AUDIT QUALITY AND BOARD CHARACTERISTICS AS DETERMINANTS OF FINANCIAL REPORTING QUALITY IN NIGERIA

Oluwayinka, A. OJEBODE [1]
Adebayo OLAGUNJU[2], Ph.D
Aderemi Olalere ADEBAYO[3], Ph.D.
Jimoh IBRAHIM[4], Ph.D
jimohibrahim889@gmail.com
[1-3] Department of Accounting
Osun State University, Okuku Campus, Nigeria
[4] Department of Accounting
Federal University Oye-Ekiti, Nigeria

Corresponding Author: jimohibrahim889@gmail.com and jimoh.ibrahim@fuoye.edu.ng
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Abstract
This study explored the effect of audit quality and board attributes on FRQ of listed non- financial firms (NFFs) in Nigeria. The study population consisted of 106 listed NFFs. The purposive sampling technique was employed to select 58 listed NFFs. Secondary data were gathered from reports and accounts of selected firms (2012 - 2023). Data were analysed using descriptive and panel random effect techniques. Our findings reveled that Audit firm size has a significant inverse effect on FRQ (β= -0.0063, $p<0.05$), suggesting that firms audited by Big Four firms produce higher-quality financial reports due to their stringent standards.Board independence had substantial negative effect on FRQ (β.= -0.0003, $p<0.05$).In addition, audit delay (β= 2.6200, $p<0.05$) had a substantial favourable effect on FRQ. Board size also contributes positively to FRQ (β= 0.0012, $p < 0.05$), implying that an appropriately sized board enhances governance and financial transparency. The study found that there was an inverse and substantial relationship between the moderating role of board size and audit firm size on FRQ given (β=-0.0010, $p<0.05$). Additionally, there was substantial favourable relationship between the moderating role of BOS and audit delay on FRQ(β=4.1300, $p<0.05$) respectively. The study concluded that the effects of moderating role play by board size on the link between audit firm size and audit delay cannot be overemphasized. Hence, the study recommended that companies should consider limiting board size to enhance oversight and decision-making.

Keywords: Audit quality, audit firm size, board size, board independence, financial reporting quality

1.0Introduction

The interplay between corporate governance, audit quality, and FRQ is a critical area of exploration in corporate finance, substantially affecting transparency and accountability within organizations. This investigation aims to illuminate how corporate boards can enhance the link between audit quality and FRQ, positing that robust governance structures are essential for optimizing the favourable effects of quality audits on financial reporting outcomes (Johnson et al., 2019). Understanding the impact of FRQ on a company's long-term performance raises important questions about market valuation. High-quality financial information serves as a vital resource for reducing information asymmetries among investors, management, regulators, and other stakeholders (Yousuf, 2020). Such transparency not only facilitates improved decision-making but also fosters heightened trust within the marketplace. It has been shown that companies that prioritize quality financial reporting tend to achieve higher valuations, as the market tends to reward those organizations committed to delivering accurate and transparent

financial data. This commitment is crucial in mitigating information asymmetries, enhancing stakeholder confidence, and ultimately driving better market outcomes (Yousuf, 2020). Even though, the FRCN conducts periodic quality reviews of audits to ensure compliance with international auditing standards, bolstering the integrity of financial reports which is part of recent audit regulation developments. Recent amendments to auditing standards align more closely with International Standards on Auditing (ISA), addressing auditor independence and professionalism.

The primary goal of financial reporting is to deliver high-quality information that is essential for evaluating management's effectiveness in utilizing resources. Investors and creditors rely on these reports to make informed decisions about resource allocation (Muhammed et al., 2016). The banking industry is under justified criticism for its low-quality financial reporting, primarily due to detrimental board characteristics (Muhammed et al., 2016). Thus, board characteristics can be explained as one of the internal mechanisms used for corporate governance dealings. The features of the board comprise of its size, independence, diversity, age, gender, expertise, education, and committee composition (Ibrahim et al, 2023). The administrative functions of the board include the responsibility for supervising and controlling the organization's financial reporting activity (Ibrahim et al, 2023). The corporate board is a pivotal factor in ensuring high-quality financial reporting, particularly in the face of challenging macroeconomic conditions.

Weaknesses within the Board of Directors are frequently linked to significant corporate failures that arise from economic downturns and crises. To bolster the integrity of financial reporting, it is essential to adopt strategies that promote greater accountability, allocate adequate resources to the audit function, and implement stronger corporate governance policies. Evidence shows that investors rely heavily on audited financial statements to make sound judgments about a company's viability (Daddau et al., 2023). Enhanced governance and reporting standards are not merely beneficial; they are indispensable for instilling investor confidence and ensuring long-term business success). As results of these weakness leads to recent accounting scandals or governance failures in Nigeria, for instance accusations of accounting irregularities, particularly about undisclosed related-party transactions, raised concerns about transparency at Zenith Bank (Uche, 2020). Oando faced serious allegations of financial mismanagement. An SEC investigation revealed governance failures, resulting in penalties and management changes (Omoile, 2019).First Bank's abrupt leadership changes without shareholder notification raised questions about corporate governance practices (Nwogbo, 2021).

