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The Head,

Department of Accounting and Finance,
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elfarouk105@gmail.com

+2348069393824

FOR MORE INFORMATION, CONTACT

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CONTENTS

Impact of Audit Quality on Earnings Management of Consumer Goods Firms in Nigeria

Sirajo Bappah, Auwal Saad, Shehu Usman Hassan PhD, Saidu Adamu PhD

Board Characteristics and Corporate Social Responsibility of Listed Oil and Gas Companies in Nigerian.

Aliyu Abubakar, Yunusa Nasiru PhD, Dr. Umar Abubakar

Board Characteristics and Audit Quality of Listed Consumer Goods Firms in Nigeria

Aliyu Shehu Usman, Danson Andrew, Abdullahi Bala Ado PhD,

CEO Characteristics and Financial Reporting Quality in Listed Consumer Goods Companies in Nigeria

Okika Nkiru Philomena, Oyeneye Temitope Esther, Adedeji Daniel Gbadebo

Liquidity Risk and Financial Performance of Listed Deposit Money Banks in Nigeria

Bashir Abdulrauf Mohammed, Aliyu Ahmed Abdullah PhD, Prof. Salisu Mamman Ibrahim Yusuf PhD, Suleiman Salami PhD

Information Asymmetry and Cost of Capital: A Review of Empirical Evidence

Sunusi Ridwan Ayagi PhD, ACA, Rashida Lawal, PhD

Ownership Structure and Female Inclusion of Listed Financial Firms in Nigeria

Gbemigun Catherine Omoleye, Alade Muyiwa Ezekiel Phd

CSR Initiatives and Sustainability Resilience in Nigeria's Oil and Gas Industry: A PLS-SEM Approach from Local Communities' Perspective

Tajudeen Alaburo, Rofiat Bolanle, Abdussalam, Abdulrahman Abubakar, Tajudeen, Akeem Olamilekan Babatunde

Capital Structure and the Financial Performance of Listed Information and Communications Technology Firms in Nigeria

Nasiru Adamu Kanoma, Nurudeen Usman Miko, Augustine Ayuba, Idris Mohammed, Mark G, Tagwai

Profitability and Turnover Appraisal of Listed Deposit Money Banks in Nigeria
Odogu, Terry Keme Zuode (PhD) and Koroye, Amapamo Stephen

Board Attributes and Timeliness of Financial Reports of Listed Non-Financial Firms in Nigeria
Rashida Lawal PhD and Prof. Kabir Hamid Tahir

Board Independence and Financial Reporting Quality of Listed Oil and Gas Companies in Nigeria: Moderated by Firm Size
Adamu Lawal Bello, Prof. J. Okpanachi, Prof. T. Nyor and Lateef Olumude Mustapha (Ph.D)

Does ESG Investment Impact the Financial Sustainability of Nigerian Energy Companies: A Panel Regression Approach?
Tajudeen Alaburo, Abdulsalam and Adedeji Daniel Gbadebo

Board Attributes and Sustainability Reporting of Listed Firms in Nigeria
Idris Mohammed, Benjamin K, Gugong PhD, Rofiat Adedokun, Abdulrahman A, Olorunloga and Mark, G, Tagwai

Mediating Effect of Internal Auditors' Ethical Conduct on The Relationship Between Usage of Information Technology, Management Support for Internal Audit Department, and Internal Audit Effectiveness: A Conceptual Framework
Nura Badamasi, Adura Binti Ahmad

IMPACT OF AUDIT QUALITY ON EARNINGS MANAGEMENT OF CONSUMER GOODS FIRMS IN NIGERIA

Sirajo Bappah

Department of Accounting
Faculty of Management Sciences
Federal University of Kashere, Gombe State,
soorajj872@gmail.com, +2347036527987

Awwal Saad

Department of Business Administration
Faculty of Management Sciences
Federal University of Kashere, Gombe State,
+234806555512

