

Audit Independence and Financial Reporting Quality of Listed Manufacturing Companies in Nigeria

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ABSTRACT

Notwithstanding the significance of the external audit function, scholars are actively examining the independence and sovereignty of the external auditor. The study evaluated the effect of audit independence on financial reporting quality of listed manufacturing companies in Nigeria. The study especially investigated the effects of audit tenure and audit fees on the integrity of financial reporting as demonstrated by the discretionary accruals of Nigerian manufacturing businesses that are listed. From 2015 to 2024, a span of ten (10) years, secondary data was taken from and received from the Annual Report and Accounts of ten (10) Nigerian listed manufacturing companies. To examine the gathered data, statistical methods such as multiple regressions, correlations, and descriptive statistics were employed. At the 5% significance level, the results showed that audit tenure had no discernible effect on the quality of financial reporting ($p = 0.8242, > 0.05$), while audit fees had a major effect on the financial reporting of Nigerian listed manufacturing businesses ($p = 0.0273, < 0.05$). The study found that while audit fees can be used to predict the financial reporting quality of the chosen manufacturing firms in Nigeria, audit tenure is not regarded as a reliable and significant predictor of the financial reporting quality of the chosen manufacturing firms. The research suggested that audit fees should be closely monitored since high payments from clients may result in bonding which may eventually jeopardize the auditor's independence, thereby affecting the quality of audit to be provided.

Keywords: Audit, Audit fee, Audit independence, Audit tenure, Discretionary accrual and Financial reporting quality.

INTRODUCTION

Aside from auditing functions, financial statements of businesses would be viewed with suspicion globally since analysts, investors, and all other stakeholders assumed that the audited financial report of these businesses was the basis for the underlying economic performance of those businesses (Agugum et al., 2018). Thus, the importance of auditing for an organization's effective management and operations, as well as the public's reliance on its performance, cannot be overstated. Due to the management revolution, the practice of hiring an outside auditor to review a company's financial accounts was introduced. The separation of ownership and management, on the other hand, is the essence of the managerial revolution. This development resulted from the establishment of jointly held enterprises, where resource management appears to be nearly impossible for all owners (Kufur, 2022).

The conflict of interest between principals and agents in contemporary organizations, according to Nozarpour (2021), is reflected in the need for audit services as a monitoring tool. Using an external audit service is common to improve the accuracy of accounting, figures reported in financial statements, and protect stakeholders from managerial opportunistic attitudes and unethical actions (Okike & Adegbite, 2021). International Financial Reporting Standards (IFRS) and Nigerian Generally Accepted Accounting Principles (Olowookere & Inneh, 2016) are the standards and procedures for the creation and presentation of financial accounts. A wide range of

users can utilize the information provided by financial statements to make well-informed economic decisions. Consequently, managers use financial statements as tools to report on their stewardship (Chadegani et al., 2021).

Although the external audit role is considered important, there is presently academic attention focused on the independence and sovereignty of the external auditor (Adeyemi & Akinniyi, 2021). According to Xu and Wang (2008), independence has long been acknowledged as the most significant attribute that distinguishes the public accounting profession, which lends credence to this assertion. The accounting profession is founded on independence, both historically and philosophically, and its prestige and specialty are based on this (Chia-Ah & Karlsson, 2010). For individuals who rely heavily on an external auditor, its sovereignty shows objective and fosters trust. The auditing profession places a high value on independence; thus, its rules and principles must be applicable, efficient, and equitable in every corporate setting (Eilifsen et al., 2016). The public now has doubts about the independence of auditors due to previous audit failures worldwide, and businesses use this to manipulate their taxable obligations for their own gain (Olaoye & Agugom, 2018).

There is no question about the importance of auditor independence as a foundation for high-quality auditing. Research on the independence of auditors has gained attention throughout the last ten years. Due to the many company bankruptcies and scandals that have shook the world of business, investors of all kinds, as well as business owners and managers, have been on guard to make sure that appropriate accounting and management standards are being followed. Finding the factors that influence financial report credibility is necessary since Nigeria is not exempt from the need to adhere to recognized standards and procedures (Animasaun et al., 2024).

