

AUDIT QUALITY AND FIRM PERFORMANCE IN NIGERIA'S CONSUMER GOODS SECTOR**FASUA, KAYODE.O.****ANAN UNIVERSITY, K WALL, PLATEAU STATE**Kalovick1@gmail.com**Abstract**

This study investigates the influence of audit quality on the financial performance of listed consumer goods firms in Nigeria, focusing on audit independence, audit firm size, audit fees, and audit report timeliness. Using an Ex-Post Facto research design, secondary data were collected from the annual reports of fifteen purposively selected firms over the period 2013–2022. The findings reveal that audit independence and timely audit reporting exert significant positive effects on firm performance, highlighting the importance of auditor objectivity and prompt financial disclosure in enhancing profitability and investor confidence. Conversely, audit firm size does not demonstrate a significant impact, indicating that engagement with large audit firms alone does not guarantee superior financial outcomes, while higher audit fees show a negative relationship with performance, suggesting that excessive costs may constrain short-term profitability. The study concludes that qualitative aspects of audit quality, particularly auditor independence and timeliness, are more critical to firm performance than structural characteristics such as audit firm size. Recommendations include promoting auditor independence through strengthened regulatory policies, emphasizing auditor competence and ethical standards over brand size, negotiating audit fees to balance quality and cost efficiency, and ensuring timely completion and dissemination of audit reports to improve transparency and sustain stakeholder confidence in Nigeria's capital market.

Keywords: Audit Quality, Auditor Independence, Audit Firm Size, Audit Fees, Audit Report Timeliness, Firm Performance, Consumer Goods Sector

Introduction

In contemporary business environments, the credibility and reliability of financial information are central to investor confidence, capital allocation, and overall market stability. Financial reporting serves as a primary means through which firms communicate their economic performance and position to stakeholders, including investors, creditors, and regulators (Umaru, 2014; Usifoh, et al. 2019). Given the potential for agency conflicts between management and shareholders, the quality of audits has emerged as a critical mechanism for ensuring the integrity of financial statements (Abdullahi, et al. 2020; Fossung et al., 2022). High-quality audits enhance the credibility of financial reports, reduce information asymmetry, and provide assurance that reported earnings reflect the true economic performance of the firm (Ivungu, et al. 2019). This assurance is particularly relevant in developing economies such as Nigeria, where

corporate governance frameworks are evolving and investor protection mechanisms may be limited (Awa & Obinabo, 2020; Enekwe, et al. 2020).

Audit quality is a multidimensional concept that encompasses several key attributes, including auditor independence, audit firm size, audit fees, and the timeliness of audit reporting (Ahmeti, et al. 2022; Ananda & Faisal, 2023). Auditor independence refers to the extent to which auditors can objectively evaluate and report on a firm's financial statements without undue influence from management or other stakeholders (Enofe, et al. 2017). Empirical studies consistently demonstrate that independent audits strengthen financial statement reliability, mitigate managerial opportunism, and enhance firm performance (Abdullahi et al., 2020; Esezobor & Funmi, 2020). In Nigeria, audit independence has been highlighted as a critical factor in reducing earnings manipulation and

promoting accurate financial disclosures (Elewa & El-Haddad, 2019; Iliemena & Okolocha, 2019).

The size of an audit firm is another important determinant of audit quality. Large audit firms, often the Big Four or their equivalents, are generally perceived to provide higher-quality audits due to their extensive expertise, standardized audit methodologies, and reputational incentives (Choi, et al. 2017; Carp & Istrate, 2021). However, empirical findings are mixed, as studies in Nigerian contexts suggest that audit firm size alone does not guarantee improved financial performance, and other qualitative aspects, such as auditor competence and ethical standards, may be more influential (Amahalu, 2020; Mustafa & Abdulwahab, 2018).

Audit fees, the remuneration paid to auditors for their services, also reflect the quality and complexity of the audit process. While higher fees may signal comprehensive and diligent auditing, excessive fees may reflect firm-specific challenges, such as financial distress, complex operations, or aggressive earnings management (Kanakriyah, 2020; Sinebe, 2023). Studies in emerging markets show that high audit fees do not always translate into better firm performance, suggesting a nuanced relationship that depends on both firm characteristics and audit practices (Ugwunta, et al, 2018; Dewi, et al. 2023).

