JETMASE
Journal of Emerging Trends in Management Sciences and Entrepreneurship
Volume 8(2), Pages 448-462 April/June Edition, 2026
ISSN: 2384-762X
https://www.jetmase.com

Moderating Role of Firm Size in the Relationship Between Audit Characteristics and Corporate Reporting Quality of Manufacturing Firms in Nigeria

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ABSTRACT: The study examined the moderating effect of firm size on the relationship between audit attributes specifically audit frequency and audit fees and corporate reporting quality (CRQ) of Nigeria's listed manufacturing firms. An ex-post facto research design was employed, and panel data were gathered from the audited financial reports of 10 purposively selected manufacturing firms listed on the Nigerian Exchange Group (NGX) between 2015 and 2024. Descriptive statistics, correlation analysis, and fixed effects panel regression were employed for data analysis, while firm size was used as a moderating variable. Regression analysis showed that audit frequency significantly and positively affected CRQ ($\beta = 0.021$, $p = 0.038$), whereas audit fees significantly and negatively affected CRQ ($\beta = -0.003$, $p = 0.017$). The firm size by audit frequency interaction (FSZ × AFR) was also significant positively ($\beta = 0.008$, $p = 0.009$), indicating that firm size increased the positive relationship between audit frequency and reporting quality. On the other hand, the interaction of firm size and audit fees (FSZ × AFE) was significant negatively ($\beta = -0.002$, $p = 0.037$), showing that firm size reinforced the negative effect of audit fees on reporting quality. The model explained 33.4% of the variation in CRQ ($R^2 = 0.334$) and was statistically significant ($F = 12.61$, $p < 0.01$). The study recommended that manufacturing firms improve audit committee communication, manage audit fees closely, and modify audit monitoring mechanisms by firm size to increase transparency, reporting quality, and investor confidence.

Keywords: Corporate Reporting Quality, Audit Frequency, Audit Fees, Firm Size, Financial Transparency, Auditor Independence, Panel Data

INTRODUCTION

In the contemporary business world, quality financial reporting remains key to investor confidence, transparency, and accountability, especially in developing economies like Nigeria. Among the diverse determinants of corporate reporting quality (CRQ), audit attributes such as audit frequency and audit fees have drawn increased attention from researchers and regulators due to their considerable influence on the credibility and reliability of financial information (Ebimobowei & Joyce, 2024; Muhammed et al., 2024). Yet the heterogeneity of firms, in particular firm size, can radically alter the impact of audit attributes on corporate reporting outcomes (Seiyaibo & Okoye, 2020).

Audit frequency, or the extent to which an entity's financial reports are subject to independent scrutiny, is generally presumed

to enhance the reliability and timeliness of financial reporting. Similarly, audit fees which is the extent and intensity of audit services also raise auditor independence issues when they get too large (Gbadamosi & Alade, 2024). Each one of these audit characteristics, in itself, has been strongly investigated. For instance, Gbadamosi and Alade (2024) discovered that while audit fees negatively impacted the timeliness of financial statements of quoted family companies in Nigeria, audit opinion and tenure positively affected it. But the aforementioned relationships might not be uniform for firms of varying sizes.

Firm size, measured by assets, revenue, or number of employees, might moderate audit attribute effect due to differences in complexity, access to resources, governance frameworks, and visibility to investors and regulators (Oladejo et al., 2021). Large firms can attract more rigorous audits, command higher audit fees due to complexity, as well as enjoy superior internal controls, thus altering the direct effect of audit frequency and fees on reporting quality. Small firms, on the other hand, can endure inferior audit coverage and poorer internal controls.

Empirical evidence supports the moderating role of institutional characteristics on audit relationships. Ebimobowei and Joyce (2024) also illustrated how audit committee strength moderated the relationship between internal audit practices and financial reporting quality in Nigerian listed consumer goods firms. Similarly, Rogo (2022) illustrated that audit committee activity moderated the relationship between audit firm tenure and reporting quality in Nigerian deposit money banks. These findings form the theoretical foundation for investigating moderators such as firm size, especially in the less-researched Nigerian manufacturing sector.

Statement of the Problem

Despite common academic interest in audit attributes and financial reporting quality, there is yet to be consensus on how firm-level characteristics, in particular firm size, moderate such relationships. While audit frequency and audit fees, separately, have been related to improved or deteriorated corporate reporting outcomes, their effects vary across firms, triggering the need for a moderating perspective (Gbadamosi & Alade, 2024; Ebimobowei & Joyce, 2024).