Moreover, the greater part of research in Nigeria has focused on the financial sector, as this area has the benefit of easier data accessibility and stronger regulatory oversight, leaving the non-financial sector, which encompasses the fields of manufacturing, agriculture, telecommunications, and services, understudied. This gap constrains understanding of the mechanisms of audit quality and the corporate nexus in emerging economies and the effects on the bottom line for investors. In addition, many of the previous studies (Awuye , 2022; Eshiet et al., 2021; Qawqzeh et al., 2021; Rimamshung et al., 2023) have made use of proxies of audit quality such as audit delay, financial restatements, qualified audit opinion and auditor tenure and limited time frames, resulting in a lack of breadth in the studies.

While existing studies highlight the link between corporate governance and audit quality, factors like board size and their moderating effects remain insufficiently explored. Addressing these gaps is essential for enhancing accountability and governance policies. Strengthening board effectiveness is critical for improving FR integrity and averting corporate failures linked to weak governance structures. This research seeks to address the gap by examining how corporate board

characteristics influence the link between audit quality and FRQ, thereby contributing to the ongoing discourse on enhancing corporate board frameworks in Nigeria.

The findings will equip investors with valuable insights into audit quality and the implications of corporate board practices on the credibility and reliability of a firm's financial reporting.This research specifically focuses on the Nigerian corporate environment, addressing unique economic and regulatory challenges that influence the relationship between audit quality, board characteristics, and financial reporting quality. By examining how board characteristics such as composition, independence, and diversity—interact with audit quality, this study provides a comprehensive view of the factors that drive high-quality financial reporting

2.0 Literature Review

Quality in financial reporting can be defined in two critical ways. First, it assesses the quality of the reporting based on the value it delivers to users, allowing for informed decision-making. Second, it emphasizes shareholder and investor protection as essential to credible financial reporting (Stergios & Michalis, 2012). Nyor (2013) points out that two key factors contribute to the quality of financial reporting: how accurately the reported financials reflect an entity's operational performance and their usefulness in predicting future cash flows. In essence, FRQ is characterized by the ability to provide both accurate and reliable accrual figures. To attract a diverse array of investors, organizations must clearly demonstrate their past performance's predictive capability for future profitability (Nwaobia et al., 2016). Investors, both current and prospective, are acutely aware of the substantial of an organization's financial reporting quality. According to Alwardat (2019), the effectiveness of financial reporting plays a pivotal role; confidence in the accuracy and fairness of these reports directly influences investor perceptions and decisions. In order to determine the residuals for the measurement of FRQ, this study uses metric, known as Dechow and Dichev (DD) and developed by Dechow and Dichev 2002) assesses the alignment of cash flow realizations and working capital accruals. A poor match indicates low accrual quality, leading to adjustments in working capital accruals to reflect operating cash flows, resulting in earnings Quality (DAC).

$$\frac{\Delta WC_{it}}{Assets_{it}} = \beta_0 + \beta_1 = \frac{CFO_{i\,t-1}}{Assets_{it}} + \beta_2 = \frac{CFO_{i\,t-1}}{Assets_{it}} + \beta_3 = \frac{CFO_{i\,t+1}}{Assets_{it}} + \beta_4 = \frac{\Delta Sale_{it}}{Assets_{it}} + \beta_4 = \frac{PPE_{it}}{Assets_{it}} + \omega_{it}$$

Where
ΔWC_{it} = change in working capital accounts between year t_1 and year t for firm i;
$Assets_{it}$ =average total assets for firm i in year t;
C$CFO_{i\,t-1}$= cash flow from operations for firm i in year t_1;
$CFO_{i\,t-1}$ =cash flow from operations for firm i in year t;
$CFO_{i\,t+1}$ = cash flow from operations for firm i in year tþ1;
$\Delta Sale_{it}$ = change in sales for firm i between year t_1 and year t;
PPE_{it} =gross value of PP&E for firm i in year t;
ω_{it} = error term firm i in year t.

