Audit Quality and Financial Reporting Credibility of Listed Agricultural Firms in Nigeria

Unuagbon Owaghianye INOMWAN
unuagbon.edogiawerie@uniben.edu
ORCID 0000-0001-8793-3898
Department of Accounting, Faculty of Management Sciences, University of Benin, Nigeria
Omena Obehi IGBINOBA
omena.igbinoba@uniben.edu
ORCID 0000-0001-7456-7788
Department of Accounting, Faculty of Management Sciences, University of Benin, Nigeria

ABSTRACT

Financial reporting credibility matters because investors, lenders, regulators and other users make decisions from figures they cannot verify on their own. Concerns arise when reported earnings contain large discretionary adjustments or when published accounts do not appear to reflect the economic position of the firm. This study examined whether selected audit quality attributes were associated with the financial reporting credibility of listed agricultural firms in Nigeria. The study adopted an ex post facto design and used secondary data from the audited annual reports of Ellah Lakes Plc, FTN Cocoa Processors Plc, Livestock Feeds Plc, Okomu Oil Palm Company Plc and Presco Plc for 2016–2025. Financial reporting credibility was measured as the negative absolute value of discretionary accruals estimated with the Modified Jones model. Audit firm size, audit tenure, relative audit fee intensity and audit committee effectiveness were the explanatory variables. After the lagged information required for the accrual model was taken into account, 48 firm-year observations were available for the regression. Descriptive statistics, correlation, variance inflation factors and panel diagnostics were examined before the final estimation. The panel-effect test supported pooled ordinary least squares. The model was significant overall, $F(4, 43) = 3.662$, $p = 0.012$, with $R^2 = 0.254$ and adjusted $R^2 = 0.185$. Audit firm size and audit committee effectiveness had negative but insignificant effects, while audit tenure had a positive but insignificant effect. Relative audit fee intensity was negative and significant ($\beta = -122.4947$, $p = 0.011$). The study concludes that the audit-related attributes considered did not influence reporting credibility in the same way. Particular attention should be given to the economic weight of the auditor-client fee relationship, while audit quality assessments should also consider how the engagement is actually carried out than relying only on visible structural attributes.

Keywords: Audit quality; financial reporting credibility; audit firm size; audit tenure; relative audit fee intensity; audit committee effectiveness; agricultural firms; Nigeria.

1. Introduction

Financial statements are expected to give users a dependable account of what has happened in a business. That expectation becomes difficult to sustain when the reported numbers contain adjustments that users cannot easily explain or when accounting choices make the underlying performance of the firm less clear. Investors may misjudge profitability, lenders may assess risk from distorted information, and regulators may have to respond after confidence has already been weakened. Financial reporting credibility is therefore not simply a matter of compliance. It affects the usefulness of published accounts and the level of trust placed in the company that produces them.

Recent research continues to show that credible reporting depends on more than the preparation of financial statements in accordance with accounting rules. Rao et al. (2025)

linked external assurance with earnings quality, while Li and Liu (2024), in a meta-analysis, showed that unusual audit-fee relationships can be associated with weaker financial reporting quality. Daryaei et al. (2024) also reported that the connection between audit fees and earnings management may be non-linear. In another setting, Alhazmi et al. (2024) found that auditor-related characteristics did not affect reporting quality in one uniform way. These studies suggest that the credibility of reported figures can be shaped by the conditions surrounding the audit as well as by the accounting choices made by management.

The issue is important in both developed and emerging markets. Santos-Jaén et al. (2023), using United States evidence, examined audit fees and auditor tenure in relation to earnings management and showed that the auditor-client relationship remains relevant to the quality of reported earnings. Graschitz and Steller (2025), working with Austrian public-interest entities, found that changes in the audit market after European Union reforms did not produce one simple audit-fee or audit-quality outcome. In emerging markets, Tran et al. (2025) found that Vietnamese firms audited by Big Four auditors recorded lower discretionary accruals than firms audited by non-Big Four auditors. Yousefi Nejad et al. (2024) similarly showed that audit quality characteristics can matter for financial statement fraud. The variation in these results makes it unsafe to assume that one audit feature will produce the same reporting outcome in every country or industry.

Nigeria has also introduced rules intended to strengthen corporate reporting and the monitoring role of auditors and boards. Listed companies are required to publish audited financial statements and are subject to oversight through the Nigerian corporate governance and capital-market framework. These requirements are meant to improve accountability, but formal rules cannot by themselves remove every reporting concern. The practical quality of an audit still depends on the people involved, the auditor-client relationship, the resources devoted to the engagement and the willingness of those charged with governance to question management where necessary.

