for external auditing, which is now an indispensable requirement for corporate reporting worldwide, especially for quoted public companies.

In Nigeria, the concept of auditing is deeply embedded in statutory and professional frameworks. The Companies and Allied Matters Act (CAMA) mandates all incorporated companies to be audited annually by independent auditors to ensure that the financial statements comply with relevant reporting standards and reflect a true and fair view of the company's financial affairs (CAMA, 2020). The Financial Reporting Council of Nigeria (FRCN) and the Institute of Chartered Accountants of Nigeria (ICAN) also issue guidelines and ethical standards that auditors must follow. This statutory backing underscores the critical importance Nigeria places on auditing as a mechanism for enhancing transparency, corporate governance, and investor confidence.

At its core, auditing serves to enhance the credibility of financial information. Users of financial statements—such as investors, creditors, regulators, and the public—often rely on audited financial reports to make informed decisions. Since management prepares financial statements, there is always a risk of bias, manipulation, or misrepresentation. An independent audit reduces that risk by providing objective assurance that the statements are free from material misstatement (Messier, Glover & Prawitt, 2020). Thus, audited financial statements enhance the trust and confidence of stakeholders, contributing to an efficient capital market. Another essential purpose of auditing is fraud detection and prevention. Although auditors are not primarily responsible for detecting fraud, their procedures and evaluations can uncover irregularities, weaknesses in internal control systems, or discrepancies that may signal fraudulent activity (Agu & Okeke, 2021). In this way, auditing acts as a deterrent to individuals who may be inclined to engage in fraudulent financial reporting or asset misappropriation. Auditing also contributes to improved internal control systems within organizations. During the audit, auditors evaluate the effectiveness of the internal control environment, identify weaknesses, and make recommendations for improvement. Their feedback often leads to stronger controls, reduced risks, and more efficient operations (Ojo, 2018). For quoted companies in Nigeria where corporate governance concerns, weak controls, and financial irregularities have historically persisted strengthening internal controls through audits is extremely valuable. Auditing plays an essential role in compliance monitoring. Companies must comply with various laws, regulations, and financial reporting standards such as the International Financial Reporting Standards (IFRS). Auditors assess whether the financial statements conform to these rules, thereby helping companies avoid legal penalties and reputational damage (Owolabi & Nnadi, 2020). This compliance function is particularly significant in Nigeria's business environment, where regulatory agencies such as the Securities and Exchange Commission (SEC) and the Nigerian Exchange (NGX) monitor the activities of listed firms.

Scholars and professional bodies categorize auditing into various types depending on the objectives and scope. The most relevant types include:

a. External Audit: This is an independent examination of financial statements carried out by auditors who are not employees of the organization. External audits provide an unbiased opinion on whether the financial statements give a true and fair view (Hay, 2019). They are mandatory for all public companies in Nigeria and form the backbone of financial statement credibility.

b. Internal Audit: Internal audits are conducted by employees of the organization, although they are expected to maintain objectivity. The focus is on risk management, control processes, and operational efficiency. Internal auditing complements external auditing by strengthening internal controls (Adebayo & Ojo, 2017).

c. Forensic Audit: This type focuses on investigating suspected fraud or financial crimes. Forensic audits involve specialized techniques for uncovering complex schemes of manipulation, misappropriation, and corruption (Okoye & Gbegi, 2018). They are increasingly used in Nigeria due to rising cases of financial misconduct.

d. Compliance Audit: This involves examination to determine whether an entity is following specific laws, policies or contractual agreements. In Nigeria, compliance audits are important in industries such as banking, insurance, and oil and gas (Owolabi & Nnadi, 2020).

Each type plays a unique role in promoting transparency, although the external audit is most directly tied to the integrity of financial statements.

One of the most significant conceptual dimensions of auditing concerns its relationship with stakeholder trust. Investors typically face information asymmetry, meaning that managers possess more information than outsiders. Auditing reduces this asymmetry by providing verification of management's assertions (Watts & Zimmerman, 1986). This verification allows investors to make decisions based on reliable financial information rather than speculation. For quoted companies in Nigeria, where investor confidence is often fragile due to weak regulatory enforcement and corporate scandals, the auditor's role becomes even more critical. Audited financial statements help reassure both local and foreign investors that they can rely on the information supplied by companies listed on the Nigerian Exchange (Akujobi, 2015). This positively affects investment inflows, market stability, and the overall transparency of the business environment.

Auditing continues to evolve in response to changes in business practices, technology, and regulatory expectations. Digital transformation has introduced new tools such as data analytics, continuous auditing, and artificial intelligence that improve the efficiency and depth of audit procedures (Glover & Prawitt, 2021). In Nigeria, the adoption of IFRS and increased regulatory scrutiny have strengthened audit practices and increased the demand for high-quality audit services. Corporate failures such as Enron, WorldCom, Cadbury Nigeria, and more recent scandals have shaped modern auditing by emphasizing the importance of auditor independence, audit rotation, and stricter oversight frameworks (Okafor & Ede, 2019).

2.1.2 External Auditing

External auditing is a statutory and professional requirement for all quoted companies and represents one of the most important mechanisms for ensuring accountability and financial transparency in the corporate environment. External auditing refers to the independent examination of a company's financial statements by auditors who are not employees of the organization and who must maintain professional detachment throughout the audit process (Adeniyi, 2020). The concept is anchored on the principle that financial information presented to the public requires objective verification in order to enhance its credibility. For quoted companies whose shares are traded openly in the capital market the need for external auditing becomes even more pronounced because investors rely heavily on published financial reports when making investment decisions.

In Nigeria, external auditing of quoted companies is regulated through statutory frameworks, financial reporting standards, ethical codes, and oversight mechanisms. The Companies and Allied Matters Act (CAMA) 2020 compels all public companies to appoint independent auditors who must examine their annual financial statements and express an opinion on whether the statements present a true and fair view of the organization's financial position and performance. CAMA further requires that auditors be qualified, recognized members of professional accounting bodies such as the Institute of Chartered Accountants of Nigeria (ICAN) or the Association of National Accountants of Nigeria (ANAN), thereby reinforcing the role of professional competence in external audits. The principle of independence lies at the heart of external auditing. Independence ensures that auditors are free from undue influence, conflict of interest, or bias, all of which could compromise the integrity of their judgment (Hay, 2019). In the context of quoted companies, independence is essential because managers may have incentives to manipulate reports to portray the company in a favorable light whether to attract investors, secure loans, enhance market valuation, or meet regulatory benchmarks. The external auditor serves as a check on management's assertions by critically assessing whether the financial statements comply with International Financial Reporting Standards (IFRS) and reflect the economic reality of the firm.

As part of their responsibilities, external auditors evaluate the internal control system of the organization to determine its adequacy and effectiveness in preventing material misstatements. A strong internal control environment often reduces audit risk and allows auditors to place reliance on internal processes. Conversely, weak controls signal a higher risk environment, prompting auditors to increase the extent of substantive testing. For quoted companies, many of which operate complex systems with significant transaction volumes, this assessment is vital for ensuring that errors and irregularities do not go undetected (Ojo, 2018). External auditors also perform risk assessment procedures to identify areas in the financial statements where misstatements are most likely to occur. These risks may be related to revenue recognition, asset valuation, contingent liabilities, related-party transactions, or management estimates. In Nigerian quoted companies, risk assessment is especially important due to industry-specific challenges such as fluctuating exchange rates, weak governance structures, regulatory volatility, and occasional corporate scandals (Owolabi & Nnadi, 2020). By identifying high-risk areas early in the audit process, external auditors are able to focus their efforts where assurance is most needed.

A critical output of external auditing is the audit report, which communicates the auditor's opinion to shareholders and the investing public. The audit opinion may be unqualified (clean), qualified, adverse, or a disclaimer, depending on whether the financial statements conform to reporting standards or contain material misstatements (ISA 700). For quoted companies, an unqualified audit opinion enhances credibility and investor confidence, while a qualified or adverse opinion may raise doubts about the integrity of financial reporting. The audit report therefore plays a fundamental role in signalling the level of reliability associated with the company's financial statements. Another important aspect of external auditing in quoted companies is the role of audit firms, particularly the size and reputation of the audit firm. Research consistently shows that larger audit firms especially the Big Four tend to provide higher audit quality due to stronger technical expertise, more extensive training, stricter internal controls, and reputational considerations (Messier, Glover & Prawitt, 2020). In Nigeria, many quoted companies engage large or well-established audit firms because the capital market places significant value on the perceived reliability associated with reputable auditors. The prestige of the audit firm therefore enhances stakeholders' trust in the audited financial statements.

External auditing is also tied to corporate governance requirements. Quoted companies in Nigeria are expected to establish audit committees in compliance with CAMA and the Securities and Exchange Commission (SEC) Code of Corporate Governance. These committees facilitate communication between external auditors and the board of directors, ensure auditor independence, and oversee the integrity of the financial reporting process. An effective audit committee strengthens the external audit function by ensuring that auditors have unrestricted access to financial records and are protected from managerial interference (Akujobi, 2015). Furthermore, external auditing plays a vital role in enforcing compliance with regulatory requirements. Quoted companies must adhere to a wide range of rules set by the Nigerian Exchange (NGX), SEC, FRCN, and other regulatory bodies. External auditors verify whether companies comply with these regulations, including disclosure requirements, financial reporting timeliness, statutory filings, and industry-specific compliance obligations. By ensuring adherence, auditors contribute to the stability and integrity of the capital market.

Despite its importance, external auditing is not without challenges. One significant challenge is the expectation gap, where the public expects auditors to detect all fraud, while auditing standards require only reasonable assurance (Hay, 2019). In addition, audit independence may be compromised when auditors become too familiar with management or when audit fees constitute a significant revenue source. Other challenges include complex accounting estimates, limitations inherent in audit sampling, and pressure from clients to issue favorable opinions (Agu & Okeke, 2021). In Nigeria, peculiar issues such as regulatory weaknesses, corruption, and lack of timely financial disclosures further complicate the external audit function. Nonetheless, external auditing remains a crucial mechanism for ensuring transparency, accountability, and the integrity of financial statements in quoted companies. It reassures existing and potential investors, strengthens market discipline, limits managerial opportunism, and enhances the credibility of the financial reporting environment. Without external auditing, the financial statements of quoted companies would carry significantly less weight, reducing investor confidence and undermining the effectiveness of the capital market.

2.1.3 Audit Quality

Audit quality is a central concept in auditing research and practice, especially for quoted companies whose financial statements are relied upon by diverse stakeholders in the capital market. While the term "audit quality" does not have a universally accepted definition, scholars generally agree that it reflects the degree to which an audit can detect and report material misstatements in the financial statements (DeAngelo, 1981). In essence, audit quality refers to the effectiveness, reliability, and credibility of the audit process, and the confidence that users can place in the audit opinion. For quoted companies in Nigeria, where financial misreporting, weak governance structures, and occasional corporate scandals have been documented, the quality of the audit process is crucial for sustaining investor trust and the integrity of financial information.

DeAngelo's (1981) seminal definition remains highly influential: audit quality is the joint probability that an auditor will both (a) discover a material misstatement, and (b) report it. This definition emphasizes two important dimensions. The first dimension relates to the auditor's technical competence, which determines their ability to detect misstatements. The second dimension relates to auditor independence, which determines their willingness to report such misstatements once identified. High audit quality is therefore achieved when auditors possess the necessary technical expertise, apply professional skepticism, and maintain independence from the client.

Audit quality is also defined in regulatory and professional terms. The International Auditing and Assurance Standards Board (IAASB, 2014) views audit quality as the achievement of an audit that is conducted in accordance with professional standards, ethical requirements, and the application of sound judgment by competent auditors. According to this perspective, audit quality is not a single action but a combination of factors relating to audit inputs (skills, knowledge, ethical competence), audit processes (procedures, documentation, risk assessment), and audit outputs (audit reports, communication with stakeholders). In Nigeria, the Financial Reporting Council of Nigeria (FRCN) and professional bodies such as ICAN emphasize a similar viewpoint, underscoring the importance of standards compliance and ethical integrity.

Researchers identify a wide range of factors that influence audit quality, and several of these determinants are critical in the context of quoted companies.

1. Auditor Independence: Independence is one of the strongest predictors of audit quality. When auditors remain free from client influence, they are more likely to apply skepticism and report irregularities (Hay, 2019). However, familiarity threats, financial dependence on audit fees, and long auditor–client relationships may weaken independence. Regulatory frameworks in Nigeria, such as mandatory audit partner rotation and audit committee oversight, are designed to strengthen independence.

2. Audit Firm Size: Studies consistently show that larger audit firms particularly the Big Four tend to provide higher audit quality due to stronger internal controls, more extensive training, better resources, and reputational concerns (Francis, 2011). Quoted companies in Nigeria often engage large or reputable audit firms to signal credibility to shareholders and foreign investors.

3. Auditor Expertise and Competence: Audit quality improves when auditors possess sufficient technical knowledge, industry specialization, and experience in applying International Financial Reporting Standards (Messier, Glover & Prawitt, 2020). Competent auditors are better able to assess risks, evaluate complex transactions, and detect misstatements.

4. Audit Fees: Audit fees may influence audit quality in two opposite ways. Adequate fees ensure that auditors allocate sufficient time and resources, while excessively low fees may lead to rushed audits and reduced quality. Conversely, very high fees could create economic dependence on the client, thereby threatening independence (Owolabi & Nnadi, 2020).

5. Audit Committee Effectiveness: Strong audit committees enhance audit quality by ensuring independence, facilitating communication between auditors and the board, and supervising the integrity of the financial reporting process (Akujobi, 2015). An active and knowledgeable audit committee increases the likelihood that auditors will perform high-quality work.

