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EFFECT OF AUDIT QUALITY ON FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

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Key words: *Audit Fees, Audit Firm Size, Audit Quality, Auditor's Independence, Financial Performance.*

ABSTRACT

This study investigated the effect of audit quality on the financial performance of listed consumer goods firms in Nigeria. The specific objectives of the study are to examined; the effect of auditor's independence, audit firm size and audit fees on return on assets of listed consumer goods firms. Ex- post facto research design was adopted for the study. Purposive sampling technique was used to select examine from the 19 listed consumer goods firms in Nigeria. The study relied on secondary data obtained from audited annual reports and accounts of the selected firms. Ordinary Least Squares regression method was used in the analysis of data. The study finds out that audit firm size has a positive and significant effect on financial performance of listed consumer goods firms, audit fees has a negative and significant effect on financial performance of listed consumer goods firms, among others was concluded that audit firm size influence financial performance of consumer goods firms in Nigeria. We therefore recommend that management of consumer goods firms should employ the services of one of the Big 4 audit firms, management should go for an audit firm whose character and integrity is beyond question in order to enhance financial performance of consumer goods firms.

1. INTRODUCTION

The word audit was derived from the Latin word 'audire' which means to hear. In the early days, an auditor used to listen to the accounts read over by an Accountant in order to check them (Aggrey, 2017). Gray and Manson (2002) documents that an audit is an examination or a search for facts to enable a judgment to be made on the truth and fairness of financial reports prepared by management with the intention of increasing its credibility and therefore its usefulness. Hayes, Dassen, Schilder and Wallage (2005) elucidates that the major purpose for performing an audit is to show credibility to financial statements hence, the crucial role of audit in the operation of capital markets cannot be over emphasized. The engagement of the services of an external auditor for quality assurance is inevitable because it is a statutory requirement for all listed companies to file audited report (OECD Policy Round tables Report, 2009). Suyono, Yi and Riswan (2013) opines that in line with agency theory, audit exercise is a sort of scrutinizing tool that guarantees stakeholders that agents are carrying on business activities in the interest of owners. Therefore, the decision to choose auditors is to resolve the agency problem that may arise as a result of separation of ownership and control. Companies are expected to have a high quality of financial reporting. Management is saddled with the responsibility of preparing financial statements and ensuring that the statements meet reporting requirements like the General Accepted Accounting Principles (GAAP) or the International Financial Reporting Standards (IFRS) (Arens, Elder & Beasley, 2010). The needs for trustworthy and reliable financial statements are imperative for making sustainable decisions in corporate organizations. This is because both current and potential investors, government and all other stakeholders rely on the financial statements for investment decisions and any other contractual relationship with the reporting entity. However, these financial statements are prepared by management and presented to the entire users for their varying needs. The authenticity and reliability of these financial statements is always doubtful and questionable, as management may manipulate the reports for their personal interests. With regards to lack of confidence in the reported financial statements, the demand for the services of an external auditor becomes necessary to monitor, prevent, detect, and report fraud and other illegal acts and errors if found in the financial reports. Meanwhile, financial statement audit is said to be a control mechanism put in place for safeguarding the shareholders interest and reducing information asymmetry in order to guarantee that the audited financial reports are considered free from material distortions (Irungu, 2013). 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. (Hoti, Ismajli, Ahmeti & Dermaka, 2012).

Audit quality acts as an essential element in maintaining the financial performance of the companies has come to be one of the most important issues in audit practice today. Several individuals and groups both internal and external, have an interest in the quality of audited financial information (IAASB, 2011). Financial performance is a determinant of an organizations income, profits, increase in value as evidenced by the appreciation in the entity's worthiness (Abubakar, Sulaiman & Haruna, 2018). Financial performance is very important to every organization, increased financial performance reflects more effective management of resources, and low financial performance can slow the pace at which a firm progresses and certain obligations or targets may not be met (Adebayo & Onyeiwu, 2018). Dioha, Mohammed and Okpanachi (2018) explained that financial performance can be described as a measurement of how well a firm uses its assets from its primary mode of business to generate income. The term is also used as general measure of a firms overall financial health over a given period of time. Odusanya, Yinusa and Ilo (2018) opined that companies with high level financial performance create value, hire people, tend to be more innovative, more socially responsible and are beneficial to the entire economy through payment of taxes, income generation and overall development of an economy.