Cadbury Nigeria Plc was implicated in Nigeria's most significant business scandal in 2006. Each of these incidents and instances had a profound impact on the stockholders' mental health. The main topics of debate in each scandal were the accuracy of accounting data and the necessity of evaluating the efficiency of financial reporting procedures, auditing procedures, and accounting standards (Adeyemi & Asaolu, 2023).

The duration of audit tenure is defined by Adeniyi and Mieseigha (2023) as the number of years spent as an auditor. Long-term auditor-client relationships can cause interests to align, which reduces the likelihood that the auditor will operate in a really impartial way and has a significant impact on the caliber of financial reporting produced by businesses, according to Adeyemi and Okpala (2021). Fees are charged by auditors for their services. It implies that certain of the customers of auditors are more beneficial to the economy than others. The audit firm views clients that are economically significant as having a larger weight in portfolio on their list. Wider implications include the possibility that an external auditor's independence may be compromised due to increased pressure from management of such larger customers (Reynolds & Francis, 2021).

The connection between financial reporting quality and audit independence has been the subject of several research. These studies, which were carried out in Nigeria and overseas, include Zayol et al. (2017), Olowookere & Oladejo (2017), Otuya (2019), Olaoye et al. (2019), Odunayo & Adegbe (2022), Ebubechukwu (2023), Yayangida et al. (2023), Okoh & Audu (2024), Izevbekha & Momodu (2024), and Yeng & Oppong (2024). These investigations, however, have shown conflicting results. While some research found that audit independence had a detrimental impact on the quality of financial reporting, others found that it has a beneficial impact. Additionally, in order to assess the independence of auditors, previous research has mostly relied on factors like audit fee, firm size, and tenure. The impact of auditor independence on the caliber of financial reporting is still not well covered in the literature. In order to address the following research questions, this study looked at how audit independence affected quality of financial reporting of manufacturing businesses listed in Nigeria:

- i. To what extent does audit tenure affects discretionary accruals of listed manufacturing companies in Nigeria?
- ii. To what level does audit fees affects discretionary accruals of listed manufacturing companies in Nigeria?

LITERATURE REVIEW

Conceptual Review

Financial Reporting Quality

Financial reports, according to Olagunju (2021), are documentation of business activities that provide a summary of a company's financial performance and status, empowering users to make more informed financial decisions. Financial reports include information on how an organization used its resources, as well as the claims made against those resources and their owners, as well as the impact of transactions that altered those resources and the claims made against them (Glautier & Underdown, 2021).

Financial reporting quality refers to the extent to which an audit can identify and record any significant misstatements in company financial reports. The capacity to identify such serious misstatements is reflected in the auditor's competence, while the ability to expose them represents the auditor's integrity or audit ethics, which constitutes auditor independence (Arens et al., 2024). To put it another way, the quality of financial reporting depends on how consistently the auditor expresses their view on the financial reports.

In this study, the quality of financial reporting is measured using Discretionary Accruals (DACC). DACC has been deemed an excellent method for assessing earnings management level and, consequently audit quality (Dechow, Sloan & Sweeney, 1995; DeAngelo, 1986; Jones, 1995). High income smoothing and earnings management lower the quality of financial reporting, according to the DACC opinion. Higher DACC is implied to increase the gap between the actual situation (financial performance) and the financial statements' outcomes.

Audit Independence

Independence of an auditor is implied by their ability to maintain an impartial and dispassionate mindset while conducting an audit. According to DeAngelo (1981), auditor independence is the ability of an auditor to make decisions when conducting an audit and revealing the results of that audit with a balanced mental assertiveness. There is a chance that an auditor may be perceived as lacking objectivity if their independence is threatened in any way. This implies that any breach that is found will be seen as not being independently reported by the auditor.

Independence, according to Arens et al. (2024), requires a mindset of duty that is separate from the interests of the client. An external auditor who is independent is more likely to exhibit a healthy sense of professional skepticism. The independence of the auditor makes it easier for a good audit opinion to be the end result of an audit assignment, claim Sucher and Maclulich (2004). This in turn increases trust in the information provided to the company's stakeholders and gives financial reporting legitimacy. According to Saputra (2015), an auditor's independence determines the quality of an audit report as it allows him to carry out his work in accordance with commonly accepted auditing standards. When an external auditor discovers any major misstatements in the company's books of accounts, whether as a result of fraud or error, they can disclose them because of their independence.