6. Regulatory Oversight: Effective regulation enhances audit quality by enforcing compliance with standards. The Nigerian Exchange (NGX), SEC, and FRCN monitor audit practices, impose sanctions for poor-quality audits, and require timely disclosures. Strong oversight motivates auditors to maintain high standards. Audit quality plays a key role in sustaining the efficiency and stability of the capital market. High-quality audits enhance investor confidence by ensuring that published financial information is truthful, accurate, and free from the bias of managerial manipulation. When audit quality deteriorates, financial misstatements become more likely, leading to poor investment decisions, loss of market value, and erosion of public trust.

2.1.4 Auditor Independence

Auditor independence is one of the most fundamental principles underpinning the credibility of the auditing profession and the reliability of financial statements. It refers to the ability of the auditor to maintain an unbiased and objective mental attitude in the performance of an audit assignment, free from undue influence, conflict of interest, or any situation that may impair professional judgment (DeAngelo, 1981). Independence is not only a behavioural expectation; it is also a perceptual requirement, meaning that auditors must be independent both in fact and in appearance. Independence in fact refers to the auditor’s actual state of mind—objectivity, detachment, and freedom from conflicts while independence in appearance means that third-party users of financial statements must perceive the auditor as free from influences that may compromise the audit opinion (AICPA, 2019). Both dimensions are essential because even if an auditor behaves objectively, any appearance of bias or conflict can undermine public confidence in the integrity of audited financial statements (Moore, Tetlock & Tanlu, 2016).

Auditor independence is frequently threatened by several factors that are widely discussed in the literature. One of the most significant threats is the self-interest threat, which arises when auditors develop economic ties with the firm they audit, such as dependence on audit fees or provision of lucrative non-audit services (Beattie, Brandt & Fearnley, 2019). When the auditor relies heavily on the client for revenue, the incentive to issue a favourable opinion increases, especially when the risk of losing the client could have financial consequences for the audit firm. This is particularly relevant for Nigeria, where audit firms often rely on large quoted companies for a significant portion of their business. Another threat is the self-review threat, which occurs when an auditor audits information that they previously prepared or were involved in. For instance, when firms provide both audit and consultancy services, independence is compromised because the auditor becomes both evaluator and creator of the information being audited.

There is also the familiarity threat, which occurs when auditors develop close personal or long-term relationships with management. Over time, such relationships may lead to reduced professional scepticism, as the auditor becomes too trusting of management representations (Gul, Jaggi & Krishnan, 2017). Audit partner rotation is therefore widely recommended as a mitigating strategy. The advocacy threat arises when auditors represent or promote a client's position, thereby compromising neutrality. Lastly, the intimidation threat occurs when auditors face pressure, coercion, or undue influence from management, such as the threat of dismissal, litigation, or reputational damage. These threats are particularly relevant in contexts where corporate governance structures are weak, as is the case in several Nigerian quoted companies where controlling shareholders or politically connected individuals exert influence over financial reporting processes.

2.1.5 Financial Statements

Financial statements represent the primary means through which corporate entities communicate their financial performance, financial position, and cash-flow activities to stakeholders. They constitute a structured representation of the financial effects of business transactions and events, prepared in accordance with established accounting standards, most notably the International Financial Reporting Standards (IFRS). The International Accounting Standards Board (IASB, 2018) defines financial statements as a set of reports that provide information about an entity's assets, liabilities, equity, income, expenses, and cash flows, thereby enabling users to assess the financial health and stewardship of management. In the context of quoted companies in Nigeria, financial statements play a particularly critical role because the investing public, regulators, lenders, and analysts rely heavily on them to make informed economic decisions. Without credible financial statements, the foundation of capital market transactions becomes unstable, underscoring why their accuracy and integrity are central to corporate accountability (Oluwagbuyi & Emeni, 2018).

Financial statements are essential because they serve as the primary communication tool between a company's internal management and its external stakeholders. Management prepares these statements, but they are intended primarily for external users, including shareholders, creditors, tax authorities, regulators, analysts, employees, and the general investing public. IFRS requires that financial statements provide information that is useful for decision making, particularly in assessing the entity's ability to generate future cash flows, meet its financial obligations, and deliver sustainable returns to shareholders. The stewardship function of financial reporting is also central: financial statements help users evaluate how effectively management has deployed the entity's economic resources (Elliot & Elliot, 2017). This stewardship role is especially significant in Nigeria, where the dispersion of ownership in quoted companies means shareholders depend heavily on annual financial reports to hold managers accountable.

The primary components of financial statements include the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows. These components, along with the accompanying notes, provide a comprehensive picture of an entity's financial performance, financial structure, and liquidity. The statement of financial position commonly known as the balance sheet shows the company's assets, liabilities, and equity at a particular point in time. It provides insights into solvency, capital structure, liquidity, and working capital management (Woelfel & Ziebart, 2016). For quoted companies in Nigeria, this statement is vital for evaluating the firm's financial stability and capacity to meet its short- and long-term obligations. Banks, institutional investors, and regulators frequently analyse balance sheet figures to assess systemic risks and compliance with prudential guidelines.

The statement of profit or loss and other comprehensive income shows the company's revenue, expenses, gains, and losses over a reporting period. It provides a measure of profitability and operational efficiency. Investors often rely on earnings per share (EPS), operating profit margin, and net profit margin derived from this statement to evaluate managerial effectiveness and firm performance. However, this component has historically been the most prone to manipulation because management has incentives to inflate profits or minimize losses to influence share prices, meet loan covenants, or satisfy executive compensation schemes (Healy & Wahlen, 1999). Corporate scandals in Nigeria, such as the Cadbury Nigeria Plc earnings overstatement case, demonstrated how easily profit figures can be distorted when internal controls and auditor oversight are weak (Ojo, 2009). Thus, the integrity of the profit or loss statement is a central concern for auditors.

Another critical component is the statement of cash flows, which reports cash inflows and outflows categorised into operating, investing, and financing activities. While earnings can be affected by accruals and estimates, cash flows are generally harder to manipulate, making this statement a more transparent indicator of liquidity and financial resilience. In the Nigerian context, where firms often face credit constraints, foreign exchange shortages, and economic volatility, cash flows play a significant role in investment decisions. Analysts and creditors frequently rely on cash flow data to evaluate an entity's capacity to sustain operations and service debt (Iyoha, Ojeka & Ogundana, 2019). Auditors also pay close attention to cash flow statements because inconsistencies between cash flows and reported profits may signal aggressive accounting practices or potential fraud.

For financial statements to achieve their purpose, they must possess certain qualitative characteristics as defined by the IASB's Conceptual Framework (IASB, 2018). These characteristics include relevance, faithful representation, comparability, verifiability, timeliness, and understandability. *Relevance* requires that financial statements contain information capable of influencing users' decisions, while *faithful representation* demands that the information presented is complete, neutral, and free from material error. Faithful representation is critical to the concept of integrity, which refers to the accuracy, reliability, and truthfulness of the information presented. Without faithful representation, financial statements lose their value as decision-making tools.

Comparability allows users to identify similarities and differences across reporting periods or among different companies. This is particularly important for Nigeria's quoted companies because investors often compare firms within the same industry. *Verifiability* ensures that different knowledgeable observers could reach the same conclusion from the available evidence, reinforcing trust in reported information. *Timeliness* ensures that users receive information while it is still relevant, while *understandability* requires that the information is presented clearly and logically.

For quoted companies in Nigeria, financial statements also carry significant regulatory implications. The Financial Reporting Council of Nigeria (FRCN), the Securities and Exchange Commission (SEC), the Central Bank of Nigeria (CBN), and the Nigerian Exchange Group (NGX) all rely on audited financial statements to monitor compliance, assess systemic risks, and enforce sanctions when necessary. Companies are required to file annual audited reports as part of their statutory obligations. Failure to submit credible and timely financial statements can result in penalties, delisting, reputational damage, and in extreme cases, legal action. The regulatory environment in Nigeria has become increasingly stringent in response to corporate failures and the need to align with global standards, making the integrity of financial statements a matter of national economic significance (FRCN, 2020). In addition to regulatory enforcement, financial statements influence capital allocation decisions. Investors use profitability ratios, asset valuations, leverage ratios, and cash flow analyses derived from financial statements to determine whether to buy, sell, or hold securities. Creditors analyse liquidity and solvency indicators to evaluate creditworthiness. Potential business partners, suppliers, and other stakeholders also depend on accurate financial reporting to assess the financial viability of quoted companies. When financial statements lack integrity, these stakeholders face heightened risks, which can erode trust, reduce investment inflows, and distort market efficiency. The 2009 Nigerian banking sector crisis illustrated how widespread misreporting of asset quality and provisioning contributed to systemic risk and loss of investor confidence (Sanusi, 2010). This underscores the direct link between financial reporting integrity and the stability of financial markets.

2.1.6 Integrity of Financial Statements

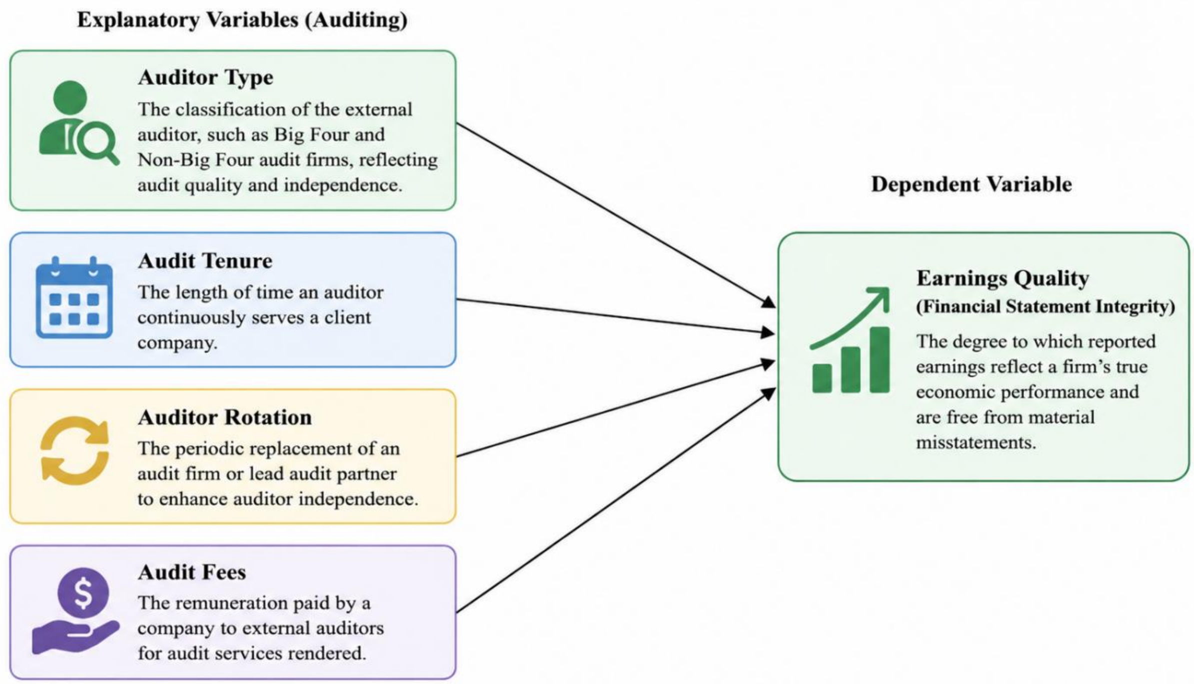
The concept of integrity in financial statements is central to the practice of accounting, auditing, and corporate governance. Integrity refers to the quality of being honest, accurate, complete, and reliable, such that financial information faithfully represents the economic activities and position of an entity without distortion, misrepresentation, or bias. In the context of quoted companies, integrity embodies the assurance that financial statements provide a true and fair view of the company's financial performance, financial position, and cash flows. This principle underpins the confidence that investors, creditors, regulators, and other stakeholders place in financial reporting and ultimately determines the credibility of the capital market (Watts & Zimmerman, 1986; Healy & Wahlen, 2019).

Integrity is not merely an ethical or philosophical concept; it is operationalized in the standards, regulations, and professional practices that guide accounting and auditing. According to the International Ethics Standards Board for Accountants (IESBA) Code of Ethics (2019), integrity requires accountants and auditors to be straightforward and honest in all professional and business relationships, avoid intentional misrepresentation, and ensure that the information provided is free from material misstatement. In practice, integrity is closely tied to the principles of transparency, accountability, and reliability, all of which are critical in the Nigerian context, where instances of corporate financial misreporting have historically eroded investor confidence (Owolabi & Nnadi, 2020).

The integrity of financial statements is influenced by several dimensions. Completeness ensures that all relevant financial transactions and events are captured in the reports. Accuracy guarantees that the numerical amounts and disclosures are mathematically and substantively correct. Neutrality or objectivity requires that information is not biased, exaggerated, or manipulated to favour a particular interest group, such as management, shareholders, or creditors. Consistency allows stakeholders to compare financial data across periods and among companies within the same industry. Lastly, verifiability ensures that different auditors or knowledgeable users can arrive at the same conclusions using the evidence provided (IASB, 2018). These dimensions collectively define integrity and form the basis for evaluating the reliability of financial statements.

