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AUDIT QUALITY AND EARNINGS MANAGEMENT OF LISTED NON-FINANCIAL FIRMS IN NIGERIA: THE MODERATING EFFECT OF AUDIT COMMITTEE INDEPENDENCE

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Abstract

This paper examines the moderating effect of audit committee independence on the relationship between audit quality and earnings management among listed non-financial firms in Nigeria. Audit quality is represented by audit firm size, audit fees, auditor industry specialization and auditor tenure, while earnings management is measured through real activities manipulation based on the Roychowdhury (2006) model. The study adopts a correlational research design and uses panel data for 50 listed non-financial firms over 2015–2024, yielding 500 firm-year observations. The study results indicate that audit firm size and auditor industry specialization have significant positive direct relationships with earnings management, while audit fees and auditor tenure are insignificant. Audit committee independence significantly and negatively moderates the relationships involving audit firm size, auditor tenure and auditor industry specialization, while its interaction with audit fees is insignificant. The study recommends that regulators and audit committees strengthen the independence of audit committee members to enhance the monitoring of audit quality and constrain earnings management practices among listed non-financial firms in Nigeria.

Keywords: audit quality, earnings management, audit committee independence, non-financial firms, Nigeria

1. Introduction

Earnings management remains a major financial reporting concern because managers may exercise reporting discretion or alter operating decisions to achieve desired earnings outcomes. Recent Nigerian evidence continues to show that audit quality attributes are associated with differences in earnings management, although the direction and strength vary by proxy and sector (Bappah et al., 2024; Ajape & Adelowotan, 2025). Real earnings management is particularly relevant because managers may influence sales, production and discretionary spending without conventional accrual adjustments (Roychowdhury, 2006).

Audit quality provides an external monitoring mechanism for reducing information asymmetry and increasing the likelihood that questionable reporting choices are identified. Big4 affiliation, audit fees, auditor specialization and tenure capture different dimensions of audit resources, effort, expertise and client knowledge. Recent evidence from Nigerian non-financial firms reports significant relationships between audit quality attributes and earnings management (Bappah et al., 2024; Ajape & Adelowotan, 2025; Akpandem et al., 2026).

Audit committee independence is an important internal governance mechanism because independent members are expected to challenge management, communicate with external auditors and scrutinize financial reporting judgments. Recent studies link audit committee characteristics with earnings quality and reporting outcomes, while newer evidence examines audit committee independence as a moderator of audit-related relationships (Obeitoh et al., 2024; Rabo et al., 2025; Chinda & Joseph, 2026; Yahaya, 2026).

The problem is not only whether audit quality reduces earnings management, but whether the effect depends on the strength of internal monitoring. Existing Nigerian studies, such as Bappah et al. (2024), Ajape and Adelowotan (2025) and Akpandem et al. (2026), use different audit quality and earnings management proxies and report mixed results. Fewer studies, such as Rabo et al. (2025) and Yahaya (2026), isolate audit committee independence as a specific moderator across listed non-financial firms. This creates a need to examine whether independent audit committees strengthen the monitoring contribution of audit quality.

This study examines the moderating effect of audit committee independence on the relationship between audit quality and earnings management of listed non-financial firms in Nigeria. Specifically, it examines moderation of the relationships between audit firm size, audit fees, auditor industry specialization, auditor tenure and earnings management. The paper retains the reported 2015–2024 period and 500 firm-year observations from the supplied seminar dataset.

In line with the specific objectives, the following hypotheses, stated in null form, guide the study:

H1: Audit committee independence does not significantly moderate the relationship between audit firm size and earnings management.

H2: Audit committee independence does not significantly moderate the relationship between audit fees and earnings management.

H3: Audit committee independence does not significantly moderate the relationship between auditor industry specialization and earnings management.

H4: Audit committee independence does not significantly moderate the relationship between auditor tenure and earnings management.

2. Literature Review

Conceptual Review

Earnings Management

Earnings management refers to managers' discretionary interventions in the financial reporting process to alter earnings figures and mislead stakeholders about the underlying economic performance of the firm, or to influence contractual outcomes that depend on reported accounting numbers (Roychowdhury, 2006). For this study, earnings management is measured by summing up the standardized differences between actual and computed abnormal cash flow from operations, abnormal production cost, and abnormal discretionary expenses, following Roychowdhury (2006).

