



**AUDIT QUALITY AND FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS
SECTOR IN NIGERIA**

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Abstract

The main objective of this study examines the effect of audit quality on financial performance of listed consumer goods sector in Nigeria. Specifically, the study assesses the effect of audit fee, audit size and auditor committee on financial performance of listed consumer goods sector in Nigeria. The theoretical framework for the study is the agency theory. The research design was ex-post facto research design. The research work used secondary data collected from financial statements of the listed consumer goods firms in Nigeria. The analysis was done using descriptive statistics, correlation analysis, fixed and random effect test and regression analysis for the test of hypotheses. The result of the study indicate that audit fee and audit size has significant effect on financial performance of listed consumer goods sector in Nigeria while and auditor committee has no significant effect on financial performance of listed consumer goods sector in Nigeria. The study therefore concludes that audit quality has positive and significant effect on financial performance of listed consumer goods sector in Nigeria. Amongst the recommendations is that consumer goods firms should determine the optimum audit fee that will not affect performance. Consumer goods firms should improve the audit size below the mean value and consumer goods firms should not be in a hurry to assign more than one responsibility to each of the auditor committee since it has significant effect on return on asset.

Keywords: *Audit Quality, Financial Performance, Consumer Goods Sector, Nigeria.*

Introduction

Audit quality act as an essential element in maintaining the financial performance of the companies; an objective quality audit forms the basis for confidence on the integrity and credibility of financial reports which is extremely important for efficient-functioning markets and also improved the financial performance (Abdullahi, Norfadzilah, Umar and Ademola, 2022). However, external audits carried out in compliance with superiority auditing principles can strengthen the application of accounting principles by relevant entities and assist in ensuring that their financial reports are useful, transparent and reliable. An independent audit would assist in reinforcing a strong internal control mechanism, risk management and corporate governance codes in companies, thereby contributing to the financial performance (Hassan & Farouk, 2021).

Financial statement audit is said to be a control mechanism put in place for safeguarding the shareholder interests and reducing information asymmetry in order to guarantee that the audited financial reports are considered free from material distortion (Irungu, 2019). Furthermore, auditors assist in minimizing the chances of engaging in material misstatements by guaranteeing that financial reports are developed in compliance with the stipulated principles. Lesser risks of engaging in misstatements build up trust in capital markets, which as a result reduces the cost of capital for companies (Hoti, Ismajli, Ahmeti, & Dërmaku, 2020).

A financial report that is being audited by reputable auditor notifies the participant in the market that the financial reports are more credible and reliable than the ones audited by undependable auditors. The audit market identifies independent auditors and

size to be of superior quality than rewards paid to auditors by firms with greater enhancements or decreases in the share prices accordingly. Taking into account the independent an audit as well as the quality plays a significant role in preserving a well-functioning market environment that installs confidence in the veracity and reliability of financial reports required for efficient markets (Ugwunta, Ugwuanyi, & Ngwa, 2018).

Audit quality guidelines and standards provide codes of best practice that have been developed in different countries in order to curb the spate of vicious corporate collapses that has permeated the globe in the past decade. These codes largely represent the regulatory support that is meant to guarantee and sustain integrity of auditors' reports in relation to corporate earnings and financial statements. Many accounting scandals of the past decade have involved outright manipulation of accounting data through discretionary accruals including recording fictitious inventory and hiding liabilities even in the face of audited financial reports. Knechel (2019) posits that the companies that have involved in real accounting scandals along with a number of lesser known companies greatly involved in transactions where the accounting was technically correct but which served primarily to obfuscate the financial health of the organizations and the results of their operations and threat among the companies that are involved in accounting and financial scandals are gross lack of integrity, character and transactions involving related parties (Carey, 2016).

It is on this background that the present study tends to explore the effect of audit quality on financial performance of listed consumer goods sector in Nigeria.