Recent Nigerian evidence reflects this uncertainty. Muhammad et al. (2024) found that audit quality attributes did not affect financial reporting quality among listed manufacturing firms in exactly the same way. Amadi et al. (2024), using listed breweries, also reported that some audit committee characteristics mattered while others did not. Yayangida et al. (2023) showed that audit fees required careful interpretation when financial reporting quality was examined among listed non-financial service firms. The evidence is useful, but most of it comes from manufacturing, brewery, banking, insurance or broad non-financial samples. Agricultural firms receive less direct attention even though their reporting environment includes biological assets, agricultural produce and fair-value estimates under IAS 41 (IFRS Foundation, 2026). These features can increase the importance of judgement and make credible reporting particularly valuable.

Audit quality is one mechanism through which financial reporting credibility may be strengthened. A capable auditor can challenge aggressive accounting choices, while an effective audit committee can support this process from within the governance structure. Yet the common indicators of audit quality raise different questions. A Big Four auditor may bring more resources and reputation to an engagement, but firm size does not guarantee that every engagement will be strong. Longer audit tenure can improve knowledge of the client, but it can also create familiarity. A larger audit fee may reflect greater audit effort, or it may signal a financially important relationship. Audit committee structures may appear strong on paper without showing how actively members perform their oversight duties.

The problem addressed in this study is therefore the uncertainty surrounding the factors that help to explain financial reporting credibility among listed agricultural firms in Nigeria. Existing

evidence does not provide a settled conclusion, and findings from other sectors cannot simply be carried over to agriculture. The study was motivated by the need to examine the sector with a consistent accrual-based measure and to consider several audit-related attributes in the same model. Specifically, it examined audit firm size, audit tenure, relative audit fee intensity and audit committee effectiveness over the period 2016–2025. Financial reporting credibility was represented by the negative absolute value of discretionary accruals, so values closer to zero indicated lower unexplained accrual adjustment and, by implication, stronger credibility.

The following null hypotheses were tested:

H_{o1}: Audit firm size has no significant effect on the financial reporting credibility of listed agricultural firms in Nigeria.

H_{02}: Audit tenure has no significant effect on the financial reporting credibility of listed agricultural firms in Nigeria.

H_{03}: Relative audit fee intensity has no significant effect on the financial reporting credibility of listed agricultural firms in Nigeria.

H_{04}: Audit committee effectiveness has no significant effect on the financial reporting credibility of listed agricultural firms in Nigeria.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 Conceptual Review

Financial Reporting Credibility

Financial reporting credibility describes the extent to which users can place reasonable confidence in the information contained in published financial statements. Credibility is wider than the absence of a qualified audit opinion. It also concerns whether reported earnings and other accounting figures are supported by the underlying transactions of the business and are not unduly shaped by managerial discretion. Because credibility cannot be observed directly, empirical studies commonly use indicators such as accrual quality, restatements, disclosure quality or earnings management.

This study uses discretionary accruals because accrual accounting naturally requires estimates and timing choices that can be used either for legitimate reporting purposes or for earnings management. Dechow et al. (1995) refined the Jones model by adjusting changes in revenue for changes in receivables. The resulting Modified Jones approach estimates the level of accruals expected from normal operations and treats the unexplained portion as discretionary. More recent studies, including Burlacu and Robu (2024) and Rao et al. (2025), show that accrual-based measures remain useful in current reporting-quality research, even though they capture only one part of the wider idea of credibility.

For the present study, the absolute discretionary accrual was multiplied by minus one. This coding is important for interpretation. A value closer to zero represents a smaller unexplained accrual and therefore stronger accrual-based financial reporting credibility. A movement farther below zero represents a larger discretionary accrual and weaker credibility. The measure does not claim to capture every aspect of a credible financial report, but it gives a consistent basis for comparing the sampled firm-year observations.

Audit Firm Size and Financial Reporting Credibility

Audit firm size is commonly represented by the distinction between Big Four and non-Big Four auditors. The reasoning is that larger audit firms usually have deeper staff resources, more specialised support and greater reputational exposure. DeAngelo (1981) argued that an

auditor with more reputational capital at risk has a stronger incentive to protect audit quality. That argument remains influential, although contemporary audit-quality frameworks place more attention on the quality of the particular engagement rather than on firm name alone.