The issue of audit quality and financial performance has attracted robust empirical discuss in accounting literature; this stems from the fact that there is contention that audit quality significantly improve financial performance of companies in Nigeria and the world over. The auditor as an umpire between management and dispersed owners are expected to report about the true position of the audited firm. The continuous discourse on the quality of audit is for the reason that the global financial reporting scandals which seems to have been a recurring decimal which has mostly affected the observation as well as accounting information reception by users to the services rendered by both the auditors and the accountant (Mgbame, Eragbhe & Osazuwa, 2012). The collapse and demise of high profile companies like Enron, Cadbury PLC, WorldCom, Africa Petroleum and financial scandals among some Nigeria deposit money banks has shown the ugly side of poor audit (Hauwa, Ocheni & Muktar, 2017). Over the past few years, corporate failures observed in Nigeria have continue to raise burning question on the relevance as well as the reliability of the reports of audit, if shareholders interest is not protected (Egbunike, Egbunike & Okafor, 2017). A lot of companies suffered corporate collapse because of poor quality of audit. Poor quality of audit is due to audit evidence that is insufficient and inappropriate. Enrons auditors and Arthur Andersen happens to failed on their part for not gathering enough audit evidence that is sufficient to using special purpose entities as well as their accounting treatment (Mallin, 2010). People in the latter group insist that extended attributes of audit quality, namely audit size and auditors tenure are essentially important. They believe that a useful index of measuring audit quality is firm size, which translates to the larger the auditors size, the better the audit quality while auditors tenure is the yard stick for measurement of professional care and supervision ability (Salehi & Kangarlouei, 2010; Rezaei & Shabani, 2014 and Aliyu & Ishaq, 2015). Even when efforts have been made to resolve this argument empirically, the contrasting results appear to be more perplexing, thus increasing the desirability for studies in this field. Hence, this study tends to fill the gap by examine the effect of audit quality on the financial performance of listed consumer goods firms in Nigeria.

1.1 Objectives

The main objective is to determine the effect of audit quality on the financial performance of listed consumer goods firms in Nigeria. The specific objectives are set out below:

a. to determine the effect of auditors independence on financial performance of listed consumer goods firms in Nigeria.
b. to ascertain the effect of audit firm size on financial performance of listed consumer goods firms in Nigeria.
c. to examine the effect of audit fee on the financial performance of listed consumer goods firms in Nigeria.

1.2 Hypotheses

This study will be guided by the following hypotheses:

Ho_1: Auditors independence has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

Ho_2: Audit firm size has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

Ho_3: Audit fee has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Audit Quality

The most well-known definition of audit quality, which has been broadly accepted by scholars is the one by Mostafa and Hussien (2010) define audit quality as the probability that an auditor will both discover and report a breach in the clients accounting system. The probability of discovering a breach depends on the auditors technical capabilities while the probability of reporting the errors depends on the auditor’s independence. The auditing firm must not compromise their integrity because of financial benefits from their client. According to Setyaningrum, Gani, Martani and Kuntadi (2013) say that audit quality is extracted from the principal component analysis techniques and outcomes indicate three major factors such as education, experience and training. The greater the auditor monitoring strength, the more closely financial report will reflect the true economic circumstances of the client and the higher the information quality. Kaklar, Kangarlouei and Motavassel (2012) view audit quality as an auditor who will detect and correct or reveal any material omission or misstatements in the financial statements in order to give high quality report. There are two major drivers of audit quality such as litigation costs and reputation loss which considers large investment on building their brand name. The big audit firms have an incentive to lower litigation risk and protect their reputational capital by providing more credible financial reports to the users of the accounting or financial information. It is expected that high audit quality leads to high financial reporting quality which in turn is a tool to prevent financial crises globally. In order to maintain the quality of audit report presented to the users of the financial information from companies, the professional bodies made the most critical decision that all auditors and members of professional bodies must show high level of integrity because they are the builders of societies, the organizers of economies, the transformers of social systems and those who make the political system.

Sayyar, Basiruddin, Rasid and Elhabib (2016) viewed audit quality as those techniques the auditors use to recognize misstatements in clients accounting system or information and report the misstatements to the appropriate person. The quality of audit reports is a basic requirement to enhance the credibility of financial statements within the stakeholders to reduce investors risk in the organization. Therefore, it is a basic ingredient in enhancing the credibility of financial statements to users of accounting information by providing an independent verification of financial reports presented by management.