Statement of the Problem

The global corporate scene has in the last

few decades, witnessed series of corporate scandals involving erstwhile reputable business organizations such as those of Health South, Enron and WorldCom in the United States, and Royal Ahold, Vivendi Universal and Parmalat in Europe. In addition, the Nigerian corporate scene is not spared with respect to cases of corporate scandals. There have been widely reported instances of corporate scandals such as those of Cadbury Nigeria Plc, Unilever Brothers Plc, African Petroleum Plc, Intercontinental Bank, Union Bank Plc, Oceanic Bank Plc and Afribank Plc to mention but a few. These incidences of corporate scandals have brought a big question mark on the quality of financial statements prepared and presented by the board of directors in these organizations on one hand, and the quality of audit exercise executed by the external auditors on the other hand (Ogbodo & Akabuogu, 2020).

Accounting has been frequently regarded as the language of business, it represents the language deployed by corporate management in reporting the organization's financial and economic activities to stakeholders, including shareholders, creditors, regulatory authorities, current and potential investors among others (Akinyomi et al., 2017). Therefore, the general public has a set of expectations on the annual financial statements as put together by accountants, and adjudged to reflect a true and fair view of the financial position of the organization by the external auditors. Generally, audit process is expected to be conducted in such a way that material misstatement, fraudulent practices, misjudgment, and inconsistencies should be discovered and corrected/reported, thereby confirming that the reports reveal a fairness and truthfulness

in the financial position of the business for the benefit of the stakeholders (Bakare, 2019; Olabisi et al., 2020). Where corporate scandal occurred, it is either the external auditor was unable to detect the existence of material misstatement, fraudulent practice, misjudgment, and inconsistencies; or a lack of the willpower to report such findings in the audit report (Madugba et al., 2021). This has caused a loss of confidence by stakeholders generally, and the investors in particular on the validity of the opinion expressed by external auditors on the annual reports of corporate entities globally. The foregoing invariably questions the quality of audit reports produced by the external auditors. In order to guarantee high quality audit, a mixture of external and internal concurrent elements need to be considered.

Previous studies have drawn attention to divergent components which influence audit quality (Patrick et al., 2017; Ismail et al., 2019; Kertarajasa et al., 2019). Nevertheless, the results of these previous studies are not conclusive. For instance, while some of these studies reported the existence of significant link between audit and financial performance of listed consumer goods sector other studies reported the existence of no significant association between audit quality and financial performance of listed consumer goods sector. This inconsistent nature of the results of previous studies therefore necessitates further study on the subject matter. Thus, the current study seeks to examine the effect of audit quality on financial performance of listed consumer goods sector in Nigeria.

Review of Related Literature

Conceptual Review

Audit Quality

Osita, Oraegbunam, and Onuzulike-Chukwuemeka, (2023) submits that Audit quality is the market-assessed joint probability that a

given auditor will both (a) discover a breach in the client's accounting system and (b) report the breach. The definition highlights two important aspects of audit quality: (1) the competence of the audit firm that determines how likely it is that a misstatement will be detected and (2) the independence and objectivity of the auditor that determines what the auditor is likely to do about a detected misstatement. This definition has been quite useful to audit quality studies. The import of DeAngelo (1981) definition is that audit quality is a probability that an auditor will discover and truthfully report material errors, misrepresentations, or omissions in the client's financial statements. Audit quality is the accuracy of auditor's information reporting. Audit quality is a measure of the auditor's ability to reduce noise and bias and meticulously improve accounting data (Obi Helen, Emenike & Chukwurah, 2022). Audit quality is based on the auditor's ability to detect and eliminate material misstatements and manipulations in reported net income.

An important issue regarding the definition of audit quality is whether to distinguish audit firm quality from audit quality. Ebele Mary, Kelechi and Ejike, (2021) do not make this distinction but instead use the concepts interchangeably. However, under certain conditions, audit firm quality and audit quality might be used interchangeably.

Meanwhile Nwakoby, Ihediwa and Chukwurah (2021) points out that audit quality should be defined on a service-by-service basis because an audit firm may not conduct its entire audit with the same level of quality. Perceived audit quality and actual audit quality also appear to be different concepts; Actual audit quality is

unobservable and can be evaluated only after audits have been conducted.

Audit Fee

Audit fee refers directly to payments made to the auditor that relates directly to the audit function, non-audit fees is concerned with payments for other non-audit services rendered by the auditor. Since the early work on the pricing of audit services by Simunic (1980), substantial progress has been made in understanding the factors which are involved in the determination of audit pricing. Studies document that auditor pricing is a function of auditor effort and perceived audit risk (e.g., Simunic 1980).