One worry is the potential for large firms to pay for higher audit frequency and fees, which can lead to higher reporting quality due to more audit coverage and professional effort. Conversely, small firms are able to select minimal audit engagements for economic reasons, perhaps at the cost of reporting quality. Nevertheless, empirical research on the effect of firm size has been ambiguous. For instance, Seiyaibo and Okoye (2020) discovered that there was no significant direct influence of firm size on financial reporting quality among Nigerian manufacturing companies, contrary to the previous assumption that larger companies naturally have higher quality reports.

Moreover, audit fees are a double-edged sword. High fees, on one hand, can reflect wider audit procedures, but, on the other hand, can compromise auditor independence, especially if the auditor becomes financially reliant on the client. Gbadamosi and Alade (2024) found audit fees to be negatively associated with financial statement timeliness, suggesting potential drawbacks. Unless firm size is controlled for, conclusions on audit fees will remain naive.

Also contributing to the issue is the relatively limited literature examining the moderating role of firm-specific characteristics like firm size on audit–reporting quality relationships in Nigeria. Most of the available studies, such as those of Muhammed et al. (2024), Oladejo et al. (2021), and Rogo (2022), focus predominantly on audit committees, auditor independence, or board characteristics, with little emphasis on size heterogeneity of firms. Consequently, policymakers and managers lack clear guidance on whether and how firm size should influence audit policy decisions to enhance corporate transparency.

In line with this, the study seeks to close these gaps by investigating the moderating influence of firm size on the relationship between audit frequency, audit fees, and corporate reporting quality. An understanding of such dynamics is required to inform differentiated regulatory guidelines and audit policy based on firm-specific realities in Nigeria's manufacturing sector (Egbunike & Anazonwu, 2021; Okeke, 2021).

Research Objectives

The specific objectives of this study are to:

i. Evaluate the moderating role of firm size on the effect of audit frequency on corporate reporting quality of manufacturing firms in Nigeria.
ii. Investigate the moderating role of firm size on the effect of audit fees on corporate reporting quality of manufacturing firms in Nigeria.

Research Hypotheses

The study will test the following null hypotheses:

HO_1: Firm size has no significant moderating effect on the relationship between audit frequency and corporate reporting quality of manufacturing firms in Nigeria.

HO_2: Firm size has no significant moderating effect on the relationship between audit fees and corporate reporting quality of manufacturing firms in Nigeria.

LITERATURE REVIEW

Conceptual Review

Corporate Reporting Quality (CRQ)

Corporate Reporting Quality (CRQ) is the degree to which financial reports truly reflect the economic condition of a firm, untainted by material misstatements and bias, and are in a position to help users make sound economic decisions. High-quality reports should be timely, relevant, faithfully represented, verifiable, and understandable in accordance with the International Financial Reporting Standards (IFRS). CRQ is central to reducing information asymmetry between management and stakeholders and therefore building trust and accountability (Mensah, 2021; Yusran, 2023).

Empirical literature identifies the role of CRQ in reputation and performance enhancement of companies. For instance, Mensah (2021) confirmed that the post-IFRS adoption period reduced drastically earnings management by manufacturing firms and hence improving CRQ. Similarly, Dodoo (2023) established that there was a dramatic enhancement in the quality of financial reporting by listed Ghanaian firms through integrated reporting and SDG disclosures. In Nigeria, Gbadamosi and Alade (2024) established that audit-related variables play a significant role in determining the timeliness and credence of financial statements, indicating a strong link between the quality of audit and CRQ.

Audit Frequency

Audit frequency refers to the rate at which an entity's financial statements undergo internal or external audit examination within a financial reporting period. While most companies undergo annual statutory audits, others may employ auditors half-yearly or quarterly for requirements of internal assurance. Routine audits are oversight processes in practice, and they increase the prospect of identifying misstatements, make internal control systems better, and promote reporting promptly (Rogo, 2022).

The frequency nature can have implications on the extent of scrutiny and thus on financial report credibility. Rogo (2022) concluded that more frequent audits, specifically those led by effective audit committee leadership, significantly improved the quality of financial reporting for Nigerian deposit money banks. The implication is that firms with frequent audit engagements are likely to produce transparent and high-quality reports. But excessive frequency of audits in the

absence of audit quality can result in increased costs without a corresponding benefit, especially to small firms.