Saidu Adamu PhD

Department of Accounting
Faculty of Management Sciences
Federal University of Kashere, Gombe State
+2348032510222

Shehu Usman Hassan PhD

Professor of Accounting and Finance
Department of Accounting
Federal University of Kashere, Gombe State
shehu.hassan@fukashere.edu.ng
+234(0)8090222215, +234(0)8057777085

Abstract

This study examines the impact of audit quality on earnings management of listed consumer goods firms in Nigeria. The study adopted correlational research design. The population of the covers all twenty-one (21) listed consumer goods firm in Nigeria and two-stages filter was used to arrive at a sample size of fifteen (15) consumer goods firms listed the floor of Nigerian Exchange group as at 31st December, 2022, the data were extracted from annual reports and accounts of the sampled firms for the period of ten (10) years from 2013-2022. Multiple regression was used as a technique of data analysis, regression result shows that audit reporting lag, audit client's importance and auditor independence have a positive and significant impact on earnings management of the sampled firms, while auditor's tenure has a negative and significant impact on earnings management. Based on the findings, the study concluded that audit reporting lag, audit client's importance and auditor independence enhanced the earnings management. while, auditor tenure does not affect earnings management. Based on findings and conclusion, it is therefore, recommends that the regulatory

bodies such as Financial Reporting Council of Nigeria and Security and Exchange Commission in Nigeria should ensure that audited reports for private companies are release within a regulated period, this is because prolonged audit lagged increase earnings management by giving management of the companies enough time to manipulate earnings. This will impede the users of financial information to take an informed decision.

Keywords: Audit Reporting Lag, Auditor clients Importance, Audit Independence, Earnings Management

1. Introduction

In current years, earnings management has attracted growing attention in accounting research to the great of audit. The managers, being an agent having extra statistics, can take advantage of the asymmetric data for private gains. The organization trouble may be minimized by monitoring mechanisms of management. Auditing may be used as one form of such tracking techniques which results in minimizing the business enterprise cost (Iatridis, 2012). For this reason, the satisfactory audit is a major concern for numerous stakeholders. The audit report was sometime seen as just a legal requirement and not very useful for many stakeholders (Barghathi, Collison and Crawford, 2018). Therefore, the regulators update the auditing standards to ensure the usefulness and transparency of the audit report for re-establishment of the users' faith and confidence in financial statements (Moroney, Phang &Xiao 2021).

Audit quality may be seen as the joint probability that the auditor would find a breach in the client's accounting system. It covers the dimensions of competence and independence. Earnings management is receiving more attention as a means of manipulation that enables managers to satisfy reporting requirements in specific economic situations (Healy & Wahlen, 1999). The quality of an audit is determined by its capacity to perceive and screen substantial monetary announcement fraud, which include inadvertent and intentional errors, reduce statistics asymmetry among buyers and management, and guide investor safety (Velte, 2023). However, the effect of negative external audit has become a challenge to buyers and different users of economic announcement and in most cases manifest in financial scandals and reason a bad effect at the commercial enterprise. Fraudulent financial reporting has dreadful results for the financial system of any enterprises. It effects includes financial loss and dent on the popularity of the sufferer corporation (Burnaby et al. 2011). Inside the case of Enron, income was overstated by using as a lot as 586 million greenbacks for 4 years. In the case of WorldCom, fraud in 2002 running fees of \$3.8billion was capitalized as a consequence overstating its income. In

Nigeria, the Cadbury (Nig) scandal has remained a reference factor for fraudulent monetary reporting.

