

Disclosure Quality and Audit Fee of Companies in Agricultural Sector in Nigeria

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DOI: [10.56201/wjfir.v9.no2.2025.pg132.143](https://doi.org/10.56201/wjfir.v9.no2.2025.pg132.143)

ABSTRACT

The study examined the effect of disclosure quality on audit fees of companies in the agricultural sector in Nigeria. The study specifically focused on two dimensions of disclosure quality: faithful representation and comparability of financial statements. Secondary data were obtained from the annual reports of five agricultural companies listed on the Nigeria Exchange Group (NGX) covering the period from 2019 to 2023, resulting in 20 firm-year observations. An ex post facto research design was employed, and the data were analyzed using panel least squares regression. The findings revealed that faithful representation, proxied by Earnings Before Interest and Taxes (EBIT), had a significant positive effect on audit fees (coefficient = 0.001322; p-value = 0.0002). In contrast, comparability, proxied by Return on Assets (ROA), showed a positive but statistically insignificant effect (coefficient = 489.9452; p-value = 0.3215). The model recorded an R-squared value of 0.7332, indicating that 73.32% of the variation in audit fees was explained by the independent variables. Based on the findings, the study recommended that companies strengthen their disclosure practices while regulatory bodies should consider developing sector-specific guidelines for audit fee determination. These recommendations aimed to promote fair and efficient audit pricing while encouraging high-quality financial reporting.

KEYWORDS: *Disclosure Quality, Audit Fees, Faithful Representation, Comparability*

1. INTRODUCTION

A crucial component of the decision-making process for regulators, investors, and other stakeholders is financial reporting. Simple bookkeeping has given way to complex financial reporting systems that shine light on company performance in great detail as time has progressed. As businesses navigate more intricate financial landscapes, transparency in disclosure of financial information has emerged as a critical topic of attention. To level the playing field and provide all parties involved access to accurate and up-to-date financial data, high-quality reporting is required (Healy & Palepu, 2001). But worries over the accuracy and credibility of financial disclosures remain, even if financial reporting requirements have improved. Financial statements correctly, completely, and openly convey pertinent information about a company's financial status; this is known as disclosure quality, and it is a crucial part of financial reporting. Investor trust, corporate responsibility, and market efficiency are all affected by the level of transparency (Lennox, 1999). More effective allocation of capital results when investors feel less uncertainty and risk as a result of firms' high-quality disclosures. On the other side, mispricing of securities, higher risk premiums, and less trust from investors can result from low-quality disclosure.

Worldwide accounting standards like GAAP and IFRS were developed in response to the need for reliable financial reporting. To improve uniformity and comparability, these frameworks provide

best practices for financial statement production and presentation (Shakhathreh et al., 2020). Disclosure practices vary across industries and firms despite these standards because of regulatory landscapes, corporate governance structures, and managerial incentives that are different. Companies can participate in earnings management to make themselves seem better financially, or they might voluntarily release more information than is necessary. Honest portrayal and comparability stand out as two of the most important aspects of disclosure quality. According to the International Accounting Standards Board (2010), financial statements must be accurate and truthful in order to convey the economic essence of transactions. Accordingly, reported monetary values must be accurate, comprehensive, and error-free. The ability to compare results across time and between companies is a key feature of financial statements that helps users make better decisions. The value of financial statements diminishes when they cannot be used to compare companies to industry standards or to evaluate trends (Dechow, Ge, & Schrand, 2010).