Audit Quality

Audit quality is the mother variable from which the proxies examined in this study are derived. DeAngelo (1981) defines audit quality as the market-assessed joint probability that an auditor will both detect a material misstatement in a client's financial statements and report the detected misstatement, with detection reflecting auditor competence and reporting reflecting auditor independence.

Audit quality is therefore a multidimensional construct that cannot be observed directly and is commonly proxied using observable auditor and engagement characteristics, including audit firm size, audit fees, auditor industry specialization and auditor tenure (Francis, 2004; Becker et al., 1998).

Higher audit quality is generally associated with greater constraint on managerial reporting discretion and lower earnings management, because higher-quality auditors are more likely to detect and challenge questionable accounting choices (DeAngelo, 1981; Watts & Zimmerman, 1986). The following subsections review each proxy in turn before the moderating variable, audit committee independence, is discussed.

Audit Firm Size

Audit firm size refers to whether a company is audited by one of the Big4 global firms (PwC, Deloitte, EY, KPMG) or a non-Big4 firm. Big4 firms are perceived to provide higher quality audits due to their extensive resources, specialized expertise, and greater reputational capital (DeAngelo, 1981; Becker et al., 1998). For this study, audit firm size is measured dichotomously: 1 if audited by a Big4 firm, 0 otherwise.

Audit Fees

Audit fees represent the remuneration paid by a client firm to its external auditor for audit services. Higher audit fees are sometimes associated with higher audit quality, as they may indicate a more thorough audit process and greater auditor independence (Frankel et al., 2002). However, excessively high fees could potentially impair auditor independence if the auditor becomes overly reliant on a particular client. Audit fees are measured as the natural logarithm of fees paid by the company (Li and Lin, 2005; Gerayli et al., 2021).

Auditor Industry Specialization

Auditor industry specialization refers to auditors who have developed deep expertise within a particular industry. Industry specialist auditors possess superior industry-specific knowledge, which allows them to more effectively identify risks, assess management's accounting judgments, and detect subtle forms of earnings management unique to that industry (Zhou and Elder, 2001; Krishnan and Yang, 2003). Auditor industry specialization is measured by a dichotomous variable: 1 for industry specialist auditors, 0 for non-specialists.

Auditor Tenure

Auditor tenure refers to the length of the auditor-client relationship. Longer tenure may enhance client-specific knowledge and audit efficiency, improving detection of earnings management. However, extended tenure could impair auditor independence through familiarity threats, increasing the risk of collusion or reduced professional skepticism (Heninger, 2001; Ebrahim, 2001). Auditor tenure is measured dichotomously: 1 if the relationship is three years or more, 0 otherwise.

Audit Committee Independence

Audit committee independence refers to the extent to which audit committee members are free from relationships that could interfere with the exercise of independent judgment. Independent audit committees are expected to provide more objective oversight of financial reporting, monitor the external auditor more effectively, and challenge management's accounting choices (Abbott et al., 2003; Kent, 2002). For this study, audit committee independence is measured by the number of independent directors on the audit committee.

Empirical Review

The empirical review focuses on audit firm size, audit fees, auditor industry specialization and auditor tenure as dimensions of audit quality, with audit committee independence as the moderator. Bappah et al. (2024) examined consumer goods firms and reported evidence linking audit quality attributes with earnings management. Ajape and Adelowotan (2025) examined 30 listed non-financial firms and assessed whether audit quality matters for earnings management.

Rabo et al. (2025) considered audit committee independence within a broader earnings management framework. Yahaya (2026) examined audit committee effectiveness, earnings management and audit quality among listed Nigerian firms. These studies support the relevance of governance mechanisms but leave room for a focused test of audit committee independence as a moderator.

Audit Firm Size and Earnings Management: Moderating Role of Audit Committee Independence

Audit firm size is commonly associated with audit quality because larger audit firms possess wider resources, specialist personnel and stronger reputational incentives. Nigerian evidence remains mixed. Bappah et al. (2024) examined audit quality and earnings management among consumer goods firms, while Ajape and Adelowotan (2025) examined listed non-financial firms. The present study extends this evidence by testing whether audit committee independence changes the audit firm size and earnings management relationship.

Auditor Tenure and Earnings Management: Moderating Role of Audit Committee Independence

Auditor tenure provides accumulated client knowledge, but extended relationships raise concerns about familiarity and independence. Ajape and Adelowotan (2025) included tenure among audit quality measures, while Akpandem et al. (2026) examined audit firm tenure alongside other audit quality proxies. The present study tests whether audit committee independence helps preserve the monitoring value of tenure while limiting familiarity risks.