The empirical evidence is mixed. Tran et al. (2025) found lower discretionary accruals among Vietnamese firms audited by Big Four auditors, which supports the view that larger firms may constrain reporting discretion. In Nigeria, Muhammad et al. (2024) reported a negative but insignificant relationship between audit firm size and financial reporting quality among listed manufacturing firms. The different findings suggest that the value attached to audit firm size may depend on the sector, the engagement team and the institutional setting. This uncertainty justifies examining the relationship separately among listed agricultural firms.

Audit Tenure and Financial Reporting Credibility

Audit tenure is the number of consecutive years the same audit firm serves a client. A longer relationship can improve the auditor's knowledge of the company's accounting system, internal controls and areas where reporting risk is more likely to arise. Payne and Williamson (2021) noted that continuing relationships can provide useful client-specific knowledge. In the same direction, Kim and Son (2024) associated longer auditor tenure with better-quality non-GAAP earnings disclosures.

The concern is that familiarity can develop alongside knowledge. An auditor who has worked with the same management for many years may find it harder to maintain the professional distance required when difficult accounting choices have to be challenged. Carcello and Nagy (2004), however, did not find that long tenure necessarily increased fraudulent reporting and observed greater fraud risk in the early years of some auditor-client relationships. Yousefi Nejad et al. (2024) also reported evidence consistent with the view that stronger audit relationships can reduce reporting problems. The competing arguments make the direction of the tenure effect an empirical question rather than a conclusion that can be assumed beforehand.

Relative Audit Fee Intensity and Financial Reporting Credibility

Audit fees compensate the external auditor for the time, expertise and risk involved in an engagement. A higher fee can therefore be consistent with better audit work when it reflects a more demanding assignment. The same fee can raise a different concern where it becomes economically important in relation to the size of the client. The issue is not the absolute amount alone, but what the fee may represent about audit effort, client complexity and the financial relationship between the auditor and the company.

Recent studies underline this ambiguity. Daryaei et al. (2024) reported a non-linear association between audit fees and earnings management, while Li and Liu (2024) found through meta-analysis that higher abnormal audit fees were generally associated with lower financial reporting quality. Yayangida et al. (2023) also showed in Nigeria that the meaning of audit fees depends on the way the variable is specified. The present study does not estimate abnormal fees. Instead, relative audit fee intensity is measured as audit fee divided by total assets. The ratio therefore shows the economic weight of the fee relative to the client rather than providing a direct measure of auditor independence.

Audit Committee Effectiveness and Financial Reporting Credibility

The audit committee forms part of the internal monitoring structure around financial reporting. Its role includes reviewing the reporting process, considering audit findings and supporting communication among management, the board and the external auditor. The committee is more likely to perform this role well where members are sufficiently independent, financially knowledgeable and active in their meetings.

Research does not show that every committee characteristic matters equally. Gerayli et al. (2021) found that financial expertise improved financial reporting quality in Iran, whereas committee independence was not significant. In Nigeria, Amadi et al. (2024) similarly reported that some audit committee characteristics were significant among listed breweries while others were not. The present study therefore treats effectiveness as a composite index based on independence, financial expertise, meeting frequency and committee size rather than relying on one characteristic in isolation.

2.2 Theoretical Review and Framework

Agency Theory

Agency Theory, associated with Jensen and Meckling (1976), starts from the separation between ownership and control. Managers run the company and normally possess more detailed information than shareholders. This creates room for differences in interest and for reporting choices that outside owners may find difficult to observe directly. External auditing and audit committee oversight can reduce this problem by providing monitoring around the financial reporting process. The theory fits the present study because audit firm size, tenure, fee intensity and audit committee effectiveness can each affect the strength or independence of that monitoring role.

Stakeholder Theory

Stakeholder Theory broadens the discussion beyond shareholders. Freeman (1984) argued that companies have relationships with several groups whose interests can be affected by corporate decisions. Creditors, employees, regulators, suppliers and investors all depend on information from the firm. Credible financial reporting therefore has value because misleading information can impose costs on people who are not involved in preparing the accounts. The theory supports the study by explaining why reporting credibility is important to a wider group of users.