Audit Fees

Audit fees can be seen as payment to auditors for their efforts. There is a tendency for these fees to be related to the complexity, scope, and duration of the audit engagement. Although higher audit fees can reflect more labor-intensive and complex audits, there's also concern that excessively high fees can undermine auditor independence, especially as the audit client becomes large enough to constitute the significant majority of the auditor's total revenue (Gbadamosi & Alade, 2024; Okeke, 2021).

In their study of Nigerian family-owned enterprises, Gbadamosi and Alade (2024) confirmed that audit fees had a negative influence on the timeliness of financial reports, suggesting possible threats to the impartiality of the auditors. Ebhojiaye et al. (2021) also confirmed that non-audit fees showed a negative but insignificant influence on the quality of financial reporting in Nigerian deposit money banks. Conversely, Oladejo et al. (2021) established that reasonable internal audit fees had a positive impact on reporting quality, especially in conjunction with technical competence. These results are contradictory, and hence this may be due to firm size and type of governance.

Firm Size

The size of the firm is an institution which reflects the size of operations of a firm, typically in terms of total assets, revenue, market capitalization, or number of employees. Bigger firms have more complex operations, more severe regulatory oversight, and more money to invest in corporate governance and audit mechanisms. Thus, firm size may influence both the quality of reporting and the impact of audit characteristics on reporting outcomes (Seiyaibo & Okoye, 2020; Oladejo et al., 2021).

Firm size, as indicated by Seiyaibo and Okoye (2020), had no impact on the quality of financial reporting in Nigerian manufacturing firms and thus implies that size alone cannot guarantee greater reporting. Yet, Oladejo et al. (2021) noted that internal audit practices were positively affected by firm size, which contributed to improving the quality of reports. These results imply that firm size cannot directly impact CRQ but is a moderator that would influence the relationship between audit inputs and reporting outputs.

Corporate Reporting Quality and Frequency of Audit

The relationship between audit frequency and the quality of corporate reporting is grounded on the premise that frequent audits have the potential to detect deviations and fortify internal controls, leading to timely and credible financial information. The argument is that frequent external or internal scrutiny limits managerial discretion and reduces opportunities for financial misstatements (Rogo, 2022).

Rogo (2022) analysis of Nigerian deposit money banks found that high audit review frequency, especially where supported by quality audit committee oversight, played an important role in CRQ. The implication for this is that audit frequency can be a critical system of monitoring under constant review, especially in firms with transaction complexity or higher risk exposure. The benefit of frequent audits might, however, be tempered depending on firm-level factors such as size, industry, and resource availability.

Audit Fees and Corporate Reporting Quality

The association among CRQ and audit fees is contentious and typically preceded by two. On the one hand, higher audit fees could be a broader audit that creates more CRQ. In addition, very high fees can undermine auditor independence, particularly if the

auditor becomes economically reliant on the client (Gbadamosi & Alade, 2024).

Empirical evidence is inconclusive. Gbadamosi and Alade (2024) reported a negative and statistically significant effect of audit fees on the timeliness of listed family-controlled firms' financial reports in Nigeria with implications of possible independence risks. Contrarily, Oladejo et al. (2021) confirmed that reasonable internal audit fees improved reporting quality in food and beverage firms, particularly when combined with internal audit capability. Thus, while audit fees may serve as a proxy for audit effort and quality, their impact on CRQ may be dependent on auditor-client relationship, industry norms, and firm size.

Firm Size and Corporate Reporting Quality

Company size is an old potential driver of CRQ, but its effect varies by environment. Big companies have better infrastructure, astute finance personnel, and strong mechanisms of governance, making it easier to develop quality reports. They also face greater scrutiny by regulators, owners, and analysts that compels them to be more transparent in their reporting (Egbunike & Anazonwu, 2021; Dodoo, 2023).

The evidence is still not conclusive. Though Oladejo et al. (2021) determined that the size of the firm positively affected internal audit effectiveness and contributed to CRQ indirectly, Seiyaibo and Okoye (2020) found that the size of the firm did not influence CRQ in Nigerian manufacturing firms. These findings present different evidence that size alone might not be a sufficient condition for quality reporting. Instead, its effect might be felt more decidedly when being controlled with other governance variables or as a moderator between audit features and CRQ.

Theoretical Framework

The research is guided by relevant theories that explain the relationship between audit characteristics and the quality of corporate reports, as well as the firm size moderating effect. Specifically, Agency Theory and the Resource-Based View provided conceptual frameworks for explaining how audit frequency and audit fees influence reporting, and how firm size can alter these effects.

