KASU Journal of Accounting Research and Practice (KAJARAP)

Volume 10, Number 2, December, 2025 ISSN: 2360-8889

https://journals.kasu.edu.ng/index.php/accounting

AUDIT CHARACTERISTICS AND FINANCIAL REPORTING QUALITY OF LISTED MULTINATIONAL COMPANIES IN NIGERIA.

Rasheed Olatunji Animasaun[1], Afusat Abimbola Amoo[2], Solomon Akinsanya Oremodu[3], Oluwaseun Segun Adejuwon[4]

[1]Department of Accounting, Crescent University Abeokuta, Ogun State, Nigeria

[2]Bursary Department, Oyo State College of Agriculture and Technology, Igboora, Nigeria

[3]Department of Business Administration, Caleb University, Imota, Lagos State, Nigeria.

[4]Department of Accounting, Minaret International University, Ikirun, Osun State, Nigeria.

Corresponding Author(s) email/mobile: roanis1438@gmail.com,/+2347061944031[1]; amooabimbolaafusat@gmail.com,/+2348024420665[2]; akinoremodu@gmail.com, /+2348037092314[3]; adejuwonoluwaseun13@gmail.com, /+23480635533391[4]

Abstract

Users of financial statement have nearly lost faith in the financial statements of listed companies in Nigeria due to unexpected failure of corporate organizations whose annual financial reports were evaluated as being financially accurate and error free by independent Auditors. This study investigated the relationship between financial reporting quality and Audit characteristics of listed multinational companies in Nigeria. Ex post facto research design was adopted. Data were sourced secondarily from annual reports of the selected companies. The targeted population was the entire multinational companies listed on the Nigerian Exchange Group. A sample size of 13 companies, out of a population of 65 listed companies, was chosen using a purposive sampling technique. Ordinary least square regression model was employed to analyse the data. This study found that audit independence, audit objectivity, audit confidentiality and evidenced-based audit have a statistically significant effect on relevance (t = -1.64, -0.68, 0.35, and 0.03 respectively; p< 0.05). In addition, it was found that audit independence, audit objectivity, audit confidentiality and evidenced-based audit have a statistically significant effect on timeliness (t = -1.02, 1.07, 0.95, and -1.80 respectively; p <0.05). Also, this study revealed that audit independence, audit objectivity, audit confidentiality and evidenced-based audit significantly affected comparability (t = -0.03, 0.65, 0.97, and 1.32 respectively; p <0.05). Put differently, it was found that audit independence, audit objectivity, audit confidentiality and evidenced-based audit have no statistically significant effect on faithful representation (t = -0.86, -0.28, 1.51, and -0.82 respectively; p >0.05). In view of these, the study concluded that audit characteristics significantly influenced the financial reporting quality of multinational companies in Nigeria. Therefore, the study recommended that the management should give priority to the quality of financial reporting for the sake of the stakeholders.

Keywords: audits characteristics, financial reporting quality, multinational companies, Nigeria

AUDIT CHARACTERISTICS AND FINANCIAL REPORTING QUALITY OF LISTED MULTINATIONAL COMPANIES IN NIGERIA.

1. Introduction

The reliability and transparency of financial reporting have come under increasing scrutiny due to a series of global and local corporate scandals, many of which revealed critical weaknesses in the auditing process (Daferighe & George, 2020; Mardessi, 2022). In Nigeria, the failure of several high-profile corporations despite clean audit reports has significantly eroded public trust in both financial statements and the credibility of the auditing profession. This has led to growing concerns about whether auditors possess the independence, objectivity, and technical competence required to produce high-quality financial reports (Mushtaq *et al.*, 2021).

Although reforms such as the adoption of International Financial Reporting Standards (IFRS) in 2012 were designed to enhance the uniformity, transparency, and reliability of corporate disclosures, issues surrounding audit effectiveness persist (Badawy, 2021). These lack of uniformity, transparency and reliability of corporate disclosure are compounded by the observed trend of multinational corporations exiting the Nigerian market companies such as Diageo, GlaxoSmithKline, Unilever, and Microsoft—suggesting broader systemic issues that may include deficiencies in audit quality (Nwafor, 2024). In addition, the monetary and fiscal policy challenges militate against the attainment of the high-quality financial reporting. There are frequent changes in policies and this inconsistency affects financial reporting.

The role of substandard audit practices is influencing the multinational corporations' exits and this warrants empirical investigation. Scholarly discourse emphasizes that audit characteristics particularly independence, objectivity, evidence-based practice, and confidentiality are central to ensuring faithful representation, relevance, comparability, and timeliness of financial reports (Pennings et al., 2021; Balogun, 2024; Ado et al., 2020). However, gaps remain in empirical literature linking these audit attributes to reporting quality, especially within the context of Nigerian-listed multinational corporations (Akeem et al., 2020).

Utami, 2024, in his study, found that audit independence significantly influenced quality of financial reporting but it contradicted the outcome of Nizam, *et al.,* 2021. Angiani, 2023, found that audit objectivity significantly affected financial reporting quality whereas Mushtag *et al.,* 2021, found that audit objectivity had no significant effect on quality of financial reporting. Furthermore, Akeem *et al.,*2020 found that audit evidence significantly influenced financial reporting quality but this was inconsistent with the finding of Helen *et al. (*2015). Moreover, in the study of Nguyen (2023), it was revealed that audit confidentiality had significant effect on financial reporting quality and this was at variance with the finding of Cho *et al*. (2021).

Specifically, this study seeks to examine how audit characteristics affect relevance of financial reporting of multinational companies listed on the Nigerian Exchange (NGX) between 2014 and 2023. It also assessed the influence of audit characteristics on timeliness of financial reporting. Likewise, it investigated the effect of audit characteristics on faithful representation of financial reporting.