Signalling Theory

Signalling Theory is associated with Spence (1973). The basic idea is that a party with better information can send observable signals to people who face uncertainty. In financial reporting, the appointment of a reputable auditor, the maintenance of an active audit committee and the publication of credible audited statements can act as signals about the seriousness with which a company treats reporting and governance. The value of the signal, however, depends on whether the underlying audit and oversight are genuinely strong. This makes the theory useful for explaining why visible audit characteristics may influence user confidence but may not always produce the expected reporting outcome.

Information Asymmetry Theory

Information asymmetry arises where one party to a transaction possesses information that another party does not have. Akerlof (1970) showed how differences in information can affect market decisions. The same difficulty exists in corporate reporting because managers know more about the company's operations and accounting choices than outside users. External auditing can reduce some of this gap by providing independent assurance, while an effective audit committee can improve the quality of the monitoring process. The theory therefore gives another explanation for the connection between audit quality and financial reporting credibility.

Institutional Theory

Institutional Theory explains how organisations respond to pressures from regulators, professions and accepted practices in their environment. DiMaggio and Powell (1983) described coercive, mimetic and normative pressures that can make organisations adopt similar structures and practices. Listed Nigerian firms operate under accounting, auditing, governance and capital-market requirements that encourage particular reporting and

oversight arrangements. The theory helps to explain why firms appoint external auditors and establish audit committees, but it also raises an important point: formal adoption of these structures does not automatically mean that they are equally effective in practice.

Theoretical Anchor

Although the five theories contribute different explanations, Agency Theory provides the main anchor for the study. The central empirical question concerns whether monitoring arrangements around the audit are associated with more credible financial reporting. Agency Theory addresses this issue directly by linking information differences, managerial incentives and monitoring. Stakeholder and Signalling theories explain why credible audited reports matter to users, Information Asymmetry Theory clarifies the information gap that assurance is intended to reduce, and Institutional Theory places the reporting and governance structures within the wider regulatory environment.

2.3 Empirical Review

Audit Firm Size and Financial Reporting Credibility

Tran et al. (2025) examined audit firm size and audit quality using Vietnamese listed companies. Audit quality was measured with discretionary accruals and audit firms were classified as Big Four or non-Big Four. Their panel evidence showed lower discretionary accruals among firms audited by Big Four auditors. The study is relevant because its measures are close to those used here, but the institutional setting differs from Nigeria.

Muhammad et al. (2024) studied audit quality attributes and financial reporting quality among listed manufacturing firms in Nigeria. Their findings did not show that audit firm size produced a strong improvement in reporting quality. This Nigerian evidence is useful to the present study but comes from manufacturing rather than agriculture, where biological-asset accounting and fair-value estimates create a different reporting environment.

Audit Tenure and Financial Reporting Credibility

Santos-Jaén et al. (2023) examined audit fees, auditor tenure and earnings management in the United States Big Four market. Their evidence showed that the tenure relationship could not be separated from the wider conditions of the audit engagement. Kim and Son (2024) later found that longer auditor tenure was associated with better-quality non-GAAP earnings disclosures. Both studies support the view that accumulated client knowledge can matter, although neither removes the familiarity concern that motivates auditor-rotation policies.

Yousefi Nejad et al. (2024) used panel data to examine audit quality and financial statement fraud. Their findings further indicated that audit-related characteristics can affect reporting problems. The study is useful because it moves beyond a simple assumption that longer tenure must automatically weaken reporting quality. The present study brings the question into the Nigerian agricultural setting.

Relative Audit Fee Intensity and Financial Reporting Credibility

Li and Liu (2024) synthesised prior evidence on abnormal audit fees and financial reporting quality. Their meta-analysis generally associated higher abnormal fees with weaker reporting quality. Daryaei et al. (2024), however, showed that the relationship between audit fees and earnings management could be non-linear. Together, the studies suggest that the fee-quality relationship is sensitive to measurement and to the economic circumstances surrounding the engagement.

Yayangida et al. (2023) examined audit fees and financial reporting quality among listed non-financial service firms in Nigeria and also considered the role of audit committee independence. The study is close to the present work because it uses Nigerian non-financial

firms, but it does not focus on agriculture and it approaches the fee relationship differently. The present study uses audit fee divided by total assets as a relative intensity measure.

Audit Committee Effectiveness and Financial Reporting Credibility

Gerayli et al. (2021) examined audit committee characteristics and financial reporting quality in an emerging market. Financial expertise had a positive contribution, while committee independence was not significant. The finding shows that the practical value of an audit committee may come more from what members can do than from formal structural independence alone.