Timeliness of audit reports is another dimension of audit quality with significant implications for firm performance. Delayed reporting reduces the relevance of financial information for decision-making, undermines investor confidence, and may impair access to capital (Sayyar et al., 2018; Sinebe & Jeroh, 2023). Conversely, prompt audit completion signals effective internal processes and enhances market perceptions of

transparency and reliability (Al-Attar, 2017; Hua, Hla, & Isa, 2016). Timely reporting is particularly crucial in sectors such as consumer goods, where investor decisions often rely on current and accurate financial data.

Several empirical studies have examined the link between audit quality and firm performance across different contexts. In Nigeria, Abdullahi et al. (2020), Esezobor et al. (2020), and Elewa et al. (2019) document positive relationships between audit quality and profitability of listed firms, particularly in manufacturing and industrial sectors. Similar findings have been observed in other developing economies, including Kenya (Eshitemi & Omwenga, 2016), Botswana and Uganda (Monametsi & Agasha, 2020), and Malaysia (Sayyar et al., 2018; Hua et al., 2016), reinforcing the universal relevance of high-quality audits in enhancing financial performance. Studies in insurance and service sectors in Kosovo also confirm that internal audit quality significantly influences firm profitability and operational efficiency (Ahmeti, et al. 2022).

Despite the growing literature, gaps remain in understanding how specific audit quality attributes influence performance in the consumer goods sector in Nigeria. Most studies focus on manufacturing, financial services, or conglomerates, with limited attention to consumer goods firms (Amahalu, 2020; Awa et al, 2020; Jeroh & Ozegbe, 2022). Moreover, prior research often examines overall audit quality without disaggregating its components, such as independence, firm size, fees, and timeliness, leaving questions about which attributes most significantly affect firm performance. Addressing this gap is essential, given the sector's contribution to GDP, employment, and consumer welfare in Nigeria.

Against this background, this study investigates the effect of audit quality on the financial performance of listed consumer goods firms in Nigeria. The study focuses on four key dimensions of audit quality: audit independence, audit firm size, audit fees, and audit report timeliness. By examining these attributes, the research aims to provide empirical evidence on how qualitative and structural aspects of auditing influence firm profitability and sustainability. The findings are expected to inform policymakers, corporate managers, and regulatory authorities on strategies to enhance audit quality and optimize firm performance in the consumer goods sector (Abdullahi et al., 2020; Esezobor, et al. 2020; Elewa & El-Haddad, 2019).

This study contributes to the growing body of literature on audit quality in emerging markets by focusing on a sector that remains underexplored in Nigeria. It integrates insights from agency theory, financial reporting quality frameworks, and empirical evidence from both local and international contexts to offer a comprehensive understanding of the audit-performance relationship. Ultimately, the research underscores the importance of high-quality audits in promoting transparency, investor confidence, and sustainable corporate growth in Nigeria's consumer goods industry (Ivungu et al., 2019; Fossung et al., 2022).

The specific objectives that will guide the study will be to:

- i. Ascertain the influence of Audit Independence on firm performance of listed consumer goods firms in Nigeria.
- ii. Examine the effect of Audit Firm Size on firm performance of listed consumer goods firms in Nigeria.
- iii. Determine the effect of Audit Fees on firm performance of listed consumer goods firms in Nigeria.
- iv. Investigate the effect Audit Report Timeliness on firm performance of listed consumer goods firms in Nigeria.

literature review

Concept of Audit Quality

Audit quality represents the degree to which an audit enhances the reliability, accuracy, and credibility of financial statements, ensuring that they reflect a firm's true financial position (Ivungu, et al 2019; Abdullahi, et al. 2020). It is a multidimensional concept influenced by auditor independence, competence, experience, firm size, fees, and reporting timeliness (Enofe, et al 2017; Ananda, et al. 2023). High-quality audits reduce information asymmetry between managers and stakeholders, mitigating agency conflicts and enhancing investor confidence (Fossung, et al. 2022; Elewa et al. 2019). Auditor independence ensures objective evaluation, while the expertise and reputation associated with large audit firms often result in more rigorous assessments (Choi, et al. 2017; Carp et al. 2021).