Agency Theory

Agency theory is at the core of the explanation of the relationship between audit characteristics and reporting quality of firms. The theory presumes a principal-agent relationship, with the firm owners as principals who delegate control to managers as agents, and which brings about the conflict of interest possibility due to asymmetrical information. Audits as an external monitoring mechanism are intended to restrict information asymmetry, enhance transparency, and align the managers' interests with those of shareholders (Yusran, 2023).

Agency theory is the theoretical justification for which firms require high-quality assurance services and regular audits. The more frequent the audits, the more discretion managers have in distorting financial information is constrained, thus improving reporting quality for firms. Similarly, audit charges, when they are reasonable, can signal high audit effort, even though they can engender agency problems when too expensive and erode independence (Okeke, 2021; Gbadamosi & Alade, 2024). Its size also comes in with this theory by dictating the level of agency conflicts; big firms typically have more complex operations and higher agency costs, thus require more robust audit structures (Seiyaibo & Okoye, 2020).

Resource-Based Theory

The Resource-Based View (RBV) contends that firms are competitively better off via their unique resources and capabilities. In audit and reporting, a firm's human and financial capitals, especially in big firms, may have a tremendous role to play when it comes to shaping the manner auditing procedures are utilized and how extensively the financial data is prepared and revealed (Aidoo et al., 2024).

Bigger companies usually have better internal audit departments, more skilled personnel, and more advanced bookkeeping systems, which allow them to better leverage audit inputs. Therefore, the size of the company can act as a moderator of the impact of audit frequency and audit fee on reporting quality. This perspective justifies testing size as a moderating factor in audit–reporting relations, especially under conditions where firms significantly differ in operating scale and strength (Oladejo et al., 2021).

Empirical Review

Ebimobowei and Joyce (2024) found that internal audit practices such as controls, risk assessment, and independence significantly improved Nigerian consumer goods firms' financial reporting quality. The audit committee moderated the relationship, noting the importance of the internal governance function. Muhammed et al. (2024) showed that independence, committee size, and shareholder involvement of the audit committee improved financial reporting quality of listed firms. Appointment of capable members was recommended in the research to increase oversight. Gbadamosi and Alade (2024) revealed that Big 4 auditors, audit opinion, and tenure increased report timeliness in family businesses, while high audit fees and joint audits were negative. Increased auditor tenure was recommended. Dung (2024) found that risk-based auditing based on entities' risk levels and auditor capability significantly improved audit quality in Vietnam's public sector.

Otero et al. (2024) discovered that audit committee independence and board meetings enhanced reporting quality in Kenyan local governments, though marginally moderated by political pressures. Aidoo et al. (2024) discovered that board independence and experience enhanced the financial performance of Ghanaian manufacturing firms, with board commitment reinforcing these impacts. Yusran (2023) showed that IT, internal controls, and internal auditors all significantly contributed positively to Indonesian local government financial report quality, supporting agency theory. Dodoo (2023) proved that SDG and integrated reporting positively affected reporting quality in Ghana, and the IIRC framework must be implemented nationally. Le and Moore (2023) proved that Big 4 audit quality reduced earnings management and cost of equity in Vietnamese firms with state-owned enterprises having more significant impacts.

Doloksaribu and Firdaus (2023) concluded that planning and skepticism improved audit quality, and that audit risk moderated the audit quality-skepticism relationship. Sujana and Dharmawan (2023) concluded that planning and audit skepticism improved audit quality in Indonesia. Audit risk strengthened the skepticism-audit quality relationship but not that of planning-audit quality. They recommended greater use of technology in audits. Wan Ismail et al. (2023) analyzed data from 37 countries and found board gender diversity improved forecast accuracy of analysts. The impact was contingent on strong auditing/reporting standards, which, even as they boosted accuracy overall, dampened slightly the diversity–accuracy link. Rogo (2022) studied Nigerian deposit money banks and determined that audit firm size, independence, and involvement of audit committees all positively improved reporting quality. But compensation and tenure of audits only functioned when moderated by effective audit committees.

Mensah (2021) showed that adoption of IFRS reduced earnings management and improved financial reporting quality in Ghanaian manufacturing firms. Post-adoption period showed better accounting practices and increased investor confidence. Egbunike and Anazonwu (2021) reported that Big 4 auditors had significantly better quality of reporting than non-Big 4 firms in Nigeria. They suggested that auditor know-how and independence be accorded high priority by regulators and firms. Oladejo et

al. (2021) observed that auditor fee, technical competence, and auditor size significantly improved financial reporting quality in some Nigerian food and beverage companies. Okeke (2021) discovered that joint audit and audit independence had a significant positive effect on audit quality among Nigerian service sector firms while audit tenure had no effect. The research advocated for fee regulation and independence protections.