Despite the fact that there is call for more research on the relationship between audit quality and earnings management, there are scanty studies on the impact of audit quality on earnings management particularly in Nigeria for instance (Abubakar, Mazadu & Yusuf 2020: Afifa, Saleh & Haniah 2021: Alyaarubi, Alkindi & Ahmed 2021: Androjuniko & Sihombing 2022: Debnath, Chowdhury & Khan 2022: Fakhfakh & Jarboui (2022): Kurawa & Ishaku 2020: Orbunde, Oyewobi & Musa 2021: Shehu 2017: Tajudeen 2020: Thomas 2022: Tyokoso, Sabari, Dogarawa & Ibrahim 2016: Yusuf 2021: Zgarni & Chikhaoui 2022). The review of these studies revealed that there are contradictory results explaining the relationship between audit quality variables and earnings management. Hence, a serious need for research of this nature.

Again, earlier Nigerian studies have used Dechow and Dechev, (2002), Jones et al (2005), Fracies et al., (2005), changed Jones version as a measurement of discretionary accruals as proxy of profits management and those fashions have a variety of criticisms by way of other researchers. therefore, this look at adopts collins et al (2017) model as size of discretionary accruals which is more effective examine to those fashions that have used by preceding studies and its most recent version to degree accruals of earnings management.

The motivation of this research practically is expected to serve as addition to knowledge in the area of audit quality and earnings management of consumer goods firms. Practically, the findings of this research will serve as a policy guide for the shareholders, management and other stakeholders of firms in Nigeria. Thus, the main objective of the study is to examine the impact of audit quality (proxied by Audit reporting lag, Audit tenure, Audit client importance and Audit independence) on earnings management of listed consumer goods firms in Nigeria.

Based on the above objectives, the following research hypotheses have been formulated in a null form to guide the study:

- H₀₁: Audit reporting lag has no significant impact on the earnings management of listed consumer goods firms in Nigeria
- H₀₂: Audit tenure has no significant impact on the earnings management of listed consumer goods firms in Nigeria

H₀₃: Audit client importance has no significant impact on the earnings management of listed consumer goods firms in Nigeria

H₀₄: Audit independence has no significant impact on the earnings management of listed consumer goods firms in Nigeria

2. Review of related studies

Audit quality has a link with earnings management that can play a significant role in reducing earnings management in listed companies. This study reviewed empirical studies that looked into earnings management and how it responds to Audit quality variables (Audit reporting lag, Audit tenure, Audit client importance and Audit independence).

Audit Reporting Lag and Earnings Management

Previous research had not given a lot attention on courting among reporting lag and earnings control. Audit report lag is the closing length of the give up of the economic year till the monetary statements are published to interested events (Pizzini et al. 2015). The timeliness of the audit opinion disclosure is enormous in offering proof about the qualified evaluations to carry facts to the marketplace (Afify, 2009). Apadore, Kogilavani and Noor (2013) defined that delays within the presentation of economic statements could lessen the usefulness and economic cost of information. Cohen and Leventis (2013) argue that huge four firms tend to have a stronger incentive to complete their audit work quicker to keep their recognition.

Empirically, Fakhfakh & Jarboui (2022) examined the impact of earnings management and audit report lag: The role of audit risk-Tunisian evidence. The findings show that firms which manage their earnings upward are more likely to accelerate the release of their financial statements. In addition, in the Tunisian context, audit risk mediates the relationship between earnings management and audit report lag.

Habib and Huang (2019) based effective courting between audit document delay and future price crash and observed that their effects are in step with remark that “excessively lengthy audit file put off regularly alerts financial reporting first-rate problems emanating from horrific information hoarding by means of the control. Rahmawati (2018) founded that groups with a prolonged reporting duration have higher discretionary accruals because they spree up earnings-increasing accruals capacity for next periods

In contrast to above findings, Lambert et al. (2017) documented a poor effect of shortened reporting cut-off dates on earnings first-class. In this context, Luypaert et al. (2016) furnished that peculiar audit delays can be taken into consideration as a critical poor signal with regard to the high-quality of the financial statements while analyzing corporation's earnings. Based at the reviewed, most of these studies were carried out outside Nigeria, they findings may not be relevant to Nigeria, due to cultural, socioeconomic distinction. therefore, this gives room for extra studies on this vital variable.

