AUDIT QUALITY AND PERFORMANCE OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

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Background: Audit quality is the process of detecting and identifying intentional and unintentional errors. **Aim:** This study investigates the relationship between audit quality and performance of listed consumer goods firms in Nigeria over a period of 10 years (2014 – 2023). **Methods:** This study used an ex-post facto research design. Data were sourced from the audited financial reports of eleven selected consumer goods firms quoted on the Nigerian Exchange Limited from 2014 to 2023. The aggregated data were examined using panel regression (generalized linear model), correlation, and descriptive statistics. **Results:** The study discovered that audit fees are negatively and significantly associated with performance, audit report lag is positively and insignificantly connected to performance, and audit committee size is positively but insignificantly related to performance at the listed consumer goods firms measured with earnings per share (EPS). The research suggested that firms should reduce the audit lag time of the financial reporting. Conclusions: Managers need to carefully negotiate audit fees based on the firms' capabilities without jeopardizing the auditor's independence. It is also important to focus on quality rather than quantity.

Keywords: **audit committee size, audit report lag, EPS, performance.**

JEL Classification*:* M40 M41

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Introduction

Quality audits act as financial guardrails, protecting companies against threats while leading them toward better performance. One method of enhancing a company's performance is via the effectiveness of auditors' services, commonly described as audit quality (Obaje & Ogririma, 2023). It is anticipated that a high-quality audit will improve management's efficacy and efficiency in financial management, which will boost organisational performance and maximise shareholder wealth. For financial stability, trust, and market confidence to be restored, an audit is essential (Egiyi, 2022). Audit quality is assessed by its ability to detect and identify significant monetary announcement fraud, including unintentional and purposeful errors, eliminate statistical imbalance between customers and the organisation, and safeguard shareholders' value (Velte, 2023). The literature has identified a number of factors, including audit fees, audit report latency, and audit committee size, that affect the quality of audits.

Audit fees serve as compensation that a client gives an auditor for expert services during an audit engagement. Audit fees affect audit quality as well as the expansion of accounting firms and the audit industry during the actual audit process (Agana et al., 2022). It is widely believed that high audit fees are indicative of high-quality audits, reflecting the extensive resources and diligence devoted to the engagement (Oyedokun et al., 2024). Studies have shown that audit fees can offer greater explanatory power than auditor size in capturing variations in the degree of financial disclosure. This suggests that fees paid to the auditors are a strong indicator of the resources dedicated by audit firms, which directly influences the perceived quality of the audit. Due to the highly regulated nature of the audit market, the accounting literature agrees that audit fees represent the work of auditors, which limits potential excess earnings (Oyedokun et al., 2024).

Recent events, including the Enron scandal in 2001, Parmalat in 2003, Cadbury Nigeria Plc in 2006, Afribank Nigeria Plc in 2009, Intercontinental Bank Plc in 2009, and Skye Bank Plc in 2018, have raised serious concerns regarding the audit quality of the financial performance of various sectors in Nigeria (Amahalu & Obi, 2020). Extensive research has drawn attention to the role of audit quality in guaranteeing the reliability of financial reports. Audit quality, often influenced by factors such as audit fees, audit report lag, and audit committee size, serves as a critical measure for safeguarding the interests of stakeholders and promoting sound corporate governance (Oradi, 2021). Prior studies have extensively assessed audit fees, audit report lag, and audit committee size as benchmarks for audit quality. Wen et al. (2023) posited that higher audit fees often show a more thorough and extensive audit process, which should lead to greater confidence in financial reports. Similarly, Cho et al. (2021) highlighted that adequately compensated auditors are prone to dedicate the time and resources necessary to produce high-quality audits. However, critics argue that exorbitant fees may compromise auditor independence, leading to conflicts of interest and potentially undermining audit quality (Oradi, 2021). Aly et al. (2023) found that prolonged audit report lags could reflect challenges such as complex financial reporting or inefficiencies in the audit process. On the other hand, shorter report lags may signal rushed audits that compromise quality.

This study seeks to explore the relationship between audit quality and the performance of listed consumer goods companies in Nigeria.