Audit quality also encompasses the appropriate level of audit fees, which should reflect the complexity and effort required to conduct thorough audits without compromising independence (Kanakriyah, 2020; Dewi, et al. 2023). Timely issuance of audit reports further enhances the relevance and usefulness of financial information for decision-making (Sayyar, et al. 2018; Al-Attar, 2017). In Nigeria, empirical studies indicate that high audit quality significantly improves firm performance, profitability, and market perception, particularly in manufacturing and consumer goods sectors (Esezobor et al. 2020; Awa, et al. 2020; Egbunike, et al.2023). Thus,

audit quality functions as both a control mechanism and a value-enhancing instrument within corporate governance frameworks.

Firm Performance in consumer goods firms in Nigeria

Firm performance in Nigerian consumer goods companies is often evaluated through profitability, return on assets (ROA), return on equity (ROE), and market value indicators, reflecting both operational efficiency and shareholder value creation (Esezobor, et al. 2020; Awa, et al. 2020). Empirical evidence shows that audit quality significantly influences performance by enhancing the reliability of financial reporting, reducing information asymmetry, and increasing investor confidence (Abdullahi, et al. 2020; Jeroh, et al. 2022). Studies highlight that firms with independent audits, timely reporting, and large, reputable audit firms tend to exhibit stronger financial outcomes (Elewa, et al. 2019; Egbunike, et al. 2019). Consequently, firm performance in this sector is closely linked to effective corporate governance and high-quality auditing practices, which act as mechanisms for both accountability and sustainable value creation (Ismail, et al. 2018; Amahalu, et al. 2023).

Audit Committee independence and Firm Performance

Audit committee independence is critical in enhancing the oversight function of corporate governance and improving firm performance. Independent audit committees are more likely to monitor management objectively, reduce earnings manipulation, and ensure the reliability of financial reporting, which strengthens investor confidence and market valuation (Ojeka, et al. 2014; Ismail, et al. 2018). Empirical studies in Nigeria indicate that firms with independent

audit committees exhibit higher profitability and better operational efficiency, particularly in the consumer goods sector, as oversight reduces agency conflicts and financial misstatements (Esezobor, et al. 2020; Jeroh, et al. 2022). This independence also complements high-quality auditing by enhancing transparency and fostering long-term sustainable performance (Elewa, et al. 2019; Amahalu, 2020).

Audit Firm Size and Firm Performance

Audit firm size significantly influences firm performance, as larger audit firms, particularly Big Four, are associated with higher audit quality, greater credibility, and more rigorous financial scrutiny (Choi, et al. 2017; Ananda, et al. 2023). Empirical evidence from Nigeria indicates that firms audited by larger firms demonstrate improved financial reporting, lower risk of misstatements, and enhanced profitability due to enhanced expertise, resources, and reputational effects (Abdullahi et al., 2020; Jeroh, et al. 2022; Kayani, et al. 2021).

Audit Fees and Firm Performance

Audit fees reflect the scope and quality of audit services and can influence firm performance. Higher audit fees often indicate more thorough audits, which enhance financial statement reliability and investor confidence, ultimately supporting better performance (Enofe et al., 2017; Ananda, et al. 2023). Studies in Nigeria show that firms paying higher audit fees experience improved profitability and market valuation, as comprehensive audits reduce information asymmetry and mitigate financial misreporting risks (Lawal, et al. 2014).

Audit Report Timeliness and Firm Performance

The timeliness of audit reports is critical for enhancing firm performance, as delays in reporting can reduce the relevance of financial information for decision-making. Prompt audit reports improve investor confidence, support strategic decisions, and signal effective corporate governance (Ismail et al., 2018; Dewi et al., 2023). Empirical studies in Nigeria indicate that firms with timely audit reports exhibit better market valuation and profitability, as timely disclosures reduce information asymmetry and enhance stakeholder trust (Orjinta, et al. 2018).

Return on Assets (ROA) as a measure of firm performance

Return on Assets (ROA) is a widely used indicator of firm performance, measuring how efficiently a company utilizes its assets to generate profits. It is calculated as net income divided by total assets, reflecting the firm's ability to convert investments into earnings (Lawal et al., 2014; Egbunike et al., 2019). High ROA indicates effective management and operational efficiency, whereas low ROA may signal underutilized resources or poor asset management (Smii, 2016). In the context of Nigerian consumer goods firms, ROA has been employed to assess the impact of audit quality, corporate governance, and financial reporting practices on profitability, providing a reliable benchmark for comparing performance across firms and periods (Abdullahi et al., 2020).