The role of integrity in financial statements is particularly critical for quoted companies in Nigeria, whose shares are publicly traded, and whose financial information influences investment decisions. Quoted companies are accountable not only to management and shareholders but also to regulators such as the Securities and Exchange Commission (SEC), the Nigerian Exchange Group (NGX), and the Financial Reporting Council of Nigeria (FRCN). Investors rely on the integrity of financial statements to make informed decisions regarding buying, selling, or holding securities. Any compromise in integrity can lead to distorted valuation, misallocation of capital, loss of investor confidence, and even systemic risk in the capital market (Sanusi, 2010; FRCN, 2020). This demonstrates why the concept of integrity cannot be separated from the auditing function, which serves as the primary mechanism to safeguard it.

Figure 2.1: Conceptual Framework of the Study



Source: Researcher's Conceptualization (2025)

2.2 Theoretical Review

This study is anchored on the following theories:

2.2.1 Agency Theory

Agency theory was first propounded by Jensen and Meckling in 1976 and has since become a foundational theory in corporate governance and auditing studies. The theory explains the relationship between principals (owners or shareholders) and agents (managers), highlighting the inherent conflicts that arise when agents are entrusted with decision-making authority over the principals' resources. According to the theory, managers may pursue their self-interest rather than the interest of shareholders, resulting in opportunistic behaviour such as earnings manipulation, misreporting, or misuse of corporate resources (Jensen & Meckling, 1976).

Agency theory emphasizes that monitoring mechanisms are necessary to align the interests of managers and shareholders. Auditing is one of the most critical monitoring mechanisms because it provides an independent assessment of management's stewardship, ensuring that financial statements accurately reflect the firm's financial position and performance. In quoted companies, where ownership is dispersed and shareholders are not actively involved in day-to-day operations, the risk of information asymmetry between management and investors is particularly high. Auditors serve to reduce this asymmetry by verifying the completeness, accuracy, and reliability of financial statements, thereby enhancing their integrity (Watts & Zimmerman, 1986).

The theory further identifies mechanisms such as board oversight, audit committees, and incentive structures that can mitigate agency problems. For instance, independent audit committees enhance the effectiveness of external audits by monitoring the auditor's work, reviewing financial reporting processes, and ensuring compliance with standards (Klein, 2002). The implications of agency theory for this study are clear: the impact of auditing on the integrity of financial statements is largely a function of the auditor's ability to enforce accountability, maintain independence, and detect managerial misreporting.

In essence, agency theory provides a theoretical explanation for why financial statement integrity may be compromised in the absence of effective auditing. It highlights the critical role of auditors in mitigating agency conflicts and reinforces the need for robust corporate governance practices to support accurate and reliable reporting.

2.2.2 Stewardship Theory

Stewardship theory, as propounded by Donaldson and Davis in 1991, presents a complementary perspective to agency theory. While agency theory assumes that managers are inherently selfinterested, stewardship theory posits that managers are trustworthy stewards of corporate resources who are motivated by organizational success, intrinsic satisfaction, and reputation (Donaldson & Davis, 1991). According to this theory, managers prioritize the interests of shareholders and stakeholders, and they are naturally inclined to ensure that financial statements faithfully reflect the company's performance.

In the context of auditing and financial statement integrity, stewardship theory implies that auditing is not only a monitoring tool but also a mechanism to reinforce and validate managerial stewardship. Even when managers act as responsible stewards, external auditing provides additional assurance to shareholders and other stakeholders that the reported information is reliable and free from error or bias. In Nigeria, where the perception of corporate mismanagement and financial irregularities has historically been a concern, stewardship theory underscores the role of auditing in building stakeholder confidence and promoting transparency in quoted companies (Uwuigbe, 2013).

Moreover, stewardship theory highlights the importance of organizational culture, ethical conduct, and management accountability in achieving high-quality financial reporting. When managers act as stewards, they are more likely to cooperate with auditors, provide complete and accurate information, and implement internal control mechanisms that prevent financial misstatements. This aligns with the study's focus on auditing as a determinant of the integrity of financial statements, showing that both the actions of management and the oversight function of auditors are necessary for reliable reporting.

Stewardship theory is complementary because it recognizes that not all managerial behaviour is opportunistic. By emphasizing managerial cooperation, ethical conduct, and accountability, stewardship theory helps explain situations where auditing serves as a validation mechanism rather than purely a monitoring tool.

2.2.3 Legitimacy Theory

Legitimacy theory, introduced by Suchman in 1995, explains organizational behaviour in terms of societal expectations. The theory posits that organizations continually seek to maintain legitimacy by conforming to social norms, legal requirements, and stakeholder expectations. In the context of financial reporting, legitimacy theory suggests that companies prepare and disclose financial statements to demonstrate accountability and gain acceptance from shareholders, regulators, and the public (Patten, 1992).

For quoted companies in Nigeria, maintaining legitimacy is crucial because financial reporting is subject to scrutiny by regulators such as the SEC, the NGX, and the FRCN. Failure to produce reliable and accurate financial statements can damage a company's reputation, reduce investor confidence, and invite regulatory sanctions. Auditing, therefore, serves as a mechanism through which companies can validate their legitimacy claims. An independent and high-quality audit enhances the credibility of financial statements, signaling to stakeholders that the company is operating responsibly and transparently.

Legitimacy theory also explains why some companies may attempt to manipulate financial statements or engage in selective disclosure. When corporate legitimacy is threatened—due to poor financial performance, legal scrutiny, or public criticism—management may be tempted to misrepresent financial data to maintain a positive public image. Auditing mitigates this risk by independently verifying the accuracy of reported figures, thereby protecting the integrity of financial statements and ensuring that the company's legitimacy is based on factual information rather than perception or misrepresentation (Deegan, 2002). Legitimacy theory provides an external perspective, illustrating that companies are subject not only to internal oversight but also to societal and regulatory expectations. Auditing therefore becomes a tool through which companies demonstrate compliance, transparency, and accountability, reinforcing the integrity of financial statements in the eyes of stakeholders.

This study is anchored primarily on agency theory because it directly explains the relationship between auditing (the independent variable) and the integrity of financial statements (the dependent variable). Agency theory provides a robust framework for understanding why financial statements may be unreliable in the absence of monitoring and oversight. It also explains the role of auditors in detecting misstatements, enforcing accountability, and reducing information asymmetry between management and shareholders.

2.3 Empirical Review

Abdullahi and Ahmad (2016) conducted a study on the influence of audit quality on the reliability of financial statements among quoted firms in Nigeria. The population of the study comprised quoted Nigerian companies, from which a sample of 45 firms was selected. The study did not specify the sampling technique adopted. An ex-post facto research design was employed, while secondary data were obtained from the annual reports and accounts of the selected firms covering the period 2010 to 2015. The data collected were analyzed using regression analysis. The findings revealed that audit quality positively influenced the accuracy and reliability of financial statements, as firms audited by Big Four audit firms reported fewer errors and more comprehensive disclosure notes than those audited by smaller audit firms. Based on these findings, the study recommended that quoted companies should engage reputable audit firms in order to enhance the credibility and reliability of their financial statements.

Okolie et al. (2017) investigated the impact of auditor independence on the integrity of financial statements among listed companies in Nigeria. The population consisted of listed Nigerian companies, while a sample of 60 companies was used for the study. The sampling technique was not stated by the authors. The study adopted an ex-post facto research design and relied on secondary data obtained from the annual reports of the selected companies covering the period 2012 to 2016. Regression analysis was employed in analyzing the data. The findings showed that auditor independence significantly improved the reliability of financial statements, as firms with minimal non-audit service engagements exhibited greater reporting integrity. The study therefore recommended strengthening auditor independence through restrictions on excessive non-audit services provided by external auditors.

Owolabi and Nnadi (2018) examined the effect of audit committee effectiveness on the credibility of financial statements among Nigerian banks. The population comprised banks operating in Nigeria, from which a sample of 35 banks was selected. The sampling technique was not specified. The study adopted an ex-post facto research design and utilized secondary data obtained from the annual reports of the sampled banks between 2013 and 2017. The data were analyzed using regression analysis. The findings revealed that firms with strong and independent audit committees produced more credible and complete financial statements and were less likely to engage in earnings management practices. Based on these findings, the authors recommended strengthening audit committee independence and improving internal control systems within Nigerian banks.

Uwuigbe and Uwuigbe (2019) carried out a study on the relationship between audit quality, earnings management, and financial statement reliability among non-financial quoted firms in Nigeria. The population consisted of non-financial quoted firms, while a sample of 50 firms was selected for the study. The sampling technique adopted was not reported. The study employed an ex-post facto research design and made use of secondary data extracted from annual reports covering the period 2014 to 2018. Regression analysis served as the method of data analysis. The findings indicated that firms with higher audit quality exhibited lower levels of earnings management and greater financial statement reliability. The study recommended strengthening audit quality through enhanced professional standards and greater auditor independence.

Adebayo and Adekunle (2020) investigated the impact of audit firm reputation and auditor rotation on financial statement integrity among manufacturing firms quoted on the Nigerian Exchange. The study population comprised quoted manufacturing firms, from which a sample of 40 firms was selected. The sampling technique was not specified. An ex-post facto research design was adopted, and secondary data were sourced from the annual reports of the selected firms between 2015 and 2019. Regression analysis was used to analyze the data collected. The findings showed that firms audited by highly reputable audit firms and those that practiced periodic auditor rotation reported fewer material misstatements and more transparent financial disclosures. Consequently, the study recommended periodic auditor rotation and the engagement of reputable audit firms to enhance financial statement integrity.

Ibrahim et al. (2021) examined the relationship between audit frequency and financial statement reliability among quoted companies in Nigeria. The population of the study comprised quoted Nigerian companies, while a sample of 55 companies was selected for analysis. The sampling technique employed was not specified by the authors. The study adopted an ex-post facto research design and relied on secondary data obtained from the annual reports of the selected companies covering the period 2016 to 2020. Data collected were analyzed using panel data regression analysis. The findings revealed a positive and significant relationship between audit frequency and financial statement reliability, indicating that frequent audits enhance the accuracy of financial reporting and reduce the likelihood of material misstatements. The study recommended that firms should strengthen their audit processes through more frequent audit engagements to improve the reliability of financial statements.

Chukwuma and Eze (2022) investigated the combined effects of auditor independence and audit committee oversight on the integrity of financial statements among listed firms in Nigeria. The population consisted of listed Nigerian firms, from which a sample of 30 companies was selected. The sampling technique was not reported. The study adopted an ex-post facto research design and utilized secondary data obtained from annual reports and audited financial statements of the selected firms between 2017 and 2021. Data were analyzed using regression analysis. The findings showed that firms with independent auditors and proactive audit committees produced financial statements that were more reliable, transparent, and complete. The study therefore recommended strengthening auditor independence and enhancing the effectiveness of audit committees in order to improve financial reporting integrity.

Okonkwo and Nwankwo (2023) examined the role of external audit quality in enhancing investor confidence through reliable financial statements among quoted companies in Nigeria. The population comprised quoted companies in Nigeria, while a sample of 45 firms was selected for the study. The sampling technique was not specified. The study employed an ex-post facto research design and relied on secondary data extracted from annual reports of the selected firms covering the period 2018 to 2022. Regression analysis was used as the method of data analysis. The findings revealed that audit quality significantly reduced discrepancies between reported earnings and actual performance, thereby increasing the credibility of financial statements and investor confidence. Based on these findings, the study recommended that firms should prioritize high-quality audit services to improve reporting credibility and attract investor trust.

Asogba, Soyemi, and Ariyibi (2024) investigated the influence of audit committee expertise and audit quality on financial reporting quality among non-financial quoted firms in Nigeria. The population consisted of non-financial quoted firms, although the exact population size was not specified. The sample size and sampling technique were also not clearly stated by the authors. The study adopted an ex-post facto research design and utilized secondary data obtained from the annual reports of the selected firms. Data were analyzed using regression analysis. The findings revealed that audit committees with greater financial expertise, together with audits conducted by large audit firms, significantly improved financial reporting quality through lower accrual manipulation and higher accrual quality. The study recommended strengthening audit committee competence and engaging reputable audit firms to enhance the integrity of financial reporting.

Afensimi and Ayemere (2020) examined the effect of audit committee characteristics on earnings management among Nigerian firms. The population comprised Nigerian quoted firms, although the exact population size was not stated. The sample size and sampling technique were not specified. The study adopted an ex-post facto research design and utilized secondary data extracted from annual reports of the selected firms. Data collected were analyzed using regression analysis. The findings showed that audit committee independence, financial literacy, committee size, and frequency of meetings significantly reduced discretionary accruals and earnings manipulation. Based on the findings, the study recommended strengthening audit committee independence and enhancing the financial expertise of committee members to improve the quality and integrity of financial reporting.

Adewale and Adebayo (2023) adopted an ex-post facto research design to examine audit committee characteristics and financial reporting quality among listed manufacturing firms in Nigeria. The population of the study comprised manufacturing firms listed on the Nigerian

Exchange Group (NGX), from which a sample was selected, although the exact sample size and sampling technique were not specified. The study relied on secondary data obtained from the annual financial statements of the selected firms. Data were collected through documentary review of published audited reports and analyzed using ordinary least squares (OLS) panel regression analysis. The findings revealed that audit committee independence and meeting frequency significantly reduced earnings manipulation and improved financial reporting quality, thereby enhancing corporate transparency. The study recommended strengthening audit committee independence and ensuring regular committee meetings to improve the quality and credibility of financial reports.

Usman and Ibrahim (2023) investigated the effect of audit quality on firm value among listed consumer goods companies in Nigeria. The population consisted of consumer goods companies listed on the Nigerian Exchange Group (NGX), while the sample size and sampling technique were not specified. The study adopted an ex-post facto research design and utilized secondary data sourced from audited annual reports and NGX fact books. Data were collected through content analysis of financial statements over the study period and analyzed using multiple regression analysis. The findings showed that firms audited by Big Four audit firms exhibited higher reporting quality and stronger investor confidence than those audited by non-Big Four firms. Based on these findings, the study recommended that companies engage reputable audit firms to improve reporting quality and enhance investor confidence.