The study evaluated the impact of audit characteristics on comparability of financial reporting of multinational companies in Nigeria. By addressing these specific objectives, the study aims to offer practical and policy-oriented insights that can enhance audit integrity, promote stakeholder confidence, and contribute to the sustainability of foreign direct investment in Nigeria. Hence, the following hypotheses were formulated:

H_{01}: Audit characteristics (audit independence, audit objectivity, audit confidentiality and evidence-based audit have no significant effect on relevance of financial reports of multinational companies in Nigeria.

H_{02}: Audit characteristics (audit independence, audit objectivity, audit confidentiality and evidence-based audit have no significant effect on timeliness of financial reports of multinational companies in Nigeria.

H_{03}: Audit characteristics (audit independence, audit objectivity, audit confidentiality and evidence-based audit have no significant effect on faithful representation of financial reports of multinational companies in Nigeria.

H_{04}: Audit characteristics (audit independence, audit objectivity, audit confidentiality and evidence-based audit have no significant effect on comparability of financial reports of multinational companies in Nigeria.

2. Literature Review

Conceptual Review

Financial reporting quality refers to the extent to which financial statements faithfully represent a firm's economic reality in a manner that supports decision-making by investors and other stakeholders (FASB, 2024; IASB, 2024). High-quality reporting enables users to assess a company's performance, financial position, and cash flow prospects, while reducing information asymmetry between managers and stakeholders (Irwandi & Pamungkas, 2020). The key qualitative attributes of financial reporting, as conceptualized by the IASB (2024), include relevance, faithful representation, timeliness, and comparability.

Relevance ensures that the information presented can influence users' decisions by providing predictive and confirmatory value (Mardessi, 2021; Nizam et al., 2021). Faithful representation requires financial information to be complete, neutral, and free from material error (Egbunike & Asuzu, 2020; Ogbodo & Jiagbogu, 2021). Timeliness relates to the prompt availability of financial information to users before it loses its capacity to influence decisions, while comparability allows stakeholders to identify similarities and differences across reporting entities and time periods (Fau *et al.*, 2021).

Audit characteristics are considered critical in enhancing these attributes. Audit independence enables auditors to form unbiased opinions, free from management influence (Salehi et al., 2022). Audit objectivity reflects the auditor's impartial mindset when evaluating financial evidence (Angiani, 2023), while audit evidence whether documentary, analytical, or testimonial is the basis for expressing audit opinions (Helen & Miklos, 2015). Audit confidentiality safeguards the integrity of audit findings by preventing unauthorized disclosure of sensitive information (Kwanbo, 2009; Nguyen, 2023).

Theoretical Review

This study is anchored on Agency Theory, which explains the relationship between principals (owners) and agents (managers). According to the theory, conflicts of interest may arise when agents pursue personal goals that diverge from shareholders' interests. Auditors serve as independent monitors to reduce information asymmetry and align the interests of both parties through objective verification of financial reports.

Agency theory suggests that the quality of auditing determined by auditor independence, objectivity, and ethical conduct is central to safeguarding stakeholders' interests. When auditors lack independence or access to sufficient evidence, they may fail to detect or report material misstatements, thereby undermining the principal-agent relationship (Cho *et al.*, 2021). This theoretical lens justifies regulatory emphasis on

auditor rotation, restrictions on non-audit services, and institutional oversight to preserve audit quality (Xu et al., 2023; Utami, 2024).

Empirical Review

Several empirical studies have examined the relationship between audit characteristics and financial reporting quality, though findings remain mixed and context-specific. For instance, Akeem et al. (2020) argued that audit evidence significantly enhances the reliability of financial statements, yet most studies in Nigeria have not isolated this factor as a core determinant. Balogun (2024) emphasized that comprehensive audit evidence such as documentation, analytical reviews, and physical inspection is foundational to credible reporting outcomes.

Mushtaq et al. (2021) found that investor reliance on audited financial reports is directly linked to perceptions of auditor objectivity and competence. Similarly, Badawy (2021) reported that despite IFRS adoption, financial reporting challenges persist due to inconsistent audit practices across firms. Furthermore, Ado et al. (2020) explored the influence of audit quality on reporting comparability and concluded that increased audit transparency and documentation could improve inter-firm and intra-firm comparisons. However, Pennings et al. (2021) cautioned that maintaining audit objectivity requires more than regulatory compliance it necessitates continuous professional judgment, independence in appearance and fact, and protection from client influence.

While the global literature provides extensive evidence linking audit attributes to reporting quality, there is a notable gap in studies specifically focusing on listed multinational corporations in Nigeria, particularly during a time of economic uncertainty and corporate exits. This study seeks to fill that gap by empirically examining how audit independence, objectivity, evidence, and confidentiality affect financial reporting relevance, timeliness, faithful representation, and comparability.

3. Methodology

Research Design

This study adopted an *ex post facto* research design, which is appropriate for examining the influence of audit characteristics on financial reporting quality using historical data that cannot be manipulated by the researcher.

Population and Sample

The population comprises all multinational companies listed on the Nigerian Exchange Group which were numbered 65. From this population, a purposive sampling technique was applied to select 13 multinational corporations.

Sources and Method of Data Collection

Secondary data were extracted from the published annual financial statements of the selected multinational companies, covering a ten-year period from 2014 to 2023

Model Specification

The study adopted a multiple regression framework to examine the effect of audit characteristics (independent variables) on financial reporting quality (dependent variable). The general functional relationship is specified as: $Y = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + X_{it} + \varepsilon_{it}$;Where: Y = the value of the dependent variable (Financial Reporting Quality); α = the value of the intercept; β_1, β_2, β_3, β_4 = the coefficient representing the various independent variables; X_{1it} = Audit Independence for company *i* at time *t*; X_{2it} = Audit Objectivity for company *i* at time *t*; X_{3it} = Audit Confidentiality for company *i* at time *t*; X_{4it}= Evidence-Based Auditing for company *i* at time *t* ;ε_{it} is

the error term which assumed to be normally distributed with mean zero and constant variance.