The justification for employing Dechow and Dichev (DD) (2002) techniques derives from theoretical foundations and its empirical relevance in contemporary financial reporting analysis. The DD model specifically aims to evaluate the quality of accruals. It posits that high-quality earnings should closely align with the company's operating cash flows. The above model examines the extent to which current earnings are associated with cash flows and how well past earnings predict future cash flows (Dechow & Dichev, 2002). This relationship is essential for assessing whether earnings figures genuinely reflect the economic performance of the firm. The

DD model focuses on the relationship between cash flows, earnings, and accruals. Therefore, a lower level of residuals in the model indicates greater reporting quality. The methodology provides a straightforward approach to assess the quality of accruals and the underlying earnings. Its robustness allows it to be applied across different industries and accounting practices (Francis et al., 2005; Li et al., 2018). Based on this assertions, the theoretical framework underpinning the DD model can be linked to Agency Theory: According to agency theory, there may be a conflict of interest between managers and shareholders, leading to potential manipulation of earnings. The DD model can help uncover discrepancies between reported earnings and actual cash flows, addressing these agency problems by providing insights into management's performance.

Audit quality encapsulates the auditor's capability to deliver unbiased, precise, and thorough evaluations of a company's financial statements. High-quality audits are crucial for upholding the integrity and reliability of financial reporting, fostering greater trust among stakeholders (Sihombing & Sondakh, 2023). In an era marked by increasingly complex transactions, the demand for transparency in financial disclosures has never been more critical (Nath & Ifeoma, 2022). Several key factors enhance audit quality, including: Audit Firm Size which indicates that larger audit firms boast extensive resources and specialized expertise, which often translates to superior audit quality (Astuti & Sarwono, 2022). When financial statements are audited by prominent firms, often known as the Big-4 auditors, stakeholders can feel more confident that these statements present a true and fair view (Ola & Oto, 2019). Audit tenure, which defines the length of time an audit firm has been engaged with a client, plays a substantial role. While an extended audit tenure can lead to a deeper understanding of the client's internal operations, it may also risk compromising auditor independence (Feleke, 2017). Conversely, a shorter tenure might limit the auditor's grasp of the client's internal controls, potentially reducing the quality of the audit (Akrawah et al., 2020). Audit delay defined as the period from the closure of a financial year to the issuance of the audit report, audit delay is crucial for FRQ (Swanson & Zhang, 2018). A timely audit, completed without comprising accuracy, is a hallmark of high quality. Ideally, audit reports should be made available promptly following the announcement of the general shareholders' meetinG. By ensuring that auditors have access to the necessary information quickly, companies can facilitate the prompt publication of vital financial and economic data. Justification for using audit delay, audit tenure, and audit firms as proxies for audit quality is due to the fact that audit delay measures the time taken to complete audits. Longer delays can indicate thorough audit processes, though excessive delays may raise concerns about reliability. In Nigeria, evaluating audit delays can highlight the effectiveness of audit practices.The length of time an audit firm is engaged with a client. Longer tenures may lead to better familiarity with the client's operations, potentially enhancing audit quality. This helps assess how auditor-client relationships influence the accuracy of financial reporting. The reputation and size of audit firms can significantly affect audit quality, with larger firms generally offering higher quality audits due to resources and expertise. Evaluating audit firms helps analyze their impact on financial reporting quality, especially given varying competencies in Nigeria. This research contributes to understanding the determinants of financial reporting quality in Nigeria by focusing on these key proxies for audit quality and their relevance to board characteristics

Understanding board attributes is essential for effective internal corporate governance, as they substantially influence FRQ and the organization's overall success. These attributes include committee structure, board size, independence, and diversity encompassing expertise, gender, age, and educational background (Anderson et al., 2004). The board's role in supervising the financial reporting system and enforcing transparency in administrative tasks cannot be overstated (Anderson et al., 2004). Research shows that robust board characteristics not only

elevate financial reporting standards but also serve as a critical monitoring mechanism for detecting and addressing financial statement fraud (Akeju & Babatunde, 2017; D'onza & Lamboglia, 2014). Board Independence is characterized by a majority of non-executive directors who provide unbiased judgment. This independence has proven to correlate with reduced aggressive earnings management. Non-executive directors are essential for diligent oversight, bringing extensive knowledge and impartiality to their roles. Their independence from management and controlling shareholders allows them to act purely in the interest of the company, solidifying trust and integrity in governance (Kajola et al., 2020). Board Size refers to the number of directors on a company's board and is vital for effective governance. While there is no legal requirement for a specific number, the Nigerian Code of Corporate Governance (2018) suggests that boards should be sufficiently sized to fulfill their duties of oversight and management control (Audu et al., 2022). Several factors contribute to determining board size, such as regulatory mandates, stakeholder expectations, growth opportunities, and industry trends, all of which are critical for ensuring a responsive and capable board. Board Gender refers to the representation of women on boards is a pivotal component of ensuring board diversity and enhancing corporate governance. Greater gender diversity correlates with improved financial reporting and more strategic decision-making capabilities (Ahmed, 2012). The unique skills and experiences that women contribute to board discussions foster richer decision-making processes. Therefore, achieving gender balance in board composition not only improves governance but also equips companies to exploit unique, hard-to-replicate resources, granting them a competitive advantage (Abdelzaher & Abdelzaher, 2019). In summary, the attributes of board such as independence, size, and gender diversity are not merely formalities but are fundamental elements of a robust governance framework. These attributes bolster the credibility of financial reporting and establish a solid foundation for long-term corporate success