According to Dinh (2016) the demand for audit services comes from company owners, outside investors, company managers, governments and general public. However there exists a paradox that some demanders do not have the same goal because they do not have the same interest. For example, company managers want to report higher earnings since it means they will get higher bonus and uphold their position; meanwhile outside investors need to know the real loss or profit as well as information about company future events to make investment decisions.

Anecdotal information provided by auditing practitioners confirms the fundamental role played by the number of direct labor hours expended on the audit. Generally, the audit fee should cover audit costs and provide a reasonable profit. Therefore, the audit fee can be seen as a combination of two items; audit cost and profit or auditors' reward. Other important factors typically identified by practitioners include the number of site visits required to conduct the audit, the quality of the personnel required to assess the relevant items, the quality of the client, the types of items requiring auditing, the level and quality of internal auditing

conducted by the client, and the number of years the auditing firm has been associated with the client. An evaluation of the relative importance of each of these factors has attracted considerable attention in the auditing literature.

However, according to Jensen and Payn (2003) the market for audit services is often analyzed using a framework that captures monopolistic behavior to that of a perfectly competitive environment (Simunic, 1980). However, neither of these economic models captures the competitive nature of the audit market. The authors provide an alternative paradigm to explain the behavior in the audit market which shows that the equilibrium audit fee offered to a client is directly related to the production cost of the next closest audit firm in a competitive "space".

Audit Size

Okolie and Izedonmi (2014) pointed out that scholars have theorized that large auditors attract a fee premium because their greater wealth reduces clients' exposures in litigation (the deep pockets theory); while others have theorized that there is no real audit quality difference, but rather that large firms are perceived to have gained experience and reputation for quality. Based on the report of De Angelo (1981), previous studies proxied the size of the auditor categorizing auditing firms belonging to the Big8, Big6 or Big5 as against non-Big8, non-Big6 or non-Big5 to classify levels of audit quality (Copley, 1991; Clarkson and Simunic, 1994; Becker et al., 1998; Krishnan and Yang, 1999). Some studies (Palmrose et al., 2004; Copley, 1991; Colbert and Murray, 1998) have also related audit fees with the quality of audit bearing in mind that firms who charge high fees for audit deliver high quality

audit. However, the outcomes are mixed, but show a relationship between the size of the auditing firm and audit quality.

The most dominant determinant of audit fees found across virtually all published studies is size, which is expected to have a positive relationship with fees (Simunic 1980). According to Steward and Munro (2017) compared to auditing small-sized clients, auditing large-sized client's makes a need of spending more time and effort. External auditors have to spend more time for client meetings, understanding client complicated internal control systems, designing more audit procedures and conducting more test of detail. Larger companies may have more effective internal control systems and thus it can be expected that auditors reduce audit procedures. To this end, as the fees paid to auditors depend on the amount of time to complete the job given, it is expected that larger companies have to pay higher audit fees Since the pioneering publication of Simunic (1980) on this subject as well as in other international studies, company size appears to be the central explanatory feature when studying audit fees. This result is rather intuitive, since auditors' fees are paid according to the amount of time spent completing a given job. By and large, the bigger companies are involved in a greater number of transactions that necessarily require longer hours for an auditor to inspect.

Auditor Committee

Composition of an audit committee is the percentage of non-executive and executive directors; and audit committees composed of higher non-executive directors viewed to be highly independent (Glover-Akpey and Azembila, 2016). Shivdasani (1993) and Yermack (1996) note that executive directors divulge limited information to nonexecutive directors and hence the domination of executive directors affects an effective control and management structure. The

existence of majority of nonexecutive directors in an audit committee enhances the independence of the committee (Glover-Akpey & Azembila, 2016). Studies show that non-executive directors are capable of providing unconventional opinions and positive roles in corporate governance given their potents to be more independent than executive directors (Muogbo, Eze & Obananya, (2021) Vicknair et al. (2020) note increasing ratio of non-executive director membership of audit committees and signify the importance of independence of the audit committee. Porter and Gendall (1993) observe that a high ratio of non-executive directors in an audit committee enhances the worth of an audit committee as an internal control mechanism. A high ratio of non-executive directors drastically reduces the probability of financial misstatements (McMullen and Raghunandan, 1996).