Theoretical background

Auditing has been viewed as ensuring a sufficient level of assurance that omissions emanating from fraud and error, which are substantial to the accounting records, are ascertained (Yeboah, 2020). The primary objective of an audit exercise is to ensure that the management prepares and discloses transparent and reliable financial information (Madugba et al., 2021). The measure of how an auditor's transparency, integrity, and fairness affect their assessments of the quality of the financial statement can be used to gauge the level of audit quality (Amahalu & Obi, 2020). Audit quality refers to the factors that shape an auditor's ability to guarantee that financial reports are free from significant misrepresentations arising from mistakes or fraudulent activities and to guarantee that any identified deficiencies are corrected or appropriately disclosed in the audit findings. (Uche & Ndubuisi, 2021).

Soyemi (2020) describes audit quality as the duty of the auditor to identify significant inaccuracies in financial statements during the audit engagement and disclose them appropriately, with audit quality being achieved when the auditor complies with established auditing principles. Such principles embody professional attributes, including expertise, objectivity, adherence to reporting guidelines, and sufficiency of evidence. Stakeholders associate audit quality with improved performance

when auditors conclude that no significant misstatements or fraudulent activities exist. (Meidona & Yanti, 2018). Compared to low-quality auditing firms, high-quality auditing firms are able to identify fraudulent accounting procedures by clients and report substantial errors and misstatements (Obaje & Ogirima, 2023). Consequently, audit quality assumes a key role in the audit process (Wardani & Waskito, 2022).

The significance of audit quality to the auditor's role and profession is well recognized, as audited financial statements would lose their relevance to stakeholders in its absence. (Gana et al., 2020). High audit quality is anticipated to enhance management's effectiveness and efficiency in financial oversight, thereby fostering organizational performance and maximizing shareholder value. Audit quality has a substantial implication for the organization's performance since it strengthens stakeholders' trust, curbs earnings manipulation, and fosters better alignment of the correlation between the audit committee and financial reporting practices. (Ogungbade et al., 2021). Carp and Istrate (2021) explained that an independent auditor is employed to present an independent assessment of the truthfulness and fairness of the annual reports of an organization to enhance investors' trust in the integrity of its financial reports. One of the major concerns when confronting investors is the auditors' incapacity to uncover significant errors and fraud in corporate financial statements, casting doubt on the reliability of such reports in Nigeria. Audit quality denotes the auditor's ability to discharge their professional duty in carrying out a high-standard audit. It improves the auditor's ability to uphold the trustworthiness of financial statements through the recognition, communication, and examination of discrepancies in clients' accounts. Conversely, low-quality accounting information can cause significant economic disruptions and foster a greater incidence of management fraud in the future (Herdiansyah & Kuntadi, 2022). A high-quality audit improves trust in the reliability and accuracy of financial reports, which are important for market stability and boosted financial performance (IIoba & Okolie, 2024; Farouk & Hassan, 2014). To gain the user's trust and confidence in financial statements, the authorities must update the auditing standards to guarantee the audit report's utility and transparency. In this study, the indicators of audit quality employed include audit fees, audit report timeliness, and the size of the audit committee.

This research outlines several theories associated with audit quality. Among these are agency theory, stakeholder theory, signaling theory, the theory of inspired confidence, and lending credibility theory.

Agency theory is concerned with the interaction between the principal and agents. The principal appoints agents to act on their behalf and it is expected that the agents to represent the principal in certain business activities without distressing the principal's welfare.

Stakeholder theory describes the interaction between organizations and their external context. A stakeholder refers to any individual or entity capable of influencing or being influenced by an organization. Stakeholders encompass all individuals and groups with either a direct or indirect stake in the organization's activities.

Signaling theory indicates that companies that perform well utilize financial reporting transparency for market communication.

The Theory of Inspired Confidence focuses on the dynamics of both the needs and availability of audit services. According to the theory, the auditor's pivotal role in society stems from the necessity for skilled and unbiased assessments and the expectation of fair and independent opinions formed through these examinations.

Lending credibility theory proposed that the core of audit service is to increase the relevance and dependability of management-prepared financial statements, which, at the same time, is the agent who carries out the running and operation of the company.

