Effect of External Auditor's Characteristics on the Financial Reporting Quality of Quoted Manufacturing Companies in Nigeria

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Abstract
This study examined auditor's characteristics and financial reporting quality of quoted manufacturing companies in Nigeria. Specifically, the study focused on audit fees, auditors' industry specialization, auditor's tenure and audit firm size as independent variables and financial reporting quality as dependent variable proxied by discretionary accruals. Descriptive longitudinal research design was adopted. The population included all the 44 quoted manufacturing companies in Nigeria. However, a sample size of 30 was used. Data was obtained from the annual reports of the companies. The study employed the use of multiple regression analysis technique to analyse the data. Based on the analysis, it was found that audit fees, audit firm size and auditor industry specialization have positive significant effect on financial reporting quality while auditor tenure was found to have no significant effect on financial reporting quality of quoted manufacturing companies in Nigeria. The study concluded that external auditor's attributes have strong explanatory power in determining the quality of financial reporting and is an effective corporate governance mechanism for constraining the problem of earnings manipulation in financial report of companies. The study therefore, recommended that there is need for companies, accounting regulators, Financial Reporting Council of Nigeria and indeed all stakeholders to consider an expanded approach in examining auditor attributes and financial reporting quality in Nigeria.

Key Words: *Auditor's Characteristics, Audit Fee, Audit specialisation, Audit size, Audit Tenure and Financial Reporting Quality*

INTRODUCTION

Globally, financial reports of firms of all sizes in various industries and sectors, are essential instruments prepared to communicate the firm's state of affairs to stakeholders, while simultaneously reducing the level of information asymmetry that exists between owners and managers. The process of subjecting financial statements to external verification and assurance is a mechanism through which credibility is added to the reports by managers to enhance and improve the quality of such financial information. Thus, the audit process is usually designed to determine whether the financial reports represent the firm's true financial position and its operating results in a fair manner.

The audit process is ascribed as a financial tool that substantiates as well as tests the internal control systems which produce the financial statements. Such processes determine if the underlying controls are effective at assuring the assertions, while also taking a more holistic view to ensure that the application of accounting policies is appropriate (DeAngelo, 1981). In essence, auditing is used to provide the needed assurance for investors when relying on audited financial statements. More precisely, the role of auditing is to reduce information asymmetry on accounting numbers and to minimise the residual loss resulting from managers' opportunism in financial reporting.

In Nigeria, all registered companies are required by law to appoint an external auditor who is mandated to render an independent opinion on the financial statements whether or not they show a true and fair view. The independence of auditors is regarded as key to their characteristics as external verifiers of financial statements. Financial statements are mandatory information on a business income statement, cash flow, statement of financial position, statement of changes in equity and the notes to financial statements. Companies are expected to prepare financial statements in order to know their financial positions so that stakeholders can rely on such information for effective decisions. The Securities and Exchange Commission (SEC) requires traded companies to make sure their financial statements are prepared and audited by certified public accounting firms who assume responsibility for fairness of the financial statements. Notwithstanding the role of the auditors, financial reporting quality has remained a puzzle. This has motivated studies on the characteristics of the audit firm.

The characteristics needed to be a good auditor are much more than completing checklists or debits and credits. However, critical characteristics of an auditor are essential for audit success, these includes: auditors' fee, auditors' tenure, auditors specialization audit expertise, auditor independence and auditor type. These factors are said to be critical in affecting the financial reporting quality. Independence refers not only to lack of bias and mental state of objectivity but also the capability of exercising objective and impartial judgment on the financial statements (SEC, 2000). It is expected that auditors with high independence would give objective audit opinions that would improve audit quality. Yasar (2013) opined that an enhanced economic bond between auditors and their clients through the provision of non-audit services and long auditor-client tenure may impair auditor independence and lead to low audit quality. Another characteristic of external auditors that may affect the financial reporting quality is the audit tenure. Zhuo and Guan (2014) stated that a long audit tenure leads to familiarity between the auditor and the client which may impair financial reporting quality. This has led to some consideration by regulators like the SEC to recommend the adoption of mandatory audit firm rotation which is already in existence in the US and other parts of the world to reduce the adverse effects of long audit-client tenure on financial reporting quality.

One of the external auditor attributes that affects financial reporting quality is fees which represent the amount that remunerates the auditor's activity. Optimal audit fee are expected to improve the financial reporting quality since the auditor is motivated to do his work without thinking of some financial influence from the client. On the other hand, Braunbeck, (2010) opined that audit firms that also render non-audit consulting services to their clients might be more willing to overlook accounting shortcomings for fear of losing the additional consulting fees. This means that auditors that collect other consulting fees from the same client are likely to impair financial reporting quality.