An audit committee with independent members ensures the transparency and quality of the financial reporting process (Kibiya et al., 2016; Li et al., 2012; Madi et al., 2014; Saleem et al., 2016). Top-quality auditors execute more dynamic audits to provide audit report about annual financial statement (Schmidt and Wilkins, 2012). Independent members motivate managers to provide accurate information and accelerate information processing (Haniffa and Cooke, 2002; Dellaportas et al., 2012, Knechel and Sharma, 2012). In addition, financial and accounting expertise effectively enhances the monitoring of the corporate reporting process because members with expertise can understand and interpret financial report data (Dhaliwal et al., 2010; He, 2015; Dellaportas et al., 2012; Lee and Jahng, 2008).

Theoretical Framework

Agency Theory

Agency theory deals with the contractual relationship between the agent

(manager) and the principal (shareholders) under which shareholders delegate responsibilities to the manager to run their business. This theory argues that when both parties are expected to maximize their utility, there is good reason to believe that the agent may engage in opportunistic behaviour at the expense of the principal's interest. Jensen and Meckling (1976) modeled this condition as an agency relationship where the inability of the principal to directly observe the agent's action could lead to moral hazard, thus increasing agency cost. In addition, agency theory points out the role of the board of directors to monitor both the majority shareholders and management; and to protect minority shareholders' interests (Fama & Jensen, 1983). It was suggested that the board of directors could help reduce agency costs because it holds ultimate control over management even though some of the decision functions are entrusted to top management. A subset of the board is the audit committee which has gained attention as fundamental to reducing moral hazards.

How does the determination of audit pricing fall within the context of the agency theory? This question is answered when we consider clearly the contributions of Jensen and Meckling (1976). According to Jensen & Meckling (1976), a component of the agency costs is represented by the monitoring costs supported by shareholders for the monitoring of the managers actions. The audit fees are an important component of these costs, as long as auditors have to make sure that managers act according to the shareholders' interests, while also auditors have the required task to inspect the accounts of the company. It may hence be supposed that auditors will spend more time inspecting the managers' activity if the agency problems are big. Consequently, Jensen (1986) suggests that, in the case of the companies whose capital is mainly owned by managers, the

agency costs are low, because it is more probable that the managers' interests coincide with the shareholders', when managers are also majority shareholders. Therefore, the monitoring costs, including the audit fees, will be higher in the case of the companies whose managers own an insignificant part of the capital.

Empirical Review

Abdullahi, Norfadzilah, Umar and Ademola, (2020) offers proof on the direct influence of audit quality on the financial performance of listed companies Nigeria. The study employs 84 companies listed on the NSE with 756 samples for the period of nine years which is from 2010 to 2018 based on panel data approach. The research used secondary approach to retrieve data from Thompson Reuters DataStream as well as the financial statement of the listed companies. The results reveal that audit fee shows a positively and insignificant relationship with ROA. This implies that if there is decrease in the amount paid to auditors for audit services, then financial performance of listed companies in Nigeria will increase. Consistent with the agency theory, auditor size displays a significant positive relationship with ROA. This positive figure implies that a percentage increase in firms audited by Big4, then financial performance (ROA) will also increase. Auditor independence is also seen to be positive and statistically significantly related to the ROA. Finally, auditor independence is found to be more powerful than auditor size on the financial performance. The result of this research will assist the management as well as the executives of the listed companies in Nigeria to put more effort on independence of an auditor.

Otemu, (2020) examined the impact

on Auditor pricing of the following; firm size, profitability, Leverage, firm Complexity and Year-end Date. The cross-sectional research design was used for the study with an extensive reliance on secondary data. A sample of 35 manufacturing companies was selected using the simple random sampling technique. Multiple Regression analysis was employed as the method of data analysis. The findings indicate that while profitability, and complexity appeared to be significant determinants of Auditor pricing, Client size, Leverage, and Fiscal year end date were not significant at 5%. Diagnostic analysis conducted indicated that the regression assumptions test such as the Pearson correlation coefficients for collinearity, the Breusch-pagan-Godfrey test for heteroscedasticity, the Lagrange Multiplier (LM) test for higher order autocorrelation and the Ramsey RESET test miss-specification showed that the model satisfies the necessary criterion. The study recommends that that there is the need for regulation of audit fees in the Nigerian environment as the market framework for determining the audit fees may not readily suffice as an advantage for the fostering of auditor dependence.