Empirically, Ogiriki and Ebiware (2025) investigated the relationship between audit quality and earnings per share of Nigerian listed industrial firms from 2019 to 2023. The study drew on a sample of thirteen (13) quoted industrial companies and employed an ex-post facto research design. Results indicated that audit fees show a positive and significant linkage with earnings per share, while audit report lag demonstrates a negative and significant association with earnings per share of listed industrial firms in Nigeria.

Oyedokun et al. (2024) analyzed the relationship between audit quality and earnings per share among insurance firms listed in Nigeria over a five-year span. The study drew on 22 publicly quoted insurance companies and employed an ex-post facto design. The evidence showed that audit independence negatively and significantly affects earnings per share, whereas audit fees and audit firm size positively and significantly influence earnings per share.

Aeni-Agbaje and Oluyori (2024) analyzed the relationship between audit quality and financial performance among selected Nigerian deposit money banks between 2014 and 2023. Using data from twelve (12) publicly traded banks and applying an ex-post facto research design, the study found that auditor independence negatively but insignificantly affects financial performance, audit committee size has a positive, though insignificant impact, whereas audit firm size contributes positively and significantly to the financial performance of listed deposit money banks.

Iloba and Okoli (2024) examined the effect of audit quality indicators on firm performance in Nigeria between 2012 and 2021. The research was based on a sample of 15 consumer goods companies quoted on the Nigerian Exchange and applied descriptive statistics, correlation analysis, panel unit root tests, Pedroni residual cointegration, and multiple regression methods. Results indicate that audit independence and audit firm size have negative and significant impacts on firm performance, while the study concludes that audit quality indicators as a whole significantly influence firm performance in Nigeria

Onwubiko and Nwankwo (2024) focused on examining the effect of the relationship between audit quality and the financial performance of conglomerates in Nigeria, examined over twelve years (2011–2021). The research applied purposive sampling and considered six firms. Evidence suggests that audit firm size and audit fees negatively affect financial performance, while audit tenure positively influences financial performance.

Methodology

This study adopts an ex-post facto research design to examine the link between audit quality and the financial performance of consumer goods firms listed in Nigeria. The design is suitable as it enables the observation of relationships among the variables. The study population comprises twenty-one consumer goods companies listed on the Nigerian Exchange Limited as of September 10, 2024. The sample sizes are eleven (11) listed consumer goods firms (Cadbury Nigeria, Dangote Sugar Refinery Plc, Unilever Nig Plc, Honeywell Flour Mill, Nestle Nig Plc, PZ Cussons Nigeria, Nigerian Breweries, Vita foam Nig Plc, Guinness Nig Plc, Nigerian Enamelware Plc and Nascon Allied Industries Plc) with their audited annual report which spans from 2014 to 2023. The sample sizes are only selected due to the availability and accessibility of the annual reports**.**

The mathematical model for this study is expressed as

EPS= f (AF, ARL, ACS, LEV, FZ)

The panel regression technique was applied to assess the relationship involving the five explanatory variables.

$EPS_{it} = \alpha + \beta_1 AF_{it} + \beta_2 ARL_{it} + \beta_3 ACS_{it} + \beta_4 LEV_{it} + \beta_5 FZ_{it} + \mu_{it}$

Where; α= constant, EPS = Earnings Per Share, AF= Audit Fees, ARL= Audit Report Lag , ACS= Audit Committee Size, LEV = Leverage , FZ = Firm Size, μ_{it} = error term , i= firm, t = time

Table 1: Variable Description

VARIABLES	VARIABLES TYPE	MEASUREMENTS
Earning Per Share (EPS)	Dependent Variable	Net profit after tax/ Number of outstanding shares
Audit Fees (AF)	Independent Variable	Natural log of the total fees paid by the company.
Audit Report Lag (ARL)	Independent Variable	The number of days between the date of the financial year-end and the date of the auditor's report.
Audit Committee Size (ACS)	Independent Variable	Total number of members of the audit committee.
Leverage (LEV)	Control Variable	Total debts/Total Assets
Firm Size (FZ)	Control Variable	Log of total assets.