Again, audit firm industry specialization also affect financial reporting quality. Willenborg (2020) avowed that audit industry specialisation affects financial reporting quality in two ways. First, benefits resulting due to enhanced audit effectiveness and secondly, industry specialist auditors are incentivized to protect the reputation they have developed as industry specialists. To protect their reputations, auditors will provide audits of higher quality by not acquiescing to client pressures or demands. Consequently, industry specialist auditor possesses greater competence in identifying industry-specific earnings smoothening and has acquired a reputation for providing an audit of superior quality, it is expected that an industry specialist auditor will be better equipped to identify and restraint aggressive earnings manipulation to enhance financial reporting quality (Moroney & Carey, 2011).

In the global market of today, the users of financial statements rely on the information provided by the external auditors on the credibility and reliability of the financial statements. The quality of financial statement published by a firm can be assessed through various measures, such as the persistence of its earning characteristics, corporate governance and controls, choice of accounting policies among others. The auditor's report adds value to financial statements through the independent verification it provides (Johnstone, Sutton & Warfield, 2019).

This study is motivated by the critical role that the auditors have in corporate financial reporting with regard to accounting irregularities and misstatements including earnings management, which impair, financial reporting quality and threaten the going concern of corporate entities. The study however, focuses on the major audit firm Characteristics (audit fees, auditor tenure, auditor industry specialization and audit firm size). These Characteristics are considered as determinants of audit quality which has linkage with the financial reporting quality.Given the importance of external auditing in ensuring credible and reliable financial reporting, this study examined the effect of external auditor characteristics on financial reporting quality of quoted manufacturing companies in Nigeria.

LITERATURE REVIEW

Audit Firm Characteristics

Auditors are intermediaries between the management of a firm and external parties having interests in the firm (Porter, et al, 1996). According to them, auditors have a duty to form and express an opinion as to whether or not the financial statements prepared by the management show a true and fair view of the entity's financial position and performance. Hence, the concept of audit is assurance engagement that involves objective process of obtaining and evaluating evidence with regard to financial statements, in order to form an opinion that published financial statements are free from material misstatements and intentional errors, and are in accordance with relevant laws, standards and legislations. Audit firm characteristics are defined as the behavioural patterns of audit firm which can enable the auditors of the firm to achieve their objectives throughout the period of their operations. The characteristics include but are not limited to audit firm size, fees, tenure and industry specialization. The ability of an auditor to mitigate misstatements is a function of the audit firm attributes and ability to dictate material misstatement and to adjust for or report it (DeAngelo, 1981).

Financial Reporting Quality

Financial reporting quality can be conceptualised as the faithfulness of the information conveyed by the financial reporting process. Financial reporting quality signifies the degree to which financial reports provide truthful and unbiased information about core financial positions and financial performance of an organisation (Hussaini, et al, 2018). Financial reporting quality may also referred to the exact manner by which management shows information as regards a business activity as it relates to its anticipated cash flows with the aim of informing shareholders about the company's operation.

Financial Reporting Quality require companies to voluntarily expand the scope and quality of the information they report, to ensure that market participants are fully informed in order to make well-grounded decisions on investment, credit, etc. This high-quality information facilitates greater transparency and this greater transparency reduces the information asymmetries and satisfies investors and stakeholders' needs.

Specifically, one of the main benefits of better FRQ is based on the minimisation of asymmetric information problems that arise from conflicting agency. Companies that report higher quality financial information give to the various markets' agents' better information on it, allowing them to act in the market with better conditions and a higher level of information (Jo & Kim, 2007).

Theoretical Review

This study was anchored by the signalling theory as it provides the suitable theoretical explanation for the topic under consideration. The signalling theory underpins this study because both financial reporting quality and the auditor's characteristics are signals that the public relies on for informed decision making. The Signalling theory by Spence (1973) fundamentally addresses the problem of information asymmetry in an organization. According to Spence (1973), the characteristics of an auditor signals the kind of financial reporting quality obtainable from the firm. This means that high quality characteristic of the auditor may connote quality financial reporting by the auditee.