Auditor independence describes the auditor's lack of interest in the auditing task, which helps to prevent significant prejudice that might compromise the accuracy and legitimacy of the financial statements. In general, there are two types of independence: mental independence and physical freedom. In order to operate with integrity, exercise objectivity, and exercise professional skepticism, the former needs the auditor to be in a mental state that allows them to express an opinion without being influenced by factors that might impair their professional judgment (Hayes et al., 2024). Although maintaining an independent image necessitates avoiding circumstances that might lead people to believe that the auditor is not acting with objectivity and impartiality (Nasser, 2016).

Audit Tenure

The duration of an auditor's service to a client from the time of his first engagement is referred to as the audit tenure. Two different points of view exist on how tenure of an auditor affects audit quality (Enofe et al., 2023). The first is that a longer tenure helps the auditor become more competent because decisions are based on a wealth

of client knowledge that has been developed over time; the second is that it hinders independence because it allows the auditor to become so familiar that they are more likely to act in management's favor (Knechel & Vanstraelen, 2017). Long-term auditor-client relationships can cause interests to align, which reduces the likelihood that the auditor will operate in an impartial manner (Adeyemi & Okpala, 2021).

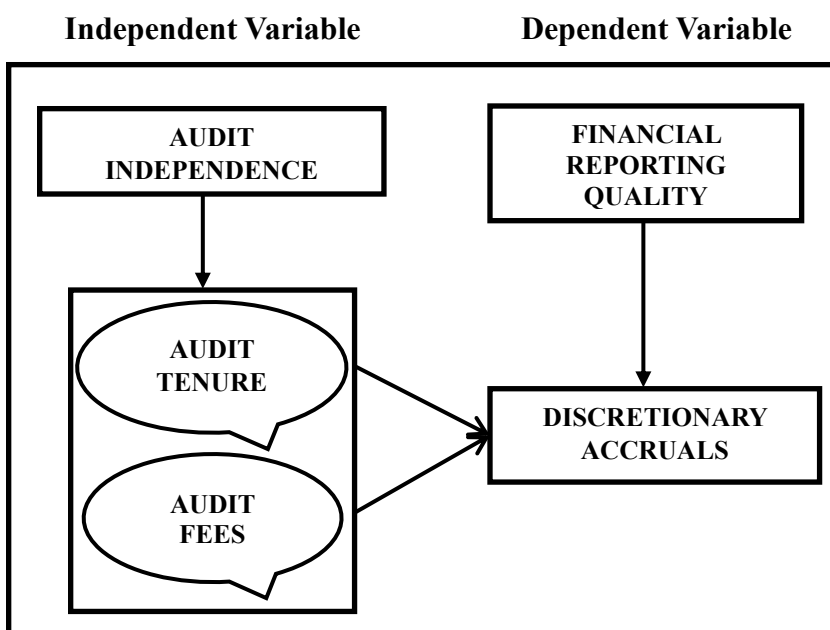
This research defines auditor tenure as the duration of the auditor-client relationship. The auditor's independence may be threatened by an extended relationship with his client because of the potential for personal relationships and familiarity to grow between the two parties. This could result in the auditor becoming less vigilant or even showing complacency toward the company's top executives. The audit engagement may eventually become routine, which would reduce the auditor's effort to identify internal control weaknesses and risk sources, in addition to the threat to independence (Adeniyi & Mieseigha, 2023).

Audit Fees

Audit fees are the financial charges received by auditors for completing an audit assignment. It is the fee charged by auditor to declare whether or not the financial statement is accurate and fair. Audit fees are the sums given to the auditors that cover the expenses of the work done by the public editors as well as the risks of litigation. According to Suharli and Nurlaelah (2018), an audit fee is the cost a public accountant charges a customer for financial audit services. According to the Securities and Exchange Commission, this definition is accurate.

The cost of the audit may vary depending on the degree of expertise required, assignment risk, the pricing structure of the public accountants' company, the complexity of services, and other professional considerations, according to Yuniarti (2021). For an audit job, auditors are paid audit fees. According to Choi et al. (2019), it represents the expenses of the public accountants' work as well as the dangers of lawsuit.

Figure 1: Conceptual Model



Source: Researchers (2026)

The diagrammatical representation of the variables and proxies used in the study is displayed in the above figure. Financial reporting quality, the dependent variable, was examined using discretionary accruals, whereas audit independence, the independent variable, was measured using audit tenure and audit fees, as seen in the above figure.