Ugwunta, Ugwuanyi and Ngwa, (2018) examines the effect of audit quality on share prices of Nigerian oil and gas firms using the regression and covariance analyses. Findings from the regression analysis suggests that the composition of the audit committee and auditor type has significant effect on the market prices of quoted firms. There is a positive and significant relationship between audit committee composition and share prices. The covariance analysis suggests that while auditor type (BIG4/NONBIG4), auditor independence, and composition of the audit committee have a positive and significant relationship with market price of shares, tenure of external auditors has a negative relationship with the market price of shares. The implication of the findings is that

audit quality will enhance reported earnings and hence the share market prices.

Musah (2017) study was to examine the determinant of audit fee with empirical evidence from the Ghana stock exchange. Specifically, the study examined audit fee determinant which included the client size, profitability measured by ROA, LOSS, client risk measured by debt ratio, YEAR (season) and MNC. Using the Simunic (1980) model, this study reveals that client's size of business, international recognition, affiliation of audit firms (Big four firms) and profitability are significant determinants of audit fee in Ghana. Results in study indicate that ignorance of risk factor by the auditors may pose serious threat to fame and reputation of audit firm along with indication of feeble legal regime in Ghana. The results of the study have significant implications for auditors and firms in negotiating audit fees in Ghana.

Ohioda and Omokhudu (2018) study examined the firms' characteristics and audit fees in Nigeria. The justification arose from the fact that, auditing profession has come under increased scrutiny over the years about the growing amount of fees paid by audit client and the contributing impact of such fees on auditor independence and the need to investigate the firms' factors that affect audit fees in Nigeria. The study employed a employed time series and cross-session data (panel data) of firms listed at the Nigeria Stock Exchange and data used was gathered from secondary source (annual financial statement) of firms quoted at the Nigeria Stock Exchange from 2013-2017. A sample size of eighty-nine (89) firms was used through the aid of Yaro, (1964) formula for sample size determination. And the statistical tool used in the study was Panel Least Square Regression with the aid of Eview

7.0 and SPSS 20. The study found that, auditor type, client's firm size, client's complexity, client's firm risk and audit committee independence have significant effect on audit fees, while firm's profitability has no effect on audit fees.

Ilaboya, Izevbekhai and Ohiokha, (2017) study aim is to investigate the determinants of abnormal audit fees in Nigerian quoted companies, with specific emphasis on how the firm size, Big4, profitability, joint audit, and leverage impact on abnormal audit fee. The study involved about eighty four (84) manufacturing companies quoted on the Nigerian Stock Exchange as at 31st December 2014. A sample of 56 companies representing 67% was finally selected for the study. Panel regression estimation technique was used in the analysis of the variables. The choice of the panel regression technique is premised on its quality of unbiasedness, increased data point, and control for individual heterogeneity. To test the accuracy of the model, they employed the classical regression assumption tests of normality, heteroskedasticity, serial correlation and multi co-linearity. The study found a positive and statistically significant relationship between the interaction of Big 4 audit firms and firm size and the dependent variable of abnormal audit fees.

Fukukava (2018) proposed to investigate whether and to what extent the audit determinants examined in the researches so far influence the audit fees on the Japanese market and examine whether the fees charged by the Japanese audit companies and their cost strategies are significantly different. The study revealed that some determinants, such as: the client's size and complexity, the audit risk, the stock market quotation of the company, the market share of the audit company in that field, and the client's power to negotiate, influence the cost of the audit. Other variables, such as the client's location, the closing date of the financial

year and the features of the audit company, influence either only the audit fees, or only the audit cost, or both, but in opposite directions. The author remarks that most of the studies focused on the audit fees, while very little pointed the audit costs from the auditor's perspective.