2.1.2 Auditors Independence

Auditor independence may be defined as an auditor's unbiased mental attitude in making decisions throughout the audit and financial reporting process. An auditor's lack of independence increases the possibility of being perceived as not being objective. This means that the auditor will not likely report a discovered breach (DeAngelo, 1981). Enofe, Mgbame, Okunrobo and Izon (2012) describe auditor's independence as a mental state of objectivity and lack of bias. The researchers also state that public faith in the reliability of a corporations financial statements is dependent on the public perception of the outside auditor as an independent professional. Thus, the level of auditor's independence is joint outcome of the policies and procedures implemented by the audit firm and the state of mind of the individuals involved in the particular audit assignment (Tepalagul & Lin, 2014). Harrison (2015) defined audit independence as the independence of the auditor in executing his duties. It is characterized by integrity and an objective approach to the audit process. The concept requires the auditor to carry out his or her work freely and objectively. Okolie and Izedonmi (2014) see audit Independence as an auditor's unbiased mental attitude in making decisions throughout the audit and financial reporting. The study describes independence as the quality of being free from influence, persuasion, or bias because, in the absence of independence, the value of the audit service will be greatly impaired. If an auditor lacks independence, it will increase the possibility of being perceived as not being objective in his opinion or report. This means that the auditor will not likely report a discovered breach.

2.1.3 Audit Firm Size

Mahdi and Ali (2009) state that the size of an audit firm has been used as a surrogate for audit quality, that is, large audit firms have a reputation to protect, and therefore, will ensure an independent quality audit service. Larger audit firms have better financial resources and research facilities, superior technology and more talented employees to undertake large company audits than the smaller audit firms. Their larger client portfolios enable them to resist management pressure, whereas smaller firms provide more personalized services due to limited client portfolios and are expected to succumb to management requirements. Dehkordi and Makarem (2011) examined the influence of audit firm size (the Big Four vs. Non-Big four) and auditor type (government auditors vs. private auditors) on audit quality. They discovered that the size of non-governmental audit firms does not affect their audit quality, and changes within private audit firms does not lead to changes in the level of discretionary accruals. Their results indicate that in some countries factors such as auditor type, intense competition, audit committee, and litigation risk are of greater importance than audit firm size

2.1.4 Audit Fees

According to Smii (2016) audit fee is audit remuneration received by the auditors in discharge of their duties for the company or client. The researcher continues that the audit remuneration received by the auditor will determine the quality of service that will be provided by auditors in the discharging their duties in the company. Enofe, *et al* (2012) argue that audit fee is the amount of money received by an audit firm in carrying out audit assignment. The normal or expected rate of change in the audit fee reflects objective factors such as firm size, the complexity of the audit issues affecting the items appearing on the firm's profit and loss account and its balance sheet as well as the changes that have occurred in the institutional and accounting frame work since the audit was last conducted. Yuniarti (2011) opined that, the amount of audit fee depends on the risk of assignment, the complexity of services provided, expertise, and other professional considerations. It shows that the higher audit fee will provide a higher quality audit as well. The researcher also adds that the amount of audit fee can affect the independence of public accountants appearance because the big fee can make accounting firms become reluctant to oppose the will of the client, while small fee can limit the time and cost to perform complete audit procedures. Members must be able to show the work done professionally and meet the specified quality requirements and meet the needs of the client.

2.1.5 Financial Performance

Financial Performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial performance is a measure of how well an organization can use assets from its primary mode of business to generate revenues (Grimsley, 2018). Financial performance is also used as general measure of a firms overall financial health over a given period of time. Empirical analysis of performance is an important requirement for further policy changes. Financial performance means whether a firm has done well within a certain period to realize its set goals. Some firms in Nigeria has remained stable and resilient despite the challenges caused by the global financial crisis and the failure of some domestic institutions. Financial statements provide information on the performance. Measurement of firms' performance should start by evaluating whether it has been able to achieve the objectives set by stakeholders (Hofstrand, 2018).

2.1.6 Audit Quality and Financial Performance

Sometimes we wonder if the achievement of quality audit has any relationship with the corporate goal of wealth maximization. The job which the auditor does on the financial statement has been revealed by previous studies to have a relationship with corporate performance generally (Brown & Caylor, 2004; Internal Audit Board, 2011; Heil, 2012; Farouk & Hassan, 2014). The auditor in the course of his work offers management advice which may improve the reliability of the internal control system and reduce the tendencies for errors and fraud which erode corporate profits.