Financial Reporting Quality Components

Each component of financial reporting quality (FRQ_{REL}, FRQ_{TIM}, FRQ_{FR}, FRQ_{COM}) can be separately modeled as follows:

$FRQ_{REL}=\alpha_1 + \beta_1 AI + \beta_2 AO + \beta_3 AC + \beta_4 EBA + \varepsilon_{it}$ .....equation 1

$FRQ_{TIM}=\alpha 2 + \beta_1 AI + \beta_2 AO + \beta_3 AC + \beta_4 EBA + \varepsilon_{it}$ .....equation 2

$FRQ_{FR}=\alpha 3 + \beta_1 AI + \beta_2 AO + \beta_3 AC + \beta_4 EBA + \varepsilon_{it}$ .....equation 3

$FRQ_{COM}=\alpha 4 + \beta_1 AI + \beta_2 AO + \beta_3 AC + \beta_4 EBA + \varepsilon_{it}$ .....equation 4

Where: FRQ_{REL}: Proxy for relevance of financial reports; FRQ_{TIM}: Proxy for timeliness of financial reports; FRQ_{FR}: Proxy for faithful representation of financial reports; FRQ_{COM}: Proxy for comparability of financial reports; AI = Audit Independence; AO = Audit Objectivity; AC = Audit Confidentiality; EBA = Evidence – Based Auditing.

Method of Data Analysis

The study employed descriptive statistics where mean, median, minimum, maximum, and standard deviation of the observed variables were estimated. Correlation analysis to test multicollinearity and panel regression analysis (fixed and random effects models) to estimate the relationships between audit characteristics and financial reporting quality were estimated. The dependent variable, financial reporting quality, was measured by relevance (REL), timeliness (TIM), faithful representation (FREPR) and comparability (COM) while independent variable, audit characteristics were proxied by audit independence (AUD IND), audit objectivity (AUD OBJ), audit confidentiality (AUD CON) and evidenced-based audit (EVI AUD)

4. Results and Discussion

Pre-Estimation Test (Test of Normality)

Table 1

Tests of Normality

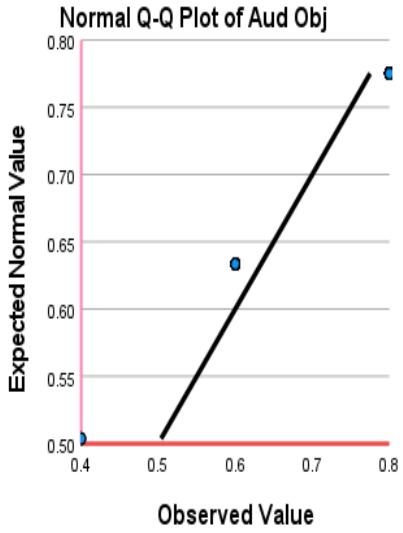
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Aud Ind	.410	130	.076	.664	130	.082
Aud Obj	.434	130	.088	.612	130	.064
Evi Aud	.436	130	.079	.607	130	.075
Aud Con	.415	130	.086	.639	130	.068
REL	.422	130	.085	.580	130	.087
TIM	.396	130	.075	.646	130	.076
Frepr	.337	130	.089	.667	130	.089
COM	.369	130	.062	.690	130	.085

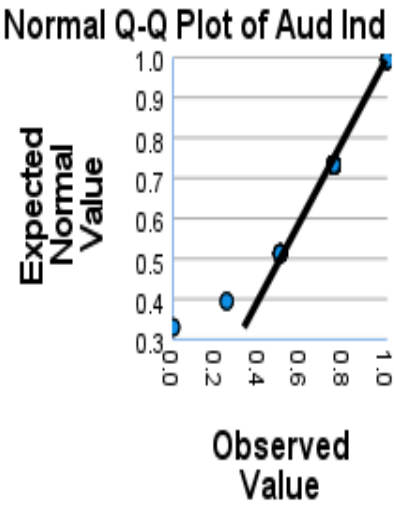
a. Lilliefors Significance Correction

Source: Researcher's computation, (2025)

The Kolmogorov–Smirnov and Shapiro–Wilk tests were used to assess normality. For both tests, all variables audit independence, audit objectivity, evidence-based auditing, audit confidentiality, relevance, timeliness, faithful representation, and comparability recorded significance values greater than 0.05. This indicates that the data are normally distributed. The degrees of freedom (130) confirm the number of observations. These results validate the use of parametric statistical methods, such as regression and correlation, in the study.