Audit Tenure and Earnings Management

Audit tenure is another important variable that link to the earnings management because increase in the length of audit tenure is related with increased expertise factors and related with incentives to defend status which may increases audit quality as well increased incentives to please the client which may lead to reduces audit quality.

Thomas (2022) investigated the effect of audit quality on earnings management of listed consumer goods companies in Nigeria. It was found that auditor tenure has no significant influence on earnings management of listed consumer goods companies in Nigeria. Orbunde, Oyewobi and Musa (2021) examined the effect of audit quality on earnings management of listed oil marketing companies in Nigeria. The result multiple regression analysis revealed that auditor tenure has a negative and significant impact on earnings management of listed oil marketing companies in Nigeria.

Kurawa and Ishaku (2020) asserted the impact of audit quality on earnings management of listed non-financial companies in Nigeria. The findings revealed that auditor tenure has positive but not significant effect on earnings management. Tyokoso, Sabari, Dogarawa and Ibrahim (2016) examined the effect of audit quality attributes on earnings management of listed oil marketing companies in Nigeria. The findings of the study showed that auditor tenure is negatively and significantly associated with earnings management of the firms.

Contrary to the above findings Zgarni and Chikhaoui (2022) empirically examined the impact of audit quality on real earnings management: evidence from Tunisian banks. They conducted an empirical study with a sample of the main Tunisian commercial banks observed over a period of 14 years from 2006 to 2019, using the panel data method. The results indicate that the tenure of auditors increases these

discretionary practices. Similarly, Yusuf (2020) investigated the effect of audit quality on earnings management of listed consumer goods firms in Nigeria for thirteen years from 2006-2018. The findings revealed that audit tenure has a significant positive effect on earnings management. The findings from the reviewed literatures in this section provide contradictory evidences, while some studies uncovered positive relationship between audit tenure and earnings management. Methodologically, it is noteworthy that the majority of reviewed studies have used dechow and dechow (2002) model which has criticism by other researchers.

Audit Client Importance and Earnings Management

Audit client importance is another essential attribute of audit quality capable of affecting the earnings management in a firm. Audit Client importance may be attributed to the economic status of an auditor's client usually tied to performance.

Azende, Iorpev, and Ganyam, (2022) investigated the impact of audit consumer importance on income management of Nigerian indexed patron goods corporations from 2012 to 2019. The descriptive research design approach was adopted at the same time as descriptive statistics and random results regression were used to examine the look at's statistics that became acquired from 13 customer items companies quoted on the Nigerian inventory exchange. The findings reveal that audit customer importance has a terrible and good-sized impact at the earnings control of Nigerian quoted client goods corporations.

Tyokoso, Sabari, Dogarawa and Ibrahim (2016) examined the effect of audit best attributes on profits management of listed oil advertising and marketing groups in Nigeria. The findings of the observe showed that audit customer significance is definitely related to income management of indexed oil marketing corporations in Nigeria. The findings from the reviewed literatures on this section provide contradictory evidences, whilst a few studies uncovered fantastic courting between audit patron importance and earnings control. but, reviewed shows that there may be a scanty observe between client significance and earnings management in Nigerian context.

Audit Independence and Earnings Management

External auditors are providing crucial services to protect the pastimes of the investing public in the capital market. For them to perform such expert challenge, accounting firms should stay independent of the audit customer and keep away from undue influence. even though, the appointment and firing of auditors is

manipulate through auditor patron's management, managers can also use risk to acquire a extra beneficial document from an incumbent auditor. Therefore, it inflicts an enormous burden upon the auditors to face firm. Mautz and Sharaf (1961) advanced an idea of independence with additives: practitioner 's independence and professional independence. in keeping with them, practitioner 's independence is a nation of thoughts and equates the notion of integrity and objectivity of the man or woman auditor. Professional independence then again, is plain independence of auditors, as a expert group, to the general public. This means that an auditor should avoid undue influence.