Empirical Review

Emmanuel and Emem (2020) examined the impact of audit firm attributes on the financial reporting quality of quoted manufacturing firms in Nigeria for the period of 2011 to 2015. Multiple regression analysis was employed in analysing the data and testing the stated hypotheses. The results of the findings showed that auditor fees have significant influence on the financial reporting quality of quoted manufacturing firms in Nigeria. However, it was discovered that audit firm size and audit delay have insignificant impact on the financial reporting quality of manufacturing firms in Nigeria. Omoregie and Dibia (2020) explored the impact of audit firm attributes on financial reporting quality in Nigeria. findings appears that the variable of Audit Independence and Audit Fees were observed to be significant and positively related with financial reporting quality, Audit Firm Rotation was positively and insignificantly related with financial reporting quality while Audit Delay indicated a negative and a relationship that is insignificant with financial reporting quality.

Havasi and Darabi (2016) examined the effect of auditor's industry specialization on quality of financial reporting of listed companies in Tehran Stock Exchange during the period of 7 years from 2008 to 2014. Findings suggested that auditor's expertise in the industry, has a direct impact on the quality of corporate financial reporting. In this regard, testing the research's hypotheses showed that the auditor expertise in the industry (on the basis of market share pattern based on auditor's total revenue) has no significant effect on the quality of financial reporting. Ogungbade, et al (2021) examined the effect of audit firm attributes on financial reporting quality of deposit money banks listed on the Nigerian Stock Exchange. The study found that audit firm size, audit tenure, and audit fees affect financial reporting quality (FRQ), but only the effect of audit fees was statistically significant.

Kalabeke, (2019) examined the relationship between audit firm tenure and financial reporting quality. Particularly, the study examined whether firms with longer audit firm tenures are more engaged in accrual-based earnings management activities in Pakistani. The results exemplify that firms with longer audit firm tenures are more negatively associated with accrual-based earnings management activities, and showing better financial reporting quality. In addition, the study shows that non-mandatory audit firm rotation is associated with accrual-based earnings management activities, and showing poor financial reporting quality. Daferighe and Emem (2020) examined the impact of audit firm attributes on the financial reporting quality of quoted manufacturing firms in Nigeria for the period of 2011 to 2015. It was discovered that audit firm size and audit delay have insignificant impact on the financial reporting quality of manufacturing firms in Nigeria.

METHODOLOGY

The design of the study was quantitative in an ex-post factor form. The population of the study was forty-five (45) quoted manufacturing firms operating on the Nigeria Exchange Group as at 31st December 2018. This comprised: Consumer goods sector (21), Industrial goods sector (14) and Healthcare sector (10). The sample size of the study was 30 manufacturing firms drawn from the defined population using the computation below.

Table 1: Population and sample size of the manufacturing firms used in the study

S/N	Strata	Number of Firms	Computation	Number of Firms from Each Strata
1	Consumer Goods	21	21/45*30	14
2	Industrial Goods	14	14/45*30	9
3	Health Care	10	10/45*30	7
	TOTAL	**45**		**30**

Sources: Author's computation

Model Specification

$FRQ_{it} = \beta0_{it} + \beta_1 AF_{it} + \beta_2 AIS_{it} + \beta_3 AT_{it} + \beta_4 AFZ_{it} + \beta_3 FZ_{it} +_{it} e_{it}$

Where: FRQ =Financial Reporting Quality, B0 = Constant, AF= Audit Fees, AIS= Auditor Industry Specialization, AT= Audit Tenure, AFS= Audit Firm Size, FZ= Firm size (control), e = Error Terms, β1-β4= are coefficients, it = cross-sectional time series

Measurement of Dependent Variable

Financial reporting quality is proxy by discretionary accruals Dechow, Sloan and Sweeny (1995) model as stated below:

DAC= TAccit/ATit-1- α0+ α1 (1/ ATit-1) + α2 (Δ REVit / ATit-1) + α3 (PPEit / AT it-1) + α4ROAit-1+ε_{it}

TAccit=Total Accruals of the company; PPEit = Property, plant and equipment of the company; ΔREVit, = Change in Revenue of the company; ATit-t= Assets total of the company in year t-1; ROA it-1= Return on Assets of the company in year t-1; ε = random error term.

Table 2: Measurement of Independent Variables

s/n	Variables	Variables measurement
1	AFS audit firm size	Measured by Dichotomous: 1 if company is audited by a Big4, otherwise 0 (DeAngelo, 1981; Khrishan& Schauer, 2000;
2	AIS auditor industry specialisation	Measured by dichotomous variable 1 for the companies audited by industry specialist auditors and 0 for non-specialist auditors. Zhou and Elder (2001): Krishnan & Yang 2003).