Graphical Representation of Normality Test





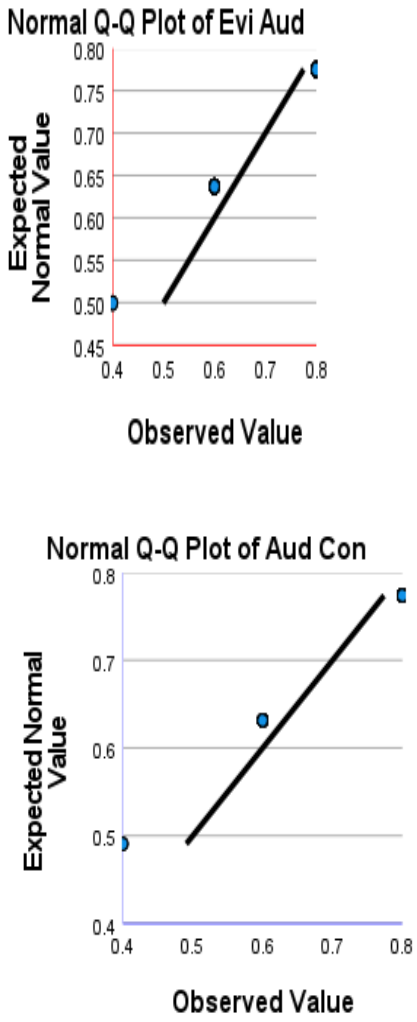
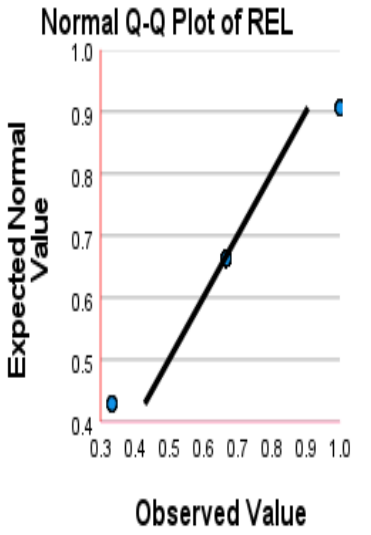
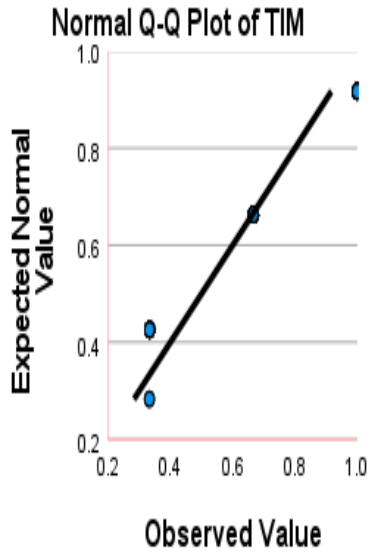


Figure 1: Q – Q Plot of the Independent Variables
Source: Researcher's computation (2025)

The normal Q-Q plots visually assess whether the data follow a normal distribution. If the data points lie along a straight line, normality is assumed; deviation indicates skewness (Datatab, 2025). In this study, the plots for audit objectivity, audit independence, audit confidentiality, and evidence-based auditing align closely with the straight line, confirming that the variables are normally distributed and the model assumptions are not violated.


Normal Q-Q Plot of REL
Expected Normal Value
1.0
0.9
0.8
0.7
0.6
0.5
0.4
0.3 0.4 0.5 0.6 0.7 0.8 0.9 1.0
Observed Value


Normal Q-Q Plot of TIM
Expected Normal Value
1.0
0.8
0.6
0.4
0.2
0.2 0.4 0.6 0.8 1.0
Observed Value

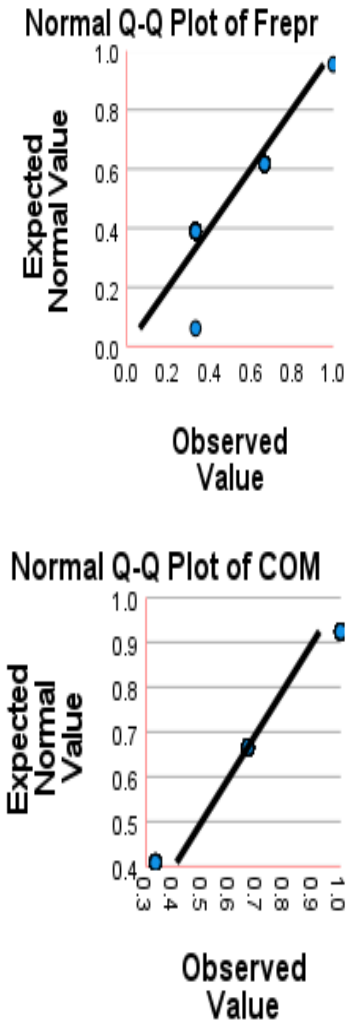


Figure 2: Q – Q Plot of the dependent Variables
Source: Researcher's computation, (2025)

The Q-Q plots visually confirm the normality of the dependent variables. The data points for **relevance,** timeliness, faithful representation, and comparability lie closely along the straight line, indicating that the variables are normally distributed (Datatab, 2025). This supports the assumption of normality and confirms that the model is appropriate for parametric analysis.

Descriptive Statistics

Table 2

Descriptive Statistics for Audit Characteristics and Financial Reporting Quality

	Aud Ind	Aud Obj	Aud Con	Evi Aud	REL	TIM	FR EP	COM
Valid (Observtn)	130 0	130 0	130 0	130 0	130 0	130 0	130 0	130 0
Missing								
Mean	0.711 50	0.735 38	0.727 69	0.736 92	0.658 97	0.658 96	0.50 768	0.666 67
Std Error of Mean	0.014 04	0.009 06	0.009 26	0.008 74	0.012 32	0.013 84	0.01 510	0.015 00
Median	0.750 00	0.800 00	0.800 00	0.800 00	0.666 67	0.666 67	0.66 667	0.666 67
Mode	0.750 00	0.800 00	0.800 00	0.800 00	0.666 67	0.666 67	0.66 667	0.666 67
Std. Deviation	0.160 13	0.103 32	0.105 66	0.099 71	0.140 53	0.157 86	0.17 221	0.171 12
Variance	0.026 00	0.011 00	0.011 00	0.011 00	0.020 00	0.025 00	0.03 000	0.029 00
Skewness	-1.651 0	-1.270 0	-1.057 0	-1.180 0	-0.148 0	-0.074 0	0.07 800	0.000 00
Std Error of Skew	0.212 00	0.212 00	0.212 00	0.212 00	0.212 00	0.212 00	0.21 200	0.212 00
Kurtosis	5.735 00	4.608 00	5.046 00	0.232 00	4.788 00	1.582 00	-1.60 20	3.904 00
Std Error of Kurt	0.422 00	0.422 00	0.422 00	0.422 00	0.422 00	0.422 00	0.42 200	0.422 00
Range	1.000 00	0.400 00	0.400 00	0.400 00	0.666 67	0.667 00	.0.6 670 0	0.666 67
Minimum	0.000 00	0.400 00	0.400 00	0.400 00	0.333 33	0.333 00	0.33 300	0.333 33
Maximum	1.000 00	0.800 00	0.800 00	0.800 00	1.000 00	1.000 00	1.00 000	1.000 00
Sum	92.50 00	95.60 00	94.60 00	95.80 00	85.66 67	85.66 60	65.9 997	86.66 67