Abubakar, Mazadu and Yusuf (2020) examined the impact of audit quality and earnings management of listed Insurance companies in Nigeria over the period of 5 years (2015-2019). The regression result shows that auditor independence has negative and insignificant impact on earnings management. On the other hand, Androjuniko & Sihombing (2022) assessed the effectiveness of audit committee and audit quality towards earnings management of ASEAN public companies. The result from various tests in the paper indicates that audit independence does affect earnings management significantly.

Kurawa and Ishaku (2020) determined the relationship between audit quality and earnings management of listed non-financial companies in Nigeria. The findings revealed that auditor independence has positive but not significant effect on earnings management. Shehu (2017) examined the impact of Audit Quality on Earnings Management in the Nigerian cement industry. The result shows that; audit independence does not have significant impact on earnings management.

3. Design, models and methods

The study adopted correlational research design being the fact that it is post positivism paradigm which hint at being quantitative in nature. The population of the study covers all twenty-one (21) consumer goods firms listed on the floor of the Nigerian Stock Exchange as at 31st December 2022. The study utilized the census sampling techniques to arrive at a sample of fifteen (15) firms that include Cadbury Nigeria Plc., Champion Breweries Plc., Dangote Sugar Refinery Plc., Flour Mills Nig. Plc., Guinness Nigeria Plc., Honeywell Four Mill Plc., International Breweries Plc., MCNichols Plc., Nestle Nigeria Plc., Nigerian Breweries Plc., Nigerian Enamelware Plc., Nigerian Flour Mills Plc., Nascon Allied Industries, PZ Cusson Nigeria Plc., Unilever Nigeria Plc., and Vita foam Nigeria Plc. after employing two filters. The first filter excludes does consumer goods firms that have not been listed

for the entire period of the study, while the second filter excludes firms with incomplete annual reports covering the periods of study looking for the nature of measurement of earnings management. Data were extracted from the annual reports and accounts of listed consumer goods firms in Nigeria for the period of ten (10) years from (2013-2022). Statistical tools such as descriptive, correlation and regressions were employed to describe and analyse the data of the study.

The review: Variables Measurement

Variables	Proxies	Variables Measurement	Source
Dependent	Discretionary Accruals (DACC)	Measured by absolute values of the residuals of discretionary accruals using Collins (2017) model	Collins, Pungaliya and Vijh (2017)
Independent	Audit Reporting Lag (ARL)	Number of days from fiscal year end to the date of audit report	Kaaroud et al., 2020; Otuya 2019
	Audit Tenure (ADT)	Number of consecutive years that the auditor has audited the firm	Thomas (2022).
	Audit Client Importance (ACI)	Ratio of client sales to the sum of all client's sales audited by an auditor within the sample size	Tyokoso, Sabari, Dogarawa, and Ibrahim (2016).
Control	Audit Independent (ADI)	Non-audit fees divided by total audit fees	Kurawa and Ishaku (2020), Abubakar, et al (2020).
	Leverage (LEV)	Proportion of total debt to total assets	Bappah, Ardo, Adamu and Shehu (2021), Abubakar, Abdullahi Alakantara and Saleh (2021).
	Firm Size (FSZ)	Natural Logarithm of total assets.	Abubakar, Sulaiman and Haruna (2018).

Sources: Developed by the researcher 2023

Model Specification

The following models were used to empirically measured the earnings management and equally test the hypotheses of the study. The dependent variable model representing earnings management is specified as follows;

$$TA_{it}/A_{t-1} = \beta_0 + \beta_1 \Delta REV_{it}/A_{t-1} + \beta_2 \Delta NREC_{it}/A_{t-1} + \beta_3 PPE_{it-t-1}/A_{t-1} + \varepsilon_{it} \quad i$$