Source:Author's Computation (2025)

4.0 Result and Discussion

Table 2: Descriptive Statistics Results

	EPS	AF	ARL	ACS	LEV	FZ
Mean	0.087903	10.22769	1.885302	5.718182	0.626997	7.861214
Median	0.019400	10.19768	1.913814	6.000000	0.625937	7.974781
Maximum	1.002600	12.10282	2.324282	7.000000	1.134133	8.929215
Minimum	0.000400	8.517193	1.431364	4.000000	0.041186	6.489117
Std. Dev.	0.171272	0.685780	0.149442	0.576796	0.164177	0.578851
Skewness	2.843626	-0.338323	-0.025273	-0.186283	0.099938	-0.499481
Kurtosis	11.46582	3.734746	4.064128	2.898629	4.445920	2.666500
Observation	110	110	110	110	110	110

Source: Author's Computation (2025)

The mean reflects the average magnitude of the values of each variable. The means for EPS, AF, ARL, ACS, LEV, and FZ are 0.087903, 10.22769, 1.885302, 5.718182, 0.626997, 7.861214, respectively.

The median shows the midpoint that occurs when the variables are organized sequentially in increasing or decreasing order. For the median, the EPS, AF, ARL, ACS, LEV and FZ are 0.019400, 10.19768, 1.913814, 6.000000, 0.625937, and 7.974781, respectively.

Maximum indicates the highest value of the given set of each variable. The maximum values for EPS, AF, ARL, ACS, LEV, and FZ are 1.002600, 12.10282, 2.324282, 7.000000, 1.134133, and 8.929215, respectively. The minimum denotes the least observed value among the variables. The minimum values for EPS, AF, ARL, ACS, LEV and FZ are 0.000400, 8.517193, 1.431364, 4.000000, 0.041186, and 6.489117, respectively.

The standard deviation serves as a statistical tool that measures the extent of variation or distribution within a dataset. Frequently used as a proxy for risk and unpredictability, a low standard deviation suggests data values lie close to the average, while a high value reflects substantial dispersion around the mean. The distribution range of the sample series for EPS, AF, ARL, ACS, LEV, and FZ are 0.171272, 0.685780, 0.149442, 0.576796, 0.164177 and 0.578851, respectively. This indicates that the data are close to the mean.

Skewness is a statistical metric that evaluates the degree of imbalance in a probability distribution around its mean, indicating whether the distribution leans to the left (negative skew) or to the right (positive skew). A positive skewness implies that the right tail extends farther than the left, whereas a negative skewness indicates that the left tail is more stretched than the right. EPS and LEV, with the values of 2.843626 and 0.099938, respectively, indicate a positive skewness, while AF, ARL, ACS and FZ, with the values of -0.338323, -0.025273, -0.186283 and -0.499481, respectively, indicate a negative skewness.

Kurtosis measures the peakedness of a probability distribution. It measures how the extreme values of a probability distribution show departures from those observed in a normal distribution. If the kurtosis is above 3, it means there is a high peak and otherwise, if it is less than 3, it has a low peak. The kurtosis in the descriptive statistics results shows that EPS, AF, ARL and LEV have a high peak with the values of 11.46582, 3.734746, 4.064128, and 4.445920, respectively, while ACS and FZ have a low peak of 2.898629 and 2.666500, respectively.

The table below indicates that EPS is positively correlated to AF, ACS, LEV and FZ with values of 0.045660, 0.076884, 0.393123 and 0.27808, respectively. This indicates that as EPS increases, AF, ACS, LEV and FZ also increase respectively. EPS is negatively correlated to ARL with a value of -0.179923, which indicates that as EPS decreases, ARL also decreases.

Table 3: Correlation Matrix

	EPS	AF	ARL	ACS	LEV	FZ
EPS	1.000000					
AF	0.045660	1.000000				
ARL	-0.179923	-0.259160	1.000000			
ACS	0.076884	-0.094630	-0.090685	1.000000		
LEV	0.393123	-0.209529	-0.134810	-0.158162	1.000000	
FZ	0.278085	0.832163	-0.482029	0.029306	-0.124119	1.000000

Source: Author's Computation (2025)

Table 4: Fixed Effect Regression Result

Dependent Variable: EPS Framework: Panel Least Squares

Variables	Co- efficient	Std. Error	t-Statistics	Prob.
C	-0.213281	0.528025	-0.403921	0.6872
AF	-0.052658	0.041365	-1.273006	0.2062
ARL	-0.013159	0.103058	-0.127688	0.8987
ACS	-0.027867	0.019546	-1.425719	0.1573
LEV	0.090416	0.074168	1.219074	0.2259
FZ	0.123037	0.666856	1.840341	0.0689
R- squared	0.707222			
Adjusted R-squared	0.660503			
F- statistics	15.13752			
Prob (F- F-statistics)	0.000000			
Durbin Watson stat.	1.107619			

Source: Author's Computation (2025)

In Table 4.3, the equation was used to formulate the model linearly.