Owolabi and Adekunle (2023) examined the relationship between audit quality and earnings management among listed industrial goods firms in Nigeria. The population comprised industrial goods firms quoted on the Nigerian Exchange Group (NGX), although the sample size and sampling technique were not stated. The study adopted an ex-post facto research design and relied on secondary data obtained from annual reports and financial databases. Data were collected through documentary extraction of accounting figures and audit-related variables and analyzed using panel regression analysis based on the fixed effects model. The findings revealed that audit quality, particularly auditor independence and auditor specialization, significantly reduced earnings management practices. The study recommended strengthening auditor independence and promoting auditor specialization to enhance the integrity of financial reporting.

Okeke and Nnamani (2023) investigated the effect of audit committee independence on fraud prevention in Nigerian public sector institutions. The population consisted of public sector institutions in Nigeria, while the sample size and sampling technique were not specified. The study employed an ex-post facto research design and utilized secondary data obtained from audited public financial statements and accountability reports. Data were collected through structured document review of institutional audit reports and analyzed using logistic regression analysis. The findings indicated that independent audit committees significantly improved fraud detection and strengthened compliance with financial regulations. The study recommended enhancing the independence of audit committees in public institutions to improve accountability and reduce fraudulent practices.

Amadi, Chukwu, Okoba, and Sigah (2023) examined the influence of audit committee characteristics on financial reporting transparency in Nigerian brewery firms. The population comprised brewery companies operating in Nigeria, although the sample size and sampling technique were not specified. The study adopted an ex-post facto research design and relied on secondary data extracted from annual reports and corporate disclosures of the selected firms. Data were analyzed using regression analysis. The findings revealed that audit committee chairpersons with higher professional status and members possessing financial expertise significantly improved earnings transparency and reduced financial misstatements. The study recommended appointing financially knowledgeable individuals to audit committees and strengthening committee leadership to enhance financial reporting integrity.

Ojo and Balogun (2023) investigated the effect of audit committee effectiveness on earnings quality among listed manufacturing firms in Nigeria. The population of the study comprised manufacturing firms quoted on the Nigerian Exchange Group (NGX), while the sample size and sampling technique were not specified by the authors. The study adopted an ex-post facto research design and utilized secondary data obtained from corporate annual reports and NGX databases. Data were collected through content analysis of audit committee characteristics and financial performance indicators and analyzed using ordinary least squares (OLS) regression analysis. The findings revealed that audit committee effectiveness, particularly committee independence and financial expertise, significantly reduced earnings manipulation and improved earnings quality. The study recommended strengthening audit committee independence and enhancing the financial competence of committee members to improve earnings quality and financial reporting credibility.

Chukwuka and Emenike (2024) examined the relationship between audit quality and financial reporting credibility among listed Nigerian banks. The population comprised deposit money banks listed on the Nigerian Exchange Group (NGX), although the sample size and sampling technique were not specified. The study adopted an ex-post facto research design and relied on secondary data obtained from audited annual reports of selected banks. Data were collected through documentary review of financial statements and audit-related disclosures and analyzed using fixed effects panel regression analysis. The findings showed that audit quality, measured through auditor independence and audit firm size, significantly enhanced the credibility and reliability of financial reporting in Nigerian banks. The study recommended strengthening auditor independence and engaging reputable audit firms to improve the quality and credibility of financial reporting.

Tonade, Agbede, Ajibola, and Olorunfemi (2024) investigated the effect of auditor independence on financial statement quality among quoted oil and gas firms in Nigeria. The population consisted of audit professionals working within quoted oil and gas firms, while the sample size and sampling technique were not specified. The study adopted a survey research design and collected primary data through structured questionnaires administered to audit professionals. Data were analyzed using statistical techniques, although the specific analytical method was not stated. The findings revealed that auditors who had unrestricted access to records and experienced lower work pressure produced more representative and reliable financial statements. The study further found that perceived litigation risk negatively affected auditor independence and audit quality. The researchers recommended creating a supportive audit environment that promotes auditor independence and reduces factors capable of impairing objective judgment.

Olowookere, Oyewole, and Lamidi (2024) examined the effect of gender diversity in audit committees on financial reporting quality among consumer goods firms in Nigeria. The population comprised consumer goods firms listed on the Nigerian Exchange Group (NGX), although the sample size and sampling technique were not specified. The study adopted an ex-post facto research design and relied on secondary data extracted from annual reports of the selected firms. Data were analyzed using regression analysis. The findings revealed that firms with more gender-diverse audit committees reported higher financial reporting quality and stronger audit oversight mechanisms. The study recommended increasing gender diversity within audit committees to strengthen governance structures and improve the reliability of financial disclosures.

Ayeni-Agbaje and Oluyori (2024) investigated the relationship between audit quality dimensions and firm performance among publicly listed banks in Nigeria. The population consisted of listed deposit money banks, while the sample size and sampling technique were not specified. The study adopted an ex-post facto research design and utilized secondary data obtained from annual reports of the selected banks. Data were analyzed using regression analysis. The findings indicated that audit quality dimensions, including auditor independence, audit firm size, and audit committee configuration, significantly improved firm performance measured by return on assets (ROA). The study concluded that strong audit quality contributes to greater confidence in financial reporting and recommended strengthening audit quality mechanisms within the banking sector.

Ogunsola (2024) examined the effect of audit committee expertise on earnings management among listed banks in Nigeria. The population of the study comprised listed deposit money banks operating in Nigeria, although the sample size and sampling technique were not specified. The study adopted an ex-post facto research design and utilized secondary data obtained from the annual reports of the selected banks. Data were collected through documentary review of audit committee characteristics and earnings management indicators and analyzed using regression analysis. The findings revealed that financial expertise among audit committee members significantly reduced earnings management practices and improved the quality of financial reporting. Based on these findings, the study recommended appointing financially competent individuals to audit committees to strengthen monitoring functions and enhance financial statement integrity.

Ezeani and Okafor (2024) investigated the effect of external auditor independence on financial reporting quality among Nigerian deposit money banks. The population comprised deposit money banks operating in Nigeria, while the sample size and sampling technique were not stated. The study adopted an ex-post facto research design and relied on secondary data obtained from published annual reports and Central Bank of Nigeria (CBN) disclosures. Data were collected through content analysis of audit-related variables such as auditor tenure and non-audit service fees and analyzed using multiple regression analysis. The findings showed that auditor independence had a positive and significant effect on the reliability and transparency of financial reporting. The study recommended strengthening policies that promote auditor independence and limiting practices capable of impairing auditor objectivity.

Nwankwo and Chukwudi (2024) examined the relationship between audit committee gender diversity and earnings quality among listed firms in Nigeria. The population consisted of firms listed on the Nigerian Exchange Group (NGX), although the sample size and sampling technique were not specified. The study adopted an ex-post facto research design and utilized secondary data extracted from annual reports of the selected firms. Data were collected through documentary extraction of audit committee composition and earnings quality indicators and analyzed using panel regression techniques. The findings revealed that gender-diverse audit committees significantly reduced discretionary accruals and improved financial reporting transparency. The study recommended increasing female representation on audit committees to strengthen oversight functions and improve earnings quality.

Ekpo and Uwah (2024) investigated the moderating role of corporate governance in the relationship between audit quality and financial performance among Nigerian insurance firms. The population comprised insurance companies operating in Nigeria, while the sample size and sampling technique were not reported. The study employed an ex-post facto research design and utilized secondary data obtained from audited financial statements and insurance industry reports. Data were collected through content analysis of governance and audit-related variables and analyzed using hierarchical regression analysis. The findings indicated that corporate governance mechanisms strengthened the positive relationship between audit quality and reporting credibility. The study recommended improving corporate governance structures to maximize the benefits of audit quality on financial reporting outcomes.

Lawal and Musa (2024) examined the effect of auditor tenure on earnings quality among listed telecommunication firms in Nigeria. The population consisted of telecommunication firms quoted on the Nigerian Exchange Group (NGX), although the sample size and sampling technique were not specified. The study adopted an ex-post facto research design and relied on secondary data extracted from annual financial reports of the selected firms. Data were collected through documentary extraction of auditor tenure and earnings quality measures and analyzed using panel regression analysis. The findings revealed that moderate auditor tenure improved earnings quality, whereas excessively long auditor tenure tended to impair auditor independence and reduce reporting quality. The study recommended periodic review of auditor tenure to maintain independence and sustain high earnings quality.

Ikechukwu and Nwosu (2024) investigated the effect of audit committee attributes on fraud detection among quoted firms in Nigeria. The population comprised firms listed on the Nigerian Exchange Group (NGX), while the sample size and sampling technique were not stated. The study adopted an ex-post facto research design and utilized secondary data obtained from annual reports of selected firms across different sectors. Data were collected through documentary extraction of audit committee size, independence, and reported financial irregularities and analyzed using panel regression analysis based on the random effects model. The findings revealed that strong audit committee attributes significantly enhanced fraud detection and reduced financial misstatements in corporate reporting. The study recommended strengthening audit committee independence and expertise to improve fraud prevention and reporting integrity.

Akinyemi and Salawu (2025) examined the effect of audit committee size and expertise on financial reporting timeliness among Nigerian banks. The population of the study comprised deposit money banks operating in Nigeria, while the sample size and sampling technique were not specified. The study adopted an ex-post facto research design and relied on secondary data obtained from audited financial statements of the selected banks. Data were collected through content analysis of audit committee composition and reporting timelines and analyzed using multiple regression analysis. The findings revealed that larger audit committees with greater financial expertise significantly improved the timeliness of financial reporting. The study recommended enhancing the financial competence of audit committee members and maintaining adequate committee size to improve reporting efficiency.

Aminu and Hassan (2025) investigated the impact of external audit quality on financial reporting timeliness among listed service firms in Nigeria. The population comprised service firms quoted on the Nigerian Exchange Group (NGX), although the sample size and sampling technique were not specified. The study adopted an ex-post facto research design and utilized secondary data extracted from audited financial statements of the selected firms. Data were collected through documentary analysis of annual reports and audit opinions and analyzed using multiple regression analysis. The findings showed that higher audit quality significantly improved the timeliness and reliability of financial reporting, thereby supporting better investment decisions. The study recommended strengthening audit quality mechanisms and encouraging firms to engage reputable auditors.

Bassey and Edet (2025) examined the effect of audit committee diligence on financial statement reliability among Nigerian oil and gas companies. The population consisted of oil and gas companies listed on the Nigerian Exchange Group (NGX), while the sample size and sampling technique were not reported. The study adopted an ex-post facto research design and relied on secondary data sourced from annual reports of the selected companies. Data were collected through documentary review of audit committee meeting frequency and audit outcomes and analyzed using panel least squares regression analysis. The findings revealed that frequent audit committee meetings and active engagement with external auditors significantly enhanced financial statement reliability and reduced reporting risks. The study recommended that firms encourage active audit committee participation and regular interaction with external auditors to strengthen financial reporting integrity.

Chukwuemeka, Otiedhe, and Udoezika (2025) investigated the moderating role of audit report timeliness on the relationship between audit committee effectiveness and financial statement reliability among Nigerian oil and gas firms. The population comprised oil and gas firms operating in Nigeria, although the sample size and sampling technique were not specified. The study adopted an ex-post facto research design and utilized secondary data obtained from annual reports of the selected firms. Data were collected through documentary review of audit committee characteristics, audit report timing, and earnings indicators and analyzed using regression analysis. The findings revealed that timely issuance of audit reports strengthened the positive effects of audit committee expertise and meeting frequency on reducing earnings volatility and enhancing financial statement reliability. The study recommended ensuring prompt completion and release of audit reports to maximize the effectiveness of audit committees and improve reporting integrity.

2.4 Summary of Empirical Review

Table 1: Summary of Empirical Review

S/N	Author/Year	Topic/Area of Study	Analytical Technique	Findings
1	Abdullahi & Ahmad (2016)	Audit quality and financial statement accuracy in Nigerian quoted firms	Regression analysis	Big 4 auditors reduce errors and improve disclosure quality, enhancing reporting reliability.
2	Okolie et al. (2017)	Auditor independence and financial statement integrity	Regression analysis	Auditor independence improves reliability; lack of independence leads to inconsistencies in earnings reporting.
3	Owolabi & Nnadi (2018)	Audit committee effectiveness and financial reporting credibility	Panel data analysis	Strong audit committees improve reporting reliability and reduce earnings management.
4	Uwuigbe & Uwuigbe (2019)	Audit quality, earnings management, and reporting reliability	Regression analysis	High audit quality reduces earnings management and improves investor confidence.
5	Afensimi & Ayemere (2020)	Audit committee attributes and earnings management	Regression analysis	Independence, literacy, size, and meetings reduce discretionary accruals.
6	Adebayo & Adekunle (2020)	Audit firm reputation, rotation, and financial statement integrity	Regression analysis	Reputable audit firms and rotation reduce misstatements and improve transparency.
7	Ibrahim et al. (2021)	Audit frequency and financial reporting reliability	Panel regression	Frequent audits improve accuracy and reduce misstatements.
8	Chukwuma & Eze (2022)	Auditor independence and audit committee oversight	Panel regression	Combined independence and oversight improve reporting transparency.
9	Okonkwo & Nwankwo (2023)	Audit quality and investor confidence	Panel regression	Higher audit quality improves investor confidence and reduces discrepancies.