$$TA_{it}/A_{t-1} = \beta_0 + \beta_1 \Delta REV_{it}/A_{t-1} + \beta_2 \Delta NREC_{it}/A_{t-1} + \beta_3 PPE_{it-t-1}/A_{t-1} + \beta_4 INTG_{it-t-1}/A_{t-1} + \varepsilon_{it} \quad ii$$

$$ACCR = \beta_0 + \beta_1 \Delta REV_{it} + \beta_2 \Delta NREC_{it} + \beta_3 INV_{it} + \beta_4 PPE_{it} + \beta_5 INTG_{it} + \beta_6 CL_{it} + \beta_7 NCL_{it} + \varepsilon_{it} \quad iii$$

$$TA_{it}/Assets_{it-1} = \beta_0 + \beta_1 1/Assets_{it-1} + \beta_2 (\Delta REV - \Delta AR)_{it} / Assets_{it-1} + \beta_3 PPE_{it} / Assets_{it-1} + \beta_4 NI_{it-1} / Assets_{it-1} + \beta_5 Sales_{it} - Sales_{it-1} / Sales_{it-1} + \varepsilon_{it} \quad iv$$

Where:

TA= Total Accruals;

T = total asset;

a = Constant;

β_1 - β_4 = parameters;

t-1 = previous year (lag1);

\square REV = Change in Revenue;

\square REC = Change in Receivables;

\square AR= Change in Account Receivable;

PPE = Property, Plant & Equipment;

INTG = Intangible Assets;

INV= Inventory

CL= Current Liabilities;

NCL= Non-current Liabilities;

ACCR= Discretionary Accruals;

t=time;

i = firm;

ε = is the residual

However, the parsimonious model of the study is specified as follows:

$$DCCR_{it} = \beta_0 + \beta_1 ARL_{it} + \beta_2 ADT_{it} + \beta_3 ACI_{it} + \beta_4 ADI_{it} + \beta_5 LEV_{it} + \beta_6 FSZ_{it} + \epsilon_{it} \dots (1)$$

Where:

DCCR= discretionary accruals

ARL= audit reporting lag

AT= audit tenure

ACI= audit client importance

ADI= audit independence

LEV= leverage

FSZ= firm size

β_0 = Constant

β_1 - β_6 = coefficient of the parameters

it= firm and year

ϵ = error term

4. Results and Discussion

This presents the descriptive statistics, correlation. It also analyses the results obtained from the regression output and other robustness tests were discusses.

Descriptive Statistics

The descriptive statistics of explanatory and dependent variables of study were analyzed. The description of mean, standard deviation, minimum, and maximum of the variables were computed using STATA version13.

Table 2:
Descriptive Statistics

Variable	Obs	Mean	Std. Dev	Min	Max
DCCR	150	0.100446	0.05442	0.00017	0.27890
ARL	150	78.72310	14.9384	56.0000	146.000
ADT	150	0.57407	0.49912	0.00000	1.00000
ACI	150	0.59260	0.35180	0.02839	1.00000
AIN	150	4.05011	2.15330	0.75100	8.25000
LEV	150	0.42614	0.11224	0.26620	0.50000
FSZ	150	9.47200	0.77010	8.16210	11.18200

Source: STATA OUTPUT version 13

Table 2 reports the descriptive statistics for the both dependent and independent variables respectively (Discretionary accruals, audit reporting lag, audit tenure, audit client importance and audit independent). The results show that the Discretionary accruals (DCCR) of the listed consumer goods firms has average value of 0.100, with standard deviation of 0.054, the minimum and maximum values of 0.001 and 0.279 respectively. Table 2, shows that audit reporting lag has a mean value of 78.723 with a standard deviation of 14.938, the minimum number of 56 days and maximum of 146 days. These implies that on average listed consumer goods firms in Nigeria release their audited report 79 days after accounting year during the period under review, with a minimum number of 56days and maximum of 146days release their reports. However, descriptive statistics from Table 2 also shows that audit tenure had a mean value of 0.574 during the study period. This value indicates that 57% of the sampled consumer goods firms retained their auditors for a period of three years and above. The minimum and maximum values of auditor tenure during the study period are zero and one respectively, because the variable was measured by dichotomous numbers.