Amadi et al. (2024) examined listed brewery companies in Nigeria and found that some audit committee characteristics affected financial reporting quality while others did not. The mixed evidence supports the use of a broader effectiveness index and also leaves room for sector-specific evidence from listed agricultural firms.

Collectively, the reviewed studies do not provide a single conclusion. Results vary with country, sector, period, variable measurement and estimation method. Nigerian evidence is particularly concentrated outside the agricultural sector. The present study responds to this gap by examining four audit-related attributes together, using a single accrual-based measure of financial reporting credibility for listed agricultural firms over 2016–2025.

3. Methodology

The study adopted an ex post facto research design because the events and accounting figures had already occurred before the analysis was carried out. The researchers did not manipulate the audit arrangements or the financial results of the firms. Instead, information was obtained from published annual reports and audited financial statements.

The study focused on listed firms because they are required to publish audited financial statements and provide a reasonably consistent source of historical information for investors and regulators. Attention was restricted to the agricultural sector so that the analysis could reflect the reporting conditions of firms dealing with biological assets, agricultural produce and other sector-specific accounting estimates. The firms covered were Ellah Lakes Plc, FTN Cocoa Processors Plc, Livestock Feeds Plc, Okomu Oil Palm Company Plc and Presco Plc.

The period covered 2016–2025, giving a theoretical maximum of 50 firm-year observations. The calculation of the discretionary-accrual measure required lagged accounting information. Two observations could not satisfy this requirement, leaving 48 usable observations for the regression model. The panel was therefore unbalanced after the financial reporting credibility measure was computed.

Financial reporting credibility (FRC) was measured as the negative absolute value of discretionary accruals estimated with the Modified Jones model of Dechow et al. (1995). Total accruals were computed from profit after tax and operating cash flow. Lagged total assets, changes in revenue adjusted for changes in receivables, and property, plant and equipment were used to estimate normal accruals. The unexplained component was treated as discretionary accruals.

Audit firm size (AFS) was coded one where the external auditor was a Big Four firm and zero otherwise. Audit tenure (ATEN) was the number of consecutive years the same audit firm served the company. Relative audit fee intensity (RAFI), labelled AIND in the original dataset, was computed as audit fee divided by total assets. Audit committee effectiveness (ACE) was a composite index based on committee independence, financial expertise, meeting frequency and committee size.

The relationship was expressed as FRC = f(AFS, ATEN, RAFI, ACE). The econometric model was specified as FRCit = β0 + β1AFSit + β2ATENit + β3RAFIit + β4ACEit + εit, where i represents the firm and t represents the year. The data were analysed with descriptive statistics, correlation analysis, variance inflation factors and regression. Panel effects, heteroskedasticity and first-order serial correlation were checked before the final estimator was selected. The hypotheses were tested at the 5 per cent level of significance.

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Minimum	Maximum
FRC	48	-0.165	0.214	-0.802	-0.001
AFS	50	0.500	0.505	0.000	1.000
ATEN	50	4.320	2.645	1.000	10.000
RAFI (AIND)	50	0.000703	0.000667	0.000089	0.003809
ACE	50	0.385	0.405	0.000	1.000

Source: Researcher's computation using Stata 17 (2026).

Financial reporting credibility had a mean value of -0.165 and ranged from -0.802 to -0.001. Because the measure is the negative absolute value of discretionary accruals, values closer to zero represent lower unexplained accruals and stronger credibility. The spread of the values shows that the reporting outcome was not the same across the sampled firm-years. Exactly half of the observations were audited by Big Four firms. Average audit tenure was 4.32 years, while the longest recorded tenure was 10 years. Relative audit fee intensity was small because audit fees were scaled by total assets. The audit committee effectiveness index averaged 0.385, showing that the combined committee characteristics also varied across the firms and years.

4.2 Correlation and Multicollinearity Results

Variable	FRC	AFS	ATEN	RAFI	ACE
FRC	1.000	-0.352	0.174	-0.455	0.155
AFS	-0.352	1.000	-0.274	0.337	-0.386
ATEN	0.174	-0.274	1.000	-0.250	0.095
RAFI	-0.455	0.337	-0.250	1.000	-0.293
ACE	0.155	-0.386	0.095	-0.293	1.000

Source: Researcher's computation using Stata 17 (2026).

The correlation coefficients were moderate. Financial reporting credibility was negatively associated with audit firm size and relative audit fee intensity, while its simple associations with audit tenure and audit committee effectiveness were positive. The strongest absolute correlation involving FRC was -0.455 with relative audit fee intensity. Among the explanatory variables, none of the coefficients was close to a level that would normally suggest that two variables were measuring almost the same thing.