Audit Fees and Earnings Management: Moderating Role of Audit Committee Independence

Audit fees reflect audit effort, client complexity and the economic relationship between auditor and client. Higher fees might indicate greater audit effort, yet excessive economic dependence might create independence concerns. Bappah et al. (2024) and Ajape and Adelowotan (2025) provide recent Nigerian evidence on audit fees and earnings management. Rabo et al. (2025) also places audit committee independence within the governance discussion. The present study tests whether an independent audit committee changes the audit fee and earnings management relationship.

Chinda and Joseph (2026) examined the moderating effect of Audit Committee Independence on the relationship between audit firm attributes and audit quality among 53 listed non-service companies in Nigeria from 2012 to 2022. Using FGLS and PCSE, the study found that auditor independence significantly improved audit quality, audit fees had a significant adverse effect, while audit partner rotation was insignificant. Audit Committee Independence strengthened the effect of auditor independence on audit quality. However, the study focused on audit quality as the outcome, whereas the present study examines earnings management and the moderating role of Audit Committee Independence in the audit quality-earnings management relationship.

Auditor Industry Specialization and Earnings Management: Moderating Role of Audit Committee Independence

Auditor industry specialization provides industry-specific knowledge that may improve detection of unusual reporting choices. Recent Nigerian studies include specialization among audit quality measures (Ajape & Adelowotan, 2025; Akpandem et al., 2026). The present study argues that specialist knowledge is more likely to constrain earnings management when an independent audit committee actively oversees the audit process.

Theoretical Framework

Agency Theory, developed by Jensen and Meckling (1976), provides the primary theoretical foundation. Separation of ownership and control creates information asymmetry and incentives for managers to pursue private interests. Earnings management represents one possible agency response. External audit quality increases monitoring and detection, while audit committee independence strengthens internal oversight. The theory therefore predicts that stronger audit committee independence should strengthen the constraining effect of audit quality on earnings management. Recent Nigerian studies remain broadly consistent with this monitoring logic (Bappah et al., 2024; Rabo et al., 2025; Yahaya, 2026).

3. Methodology

The study adopts a correlational research design. It uses secondary panel data from 50 listed non-financial firms in Nigeria covering 2015–2024, giving 500 firm-year observations. The population comprises 116 listed non-financial companies. The sample allocation and variable measurements follow the structure of the supplied paper. Since no raw firm-level dataset accompanied the uploaded document, the numerical E-Views results in this revised version are retained as supplied rather than presented as newly estimated results.

$n = N / [1 + Ne^2] = 116 / [1 + 116(0.05)^2] = 116 / 1.29 \approx 90$

The study employs a proportionate stratified random sampling technique. Firms are first stratified by sector, and the number of firms selected from each sector is calculated proportionately based on each sector's share of the population of 116 listed non-financial firms, as presented in Table 1. Within each sector stratum, firms are then selected at random to arrive at the sector quota. The supplied study reports an adjusted sample of approximately 51 firms and uses 50 firms for the final balanced panel. The final sample therefore remains 50 firms and 500 firm-year observations.

Table 1

Population and Sample Size of the Study

S/N	Sector	Number of firms	Computation	Firms selected
1	Agriculture	5	5/116×50	2
2	Conglomerate	6	6/116×50	3
3	Consumer goods	23	23/116×50	10
4	Industrial goods	13	13/116×50	6
5	Healthcare	10	10/116×50	4
6	Technology	9	9/116×50	4
7	Real estate and construction	9	9/116×50	4
8	Oil and Gas	12	12/116×50	5
9	Services	25	25/116×50	11
10	Natural resources	4	4/116×50	1
Total		**116**		**50**

Source: Researcher's compilation, 2026

Measurement of Variables

The dependent variable is Earnings Management (EM). The independent variables are Audit Firm Size (AFS), Audit Fees (AF), Auditor Industry Specialization (AIS), and Auditor Tenure (AT). The moderating variable is Audit Committee Independence (ACIND). Their measurements are detailed in Table 2.