Ebhojiaye et al. (2021) determined that non-audit fees negatively but insignificantly influenced the quality of reporting in Nigerian banks. They suggested the formation of oversight committees to monitor such fees. Udeh, Enekwe, and Okwo (2020) concluded that audit firm size positively enhanced return on assets in Nigerian manufacturing companies. Increased audit relationships were promoted to enhance audit quality. Seiyaibo and Okoye (2020) discovered that board size was discovered to have a positive correlation with reporting quality, while firm size and other governance variables did not affect Nigerian manufacturing firms.

METHODOLOGY

Research Design

Ex-post facto research design was used in the research. This design is most suitable to be applied in empirical work involving past phenomena and existing data where the researcher does not have control over the variables. The design enables the examination of causal relationships between variables with secondary data from audited financial reports. Since the data set has years between 2015 and 2024 and is drawn from listed manufacturing firms, such a design is appropriate to measure the effect of audit characteristics and firm size on the quality of corporate reporting over time.

Area of the Study

The scope of the study includes all manufacturing firms that are listed on the Nigeria Exchange Group (NGX) in 2024. They are engaged in the key sub-sectors of consumer goods, industrial goods, healthcare, and conglomerates. There is an emphasis on manufacturing firms since they are strategically pertinent to the Nigerian economy and have a relatively high degree of audit compliance and disclosure, which makes them appropriate to explore the moderating effect of firm size in the relationship between audit characteristics and reporting quality.

Population of the Study

The population of samples in this study are all fifty-two (52) manufacturing firms that were listed on the Nigeria Exchange Group (NGX) in 2024. These firms are the whole population of organizations from which the sample was drawn for empirical analysis.

Nature and Sources of Data

Only secondary data were employed within the study. They were accessed from the companies' audited year-end financial statements for ten years from 2015 to 2024. The firms' financial reports were accessed using company websites, the Nigerian Exchange portal, and other financial databases. Some of the significant data accessed include audit committee report, audit fees disclosure, firms' total assets, and the items utilized in calculating corporate reporting quality.

Sample size and Sampling Techniques

The sample was purposively selected from the population of 52 quoted firms in the manufacturing sector of the NGX. Out of the manufacturing firms, 10 firms were selected. They were selected under the following conditions:

i. The firms selected are representative of the key sub-sectors (Consumer Goods, Industrial Goods, Healthcare, and Conglomerates) in order to ensure sectoral representation.
ii. Those companies that had always presented financial data from the period 2015-2024 without a single missing year were prioritized.

iii. Companies with a strongly documented audit committee, independence measures, and reporting frequency were prioritized.
iv. Industry leaders who controlled their own respective sectors were retained.

Mode of Data Analysis

Data for this study were processed using descriptive and inferential statistics supported by Stata software. Descriptive statistics including mean, standard deviation, minimum, and maximum were utilized to describe the characteristics of the dataset. Pearson correlation analysis was conducted to examine the strength and direction of variable correlations, and for checking multicollinearity. The Hausman specification test was carried out to choose between fixed and random effects models to determine the most appropriate panel data estimation approach. The Breusch-Pagan-Godfrey test was conducted to check for heteroskedasticity. Finally, panel regression was implemented with interaction terms to examine the moderating effect of firm size, with all tests performed at a 5% significance level.

Data and variables description

The study used audit frequency and audit fees as independent variables while corporate reporting qualities was used as the dependent variable. The ways in which these variables were measured are stated in the operationalization of variables Table 1.

Table 3.1: Operationalization of Variables

Variable	Measurement	Source
Dependent Variable		
Corporate Reporting Qualities (CRQ)	The change in total assets minus cash flows from operating activities (or the change in current liabilities).	Le, Tran and Vo (2021)
Independent Variables		
Audit Frequency (AFR)	The total number of meetings held by the audit committee in a given financial year.	Mardessi (2022)
Audit Fees (AFE)	Measured in monetary terms and is typically disclosed in the financial statements under the notes section, where companies report the total audit fees for a fiscal year.	Al-Shaer (2020)
Moderating Variable		
Firm Size (FSZ)	Measured as the natural logarithm of total assets.	Fujianti and Satria (2020)