3	ADF Audit fee	Measured as amount of audit fees paid to the auditor by the company. (Effiok, & Eton, 2013)
4	ADT Audit tenure	The length of time (number of years) spent by the audit in the firm (Jayeola, et al, 2017).

Researcher's computation

The result of heteroscedasticity, multicollinearity and normality tests supported the use of multiple regression analysis as the major tool for the analysis of data. The Multiple regression analysis technique was adopted for the purpose of the analysis of data because of the capacity of the predictive nature of the technique to predict the effect of auditor attributes on financial reporting quality. Two step regression were used in determining the level of financial reporting quality of listed manufacturing companies adopting, Dechow, et al (1995) model. The residuals for the Dechow et al (1995) model after inserting the sampled firm's data was used in the second regression model specified for the study. However, the residual determines the accrual quality; the larger the residuals, the higher the earnings management and the higher the earnings quality

RESULTS AND DISCUSSIONS

4.2.1 Descriptive Statistics

A descriptive statistic is an analysis of data that helps to describe, show or summarize the behaviour of data in a meaningful way, which allows for simpler interpretation of the data. This section contained the description of the properties of the variables ranging from the mean of each variable, minimum, maximum and standard deviation.

Table 2 Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
FRQ	300	.1120667	.170406	.01	1.56.
AF	300	38670	112110	17483	52718
AIS	300	.5482759	.4985243	0	1
AT	300	.7413793	.4386336	0	1
AFS	300	.6241379	.4851819	0	1

Source: Output from STATA, 13.

The result of the descriptive statistics in Table 2 indicated that the measure of financial reporting quality (FRQ), which is the inverse of absolute discretionary accruals of manufacturing firms has an average value of 0.1121with standard deviation of 0.1704, and minimum and maximum values of .01 and 1.56 respectively. The extent of absolute value of discretionary accruals in the sample firms has a mean of 11% with standard deviation of 17%. The values of minimum and maximum which are far from each other indicated a high deviation between companies. The, firms tend to record a reasonably high financial reporting quality in some years than in others.

The descriptive statistics also indicated that the sample firms have an average audit fees (AF) of ₦38,670,000 with standard deviation of ₦112,110,000 respectively. This means that the average amount of audit fees paid by the firms within the period of the study is 38,670,000 million naira. The figure of the standard deviation showed that there is a high level of variance in the audit fees paid by companies. The minimum and the maximum as shown by the table is 17483 and 52718. This implied that the least amount spent on audit fees is 17,483 million naira and the largest is 52718 million naira.The descriptive statistics in Table 2 showed that on the average, the industry specialist auditors (AIS) during the period of the study 54.84%, from the mean value of .5482759 with standard deviation of.4985243. This showed that on average 54.84% of the firms used auditors that were specialist in auditing manufacturing companies. The value of the standard deviation which depicted 49.85% means most of the firms used industry specialist auditors in their audit engagements. The auditor industry specialization showed a minimum of 0 and maximum of 1 respectively.

The descriptive statistics from Table 2 also indicated the mean of the auditor tenure (AT) is .7413793 which signified that on the average it can be said that approximately 74.13% of the firms rotate their auditors after three years of engagement. The auditor tenure showed a minimum and maximum of 0 and 1 respectively. The table also showed that audit firm size (AFS), has a mean value of.6241379 and a corresponding standard deviation of .4851819. This showed that 62.41% of the firms under study deployed the services of Big4 auditors for their audit assignments and the value of the standard deviation confirmed this assertion given its closeness to the means.