Theoretical Framework

The theories central to this study are Agency, Resource Dependency and Stewardship Theories of which illuminate the complexities of financial reporting (FR). Agency Theory is crucial as it underscores how management strives to control FR *pr*ocedures to meet profit objectives. This quest often leads to information asymmetry and conflicts of interest due to the discretion allowed in accruals, which can compromise the reliability of reported profits (Emmanuel et al., 2019). Boards are essential for monitoring management to protect shareholder interests, yet there is a risk that they may fail to ensure that agents act accordingly. Therefore, the challenge lies in ensuring alignment between agents and investor goals while minimizing agency costs associated with ownership separation. Fama and Jensen (1983) emphasized that organizations need clear systems to delineate decision-making from oversight. By closely monitoring management, boards can help reduce agency costs, which frequently arise from the conflicting interests of owners and managers. Thus, boards must serve as vigilant guardians of investor interests by regulating management practices. Resource Dependency Theory (RDT) complements this by explaining the relationship between board characteristics and financial reporting quality (FRQ). Proposed by Pfeffer and Salancik (1978), RDT asserts that boards facilitate access to essential resources, influencing organizational governance (Ezelibe et al., 2017). The attributes of board members can significantly enhance financial reporting standards and stakeholder confidence. As organizations vary in their dependence on external resources, RDT posits that effective resource management is crucial for operational success. While Stewardship Theory suggests that managers inherently act in shareholders' interests, it is less relevant here, especially as this study measures audit quality and audit committee size as governance controls. A theory that minimizes agency conflict would weaken the understanding of shareholder wealth variations. This is particularly pertinent in Nigeria, where information asymmetry and enforcement challenges demand robust oversight to safeguard investor interests (Mulktaru, 2023)

Empirical Review

Mustapha (2024) examined the impact of corporate attributes on FRQ in listed non-financial firms in Nigeria, using panel regression to establish key causal link s. The study found that both the audit committee and risk management committee substantially enhance FRQ by effectively scrutinizing risk assessment and disclosure. These findings underscore the intricate interplay between corporate boards, audit quality, and financial reporting indicators across various contexts, highlighting audit quality's crucial role in financial integrity. Eshiet et al. (2021) evaluated corporate attributes' effects on FRQ in Nigeria's listed manufacturing firms from 2012 to 2021. The authors employed regression analysisto found that board size and ownership concentration favourably influenced timely financial reporting, while board gender diversity and diligence had no substantial impact.Haruna et al. (2023) explored board attributes and earnings management in fourteen deposit money banks over a decade (2010-2019). Fixed effect of regression was uses. The study revealed that board academic qualifications and credit influence earnings management insubstantially, whereas an active board audit substantially reduces earnings manipulation. Rimamshung et al. (2023) studied how board composition affects FRQ in consumer goods companies from 2016 to 2021, finding that board expertise favourably correlates with quality, while diversity and independence showed no relevance.

Elmashtawy et al. (2023) assessed the moderating effect of joint audits on the effectiveness of audit committees in Egypt, concluding that joint audits strengthen supervisory roles in maintaining audit quality. Similarly, Juwita (2023) found that gender diversity within boards in Indonesia enhances financial statement quality, emphasizing the importance of diverse governance. Research by Widagdo et al. (2021) applied moderated regression analysis to assess the effect of corporate governance alongside audit quality on the practice of earnings management among Indonesian manufacturing companies. The outcomes pointed to a substantial influence of audit quality in mitigating earnings manipulation, with corporate governance showing less discernible impact, indicating the dominant role of audit quality in countering earnings management regardless of the existing governance structure.In an investigation by Wong et al. (2020), the dynamics between diverse corporate governance elements and the operational success of Malaysian enterprises were scrutinised. This study identified significant links between the size of the board, the existence of a risk management committee, and corporate maximisation, while the quality of external audits did not alter this relationship, highlighting the direct impact of governance frameworks on business outcomes.