Gap in Literature

The review pointed out a strong disagreement on the effects of audit quality on financial performance of listed consumer goods firms in Nigeria. This disagreement comes in the form of the direction of relationship as well as the level of significance of the relationship. These shortcomings have contributed to the knowledge gap in the literature.

Another gap in literature is the coverage of audit quality variables employed in

the investigation of effects of audit quality on financial performance of listed consumer goods firms in Nigeria. The present study includes all the core audit quality variables such as audit fee, audit size and auditor committee to determine the actual effect of effects of audit quality on financial performance of listed consumer goods firms in Nigeria.

Methodology

Research Design

The researcher adopted *ex-post facto* design in the study. The study employed secondary data which were sourced from the financial statements of the selected listed consumer goods sector in Nigeria. The population of the study consists of all the 20 consumer goods firms quoted on the Nigeria Stock Exchange as at April, 2023.

Table 1: List of consumer goods firms quoted on the Nigerian Stock Exchange as at April, 2023.

SN	Name of Company	Acronym
1	Cadbury Nigeria Plc.	CADBURY
2	Dangote Sugar Refinery Plc	DANGSUGAR
3	DN Tyre & Rubber Plc	DUNLOP
4	Flour Mills Nig. Plc.	FLOUR
5	Guinness Nig Plc	GUINNESS
6	Honeywell Flour Mill Plc	HONYFLOUR
7	Mcnichols Plc	MCNICHOLS
8	Multi-Trex Integrated Foods Plc	MULTITREX
9	Northern Nig. Flour Mills Plc.	NNFM
10	Nascon Allied Industries Plc	NASCON
11	Nestle Nigeria Plc	NESTLE
12	Nigerian Breweries Plc.	NB
13	P Z Cussons Nigeria Plc.	PZ
14	Unilever Nigeria Plc.	UNILEVER
15	Union Dicon Salt Plc.	UNIONDICON
16	Vitafoam Nigeria Plc.	VITAFOAM

Sources: Nigerian Stock Exchange (2023). <http://www.nse.com.ng/issuers/listed-securities/listed-companies>.

Five listed consumer goods sector in Nigeria stock exchange were selected based on the following fundamental reasons: availability of their Financial Statements to work with; consistency in trading on their stock exchange

markets over the years to the time of this study. The selected listed consumer goods sector in Nigeria stock exchange is shown in table 2 below.

Table 2: The Selected Listed Consumer Goods Firms

SN	Name of Company	Acronym
1	Cadbury Nigeria Plc.	CADBURY
2	Dangote Sugar Refinery Plc	DANGSUGAR
3	DN Tyre & Rubber Plc	DUNLOP
4	Flour Mills Nig. Plc.	FLOUR
5	Guinness Nig Plc	GUINNESS
6	Honeywell Flour Mill Plc	HONYFLOUR

Model Specification

The model which will be adopted for this study is the model of Onuorah and Osuji (2014) who examined audit quality and financial performance of listed consumer goods sector in Nigeria.

The Model is stated thus:

$$ROA = f(A, F, AS, AI)$$

Where:

ROA= Return on Asset

AF= Audit Fee

AS= Audit Size

The model is modified by introducing auditor committee

$$ROA = f(A, F, AS, AI)$$

The Econometric Equation Form of the Model is:

$$ROA = \beta_0 + \beta_1 AF + \beta_2 AS + \beta_3 AC + \mu$$

Where:

ROA= Return on Asset

AF= Audit Fee

AS= Audit Size

AI = Auditor Committee

μ = Stochastic Disturbance (Error Term)

f = Functional Relationship

β_0 = Intercept of Relationship in the Model Constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = are the Coefficients of the Independent Variables

Decision Criteria

The hypotheses were tested at 0.05 level of significance. The decision rule is to reject null hypothesis when the computed probability value is less than 0.05 level. Otherwise, accept null hypothesis when the computed probability value greater than 0.05 level.