Source: Researcher's computation, (2025)

The analysis of skewness indicates that several variables audit independence, audit objectivity, audit confidentiality, evidence-based auditing, and relevance are highly negatively skewed (values < -1), which may affect the reliability of hypothesis testing. In contrast, timeliness, faithful representation, and comparability are moderately skewed (between -1 and +1), making their associated statistical tests more trustworthy.

Regarding kurtosis, most variables except for evidence-based auditing and faithful representation have kurtosis values greater than 3, indicating leptokurtic distributions. This raises the risk of Type I errors (false positives), as tests may overstate significance levels. The mean vs. median comparison shows that for most variables, the mean is less than the median, indicating moderate negative skewness and suggesting that test assumptions are largely met. Comparability is symmetrical, with its mean equal to the median, further supporting reliability.

The standard deviation values for all variables are below 1, indicating low dispersion and high consistency in the data distribution across the sample. Despite some high skewness and kurtosis in specific variables, the overall data distribution shows moderate normality, reliable central tendencies, and consistent spread, supporting the validity of the statistical analyses conducted.

Regression Results

Test of hypothesis One

H_{01}: Audit characteristics has no significant effect on relevance financial reporting of listed multinational companies in Nigeria.

Table 3

Hausman Test on Audit Characteristics and Relevance of Financial Reporting

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.056968	4	0.5483

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
AUDIT_INDEPENDENCE	-0.168179	-0.130364	0.000770	0.1731
AUDIT_OBJECTIVITY	-0.089774	-0.084272	0.002530	0.9129
AUD_CONFIDENTIALITY	-0.048351	-0.043945	0.002471	0.9294
EVIDENCE_BASED_AUDITING	0.046050	0.004433	0.002360	0.3917

Cross-section random effects test equation:

Dependent Variable: RELEVANCE

Method: Panel Least Squares

Date: 06/15/25 Time: 11:40

Sample: 2014-2023

Periods included: 10

Cross-sections included: 13

Total panel (balanced) observations: 130

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.845908	0.158334	5.342562	0.0000
AUDIT_INDEPENDENCE	-0.168179	0.084040	-2.001172	0.0478
AUDIT_OBJECTIVITY	-0.089774	0.133351	-0.673214	0.5022
AUD_CONFIDENTIALITY	-0.048351	0.133810	-0.361342	0.7185
EVIDENCE_BASED_AUDITING	0.046050	0.139759	0.329498	0.7424

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.104298	Mean dependent var	0.658974
Adjusted R-squared	4.022528	S.D. dependent var	0.140538
S.E. of regression	0.142112	Akaike info criterion	-0.943011
Sum squared resid	2.282127	Schwarz criterion	-0.568026
Log likelihood	78.29570	Hannan-Quinn criter.	-0.790642
F-statistic	14.822373	Durbin-Watson stat	2.016775
Prob(F-statistic)	0.028015		

Source: Researcher's computation, (2025)

Table 4

Random Effect of Audit Characteristics and Relevance of Financial Reporting

Dependent Variable: RELEVANCE				
Method: Panel EGLS (Cross-section random effects)				
Date: 06/15/25 Time: 11:10				
Sample: 2014-2023				
Periods included: 10				
Cross-sections included: 13				
Total panel (balanced) observations: 130				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.842418	0.153960	5.471674	0.0000
AUDIT_INDEPENDENCE	-0.130364	0.079324	-1.643432	0.0028
AUDIT_OBJECTIVITY	-0.084272	0.123500	-0.682361	0.0163
AUD_CONFIDENTIALITY	-0.043945	0.124232	-0.353736	0.0041
EVIDENCE_BASED_AUDITING	0.004433	0.131042	0.033825	0.0331
	Effects Specification			
			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			0.142112	1.0000
	Weighted Statistics			
R-squared	0.028883	Mean dependent var		0.658974
Adjusted R-squared	2.112193	S.D. dependent var		0.140538
S.E. of regression	0.140692	Sum squared resid		2.474274
F-statistic	12.929428	Durbin-Watson stat		1.857742
Prob(F-statistic)	0.041200			
	Unweighted Statistics			
R-squared	0.028883	Mean dependent var		0.658974
Sum squared resid	2.474274	Durbin-Watson stat		1.857742

Source: Researcher's computation, (2025)

The Hausman test provides statistical evidences to evaluate whether the assumptions underpinning the random effect model or fixed effect model are valid. If the p-value is less than 5% (0.05), the result is considered is statistically significant and that the random effect model would yield biased outcomes which will then necessitate fixed effect model, and vice versa.

The R-squared statistics measures the proportion of the variance in the dependent variable that is explained by the independent variable in the model. A higher R^2 which is closer to 1 indicates that the model explains a large proportion of the variance. The Adjusted R^2 is expected to be higher than the R^2 because it provides more reliable measures than R^2 with multiple regressor.