According to Iliemena and Okoye (2019), the accumulated effect of fraud is detrimental to the firm. The more experienced the auditor is, the better the package he can offer the firm on ways to improve its financial performance. The independence of the Auditor is a part element of quality audit. The independence of the audit firm therefore minimizes the tendency for the manipulation of accounts and financial performance. Audit Quality is therefore an unrecognized additional asset to the reporting. As noted by Asghar and Azizi (2010), the bigger the size of the audit firm and the longer the tenure, the higher the quality of the audit, and the higher the quality of an audit the higher the extent of its influence on management discretion in choice of accounting procedures and the lower their motivation for manipulating the financial performance to reach personal interests and the higher would be the reliability of financial statements. Even indirectly, audit quality has a lot to do with the financial performance. Example; when a firm has performed badly in a period, quality audit ensures the right information is conveyed to the stakeholders which will awaken concerted effort towards better performance subsequently. When the stakeholders are allowed to go with the wrong impression about the firm when things are not well, it escalates to fingers being pointed at the audit firm on the eventual collapse of the firm.

2.2 Theoretical Review

There are numerous theories on the relationship between audit quality and financial performance. The following are considered relevant: Agency, and Stewardship theory and are discussed as follows but the study is anchored on Agency theory.

2.2.1 Agency Theory

It was postulated in 1976 by Jensen and Meckling. This theory elucidates the connection between agents and principals. In 2010, Lan and Heracleous further developed this theory by providing a suggestion on the philosophy of agencies to three main aspects: redefine who is the principal, re-determine board rank, and re-define board role (Lan & Heracleous, 2010). Differences of opinion and differences in priorities and interests are bound to arise between the shareholders and the management since shareholders delegate decisions involving finances to management. The notion of agency theory is utilized to explain the important interactions that exist between principals and their respective agents. The principal, in the most basic sense, is someone who depends largely on an agent to carry out specific financial decisions and transactions with potentially volatile effects. There may be a variety of conflicts or disagreements since the principal places so much trust in the agent to make the best decision. The study of such relationships is referred to as agency theory. The knowledge asymmetry between principals (shareholders) and agents(management) has been studied extensively using agency theory According to Sarens and Abdolmohhammadi (2007), an enterprise is made up of a series of connected contracts between the owners of economic resources (principals) and managers (agents) who are in responsibility of exploiting and regulating these resources

2.2.2 Stewardship Theory

This theory was introduced by Donaldson and Davis (1989). It has its roots from psychology and sociology and is defined by Davis, Schoorman and Donaldson (1997) as a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximized. In this perspective, stewards are company executives and managers working for the shareholders, protects and make profits for the shareholders. Unlike agency theory, stewardship theory stresses not on the perspective of individualism (Donaldson and Davis, 1991), but rather on the role of top management being as stewards, integrating their goals as part of the organization. The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained. Agyris (1973) argues that while agency theory looks at an employee or people as an economic being, which suppresses an individual's own aspirations, on the other hand, Donaldson and Davis (1991) argues that stewardship theory recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust. It stresses on the position of employees or executives to act more autonomously so that the shareholders returns are maximized.

Davis *et al*. (1997) and Tosi *et al*. (2003) notes that the involvement-oriented, participative management philosophy espoused by the stewardship theory automatically reduces the need for strict internal control mechanisms to curb governance challenges and agency costs, part of which is the involvement of internal audit in an organization.

The principal agent relationship as depicted in agency theory is important to understand the role of an auditor in the development of high quality report in the business. This is because the principals place their trust in their agents to act in the best interest of principals but the results of information asymmetries between principals and agents have different motives. Principals may lack trust in their agents and need to put in place some measures or mechanisms, such as the audit, to reinforce the trust. The shareholders, as resource owners, are principals whose interests need to be protected by directors, who are agents responsible for the day-to-day management of the firm. The shareholders then engage auditors to lend credibility to the stewardship report prepared by the agents (directors). Consequently, the auditor is expected to apply due diligence and skill in discharging his duties by examining financial statements prepared by management and giving an opinion as to whether in all material respect, such report is free from material misstatements. By so doing, quality audit engagements must reduce information asymmetry and gives credibility to financial information.