Descriptive Statistics**Table 3: Descriptive Statistics**

	ROA	AF	AS	AC
Mean	0.156175	7.091495	8.406804	7.818365
Maximum	0.236000	15.50000	11.00000	15.00000
Minimum	0.090000	3.000000	6.000000	18.41000
Std. Dev.	0.126025	11.16552	12.45583	15.50235
Jarque-Bera	13.46578	30.11481	18.58473	73.30832
Probability	0.000782	0.000000	0.000092	0.000000
Sum	29.69900	687.8750	844.5600	3474.380
Sum Sq. Dev.	1.524704	11968.22	14894.17	23070.99
Observations	30	30	30	30

Source: Researcher (2024)

The study observed from the descriptive statistics result that the selected firms have average financial performance of listed consumer goods sector of 15.6 percent, maximum and

minimum value of 23.6 percent and 9 percent respectively. This reveals that firms in the listed consumer goods sector experience about 15.6 percent growth in return on asset.

Audit Fee has a mean value of 7.09 maximum values 15.50 and minimum values are 3.000 respectively. These values indicate that on the average, audit fee of the listed consumer goods sector is about 7.1 percent of the operating cost of their firms.

The result also shows average of audit size in listed consumer goods sector is maintain about 8 members.

The result shows that auditor committee has the average, about 7.81 percent of listed consumer goods sector.

The Jarque – Bera (JB) which test for normality shows that return on asset audit fee, audit size, auditor committee are normally distributed. The result means that all the explanatory variables are normally distributed, hence no presence of outlier.

Correlation Analysis

In examining the relationship among the variables, the study employed the Pearson correlation analysis; the results are presented in table 4.

Table 4: Correlation Analysis

	ROA	AF	AS	AC
ROA	1.000000			
AF	-0.211078	1.000000		
AS	-0.282136	-0.145651	1.000000	
AC	0.097123	0.100016	-0.310316	1.000000

Source: Researchers summary (2023) of e-view 8

The findings from the correlation analysis table, shows that financial performance of listed consumer goods sector has a positive relationship with audit fee, audit size and auditor committee. In checking for multi-co linearity the study noticed that no two explanatory variables were perfectly correlated. This indicates the absence of multi-co linearity problem in the model used for the analysis and also justifies the use of the ordinary least square.

Fixed and Random Effect Test

The summary result of multiple regression analysis is presented below. However, the study takes into cognizance the homogeneity nature of the data, hence the need for testing its effect on the data. The study therefore used Hausman effect test to select between fixed and random effect that is best to be adopted in the study. Below is the summary of the Hausman test result.

Table 5: Correlated Random Effects - Hausman Test

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	5.347202	4	0.1714

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
AF	0.051648	0.045774	0.000011	0.1765
AS	0.150914	0.141147	0.000969	0.7537
AC	0.021635	0.040358	0.000117	0.2831

Source: researcher summary of regression analysis result using E-view 8

The Hausman test result shows a chi-square value of 5.3472 and probability value 0.1714, the chi-square value is greater than 10. Based on the result, the study accept the random effect and reject the fixed effect, hence we use the random effect to correct the problem of homogeneity in the pool data used for the study. Table 6 below is the summary of the regression

result adjusted for fixed effect.

Hypothesis Testing

To evaluate the effect of audit fee on financial performance of listed consumer goods sector in Nigeria and to test our formulated hypotheses, the study used the multiple regression analysis.

Table 6 Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.388305	0.082929	4.682380	0.0000
AF	0.302746	0.011398	1.964649	0.0525
AS	0.123555	0.001445	2.460367	0.0157
AC	0.000484	0.001232	0.393094	0.6952
R-squared	0.512601	Mean dependent var		0.242614
Adjusted R-squared	0.463584	S.D. dependent var		0.117222
S.E. of regression	0.113896	Sum squared resid		1.193453
F-statistic	2.629639	Durbin-Watson stat		1.868834
Prob(F-statistic)	0.039328			

Source: Researchers summary of OLS regression Analysis from E-view 8

In table 6 above, the study observed from the model result that the R-sq of 0.5126 and R-sq (adj) 0.4636, respectively. This value indicates that audit quality variable explains about 46.36 percent changes in financial performance of listed consumer goods sector in Nigeria used in the study. The F-statistics value of 2.6296, and its probability value of 0.0393, shows that the regression model is well specified and the specification is statistically significant at 5% levels. The Durbin Watson value reveals that there is no presence of autocorrelation in our model.