Variable	VIF	Tolerance (1/VIF)
AFS	1.315	0.760
ATEN	1.117	0.895
RAFI (AIND)	1.208	0.828
ACE	1.220	0.820
Mean VIF	1.215	—

Source: Researcher's computation using Stata 17 (2026).

The VIF results confirm the same point. The mean VIF was 1.215 and the individual values were all close to one. Serious multicollinearity was therefore not evident in the model.

4.3 Diagnostic Tests

Test	Reported result	Interpretation
Breusch-Pagan LM panel-effect test	chibar²(01) = 0.076; p = 0.783	Panel effect not significant
Mean VIF	1.215	No serious multicollinearity
Breusch-Pagan heteroskedasticity test	χ^2 = 0.452; p = 0.978	No serious heteroskedasticity
Wooldridge serial-correlation test	F = 0.282; p = 0.599	No serious first-order autocorrelation
Final estimator	Pooled OLS	Selected from the reported diagnostics

Source: Researcher's computation using Stata 17 (2026).

The Breusch-Pagan LM test did not show a significant panel effect, with p = 0.783. On the basis of the reported model-selection result, there was no statistical reason to prefer a random-effects specification to pooled OLS. The heteroskedasticity and Wooldridge tests were also insignificant. Together with the low VIF values, these results supported the use of pooled OLS for the final hypothesis tests.

4.4 Regression Results and Hypotheses Tests

Variable	Coefficient	Std. Error	t-statistic	p-value	Decision
AFS	-0.1004	0.0641	-1.57	0.124	Not significant
ATEN	0.0014	0.0114	0.12	0.903	Not significant
RAFI (AIND)	-122.4947	45.9294	-2.67	0.011	Significant
ACE	-0.0267	0.0762	-0.35	0.727	Not significant
Constant	-0.0231	0.0909	-0.25	0.801	—

Source: Researcher's computation using Stata 17 (2026).

The model was statistically significant overall, $F(4, 43) = 3.662$, $p = 0.012$. The R-squared value was 0.254 and the adjusted R-squared was 0.185. Thus, the four explanatory variables accounted for about 25.4 per cent of the observed variation in financial reporting credibility, while the adjusted measure shows a more conservative explanatory level of 18.5 per cent after allowing for the number of predictors in the model.

Hypothesis	p-value	Decision
H01: Audit firm size has no significant effect on FRC	0.124	Do not reject H01
H02: Audit tenure has no significant effect on FRC	0.903	Do not reject H02
H03: Relative audit fee intensity has no significant effect on FRC	0.011	Reject H03
H04: Audit committee effectiveness has no significant effect on FRC	0.727	Do not reject H04

Source: Researcher's computation using Stata 17 (2026).

4.5 Discussion of Findings

Audit firm size had a negative coefficient of -0.1004, but the result was not statistically significant at the 5 per cent level ($p = 0.124$). The evidence therefore does not show that the use of a Big Four auditor improved financial reporting credibility among the sampled agricultural firms. This should not be read as evidence that large audit firms are unimportant. Rather, Big Four status on its own did not distinguish the accrual-based reporting outcome in this small sectoral sample. The finding is close to Muhammad et al. (2024), who did not report a strong positive audit-firm-size effect in Nigerian manufacturing firms, but it differs from Tran et al. (2025), who found lower discretionary accruals among Vietnamese firms audited by Big Four auditors. The contrast supports the view that audit firm reputation and resources still have to be translated into engagement-level audit work before they affect reporting outcomes.

Audit tenure produced a positive coefficient of 0.0014 with $p = 0.903$. The direction suggests a very small movement towards stronger financial reporting credibility as tenure increased, but the effect was far too weak to support a statistical conclusion. The result leaves both sides of the tenure argument open. Continued service may improve client knowledge, yet any benefit

can be offset by familiarity or by the limited variation in tenure within the sample. The finding is consistent with the wider evidence that tenure does not operate in one fixed direction. Carcello and Nagy (2004) did not find that long tenure necessarily increased fraudulent reporting, while Kim and Son (2024) associated longer tenure with better-quality non-GAAP disclosures.