Many studies in the field of finance have looked at the correlation between high-quality disclosure and positive business results. Francis, LaFond, Olsson, & Schipper (2004) cite research showing that companies that disclose their financial information well have lower capital costs, more liquid stocks, and a higher valuation. In addition, by lowering the bar for management opportunism and raising the bar for investor protections, high-quality disclosures can improve corporate governance. Improved financial performance and sustainability may be achieved when stakeholders are able to hold management accountable through the provision of clear and complete financial information by enterprises. As an essential part of corporate governance, audit fees are strongly associated with the quality of disclosure. In order to reassure stakeholders, auditors check that financial statements are reliable and comprehensive. Additional audit processes are typically necessary for companies with inadequate disclosure policies, which increases audit risk and leads to increased audit costs (Simunic, 1980). On the other side, audit expenses are reduced since auditors' effort and uncertainty are reduced by organisations with high-quality disclosures. This correlation emphasises the significance of accurate financial reporting and the monetary effects of disclosure quality. Several parties, such as auditors, regulators, and investors, are impacted by the quality of disclosure in the context of corporate financial management. Investors rely on transparent financial reports to make educated decisions, while regulators utilise disclosure information to assure compliance with financial reporting rules. Auditors, in turn, utilise disclosure quality as a primary indicator of audit risk and cost. The level of risk and financial stability of a company are affected by its dedication to accurate representation and comparison (Ball, Jayaraman, & Shivakumar, 2012).

Problems with the quality of financial disclosure have plagued Nigeria's corporate sector, as they have in many other developing nations. Inconsistencies in financial reporting have resulted from a combination of factors, including a lack of strong regulatory enforcement, poor corporate governance, and executive discretion. As a result, investors and stakeholders sometimes struggle to determine the underlying financial status of enterprises operating in the nation. Uwuigbe (2011) notes that companies' varying degrees of financial statement openness and IFRS compliance cast doubt on the accuracy of corporate disclosures. Because of this, it is critical for the improvement of financial reporting processes in Nigeria to understand the elements that affect disclosure quality and how it affects audit costs. In light of the significance of financial transparency, this study investigates the relationship between audit fees and two aspects of disclosure quality: faithful representation and comparability.

2. PROBLEM STATEMENT

Financial disclosure quality is a fundamental aspect of corporate reporting, with studies emphasizing that high-quality disclosures reduce information asymmetry, enhance corporate transparency, and lower financial risks (Healy & Palepu, 2001). Firms that provide reliable and comparable financial statements enable investors and regulators to assess financial performance more accurately. However, despite the existence of standardized reporting frameworks such as IFRS and GAAP, disparities in disclosure practices persist across firms and industries, raising concerns about the true reliability of financial statements (Barth, 2008). Faithful representation is an important part of disclosure quality as it guarantees that the financial data is accurate, comprehensive, and unbiased. Companies that are more accurately represented in financial statements tend to have more confident investors and a lower cost of capital, according to empirical research (Francis, LaFond, Olsson, & Schipper, 2004). However, some studies also indicate that firms often engage in earnings management, distorting the faithful representation of financial statements to present a more favorable financial position (Dechow, Ge, & Schrand, 2010). This practice misleads investors and auditors, increasing financial risks and reducing the credibility of financial disclosures.

Similarly, comparability of financial statements is crucial for analyzing firms across different periods and industries. Research has shown that companies with more comparable financial statements attract more investors and benefit from better market performance (Lang, Raedy, & Yetman, 2003). While consistent financial data is essential for analysts and investors to make educated judgements, discrepancies persist due to differences in accounting procedures and reporting standards (Ball, Jayaraman, & Shivakumar, 2012). These inconsistencies reduce the effectiveness of financial analysis and complicate the audit process, as auditors must conduct additional procedures to reconcile differences in financial statements. Audit fees are a significant concern for firms, as they represent a direct cost associated with financial reporting and regulatory compliance. Research indicates that companies with poor disclosure quality often incur higher audit fees due to increased audit risk and the need for extensive verification procedures (Simunic, 1980). In contrast, firms with high-quality disclosures benefit from lower audit costs, as auditors require fewer procedures to assess financial reliability (Carcello, Hermanson, Neal, & Riley, 2002). Despite these findings, the extent to which specific disclosure quality dimensions—faithful representation and comparability—affect audit fees remains underexplored, particularly in emerging economies like Nigeria.