Table 1

Summary of Empirical Review

Author (s)	Title	Methodology	Findings	Gap
Mustapha (2024)	effect of corporate governance attributes on financial reporting quality of listed non-financial firms in Nigeria	panel multiple regression	The findings reveal that both audit committees and risk management committees effectively enhance financial reporting quality	These objectives differed from our discussion
Eshiet et al. (2023)	effect of corporate governance attributes on financial reporting quality of listed manufacturing firms in Nigeria from	Panel Regression	Board size and ownership concentration positively influence the timeliness of financial reporting in listed manufacturing firms in Nigeria. .	The study focused on manufacturing sector, but our study encompassed both manufacturing and services sector that make up non -financial firms

	2012 to 2021			
Haruna et al. (2023)	Board attributes and earnings management of Fourteen deposit money banks (2010-2019).	Multiple linear regression	Board education impacts earnings management positively, board credit reduces it significantly.	The study is limited to banking sector in their results may not necessarily be applicable to Non-financial sectors
Mwangi (2018)	examined that nexus between audit committee expertise and financial reporting quality in Kenya's quasi-governmental	Both correlation and regression analysis.	Financial competency within audit committees is linked to improved financial reporting quality,	Th study focused on audit committee, not on audit quality
Rimamshun g et al. (2023)	impact of board composition on the degree of financial reporting quality of consumer goods companies in Nigeria 2016 and 2021	Regression Ordinary Least Square Model	Board expertise is positively correlated with reporting accuracy. However, board diversity and independence show minimal relevance to this accuracy	The study omitted board size which fundamental elements of a robust governance framework
Qawqzeh et al. (2021)	Nexus between board components and quality of financial reporting with mediating effect of audit quality in the Jordanian	Multiple regression analysis and Causal Steps Method	Moreover, larger board sizes and independent directors negatively impact financial reporting quality.	The study however, was done in different contexts and their results may not necessarily be applicable in the unique challenges being faced by Nigerian NFFs
Awuye (2022)	The impact of audit quality on earnings management: Evidence from France	Using the non-probability sampling technique which is slightly biased.	Notably, larger audit firms do not limit accrual earnings management (AEM) among clients	The study however, was done in different contexts and their results may not necessarily be applicable in the unique challenges being faced by Nigerian NFFs
Widagdo et al. (2021)	effect of corporate governance alongside audit quality on the practice of earnings management among Indonesian manufacturing companies	moderated regression analysis	This study highlights the significant connections between board size, risk management committees, and corporate maximization, with external audit quality not altering this relationship.	The study was done in Indonesian, not Nigeria

Source: Author's Compilation (2026).

3.0 Methodology

This study employed *expo- facto* research design. This approach was particularly advantageous for dissecting the intricate links between established corporate board practices, audit quality metrics, and their subsequent impact on the enhancement of FRQ. The study population comprises 106 NFFs that are listed on the NGX as at March, 2025.This selection of sampled size of 58 is based on the purposive sampling technique**.** Secondary data were obtained from the companies' annual financial reports for a period of 12 years (2012-2023). Descriptive statistics and panel random effects techniques were employed as well as diagnostic tests.

Measurement of Variables

Table 1:

Summary of Measurement variables

Variables	Type of Variable	Variable Labels	Measurement	Source
Financial Reporting Quality	Dependent	FRQ	Dechow and Schrand (2004), known as DD	Rimamshung et al. (2023)
Audit delay	Independent	AUD	the number of days between the reporting year's conclusion and the date that the FS are submitted to or regulatory body	Rimamshung et al. (2023)
Audit firm size	Independent	AFS	This is measured as a binary variable with 1 assigned if the financial statement is audited by big 4 and 0 otherwise	Mustapha (2024)
Audit tenure	Independent	AUT	Length of auditor-client relationship '1'if 3years and '0' if otherwise	Yamada and Fujita (2022)
Board size	Independent	BOS	Total number of directors on board	Hassan et al, 2023
Board Independence	Independent	BID	Proportion of independent directors to total board members,	Aifuwa & Embele, 2019
Females on Board	Independent	FOB	Proportion of female directors to total board members	Hasan et al,2020

Source: Author's Compilation, (2026).

Model Specification

The model for this study is adapted from, (Mustapha,2024) as specified in functional and stochastic forms.

Model 1

$$FRQ = f(\ AFS, AUT, AUD\ , BOS, BO1, FOB, FSZ,)$$

$$FRQ_{it} = \beta_o + \beta_1 AFS_{it} + \beta_2 AUT_{it} + \beta_3 AUD_{it} + \beta_4 BOS_{it} + \beta_5 BOI_{it} + \beta_6 FOB_{it} + \varepsilon_{it}$$

Model 2

$FRQ = f(BOS\ , AFS, AUT, AUD,)$

$$FRQ_{it} = \beta_o + \beta_1 BOS_{it} + \beta_2 BOS * AFS_{it} + \beta_3 BOS * AUT_{it} + \beta_4 AUD * BOS_{it} + \varepsilon_{it}$$