THEORETICAL FRAMEWORK

Agency Theory

Jensen and Meckling proposed agency theory in 1976. According to Jensen and Meckling (1976), agency theory examines the connection between a principle and an agent, wherein the principal appoints an agent to do a task

on the principal's behalf, hence granting the agent some degree of decision-making authority. An agency dilemma is one in which the interests of the principal and the agent are at odds, and it is expensive and challenging for the principle to ascertain what the agent is actually doing, according to Eisenhardt (1989). Additionally, as a result of this ownership split, managers typically prioritize their own earnings and interests over those of the shareholders, which eventually results in the agency problem and expenses that ultimately fall on the owners—a situation known as agency cost.

According to Jensen and Meckling (1976), these discrepancies result from the shareholders' incapacity to keep an eye on the management's performance and activities. Additionally, the self-interest of managers increases the company's expenses, including contract formation fees, losses from agent decisions, and the costs of monitoring and regulating agent conduct (Leuz et al., 2023). The consequences of such conduct are eventually shown in the profits of the business.

Practices related to earnings management may be a sign of an agency issue. Since shareholders are not often active in the operation of their companies, ownership and management are typically kept apart in modern enterprises. And the agency problem is based on this. Therefore, measures must be taken to guarantee audit quality by an impartial third party, external auditors, in order to lessen these agency issues. By providing an unbiased assessment of the company's financial statements, external auditors are supposed to lessen the likelihood of earnings manipulation (Habbash, 2020).

The foundation of this research is the agency theory. This is due to the fact that agency theory provides a clearer and more effective explanation of unethical accounting practices and financial difficulties like earnings management. In order to examine the connection between audit independence and the caliber of financial reporting in Nigerian listed manufacturing businesses, this study utilizes agency theory. Compared to previous theories, agency theory provides a more comprehensive explanation of the relationship between audit quality as a monitoring tool and financial reporting quality, as well as the motive behind the latter.

Empirical Review

Effect of tenure and compensation on the independence of Nigerian auditors was examined by Olowookere and Oladejo (2017). Secondary data was obtained from the Fact Book and published annual reports of a few chosen listed firms for the relevant years (2002–2012) on the Nigerian Stock Exchange. The study concluded that after 10 years, external auditor rotation should be required as the independence of auditors affects public trust in the accuracy of audit reports.

Olowookere and Oladejo (2017) looked at how tenure and pay affected the independence of Nigerian auditors. Publicly available annual reports of a few chosen listed firms on the Nigerian Stock Exchange and Fact Book for the pertinent years (2002–2012) were the source of secondary data. Rotation of external auditors should be required every 10 years, according to the research, as the independence of auditors affects public trust in the accuracy of audit reports.

Otuya (2019) looked at the connection between the caliber of corporate financial reporting in Nigeria and the independence of auditors. Adopting a content analysis research approach, the study was grounded on the agency theory. The information was gathered from the 2013–2017 annual reports of publicly traded manufacturing businesses. While regressions were utilized to investigate the link between the variables emphasized in the study, descriptive and correlation statistics were employed as analytical techniques. The study's conclusions show that audit incentives, audit tenure, and audit client size significantly improve financial reporting accuracy. According to the study, there is a slight but favorable association between the quality of financial reporting and the delay in audit reporting.

The effect of statutory auditor independence on the accuracy of Nigerian manufacturing businesses' financial statements was investigated by Olaoye et al. (2019). The study used a survey research approach and gathered information from shareholders of Nigerian listed businesses who answered a structured online questionnaire. One hundred and thirty-seven of the 150 structured questions used in the study were collected from respondents who were shareholders of Nigerian listed firms. Using both descriptive and inferential statistics, the collected

data was examined. The reliability of financial statements (RFS) was found to be positively impacted by the independence of statutory auditors, positively significantly by audit tenure, positively significantly by non-audit services, and positively insignificantly by non-financial interest.

A study by Odunayo and Adegbe (2022) examined the impact of independent auditors and moral behavior on the financial reporting of Nigerian listed firms. This study used a self-structured questionnaire as part of its survey research design. A sample size of 414 was determined using the Yaro Yamane (1976) method, and the study's population consisted of all 66 manufacturing enterprises. 356 valid questionnaires in all, or 86% of the anticipated respondents, were obtained from the online respondents. dependability analysis using Cronbach Alpha. According to the study, company financial reports were significantly improved by ethical behavior and independent auditors.