Moreover, from table 2 above, it was observed that the mean value of audit client importance is 0.593 with standard deviation of 0.352. The client importance has a minimum value of 0.028 and maximum values of one (1) during the study period. Finally, audit independent has a mean value of 4.050 with standard deviation of 2.153; this signifies that there is no wide dispersion between mean and standard deviation. This imply that on average 41% of the auditors are independent non-executive directors of the consumer goods firms in Nigeria during period of the study, the minimum and maximum value of 0.751 and 8.250 respectively. This signifies that listed consumer goods firms in Nigeria have a minimum of 75% of independent non-executive director.

Correlation Matrix

The correlation matrix is used to find out the degree of relationship between dependent variable and independent variables used in the study presented in Table 3.

Table 3:
Correlation Matrix

Variable	DAC	ARL	ADT	ACI	AIN	LEV	FSZ
DCCR	1.000						
ARL	0.370	1.000					
ADT	-0.296	0.292	1.000				
ACI	0.276	-0.379	-0.009	1.000			
AIN	-0.375	0.276	0.431	-0.229	1.000		
LEV	0.417	-0.321	-0.192	0.341	0.325	1.000	
FSZ	0.427	0.271	0.302	0.257	0.351	0.251	1.000

Source: STATA OUTPUT, 2023

From the correlation results presented in Table 3 the relationship between discretionary accruals with the independent variables (i.e. audit reporting lag, audit tenure, audit client importance and audit independent) indicated that audit reporting lag, audit client importance, leverage and firm size are positively strongly correlated with discretionary accruals, while audit independent is negatively strongly associated with earnings management. However, audit tenure has a negative and strong association with earnings management of the listed consumer goods firms in Nigeria. From Table 3 it was observed that audit reporting lag (ARL) has a positive strong association with other explanatory variable with exception of audit client importance and leverage which has negative strong correlation with audit reporting lag. However, audit tenure (ADT) has a positive strong relationship with audit independent and firm size while negative and weak relationship with audit client importance and leverage. Table 3 also, audit client importance (ACI) has a positive strong correlation with leverage and firm size while a weak negative relationship with audit independent. Similarly, audit independent (AIN) has a positive strong relationship with other variables of the listed industrial goods firms in Nigeria.

Regression Results

This shows the summary of the multiple regression results obtained from the model using ordinary least square regression. The results show individual effect of independent variables (audit reporting lag, audit tenure, audit client importance and audit independent on earnings management) and shows the cumulative impact of independent variables on dependent variable. This is presented in table 4 below.

Table 4:
Summary of Regression Result

Variable	Coefficient	T-value	P-value
ARL	0.019	2.932	0.005
ADT	-0.451	-3.130	0.003
ACI	0.086	3.084	0.004
AIN	0.156	3.193	0.002
LEV	0.763	0.760	0.218
FSZ	0.082	3.561	0.000
Constant	-0.178	-2.912	0.005
Adjusted R-sq.	0.286		
F- value	5.08		
Prob. (F)	0.002		
Mean VIF	2.27		
Hausman Test	0.0000		

Source: STATA OUTPUT, Version 13.

From the table above, the results show an overall R square of (0.286), that is the coefficient of determination which represents the proportion of change in earnings management as explained by independent variables. This show that 29% changes in the earnings management is expound by explanatory variables used in the model; this suggests that the explanatory variables cumulatively bring about 29% changes in listed consumer goods firms in Nigeria while 74% is explained by other variables not included for by the model. The F text results show the p-value of 0.002, this denotes that the model is fit and the variables are properly designated. However, robustness test was carried-out in order to ensure the validity of all statistical inferences for the study. These tests include multicollinearity, heteroscedasticity, Normality of residuals. Multicollinearity exists, when there is a perfect correlation between two or more independent variables and where there is a perfect correlation among the independents variables errors may be inflated and the estimates for a regression model cannot be exclusively calculated. Therefore, this study employed Variance Inflation Factor (VIF) to check whether there is present of multicollinearity in this study. The result indicates that the mean VIF is 2.27 which is less than 10 this shows absence of multicollinearity.