Where;

FRQ_{it} = Financial Reporting Quality, AFS_{it} = Audit firm size ; AUD_{it} = Audit delay; AUT_{it} = Audit tenure; BOS_{it} = Board size

BOI_{it}= Board independence,FOB_{it}= Female on board ; firm *i* in year *t*

β_o, is intercept and the *a priori* expectation:

$$\beta_1, \beta_2, \beta_3, \beta_4\ , \beta_5\ , \beta_6\ > 0$$

4.0 Result and Discussion

Tabe 2:

Descriptive Statistics

	FRQ	AFS	AUT	AUD	BOS	BOI	FOB
Mean	0.0797	0.6048	0.7716	107.2586	8.9080	65.7116	11.1130
Median	0.0499	1.0000	1.0000	88.0000	9.0000	69.2308	10.000
Max.	0.8259	1.0000	1.0000	934.0000	19.0000	94.4444	50.000
Min.	3.0705	0.0000	0.0000	34.0000	4.0000	0.0000	0.0000
Std. Dev.	0.0928	0.4892	0.4201	77.5651	2.7641	18.9808	10.8423
Skewness	3.0736	-0.42901	-1.2936	5.1631	0.7369	-1.4352	0.8186
Kurtosis	17.5782	1.1841	2.6734	40.2032	3.4453	5.8154	3.3474
Jarque-Bera	7258.980	116.983	197.2124	43231.05	68.7541	468.8080	81.2239
Probability	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Sum	55.5251	421.0000	537.0000	74652.00	6200.000	45735.27	7734.617
Sum Sq. D.	5.9970	166.3434	122.6767	4181357.	5310.115	250388.1	81700.52
Obs	696	696	696	696	696	696	696

Source: Authors Computation, (2026).

As displayed in Table 2, FRQ has a mean of 0.079 indicates low financial reporting quality, pointing to substantial room for improvement. By implication, this can diminish investor confidence and increase perceived risks, potentially raising capital costs. The mean of 0.60 suggests a mix of moderate-sized audit firms, implies that moderate firm size can lead to variable audit quality, affecting the consistency of financial reporting. Audit Tenure had a mean of 0.77 (approximately 7 years and 7 months).This suggests long auditor engagement, indicating familiarity with client operation, While beneficial for understanding the business, long tenure can raise concerns about auditor independence. Audit Delay had an average of 107-day, indicates comprehensive yet potentially lengthy audit processes. By implication, extended delays can frustrate stakeholders, impacting timely financial decisions and disclosures. Average Board Size found to be 8.90, a board size nearly 9 suggests a balanced structure for decision-making. A well-composed board can enhance governance and improve financial reporting quality. Board Independence stood at average of 65.7%. High independence is beneficial for corporate governance. By implication, greater independence typically leads to enhanced oversight and better financial reporting quality. Average female representation on Boards at 11.11, implies that low female representation may limit diverse perspectives. Increasing gender diversity is linked to improved firm performance and governance. Based on the estimated JB statistics and p-values for each parameter, the null hypothesis cannot be accepted at the 5% level of substantial. Therefore, the normal distribution hypothesis is rejected across the entire period at the traditional 5% level.

Correlation Analysis

Table 3:

Correlation Matrix

Correlation	FRQ	AFS	AUT	AUD	BOS	BOI	FOB
FRQ	1.0000						
AFS	-0.0232	1.0000					
AUT	-0.0599	0.0222	1.0000				
AUD	0.0370	-0.1222	0.0501	1.0000			
BOS	0.1419	0.2167	-0.0516	-0.0955	1.0000		
BOI	-0.0401	0.1342	-0.0281	0.0471	0.0903	1.0000	
FOB	0.0282	0.2246	-0.0316	-0.1379	0.0727	-0.0187	1.0000

Source: Authors Computation, (2026).

As displayed in Table 3: the correlation coefficients among the variables were presented, Audit firm size had an inverse association with FRQ given coefficient -0.0232,indicated that firms audited by big 4 audit firms tends to have high quality of FR, because Big 4 audit firms would not compromised with board. Audit tenure had a weak and negative correlated with FRQ given coefficient of -0.0599. There was a favourable association between FRQ and audit delay of the sampled as estimated coefficient showed 0.0370 respectively.Board size had a favourable andsubstantial association with FRQ given coeff. 0.1419. Indicating that board do proactive to issues of FRQ. Board independence had a weak and negative association with FRQ given coeff. -0.040, indicating that board independence do no proactive to issues of FRQ. Female on board had a weak and favourable association with FRQ given coeff. 0.0282 Respectively. Other regressors have relatively weak link since their correlation coefficients are not up to 0.5. Therefore, there was no multicolinearity issue.