The impact of audit independence on the quality of financial reporting for non-financial firms listed in Nigeria was ascertained by Ebubechukwu (2023). The study used an ex post facto research design. Over the ten-year period from 2012 to 2021, data were gathered from the purposive sample's yearly reports. The study included both descriptive and inferential analysis. A 5% alpha level analysis of the accruals quality of Nigerian listed non-financial firms revealed that audit fees had a positive but non-significant effect, audit tenure had a positive but non-significant effect, audit rotation had a significant positive impact, and non-audit service performance had a positive but non-significant impact.

From 2011 to 2021, Yayangida et al. (2023) examined the moderating impact of audit committee independence on the relationship between audit tenure and the caliber of financial reporting of Nigerian listed non-financial services firms. The research approach used in this study was ex post facto, and secondary sources provided the data. Purposive sampling procedures were used to choose 30 listed non-financial services companies for the sample size. The data analysis method used in the study was multiple regression. The results of the study showed that the two and the caliber of financial reporting for non-financial services businesses listed in Nigeria are unrelated. When audit committee independence is considered, the effect of audit tenure on the caliber of financial reporting is statistically significant.

The relationship between the financial statement quality and auditor independence of Nigerian listed non-financial enterprises was examined by Izevbekha and Momodu (2024). Seventy-five (75) non-financial companies listed on the Nigerian Exchange Group were chosen as the study's sample size using the purposive sampling approach, which was the secondary source of data collection. Additionally, because the researcher cannot alter the variables, the ex-post facto study approach was employed. Using STATA, the variables in this study were analyzed using the Ordinary Least Square regression approach. The results showed that joint audits had no discernible impact on the financial statement quality of listed non-financial enterprises in Nigeria, whereas audit tenure had a considerable impact.

The potential impact of audit independence on the caliber of financial reporting in the Sub-Saharan African stock markets was investigated by Yeng and Oppong (2024). using numerical data gathered from the yearly financial reports of one-hundred and six listed companies in six sub-Saharan African countries throughout a ten-year period (2012 to 2021). For the study, the ex-post facto research design was a good fit. The outcome demonstrates the beneficial influence of audit tenure and its importance in elucidating the quality of financial reporting.

Additionally, the statistics show that although audit firm size is advantageous, it has no impact on the caliber of financial reporting. It was discovered that audit fees significantly and favorably affected the caliber of financial reporting.

Okoh and Audu (2024) investigated the connection between auditor independence and financial reporting quality in Nigerian listed fast-moving consumer goods (FMCG) businesses. The study used a survey research approach, gathering primary data from audit experts that work as auditors for Nigerian FMCG businesses that are listed. The study's findings indicate that neither audit fees nor non-audit services significantly affect the caliber of financial reporting produced by Nigerian listed FMCG companies. Furthermore, the outcome indicates that audit tenure has a substantial impact on financial reporting quality.

Based on the findings of the previously stated empirical research, which indicated a lack of consensus about audit independence and financial reporting quality, this study sought to further knowledge by evaluating the null hypotheses listed below:

H₀₁: Audit tenure does not significantly affect discretionary accruals of listed manufacturing companies in Nigeria

H₀₂: Audit fee has no significant effect on discretionary accruals of listed manufacturing companies in Nigeria

METHODOLOGY

This study employed an ex post facto research design. In order to gather important information on the state of a certain phenomena after a period of naturally occurring therapy without changing the situation, this research methodology was chosen. Furthermore, this design enables the researcher to describe and summarize the data collected for the study, giving a thorough grasp of the objectives and contributing elements (Fleetwood, 2023). As of December 31, 2024, ten (10) of the manufacturing businesses that were listed in Nigeria made up the study's sample size. Using the judgmental sampling approach, the sample size that was utilized to represent the entire population was established. The annual reports and accounts of the chosen firms, which covered a ten-year period from 2015 to 2024, provided the secondary data. In addition, using a model, the cumulative effect of audit independence proxies on the quality of financial reporting was investigated. Using the audit tenure and audit fee as metrics, the study assessed the relationship between audit independence and financial reporting quality. However, the quality of financial reporting was assessed using discretionary accruals. As shown below, the study used ordinary least square (OLS) regression to evaluate the connection between the independent and dependent variables:

$$DA = f(AT, AF) \dots\dots\dots i$$

The model has been formulated to suit the study as follows:

$$DA = \beta_0 + \beta_1 AT + \beta_2 AF + e \dots\dots\dots ii$$

Where:

DA = Discretionary Accruals

AT = Audit Tenure

AF = Audit Fees

β_1, β_2 = Coefficient of Regression

e = error term

RESULTS

This section presents the analysis to assess financial reporting quality and audit independence. Various robustness checks were addressed and descriptive, correlation, and regression analysis were performed to increase the validity of the results.

Presentation of Results

Table 1 Descriptive Results

	DA	AT	AF
Mean	28.42378	6.748485	35548.64
Median	0.068364	7.000000	13000.00
Maximum	1871.064	17.00000	410000.0
Minimum	-2.587716	1.000000	175.0000
Std. Dev.	187.5198	3.608576	66925.24
Skewness	8.797340	0.246871	2.115924
Kurtosis	86.67542	1.696194	12.47936
Jarque-Bera	36028.54	4.364489	532.1272

Probability	0.000000	0.073781	0.000000
Sum	1915.944	678.0000	3508315.
Sum Sq. Dev.	7353851.	1172.526	4.50E+11
Observations	100	100	100

Source: E-views 12 Results, 2026

The variables' descriptive statistics are shown in table 1 above. According to the table, DA, AT, and AF have respective averages of 28.42378, 6.748485, and 35548.64. Given that AT has the highest average value in comparison to AF, it is implied that AT is the best suitable predictor of DA. The variables' maximum values are, respectively, 1871.064, 17.00000, and 410000. However, it is shown that the variables' lowest values are 2.587716, 1.000000, and 175.0000, respectively. But because the Jarque-Bera test's p-value (0.073781) is higher than the 0.05 significant threshold, the study found that the data collected for AT is normally distributed. In contrast, the data collected for AF defied the normality assumption because the Jarque-Bera p-value (0.0000) is lower than the 0.05 significant threshold.

Table 2 Correlation Results

	DA	AT	AF
DA	1.000000		

AT	0.055213	1.000000	
	0.663570	-----	
	0.5085	-----	
AF	0.23122	0.324383	1.000000
	3.586952	3.377435	-----
	0.0005	0.0011	-----

Source: E-views 12 Results, 2026

Table 2 displays the results of the connection between the variables DA, AT, and AF. With correlation values of 0.055213 and 0.23122, respectively, the results indicate that AT and AF all have a slightly positive relationship with the dependent variable (DA). According to this study, a percentage increase in each of AT and AF would result in a further improvement in the financial reporting quality of the companies, as indicated by DA.

Table 3 Hausman Test

	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.475721	2	0.8156

Source: E-views 12 Results, 2026

According to Table 3 above, the value is statistically insignificant because the p-value of 0.8156 is higher than the 0.05 significant level. A fixed effect regression model was therefore used for regression analysis.

Table 4 Regression Results (Fixed Effect Model)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AT	-0.754251	8.668177	-0.097973	0.8242
AF	0.002354	0.001339	2.444940	0.0273
C	-30.17600	79.05252	-0.506954	0.6135
R-squared	0.657576	Mean dependent var		29.43378
Adjusted R-squared	0.551435	S.D. dependent var		288.5198
S.E. of regression	281.0019	Akaike info criterion		14.23645
Sum squared resid	6790737.	Schwarz criterion		14.57723
Log likelihood	-691.7044	Hannan-Quinn criter.		14.37433
F-statistic	11.542929	Durbin-Watson stat		2.231743
Prob(F-statistic)	0.0072503			