In Nigeria, financial reporting practices have been criticized for inconsistencies, weak regulatory enforcement, and managerial discretion in financial disclosures (Uwuigbe, 2011). While IFRS adoption aimed to improve comparability and faithful representation, studies suggest that compliance levels vary significantly among companies (Okafor & Ogiedu, 2011). This inconsistency raises concerns about the reliability of financial statements and their impact on audit pricing. There may be differences in the link between disclosure quality and audit fees between Western markets and Nigerian enterprises due to the country's distinct economic and regulatory landscape. Francios et al. (2004) and Lang et al. (2003) are two examples of earlier studies that looked at the correlation between audit fees and disclosure quality. However, most of those studies employed more general disclosure indices rather than focussing on particular characteristics like truthful representation and comparability. Furthermore, there is a lack of data showing how these transparency aspects affect audit fees for Nigerian corporations. since of this void, and since Nigeria's financial reporting environment is distinct, more research on the direct effect of faithful representation and comparability on audit costs is required. Consequently, the purpose of this

research is to address that knowledge vacuum by investigating how audit fees in Nigerian firms are impacted by the degree to which financial statements are faithfully represented and are comparable.

HYPOTHESES

The following hypotheses are formulated for the study:

H₀₁: Faithful representation of financial statements has no significant effect on audit fees of companies in Nigeria.

H₀₂: Comparability of financial statements has no significant effect on audit fees of companies in Nigeria.

3. LITERATURE REVIEW

Financial Statement Disclosure

The term "financial statement disclosure" describes how businesses make sure their reports are transparent, accountable, and full of useful information for decision-makers by including both financial and non-financial details. According to Healy and Palepu (2001), one of the main goals of financial disclosure is to level the playing field in terms of information sharing between management and other stakeholders, such as creditors, regulators, and investors. Statutory reports such income statements, balance sheets, cash flow statements, and notes to the financial statements reveal financial information that companies disclose. These reports offer insights into the firm's financial health and performance. Making sure that stakeholders have access to up-to-date and correct financial information improves market efficiency and boosts business reputation (Jung, 2018). The credibility of financial reports is heavily dependent on the accuracy of the information provided in the financial statements. To be considered high-quality, a disclosure must be accurate, relevant, comparable, timely, and easy to understand (IASB, 2010). To be fair, disclosures must reflect the company's financial situation without prejudice or manipulation, and to be comparable, they must allow stakeholders to compare and contrast financial performance over time and between various companies. More investors, less capital expenses, and less financial uncertainty are all benefits that accrue to companies with high disclosure quality, according to research (Francis, LaFond, Olsson, & Schipper, 2004). On the flip side, market inefficiencies, more audit risk, and even financial scandals might result from low-quality disclosure.

To improve financial disclosure practices, regulatory bodies like the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have developed frameworks like Generally Accepted Accounting Principles (GAAP) and the International Financial Reporting Standards (IFRS). These standards make sure that firms report consistently, which improves transparency and investor confidence (Hoitash et al., 2007). However, variations in financial disclosure still happen because of differences in corporate governance, economic conditions, and regulatory enforcement across countries (Ball, Jayaraman, & Shivakumar, 2012). Financial statement disclosures also play a key role in determining audit fees, as auditors assess the reliability and completeness of disclosed information before issuing an audit opinion. Firms with high disclosure quality often experience lower audit fees since auditors require fewer verification procedures, while those with weak disclosure practices incur higher audit costs due to increased audit risk (Simunic, 1980). Additionally, financial statement disclosures influence investor confidence and market valuation, as transparent reporting reduces speculation and enhances firm credibility in capital markets (Lang, Raedy, & Yetman, 2003). In the Nigerian corporate environment, financial statement disclosure remains a challenge due to issues such as

weak regulatory enforcement, corporate governance lapses, and managerial discretion in financial reporting (Uwuigbe, 2011). Although IFRS adoption was aimed at improving financial disclosure quality, compliance levels among firms remain inconsistent. This has raised concerns about the transparency and reliability of corporate financial statements in Nigeria, making it essential to examine how disclosure quality, particularly faithful representation and comparability, influences key financial decisions such as audit fees.