Table 4:
Multicollinearity, Heteroscedasticity and Serial Correlation) Tests

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.0003	29.2022	NA
AFS	5.7205	2.8568	1.1288
AUT	6.9305	4.4138	1.0083
AUD	2.1009	3.0318	1.0401
BOS	1.6906	12.1169	1.0628
BOI	3.4708	13.3999	1.0305
FOB	1.1007	2.1971	1.0706
Heteroscedasticity	1.2218	(0.2881)	
Serial Correlation LM	4.4654	(0.5436)	
Wald Test X^2	10.7645	(0.0035)	

Source: Authors' Computation, (2026).

The study employed the Variance Inflation Factor (VIF) method to thoroughly examine multicollinearity among the explanatory variables. As illustrated in Table 4, all explanatory variables demonstrate VIF values well below the critical threshold of 10.0, with a range from 1.0083 to 1.1287. This compelling evidence confirms that there is no multicollinearity present among the explanatory variables in the model, ensuring the reliability and robustness of the analysis. Also, result of serial correlation of p- value 0.5436 indicated no existence of auto serial correlation in the data which is significant at 5%. However, there was absence of heteroscedasticity in the study with corresponding value of p- value 0.2881. Wald Test X^2 revealed the $p<0.05$, which indicated all variables were parts of influential factors of FRQ.

Panel Regression Analysis
Table 5:
Random Effect Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.0302	0.0080	3.7664	0.0002
AFS	-0.0063	0.0032	-1.9649	0.0538
AUT	0.0003	0.0035	0.0880	0.9299
AUD	2.6200	1.0500	2.4762	0.0078

BOS	0.0012	0.0006	2.2707	0.0235
BOI	-0.0003	7.9405	-3.2322	0.0013
FOB	0.00016	0.00014	1.1105	0.2672

R^2	0.4242	Mean dep var	0.0291
Adj. R^2	0.3157	S.D. dep. var	0.0394
S.E. of regr.	0.0391	Sum squared resid	1.0553
F-stat	2.8503	DW	1.6378
Prob(F-sta.)	0.0005		
Hausman Test	**9**.5502		
Prob	0.1449		

Source: Authors' Computation, (2026).

The study's findings, which are displayed in Table 5 indicates that the random effect was the most preferred estimation method, as indicated by the P-value of the Hausman Test of 0.1449. Table 5 reveals that the model demonstrates a strong fit at the 5% significance level, as evidenced by a probability value below 0.05 and an F-statistic of 2.850. This indicates that the financial reporting quality (FRQ) of the sampled Nigerian NFFs is significantly influenced by the explanatory variables. The R^2 value shows that 42% of the variation in FRQ is accounted for by the model, while the remaining 58% is due to stochastic error. The DW statistic of 1.637 indicates the absence of autocorrelation among the predictor variables. Audit firm size has a significant inverse effect on FRQ (β= -0.0063, $p < 0.05$), suggesting that firms audited by Big Four firms produce higher-quality financial reports due to their stringent standards. Additionally, audit delay positively impacts FRQ (β= 2.6200, $p < 0.05$), indicating that longer audit durations provide auditors with the opportunity for more comprehensive examinations, thereby enhancing accuracy and adherence to reporting standards. Board size also contributes positively to FRQ (β= 0.0012, $p < 0.05$), implying that an appropriately sized board enhances governance and financial transparency. Conversely, board independence exhibits a significant negative relationship with FRQ (β= -0.0003, $p < 0.05$), which suggests that when independent directors fail to effectively oversee financial practices, it may result in reduced scrutiny of financial statements and potential misrepresentation.

Table 5:
Random Effect Regression Results 2

Variable	Coeff.	S.E	t-Stat	Prob.
C	0.0400	0.0169	2.3612	0.0185
BOS	0.0046	0.0020	2.2402	0.0254
BOS*AFS	-0.0010	0.0002	-4.2949	0.0000
BOS*AUT	-0.0007	0.0008	-0.9110	0.3626
BOS*AUD	4.1300	1.8600	2.2204	0.0365

R-sq.	0.5115	Mean dependent var	0.0387
Adj. R-sq.	0.4557	S.D. dep. var	0.0823
S.E. of reg.	0.0821	Sum squared resid	4.6638
F-stat.	2.0050	DW	2.0343
Prob(F-stat.)	0.0021		
Hausman Test	1.4771		
Prob	0.8307		

Source: Authors' Computation, (2026).