Relative audit fee intensity was the only explanatory variable with a significant individual effect. Its coefficient was -122.4947 and p = 0.011. Because FRC was coded as the negative absolute value of discretionary accruals, a negative coefficient represents movement farther from zero and therefore weaker accrual-based credibility. The result means that higher audit fees relative to total assets were associated with higher discretionary accrual magnitude. The large numerical coefficient should not be interpreted without regard to the very small scale of the fee ratio. It also does not prove that auditor independence was impaired. Higher fee intensity may reflect economic dependence, but it may also arise because an engagement is more complex or risky. The direction is broadly consistent with Li and Liu (2024), who found that abnormal audit fees were generally associated with lower reporting quality, although their measure is not the same as the ratio used in this study. Daryaei et al. (2024) likewise cautioned against treating the fee-quality relationship as a simple linear one.

Audit committee effectiveness had a negative coefficient of -0.0267, but the result was insignificant (p = 0.727). The composite index therefore did not show a measurable individual effect on financial reporting credibility in the sampled firms. One possible explanation is that annual reports capture the visible structure of the committee more easily than the quality of its actual work. A company can disclose independence, financial expertise, committee size and meeting frequency without those indicators showing whether members challenged management or followed up difficult audit issues. This interpretation is consistent with Gerayli et al. (2021) and Amadi et al. (2024), whose findings show that audit committee characteristics do not contribute to reporting quality in the same way.

The overall result is therefore more useful when read as a mixed pattern than as a general statement that audit quality either improved or failed to improve financial reporting credibility.

The model was significant jointly, but three individual variables were not significant. Financial reporting credibility in this sector is likely to reflect additional factors that were not included in the model, such as management incentives, internal control quality, ownership structure, financial pressure and the quality of the specific audit engagement.

5. Conclusion and Recommendations

The study examined the relationship between selected audit quality attributes and the financial reporting credibility of listed agricultural firms in Nigeria from 2016 to 2025. The evidence did not support a uniform effect across the four variables. Audit firm size, audit tenure and audit committee effectiveness were not significant individually. Relative audit fee intensity, however, had a significant negative relationship with the accrual-based measure of credibility. The model as a whole was statistically significant, but its explanatory power also shows that a substantial part of the variation in reporting credibility lies outside the audit characteristics considered.

The findings suggest that regulators, boards and audit committees should avoid treating visible audit characteristics as automatic evidence of strong reporting credibility. The appointment of a large audit firm or the existence of a formally structured audit committee remains important, but attention should also be paid to the quality of the engagement itself, including the competence of the audit team, the depth of challenge applied to significant estimates and the way audit issues are resolved with management.

The significant fee-intensity result deserves closer monitoring. Audit committees should review audit fees in relation to the size, complexity and risk of the company and should be satisfied that unusual movements are properly explained. The finding should not be used to conclude that high fees automatically weaken independence. It instead supports closer scrutiny of situations in which the financial weight of the auditor-client relationship becomes unusually large.

Audit tenure should continue to be managed in line with applicable rotation and independence requirements even though it was not significant in this sample. Similarly, audit committees should go beyond formal compliance with membership and meeting requirements by documenting how major accounting judgements, internal control issues and external-audit findings are considered and followed through. These actions are more closely connected with the substance of oversight than with the existence of committee structures alone.

6. Contribution, Limitations and Future Research

The study contributes sector-specific evidence to the Nigerian literature by concentrating on listed agricultural firms. This is useful because agricultural reporting includes biological assets and other estimates that may create reporting risks different from those found in banking, manufacturing or service firms. The study also brings audit firm size, tenure, relative audit fee intensity and audit committee effectiveness into one model and uses a consistent accrual-based measure of financial reporting credibility.

The main limitation is the small number of listed agricultural firms. Only five companies were covered and the final regression contained 48 usable firm-year observations. This limits statistical power and means that the findings should not be generalised to every listed firm in Nigeria. The dependent variable is also limited to accrual-based credibility. It does not directly measure disclosure quality, restatements, regulatory compliance, accounting conservatism or real earnings management.

Future studies can extend the sample to other sectors or compare agricultural firms with companies operating in less estimation-intensive industries. Alternative audit-fee measures, including abnormal fees and client importance, may help to clarify why relative audit fee intensity was significant. Researchers may also examine audit partner tenure, auditor industry specialisation, non-audit services and engagement-level indicators where reliable data can be obtained. Using more than one measure of financial reporting credibility would also make it easier to determine whether the present result is specific to discretionary accruals or reflects a wider reporting pattern.

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