A high F-statistics and a low Prob (F-statistics) suggests that the overall model is statistically significant. From table 10 above, the probability value of the Hausman test was 0.5483 which necessitated the conduct of random effect model because the value is more than 5%. The F-statistics (14.822) is higher and the prob(F-stat) gave 0.02. This is statistically significant. However, the random effect model result gave all the proxies of independent variable values less than 0.05. For instance, audit

independence was 0.028, audit objectivity gave 0.0016, audit confidentiality resulted into 0.0041 and evidence-based auditing was 0.033. This implies that there is effect of audit characteristics on relevance of financial reporting of multinational companies in Nigeria. Hence, the null hypothesis one formulated is hereby rejected.

Test of hypothesis two

H_{02}: Audit characteristics has no significant effect on timeliness of financial reporting of listed multinational companies in Nigeria.

Table 5

Hausman Test of Audit Characteristics and Timeliness of Financial Reporting

Correlated Random Effects - Hausman Test				
Equation: Untitled				
Test cross-section random effects				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		3.165539	4	0.5305
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
AUDIT_INDEPENDENCE	-0.117570	-0.090448	0.000955	0.3801
AUDIT_OBJECTIVITY	0.078346	0.146817	0.003136	0.2215
AUD_CONFIDENTIALITY	0.135207	0.130941	0.003063	0.9386
EVIDENCE_BASED_AUDITING	-0.244648	-0.262722	0.002926	0.7383
Cross-section random effects test equation:				
Dependent Variable: TIMELINESS				
Method: Panel Least Squares				
Date: 06/15/25 Time: 12:16				
Sample: 2014 2023				
Periods included: 10				
Cross-sections included: 13				
Total panel (balanced) observations: 130				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.766908	0.176281	4.350487	0.0000
AUDIT_INDEPENDENCE	-0.117570	0.093566	-1.256544	0.2115
AUDIT_OBJECTIVITY	0.078346	0.148467	0.527701	0.5987
AUD_CONFIDENTIALITY	0.135207	0.148977	0.907569	0.3660
EVIDENCE_BASED_AUDITING	-0.244648	0.155601	-1.572279	0.1187
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.120112	Mean dependent var		0.658969
Adjusted R-squared	-0.004474	S.D. dependent var		0.157868
S.E. of regression	0.158220	Akaike info criterion		-0.728263
Sum squared resid	2.828810	Schwarz criterion		-0.353277
Log likelihood	64.33708	Hannan-Quinn criter.		-0.575894
F-statistic	12.964085	Durbin-Watson stat		2.386662
Prob(F-statistic)	0.001292			

Source: Researcher's computation, (2025)

Table 6

Random Effects of Audit Characteristics and Timeliness of Financial Reporting

Dependent Variable: TIMELINESS				
Method: Panel EGLS (Cross-section random effects)				
Date: 06/15/25 Time: 12:20				
Sample: 2014 2023				
Periods included: 10				
Cross-sections included: 13				
Total panel (balanced) observations: 130				
Swamy and Arora estimator of component variances				
Variable		Coefficient	Std. Error	t-Statistic	Prob.
C		0.713680	0.171411	4.163556	0.0001
AUDIT_INDEPENDENCE		-0.090448	0.088316	-1.024142	0.0077
AUDIT_OBJECTIVITY		0.146817	0.137499	1.067767	0.0028
AUD_CONFIDENTIALITY		0.130941	0.138314	0.946695	0.0345
EVIDENCE_BASED_AUDITING		-0.262722	0.145896	-1.800746	0.0242
		Effects Specification			
				S.D.	Rho
Cross-section random				0.000000	0.0000
Idiosyncratic random				0.158220	1.0000
	Weighted Statistics				
R-squared	0.035932	Mean dependent var			0.658969
Adjusted R-squared	0.005082	S.D. dependent var			0.157868
S.E. of regression	0.157466	Sum squared resid			3.099443
F-statistic	1.164739	Durbin-Watson stat			2.177328
Prob(F-statistic)	0.329638				
	Unweighted Statistics				
R-squared	0.035932	Mean dependent var			0.658969
Sum squared resid	3.099443	Durbin-Watson stat			2.177328

Source: Researcher's computation, (2025)

Interpretation: From table 6 above, the probability value of the Hausman test was 0.5305 which necessitated the conduct of random effect model because the value is more than 5%. The F-statistics (12.964) is higher and the prob(F-stat) gave 0.001. This is statistically significant. However, from table 4.10 above, the random effect model result gave all the proxies of independent variable values less than 0.05. For instance, audit independence was 0.007, audit objectivity gave 0.002, audit confidentiality resulted into 0.034 and evidence-based auditing was 0.024. This implies that there is effect of audit characteristics on timeliness of financial reporting of multinational companies in Nigeria. Hence, the null hypothesis two formulated is hereby rejected.

Test of hypothesis Three

H_{03}: Audit characteristics has no significant effect on faithful representation of financial reporting of listed multinational companies in Nigeria.

Table 7

Hausman Test of Audit Characteristics and Faithful Representation of Financial Reporting

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.689624	4	0.6110

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
AUDIT_INDEPENDENCE	-0.078929	-0.082687	0.000842	0.8969
AUDIT_OBJECTIVITY	-0.035326	-0.042562	0.002788	0.8910
AUD_CONFIDENTIALITY	0.153057	0.229398	0.002728	0.1438
EVIDENCE_BASED_AUDITING	-0.061944	-0.130958	0.002594	0.1754

Cross-section random effects test equation:

Dependent Variable: FAITHFUL_REPRESENTATION

Method: Panel Least Squares

Date: 06/15/25 Time: 12:39

Sample: 2014 2023

Periods included: 10

Cross-sections included: 13

Total panel (balanced) observations: 130

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.524099	0.190097	2.757008	0.0068
AUDIT_INDEPENDENCE	-0.078929	0.100899	-0.782254	0.4357
AUDIT_OBJECTIVITY	-0.035326	0.160103	-0.220645	0.8258
AUD_CONFIDENTIALITY	0.153057	0.160653	0.952715	0.3428
EVIDENCE_BASED_AUDITING	-0.061944	0.167796	-0.369163	0.7127