Table 2

Variable Measurement

S/N	Variable	Measurement	Construct Validity Source
1	**EM (Earnings Management)**	Composite real earnings management measure based on the Roychowdhury (2006) model.	Cohen and Zarowin (2010); Kim and Ge (2020); Roychowdhury (2006); Zang (2012)
2	**ACIND (Audit Committee Independence)**	Number of independent directors on the audit committee.	Abbott et al. (2003); Kent (2002); Salawu et al. (2022); Asiriuwa et al. (2018)
3	**AFS (Audit Firm Size)**	Dichotomous: 1 if audited by Big4, 0 otherwise.	DeAngelo (1981); Becker et al. (1998); Krishnan (2003)
4	**AF (Audit Fees)**	Natural logarithm of audit fees paid by the company.	Palmrose (1988); Frankel et al. (2002); Gerayli et al. (2021)
5	**AIS (Auditor Industry Specialization)**	Dichotomous: 1 for industry specialist auditors, 0 for non-specialist.	Zhou and Elder (2001); Krishnan and Yang (2003)
6	**AT (Auditor Tenure)**	Dichotomous: 1 if auditor-client relationship is 3 years or more, 0 otherwise.	Heninger (2001); Ebrahim (2001)

Source: Researcher's compilation, 2026

Model Specification

Earnings management is estimated following Roychowdhury (2006), using abnormal cash flow from operations, abnormal production costs and abnormal discretionary expenses. The composite real earnings management measure is based on the standardized components. The moderation model includes the direct audit quality variables, audit committee independence and interaction terms between each audit quality proxy and audit committee independence. The reported Hausman result supports the Random Effects specification.

Abnormal Cash Flow from Operations (*CFO_{it}*)

$CFO_{it}/A_{it-1} = \gamma_0(1/A_{it-1}) + \gamma_1\, Sales_{it}/A_{it-1} + \gamma_2 \Delta Sales_{it}/A_{it-1} + \mu_{it}$; where CFO_{it} = Cash flow from operations of firm i in year t; A_{it-1} = Total assets of firm i in year $t-1$; $Sales_{it}$ = Sales of firm i in year t; $\Delta Sales_{it}$ = Sales of firm i in year t less sales of firm i in year $t-1$; $+\mu_{it}$ = A residual term that captures the level of abnormal cash flow of firm i in year t; γ_0 is the intercept and γ_1 and γ_2 are the coefficients.

Abnormal Production Costs (*$PROD_{it}$*)

$PROD_{it}/A_{it-1} = \gamma_0(1/A_{it-1}) + \gamma_1\, Sales_{it}/A_{it-1} + \gamma_2 \Delta Sales_{it}/A_{it-1} + \gamma_1\, Sales_{it-1}/A_{it-1} + \mu_{it}$; where: $PROD_{it}$ = Sum of cost of goods sold and change in inventory of firm i in year t; $\Delta Sales_{it-1}$ = Sales of firm i in year $t-1$ less sales of firm i in year $t-2$; μ_{it} = a residual term that captures the level of abnormal production costs of firm i in year t.

Abnormal Discretionary Expenses (*DISEXP*)

$DISEXP_{tt}/A_{it-1} = \gamma_0(1/A_{it-1}) + \gamma_1\, Sales_{it-1}/A_{it-1} + \mu_{it}$; where $DISEXP_{tt}$ = The discretionary expenses, sum of Selling, General & Administrative expenses of firm i in year t; μ_{it} = error term of firm i in year t.

The overall Earnings Management (EM) for each firm-year observation is the sum of the standardized differences between the actual and calculated abnormal cash flow from operations, abnormal production costs, and abnormal discretionary expenses.

To examine the moderating effect of Audit Committee Independence on the relationship between audit quality attributes and Earnings Management of listed non-financial firms in Nigeria, this study estimates the following panel regression model:

$EM_{tt} = \beta_0 + \beta_1 AFS_{it} + \beta_2 AF_{it} + \beta_3 AIS_{it} + \beta_4 AT_{it} + \beta_5 ACIND_{it} + \beta_6(AFS_{it} \text{ x } ACIND_{it}) + \beta_7(AF_{it} \text{ x } ACIND_{it}) + \beta_8(AIS_{it} \text{ x } ACIND_{it}) + \beta_9(AT_{it} \text{ x } ACIND_{it}) + \epsilon_{it}$; where: EM_{tt} = Earnings Management for firm i in Year t; AFS_{it} = Audit Firm Size for firm i in Year t; AF_{it} = Audit Fees for firm i in Year t; AIS_i = Auditor Industry Specialisation for i in year t; AT_{it} = Auditor Tenure for firm i in Year t; $ACIND_{it}$ = Audit Committee Independence for firm i in Year t.