$EPS_{it} = \alpha + \beta_1 AF_{it} + \beta_2 ARL_{it} + \beta_3 ACS_{it} + \beta_4 LEV_{it} + \beta_5 FZ_{it} + \mu_{it}$

Through the evaluation of the above equation using the cross-sectional fixed effect specification and incorporating the variable values, the results of the regression model are linearly formulated as; The EPS fluctuates at -0.213281 under the model's coefficient, or constant. This indicates that EPS will change to -0.213281 if AF, ARL, ACS, LEV, and FZ are held. A negative association is seen from the equation, where AF equals -0.052658. With an ARL of -0.013159, a negative association is evident. With an ACS of -0.027867, a negative association is evident. The positive association is demonstrated by the respective values of LEV and FZ, which are 0.090416 and 0.123037.

To determine if each variable is significant under the T-statistic, calculate t ($\alpha/2$, n-k) at the 5% level of significance.

The t- tabulated for the t (0.05/2, 110 - 6), t (0.025, 104) = 1.984

Since the t- tab > Tcal, we accept the null hypothesis for each variable.

If the t-tab <Tcal, accept the null hypothesis; otherwise reject null hypothesis.

The F-statistic is employed to test for a joint hypothesis. If F-stat > Fcal, the null hypothesis will be rejected or otherwise will be accepted. In order to test the joint hypothesis that AF, ARL, ACS, LEV and FZ are jointly affecting the dependent variable EPS at the level of significance of 5%.

Based on the F-test, assessing whether the variables are statistically significant involves evaluating $F\alpha$ (k-1, n-k) using 5% level of significance.

Where: α =5% (0.05), k=6 (number of parameter), n=110 (number of observation)

Using the F-statistic table, the result derived is 2.482

Therefore, as the F-statistic exceeds F0.05(5,104) (15.13752 > 2.482), the null hypothesis is rejected, indicating that EPS is jointly influenced by AF, ARL, ACS, LEV, and FZ among the listed consumer goods firms in Nigeria.

The joint hypothesis was tested using the P-value of the F-statistic, where the null is rejected if the P-value falls below the level of significance. The regression results show a P-value of 0.000000, which is lower than 0.05. Thus, the null hypothesis is rejected, suggesting that the independent variables have a combined significant effect on the dependent variable.

The coefficient of determination (R^2) gauges the explanatory power of the regression model, showing the fraction of variance in the dependent variable explained by the regressors. A value of 1 implies an ideal fit. In this study, R^2 = 0.707222 (70.72%) indicates that the independent variables account for 70.72% of the variation in the dependent variable. The remaining 29.28% is linked to the error term. Since the R^2 is relatively close to 1, the regression demonstrates a satisfactory fit.

Table 5: Random Effects Regression Result

Dependent Variable: EPS Method: Panel EGLS (Cross-section random effects)

Variable	Co-efficient	Std. Error	t-Statistics	Prob.
C	-0.571079	0.387872	-1.472338	0.1439
AF	-0.091014	0.035802	-2.542136	0.0125
ARL	0.050418	0.094240	0.534998	0.5938
ACS	-0.011521	0.018676	-0.616922	0.5386
LEV	0.209552	0.069999	2.993635	0.0034
FZ	0.181815	0.049331	3.685602	0.0004
R- Squared	0.170514			
Adjusted R- Squared	0.130635			
F- statistics	4.275779			
Prob. (F-statistics)	0.001412			
Durbin Watson stat.	0.879966			

Source: Author's Computation (2025)

Adjusted R^2 represents a modification of R-squared that corrects for the inclusion of additional explanatory variables. It rises only when a variable contributes meaningfully to improving the model's explanatory power. As indicated in Table 4.3, the adjusted R^2 is 0.660503 (66.05%).