Source: Researchers' Compilation (2025)

Model Specification

The model for this study was adopted from the work of Bamidele and Edogbanya (2022). The model which captured the direct and indirect effects of the proxies of the independent variable on Corporate Reporting Qualities moderated by firm size was linearly expressed in a specified equation as shown below.

$$CRQ = f(AFR + AFE + FSZ * AFR + FSZ * AFE) \dots\dots\dots (2)$$

Restating the above equation in econometric term, it becomes:

$$CRQ_{it} = \beta_0 + \beta_1 AFR_{it} + \beta_2 AFE_{it} + \beta_3 FSZ * AFR_{it} + \beta_4 FSZ * AFE_{it} + e_{it} \dots\dots\dots (3)$$

Where:

CRQ stands for Corporate Reporting Qualities
Independent Variables
AFR stands for Audit Frequency
AFE stands for Audit Fees
FSZ stands for Firm Size
e_{it} = Radom error term or stochastic variables
β_0 = Constant while Subscripts *i* denote number of firms, *t* denotes years or time-series dimensions ranging from 2015 to 2024, *e* is the error term of the model capturing other explanatory variable and β_0, β_1, β_2, β_3, β_4 Stands for Regression model coefficients

RESULTS AND DISCUSSION

Descriptive Statistics

The results in Table 2 (Descriptive Statistics) provide insight into the distribution and behavior of the variables used in the study. The mean corporate reporting quality (CRQ) value of 0.069, with a standard deviation of 0.037, suggests moderate reporting quality among listed manufacturing firms over the period 2015–2024. The minimum value of -0.011 implies that some firms had notably poor reporting practices, while the maximum value of 0.145 reflects instances of higher reporting quality. The Jarque-Bera statistic for CRQ (2.863, p = 0.239) indicates that the data is normally distributed, as do the results for the other variables. Audit frequency (AFR) has a mean of 4.60, suggesting that audit committees met approximately five times per year. Audit fees (AFE), with a mean of ₦28,560 and a wide range from ₦12,300 to ₦47,800, show substantial variation across firms. Firm size (FSZ), measured as the natural log of total assets, has a mean of 18.88, indicating a concentration of mid-to-large-scale firms in the sample. All variables demonstrated reasonable normality, validating the suitability of regression analysis.

Table 2: Descriptive Statistics and Measurement of Variables

Variable	Mean	Std. Dev.	Min	Max	Jarque-Bera	JB p-value
CRQ – Corporate Reporting Quality	0.069	0.037	-0.011	0.145	2.863	0.239
AFR – Audit Frequency	4.60	1.12	3	7	1.964	0.374
AFE – Audit Fees	28,560	9,432	12,300	47,800	4.221	0.121
FSZ – Firm Size	18.88	1.62	16.03	21.15	1.721	0.422

Correlation Analysis

The Pearson correlation matrix in Table 3 shows that audit frequency (AFR) is positively correlated with CRQ (r = 0.178), indicating that more frequent audit committee meetings are modestly associated with better financial reporting quality. This is consistent with the findings of Rogo (2022), who emphasized that regular oversight enhances transparency and reduces information asymmetry. Audit fees (AFE) are negatively correlated with CRQ (r = -0.143), suggesting that higher audit costs may compromise audit independence and lower reporting quality. This finding aligns with Gbadamosi and Alade (2024), who reported that excessive audit fees may reduce the objectivity of external auditors. Firm size (FSZ) is positively correlated with CRQ (r = 0.239), implying that larger firms tend to provide higher-quality financial reports due to more robust governance and control mechanisms. All correlation values are below 0.5, indicating weak to moderate

associations and reducing concern for multicollinearity.

Table 3: Pearson Correlation Matrix

Variables	CRQ	AFR	AFE	FSZ
CRQ	1			
AFR	0.178	1		
AFE	-0.143	0.215	1	
FSZ	0.239	0.342	0.315	1

Variance Inflation Factor (VIF)

The results in Table 4 (VIF Test) confirm the absence of multicollinearity among the explanatory variables. All VIF values fall well below the commonly accepted threshold of 10, with the highest being 1.50 for the interaction term FSZ × AFR. These low VIF values suggest that the independent variables and their interaction terms are not highly correlated with one another, thus ensuring the reliability and stability of the estimated regression coefficients.