Concept of Audit Fees

In order to verify that their financial statements are accurate and in accordance with accounting and regulatory requirements, businesses pay third-party auditors what are known as audit fees. Financial statement complexity, audit risk, business size, and disclosure quality are some of the variables that go into determining these costs (Simunic, 1980). External auditors assess the reliability, completeness, and accuracy of financial reports to provide assurance to stakeholders. The amount charged for audit services varies depending on the level of effort required by auditors to verify financial statements and mitigate audit risks. One of the key determinants of audit fees is audit risk, which refers to the likelihood that an auditor will issue an incorrect audit opinion due to material misstatements in financial statements. When a company has weak internal controls, poor financial disclosures, or a history of financial misreporting, auditors may need to conduct additional verification procedures, leading to higher audit fees (Hay, Knechel, & Wong, 2006). Conversely, firms with strong corporate governance, transparent financial reporting, and effective internal controls tend to have lower audit fees because auditors perceive lower risks and require fewer substantive tests (Francis, 2004).

A substantial factor in the determination of audit fees is the quality of financial disclosures. Financial statements that are both accurate and comparable help auditors save time and money by simplifying the auditing process (Carcello, Hermanson, Neal, & Riley, 2002). However, firms that engage in earnings management, aggressive accounting policies, or incomplete disclosures create challenges for auditors, increasing the time and effort required for financial verification and, consequently, audit costs (Dechow, Ge, & Schrand, 2010). Regulatory and industry factors also influence audit fees. Companies operating in highly regulated industries, such as banking and insurance, often incur higher audit costs due to strict compliance requirements (Hay et al., 2006). Additionally, the size and reputation of the audit firm impact audit fees, as larger firms (e.g., the "Big Four" auditors—PwC, Deloitte, KPMG, and EY) typically charge higher fees due to their extensive expertise, brand reputation, and comprehensive audit procedures (Francis, 2004). Smaller audit firms may offer lower fees but might not provide the same level of assurance as larger firms. In Nigeria, audit fees have become a subject of concern due to variations in financial disclosure quality, corporate governance challenges, and regulatory enforcement (Uwuigbe, 2011).

Agency Theory

The relationship between principals (shareholders or owners) and agents (managers or executives) in a corporate context is explained by agency theory, which was initially proposed by Jensen and Meckling (1976). An inherent conflict of interest arises from the separation of ownership and control, according to the idea, because agents are accountable for making choices on behalf of principals. Agency concerns include profit manipulation, exorbitant CEO remuneration, and misallocation of firm resources because managers may prioritise their own self-interest over the best interests of shareholders. Companies use financial disclosures, performance-based incentives, and external audits as governance methods to reduce agency conflicts. When managers know more

about the company's finances and dangers than shareholders and other interested parties, a phenomenon known as information asymmetry arises, which is a fundamental postulate of agency theory (Eisenhardt, 1989). Because of this imbalance, managers might take advantage of the situation by hiding important information or falsifying financial figures. Regulatory agencies and investors place an emphasis on high-quality financial disclosures to mitigate these risks. These disclosures increase transparency and enable stakeholders to effectively monitor the actions of management (Healy & Palepu, 2001). To further ensure that managers are acting in the best interest of shareholders, external audits check the dependability and correctness of financial accounts.

Another aspect of audit fees' function in corporate governance is elucidated by agency theory. Due to their role as impartial observers, auditors' rates are affected by the degree of audit risk that a business faces. An increase in audit fees and the need for more thorough processes are the results of the increased risk that auditors face when dealing with companies that have complicated financial structures, insufficient internal controls, or low-quality disclosures (Simunic, 1980). Financial statements that are easy to understand and compare can keep audit fees down (Francis, LaFond, Olsson, & Schipper, 2004). The monetary effects of high-quality transparency on the management of business finances are shown by this correlation. Strong corporate governance processes, according to the idea, assist reduce agency conflicts. These include things like following financial reporting rules and having an effective board of directors. Reliable financial information is provided by firms that adhere to high disclosure quality standards, specifically faithful representation and comparability. This helps to reduce investor uncertainty and enhance market confidence (Ball, Jayaraman, & Shivakumar, 2012). Accurate, unbiased, and consistent financial statements help businesses build confidence with investors, level the playing field in terms of information availability, and cut down on agency expenses.