To determine whether autocorrelation exists, the Durbin-Watson (DW) test is applied to examine the presence of autocorrelation by evaluating the upper and lower bounds of the observations. The calculated DW value is 1.107619, while the tabulated upper and lower bounds are 1.724 and 1.414, respectively. Since the computed DW falls outside the tabulated range, it suggests that autocorrelation is absent in this case.

The model was linearly stated using the equation from table 4.4 above.

$EPS_{it} = \alpha + \beta_1 AF_{it} + \beta_2 ARL_{it} + \beta_3 ACS_{it} + \beta_4 LEV_{it} + \beta_5 FZ_{it} + \mu_{it}$

The following results from fitting the values into the model: The following is a linear expression of the regression model's outcome when the preceding equation model is examined using the cross-sectional random method:

EPS= -0.571079 -0.091014AF + 0.050418ARL -0.011521ACS+0.209552LEV+ 0.181815FZ

Standard error (0.387872) (0.035802) (0.094240) (0.018676) (0.069999) (0.049331)

From the regression output, the constant parameter in the model for the EPS changes at -0.571079, which means if AF, ARL, ACS, LEV and FZ are held constant, EPS will change at -0.571079. From the equation, AF is- 0.091014, which reveals a negative relationship exists; ARL is 0.050418, which reveals a positive relationship exists; ACS is -0.011521, which reveals a negative relationship

exists; LEV is 0.209552, which reveals a positive relationship exists, and FZ is 0.181815, which reveals that a positive relationship exists.

Within the framework of the t-statistic, the significance of each variable is determined, to find t (α/2, n-k) using 5% level of significance.
The t- tabulated for the t (0.05/2, 110 - 6), t (0.025, 104) = 1.984
Since the t- tab > Tcal, we accept the null hypothesis for each variable.

The F-statistic is employed to test for a joint hypothesis. If F-stat > Fcal, the null hypothesis will be rejected or otherwise will be accepted. In order to test the joint hypothesis that AF, ARL, ACS, LEV and FZ are jointly affecting the dependent variable EPS at the level of significance of 5%.

To determine if each variable is statistically significant under the F-statistic, we must use the 5% level of significance to calculate Fα (k-1, n-k).
where k = 6 (number of parameters), n = 110 (number of observations), and α = 5% (0.05)
The value obtained using the F-statistic table is = 2.482.
Therefore, the null hypothesis is rejected since the F-statistic exceeds the critical value (F0.05(5,104) = 2.482; 4.275779 > 2.482), indicating that EPS is jointly influenced by AF, ARL, ACS, LEV, and FZ among the listed Nigerian consumer goods firms.

According to the P-value of the F-statistic applied to the joint hypothesis test, rejection of the null occurs if P-value < significance level, while acceptance applies if P-value > significance level. From the regression results, the reported P-value is 0.001412, which falls below 0.05. Consequently, the null hypothesis is rejected, indicating that the independent variables jointly influence the dependent variable.

R^2 serves as an indicator of model adequacy, describing the proportion of variation in the dependent variable accounted for by the independent variables. A perfect fit corresponds to an R^2 of 1. From the regression output in the table, the coefficient of determination (R^2 = 0.170514 or 17.05%) reveals that 17.05% of the changes in the dependent variable are explained by the predictors, while 82.95% stems from residual error. Higher R^2 values signify better explanatory capability of the model.

Adjusted R^2 represents a modification of the standard R^2, correcting for the number of predictors in the regression model. It increases only if the inclusion of a variable contributes meaningfully to model improvement. As shown in Table 4.4, the Adjusted R^2 is 0.130635 (13.06%).

The Durbin–Watson test assesses whether serial correlation exists in the residual terms. It evaluates against both lower and upper decision limits. In the regression results, the DW statistic is 0.879966, compared with tabulated bounds of 1.041 (upper) and 0.755 (lower). Because the computed value lies within this interval, the result indicates the presence of autocorrelation.