Table 4: VIF Test for Multicollinearity

Variable	VIF	1/VIF
Audit Frequency (AFR)	1.44	0.694
Audit Fees (AFE)	1.32	0.757
FSZ × AFR	1.50	0.667
FSZ × AFE	1.39	0.719

Hausman Specification Test

According to Table 5, Hausman test results reveal a Chi-square value of 12.64 and 0.031 as p-value. As the p-value is less than 0.05 the null hypothesis is rejected in favour of the fixed effects model. It means that the firm specific effects are dependent on the explanatory variables and the fixed effects model is more suitable than the random effects one used in the study.

Table 5: Hausman Test Result

Test Statistic	Value	Decision
Chi-Square	12.64	Fixed Effects Preferred (p = 0.031)

Regression Results

Audit Frequency and Corporate Reporting Qualities

The coefficient for audit frequency (AFR) is 0.021, with a t-statistic of 2.10 and a p-value of 0.038, indicating that the relationship is positive and statistically significant at the 5% level. It means that ceteris paribus, an increase in audit committee meetings is associated with an improvement in corporate reporting quality for listed manufacturing companies in Nigeria. This finding supports the proposition that continuous audit monitoring enhances financial surveillance efficiency, reduces managerial opportunism, and enhances financial disclosure conduct. Rogo (2022) also received a similar finding in his study on Nigerian deposit money banks, where continuous audit involvement, reinforced by active audit committees, improved the quality of financial reports. Similarly, Mardessi (2022) said audit committee activity enhances effectiveness in

internal control and early identification of financial irregularities.

The import of this finding is that firms with more aggressive audit committees are better able to ensure financial statements are consistent with ethical as well as regulatory imperatives. Audit frequencies act as a deterrent to financial misreporting because they make managers accountable and financial practices transparent. For manufacturing firms in general where operational activities are of an intricate nature and cost allocations are discretionary in nature frequent audit checks are necessary to impose transparency.

Audit Fees (AFE) and Corporate Reporting Qualities

The coefficient of audit fees (AFE) is -0.003, with a t-statistic of -2.43 and a p-value of 0.017, showing a negative and statistically significant relationship with corporate reporting quality. It shows that higher audit fees are associated with poorer quality financial reports in Nigerian manufacturing firms. This is in line with the argument that excessive audit fees can undermine the independence of the auditor, particularly when the auditing company is economically dependent on the client. Gbadamosi and Alade (2024) discovered audit fees negatively affecting the timeliness of financial reports in Nigerian listed family businesses, indicating excessive remuneration could see auditors prioritize protecting the client at the expense of equitable reporting. Similarly, Okeke (2021) found that while independence is critical to audit quality, high fees can compromise this independence and lead to substandard reporting.

The outcome refutes the argument that increased audit fees should reflect greater audit effort or quality. Instead, it highlights the need for firms to have audit fee policies that are fair, reasonable, and without incentives that could impair objectivity. Especially in manufacturing industries where inventory valuation, cost assignment, and capital budgeting are open to manipulation unequated audit-client financial arrangements can jeopardize reporting integrity severely.

Moderating Effect of Firm Size on Audit Frequency (FSZ × AFR)

The interaction term FSZ × AFR has a coefficient of 0.008, with a t-statistic of 2.67 and a p-value of 0.009, making it positively significant at the 1% level. This indicates that firm size has a positive moderating effect on the relationship between audit frequency and quality of corporate reporting. That is, the positive effect of audit frequency is more pronounced in large firms. This can be explained since large firms are likely to have more formalized governance mechanisms, experienced financial personnel, and internal controls that act as a reinforcement and complement to the audit process. According to Oladejo et al. (2021), the size of the firm positively contributed to internal audit practices and quality of financial reporting in Nigerian food and beverage firms. Similarly, Egbunike and Anazonwu (2021) found that the firms being larger with Big 4 auditors gave better accruals and more accurate reports. Also, this result has a theoretical explanation based on resource-based theory. Larger companies have more financial and human capital to carry out frequent audits efficiently. Regular audit committee meetings in such companies are thus more likely to be efficient and lead to tangible improvements in financial reporting processes.

Hypothesis Testing

HO_1: Firm size has no significant moderating effect on audit frequency and corporate reporting qualities of manufacturing firms in Nigeria. From Table 6, the interaction term FSZ × AFR was positively significant (β = 0.008, p = 0.009). The p-value is less than 0.05, indicating that the moderating effect of firm size on the relationship between audit frequency and CRQ is statistically significant. Therefore, the study rejects HO_1.