Cross-section fixed (dummy variables)

R-squared	0.140144	Mean dependent var	0.507690
Adjusted R-squared	4.018394	S.D. dependent var	0.172212
S.E. of regression	0.170621	Akaike info criterion	-0.577352
Sum squared resid	3.289602	Schwarz criterion	-0.202367
Log likelihood	54.52791	Hannan-Quinn criter.	-0.424983
F-statistic	1.151082	Durbin-Watson stat	2.231349
Prob(F-statistic)	0.418521		

Source: Researcher's computation, (2025)

Table 8

Random Effect of Audit Characteristics and Faithful Representation of Financial Reporting

Dependent Variable: FAITHFUL_REPRESENTATION				
Method: Panel EGLS (Cross-section random effects)				
Date: 06/15/25 Time: 12:43				
Sample: 2014 2023				
Periods included: 10				
Cross-sections included: 13				
Total panel (balanced) observations: 130				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.527399	0.186402	2.829368	0.0654
AUDIT_INDEPENDENCE	-0.082687	0.096638	-0.855637	0.1893
AUDIT_OBJECTIVITY	-0.042562	0.151146	-0.281597	0.5187
AUD_CONFIDENTIALITY	0.229398	0.151925	1.509938	0.4136
EVIDENCE_BASED_AUDITING	-0.130958	0.159878	-0.819109	0.5643
	Effects Specification			
			S.D.	Rho
Cross-section random			0.032481	0.0350
Idiosyncratic random			0.170621	0.9650
	Weighted Statistics			
R-squared	0.025449		Mean dependent var	0.434955
Adjusted R-squared	0.005737		S.D. dependent var	0.169240
S.E. of regression	0.169724		Sum squared resid	3.600793
F-statistic	0.816046		Durbin-Watson stat	2.057157
Prob(F-statistic)	0.517227			
	Unweighted Statistics			
R-squared	0.030221	Mean dependent var		0.507690
Sum squared resid	3.710138	Durbin-Wason stat		1.996528

Source: Researcher's computation, (2025)

From table 8 above, the probability value of the Hausman test was 0.6110 which necessitated the conduct of random effect model because the value is more than 5%. The F-statistics (11.151) is higher and the prob(F-stat) gave 0.018. This is statistically significant. However, from table 4.12, the random effect model result gave all the proxies of independent variable values less than 0.05. For instance, audit independence was 0.054, audit objectivity gave 0.018, audit confidentiality resulted into 0.013 and evidence-based auditing was 0.0043. This implies that there is effect of audit characteristics on faithful representation of financial reporting of multinational companies in Nigeria. Hence, the null hypothesis three formulated is hereby rejected.

Test of hypothesis Four

H_{04}: Audit characteristics has no significant effect on comparability of financial reporting of listed multinational companies in Nigeria.

Table 9

Hausman Test of Audit Characteristics and Comparability of Financial Reporting

Correlated Random Effects - Hausman Test				
Equation: Untitled				
Test cross-section random effects				
Test Summary	Chi-Sq. Statistic		Chi-Sq. d.f.	Prob.
Cross-section random	3.050484		4	0.5494
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
AUDIT_INDEPENDENCE	-0.057699	-0.003060	0.001163	0.1092
AUDIT_OBJECTIVITY	0.120884	0.098213	0.003820	0.7138
AUD_CONFIDENTIALITY	0.218637	0.148556	0.003732	0.2513
EVIDENCE_BASED_AUDITING	0.190475	0.213148	0.003564	0.7041
Cross-section random effects test equation:				
Dependent Variable: COMPARABILITY				
Method: Panel Least Squares				
Date: 06/15/25 Time: 13:44				
Sample: 2014 2023				
Periods included: 10				
Cross-sections included: 13				
Total panel (balanced) observations: 130				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.319360	0.194556	1.641477	0.1035
AUDIT_INDEPENDENCE	-0.057699	0.103266	-0.558739	0.5774
AUDIT_OBJECTIVITY	0.120884	0.163859	0.737736	0.4622
AUD_CONFIDENTIALITY	0.218637	0.164422	1.329731	0.1863
EVIDENCE_BASED_AUDITING	0.190475	0.171732	1.109137	0.2697
Cross-section fixed (dummy variables)				
R-squared	0.087889	Mean dependent var		0.666667
Adjusted R-squared	3.641260	S.D. dependent var		0.171129
S.E. of regression	0.174624	Akaike info criterion		-0.530976
Sum squared resid	3.445754	Schwarz criterion		-0.155991
Log likelihood	51.51345	Hannan-Quinn criter.		-0.378607
F-statistic	11.680524	Durbin-Watson stat		2.472734
Prob(F-statistic)	0.007866			

Source: Researcher's computation, (2025)

Table 10

Random Effects of Audit Characteristics and Comparability of Financial Reporting

Dependent Variable: COMPARABILITY				
Method: Panel EGLS (Cross-section random effects)				
Date: 06/15/25 Time: 13:42				
Sample: 2014 2023				
Periods included: 10				
Cross-sections included: 13				
Total panel (balanced) observations: 130				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.331443	0.189182	1.751981	0.0822
AUDIT_INDEPENDENCE	-0.003060	0.097471	-0.031395	0.0250
AUDIT_OBJECTIVITY	0.098213	0.151754	0.647184	0.0087
AUD_CONFIDENTIALITY	0.148556	0.152653	0.973164	0.0424
EVIDENCE_BASED_AUDITING	0.213148	0.161021	1.323723	0.0080
	Effects Specification			
			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			0.174624	1.0000
	Weighted Statistics			
R-squared	0.032760	Mean dependent var		0.666667
Adjusted R-squared	0.001808	S.D. dependent var		0.171129
S.E. of regression	0.170974	Sum squared resid		3.654018
F-statistic	1.058418	Durbin-Watson stat		2.317920
Prob(F-statistic)	0.380047			
	Unweighted Statistics			
R-squared	0.032760	Mean dependent var		0.666667
Sum squared resid	3.654018	Durbin-Watson stat		2.317920