2.3 Empirical Review

Martani, Rahman, Fitriany and Anggraita (2021) investigates the impact of audit rotation and tenure on audit quality with evidence from Indonesia, one of the few countries that mandates audit firm rotation alongside audit partner rotation. Emphasis was on whether the rotation's impact differs across Big 4 and non-Big 4 audit firms. Data used covered periods 2013 — 2015 and were obtained from 215 public companies that were purposely selected to exclude those in the banking and investment sectors. The exclusion of such companies was necessary as businesses in such sectors are governed differently (highly regulated) than businesses in other industries since they have unmatched unique traits. Regression analysis based on Kaznic model was among the statistical tools used. Findings indicate that there is no statistically significant correlation between the auditor's tenure and audit quality. Another evidence from this study was that audit quality is favourably impacted by audit firm rotation, and the Big 4 see less of a beneficial influence. Also, rotation of audit firms rather than audit partners has the potential to raise audit quality in non-Big 4 firms. The result of this study could not explain whether audit quality affects ROA of firms.

Sayyar, Basiruddin, Abdul-Rasid and Elhabib (2018) examined the impact of audit quality on firm performance for Malaysian listed companies for the period of 2003 to 2016 using Pearson correlation and pooled regression analysis. The study used audit fees and audit firm rotation as proxies for audit quality. Return on assets and Tobin's q were used as measures for firm performance. The study found that there is insignificant relationship between audit quality proxies (audit fees and audit firm rotation) and ROA. The study also found that an audit fee is significantly and positively related to Tobin's Q. However, audit firm rotation is insignificantly related to Tobin's Q.

Almomani (2018) examined how features of external audit may combine to achieve or improve quality in accounting profit of listed companies (manufacturing sector) by obtaining proof from the Amman Stock Exchange. Audit quality, audit size, auditors fees, customer retention period, auditors opinion, and the proficiency in clients industry, were adopted as explanatory variable for quality of the audit work, while profit continuity was deployed as proxy for earnings quality. Data from sample of 45 entities collected for the period 2009 to 2015 were analyzed. Model estimation was done through the multiple Regression (Linear) model and results show that auditors fees has the most significant influence on earning quality and in turn enhances audit quality which the study saw as a measure of financial performance.

Cheng, Chen and Chen (2018) examined the association between auditor size and performance. Empirical data of the study were obtained from the 1989—2006 census report of audit firms in Taiwan. In terms of market segment, audit firms were divided into public c ompany audit market firms (PCAMFs) and non-public company audit market firms (NCAMFs). Based on path analysis, the study found that auditor size has direct effect on performance and indirect effect through auditor quality. Auditor quality associates with both auditor size and performance positively. Furthermore, auditor size has more contribution to performance of PCAMFs than that of NCAMFs. Auditor quality of PCAMFs explained more variation of financial performance than do NCAMFs. The results indicated that PCAMFs earned more financial performance through the upgrade of auditor quality.

Ugwunta, Ugwuanyi and Ngwa (2018), explain the effect of quality of audit work on share prices in Nigerian oil and gas sector. Audit committee, audit composition, audit type and audit inference as explanatory variable for audit quality was regressed against share prices of companies. Output from the regression and covariance analysis were the basis of inference. Succinctly, audit committee membership and type of audit firm were found to have considerable impact on quoted companies’ market prices. Specifically, evidence from the covariance analysis proved that audit independence, and auditors committee composition all have significant association with share price while audit tenure was found to exhibit negative link with share price.

Egbunike and Abiahu, (2017) investigated audit entity report and performance of Banks in Nigeria. Data for 2010-2014 were collected from banks annual reports lodged in their respective databases/websites. Multiple regression was conducted and the outcome made the study to conclude that while the influence of audit quality on the ROA of banks is positive and considerable, audit fee and report lag could not show evidence of significant impact on banks' performance measures (ROA inclusive).

The damage done by poor audit quality to the financial performance of firms is inappropriately endless and need critical consideration. They believe that a useful index of measuring audit quality is firm size, which translates to the larger the auditors size, the better the audit quality while auditors tenure is the yard stick for measurement of professional care and supervision ability (Salehi & Kangarlouei, 2010; Rezaei & Shabani, 2014 and Aliyu & Ishaq, 2015). Even when efforts have been made to resolve this argument empirically, the contrasting results appear to be more perplexing, thus increasing the desirability for studies in this field. Hence, this study tends to fill the gap by examining the effect of audit quality on the financial performance of listed consumable goods firms listed on Nigerian Exchange group.