Table 6: Hausman Test Result

Correlated Random Effects - Hausman Test

Test Summary	Chi-Sq. Statistics	Chi-Sq. d.f.	Prob.
Cross-section random	31.317202	5	0.0000

Source: Author's Computation (2025)

The Hausman test is conducted to determine whether the random effects model is suitable compared to the fixed effects model by evaluating the correlation between random effects and the independent variables. From Table 4.5, the chi-square value is 31.317202 with a p-value of 0.0000, below the 5% significance level. Following the decision rule, a p-value below the threshold leads to rejection of the random effects model in favor of the fixed effects model. Since 0.0000 < 0.05, the fixed effects specification is considered appropriate.

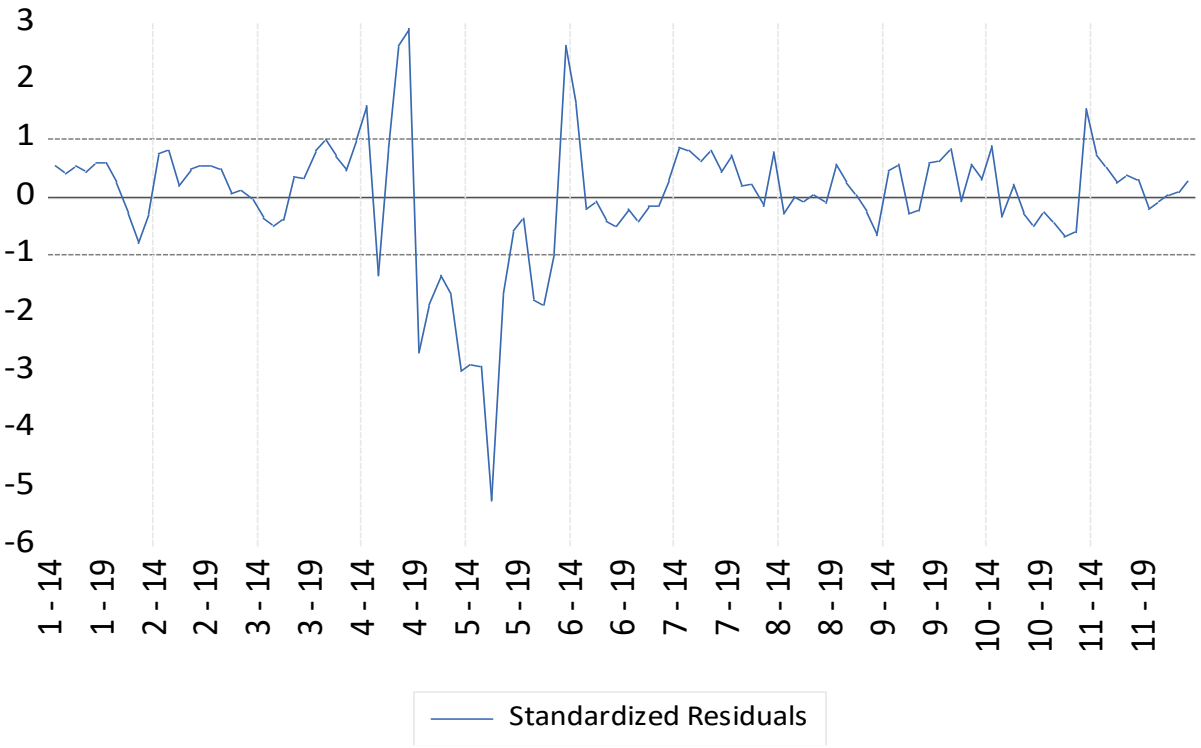

Fig 1: Heteroskedasticity Test Result

A test for heteroskedasticity was performed to evaluate the appropriateness of the regression model. The standardized residual plot for the chosen model with cross-sectional random effects is shown. As shown in Table 4.6, the dataset reveals irregularities, with outliers representing observations markedly different from the rest. The outcome confirms the presence of heteroskedasticity, violating the classical OLS assumptions. To address this, the generalized linear model (GLM) correction was applied.

The regression results in Table 7 indicate a capacity test of the model using the GLM method to adjust the heteroskedasticity. The results do not correspond to random effects (shown by the Hausman test). This shows the regression results are not being biased due to the presence of the outliers. Therefore, the hypothesis was tested using GLM.