Hypotheses 1: Audit fee has no significant effect on financial performance of listed consumer goods sector in Nigeria.

The analysis result showed a coefficient value of 0.3027 and a P-value of 0.0525. The coefficient value which reveals the direction and extent of effect that audit fee has on financial performance of listed consumer goods sector in

Nigeria. The result shows a positive value of 0.3027, this reveals that audit fee positively affect the level of financial performance of listed consumer goods sector in Nigeria. This shows that higher audit fee can lead to higher financial performance of listed consumer goods sector in Nigeria.

The probability value of 0.0525 shows that the effect of audit fee on financial performance of listed consumer goods sector in Nigeria is statistically significant. Based on the analysis result, the study accepts the alternate hypothesis it therefore concludes that, audit fee has significant effect on financial performance of listed consumer goods sector in Nigeria.

Hypothesis 2: Audit size has no significant effect on financial performance of listed consumer goods sector in Nigeria.

The analysis result showed a coefficient value of 0.1236 and a P-value of 0.0157. The coefficient value reveals that audit size positively

affect the level of financial performance of listed consumer goods sector in Nigeria. This reveals that higher audit size the better the financial performance of listed consumer goods sector in Nigeria. The probability value shows that the effect of audit size on financial performance of listed consumer goods sector in Nigeria is statistically significant. Based on the analysis result, the study accepts the alternate hypothesis it therefore concludes that, audit size has significant effect on financial performance of listed consumer goods sector in Nigeria.

Hypothesis 3: Auditor committee has no significant effect on financial performance of listed consumer goods sector in Nigeria.

The analysis result showed a coefficient value of 0.00048 and a P-value of 0.6952. The coefficient shows a positive value (though weak), this value reveals that auditor committee can positively influence the level of financial performance of listed consumer goods sector in Nigeria. The value indicates that auditor committee can positively affect the level of financial performance of listed consumer goods sector in Nigeria. The probability value shows that the effect of auditor committee though positive on financial performance of listed consumer goods sector, is not statistically significant. Based on the analysis result, the study rejects the alternate hypothesis and accepts the null hypothesis it therefore concludes that, auditor committee has no significant effect on financial performance of listed consumer goods sector in Nigeria.

Conclusion

This study examined the effect of audit quality on financial performance of listed consumer goods sector in Nigeria. The result of the study indicate that audit fee, audit size and auditor committee has no significant effect on financial performance of listed consumer goods sector in Nigeria. The study therefore conclude that audit quality has positive and significant

effect on financial performance of listed consumer goods sector in Nigeria.

Recommendations of the Study

Based on the findings, the study recommends as follows:

1. The study finds that audit fee has significant effect on financial performance of listed consumer goods sector in Nigeria. The study recommends that consumer goods firms should adequately pay audit fees that it will not affect performance.
2. The study finds that audit size has significant effect on financial performance of listed consumer goods sector in Nigeria. The study recommends that consumer goods firms should improve the audit size below the mean value.
3. The study also finds that auditor committee has no significant effect on financial performance of listed consumer goods sector in Nigeria. The study recommends that consumer goods firms should not be in a hurry to assign more than one responsibility to each of the auditor committee members since it has significant effect on return on asset.

Suggestion for Further Studies

This study was restricted to audit quality on financial performance of listed consumer goods firm in Nigeria. This calls for another study which would ensure generalization of the study findings for all the organizations in Nigeria. The same kind of study should be carried out but on a longer time span of financial performance of listed consumer goods firm in Nigeria to take care of time series and increased reliability of the findings. Future studies should also be carried out on other corporate governance variables and other performance indicators which are not covered in this study.

Contribution to Knowledge

This study was limited to the effect of audit quality and financial performance of listed consumer goods firms in Nigeria, they all have positive influence on productivity only director's remuneration and board size have statistically significant effect on financial performance of listed consumer goods firms in Nigeria, this is our contribution to knowledge.

This study contributed to knowledge by discovering that audit fee, audit size and auditor committee has no significant effect on financial performance of listed consumer goods sector in Nigeria.

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