3. MATERIAL AND METHOD

The research design adopted for this study is ex post facto research design to examine the effect of audit quality on the financial performance of listed consumer goods manufacturing firms in Nigeria. The study examined the effect of audit quality and financial performance of consumer goods firms listed on the Nigerian Exchange Group. The population of the study comprises of all consumer goods manufacturing firms listed on the Nigeria Exchange Group as at 31st December, 2021, a total of nineteen (19) firms were listed on NGX. *(NGX factbook, 2021).* The researcher adopted a purposive sampling technique to select a sample of sixteen (16) firms across the sectors. The time frame ranges from 2012 - 2021 making it a ten-year period. Year 2012 was used as the lagged year for the computation of the lagged period while purposive sampling technique was used to select the sample size which excluding firms with incomplete data for the study. We used this sampling technique because of convenience in assessing these firms financial reports for the period covered by this study.This study relied on secondary data obtained from audited annual reports and accounts of the selected sixteen (16) firms listed on the Nigerian Exchange Group covering a period of 10 years (2012 — 2021) amounting to 160 firm-year observation.

The model for the study was adapted from the study of Enofe, Mgbame, Okunrobo, and Izon (2012) which is stated below:

$AUD = \beta_0 + \beta_1 AUDTN_{it} + \beta_2\ ROTN_{it} + \beta_3\ FSIZE_{it} + et$……………….eqn 1

We hereby modified the model as follows:

The functional relationship is thus: AUDQTY = *f* (AUDINPD, AUDFSIZE, AUDFEE)…..eqn 2

The model can be rewritten in equation form as:

$ROAit = \beta_0 + \beta_1 AUDINPDit + \mu it$ ………………eqn 3

$ROAit = \beta_0 + \beta_2\ AUDFSIZEit + \mu it$……………………..eqn 4

$ROAit = \beta_0 + \beta_3\ AUDFEEit + \mu it$……………….eqn 5

$ROAit = \beta_0 + \beta_1 AUDINPDit + \beta_2 AUDFSIZEit + \beta_3 AUDFEEit + \mu it$ ………………….eqn 6

Where:

ROA = Return on Asset

AUDINPD = Auditors Independence

AUDFSIZE = Audit Firm Size

AUDFEE = Audit FEE

$\beta 0$ = a constant,

$\beta 1\text{-}3$ = the coefficient of the explanatory variables

μit = an error term.

The study utilized the Ordinary Least Square (OLS) regression to examine the effect of audit quality on the financial performance of listed consumer goods manufacturing firms in Nigeria. The study used SPSS version 20.0 software for data analysis. Regression analysis is basically concerned with the study of the dependence of one variable (dependent variable) on one or more other explanatory or independent variables (regressors) with the view to finding out or estimating or predicting the mean or average value of the former in terms of known or repeated valued of the latter.

4. RESULT AND DISCUSSIONS

4.1 Data Analysis

Data collected are presented in summary form as used to carry out the various tests. The raw data collected from the financial reports and account of sample population is presented in the appendix to the work. The behaviour of the datas are discussed using the descriptive statistics in terms of the mean, maximum and minimum within the study period. The test of hypotheses is done using regression analysis.

Table 1: Return of Asset, Audit Independence, Audit Firm Size and Audit Fee

	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
Return on Asset	160	-18.28	26.49	5.4481	.58220	7.36436
Audit Independence	160	16.67	100.00	47.4557	.79705	10.08192
Audit Firm Size	160	.00	1.00	.7937	.03209	.40588
Audit Fee	160	400.00	624508.00	43771.3687	6656.04248	84193.01775

Valid N (listwise)	160					

Source: Researcher, 2024

From Table 1 shows that the minimum value of return on asset within the period of study is -18.28 while the maximum value is 26.49. The mean for return on asset within year 2012 to 2021 is 5.4481 and the standard deviation is 7.36436. Audit independence minimum value is 16.67 and its maximum value is 100.00. The mean value for audit independence is 47.4557 and standard deviation is 10.08192. Audit firm size has minimum value of 0.00 and maximum value of 1.00 with 0.7937 as the mean value and its standard deviation is 0.40588. Audit fee has 400.00 as minimum value with 624508.00 as the maximum value. Audit fee has 43771.3687 as mean value and has 84193.01775 as its standard deviation.