10	Asogba et al. (2024)	Audit committee expertise and audit firm size on reporting quality	Regression analysis	Expertise and Big 4 audit firms improve accrual quality.
11	Adewale & Adebayo (2023)	Audit committee characteristics and financial reporting quality	OLS regression	Independence and meeting frequency reduce earnings manipulation.
12	Usman & Ibrahim (2023)	Audit quality and firm value	Multiple regression	Big 4 audit firms improve reporting quality and investor confidence.
13	Owolabi & Adekunle (2023)	Audit quality and earnings management	Panel regression (fixed effects)	Audit quality reduces earnings management significantly.
14	Okeke & Nnamani (2023)	Audit committee independence and fraud prevention	Logistic regression	Independent audit committees improve fraud detection and compliance.
15	Amadi et al. (2023)	Audit committee composition and earnings transparency (breweries sector)	Qualitative/sectoral analysis	Financial expertise and leadership status improve reporting transparency.
16	Ojo & Balogun (2023)	Audit committee effectiveness and earnings quality	OLS regression	Audit committee effectiveness reduces earnings manipulation.
17	Chukwuka & Emenike (2024)	Audit quality and reporting credibility in banks	Fixed effects regression	Audit quality improves reporting reliability in banks.
18	Tonade et al. (2024)	Auditor independence in oil & gas firms	Survey analysis	Access to records improves audit quality; litigation risk reduces independence.
19	Olowookere et al. (2024)	Gender diversity and reporting quality	Regression analysis	Gender diversity improves financial reporting quality.
20	Ayeni-Agbaje & Oluyori (2024)	Audit quality and firm performance in banks	Regression analysis	Audit quality improves ROA and indirectly enhances reporting trust.
21	Ogunsola (2024)	Audit committee expertise and earnings management	Regression analysis	Financial expertise reduces earnings manipulation.
22	Ezeani & Okafor (2024)	Auditor independence and reporting quality	Multiple regression	Auditor independence improves transparency and reliability.

23	Nwankwo & Chukwudi (2024)	Gender diversity and earnings quality	Panel regression	Gender-diverse committees reduce discretionary accruals.
24	Ekpo & Uwah (2024)	Corporate governance moderation in audit quality-performance link	Hierarchical regression	Governance strengthens audit quality effects on reporting credibility.
25	Lawal & Musa (2024)	Auditor tenure and earnings quality	Panel regression	Moderate tenure improves quality; long tenure reduces independence.
26	Ikechukwu & Nwosu (2024)	Audit committee attributes and fraud detection	Random effects regression	Strong audit committees reduce misstatements and fraud.
27	Akinyemi & Salawu (2025)	Audit committee size/expertise and reporting timeliness	Multiple regression	Larger, expert committees improve reporting timeliness.
28	Aminu & Hassan (2025)	Audit quality and reporting timeliness	Multiple regression	Higher audit quality improves timeliness and reliability.
29	Bassey & Edet (2025)	Audit committee diligence and reporting reliability	Panel regression	Frequent meetings improve statement reliability.
30	Chukwuemeka et al. (2025)	Audit report timeliness as moderator in oil & gas firms	Panel regression (moderation)	Timely audit reports strengthen governance effects on reporting quality.

Gap in Literature

Most empirical studies on auditing in Nigeria have focused on large firms or banks, examining audit quality, auditor independence, and audit committee effectiveness in general terms. However, limited research has specifically explored how these auditing practices influence the integrity of financial statements across different sectors. Few studies have examined the combined effect of auditor characteristics, audit committees, and audit processes on reporting reliability. This study aims to fill this gap by investigating the impact of auditing on the integrity of financial statements of quoted companies in Nigeria.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

This study adopted an ex post facto research design. The choice of this design was based on the fact that the study relies on historical and already existing data extracted from published financial statements of quoted companies. The researcher does not have control over the dependent and independent variables and therefore cannot manipulate them. The ex post facto design is appropriate for examining cause-and-effect relationships where variables have already occurred (Onwumere, 2009). This design is widely used in accounting and auditing studies that examine relationships using secondary financial data.

3.2 Area of the Study

This study was carried out in Nigeria, with particular focus on companies quoted on the Nigerian Exchange Group (NGX). Nigeria is the largest economy in Africa and possesses a well-developed capital market that serves as a platform for the trading of securities issued by publicly listed companies. The Nigerian Exchange Group comprises firms operating across various sectors of the economy, including manufacturing, banking, insurance, consumer goods, industrial goods, oil and gas, telecommunications, and services. Quoted companies in Nigeria are required by law to prepare annual financial statements and subject such statements to independent external audits in accordance with the provisions of the Companies and Allied Matters Act (CAMA) 2020, the Financial Reporting Council of Nigeria (FRCN) Act, and other relevant regulatory guidelines. These companies are also required to prepare their financial reports in compliance with International Financial Reporting Standards (IFRS) and submit them to relevant regulatory authorities such as the Securities and Exchange Commission (SEC), the Financial Reporting Council of Nigeria (FRCN), and the Nigerian Exchange Group (NGX).

The choice of Nigeria as the area of study is informed by the growing concerns regarding the credibility and reliability of financial statements among quoted companies despite the existence of statutory audit requirements and regulatory oversight. The country has experienced several cases of financial reporting irregularities, earnings manipulation, and corporate governance failures, which have raised questions about the effectiveness of auditing in ensuring the integrity of financial statements. Consequently, Nigeria provides an appropriate setting for examining the impact of auditing variables such as auditor type, audit tenure, auditor rotation, and audit fees on earnings quality among quoted companies.

3.3 Sources of Data

This study relied exclusively on secondary data. The data were obtained from the published annual reports and financial statements of the sampled quoted companies. Additional information was sourced from NGX fact books and company websites. The use of secondary data was appropriate because the variables examined in this study such as audit fees, auditor type, audit tenure, and earnings quality are objectively disclosed in corporate financial reports.

The study covered a five-year period (2019–2023). This period is considered sufficient to capture recent developments in auditing practices, regulatory reforms, and variations in audit characteristics while avoiding distortions associated with outdated reporting regimes.

3.4 Tools for Data Collection

The main tools used for data collection in this study include annual financial reports of selected quoted companies in Nigeria. These reports contain relevant financial and audit information required for the study. The annual reports were obtained from the official websites of the selected companies and from the database of the Nigerian Exchange Group.

3.5 Method of Data Collection

The study adopted the secondary method of data collection. Secondary data were obtained from the audited annual financial statements of the selected quoted companies. Relevant financial information such as audit fees, auditor tenure, auditor type, firm size, leverage, and earnings figures were extracted from the financial reports for a five-year period (2019–2023). These data were compiled and arranged for analysis in order to examine the impact of auditing on the integrity of financial statements of quoted companies in Nigeria.

3.6 Population of the Study

The population of the study comprised all 156 quoted companies on the Nigerian Exchange Group (NGX) as at the time of the study. These companies run across different sectors and are required by law to prepare audited financial statements and comply with relevant accounting and auditing standards, making them suitable for the investigation of auditing and financial statement integrity.

3.7 Sample Size and Sampling Technique

The sample size consisted of ten (10) quoted companies selected from the Nigerian Exchange Group. The companies were selected using a purposive sampling technique. Selection was based on the following criteria:

- Continuous listing on the NGX throughout the study period
- Availability of complete and consistent annual financial statements
- Full disclosure of audit-related information such as audit fees, auditor type, and audit tenure

Companies with incomplete data or irregular reporting were excluded to ensure reliability and consistency of the dataset.

3.8 Model Specification

The study was anchored on the panel regression framework for examining the impact of auditing on the integrity of financial statements of quoted companies in Nigeria.

Step I- Functional relationship

General relationship

FSI $= f(AUT, ATEN, AROT, AFEE, FSIZE, LEV)$

Since, FSI $\approx EQ$

Then EQ = $f(AUT, ATEN, AROT, AFEE, FSIZE, LEV)$

Step 2: Econometric Model is expressed as:

Baseline model

$$EQ = \beta_0 + \beta_1 AUT_{it} + \beta_2 ATEN_{it} + \beta_3 AROT_{it} + \beta_4 AFEE_{it} + \beta_5 FSIZE_{it} + \beta_6 LEV_{it} + \mu_{it}$$

Where:

(AUT) = Auditor Type; (ATEN) = Auditor Tenure; (AROT) = Auditor Rotation; (AFEE) = Auditor Fees; (FSIZE) = Firm Size; (LEV) = Leverage; (i) = Firm; (t) = Time; (β_0) = Intercept; ($\beta_1 - \beta_6$) = Coefficients; (μ_{it}) = Error term or disturbance term or residual.

Step 3: Apriori Expectations

Variable	Expected Sign	Reason
AUT	+	Big 4 improves credibility

ATEN	±	Experience (+) or familiarity threat (-)
AROT	+	Improves independence
AFEE	+	High audit effort
FSIZE	+	Stronger controls
LEV	-	Debt pressure may encourage manipulation

Step 4: The model specifies the following panel regression model

$$EQ_{it} = \beta_0 + \beta_1 AUT_{it} + \beta_2 ATEN_{it} + \beta_3 AROT_{it} + \beta_4 AFEE_{it} + \beta_5 FSIZE_{it} + \beta_6 LEV_{it} + \mu_{it}$$

Where earnings quality served as a proxy for financial statements, integrity, auditor type, audit tenure, audit rotation and audit fees proxy auditing characteristics. Firm size and leverage are included as control variables.

The error term captures other factors not explicitly incorporated in the model.

3.9 Method of Data Analysis

The statistical analysis was conducted using EViews to analyse the relationship between auditing and the integrity of financial statements of quoted companies in Nigeria. Panel data regression techniques was employed. The analytical procedure begins with descriptive statistics to summarize the characteristics of the variables. Correlation analysis is then performed to examine the degree of association among the variables and to detect potential multicollinearity issues.

The study employed panel regression analysis, specifically the Fixed Effects and Random Effects models. The Hausman test is used to determine the most appropriate estimator. Hypotheses are tested at a 5% level of significance. Diagnostic tests are conducted to ensure the robustness of the results.

The final panel regression model is therefore expressed as:

$$EQit = \beta_0 + \beta_1 AUTit + \beta_2 ATENit + \beta_3 AROTit + \beta_4 AFEEit + \beta_5 FSIZEit + \beta_6 LEVit + \mu it$$

Where earnings quality serves as a proxy for financial statement integrity, auditor type, audit tenure, auditor rotation, and audit fees represent auditing characteristics, while firm size and leverage are included as control variables. The error term captures other factors affecting earnings quality that are not explicitly incorporated into the model.

3.10 Limitations of the Study

This study encountered some limitations during the course of the research. One of the major limitations was the difficulty in obtaining complete financial information for all quoted companies in Nigeria. As a result, the study was limited to selected companies whose audited financial statements were available for the period under review.

Another limitation was the restricted time frame of the study, which covered a five-year period from 2019 to 2023. A longer period might provide more comprehensive results. In addition, the study relied solely on secondary data obtained from annual financial reports, which may limit the ability to capture other qualitative factors that could influence the integrity of financial statements.

Despite these limitations, adequate care was taken to ensure that the data used were reliable and relevant to achieve the objectives of the study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Data Presentation

This chapter presented the analysis and interpretation of data used in examining the impact of auditing on the integrity of financial statements of quoted companies in Nigeria. The pooled panel data used for the analysis were compiled from the annual reports of selected quoted companies for the period 2019–2023. The detailed pooled dataset was presented in Appendix A.

4.2 Descriptive Statistics

Descriptive statistics provide a general overview of the behavior and distribution of the variables used in the study. They present summary measures such as the mean, minimum value, maximum value, and standard deviation, which help in understanding the central tendency and variability of the dataset.

Table I: Descriptive Statistics of the Variables

	AFEE	AROT	ATEN	AUT	FSIZE	LEV	EQ
Mean	8.599800	0.220000	4.660000	0.940000	13.13400	0.478200	0.206140
Median	8.605000	0.000000	5.000000	1.000000	13.13000	0.485000	0.205000
Maximum	9.110000	1.000000	8.000000	1.000000	13.71000	0.610000	0.260000
Minimum	8.050000	0.000000	2.000000	0.000000	12.30000	0.340000	0.152000
Std. Dev.	0.262418	0.418452	1.912472	0.239898	0.330683	0.077135	0.026554
Skewness	-0.156375	1.351853	0.034687	-3.705468	-0.197247	-0.112409	0.039101
Kurtosis	2.250586	2.827506	1.762202	14.73050	2.374754	1.827347	2.215196
Jarque-Bera	1.373819	15.29120	3.201996	401.0969	1.138661	2.970123	1.295901
Probability	0.503129	0.000478	0.201695	0.000000	0.565904	0.226488	0.523117
Sum	429.9900	11.00000	233.0000	47.00000	656.7000	23.91000	10.30700
Sum Sq. Dev.	3.374298	8.580000	179.2200	2.820000	5.358200	0.291538	0.034550
Observations	50	50	50	50	50	50	50

Source: Researcher’s Computation using EViews 10.0.

Interpretation

The descriptive statistics in Table 4.1 provided information on the distribution and behavior of the variables used in the study. The average earnings quality (EQ) of the sampled quoted companies is 0.2061, with a minimum value of 0.1520 and a maximum value of 0.2600. The standard deviation of 0.0266 indicates a relatively low variation in earnings quality among the sampled firms during the study period.

The mean value of auditor type (AUT) is 0.9400, indicating that about 94 percent of the observations were audited by Big Four audit firms. This suggests that the majority of the sampled companies engaged reputable audit firms during the period under review.

Audit tenure (ATEN) has an average value of 4.66 years, with a minimum of 2 years and a maximum of 8 years. This implies that auditors maintained a moderate length of relationship with their client firms.