Table 6 presents the Hausman test results, which indicate a value of 1.4771 (0.8307), suggesting that random effects panel regression is preferable to fixed effects. Consequently, the results from the random effects model are reported. The model demonstrates a strong fit at the 5% significance level, with a probability value below 0.05 and an F-statistic of 2.0050, indicating that (FRQ) of the sampled Nigerian NFFs is significantly influenced by the explanatory variables. The R^2 value shows that 51% of the total variation in FRQ is explained by these variables, while 49% is due to stochastic error. A DW statistic of 2.34 confirms the absence of autocorrelation among the predictor variables. Board size positively impacts FRQ with (β =0.0046,p < 0.05), suggesting that an appropriately sized board enhances governance and transparency. A diverse board can ensure effective management oversight, improving the quality of financial reporting. Additionally, the results highlight a significant negative relationship between the moderating role of board size and audit firm size on FRQ (β= -0.0010, p < 0.05). This suggests that firms audited by Big Four audit firms produce higher-quality financial reports due to their rigorous standards. Conversely, there is an inverse but insignificant relationship between board size and audit tenure on FRQ (β= -0.0007, p > 0.05), indicating that changes in board size or auditor tenure may not enhance FRQ. Lastly, a favorable and significant link exists between board size and audit delay on FRQ (β= 4.1300, p < 0.05), implying that a larger board can improve oversight and governance, helping mitigate audit delays and enhance FRQ. This outcome supported by Resource Dependency Theory the attributes of board members can significantly enhance financial reporting standards and stakeholder confidence.

Discussion of Findings

The negative and substantial impact of audit firm size on FRQ reveals an important truth: while larger firms may offer more resources and expertise, size alone does not ensure better outcomes. Audit delay had a favourable and substantial effect on FRQ. With an extended audit timeline, auditors may have the opportunity to identify and correct errors or fraudulent activities that might have been overlooked in a hurried process. This can bolster the overall integrity of the financial statements. BOI had an inverse and substantial effect on FRQ. This implies that independent directors may lack specific industry knowledge or expertise, making it challenging for them to contribute to high-quality financial oversight. This is in contrary to Rimamshung et al. (2023) discovered that independence was unimportant and irrelevant to the accuracy of financial reporting.. The exploration of the moderating effect of board size on audit quality and FRQ has yielded insights that both align with and diverge from existing literature. This study's findings, particularly regarding the favourable impact of board size on FRQ. This demonstrated that director on the board would enhance FRQ. This support when a board is larger, it brings together a diverse set of skills, experiences, and perspectives, which can foster more thorough discussions and decision-making processes.This is supported by agency theory which upholds that strong board attributes can help mitigate agency problems by ensuring that management acts in the best interests of stakeholders.

The outcome of this study is in tandem with Wong et al. (2020). The finding revealed negative and substantial link between the moderating role of board size and audit firm size on FRQ. This suggests that firms that engage big 4 audit firms tends to have high quality of FR, because Big 4 audit firm would not compromised with board of directors This result was supported by (Ola & Oto,2019) and Widagdo et al. (2021) and supported by Resource Dependency Theory that the attributes of board members can significantly enhance financial reporting standards and stakeholder confidence. Furthermore, a favourable and substantial link exist between the moderating role of BOSand audit delay on FRQ.This implies company management and administration boards could strive to reduce said delay as this may be an indication for

mitigating information asymmetry, and there would be an avenue for openness in the disclosure of accounting information to interested users. This finding is consistent with (Wong et al. 2020). In addition, there is a negative and insubstantiallink between the moderating role of board size and audit tenure on FRQ. This suggests that neither larger boards nor longer audit tenures substantially enhance or detract from the quality of financial reporting in NFFs

5.0 Conclusion and Recommendations

The study's exploration into the moderating effect of BOS on audit quality and FRQ has unveiled intricate dynamics that underscore the complexity of corporate governance mechanisms in enhancing audit effectiveness. The findings reveal that while certain aspects of board attributes such as board size and independence have a substantial impact on FRQ, the effects of moderating role play by board size on the link between audit firm size and audit delay cannot be over-emphasis. The study concluded that there is a moderating effect of corporate governance (board size) on the link between audit quality and FRQ. Based on the study's findings, the following recommendations are suggested:

i. Companies should consider limiting board size to enhance oversight and decision-making.
ii. Although audit delays may extend reporting timelines, they can improve accuracy and stakeholder confidence, so companies should incorporate this into their audit planning.
iii. Firms should focus on auditor tenure and ensure audit scope aligns with company characteristics.
v. Engaging competent audit firms is crucial, as it significantly impacts the quality of financial reporting

This study contributes to the empirical literature by examining how board attributes, particularly board size, moderate the relationship between audit quality and (FRQ) among Nigerian NFFs. It underscores the essential role of the board of directors in enhancing audit quality, which is crucial for improving financial reporting. However, the study is limited to listed NFFs and does not include financial firms. Future research should expand to the financial sector to further explore this important relationship.

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