Prior Studies

The correlation between audit fees and the quality of disclosure was investigated by Al-Ajmi and Saudagaran (2015) in a study of publicly traded firms in Kuwait. In order to evaluate the quality of disclosure, they used a sample of 170 firm-year observations spanning 2009–2013 and created an index that was based on IFRS standards as well as local rules. Higher disclosure quality decreases auditors' time and risk, resulting to reduced costs, as demonstrated by their regression analysis, which suggests a substantial negative correlation between disclosure quality and audit fees. Findings from the study highlighted the significance of open reporting in reducing audit expenses.

Ntim, Opong, and Danbolt (2015) investigated the impact of corporate governance, including disclosure practices, on firm performance in South Africa. Analyzing data from 169 firms over the period 2002–2010, they employed dynamic panel data models to control for endogeneity. Their findings indicated that robust corporate governance mechanisms, particularly enhanced disclosure practices, positively influenced firm performance. The study highlighted the role of transparent disclosures in reducing agency costs and improving financial outcomes.

Haji and Ghazali (2015) assessed the quality of risk management disclosures among Malaysian listed firms. They analyzed annual reports of 100 firms for the year 2011, employing content analysis to evaluate disclosure quality. The study found that while firms disclosed risk information, the quality varied significantly, with many disclosures being generic and lacking depth. The authors suggested that regulatory bodies should provide more detailed guidelines to enhance the informativeness of risk disclosures.

Elshandidy and Neri (2015) explored the relationship between corporate governance structures, risk disclosure practices, and market liquidity in the UK and Italy. Using a sample of 200 firms from 2005 to 2010, they conducted content analysis to measure risk disclosure levels. Their findings indicated that firms with stronger governance structures provided more comprehensive risk disclosures, which in turn were associated with enhanced market liquidity. The study underscored the importance of governance mechanisms in promoting transparent reporting and its subsequent impact on market performance.

This study by Allegrini and Greco (2016) looked at the impact of audit committees and corporate boards on voluntary disclosure procedures in Italian listed businesses. They built a voluntary disclosure index that includes several types of information by analysing data from 206 companies between 2008 and 2012. Higher levels of independent directors and the existence of an audit committee were shown to be positively correlated with the amount of voluntary disclosure, according to their results. Findings from the research highlighted the need of internal governance processes in encouraging openness and responsibility in financial reporting by corporations.

Samaha and Khlif (2016) synthesized existing literature on the adoption and compliance with IFRS in developing countries, focusing on disclosure practices. They reviewed empirical studies to identify determinants and consequences of IFRS adoption. The authors concluded that while IFRS adoption improved disclosure quality, compliance levels varied due to factors such as legal systems, enforcement mechanisms, and cultural influences. They called for more context-specific research to understand the challenges faced by developing nations in implementing IFRS.

Elshandidy and Shrives (2016) examined the relationship between environmental disclosures, perceived risk, and stakeholder influence among UK firms. Analyzing annual reports of 100 companies from 2010 to 2013, they employed content analysis to assess the quality and quantity of environmental disclosures. Their study found that firms facing higher environmental risks and greater stakeholder pressure provided more extensive environmental disclosures. Additionally, companies with strong corporate governance structures were more likely to disclose environmental information proactively. The authors concluded that both external pressures and internal governance mechanisms play crucial roles in shaping firms' environmental reporting practices.