Auditor rotation (AROT) recorded a mean value of 0.2200, indicating that only 22 percent of the observations experienced auditor rotation during the study period. This suggests that auditor changes were relatively infrequent among the sampled companies.

Audit fees (AFEE) have a mean value of 8.5998, ranging from 8.0500 to 9.1100. The standard deviation of 0.2624 indicates moderate variations in audit fees across the sampled firms.

Firm size (FSIZE) recorded a mean value of 13.1340, with values ranging from 12.3000 to 13.7100. The relatively low standard deviation of 0.3307 suggests that the sampled firms are fairly similar in size.

Leverage (LEV) has an average value of 0.4782, indicating that debt financing accounts for approximately 47.82 percent of the capital structure of the sampled companies. The standard deviation of 0.0771 suggests moderate variations in leverage levels among the firms.

4.3 Correlation Analysis

The Pearson correlation matrix for the variables used in the study is presented in Table III.

Table II: Correlation

	AFEE	AROT	ATEN	AUT	FSIZE	LEV	EQ
AFEE	1.000000	-0.007025	-0.199801	0.424479	0.561500	-0.061319	-0.447306
AROT	-0.007025	1.000000	0.554399	-0.069121	0.028907	-0.019095	-0.030379
ATEN	-0.199801	0.554399	1.000000	-0.045371	-0.123013	0.085690	0.275030
AUT	0.424479	-0.069121	-0.045371	1.000000	0.093127	-0.336819	-0.267765
FSIZE	0.561500	0.028907	-0.123013	0.093127	1.000000	0.615323	0.137456
LEV	-0.061319	-0.019095	0.085690	-0.336819	0.615323	1.000000	0.790859
EQ	-0.447306	-0.030379	0.275030	-0.267765	0.137456	0.790859	1.000000

Source: Researcher's Computation Using EViews 10 (2026).

Interpretation

The correlation matrix in Table 4.2 presents the degree of association among the variables used in the study. The results indicate varying relationships between auditing variables and earnings quality (EQ). Audit fees (AFEE) have a negative correlation coefficient of -0.4473 with earnings quality. This suggests that increases in audit fees are associated with a decline in earnings quality among the sampled firms. The relationship is moderate in strength.

Auditor rotation (AROT) has a weak negative relationship with earnings quality, with a correlation coefficient of -0.0304. This indicates that auditor rotation has little direct association with earnings quality at the bivariate level. Audit tenure (ATEN) exhibits a positive correlation of 0.2750 with earnings quality, suggesting that longer auditor-client relationships may contribute to improved earnings quality.

Auditor type (AUT) shows a negative correlation coefficient of -0.2678 with earnings quality. This implies that firms audited by Big Four auditors do not necessarily record higher earnings quality within the sample period, although regression analysis will provide more reliable evidence. Firm size (FSIZE) has a weak positive relationship with earnings quality, as shown by the coefficient of 0.1375. Leverage (LEV) records a strong positive correlation of 0.7909 with earnings quality. This indicates a substantial positive association between leverage and earnings quality among the sampled firms. Regarding multicollinearity, the highest correlation among the independent variables is 0.6153 between firm size (FSIZE) and leverage (LEV). Since this value is below the commonly accepted threshold of 0.80, there is no evidence of severe multicollinearity among the explanatory variables. Therefore, all variables can be retained in the regression model.

4.4 Hausman Test

The null hypothesis of the Hausman test states that the Random Effects model is appropriate, while the alternative hypothesis suggests that the Fixed Effects model is more suitable.

Table III: Hausman Test Result

Test Summary	Chi-Sq Statistic	d.f.	Prob.
Cross-section Random	121.3497	6	0.0000

Source: Researcher's Computation using EViews 10.0.

The result of the Hausman test presented in Table III shows a probability value of 0.0000, which is less than the 5 percent significance level (0.05). Since the probability value is less than the significance level, the null hypothesis is rejected while the alternative hypothesis is accepted. This indicates that the Fixed Effects Model (FEM) is more appropriate than the Random Effects Model (REM) for the study. The implication is that individual firm-specific effects are correlated with the explanatory variables included in the model. Therefore, the Fixed Effects Model provides more efficient and consistent estimates for examining the impact of auditing on the integrity of financial statements of quoted companies in Nigeria. Consequently, the regression analysis and interpretation of results in this study are based on the Fixed Effects panel regression estimates..

4.5 Panel Regression Results

The dependent variable in the model is earnings quality (EQ), which serves as a proxy for the integrity of financial statements. The independent variables include auditor type (AUT), audit tenure (ATEN), auditor rotation (AROT), and audit fees (AFEE). In addition, firm size (FSIZE) and leverage (LEV) were included as control variables.

The results of the panel regression analysis are presented in Table IV.

Table IV: Fixed Effects Panel Regression Result

Dependent Variable: EQ
Method: Panel Least Squares
Date: 06/14/26 Time: 13:09
Sample: 2019 2023
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.744125	0.155356	4.789793	0.0000
AUT	0.000725	0.002352	0.308147	0.7599
ATEN	2.27E-05	0.000269	0.084389	0.9332
AROT	0.000206	0.001032	0.199342	0.8432
AFEE	-0.038146	0.014066	-2.711903	0.0104
FSIZE	-0.030906	0.013158	-2.348907	0.0248
LEV	0.408105	0.057118	7.144990	0.0000

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.994870	Mean dependent var	0.206140
Adjusted R-squared	0.992606	S.D. dependent var	0.026554
S.E. of regression	0.002283	Akaike info criterion	-9.072096
Sum squared resid	0.000177	Schwarz criterion	-8.460248
Log likelihood	242.8024	Hannan-Quinn criter.	-8.839101
F-statistic	439.5579	Durbin-Watson stat	2.376591
Prob(F-statistic)	0.000000		

Source: Researcher’s Computation using EViews 10.0 (2026)

The regression results presented in Table IV show the relationship between auditing characteristics and earnings quality of quoted companies in Nigeria using the Fixed Effects Model.

The coefficient of auditor type (AUT) is positive (0.000725) but statistically insignificant, with a probability value of 0.7599, which is greater than the 5 percent level of significance. This indicates that auditor type does not have a significant effect on earnings quality among the sampled quoted companies during the study period.

Similarly, audit tenure (ATEN) has a positive coefficient of 0.000023 but is statistically insignificant, with a probability value of 0.9332. This suggests that the length of the auditor-client relationship does not significantly influence earnings quality.

The result for auditor rotation (AROT) shows a positive coefficient of 0.000206 with a probability value of 0.8432. Since the probability value exceeds the 5 percent significance level, auditor rotation does not have a significant effect on earnings quality.

Audit fees (AFEE) recorded a negative coefficient of -0.038146 and a probability value of 0.0104, which is less than the 5 percent significance level. This indicates that audit fees have a significant negative effect on earnings quality. The result suggests that increases in audit fees are associated with a decline in earnings quality among the sampled firms.

Among the control variables, firm size (FSIZE) has a negative coefficient of -0.030906 and is statistically significant with a probability value of 0.0248. This implies that larger firms tend to experience lower earnings quality within the study period. Leverage (LEV) exhibits a positive coefficient of 0.408105 and is statistically significant at the 5 percent level, with a probability value of 0.0000. This indicates that leverage has a significant positive effect on earnings quality.

The coefficient of determination (R-squared) is 0.994870, indicating that approximately 99.49 percent of the variation in earnings quality is explained by auditor type, audit tenure, auditor rotation, audit fees, firm size, leverage, and firm-specific effects included in the model. The adjusted R-squared value of 0.992606 further confirms the strong explanatory power of the model.

The F-statistic of 439.5579 with a probability value of 0.0000 indicates that the overall model is statistically significant. Furthermore, the Durbin-Watson statistic of 2.376591 suggests the absence of serious autocorrelation in the model. Therefore, the model is considered reliable for examining the impact of auditing characteristics on the integrity of financial statements of quoted companies in Nigeria.

4.6 Normality Test

Table V: Jarque-Bera Normality Test

Statistic	Value
Mean	-1.24E-16
Std. Dev.	0.011079
Skewness	-1.018988
Kurtosis	4.631760
Jarque-Bera	14.19998
Probability	0.000825

Source: Researcher's Computation Using EViews 10 (2026).

Interpretation

The normality test was conducted using the Jarque-Bera statistic to determine whether the residuals of the regression model are normally distributed. The result presented in Table V shows a Jarque-Bera statistic of 14.19998 with a probability value of 0.000825.

The decision rule is that if the probability value is greater than 0.05, the residuals are normally distributed. Conversely, if the probability value is less than 0.05, the residuals are not normally distributed.

Since the probability value of 0.000825 is less than the 5 percent significance level, the null hypothesis of normal distribution is rejected. This implies that the residuals are not normally distributed.

However, despite the departure from normality, the panel regression estimates remain valid because the sample size is adequate and the Fixed Effects estimator is generally robust to violations of the normality assumption. Therefore, the non-normality of the residuals does not invalidate the regression results of the study.

4.6 Test of Hypotheses

This section presents the testing of the research hypotheses formulated for the study. The decision rule states that if the probability value (p-value) is less than 0.05, the null hypothesis (H_0) is rejected. Conversely, if the probability value is greater than 0.05, the null hypothesis is not rejected.

Hypothesis One

H_{01}: Auditor type has no significant influence on earnings quality in Nigeria's quoted firms.

The regression result shows that the coefficient of auditor type (AUT) is 0.000725 with a probability value of 0.7599, which is greater than the 5 percent significance level (0.05). Since the probability value is greater than 0.05, the null hypothesis is not rejected. This indicates that auditor type does not have a significant influence on earnings quality in Nigeria's quoted firms. The result suggests that whether a firm is audited by a Big Four or non-Big Four audit firm does not significantly affect earnings quality during the period under review.

Hypothesis Two

H_{02}: Audit tenure has no significant effect on earnings quality in Nigeria's quoted firms.

The regression result indicates that the coefficient of audit tenure (ATEN) is 0.000023 with a probability value of 0.9332. Since the probability value is greater than the 5 percent significance level, the null hypothesis is not rejected. This indicates that audit tenure has no significant effect on earnings quality in Nigeria's quoted firms. The result suggests that the length of the auditor-client relationship does not significantly influence earnings quality.

Hypothesis Three

H_{03}: Auditor rotation has no significant effect on earnings quality among Nigeria's quoted firms.

The regression result shows that the coefficient of auditor rotation (AROT) is 0.000206 with a probability value of 0.8432. Since the probability value is greater than 0.05, the null hypothesis is not rejected. This indicates that auditor rotation has no significant effect on earnings quality among Nigeria's quoted firms.

Hypothesis Four

H_{04}: Audit fees do not significantly influence earnings quality in Nigeria's quoted firms.

The regression result shows that the coefficient of audit fees (AFEE) is -0.038146 with a probability value of 0.0104, which is less than the 5 percent significance level. Since the probability value is less than 0.05, the null hypothesis is rejected. This implies that audit fees significantly influence earnings quality in Nigeria's quoted firms. The negative coefficient indicates that increases in audit fees are associated with a reduction in earnings quality among the sampled firms.

4.7 Discussion of Findings

The first finding of the study revealed that auditor type has no significant effect on earnings quality of quoted companies in Nigeria. The result suggests that the engagement of Big Four auditors does not necessarily translate into improved earnings quality among the sampled firms. This finding is inconsistent with the expectation that larger audit firms provide superior audit quality due to their expertise, reputation, and resources. The finding also contrasts with the evidence of Asogba, Soyemi and Ariyibi (2024), who reported that audit quality attributes, including audit firm size, contribute to improvements in financial reporting quality among quoted non-financial firms in Nigeria.

The second finding showed that audit tenure has no significant effect on earnings quality. This implies that the length of the auditor-client relationship does not significantly influence the quality of reported earnings. The finding agrees with Oyedokun, Yunusa and Adeyemo (2018), who found that auditor tenure had a positive but statistically insignificant relationship with financial reporting quality among quoted industrial goods firms in Nigeria. Their study argued that prolonged auditor-client relationships do not necessarily improve reporting quality.

The third finding revealed that auditor rotation has no significant effect on earnings quality. The result suggests that changing auditors does not significantly influence the integrity of financial statements among the sampled firms. This finding is consistent with the argument that auditor rotation alone may not guarantee improvements in audit effectiveness or reporting quality. It also aligns with the broader findings of Emovon and Ogbonmwan (2024), who examined audit rotation, audit tenure, and audit fees as determinants of audit quality among Nigerian deposit money banks.

The fourth finding showed that audit fees have a significant negative effect on earnings quality. This implies that increases in audit fees are associated with lower earnings quality among the sampled firms. The finding differs from that of Okegbe, Ojimadu, Orajekwe and Egbunike (2019), who found that audit fees had a positive and statistically significant relationship with audit quality among quoted oil and gas firms in Nigeria. Their study argued that higher audit fees reflect greater audit effort and improved audit quality. The divergence in findings may be attributed to differences in sectors, sample size, study period, and the measurement of earnings quality adopted in the respective studies. Regarding the control variables, firm size was found to have a significant negative effect on earnings quality, while leverage exerted a significant positive effect on earnings quality. The positive influence of leverage suggests that highly leveraged firms may be subjected to stricter monitoring by creditors and other stakeholders, thereby encouraging better reporting practices. Overall, the findings indicate that audit fees, firm size, and leverage are the major determinants of earnings quality among the quoted companies examined in this study, while auditor type, audit tenure, and auditor rotation do not exert statistically significant effects.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The summary of the findings of this study are presented as follows:

1. Auditor type has a positive but insignificant influence on earnings quality of quoted firms in Nigeria. The regression result shows a coefficient value of 0.000725 with a probability value of 0.7599, which is greater than the 5% level of significance. This implies that the type of auditor engaged by firms does not significantly affect earnings quality during the period under review.