(AFS_{it} x $ACIND_{it}$), (AF_{it} x $ACIND_{it}$), (AIS_{it} x $ACIND_{it}$), (AT_{it} x $ACIND_{it}$) are the interaction terms representing the moderating effects. β_0 = is the intercept; β_1 to β_9 = are the parameters estimate or coefficients in the equation; ϵ_{it} = error term.

4. Results and Discussion

Descriptive Statistics

Table 3

Descriptive Statistics

Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
EM	0.22	0.16	0.95	-0.38	0.25	500
AFS	0.71	1.00	1.00	0.00	0.46	500
AT	0.83	1.00	1.00	0.00	0.37	500
AF	202534.60	13127.50	5416667.00	18.00	692202.00	500
AIS	0.45	0.00	1.00	0.00	0.50	500
ACIND	2.47	3.00	3.00	1.00	0.59	500

Source: E-Views output, 2026

The supplied descriptive results show that Earnings Management has a mean of 0.22 and standard deviation of 0.25, ranging from -0.38 to 0.95. Audit Firm Size has a mean of 0.71, Auditor Tenure 0.83, Auditor Industry Specialization 0.45 and Audit Committee Independence 2.47. These values indicate variation across firms and provide variation for the interaction analysis.

Correlation Matrix

Table 4

Correlation Matrix

	EM	AFS	AT	AF	AIS	ACIND	AFS_ACIND	AT_ACIND	AF_ACIND	AIS_ACIND
EM	1.00									
AFS	0.11	1.00								
AT	-0.10	-0.01	1.00							
AF	-0.01	-0.10	-0.05	1.00						
AIS	-0.04	0.13	-0.07	0.01	1.00					
ACIND	0.11	0.59	-0.10	-0.05	0.12	1.00				
AFS_ACIND	0.10	0.85	-0.08	-0.09	0.14	0.92	1.00			
AT_ACIND	-0.06	0.25	0.86	-0.06	-0.03	0.39	0.36	1.00		
AF_ACIND	0.08	0.37	-0.10	0.68	0.11	0.69	0.61	0.23	1.00	
AIS_ACIND	-0.05	0.24	-0.10	0.02	0.96	0.30	0.31	0.03	0.25	1.00

Source: E-Views, 2026

The correlation results show weak direct correlations with earnings management. AFS has a positive correlation of 0.106 with EM, while AT, AF and AIS have correlations of -0.100, -0.005 and -0.040 respectively. ACIND has a positive correlation of 0.106 with EM. High correlations involving interaction terms and their constituent variables are expected in moderation models. Centred VIF values are therefore more informative for multicollinearity assessment.

Diagnostic Tests

Table 5

Tolerance and VIF Values

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
AFS	249,964.7	1.580	1.227
AT	40,086.24	4.383	1.781
AF	36,548.05	1.308	1.187
AIS	112,444.5	3.120	1.641
ACIND	8,319.738	2,407.874	1.610
AFS_ACIND	32,913.13	3.135	1.621
AT_ACIND	112,433.9	1.667	1.451
AF_ACIND	16.328	28.800	1.565
AIS_ACIND	97.822	6.921	1.496

Source: E-Views Output, 2026

The centred VIF results remain below the conventional threshold of 10, indicating no serious multicollinearity. The Breusch-Pagan-Godfrey test also reports probabilities above 0.05, providing no evidence of statistically significant heteroscedasticity in the supplied model.

Table 6

Breusch-Pagan-Godfrey Heteroscedasticity Test

Test	Value	Probability
F-statistic	1.705463	Prob. F(9,490) = 0.1409
Obs*R-squared	8.317117	Prob. Chi-Square(9) = 0.1396
Scaled explained SS	4.993914	Prob. Chi-Square(9) = 0.4166

Source: E-Views Output, 2026

The software label has been standardized here to EViews to avoid the inconsistent reference to EViews 9 elsewhere in the supplied document. The reported Jarque-Bera probability is 0.159, indicating that residual normality is not rejected at the 5% level. The Hausman test is then used to select between fixed and random effects.

Table 7

Hausman Specification Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	1.387510	9	0.9979

Source: E-Views Output, 2026

The Hausman chi-square statistic is 1.388 with a probability of 0.9979. The result supports the Random Effects model because the null hypothesis of no systematic difference between the estimators is not rejected.