Table 7: Generalized Linear Model

Generalized Linear Model Test Result Dependent Variable: EPS Method: Generalized Linear Model (Newton-Raphson /Marquardt steps)

Variable	Co-efficient	Std. Error	z-Statistics	Prob.
C	-1.280074	0.425884	-3.005689	0.0026
AF	-0.122853	0.038634	-3.179913	0.0015
ARL	0.168947	0.110195	1.533168	0.1252
ACS	0.025856	0.024639	1.049414	0.2940
LEV	0.442383	0.088184	5.016564	0.0000
FZ	0.239242	0.049286	4.854160	0.0000

Source: Author's Computation (2025)

As shown in Table 7, the model is formulated in a linear equation

$EPS_{it} = \alpha + \beta_1 AF_{it} + \beta_2 ARL_{it} + \beta_3 ACS_{it} + \beta_4 LEV_{it} + \beta_5 FZ_{it} + \mu_{it}$

After fitting the variables into the model, the expression becomes: When assessed through the generalized linear model framework, the regression output is linearly represented as follows:

EPS = -1.280074 -0.122853AF +0.168947ARL +0.025856ACS +0.442383LEV + 0.239242FZ
Standard error (0.425884) (0.038634) (0.110195) (0.024639) (0.088184) (0.049286)

EPS is equal to -0.1280074 based on the coefficient, the model's constant term, α, representing the value of the dependent variable when all predictors (AF, ARL, ACS, LEV, and FZ) are held constant. When other factors are maintained constant, EPS will fluctuate negatively by -0.1280074. According to the equation, a negative relationship is indicated by AF of -0.122853; a positive relationship is indicated by ARL of 0.168947; a positive relationship is indicated by ACS of 0.025856; a positive relationship is indicated by LEV of 0.442383; and a positive relationship is indicated by FZ of 0.239242.

Decisions to accept or reject each hypothesis are made based on the P-value of the corresponding variable to assess statistical significance. If the P-value is less than the chosen significance level, the null hypothesis is rejected. For ARL and ACS, the P-values are 0.1252 and 0.2940, respectively, both exceeding 0.05, so the null hypothesis is retained. Conversely, the P-values for AF, LEV, and FZ are 0.0015, 0.0000, and 0.0000, all below 0.05, leading to rejection of the null hypothesis.

Discussion of Findings

Audit fees (AF) have a negative and significant relationship with the performance of listed consumer goods firms in Nigeria. This means that the higher the audit fees, the lower the earnings per share, which is likely due to the cost burden. This finding is consistent with Agana et al. (2022) and Ado et al. (2020) and against the finding of Enekwe et al. (2020). The manager needs to monitor audit costs, as high costs do affect performance.

The performance of Nigerian listed consumer goods companies is positively and insignificantly correlated with audit report lag (ARL). This indicates that audit report lag does not have a strong statistical effect on earnings per share. These findings are in line with Afolabi and Fawale (2022) but deviate from Agana et al. (2022) findings. Under audit committee size and performance, there is a positive and insignificant relationship between the variables. This implies that larger audit committees do not significantly influence performance. The implication of the audit report and the audit committee size is that neither significantly influences earnings per share, which means there is a need for governance to focus on quality rather than quantity.

Leverage has a positive and significant relationship with performance. This means the higher the leverage, the higher the earnings per share. Debt financing improves earnings per share, but there is a need for managers to balance the risk involved.

Firms' growth shows a positive and significant relationship with performance. This means the larger the firms, the better the performance the firms report. There is a need for firms to consider growth strategies such as mergers or expansion of business.

Conclusion

From the study, audit fees, leverage and firms' sizes are the most critical drivers that affect EPS negatively (audit fees) or positively (leverage and firms' sizes). Audit committee size and audit report lag show limited impact on performance. In conclusion, leverage appears more influential than Audit committee size and audit report lag in determining earnings per share.

The recommendations from this study are:

Firms should carefully negotiate audit fees and ensure a value-for-money audit.

There is a need to focus on firms' expertise, independence, and effectiveness of audit committees instead of increasing committee size

It is advised that firms explore ways to reduce lag time to improve operational efficiency because timely financial reporting is very important for investor confidence and decision-making

Leverage should be optimized by using debt to boost return without exposing the firm to insolvency risk.

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