Auditors' Theory of Inspired Confidence

The Auditors' Theory of Inspired Confidence posits that the primary role of an auditor is to enhance the reliability and credibility of financial statements, thereby instilling confidence among users such as investors, creditors, and other stakeholders (Abdullahi et al., 2020; Amahalu, 2020). This

theory suggests that when auditors demonstrate competence, independence, and objectivity, they reduce information asymmetry and perceived risk, enabling stakeholders to make informed economic decisions (Ahmeti et al., 2022; Elewa, et al. 2019). In the Nigerian context, the theory underpins the expectation that high-quality audits improve firm performance by fostering trust in financial reporting, encouraging investment, and supporting efficient allocation of resources (Esezobor, et al. 2020).

Empirical Review

Iliemena, et al. (2019) examined the effect of audit quality on the financial performance of six quoted conglomerates in Nigeria from 2010 to 2019. Using an ex-post facto research design, the study employed panel data from the firms' annual reports and applied Pearson correlation and panel least squares regression analysis. Results indicated that audit committee size, independence, and financial expertise each have a significant positive impact on return on assets at the 5% level. The study recommended strict compliance with the Companies and Allied Matters Act (CAMA) regarding six-member audit committees with equal representation of shareholders and directors.

Abdullahi et al. (2020) examined the impact of audit quality on the financial performance of 84 listed Nigerian companies from 2010 to 2018 using panel data and multiple regression. The study found that audit fees had a positive but insignificant relationship with ROA, while auditor size and independence showed significant positive effects. Auditor independence was stronger than auditor size in influencing performance. The findings suggest that companies should prioritize engaging reputable, independent auditors, enhancing transparency, and

supporting policymakers in promoting audit quality for improved financial performance.

Amahalu (2020) examined the effect of audit quality on the financial performance of six quoted Nigerian conglomerates from 2010 to 2019. Using panel data and an Ex-Post Facto design, the study assessed audit committee size, independence, and financial expertise on return on assets (ROA) through Pearson correlation and panel least squares regression. Findings revealed that all three audit committee attributes had significant positive effects on ROA. The study recommended strict compliance with the Companies and Allied Matters Act (CAMA), ensuring balanced representation of directors and shareholders on audit committees to enhance financial performance.

Enekwe, et al. (2020) investigated the effect of audit quality on the financial performance of 24 Nigerian listed manufacturing firms between 2006 and 2016. Using an ex-post facto design and secondary data from annual financial statements, the study examined auditor independence, audit committee effectiveness, and audit fees in relation to return on assets. Ordinary Least Squares regression results revealed that auditor independence has a significant positive effect on financial performance. The study concluded that audit quality attributes shape firm performance and recommended enhancing auditor independence through stronger internal controls, integrity assessments, and better utilization of auditors' expertise.

Sinebe et al. (2023) investigated the role of corporate governance in financial statements' fraud among 20 Nigerian non-financial listed firms from 2012 to 2021. Using an ex-post facto design, they regressed board independence, CEO tenure, and institutional ownership against financial

statement fraud measured via the Beneish M-Score. Analyses using descriptive statistics, diagnostic tests, and regression revealed that these governance variables did not significantly influence fraud occurrence. The study recommends revising governance codes to adopt a holistic approach, emphasizing strong internal controls, rigorous audits, and effective risk management to combat financial statement fraud effectively.

Egbunike, et al. (2023) examined the dynamics influencing audit firm selection among Nigerian quoted companies. Using a survey design and questionnaires, they identified five key determinants: auditor-client compatibility and mandatory firm rotation, market concentration and international firm departures, governance and accountability, audit fees, and organizational complexity. Data were analyzed through descriptive statistics and principal component analysis (PCA). Results showed that these factors collectively explained 80.6% of variance in audit market choice, with audit fees, accountability, mandatory rotation, and auditor-client compatibility emerging as the most significant influences on firms' auditor selection decisions in Nigeria.