2. Audit tenure has a positive but insignificant effect on earnings quality of quoted firms in Nigeria. The regression coefficient of 0.000023 with a probability value of 0.9332 indicates that the duration of the auditor-client relationship does not significantly influence earnings quality.

3. Auditor rotation has a positive but insignificant influence on earnings quality of quoted firms in Nigeria. The regression result shows a coefficient value of 0.000206 with a probability value of 0.8432, suggesting that auditor rotation does not significantly affect earnings quality.

4. Audit fees have a negative and significant effect on earnings quality of quoted firms in Nigeria. The regression result shows a coefficient value of -0.038146 with a probability value of 0.0104, indicating that increases in audit fees are associated with a decline in earnings quality among the sampled firms.

5.2 Conclusion

This study examined the influence of auditing on the integrity of financial integrity of quoted firms in Nigeria using a sample of ten selected companies over the period 2014–2023. Specifically, the study investigated the effects of auditor type, audit tenure, auditor rotation, and audit fees on earnings quality, which was used as a proxy for financial statement integrity. The findings revealed that auditor type does not exert a significant influence on earnings quality. This suggests that the engagement of Big Four or non-Big Four auditors does not significantly determine the quality of earnings reported by the sampled firms. Similarly, audit tenure was found to have no significant effect on earnings quality, indicating that the length of the auditor-client relationship does not significantly influence financial reporting quality.

The study further found that auditor rotation does not significantly affect earnings quality. This implies that periodic changes in auditors do not necessarily improve the quality or reliability of financial reporting among the sampled firms. However, the findings revealed that audit fees have a significant negative effect on earnings quality. This suggests that increases in audit fees are associated with lower earnings quality within the study period. The result may indicate that higher audit fees are linked to the complexity of clients' operations and reporting challenges rather than improvements in reporting quality. The study concludes that audit fees represent the only audit characteristic among the variables examined that significantly influences earnings quality of quoted firms in Nigeria during the period under review.

5.3 Recommendations

Based on the findings of the study, the following recommendations are made:

1. Since auditor type was found to have no significant effect on earnings quality, firms should focus not only on the reputation of audit firms but also on strengthening internal control systems and corporate governance mechanisms that enhance financial reporting quality.

2. Since audit tenure does not significantly influence earnings quality, firms should ensure that auditor appointments and retention decisions are guided by competence, professional standards, and independence rather than the length of the auditor-client relationship alone.

3. Given that auditor rotation was found to have no significant effect on earnings quality, regulatory authorities should complement rotation policies with stronger audit quality monitoring and enforcement mechanisms to improve financial reporting integrity.

4. Since audit fees significantly influence earnings quality, firms should carefully evaluate audit engagements to ensure that audit fees reflect the scope and quality of audit work while maintaining transparency and accountability in the financial reporting process.

5.4 Contribution to Knowledge

This study contributes to the existing body of literature by providing updated empirical evidence on the relationship between audit characteristics and earnings quality of quoted firms in Nigeria. While previous studies have examined aspects of audit quality and financial reporting, many of them relied on limited datasets or focused on specific sectors such as banking.

This study extends existing knowledge by examining multiple dimensions of audit quality—namely auditor type, audit tenure, auditor rotation, and audit fees—within a unified analytical framework. By using panel data covering the period 2014–2023 and focusing on ten selected quoted firms, the study provides contemporary evidence on how these audit characteristics influence financial reporting credibility in Nigeria.

The findings therefore provide useful insights for regulators such as the Financial Reporting Council of Nigeria and the Nigerian Exchange Group in designing policies that strengthen corporate financial reporting practices. The study also provides relevant information for investors, managers, and policymakers on the importance of effective auditing mechanisms in promoting transparency and accountability in corporate reporting.

5.5 Suggestion for Further Studies

Further studies may expand this research by examining other sectors of the Nigerian economy such as the banking sector, oil and gas sector, telecommunications sector, and construction industry in order to determine whether the relationship between audit characteristics and earnings quality differs across industries.

Future researchers may also incorporate additional variables such as audit committee effectiveness, corporate governance mechanisms, board independence, and internal control systems in order to provide a more comprehensive understanding of the determinants of financial reporting quality in Nigerian firms.

REFERENCES

Adebayo, T., & Adekunle, S. (2020). Audit firm reputation, audit rotation and financial statement integrity in Nigerian manufacturing firms. *Journal of Accounting and Financial Reporting, 12*(2), 45–61.

Adebayo, T., & Ojo, M. (2017). Internal auditing and corporate control systems in Nigeria. *Nigerian Journal of Management Sciences, 8*(1), 88–102.

Adeniyi, A. A. (2020). *Auditing and assurance services* (6th ed.). Value Analysis Consult.

Adewale, O., & Adebayo, J. (2023). Audit committee characteristics and financial reporting quality among listed manufacturing firms in Nigeria. *International Journal of Accounting Research, 11*(3), 102–118.

Adeyemi, S. B., & Fagbemi, T. O. (2021). Audit quality and financial reporting credibility in Nigerian firms. *Journal of Accounting in Emerging Economies, 9*(4), 201–219.

Afensimi, E., & Ayemere, I. (2020). Audit committee attributes and earnings management in Nigerian firms. *African Journal of Accounting and Finance, 5*(2), 66–81.

Agu, S., & Okeke, M. (2021). External auditing and fraud detection in Nigerian quoted companies. *Nigerian Journal of Accounting Research, 14*(1), 33–49.

AICPA. (2019). *Code of professional conduct*. American Institute of Certified Public Accountants.

Akinyemi, T., & Salawu, M. (2025). Audit committee size, expertise and financial reporting timeliness in Nigerian banks. *Journal of Corporate Accounting and Governance, 13*(1), 55–71.

Akujobi, C. (2015). Corporate governance and audit committee effectiveness in Nigeria. *Nigerian Journal of Business Administration, 10*(2), 91–106.

Al-Rassas, A. H., & Kamardin, H. (2022). Audit quality and financial reporting practices in emerging economies. *Asian Review of Accounting, 30*(1), 18–34.

Amadi, E., Chukwu, P., Okoba, A., & Sigah, R. (2023). Audit committee composition and earnings transparency in Nigerian breweries. *Journal of Financial Reporting and Governance, 9*(2), 44–60.

Aminu, H., & Hassan, M. (2025). External audit quality and financial reporting timeliness in listed Nigerian service firms. *International Journal of Auditing and Financial Studies, 14*(2), 70–89.

Asogba, C., Soyemi, K., & Ariyibi, O. (2024). Audit committee expertise, audit firm size and reporting quality in Nigerian non-financial firms. *African Journal of Accounting Research, 12*(1), 27–46.

Ayeni-Agbaje, T., & Oluyori, F. (2024). Audit quality and firm performance in publicly listed Nigerian banks. *Journal of Banking and Financial Performance, 7*(3), 98–114.

Ball, R., & Shivakumar, L. (2022). Earnings quality in financial reporting. *Accounting Horizons, 36*(2), 55–72.

Bassey, E., & Edet, P. (2025). Audit committee diligence and financial statement reliability in Nigerian oil and gas companies. *Journal of Accounting and Corporate Governance, 15*(1), 33–50.

Beattie, V., Brandt, R., & Fearnley, S. (2019). Auditor independence and client relationships. *Accounting and Business Research, 49*(4), 377–396.

CAMA. (2020). *Companies and Allied Matters Act 2020*. Federal Republic of Nigeria.

CBN. (2023). *Annual financial stability report*. Central Bank of Nigeria.

Chukwuemeka, O., Otiedhe, U., & Udoezika, K. (2025). Audit report timeliness as a moderator of governance effects in Nigerian oil and gas firms. *International Journal of Corporate Finance, 11*(2), 120–139.

Chukwuka, I., & Emenike, G. (2024). Audit quality and financial reporting credibility in Nigerian banks. *Journal of Financial Accountability, 10*(1), 58–77.

Chukwuma, A., & Eze, P. (2022). Auditor independence and audit committee oversight on financial statement integrity in Nigeria. *International Journal of Accounting and Finance, 9*(3), 80–97.

DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics, 3*(3), 183–199.

Deegan, C. (2002). Introduction: The legitimising effect of social and environmental disclosures. *Accounting, Auditing & Accountability Journal, 15*(3), 282–311.

DeFond, M., & Zhang, J. (2024). A review of archival auditing research. *Journal of Accounting and Economics, 77*(1), 1–25.

Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management, 16*(1), 49–64.

Ekpo, U., & Uwah, E. (2024). Corporate governance moderation in the relationship between audit quality and financial performance in Nigerian insurance firms. *Nigerian Journal of Financial Studies, 8*(2), 102–121.

Elliot, B., & Elliot, J. (2017). *Financial accounting and reporting* (18th ed.). Pearson Education.

Eyenubo, S. A., Mohammed, M., & Aliyu, A. (2023). Audit oversight and reporting credibility in Nigerian firms. *African Accounting Review, 11*(2), 50–67.

Ezeani, J., & Okafor, B. (2024). External auditor independence and financial reporting quality in Nigerian deposit money banks. *Journal of Banking Regulation and Reporting, 6*(1), 41–59.

Financial Reporting Council of Nigeria. (2018). *National code of corporate governance*. FRCN.

Financial Reporting Council of Nigeria. (2020). *Annual report on financial reporting compliance*. FRCN.

Francis, J. (2011). A framework for understanding and researching audit quality. *Auditing: A Journal of Practice & Theory, 30*(2), 125–152.

Francis, J. (2021). Financial reporting quality and auditing. *Accounting Horizons, 35*(1), 1–19.

Glover, S., & Prawitt, D. (2021). Digital transformation in auditing practice. *Current Issues in Auditing, 15*(1), A1–A15.

Gul, F., Jaggi, B., & Krishnan, G. (2017). Auditor tenure and independence issues in auditing. *Journal of International Accounting Research, 16*(2), 45–63.

Hay, D. (2019). *The future of auditing*. Routledge.

Healy, P. M., & Wahlen, J. M. (1999). A review of the earnings management literature and its implications for standard setting. *Accounting Horizons, 13*(4), 365–383.

Healy, P. M., & Wahlen, J. M. (2019). Earnings management and financial statement integrity. *Accounting Review, 94*(2), 121–145.

IAASB. (2014). *A framework for audit quality*. International Auditing and Assurance Standards Board.

IASB. (2018). *Conceptual framework for financial reporting*. International Accounting Standards Board.

ICAN. (2021). *Professional standards and guidelines for auditors in Nigeria*. Institute of Chartered Accountants of Nigeria.

IESBA. (2019). *International code of ethics for professional accountants*. International Ethics Standards Board for Accountants.

IFAC. (2018). *Handbook of international quality control, auditing, review, other assurance, and related services pronouncements*. International Federation of Accountants.

IFRS Foundation. (2023). *International Financial Reporting Standards*. IFRS Foundation.

Ibrahim, A., Yusuf, M., & Bello, K. (2021). Audit frequency and financial reporting reliability in Nigerian quoted companies. *Journal of Accounting and Economic Development, 7*(2), 73–90.

Ikechukwu, K., & Nwosu, P. (2024). Audit committee attributes and fraud detection in Nigerian quoted firms. *International Journal of Public Sector Accounting, 9*(1), 87–104.

International Standards on Auditing. (2020). *ISA 700: Forming an opinion and reporting on financial statements*. IFAC.

Iyoha, F., Ojeka, S., & Ogundana, O. (2019). Cash flow reporting and investment decisions in Nigeria. *Journal of Finance and Accounting, 10*(3), 112–128.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360.

Klein, A. (2002). Audit committee, board of director characteristics, and earnings management. *Journal of Accounting and Economics, 33*(3), 375–400.

Krishnan, G., & Yu, W. (2021). Audit quality and auditor characteristics. *Contemporary Accounting Research, 38*(2), 998–1025.

Lawal, M., & Musa, I. (2024). Auditor tenure and earnings quality in listed telecommunication firms in Nigeria. *African Journal of Corporate Reporting, 12*(2), 61–79.

Lee, T. A. (2015). *The rise of modern auditing*. Routledge.

Messier, W., Glover, S., & Prawitt, D. (2020). *Auditing and assurance services: A systematic approach* (11th ed.). McGraw-Hill.

Moore, D. A., Tetlock, P. E., & Tanlu, L. (2016). Conflicts of interest and auditor independence. *Academy of Management Review, 41*(1), 10–29.

Ogunsola, R. (2024). Audit committee expertise and earnings management in Nigerian banks. *Journal of Financial Governance, 5*(2), 40–56.

Ojo, M. (2009). Corporate scandals and financial reporting failures in Nigeria. *Nigerian Journal of Economic and Financial Crimes, 3*(1), 55–71.

Ojo, O. (2018). Internal controls and audit effectiveness in Nigeria. *Journal of Accounting Practice, 6*(2), 90–108.

Ojo, T., & Balogun, K. (2023). Audit committee effectiveness and earnings quality in listed manufacturing firms in Nigeria. *Nigerian Journal of Accounting Research, 15*(2), 101–117.

Okafor, C., & Ede, S. (2019). Historical evolution of auditing in Nigeria. *International Journal of Accounting Studies, 4*(1), 20–34.

Okafor, E., & Osei, K. (2023). Financial reporting irregularities and audit effectiveness in Africa. *African Finance Journal, 18*(2), 88–105.

Okeke, R., & Nnamani, J. (2023). Audit committee independence and fraud prevention in Nigerian public sector institutions. *Journal of Public Accountability and Governance, 11*(1), 70–86.