Random Effects Regression Results

Table 8

Random Effects Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.49	0.34	-1.46	0.15
AFS	0.14	0.05	2.66	0.01
AT	0.21	0.14	1.44	0.15
AF	-0.08	0.06	-1.34	0.18
AIS	0.24	0.10	2.37	0.02
ACIND	0.31	0.14	2.19	0.03
AFS_ACIND	-0.05	0.02	-2.41	0.02
AT_ACIND	-0.11	0.05	-2.03	0.04
AF_ACIND	0.03	0.02	1.41	0.16
AIS_ACIND	-0.11	0.04	-2.79	0.01
R-squared	0.27	**F-statistic**	3.37	Prob(F): 0.00
Adj. R-squared	0.19	**Observations**	500	

Source: E-Views Output, 2026

C = Constant (intercept); p<0.05; p<0.01

The Random Effects model is statistically significant with an F-statistic of 3.371 and probability of 0.0002. The R-squared of 0.2742 indicates that the explanatory variables account for about 27.42% of the variation in earnings management. AFS and AIS have significant positive direct coefficients, while AT and AF are insignificant. ACIND is positive and significant. The interaction terms show significant negative moderation for AFS×ACIND, AT×ACIND and AIS×ACIND, while AF×ACIND is insignificant.

Test of Hypotheses

The list of hypotheses is stated as follows:

H1: Audit committee independence significantly moderates the relationship between audit firm size and earnings management. The interaction coefficient is -0.053 with p = 0.016. The null hypothesis of no significant moderation is rejected.

H2: Audit committee independence significantly moderates the relationship between auditor tenure and earnings management. The interaction coefficient is -0.111 with p = 0.043. The null hypothesis of no significant moderation is rejected.

H3: Audit committee independence significantly moderates the relationship between audit fees and earnings management. The interaction coefficient is 0.032 with p = 0.160. The null hypothesis of no significant moderation is not rejected.

H4: Audit committee independence significantly moderates the relationship between auditor industry specialization and earnings management. The interaction coefficient is -0.110 with p = 0.005. The null hypothesis of no significant moderation is rejected.

The study does not exclude the direct relationship between audit quality and earnings management. The estimated model in includes AFS, AF, AIS and AT as direct predictors of EM alongside the interaction terms, and their coefficients are reported. The formal hypotheses above are restricted to the moderating effect because the moderating role of audit committee independence is the specific focus of the study objectives, while the direct relationships are reported as a necessary part of estimating the moderation model rather than as separately hypothesized outcomes.

Discussion of Findings

The findings indicate that the moderating role of audit committee independence is more informative than the direct coefficients alone. AFS and AIS have positive direct associations with EM, but their interactions with ACIND are negative and significant. This suggests that the monitoring value of larger and specialist auditors depends partly on internal audit committee oversight. The result aligns with recent evidence that audit quality and governance mechanisms should be considered jointly (Bappah et al., 2024; Ajape & Adelowotan, 2025; Yahaya, 2026).

Audit committee independence significantly reduces the AFS-EM relationship through the interaction coefficient of -0.053 (p = 0.016). Independent committees strengthen the monitoring contribution associated with larger audit firms.

Audit committee independence significantly and negatively moderates the AT-EM relationship, with an interaction coefficient of -0.111 (p = 0.043). Independent committees help preserve client knowledge benefits while increasing scrutiny over familiarity and independence risks.

The interaction between audit fees and audit committee independence is positive but insignificant, with a coefficient of 0.032 (p = 0.160). Audit committee independence does not significantly alter the audit fee and earnings management relationship in the supplied sample.

Audit committee independence significantly and negatively moderates the AIS-EM relationship, with a coefficient of -0.110 (p = 0.005). Independent committees appear to strengthen the use of industry-specific audit expertise in constraining earnings management (Akpandem et al., 2026; Yahaya, 2026).

5. Conclusion and Recommendations

The study concludes that audit committee independence plays an important moderating role in the relationship between selected audit quality attributes and earnings management among listed non-financial firms in Nigeria. The supplied results show significant negative moderation for audit firm size, auditor tenure and auditor industry specialization, while the moderation of audit fees is insignificant. The findings support Agency Theory by indicating that internal governance strengthens selected external audit monitoring mechanisms.

Listed non-financial firms should strengthen the independence and competence of audit committee members and ensure active interaction between the committee and external auditors. Regulators should reinforce compliance with audit committee independence requirements and strengthen disclosure of audit committee composition and oversight activities. Audit firms should maintain robust communication with independent committees. Future studies should use firm-level datasets, alternative earnings management measures and additional audit committee characteristics to test robustness.

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