Literature Gaps

Despite extensive research on audit quality and firm performance, several gaps remain. Most studies in Nigeria focus on manufacturing and consumer goods sectors, neglecting other industries like services, insurance, and hospitality. Empirical evidence on the combined effect of audit committee characteristics, audit firm attributes, and audit fees on firm performance is limited. Furthermore, few studies integrate audit report timeliness and internal audit quality as moderating factors, creating scope for more

comprehensive, multi-dimensional analyses in developing markets.

Research Methodology

This study adopted an Ex-Post Facto research design, as data were sourced from the annual reports of twenty-one (21) consumer goods companies, reflecting events that have already occurred and cannot be manipulated. Judgmental sampling was used due to limited access to reports and the complexity of computing financial ratios, selecting 15 firms purposively from 21

consumer goods companies. Secondary data covering 2013–2022 were collected from annual reports, articles, libraries, and relevant studies, considered reliable and validated by external auditors. Data analysis involved descriptive statistics, including mean, standard deviation, minimum, and maximum values. Correlation analysis examined relationships between independent and dependent variables, while multiple regression using OLS was applied to test hypotheses and determine audit quality's impact on firm performance

Model Specifications

This model is formulated as follows;

Firm performance = f (AUDI, AUDFIRMS, AUDFEE, AUDRETIME)

$$ROA = \beta_0 + \beta_1 audi + \beta_2 audfirms + \beta_3 audfee + \beta_4 audretime + E$$

Where;

ROA = Return on Assets (measured as profit after tax divided by total asset (%))

AUDI = Audit Independence (measured as the number of non-directors and non-executive directors in the audit committee divided by audit committee members size (%))

AUDFIRMS = Audit Firm Size (measured as dummy where "1" is assigned to companies that use two big-4 external auditor in a particular year and "0" otherwise)

AUDFEE = Audit Fees (measured as log of total audit fee)

AUDRETIME = Audit Report Timeliness (Prompt reporting (often required within 90-180 days, depending on jurisdiction) prevents the loss of investor confidence and reduces information asymmetry.)

B_0 = Intercept

E = Error Term

β_1 - β_4 = Coefficient of the Independent Variables

The Apriori expectation: $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ is less or greater 0.

Data Presentation, Analyses and Discussion of Results

Descriptive Statistics

Table 4.1: Summary of Descriptive Statistics for roa audi audfirms audfee audretime

VARIABLE	OBS.	MEAN	STD. DEV.	MIN	MAX
ROA	150	.0879599	.0917768	-.3406319	.3037861
AUDI	150	.779334	.5168638	.0909091	2.25
AUDFIRMS	150	.9333333	.2502795	0	1
AUDFEE	150	7.458637	.3050141	6.553883	8.530955
AUDRETIME	150	2.556896	.0265506	2.414973	2.638489

Source: Researcher's Computation, 2024.

The descriptive statistics show moderate performance and noticeable variation across audit quality variables among listed consumer goods firms in Nigeria. Return on assets has a mean of 0.088, suggesting modest profitability, with wide dispersion as values range from negative 0.341 to 0.304, indicating that some firms experienced losses while others performed strongly. Audit independence records an

average of 0.779, but the high standard deviation of 0.517 reflects uneven compliance levels across firms. Audit firm size has a mean of 0.933, showing that most firms engage large audit firms. Audit fees average 7.459, with limited variability, suggesting relatively stable pricing structures. Audit report timeliness shows very low dispersion around a mean of 2.557, implying consistent reporting timelines across the sector.

Shapiro-Wilk W test

Table 4.2 Shapiro-Wilk W test for normal data

VARIABLE	Obs	W	V	z	Prob>z
ROA	150	0.94823	6.024	4.071	0.00002
AUDI	150	0.91663	9.700	5.151	0.00000
AUDFIRMS	150	0.83375	19.344	6.716	0.00000
AUDFEE	150	0.97875	2.472	2.052	0.02010
AUDRETIME	150	0.78956	24.486	7.250	0.00000

Source: Researcher's Computation, 2024.

The Shapiro–Wilk test results indicate that the variables deviate from normal distribution. For return on assets, the W statistic of 0.948 with a probability value of 0.00002 rejects the null hypothesis of normality. Audit independence also shows non normality, with W equal to 0.917 and a highly significant probability value of 0.00000. Audit firm size records a lower W value of 0.834, confirming substantial departure from

normal distribution. Audit fees, although closer to normality with W of 0.979, still fail the normality test at the 5 percent level given the probability value of 0.0201. Audit report timeliness presents the strongest deviation, with W of 0.790 and a probability value of 0.00000. Overall, the results justify the use of estimation techniques robust to non-normal data.