Moderating Effect of Firm Size on Audit Fees (FSZ × AFE)

The interaction term FSZ × AFE has a negative coefficient of -0.002, with a t-statistic of -2.11 and a p-value of 0.037, making it statistically significant at the 5% level. This suggests that firm size adversely moderates the audit fees and corporate reporting quality relationship. That is, the adverse impact of audit fees on reporting quality grows more pronounced in larger firms. This finding suggests that in larger firms—where the financial reports are most publicly, investor-, and regulatory-focused—high audit fees are able to send negative signals about auditor independence and can erode confidence. This corroborates with the findings of Ebhojiaye et al. (2021), who cemented that non-audit fees negatively affected the quality of financial reporting in listed Nigerian banks. Their study emphasized the need for independent supervision of auditor compensation in a bid to prevent undue influence. The implication is also in line with the empirical result of Seiyaibo and Okoye (2020), who stressed that firm-specific attributes such as size may render governance mechanisms more or less effective. In the case of audit fees, bigger firms do have greater reputational risk if stakeholders perceive that auditors are paid more but not sufficiently supervised. Accordingly, big firms need to balance auditor independence and effort to protect reporting quality.

Hypothesis Testing

HO_2: Firm size has no significant moderating effect on audit fees and corporate reporting qualities of manufacturing firms in Nigeria. The interaction term FSZ × AFE was negatively significant ($\beta = -0.002$, $p = 0.037$), confirming a statistically significant moderating effect at the 5% level. Therefore, the study rejects HO_2

Model Summary

The R-squared measure of the model at 0.334 suggests that approximately 33.4% of corporate reporting quality variation is accounted for by audit frequency, audit fees, firm size, and their interaction terms. The F-statistic of 12.61 with a p-value of 0.000 confirms that the overall model is statistically significant. This further means that the model possesses great explanatory power, particularly in the domain of financial behaviour among listed Nigerian manufacturing firms.

Table 6: Panel Regression with Firm Size as Moderator

Variable	Coefficient (β)	Std. Error	t-Statistic	P-value
Audit Frequency (AFR)	0.021	0.010	2.10	0.038**
Audit Fees (AFE)	-0.003	0.001	-2.43	0.017**
FSZ × AFR (Moderation)	0.008	0.003	2.67	0.009***
FSZ × AFE (Moderation)	-0.002	0.001	-2.11	0.037**
Constant	0.045	0.018	2.50	0.014
R-squared	0.334			
F-statistic (overall)	12.61			0.000

*** and ** are Significant at 1% and 5% level respectively

Heteroskedasticity Test (Breusch-Pagan-Godfrey)

Table 7 presents the Breusch-Pagan-Godfrey heteroskedasticity test, with a Chi-square value of 9.015 and a p-value of 0.061. Since the p-value exceeds the 5% threshold, there is no strong evidence of heteroskedasticity.

Table 7: Heteroskedasticity Test Result

Statistic	Value	Decision
Chi-Square	9.015	Heteroskedasticity not severe (p = 0.061); robust SEs applied

CONCLUSION

The study provides valuable insight into the complex relationship between audit characteristics and reporting quality in Nigeria's manufacturing sector. The results categorically demonstrate that frequency of audit positively and significantly influences reporting quality, which further confirms the fact that frequent interaction of audit committees instills accountability, transparency, and regulatory compliance. This finding is consistent with agency theory, which suggests that high levels of monitoring reduce opportunities for managerial opportunism and information asymmetry between principals and agents. The findings underscore the need for firms to maintain adequate audit committee participation but, more significantly, to monitor audit expenses to avoid eroding auditor independence. In large firms, where stakeholder pressure is larger, these impacts are stronger, further evidence for the worth of audit strategies that are tailored on the basis of firm-specific factors. In accordance with the findings, it is suggested that:

i. Firms should engage in more frequent audit committee meetings, especially in large manufacturing firms, as this increases the effectiveness of monitoring and the quality of financial disclosure.
ii. Fees charged by auditors should be tightly regulated to prevent auditor independence from being compromised. There should be no overdependence on a single auditor and too-high audit fees that might undermine objectivity.
iii. Governance policies of firms should recognize firm size as a salient variable while designing audit frameworks. It would be useful for large firms to have sophisticated audit structures to facilitate transparency.
iv. Regulators such as the Financial Reporting Council of Nigeria (FRCN) and Securities and Exchange Commission (SEC) should give guidelines that favour periodic audit oversight and limit exorbitant audit fees, especially in large organizations.

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