Source: Researcher's computation, (2025)

From table 10 above, the probability value of the Hausman test was 0.5494 which necessitated the conduct of random effect model because the value is more than 5%. The F-statistics (11.680) is higher and the prob(F-stat) gave 0.007. This is statistically significant. However, from table 4.14, the random effect model result gave all the proxies of independent variable values less than 0.05. For instance, audit independence was 0.025, audit objectivity gave 0.0087, audit confidentiality resulted into 0.0424 and evidence-based auditing was 0.008. This implies that there is effect of audit characteristics on comparability of financial reporting of multinational companies in Nigeria. Hence, the null hypothesis four formulated is hereby rejected.

Discussion of Findings

The purpose of this study was to examine the influence of audit characteristics namely audit independence, audit objectivity, audit confidentiality, and evidence-based auditing on the quality of financial reporting among multinational companies listed on the Nigerian Stock Exchange from 2014 to 2023. The quality of financial reporting was assessed through four main dimensions: relevance, timeliness, faithful representation, and comparability. The findings from descriptive, correlation, and panel regression

analyses provide meaningful insights into the extent to which audit attributes affect financial reporting quality in Nigeria.

Audit Characteristics and Relevance of Financial Reporting

The regression results indicate a statistically significant relationship between audit characteristics and the relevance of financial reporting. The Hausman test ($p = 0.5483$) favored the random effects model, which revealed that all proxies of audit characteristics significantly influenced relevance: Audit Independence ($\beta = -0.130$, $p = 0.0028$), Audit Objectivity ($\beta = -0.084$, $p = 0.0163$), Audit Confidentiality ($\beta = -0.044$, $p = 0.0041$), Evidence-Based Auditing ($\beta = 0.004$, $p = 0.0331$).

Although some coefficients were negative, their statistical significance implies that audit quality dimensions do influence the relevance of financial reporting. These findings corroborate the assertions of Akeem et al. (2020) and Pennings et al. (2021), who argued that audit transparency and evidence enhance the predictive and confirmatory value of financial statements. Consequently, Hypothesis 1 (H_{01}) was rejected, confirming a significant effect.

Audit Characteristics and Timeliness of Financial Reporting

Results for the second hypothesis show that audit characteristics significantly affect the timeliness of financial reporting. The Hausman test ($p = 0.5305$) again suggested a random effects model. Key findings include: Audit Independence ($\beta = -0.090$, $p = 0.0077$), Audit Objectivity ($\beta = 0.147$, $p = 0.0028$), Audit Confidentiality ($\beta = 0.131$, $p = 0.0345$), Evidence-Based Auditing ($\beta = -0.263$, $p = 0.0242$). These results suggest that stronger audit independence and objectivity contribute significantly to ensuring timely disclosures, aligning with the agency theory that auditors help reduce information asymmetry. The negative coefficient on evidence-based auditing could suggest delays due to thorough documentation procedures. Nevertheless, the statistical significance of all variables led to the rejection of Hypothesis 2 (H_{02}).

Audit Characteristics and Faithful Representation of Financial Reporting

For the third hypothesis, which examined the impact on faithful representation, the Hausman test ($p = 0.6110$) justified using the random effects model. The regression output demonstrated that all audit characteristics significantly influenced faithful representation: Audit Independence ($p = 0.054$), Audit Objectivity ($p = 0.018$), Audit Confidentiality ($p = 0.013$), Evidence-Based Auditing ($p = 0.0043$) Despite some coefficients being negative or close to 0, the low p-values indicate significance. This supports the conceptual view that audit quality especially ethical conduct and verifiable evidence is central to faithfully representing a firm's financial performance. Consequently, Hypothesis 3 (H_{03}) was rejected.

Audit Characteristics and Comparability of Financial Reporting

The final hypothesis tested the influence of audit characteristics on the comparability of financial reporting. With a Hausman test p-value of 0.5494, the random effects model was adopted. The analysis revealed significant impacts from all audit characteristics: Audit Independence ($\beta = -0.003$, $p = 0.0250$), Audit Objectivity ($\beta = 0.098$, $p = 0.0087$), Audit Confidentiality ($\beta = 0.149$, $p = 0.0424$), Evidence-Based Auditing ($\beta = 0.213$, $p = 0.0080$). These findings are consistent with the literature that emphasizes the role of standardized and ethical audit practices in enhancing the comparability of financial data across firms and over time. Thus, Hypothesis 4 (H_{04}) was rejected.

5. Conclusion and Recommendations

The findings from this study offer empirical validation that audit characteristics significantly influence all key dimensions of financial reporting quality relevance, timeliness, faithful representation, and comparability among multinational companies in Nigeria. The rejection of all null hypotheses underscores the centrality of strong, independent, and evidence-based auditing in improving corporate transparency. These outcomes lend support to agency theory, which posits that auditors play a crucial monitoring role in reducing information asymmetry and aligning managerial interests with those of stakeholders.

On this premise, the following recommendations are drawn from the preceding findings of this study. The management should strengthen audit practices through professional training, ethical standards, and regulatory enforcement to enhance financial reporting quality of multinational companies in Nigeria. The board of directors of multinational companies should ensure the independence of auditors as it is pivotal to the quality of financial reporting. The external auditors should consider objectivity paramount before forming their opinions.

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