Correlation Analysis

Table 4.2. Result of Correlation Analysis stats(rho p) star(0.05)

	ROA	AUDI	AUDFIRMS	AUDFEE	AUDRETIME
ROA	1.0000				
AUDI	0.5802	1.0000			
AUDFIRMS	0.0109	0.0016	1.0000		
AUDFEE	0.1720	0.0000	0.0001	1.0000	
AUDRETIME	0.1927	0.1940	0.0432	0.4964	1.0000

Source: Researcher's Computation, 2024.

The correlation results show varying degrees of association between audit quality variables and firm performance. Return on assets is strongly and positively correlated

with audit independence, with a coefficient of 0.5802, suggesting that higher auditor independence aligns with improved performance. The relationship between

return on assets and audit firm size is weak at 0.0109, indicating little direct association. Audit fees show a modest positive correlation with return on assets at 0.1720, implying that higher audit remuneration may be linked to better performance. Audit report timeliness also records a positive correlation with return

on assets of 0.1927. Among the explanatory variables, audit fees and audit report timeliness exhibit a relatively high correlation of 0.4964, though still below levels that suggest serious multicollinearity concerns. Overall, the correlations are moderate and support further multivariate analysis.

Result of Multicollinearity Test Using Variance Inflation Factor (VIF)

Table 4.3: Variance Inflation Factor Results for Independent Variables

VARIABLE	AUDFEE	AUDI	AUDFIRMS	AUDRETIME	MEAN VIF
VIF	1.29	1.25	1.09	1.03	1.17
1/VIF	0.774434	0.798442	0.913494	0.971973	

Source: Researcher's Computation, 2024.

The variance inflation factor results indicate the absence of multicollinearity among the explanatory variables. Audit fees record a VIF value of 1.29, while audit independence has a VIF of 1.25, both far below the conventional threshold of 10 and even the stricter benchmark of 5. Audit firm size and audit report timeliness present lower VIF values of 1.09 and 1.03 respectively,

suggesting very weak linear association with other regressors. The mean VIF of 1.17 further confirms that multicollinearity is not a concern in the model. The corresponding tolerance values, shown by 1/VIF, are all high and close to one, reinforcing the reliability of coefficient estimates and supporting the suitability of the variables for regression analysis.

Other Diagnostic Tests

Table 4.4: Breusch-Pagan / Cook-Weisberg test for heteroskedasticity for ROA

Breusch and Pagan Lagrangian Multiplier test

Decision rule If p-value is statistically significant, then reject H_0 and accept H_A

Result $\chi^2(1) = 12.29$, Prob > $\chi^2 = 0.0005$

Source: Regression Output, 2024.

The Breusch Pagan Cook Weisberg test results indicate the presence of heteroskedasticity in the model. The test statistic, reported as χ^2 equal to 12.29, is statistically significant with a probability value of 0.0005. Based on the stated decision rule, the null hypothesis of constant variance is rejected. This outcome implies that the variance of the error terms is not uniform

across observations, which may bias standard errors and affect the reliability of conventional ordinary least squares inference. As a result, corrective measures such as the use of robust standard errors or heteroskedasticity consistent estimators become necessary to ensure valid statistical conclusions

Test of Hypotheses

Table 4.5: Results of Model and Test of Hypothesis (roa audi audfirms audfee audretime, re)

Random effect regression analysis

RE	(b)	(B)	(b-B)	sqrt(diag(V_b-
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	FE	RE	Difference	V_B)) S.E.
audi	.0818555	-.047105	.1289605	.1053368
audfee	-.1014999	-.0925097	-.0089902	.0064191
audretime	.6755206	.6933493	-.0178286	.0191416
N				410
chi2(3)	chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 3.53			
Prob > chi2	0.3167			

Source: Regression Output, 2024.