Source: E-views 12 Results, 2026

The least squares regression coefficients are calculated from Table 4 above using the conventional OLS formula as follows:

$$DA = -30.17600 - 0.754251AT + 0.003274AF$$

The dependent variable (DA) is positively impacted by AF, but AT has a negative impact on DA, as can be seen from the equation above. The DA of the chosen firms would consequently decrease by 0.754251 for every unit increase in AT, whereas DA would rise by 0.002354 for every unit increase in AF. The independent variables' respective t-test results were -0.097973 and 2.444940. For AT, the t-calculated value is less than the t-tab of 2, whereas for AF, it is more than 2. Their respective p-values (probability values) are displayed as 0.0165 and 0.9222. While the p-value for AF is less than the 0.05 significant threshold, it may be considered as statistically significant. In contrast, the p-value for AT can be read as statistically insignificant because it is more than the 0.05 level of statistical significance. Furthermore, of the variance in DA, only 65.76% can be described by AT and AF, according to the R-squared value of 0.657576. The remaining 33.24% may be explained by other audit independence proxies that were not part of the study. The model is statistically significant (F-Statistic of 11.542929 with a probability value of 0.0072503) as the produced figure is less than the 0.05 significant threshold. of the variables are in good shape, as the Durbin-Watson statistic score was 2.231743, indicating the absence of auto-correlation because the value is more than 1.5.

Test of Hypotheses

H01: Audit tenure does not significantly affect discretionary accruals of listed manufacturing companies in Nigeria

The aforementioned study hypothesis is sufficiently clarified by the regression table. The regression table indicates that the audit tenure has a probability value of 0.8242. This value was deemed statistically insignificant since it exceeds the 5% significant level. The study thus supports the aforementioned null hypothesis since audit tenure had no appreciable effect on the discretionary accruals of Nigerian listed industrial companies.

H02: Audit fee has no significant effect on discretionary accruals of listed manufacturing companies in Nigeria

Furthermore, the p-value for audit fees (AF) in the regression table was shown as 0.0273, which was considered statistically significant at the 5% significant level. Therefore, the study disproves the second null hypothesis stated above and confirms that audit fees significantly affect the discretionary accruals of listed manufacturing companies in Nigeria.

DISCUSSION OF RESULTS

With an emphasis on Nigerian manufacturing companies, the study assessed the impact of audit independence on the caliber of financial reporting. In particular, Audit Fee (AF) and Audit Tenure (AT) were selected as stand-ins for audit independence. Nonetheless, the dependent variable, the quality of financial reporting was assessed using discretionary accruals. While some empirical research on the subject matter distinct findings, others are related to the findings of the current study, as will be explained below:

The study backs up the first null hypothesis which stated that audit tenure has no appreciable effect on the discretionary accruals of manufacturing companies listed in Nigeria, at the 5% level of statistical significance. Zayol et al. (2017), Olaoye et al. (2019), Odunayo and Adegbe (2022), and Ebubekhuwu (2023) have all reported similar results. However, Otuya (2019), Yayangida et al. (2023), Okoh and Audu (2024), and Izevbekeha and Momodu (2024) have not.

According to the research outcome, audit fees significantly affect discretionary accruals of Nigerian manufacturing businesses that are listed. This result is in line with the research of Otuya (2019), Olaoye et al. (2019), Odunayo and Adegbe (2022), Ebubekhuwu (2023), Izevbekeha and Momodu (2024), and Yeng and Oppong (2024). However, it contradicts the findings of Okoh & Audu (2024) and Yayangida et al. (2023).

CONCLUSION AND RECOMMENDATIONS

In consistent with the research findings, the study concludes as follows:

Since the p-value of 0.8242 exceeds the 0.05 significance threshold, it was considered statistically insignificant. The study concludes that audit tenure is an unreliable measure to be considered while predicting the quality of financial reporting of the selected manufacturing firms. In addition, the regression table showed a statistically significant p-value of 0.0273 at the 0.05 threshold. Thus, the research concludes that the audit fees might be used by stakeholders to predict the quality of financial reporting of the selected Nigerian manufacturing firms.

The study's findings and conclusion led to the following recommendations being made:

Since audit tenure and audit quality are directly connected, the auditor-client relationship shouldn't extend more than three years. This is due to the possibility that the auditor may become close to the client and work more in management's favor, which would reduce the objectivity and quality of the audit.

Audit fees have a positive and significant influence on the quality of financial reporting; thus, manufacturing companies should depend on these expenses as a guarantee of audit quality. In order to ensure that no audit firm has a client whose audit charge above five percent of the total audit price, the Institute of Chartered Accountants of Nigeria's code of conduct for professional accountants recommends that audit fees be reviewed. Excessively high audit fees from a customer will lead to bonding, which will jeopardize the audit's independence and caliber.

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