The variables impacting the voluntary disclosure of information by listed businesses in Kenya were investigated by Barako, Hancock, and Izan (2016). From 2005 to 2010, 52 companies' annual reports were examined in order to create a disclosure index that encompasses social, financial, and strategic data. Their research showed a favourable correlation between the amount of voluntary disclosure and board composition, namely the percentage of non-executive directors, and foreign ownership. Transparency in corporate reporting is improved, according to the research, when boards are well-supervised and when there is foreign ownership.

4. METHODOLOGY

This study used an ex post facto research approach to look at five agricultural firms that were listed on the Nigeria Exchange Group (NGX) and how audit fees were affected by disclosure quality. Secondary data was used in the study, which was taken from these firms' annual reports throughout a certain time frame. Two critical aspects, the accuracy of the depiction and the comparability of the financial statements, were used to evaluate the quality of disclosure. Earnings Before Interest and Taxes (EBIT) was used to operationalise faithful representation, which guarantees that financial information is comprehensive, unbiased, and error-free. Return on Assets (ROA) was used as a metric for the comparability of financial statements, which allows consumers to assess financial performance across different companies and time periods. The impact of high-quality

disclosure on audit fees was examined using a panel regression model. Here is the model's specification:

$$AFEE = \beta_0 + \beta_1 EBIT + \beta_2 ROA + \epsilon$$

Where:

- **AFEE** = Audit fees of firm *i* in year *t*
- **EBIT** = Earnings Before Interest and Taxes (proxy for faithful representation)
- **ROA** = Return on Assets (proxy for comparability of financial statements)
- **β_0** = Intercept
- **β_1, β_2** = Coefficients of the independent variables
- **ϵ** = Error term

5. RESULTS AND DISCUSSION

Descriptive Result

	AFEE	EBIT	ROA
Mean	29326.28	11369788	12.31492
Median	22320.50	2198188.	10.06275
Maximum	92853.00	59187262	33.89000
Minimum	1575.000	205276.0	1.720000
Std. Dev.	27859.42	15844224	9.051157
Skewness	0.806283	1.630300	0.837492
Kurtosis	2.519834	5.109590	2.794385
Jarque-Bera	2.359110	12.56823	2.373210
Probability	0.307416	0.001866	0.305256
Sum	586525.6	2.27E+08	246.2985
Sum Sq. Dev.	1.47E+10	4.77E+15	1556.545
Observations	20	20	20

Source: EViews 9.0

The descriptive statistics reveal that the average audit fee (AFEE) paid by agricultural firms in Nigeria is ₦29,326.28, with a median value of ₦22,320.50, suggesting that the distribution of audit fees is slightly right-skewed as indicated by the skewness value of 0.81. The maximum audit fee recorded is ₦92,853.00, while the minimum is ₦1,575.00, indicating a substantial variation in audit fees across the firms, which is also confirmed by a relatively high standard deviation of ₦27,859.42. The kurtosis value of 2.52 suggests that audit fees follow a distribution that is close to normal but with a slightly flatter peak. The Jarque-Bera probability (0.3074) indicates that the audit fee variable is normally distributed at a 5% significance level. For disclosure quality proxies, EBIT has a mean value of ₦11,369,788 and a median of ₦2,198,188, reflecting a significant difference between the mean and median, which, along with a high skewness of 1.63, shows that EBIT is heavily right-skewed, suggesting the presence of some large firms with exceptionally high EBIT. ROA has a mean of 12.31% and a median of 10.06%, with values ranging from 1.72% to 33.89%. ROA also exhibits moderate skewness (0.84) and a kurtosis value of 2.79, which is close to the normal distribution threshold. The Jarque-Bera test results show that while AFEE and ROA appear normally distributed (p-values > 0.05), EBIT significantly deviates from normality (p-value = 0.0019).