Furthermore, heteroscedasticity test was executed to find out whether the disturbances appearing in the population regression function are Homoscedastic (same variance). Breusch- Pagan/Cook-Weiberg test for heteroskedasticity is performed. The result is shows that the value of chi square of 1.19 while its probability is 0.278 which is not significant at 5%. This indicates absence of Heteroskedasticity and shows the present of Homoskedastic. Finally, hausman specification test was conducted to select between fixed and random effect, the results show that the fixed effect is more appropriate than random effect considering Prob>chi2 of 0.0000. In evaluating the model based on the regression results, audit reporting lag as indicated in table 4 has a positive and significant impact on earnings management of consumer goods firms in Nigeria considering the coefficient value of 0.019 with p-value of 0.005 which is significant at 5% level of significance. The finding is in line with Habib and Huang (2019) but contradicts Luypaert et al. (2016) who found positive relationship between audit report delay and earnings management.

Also, the coefficient of audit tenure is -0.451 and its probability of 0.003. this indicates that audit tenure has a negative and significant impact on earnings management of consumer goods firms in Nigeria. This result showed that any increase in audit tenure will lead to a positive and significant increase in the rate of earnings management by industrial goods firms in Nigeria.

However, the Table 4 shows that audit client importance has a positive and significant effect earnings management of listed consumer goods firms in Nigeria with a coefficient of 0.086 and probability of 0.030. This is an indication that client importance is associated with increase in earnings management of firms. This finding supports the work of Tyokoso, et al. (2016) which showed that audit client importance is positively and statistically significant associated with earnings management but contradicts the findings of Azende, Iorpev, and Ganyam, (2022) who found that audit client importance has a negative and significant effect on earnings management of listed consumer goods firms in Nigeria.

The table 4 also reveals that audit independent is positive and statistically significantly associated with earnings management considering the coefficient value of 0.156 with p-value 0.002 which is significance at 5% level of significance. The finding is in contrast to Shehu (2017) who found that audit independence does not have significant impact on earnings management.

Leverage is positive and insignificantly related to earnings management of listed consumer goods firms in Nigeria with a coefficient value of 0.763 and p-value of 0.218. On the other hand, firm size has a positive and significant effect on earnings management of listed consumer goods firms in Nigeria considering the coefficient value of 0.083 and p-value of 0.0000 which is significant at 1% level of significance.

5. Conclusion and Recommendations

This study has empirically provided evidence on the relationship between audit quality proxies by audit reporting lag, audit tenure, audit client importance and audit independent to represent audit quality and discretionary accruals as a proxy of earnings management. Based on statistical evidence, it is therefore concluded that audit reporting lag, audit client importance and audit independent enhanced earnings management during period under review. However, it's also concluded that audit tenure impacted on earnings management negatively of listed consumer goods firms in Nigeria during the period under review.

In line with findings and conclusions drawn from the study, therefore, this recommends that the regulatory bodies such as Financial Reporting Council of Nigeria and Security and Exchange Commission in Nigeria should ensure that audited reports for private companies are release within a regulated period, this is because prolonged audit lagged increase earnings management by giving management of the companies enough time to manipulate earnings. This will impede the users of financial information to take an informed decision. It is also recommended that management of the consumer goods firms sub-sector of the Nigerian manufacturing sector should discouraged lengthy audit firm tenure in order to avoid familiarity threats. However, extension of auditor tenure beyond the ten years' maximum stipulated by SEC (2011) code of corporate governance may impair the auditor's independence and his judgment since longer audit tenure increase familiarity threats to auditor's independence and this would significantly influence earnings management.

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