Okolie, A., Egbunike, C., & Ndubuisi, A. (2017). Auditor independence and financial statement integrity in Nigerian listed companies. *Journal of Accounting and Taxation, 9*(4), 45–59.

Okonkwo, U., & Nwankwo, B. (2023). Audit quality and investor confidence in Nigerian quoted companies. *International Journal of Financial Reporting, 14*(3), 81–99.

Onwumere, J. U. J. (2009). *Business and economic research methods*. Vougasen Publishers.

Olowookere, J., Oyewole, T., & Lamidi, A. (2024). Gender diversity and financial reporting quality in Nigerian consumer goods firms. *African Journal of Corporate Governance, 9*(1), 65–83.

Oluwagbuyi, A., & Emeni, F. (2018). Financial statement credibility and investor confidence in Nigeria. *Journal of Accounting and Management, 7*(2), 30–46.

Owolabi, A., & Adekunle, M. (2023). Audit quality and earnings management in listed industrial goods firms in Nigeria. *International Journal of Accounting and Financial Management, 10*(2), 94–113.

Owolabi, S., & Nnadi, M. (2018). Audit committee effectiveness and financial reporting credibility in Nigerian banks. *Journal of Accounting and Governance, 5*(3), 72–90.

Owolabi, S., & Nnadi, M. (2020). Financial reporting compliance and audit regulation in Nigeria. *African Journal of Accounting and Financial Research, 6*(1), 25–44.

Palea, V., & Scagnelli, S. (2022). Financial reporting transparency and corporate accountability. *Accounting in Europe, 19*(1), 1–21.

Patten, D. M. (1992). Intra-industry environmental disclosures in response to the Alaskan oil spill: A note on legitimacy theory. *Accounting, Organizations and Society, 17*(5), 471–475.

Sanusi, L. S. (2010). The Nigerian banking industry: What went wrong and the way forward. *Convocation Lecture Delivered at Bayero University Kano*.

SEC Nigeria. (2020). *Annual capital market report*. Securities and Exchange Commission.

Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review, 20*(3), 571–610.

Tonade, A., Agbede, J., Ajibola, R., & Olorunfemi, T. (2024). Auditor independence and financial reporting quality in Nigerian oil and gas firms. *Journal of Energy Accounting and Governance, 8*(1), 77–95.

Usman, I., & Ibrahim, S. (2023). Audit quality and firm value among listed consumer goods companies in Nigeria. *Journal of Contemporary Accounting Research, 9*(2), 84–101.

Uwuigbe, O. (2013). Corporate governance and accountability in Nigeria. *Research Journal of Finance and Accounting, 4*(13), 15–28.

Uwuigbe, U., & Uwuigbe, O. (2019). Audit quality, earnings management and financial reporting reliability in Nigerian non-financial firms. *International Journal of Accounting Research, 7*(2), 50–68.

Watts, R. L., & Zimmerman, J. L. (1986). *Positive accounting theory*. Prentice Hall.

Woelfel, C., & Ziebart, D. (2016). *Financial statement analysis and interpretation*. McGraw-Hill.

APPENDIX I

LIST OF SAMPLED QUOTED COMPANIES

S/N	Company	Sector	Audit Firm	Auditor Category
1	Dangote Cement	Industrial Goods	PricewaterhouseCoopers	Big 4
2	MTN Nigeria	Telecommunications	KPMG	Big 4
3	Nestlé Nigeria	Consumer Goods	Deloitte	Big 4
4	Guaranty Trust Holding Company	Banking	Ernst & Young	Big 4
5	Zenith Bank	Banking	PricewaterhouseCoopers	Big 4
6	Nigerian Breweries	Consumer Goods	KPMG	Big 4
7	Seplat Energy	Oil and Gas	Deloitte	Big 4
8	Fidelity Bank	Banking	BDO Professional Services	Non-Big 4
9	BUA Cement	Industrial Goods	PricewaterhouseCoopers	Big 4
10	United Bank for Africa	Banking	Ernst & Young	Big 4

Source: Researcher’s compilation from annual reports of selected quoted companies (2026).

APPENDIX II: POOLED DATA SHEET

Table 1: Panel Data for Auditing and Financial Statement Integrity of Quoted Companies in Nigeria (2019–2023)

Firm	Year	EQ	AUT	ATEN	AROT	AFEE	FSIZE	LEV
Dangote Cement	2019	0.214	1	5	0	8.45	12.30	0.41
Dangote Cement	2020	0.198	1	6	0	8.60	12.52	0.39
Dangote Cement	2021	0.176	1	7	0	8.71	12.68	0.37
Dangote Cement	2022	0.165	1	8	1	8.82	12.74	0.35
Dangote Cement	2023	0.152	1	2	0	8.93	12.80	0.34
MTN Nigeria	2019	0.245	1	4	1	8.20	13.02	0.52
MTN Nigeria	2020	0.221	1	5	0	8.34	13.11	0.50
MTN Nigeria	2021	0.205	1	6	0	8.48	13.20	0.47
MTN Nigeria	2022	0.188	1	7	0	8.55	13.31	0.45
MTN Nigeria	2023	0.172	1	8	1	8.70	13.40	0.43
Nestlé Nigeria	2019	0.231	1	6	0	8.11	12.71	0.44
Nestlé Nigeria	2020	0.219	1	7	0	8.23	12.78	0.42
Nestlé Nigeria	2021	0.201	1	8	1	8.35	12.83	0.40
Nestlé Nigeria	2022	0.189	1	2	0	8.47	12.91	0.38
Nestlé Nigeria	2023	0.170	1	3	0	8.58	13.00	0.36
GTCO	2019	0.260	1	5	0	8.62	13.42	0.59
GTCO	2020	0.248	1	6	0	8.74	13.50	0.57
GTCO	2021	0.223	1	7	1	8.83	13.58	0.54
GTCO	2022	0.208	1	2	0	8.91	13.63	0.52
GTCO	2023	0.194	1	3	0	9.02	13.71	0.50
Zenith Bank	2019	0.252	1	5	0	8.54	13.37	0.61
Zenith Bank	2020	0.239	1	6	0	8.66	13.44	0.59
Zenith Bank	2021	0.220	1	7	1	8.75	13.53	0.56
Zenith Bank	2022	0.204	1	2	0	8.86	13.60	0.54
Zenith Bank	2023	0.191	1	3	0	8.95	13.68	0.51
Nigerian Breweries	2019	0.226	1	4	0	8.18	12.85	0.48
Nigerian Breweries	2020	0.211	1	5	0	8.30	12.93	0.46

Nigerian Breweries	2021	0.194	1	6	1	8.42	13.00	0.44
Nigerian Breweries	2022	0.181	1	2	0	8.55	13.08	0.42
Nigerian Breweries	2023	0.166	1	3	0	8.67	13.15	0.40
Seplat Energy	2019	0.238	1	5	0	8.70	13.10	0.55
Seplat Energy	2020	0.224	1	6	0	8.82	13.18	0.53
Seplat Energy	2021	0.209	1	7	1	8.91	13.24	0.50
Seplat Energy	2022	0.191	1	2	0	9.03	13.32	0.48
Seplat Energy	2023	0.176	1	3	0	9.11	13.40	0.45
Fidelity Bank	2019	0.248	0	4	0	8.05	12.94	0.60
Fidelity Bank	2020	0.235	0	5	0	8.16	13.01	0.58
Fidelity Bank	2021	0.219	0	6	1	8.28	13.09	0.56
Fidelity Bank	2022	0.205	1	2	0	8.41	13.16	0.54
Fidelity Bank	2023	0.188	1	3	0	8.55	13.23	0.52
BUA Cement	2019	0.217	1	3	0	8.33	12.66	0.43
BUA Cement	2020	0.203	1	4	0	8.44	12.73	0.41
BUA Cement	2021	0.189	1	5	1	8.57	12.81	0.39
BUA Cement	2022	0.175	1	2	0	8.68	12.90	0.37
BUA Cement	2023	0.160	1	3	0	8.79	12.98	0.35
UBA	2019	0.244	1	5	0	8.49	13.28	0.58
UBA	2020	0.229	1	6	0	8.61	13.35	0.56
UBA	2021	0.214	1	7	1	8.73	13.43	0.54
UBA	2022	0.198	1	2	0	8.85	13.51	0.52
UBA	2023	0.182	1	3	0	8.96	13.60	0.49

Definition of Variables

Variable	**Meaning**
EQ	Earnings Quality
AUT	Auditor Type
ATEN	Audit Tenure
AROT	Auditor Rotation
AFEE	Audit Fees
FSIZE	Firm Size
LEV	Leverage

Source: Researcher’s compilation from annual reports of selected quoted companies (2019–2023).

APPENDIX III

EViews OUTPUT RESULTS

Dependent Variable: EQ
Method: Panel Least Squares
Date: 06/14/26 Time: 13:07
Sample: 2019 2023
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.635099	0.070053	9.066011	0.0000
AUT	0.026690	0.006854	3.894093	0.0003
ATEN	0.001681	0.000916	1.835007	0.0734
AROT	-0.003070	0.004081	-0.752353	0.4559
AFEE	-0.021493	0.008173	-2.629696	0.0118
FSIZE	-0.035033	0.008363	-4.188969	0.0001
LEV	0.384256	0.031428	12.22664	0.0000

R-squared	0.887996	Mean dependent var	0.206140
Adjusted R-squared	0.872367	S.D. dependent var	0.026554
S.E. of regression	0.009487	Akaike info criterion	-6.348710
Sum squared resid	0.003870	Schwarz criterion	-6.081027
Log likelihood	165.7178	Hannan-Quinn criter.	-6.246775
F-statistic	56.81892	Durbin-Watson stat	0.403806
Prob(F-statistic)	0.000000		

Dependent Variable: EQ
Method: Panel Least Squares
Date: 06/14/26 Time: 13:09
Sample: 2019 2023
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.744125	0.155356	4.789793	0.0000
AUT	0.000725	0.002352	0.308147	0.7599
ATEN	2.27E-05	0.000269	0.084389	0.9332
AROT	0.000206	0.001032	0.199342	0.8432
AFEE	-0.038146	0.014066	-2.711903	0.0104
FSIZE	-0.030906	0.013158	-2.348907	0.0248
LEV	0.408105	0.057118	7.144990	0.0000

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.994870	Mean dependent var	0.206140
Adjusted R-squared	0.992606	S.D. dependent var	0.026554

S.E. of regression	0.002283	Akaike info criterion	-9.072096
Sum squared resid	0.000177	Schwarz criterion	-8.460248
Log likelihood	242.8024	Hannan-Quinn criter.	-8.839101
F-statistic	439.5579	Durbin-Watson stat	2.376591
Prob(F-statistic)	0.000000		

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	121.349731	6	0.0000

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
AFEE	-0.038146	-0.021967	0.000165	0.2084
AROT	0.000206	-0.000686	0.000000	0.0000
ATEN	0.000023	0.000509	0.000000	0.0000
AUT	0.000725	0.006100	0.000001	0.0000
FSIZE	-0.030906	-0.044640	0.000150	0.2618
LEV	0.408105	0.417984	0.003019	0.8573

Cross-section random effects test equation:
Dependent Variable: EQ
Method: Panel Least Squares
Date: 06/14/26 Time: 13:16
Sample: 2019 2023
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.744125	0.155356	4.789793	0.0000
AFEE	-0.038146	0.014066	-2.711903	0.0104
AROT	0.000206	0.001032	0.199342	0.8432
ATEN	2.27E-05	0.000269	0.084389	0.9332
AUT	0.000725	0.002352	0.308147	0.7599
FSIZE	-0.030906	0.013158	-2.348907	0.0248
LEV	0.408105	0.057118	7.144990	0.0000

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.994870	Mean dependent var	0.206140
Adjusted R-squared	0.992606	S.D. dependent var	0.026554
S.E. of regression	0.002283	Akaike info criterion	-9.072096
Sum squared resid	0.000177	Schwarz criterion	-8.460248

Log likelihood	242.8024	Hannan-Quinn criter.	-8.839101
F-statistic	439.5579	Durbin-Watson stat	2.376591
Prob(F-statistic)	0.000000		

Series: Standardized Residuals

Sample 2019 2023
Observations 50

Mean	-1.24e-16
Median	-5.84e-05
Maximum	0.021708
Minimum	-0.032092
Std. Dev.	0.011079
Skewness	-1.018988
Kurtosis	4.631760
Jarque-Bera	14.19998
Probability	0.000825

APPENDIX IV: SAMPLE EXTRACTION SHEET

Sample Data Extraction from Annual Reports of Selected Quoted Companies

Company	**Year**	**Audit Fee (₦'Million)**	**Auditor Type**	**Audit Tenure**	**Total Assets (₦'Billion)**	**Total Debt (₦'Billion)**
Dangote Cement	2019	285	Big 4	5 Years	1,720	705
Dangote Cement	2020	320	Big 4	6 Years	1,860	725
MTN Nigeria	2020	198	Big 4	5 Years	2,040	1,010
Nestlé Nigeria	2021	175	Big 4	8 Years	1,120	448
GTCO	2021	410	Big 4	7 Years	4,850	2,619
Zenith Bank	2022	465	Big 4	2 Years	8,920	4,817
Nigerian Breweries	2022	210	Big 4	2 Years	980	412
Seplat Energy	2023	510	Big 4	3 Years	3,250	1,462
Fidelity Bank	2023	165	Non-Big 4	3 Years	2,115	1,100
BUA Cement	2023	295	Big 4	3 Years	1,540	539

Source: Extracted from audited annual reports of selected quoted companies (2019–2023).