4.2 Test of Hypotheses

4.2.1 Hypothesis One

H_0: Auditors independence has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

H_1: Auditors independence has significant effect on the financial performance of listed consumer goods firms in Nigeria**.**

Table 1: ANOVA[a] Result: Audit Independence and Return on Asset

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	87.525	1	87.525	1.620	.205[b]
	Residual	8535.650	158	54.023		
	Total	8623.175	159			
a. Dependent Variable: Return on Asset						
b. Predictors: (Constant), Auditor Independence						

Source: SPSS Output, 2024

4.2.1.1 Decision: : Accept the alternate hypothesis if p-value is less than 0.05; otherwise reject and accept the null hypothesis. Since the p-value obtained (.205b) is greater than 0.05, we accept the null hypothesis and this shows that there is no significant relationship between auditor's independence and return on asset of consumer goods firms in Nigeria. This finding is inconsistent with observations made by Harrison (2015); Al-mamum, *et al.* (2014); Eshitemi and Omwenga (2016); Farouk and Hassan (2014) who in their studies discovered

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positive significant relationship between auditor's independence and firms financial performance.

4.2.2 Hypothesis Two

H_0: Audit firm size has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

H_1: Audit firm size has significant effect on the financial performance of listed consumer goods firms in Nigeria.

Table 2 ANOVA[a] Result: Audit Firm Size and Return on Asset

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	255.115	1	255.115	4.817	.030[b]
	Residual	8368.060	158	52.962		
	Total	8623.175	159			
a. Dependent Variable: Return on Asset						
b. Predictors: (Constant), Audit Firm Size						

Source: SPSS Output, 2024

4.2.2.1 Decision: : Accept the alternate hypothesis if p-value is less than 0.05; otherwise reject and accept the null hypothesis. Since the p-value obtained (.030b) is less than 0.05, we accept the alternate hypothesis and this shows that audit firm size is statistically significant to predict the ROA of consumer goods firms in Nigeria. This finding is consistent with observations made by Chen, Hsu, Huang and Yang (2013); Ilaboya and Ohiokha (2014); Slaheddine (2016); Farouk and Hassan (2014); Cheng, Chen and Chen (2018) who in their studies discovered that there is significant relationship between audit firm size and return on asset.

4.2.3 Hypothesis Three

H_0: Audit fee has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

H_1: Audit fee has significant effect on the financial performance of listed consumer goods firms in Nigeria.

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Table 3 ANOVA[a] Audit Fee and Return on Asset (ROA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.909	1	42.909	.790	.375[b]
	Residual	8580.266	158	54.305		
	Total	8623.175	159			

a. Dependent Variable: Return on Asset

b. Predictors: (Constant), Audit Fees

Source: SPSS Output, 2024.

4.2.3.1 Decision: : Accept the alternate hypothesis if p-value is less than 0.05; otherwise reject and accept the null hypothesis. Since the p-value obtained (.375b) is greater than 0.05, we accept the null hypothesis and this shows that audit fee is not statistically significant to predict the return of asset (ROA) of consumer goods firms in Nigeria. This finding is inconsistent with observations made by Sayyar, Basiruddin, Abdul-Rasid and Elhabib (2018) and Almomani (2018) who in their studies discovered that there is significant relationship between audit fee and return on asset, but consistent with observations made by Egbunike and Abianu (2017) study that revealed a negative and statistically insignificant relationship between audit firm size and return on asset.

CONCLUSION AND RECOMMENDATIONS

The study examined the relationship between audit quality and financial performance through the proxies of auditor's independence and return on assets, audit firm size and return on assets and audit fees and return of assets of consumer goods firms in Nigeria. Series of concepts, principles and contrasting views of scholars were discussed. An extensive review of literature on auditor's independence, audit firm size and audit fees and return on assets were undertaken. The results emanating from the study showed that all the proxies of audit quality (Auditor's independence and Audit fees) has negative and significant effect except Audit firm size which showed positive and significant effect on financial performance (Return on Assets) of listed consumer goods firms in Nigeria. Implicitly, proper monitoring alongside continuous engagement of Big4 professional accounting firms are determinants of financial performances.

Based on the findings above, we hereby recommended the followings:

a. Management of consumer goods firms should employ the service of one of the Big 4 audit firms.
b. Management should go for an audit firm whose character and integrity is beyond question.
c. Audit firms who have a solid reputation will be less likely to employ auditors who will be willing to go against their ethical standard; the audit firm itself would not like to engage in any activity that will dent its name. This is an added advantage for the management of the consumer goods firms and the shareholders alike, because rest assured, their interests will be duly protected.

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