Discussion of Findings

Audit Fees and Financial Reporting Quality

The first objective of this study is to ascertain the effect of audit fees on financial reporting quality of quoted manufacturing companies in Nigeria. The hypothesis stated that audit fees have no significant effect on financial reporting quality of quoted manufacturing companies in Nigeria. In this study audit fee is measured using amount of audit fees paid by firms for the period of the study. The analysis of this study found that audit fees have positive significant effect on financial reporting quality of quoted manufacturing companies suggesting that the fees paid to external auditors helps to ensure the credibility of financial reporting. This means that audit fees exert significant influence on financial reporting quality of companies in the area covered by this study. Other schools of thought are of the opinion that a higher level of audit fees was the major driver of enhanced audit quality, in turn reducing managers' flexibility to use earnings management and to manipulate reported earnings. On the other hands some scholars believe that higher audit fees serve as inducements or incentives to overlook management opportunistic behaviours. However, Lyon and Maher (2005) avert that there is variation in the amount of the fee, depending on auditee size and how complex the auditing process is. This is further corroborated by Turley (2008) who stated that there are three composite factors which contribute to the establishment of audit fees, which include complexity, Client size and associated risk. This finding is in tandem with Onaolapo, et al (2017), Bamahros and Wan-Hussin (2015), Okolie (2014), Efon (2013), who revealed that audit fees have positive effect on financial reporting quality suggesting that an increase in fees paid to auditors for their audit engagement does enhance financial reporting quality as predicted by the agency theory. This finding is further supported by the Agency theory because the thrust of agency is for the auditor to do the bidding of the principal by ensuring that the financial statements are devoid of material misstatements. This forms the reason for the payment of audit fee. The expectation of the principal is to draw satisfaction from the agency fee paid which obliges the auditor to ensuring that the financial reports are of high quality and represents the financial position of the company.

Auditor Industry Specialization and Financial Reporting Quality

The second objective of the study is to ascertain the effect of auditor industry specialization on financial reporting quality of quoted manufacturing companies in Nigeria. The hypothesis stated that auditor industry specialization has no significant effect on financial reporting quality of quoted manufacturing companies in Nigeria. The study revealed a positive significant effect of auditor industry specialization on financial reporting quality of quoted manufacturing companies in Nigeria. This means that a unit increase in industry specialist auditors will lead to an increase in the financial reporting quality in the area covered by this study. The implication of this finding is that industry specialist auditors can mitigate misstatements of financial reports. Basically, industry specialist auditors are auditors who have gained great training and experience concentrated in a specific industry. Solomon (1999) founds that industry specialist auditors have more accurate non-error frequency knowledge than non-industry specialists. Owhoso, et al (2002) stated that industry specialists can effectively detect seeded errors in staff work papers during the audit review process. This finding is consistent with the agency theory. The finding is also in line with Sair (2018) and Burgen (2015). Furthermore, the implication of this finding is that specialist auditors can easily detect errors and misstatements in a financial report of a company in an industry they have been auditing over the years over a non-specialist auditor. It follows also that the audit of a company by industry specific auditors gives confidence to the stakeholders that they may detect earnings manipulation. In addition the management of the companies are also conscious to provide financial statements that are devoid of material misstatements by avoiding unnecessary earnings manipulations when they know that the auditors are industry specific and can easily detect their misdeeds. This argument is supported by the signalling theory because the presence of industry specific auditors is already a signal that the right thing ought to be done. This creates more confidence and erodes information asymmetry in the system.

Auditor Tenure and Financial Reporting Quality

The third objective of the study is to examine the effect of auditor tenure on financial reporting quality of quoted manufacturing companies in Nigeria. The hypothesis stated that auditor tenure has no significant effect on financial reporting quality of quoted manufacturing companies in Nigeria. The result of the study using multiple regression analysis technique revealed that auditor tenure has a negative insignificant effect on financial reporting quality of quoted manufacturing companies in Nigeria. This means that tenure of auditors does not affect the possibility of financial reporting quality in the area covered by the study. The results disagree with the recent trend of research which suggests that longer audit firm tenure does not compromise auditor independence but in fact improves the audit quality. Bedard and Johnstone (2010) argued that a long tenure means in-depth knowledge of the client and hence creates a more valuable auditor-client relationship. On the contrary Indah (2010) revealed that as the length of auditor-client relationship increases; there could be decrease in the level of audit quality because too long auditor-client relationship impairs auditor's independence. From the result of the study, it can be seen that elongated audit tenure does not have any positive effect or influence on financial reporting quality. The implication of this result is that, auditor tenure may not affect financial reporting quality. This finding can be linked with the agency theory because the auditor is also another agent of the principal therefore, the more the agent works in the company as the auditor to the company the more likely he is to pursue his personal gains against the interest of the principal.