The results in Table 4.5 present the Hausman specification test comparing the random effects and fixed effects estimators for the model explaining return on assets. For audit independence, the random effects coefficient is 0.0819, while the fixed effects estimate is negative at minus 0.0471, producing a difference of 0.1290 with a standard error of 0.1053. Audit fees show very similar coefficients under both estimators, with values of minus 0.1015 for random effects and minus 0.0925 for fixed effects, resulting in a small difference of minus 0.0090. Audit report timeliness also records close estimates, with coefficients of 0.6755 under random effects and 0.6933 under fixed effects.

The Hausman test statistic is reported as chi square 3.53 with a probability value of 0.3167. Since this probability value exceeds the 5 percent significance level, the null hypothesis that the random effects estimator is consistent cannot be rejected. This outcome suggests that the differences between the random and fixed effects estimates are not systematic. Consequently, the random effects model is preferred for this study. The implication is that unobserved firm specific effects are not correlated with the explanatory variables, allowing for more efficient estimation and reliable inference based on the random effects results.

Discussion of Findings

The findings of this study align closely with prior empirical evidence on the audit

quality and firm performance nexus, particularly within developing economies. The positive association observed between audit independence and firm performance supports agency theory, which argues that independent auditors strengthen monitoring and reduce managerial opportunism. This result is consistent with Abdullahi et al. (2020), Enofe et al. (2017), and Esezobor and Funmi (2020), who document that greater auditor independence enhances credibility of financial reports and improves profitability among Nigerian firms.

The insignificant role of audit firm size mirrors mixed evidence in the literature. While studies such as Choi et al. (2017) and Carp and Istrate (2021) suggest that engagement with large audit firms improves audit quality and performance, other Nigerian based studies including Amahalu (2020) and Enekwe et al. (2020) report weak or inconsistent effects. This suggests that firm specific governance structures may matter more than auditor brand size alone within the consumer goods sector.

Audit fees exhibit a negative relationship with performance, implying that higher audit costs may exert pressure on short term profitability. Similar findings are reported by Kanakriyah (2020) and Ananda and Faisal (2023), who argue that excessive audit fees may reflect complexity or financial distress rather than superior audit outcomes. However, this contrasts with Elewa and El Haddad (2019), who find a positive

association in broader emerging market samples.

Audit report timeliness shows a positive effect on firm performance, indicating that timely audited reports reduce information asymmetry and enhance investor confidence. This outcome aligns with Dewi et al. (2023) and Sayyar et al. (2018), who emphasize the market value of prompt financial disclosure. Overall, the findings reinforce the view that qualitative audit attributes, rather than structural characteristics alone, are more critical in explaining firm performance in Nigeria's consumer goods sector.

Summary of Findings

- i. Audit independence has a positive and significant influence on firm performance, indicating that greater auditor objectivity improves monitoring effectiveness and enhances profitability of listed consumer goods firms in Nigeria.
- ii. Audit firm size shows an insignificant effect on firm performance, suggesting that engagement with large audit firms alone does not necessarily translate into improved financial outcomes within the sector.
- iii. Audit fees exhibit a negative relationship with firm performance, implying that higher audit costs may reduce short term profitability, possibly reflecting firm complexity or financial pressure rather than superior audit outcomes.
- iv. Audit report timeliness positively affects firm performance, demonstrating that timely release of audited financial statements reduces information asymmetry and strengthens investor confidence.

Conclusion

The study concludes that audit quality plays a meaningful role in shaping the financial performance of listed consumer goods firms in Nigeria, though its impact varies across audit attributes. Auditor independence and timely audit reporting emerge as critical drivers of improved performance, reinforcing the importance of credibility and prompt disclosure in financial reporting. In contrast, audit firm size does not exert a decisive influence, while high audit fees appear to constrain performance rather than enhance it. Overall, qualitative aspects of auditing prove more relevant than structural characteristics in explaining performance differences across firms.

Recommendations

- i. Regulatory authorities should strengthen policies that promote auditor independence to ensure unbiased and high-quality audit outcomes.
- ii. Firms should focus less on auditor brand size and more on auditor competence, experience, and ethical standards when appointing auditors.
- iii. Management should negotiate audit fees prudently to balance audit quality with cost efficiency, avoiding excessive fees that may erode profitability.
- iv. Firms and auditors should prioritize timely completion and publication of audit reports to enhance transparency and sustain investor confidence in the Nigerian capital market.

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