Regression Result

Dependent Variable: AFEE

Method: Panel Least Squares

Date: 03/28/25 Time: 17:51

Sample: 2019 2023

Periods included: 5

Cross-sections included: 4

Total panel (balanced) observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EBIT	0.001322	0.000274	4.823131	0.0002
ROA	489.9452	479.8518	1.021034	0.3215
C	8260.473	5855.323	1.410763	0.1764
R-squared	0.733175	Mean dependent var		29326.28
Adjusted R-squared	0.701783	S.D. dependent var		27859.42
S.E. of regression	15213.81	Akaike info criterion		22.23528
Sum squared resid	3.93E+09	Schwarz criterion		22.38464
Log likelihood	-219.3528	Hannan-Quinn criter.		22.26443
F-statistic	23.35603	Durbin-Watson stat		1.802891
Prob(F-statistic)	0.000013			

Source: EViews 9.0

The regression result shows that Earnings Before Interest and Taxes (EBIT) has a positive and statistically significant effect on audit fees (AFEE) of companies in the agricultural sector in Nigeria. The coefficient of EBIT is 0.001322 with a t-statistic of 4.8231 and a p-value of 0.0002, which is significant at the 1% level. This suggests that as EBIT (used as a proxy for faithful representation) increases, audit fees also increase, implying that firms with higher earnings tend to incur higher audit fees, possibly due to the increased complexity and scope of audit work required. On the other hand, Return on Assets (ROA), used as a proxy for comparability of financial statements, shows a positive but statistically insignificant effect on audit fees, with a coefficient of 489.95 and a p-value of 0.3215. This indicates that comparability, as measured by ROA, does not have a significant direct influence on audit fees within the sample period. The model explains a substantial proportion of the variation in audit fees, as indicated by the R-squared value of 0.7332, meaning that approximately 73.32% of the variations in audit fees are explained by the independent variables (EBIT and ROA). The adjusted R-squared of 70.18% further confirms the model's goodness of fit, even after adjusting for degrees of freedom. The F-statistic of 23.36 with a p-value of 0.00001 shows that the overall model is statistically significant, confirming that the independent variables jointly have a significant effect on audit fees. The Durbin-Watson statistic of 1.80 suggests no serious autocorrelation problem in the model.

DISCUSSION

Among agricultural firms listed on the Nigeria Exchange Group (NGX), this study found that audit fees are significantly positively affected by faithful representation, as measured by Earnings Before Interest and Taxes (EBIT). This indicates that audit costs are often greater for organisations

with higher levels of earnings, which is a reflection of more faithful financial statement portrayal. One possible explanation for this finding is that audit risks related to misstated or manipulated earnings are higher and the volume of transactions is higher for organisations with higher earnings, necessitating more stringent audit processes. The research could not find any statistically significant relationship between audit fees and financial statement comparability as assessed by Return on Assets (ROA). This suggests that audit pricing in Nigeria's agricultural industry may not be heavily influenced by the comparability component of disclosure quality.

This finding partially contrasts with Al-Ajmi and Saudagaran (2015), who documented a negative relationship between disclosure quality and audit fees in Kuwaiti listed companies. Their study found that improved disclosure quality reduces auditors' effort and risk, thus lowering audit fees. In contrast, this study found that higher levels of earnings (faithful representation) actually increase audit fees, which may reflect sectoral or country-specific differences, such as the peculiarities of the Nigerian agricultural sector where high earnings could attract more audit scrutiny. The finding also aligns partially with Ntim, Opong, and Danbolt (2015), who emphasized that enhanced disclosure practices contribute positively to firm performance by reducing agency costs, but did not directly link it to audit fees. Meanwhile, Haji and Ghazali (2015) and Elshandidy and Neri (2015) both stressed the importance of disclosure quality, but focused more on its implications for risk communication and market performance rather than audit pricing.

RECOMMENDATIONS

1. Strengthen Internal Reporting and Disclosure Practices: Companies listed on the Nigeria Exchange Group should prioritize improving the quality of their financial disclosures, especially in terms of faithful representation.
2. Develop Sector-Specific Audit Fee Guidelines: Regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) and professional audit associations should consider developing guidelines for determining audit fees within the agricultural sector.

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