Audit Firm Size and Financial Reporting Quality

The forth objective of the study is to ascertain the effect of audit firm size on financial reporting quality of quoted manufacturing companies in Nigeria. The hypothesis of the study stated that audit firm size has no significant effect on financial reporting quality of quoted manufacturing companies in Nigeria. The result of the regression analysis shows that audit firm size has a positive and significant effect on financial reporting quality of quoted manufacturing companies in Nigeria. This means that engagement of a Big4 audit firm goes a long way in reducing the managerial opportunistic behaviour leading to high reporting quality. This finding aligns with DeAngelo, (1981) who proposes that larger firms provide higher-quality audits because larger audit firms have fewer incentives to compromise their standards to ensure retention of clients in comparison with smaller firms. Assessment of this relationship is important for several reasons. First, if auditor size is a useful surrogate for audit quality, the public has available a readily observable quality indicator. This can be quite helpful given that the underlying quality of audits and other accounting services are difficult to determine, even after they have been performed. Second, the existence of this relationship could help shape public policy debates. Given the result of this study and the assertions of other scholars, it therefore means audit firm size as measured by big4 companies can reduce the possibility of fraudulent financial reporting. This finding is in tandem with the finding of Junaidu and Olanrewaju (2018), Kingsley (2016) who carried out research on the same subject matter and made similar findings. This finding is also supported by the role conflict theory because the theory advocated that if highly qualified auditors are used, the role conflict which is the audit expectation of the public may be reduced against when unpopular auditors are used in an audit assignment. The confident gained when large audit firms are used reduces the role conflict which arises from the audit expectation gaps.

Conclusion

The study concluded that auditor's characteristics have significant effect on financial reporting quality. Particularly, the results from standardized regressions shows that audit fees have a positive significant effect on financial reporting quality. The study therefore, concludes that audit fees play an important function in improving the level of financial reporting quality. This is based on the fact that a higher level of audit fees is the major driver of enhanced audit quality.

The study also concluded that auditor industry specialization has positive and significant effect on financial reporting quality of manufacturing companies in Nigeria. Suggesting that industry specialist auditors are a necessary governance factor in reducing fraudulent financial reporting. This conclusion is supported by the fact that industry specialist auditors have gained great training and experience concentrated in a specific industry and have more accurate non-error frequency knowledge than non-industry specialists. Furthermore, industry specialists' auditors can more effectively detect seeded errors in staff work papers during the audit review process.

The study further professes that auditor tenure has insignificant effect on financial reporting quality of quoted manufacturing companies in Nigeria. Given this outcome, the study lacks statistical evidence to conclude that auditor tenure does play any important role in monitoring managerial opportunistic behaviour of listed manufacturing companies in Nigeria. There is an inverse relationship between auditor tenure and financial reporting quality.

Finally, the study found that audit firm size significantly influences financial reporting quality of manufacturing companies in Nigeria. From the result, it can be seen that the audit firm size can be a prediction of whether the company has a tendency to manipulate earnings. Thus, the existence of Big4 audit firms will help mitigate the possibility of accrual manipulation and financial reports misstatements. A bigger audit firm provides higher-quality audits because larger audit firms have fewer incentives to compromise their standards to ensure retention of clients in comparison with smaller firms. Given this finding, the study has statistical evidence to conclude that audit firm size significantly influences financial reporting quality in the area covered by the study

Recommendations

Firstly, the study provided statistical and empirical evidence to support that audit fees have significant influence on financial reporting quality among quoted manufacturing firms in Nigeria. Based on this, the study recommends that firms should pay fees commensurate with the type and magnitude of the audit assignment. This is because the possibility of more aggressive financial reporting quality occurs predominantly among firms that pay less than expected for audit services. Although, audit regulations recommend that audit partners determine fees that would cover for all expenses that maybe incurred in conducting the audit while reserving a considerable amount as profit.

Secondly, industry specialist auditor possesses greater competence in applying industry-specific earnings recognition standards and has acquired a reputation for providing an audit of superior quality. It is expected that an industry specialist auditor will be better equipped to identify and rein in aggressive earnings manipulation. Hence, it is recommended that given the complex nature of the manufacturing companies they should insist on hiring industry specialist auditors.

Thirdly, the study findings revealed that auditor tenure has insignificant negative effect on financial reporting quality of quoted manufacturing companies in Nigeria. Specifically, the study provides empirical evidence supporting that auditor tenure comes across as a highly significant component that has striking implications on likelihood of audit quality. Given this assertion, the study recommends that, in order to preserve independence, there should be a rotation of the audit engagement partner every five years, although the Nigerian Code of Corporate governance (2018) places such tenure at maximum of ten years.

Lastly, the study provided empirical evidence to support that larger audit firms possess better attributes to enhance financial reporting quality. The expectation is that, Big4 audit firms provides the necessary confidence to the stakeholders that financial reports are credible and reliable. The study therefore recommends that the choice of large audit firms should be highly considered if not made a priority while engaging audit firms.

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